



## Partners and Priorities for Bangladesh: Development Aid Effectiveness

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**Mohammad Rafiqul Islam Talukdar**

*Asian University of Bangladesh, Dhaka-1230*

Corresponding author: rafiqul.talukdar@gmail.com

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### ABSTRACT

From 1980s onward donors are increasingly focusing on sector based programmes and development assistances with interest-bearing loans to concession-based finance as well as conditional aid to unconditional grants. Recent trends under different aid modalities support that the priority sectors for Bangladesh are education, health, agriculture, rural and urban development, infrastructure and energy, environment and climate change adaptation, gender and development, and good governance through public sector reform initiatives including the macro-economic reform efforts. Presently both the aid modalities and sector based programme outcomes are central to the debate on aid effectiveness in Bangladesh. Considering the above mentioned aspects, the current round of studies on aid effectiveness is focusing on the overall effectiveness of the development assistance in Bangladesh following the qualitative focused synthesis method. This research article has tailored a historical retrospective analysis of the development assistance in Bangladesh, followed by a subjective assessment of donors, critical analysis of civil society of the recipient country and the balancing analysis of the recipient government on the aid effectiveness.

**Keywords:** Aid, assistance, Bangladesh, development, donors, effectiveness

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Bangladesh emerged as an independent South-Asian country on 16 December 1971 splitting from Pakistan through a nine-month liberation war. Aftermath of the victory, recovering the economic and financial infrastructure of this war-born country was a great challenge for the national leaders. This challenge stressed back with the famine in 1974, assassination of the father of the nation in 1975, military coups in 1975, 1982, and severe floods in 1998 and 2004, and so on.

*The Economist*<sup>1</sup>, in this regard, points out the fact that economic growth in Bangladesh since the 1970s has been poor, and the country's politics have been unremittingly wretched; yet over the past 20 years, Bangladesh has made some of the biggest gains in the basic condition of people's lives.

According to Asian Development Outlook (ADO) 2012, in the year 2012 in Bangladesh, the net inflows of foreign assistance declined, although FDI inflows rose

marginally. Also, utilization of annual development program would have fallen short of allocation. Furthermore, updated ADO (2012) identified that growth in FY2012 was close to ADO 2012 projections, in spite of the fact that trade flow was slowing by more than expected. Inflation stayed high as forecast, but the current account posted a surplus rather than a deficit.

For FY2013, this *update* retained ADO 2012 growth and inflation projections but revised down the current account deficit. A comprehensive medium-term program supported by the International Monetary Fund (IMF) was adopted to counter emerging economic imbalances and foster rapid, sustainable, and inclusive growth. An immediate challenge was to cut subsidies by raising fuel and electricity prices as planned, to switch spending toward building badly needed infrastructure.

ADO 2016 (ADB, 2016a) has identified that this country's growth was resilient in FY2015 in spite of the hindered

exports and private investment due to political unrest of that time. Also, in the next 2 years (FY2016 and FY2017), its growth is likely to extend steadily. Furthermore, recently drafted Seventh Five-Year Plan of the country aims to achieve 8% GDP growth and wishes to progressively expand investment from 29% of GDP to 35% of the same within FY2020.

Regarding development assistance, notably, there is a growing trend towards the delivery of aid through *Direct Budget Support (DBS)*, where financial support is channeled directly to a recipient government, usually through the Ministry of Finance, in a context where conditionality is arguably less oppressive and negotiated in advance in the context of policy dialogue and development partnerships (Beal, 2005:4). In developing countries like Bangladesh, there is also practice of supporting to the call for *Local Fund* that is implementable through bottom-up development approach and with the civil society as well as stakeholder engagement, and this is equally popular concept.

Considering the above mentioned country context and abridged development assistance modality, the current round of studies on development aid effectiveness is trendily tailoring a synergetic effectiveness of the cross-sectoral assistance in the country. This is a qualitative, descriptive as well as analytical study by nurture. It allows reviewing published literature, project documents and empirical evidence, observing web and media, and analyzing anecdotes. It also counts evidence from past professional experience. As such, in general, it falls under *focused synthesis method*. This write-up expressly presents a *historical glimpse* of the development assistance in Bangladesh from 1971 to 2016 and makes a *comparative assessment* in assessing the overall aid effectiveness in the country. Following the subjective assessment of donors and critical analysis of civil society of the recipient country, it focuses on the third dimension - balancing analysis of the recipient government on development aid effectiveness.

### Historical Outlook

After independence in December 1971, Bangladesh had to accept an inherited debt liability of US\$483 million against the projects that were completed before

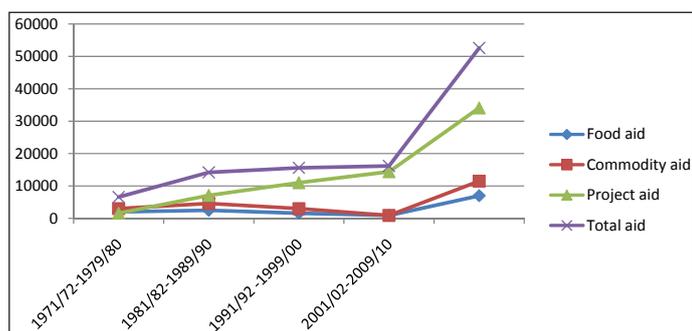
independence and physically located on the territory of the erstwhile East Pakistan which is now Bangladesh (Sobhan, 1982). The development of first twenty years of the independent country was basically foreign aid based, when primary focus was relief, rehabilitation and repairing basic damages incurred during the liberation war, followed by food security, country-wide infrastructure development and structural adjustment. Initial direct support came from India and Russian governments, while other development agencies' humanitarian support went under the coordination of United Nations Relief Operations in Bangladesh (UNROB).

The first five-year plan of the country, launched in 1973, identified the inadequacy of available domestic resources to run the economic and development portfolio of the country, and thus it stressed the government to depend absolutely on foreign aid to sustain with some level of development activities. And this was the time when leading development agencies came into operation in Bangladesh. Sobhan (1990) notes down that 10% of the GDP and 100% of the ADP were financed with foreign aid till the end of the 1980s. Throughout the 1980s the dominant development support, indeed, came from the World Bank (WB) under the structural adjustment policy of the IMF and WB, while other leading development partners were Asian Development Bank (ADB) and Government of Japan.

Democratic regime of the country, started in early 1990s, and it opened the door for growth and development, which is being progressively continued until now. Throughout the 1990s the dominant development assistance approach here followed the policy lending, a revised discourse of structural adjustment policy (SAP) to development, which focused basically on the policy reforms as assistance conditionality.

2002 onwards, the lead modality of foreign assistance is tailored under more flexible and less dominant conditionality that could be negotiated in advance under the framework of poverty reduction strategy paper (PRSP)<sup>2</sup> that allows policy dialogue with the local consultative groups and in the context of development partnerships.

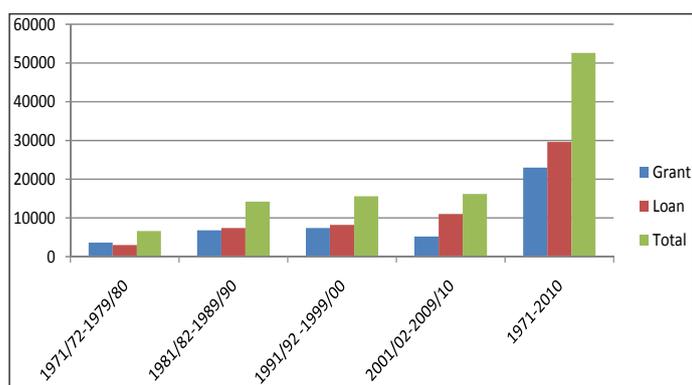
Figure 1 below shows a crystal-clear flow of external assistance into Bangladesh during the 40 years (from 1971 to 2010). During the period of those four decades, the total sum of foreign aid was approximately US\$ 52.6 billion (US\$ 6.6 billion in the first decade of Bangladesh's independence 1971-1980, US\$ 14.2 billion in the second decade during 1981-1990, US\$ 15.6 billion in the third decade during 1991-2000, and US\$ 16.2 billion in the fourth decade during 2001-2010).



Source: Based on Aid Effectiveness Unit Memo 2011, ERD, Ministry of Finance, Government of Bangladesh

Fig. 1: Flow of foreign aids (US\$ Millions)

Fig. 2 demonstrates proportion of grant and loan out of the available foreign assistance into Bangladesh during the same period mentioned at Fig. 1 above. Out of the total inflow as development assistance (US\$ 52.6 billion), grant and loan were respectively US\$ 23 billion and US\$ 29.6 billion.



Source: Based on Aid Effectiveness Unit Memo 2011, ERD, Ministry of Finance, Government of Bangladesh

Fig. 2: Proportion of Grant and Loan (1971/72—2009/10 in US\$ Millions)

According to ERD (2016),<sup>3</sup> from 2009-10 to 2015-16 (up till February 2016), agreed amount of foreign assistance is US\$ 32.4 billion, out of which grant, and loan amounts are respectively US\$ 4.7 billion and US\$ 27.7 billion. However, the disbursement so far made up till Feb 2016 is only US\$ 17.14 billion (out which grant US\$ 4.28 billion and loan US\$ 12.86 billion). Within the seven years of the incumbent government average (per year) foreign aid (including grant and loan) commitment value is US\$ 4.63 billion, while the disbursement rate of the same is just US\$ 2.45 billion. It reveals that within the given time almost full grant amount is disbursed, while just less than 50% of committed loan amount is disbursed.

As the economy has grown, the flow of aid as a proportion of gross domestic product (GDP) or a percentage of investment has declined over time. Quibria (2010) cites World Bank (2007) that in 1970s, soon after independence, external resources financed more than 70 percent of the country's investment, but this had fallen to less than 10 percent in 2005. Quibria (2010) further points out the fact that this reflects on the one hand the government's relative success in mobilizing domestic resources and on the other, the increasing vigor of the private sector.

Undoubtedly official development assistance is a vital source of foreign exchange, but its importance is declining over the years as other sources of foreign currency, for instance, exports and workers' remittances, are hiking up. Also, Bangladesh's external debt is under prudential limits and much of the debt - approximately 90 percent - is for the long term. ADB (2009a) identifies that the total external debt, as of 2008, was slightly above US\$20 billion, which was equivalent to about 26 percent of GDP.

### Development Sectors and Agencies

Among the several sectors of highest priority for Bangladesh, education, health, poverty reduction, and human development rank as the most integral. Besides the sectors mentioned above, environmental management and gender equity, water and sanitation, urban development, private-sector growth are also extremely important.

The focus of the country's development partners vary - the World Bank (WB) on good governance; the Asian Development Bank (ADB) on agriculture and rural development, energy, infrastructure, and transport development; United Nations Development Programme (UNDP) on Sustainable Development Goals (SDGs), democratic governance, democratic decentralization, climate change adaptation; the European Commission (EC) on human development, good governance, decentralization, economic, and trade development; Japan International Cooperation Agency (JICA) on capacity building; Department for International Development (DFID) on poverty reduction, governance and urban local governance; United States Agency for International Development (USAID) on governance and democratic decentralization; United Nations Capital Development Fund (UNCDF), Swiss Agency for Development and Cooperation (SDC) and Danish International Development Agency (Danida) on local governance.

The International Monetary Fund (IMF), mandated for maintaining macroeconomic stability of the country, is a significant source of external funds. Moreover, plenty of countries exist whose governments directly provide bilateral assistance to Bangladesh, including Japan, Canada, UK, Germany, and so on. Apart from these, a significant number of international civil society or humanitarian organizations support Bangladesh through direct-local fund approach - partnering with local civil society organizations.

The biggest donors - the World Bank and the Asian Development Bank - provide the major portion of assistance, but almost entirely in the form of loans. The Japan Government is the biggest bilateral donor, which evenly splits the supports between loan and grant. Consultation with the Aid Effectiveness Unit<sup>4</sup> reveals that three development partners - the World Bank, the Asian Development Bank, and the Japan Government - account for almost 50-75% of the total external support to Bangladesh in recent years. Also, according to the Monitoring Profile (October 2016)<sup>5</sup>, these three main providers are accounting for 74% of total development cooperation in 2015 in Bangladesh.

### **Aid Effectiveness in the Country**

Since 1990, there has been a realization by the development partners towards the fact that their many different approaches and requirements have resulted in additional costs imposed on aid recipients. There was need for change, resulting in collaboration, both amongst organizations and partner countries, to harmonize the approaches and requirements (ERD, 2011). Specifically, this drive started with the Comprehensive Development Framework, launched by former World Bank President James Wolfensohn in 1999, followed by World Bank's initiative for Poverty Reduction Strategy Papers (PRSPs)<sup>6</sup> and UN's initiative for Millennium Development Goals (MDGs) in 2000.<sup>7</sup> PRSPs get prepared by member countries in broad consultation with stake-holders and development partners, including the staff of the World Bank and the International Monetary Fund. These get updated every three years with annual progress.

Interim Poverty Reduction Strategy Paper (I-PRSP) in Bangladesh titled "A National Strategy for Economic Growth, Poverty Reduction, and Social Development" was an important milestone in the process of renewing the national goal of policy ownership over the formulation of poverty reduction strategies (PRS). While the commitment to poverty reduction since then has continued to be pursued through a wide range of concrete actions, the government further undertook specific steps to ensure a comprehensive participatory process by which to deepen policy ownership in the formulation of a full-blown PRSP titled "Unlocking the Potential: National Strategy for Accelerated Poverty Reduction" in October 2005 (IMF, 2005). The revised version of the second PRSP of Bangladesh titled "Steps Towards Change: National Strategy for Accelerated Poverty Reduction" embodied policies as well as strategies for achieving accelerated poverty reduction through pro-poor economic growth and macroeconomic management during 2009-2011 (IMF, 2012).

At that time, following a two-year movement with the local consultative groups, in 2010 the government and 18 development partners signed a Joint Cooperation Strategy (JCS), which set the ground for accelerated implementation of the Paris Declaration and the Accra

Agenda for Action in the country. This was followed by an aid management policy document titled "Aid Management in Bangladesh: A Review of Policies and Procedures." Also, two strategic country documents were framed within two national strategic plans -- sixth Five-Year Plan (FY2011-FY2015) titled "Accelerating Growth and Reducing Poverty," and seventh Five-Year Plan (FY2016-FY2020) titled "Accelerating Growth, Empowering Citizens" under the Vision 2021 and its Perspective Plan 2010-2021.

On the onset of SDGs in 2016, 14 out of 17 goals are fully reflected in the seventh Five-Year Plan of Bangladesh (the Monitoring Profile, October 2016).<sup>8</sup> Also, a Development Results Framework (DRF) covers all thematic and sector areas. And in 2015-2016, the government has aligned development planning with the medium-term budgetary framework considering that public expenditures evolve around development priorities. As such, the country has its priorities in place, and is looking towards making strides in achieving its targets.

In addition to the above-mentioned analysis, now specific focus is drawing to the subjective assessment of donors, critical analysis of civil society and balancing analysis of the government on the development aid effectiveness in Bangladesh.

### *Donors Perspective*

Donors undertake "independent" reviews of their programs through their in-house evaluation departments with some regularity. These reviews - which are essentially subjective and based on a set of predetermined broad criteria such as relevance, efficiency, efficacy, impact etc. - are important, as they provide the donors with evaluations of their own programs and performance (Quibria, 2010). Glimpses to the two leading institutional donors - WB and ADB - help us understand the development aid effectiveness considering the donor's point of view.

**First**, the World Bank helps to promote sustainable development in partner countries by providing financing, sharing knowledge, and working with the public and private sectors (WB, 2016:64). It alone provided 39% of

the development assistance in Bangladesh in 2015 and it has been being the largest and also most influential lender to the country since its independence.<sup>9</sup>

Throughout the first decade of the twenty first century, the World Bank focused on governance assistance program alongside human resource development, environmental management and climate change adaptation, gender equity, and private-sector growth in Bangladesh. During the decade, among other development partners, the Bank also emphasized on strengthening the financial sector and promoting public-private partnership in energy, infrastructure, manufacturing and services as means of private sector growth in the country. Even though data from the country's socio-economic growth and achievement in the first five MDGs get coincided the success of the decade, the evidence on whether Bank's development assistance policy, program and operations contributed much here effectually or not is mixed.

A November 2011 report of the World Bank title "The World Bank and Aid Effectiveness: Performance to date and agenda ahead", however, acknowledged the fact that the performance of Bangladesh, one of the participating countries in the 2011 survey on monitoring Paris Declaration (PD),<sup>10</sup> was better than the overall development partners' average.

According to OECD (2012), the Government of Bangladesh and donors has taken considerable steps towards the implementation of the global aid effectiveness agenda. Specifically, the Joint Co-operation Strategy (JCS) signed in 2010 outlines a joint vision for aid effectiveness in Bangladesh and contains corresponding partnership commitments both by the government and donors. Based on the 2011 Survey on Monitoring the Paris Declaration, OECD (2012) portrayed a synergy of learning from success and challenges in Bangladesh during 2005 -2010 (see Table 1).

Delivering integrated solutions to help countries address their development challenges requires a focus on results. Thus, in recent years, it has made important contributions across many areas to support development results achieved by its partner countries, for instance, in Bangladesh from 2012 to 2015, 3.7 million people in rural areas were provided with access to electricity

**Table 1:** Learning from Success and Challenges 2005 -2010

	<b>Achievement or Challenge</b>	<b>Lesson or Priority action</b>
Ownership	<p><i>Achievement:</i> Extensive participation of stakeholders in the formulation, monitoring and evaluation of the national development strategy.</p> <p><i>Challenge:</i> Supportive strategies are not efficiently translated into sectoral and ministerial priorities due to capacity constraints within implementing agencies.</p>	<p><i>Lesson:</i> Establishment of an inclusive multi-stakeholder approach and implementation framework.</p> <p><i>Priority action:</i> Adoption of a relevant approach to aid effectiveness work at the country level to facilitate synergies between capacity, ownership and leadership</p>
Alignment	<p><i>Achievement:</i> Almost all donors have a multi-year country assistance programme/strategy reflecting their commitments in development assistance.</p> <p><i>Challenge:</i> There are several interlinked structural and capacity problems that seriously reduce the efficiency and effectiveness of the entire public sector.</p>	<p><i>Lesson:</i> All country assistance programmes are shared with the government to align with country strategies.</p> <p><i>Priority action:</i> Enhancing aid management capacities and systems within the context of a wider governance reforms and coordinated with a comprehensive national capacity development strategy.</p>
Harmonization	<p><i>Achievement:</i> The Joint Co-operation Strategy agreed between the government and donors on how to work better together to make aid more effective.</p> <p><i>Challenge:</i> Limited use of common arrangements and programme-based approaches (PBAs).</p>	<p><i>Lesson:</i> Government’s commitment to encouraging donors to work on the same set of objectives and rules and sharing project information.</p> <p><i>Priority action:</i> Securing wider acceptance of PBAs and consistently applying them to other sectors.</p>
Managing for results	<p><i>Challenge:</i> Results frameworks are not used by either government or the majority of donors.</p> <p><i>Challenge:</i> Capacity constraints of implementing agencies in managing and coordinating aid.</p>	<p><i>Priority action:</i> A national development results framework should be utilized as part of the Joint Co-operation Strategy action plan.</p> <p><i>Priority action:</i> Capacity building should be emphasized as a national development objective.</p>
Mutual accountability	<p><i>Challenge:</i> Make local consultative group (LCG) consultations more inclusive and increase their effectiveness as co-ordination tools.</p>	<p><i>Priority action:</i> Establishment of competent, efficient and well-resourced LCG secretariat to complement the plenary as an effective decision-making body.</p>

Source: OECD, 2012, Country Chapters: Bangladesh.

from renewable sources through a project that connects approximately 50,000 solar home systems per month. (WB, 2016:64).

The World Bank Group President Dr. Jim Yong Kim visited Dhaka in October 2016 and praised much for Bangladesh’s stunning success in significantly reducing poverty and accelerating development. He further celebrated the country’s achievement by participating a public event on *international day for the eradication of poverty*. Also, he committed to boost up support for improvement of child nutrition by USD 1 billion, and to invest further USD 2 billion for climate change adaptation of the country.

**Second,** The Asian Development Bank covers many sectors of the economy in Bangladesh, but principally in agriculture, energy, transport and education. It is the

second largest lender to Bangladesh. In 2015, it provided 22% of the development assistance of the country.

A 2003 report of ADB argues that its development assistance results are favorable and effective in a number of areas including agriculture to self-sufficiency in food, energy and transport to growth of GDP. The report, however, reflects the fact that ADB contribution in the areas of agriculture, forestry, and the social sectors - particularly health and education - have gained insignificant impact on poverty. Furthermore, as evidenced in the report, ADB cautions against policy lending for capital markets and railways given the fact that governance issues in the country are entrenched, and recipient government commitment to reforms has been lacking. The report also stresses back cut off ADB’s involvement in sectors where sector performance

is considerably poor, and the potential for catalyzing impact is limited and it has no comparative advantage.

A 2009(b) study of ADB identifies the fact that the country programs are well designed and consistent with the government priorities. Considering this study report, an analysis of Quibria (2010) shows that despite the previous evaluation of the Bank recommend focusing the program to a fewer sectors, the actual operation became more expanded. It provided assistance to such divers sectors as energy, transport, education, disaster-management, agriculture, urban development and sanitation, law, economic management and public policy. In one hand, despite broadening the focus, it found more of its projects and programs successful. On the other, its disbursements remained lower than the Bank-wide average and same was true in terms of contribution toward the country's long-term development, as measured by the monitoring indicators adopted in its results framework.

ADB Annual Evaluation Review 2016 (ADB 2016b) covers the period 2011–2015 for Bangladesh. Report unveils that ADB support has already indicated that it is improving access to electricity through an expansion of power generation and transmission and institutional strengthening, increasing access to clean water and sanitation facilities, reducing the incidence of waterborne diseases, and improving the governance of Bangladesh's capital market. Nonetheless weak integration of results frameworks at project, sector and country levels is evident. Report suggests flexibility and country responsiveness to be inbuilt in the program drift so as to reduce risk and improve performance of ADB support. Also, ADB should identify ways to mitigate the risk of political instability affecting implementation of ADB-funded projects, build institutional capacities at the municipal levels, and provide a detailed analysis

and assessment of governance and public sector management. Importantly, the Country Partnership Strategy (CPS) 2011-2015 was assessed to be successful with satisfactory strategic positioning (see Table 2).

ADB (2016a) reveals that growth was resilient in FY2015. GDP growth in FY2015 (ended 30 June 2015) picked up to 6.6% from 6.1% in FY2014 despite a short period of political protest that disrupted transportation and services. The major sources of supply-side contributions to growth were Agriculture, Industry and Services, while on the demand side, the main contributor to growth was private consumption heightened by higher remittances.

### *Civil Society Perspective*

In 2004, the Centre for Policy Dialogue (CPD), a civil society organization of the country, organized a policy dialogue on development aid effectiveness in Bangladesh with the participation of academics, representatives of civil society organizations, senior civil servants, economists, the media, and business leaders. CPD documented the views expressed by diverse sectors of the civil society in a 2005 report title "Aid and policy reforms in Bangladesh." A summary of the report<sup>11</sup> is documented at the Box 1.

<b>Box 1:</b> Summary of the policy dialogue 2004 on aid effectiveness in Bangladesh
<input type="checkbox"/> The donors have a disproportionate influence on policies
<input type="checkbox"/> Conditionality is limiting the policy autonomy of the government
<input type="checkbox"/> The disjunction between the benefits of adjustment loans and the costs of adjustment acts as a disincentive to implement reforms
<input type="checkbox"/> The reforms should be home-grown and vetted by parliament

**Table 2:** Performance Assessment of ADB Country Assistance Programs 2011–2015

Overall Assessment	Strategic Positioning	Relevance	Efficiency	Effectiveness	Sustainability	Development Impacts	ADB Performance
Successful	Satisfactory	Relevant	Less than efficient	Effective	Likely sustainable	Less than satisfactory	Satisfactory

Source: ADB Annual Evaluation Review 2016.

- Donors have had little impact on poverty reduction in the country
- There should be more aid to higher education
- Reforms are not owned because they are imposed
- The PRSP is a poor substitute for planning
- Donor policies are inappropriate
- The Washington-consensus has yielded few benefits for Bangladesh

Source: CPD, 2005.

Despite global economic turbulence, new conflicts, changing political landscapes and so on, the commitment to development effectiveness and reform initiatives remains globally strong (OECD and UNDP, 201: 3). And globally as well as in Bangladesh, the quality of development co-operation is increasingly receiving significant attention to the development partners and governments, and most importantly to the civil society. Consultations and participant observations since 2008 given the capacity as staff member of a UN body (UNDP-Dhaka) and then a leading research institute (BIGD-BRAC University) in Bangladesh reveal the facts how civil society in Bangladesh see achievements and further challenges in aid effectiveness (see the Box 2).

**Box 2: Achievements and challenges of aid effectiveness in Bangladesh**

*Achievements*

- Donors/Development partners (DPs) started working towards harmonizing procedures and standards, and aligning the aid by using the country system, for instance, sixth and seventh five-year plans of the country are coupled with PRSP requirements – no separate PRSP is required anymore. Also, DPs are coordinating their aid programmes and ensuring coherence with a view to enhancing aid effectiveness and avoiding overlapping actions. The Local Consultative Group (LCG) - DP Plenary and the seven-member LCG Executive Committee are instrumental in coordination of development partners themselves.
- National development strategies of the Government are in place, with clear strategic priorities, linked to medium term expenditure and long-term vision (i.e. Vision 21). And slowly Aid is getting aligned with national priorities. Also, the Government and DPs initiated Joint Co-operation Strategy (JCS) in 2010 outlining aid effectiveness

framework in Bangladesh and corresponding partnership commitments.

*Challenges*

- New global challenges, for instance, terrorism and climate change, are adversely affecting in the country. Terrorism is somehow growing though the government unauthorized international funding flow and unethical intra-political backstopping; and thus, it is linking with the political unrest as well. On the other global climate fund is insufficiently allocating for the mostly climate change affected country like Bangladesh given the global climate politics. Such global politics is now a serious concern. “All too often, Aid is driven more by politics than by need, undermining its effectiveness.”- Ban Ki-moon, United Nations Secretary-General.<sup>12</sup> Aid is a strategic and limited resource that should have gone to the places that needed it most in particular case. On the other, from the government side, it should have sharply made aligned with national priorities and clearly placed in the national budget.
- Further to this, rapidly changing development landscape-given the emerging new sources of funding and aforementioned challenges in one hand, and in the other with the government vision, sharply growing information communication technology, private sector involvement, foreign remittance and innovation to the growth – requires strong leadership commitment and efficiency of the government, empowered citizenry as well as civil society, effectively combating corruption and effective ownership over the aid and total development process to make the development sustained, consistent and durable.

**Government Perspective**

Bangladesh Development Forum meeting 2010 - in presence of development agencies as well as donors, civil society and private sector representatives - discussed the country’s long-term plan “Vision 2021” and of its “National Strategy for Accelerated Poverty Reduction,” and its proposed reforms and delivery priorities. The center to the discussion of the forum meeting was improving development effectiveness and programme delivery. Again, in November 2015, “Bangladesh Development Forum” meeting reviewed progress made so far, noticed the strategic priority and explored further partnership and cooperation to foster country’s inclusive economic growth.

It is, however, unlikely that the government has no large-

scale systematic or formal study on aid effectiveness. Aid Effectiveness Unit of Economic Relations Division (ERD), Ministry of Finance in December 2011, drafted a paper that demonstrated perspective of the recipient government. The paper argued that the government leadership in aid coordination had increased, and country ownership in the formulation of the national development strategy had been established. Such progress was also evidenced in the Paris Evaluation Country Report for Bangladesh 2010. 2011 paper of the ERD concluded that aid coordination and management had undergone a number of changes in response to compliance requirements with major international commitments like Paris Declaration (PD) and Accra Agenda for Action (AAA). Government had emerged with a driving role to create an effective partnership with development partners based on mutual commitment, trust, respect and confidence for the implementation of post-PD formulated Bangladesh harmonization Action Plan (HAP). Following the Accra meeting, institutional mechanisms to support aid coordination and management through a more vibrant relationship between government and Local Consultative Group (LCG) had been established.

Then following the 6<sup>th</sup> Five Year Plan (2011-2015), Bangladesh has made tremendous success in recent years in terms of poverty reduction, gender consciousness, economic performance, innovative work with the down trodden people, entrepreneurship and private sectors' innovation, consistent investment in human development, and notably effective natural and political disaster management and combating terrorism. As documented in the Executive Summary of the 7<sup>th</sup> Five Year Plan (2016-2020), "The 6<sup>th</sup> Five Year Plan (FYP) moved the nation from the somewhat investment-driven and resource dependent framework to a broader socio-economic transformation vision, unifying the various state and non-state actors with specific milestones and complementary roles. ...And the solid development performance under the 6<sup>th</sup> FYP suggests that the Government's development strategy is on track and the challenge for the 7<sup>th</sup> FYP is to build on the successes while taking further actions to address the areas of shortfalls." Box 3 presents the growth and

development outcome of the 6<sup>th</sup> FYP and key themes of the 7<sup>th</sup> FYP.

**Box 3:** Outcome of the 6<sup>th</sup> FYP and themes of the 7<sup>th</sup> FYP in Bangladesh

*Outcome of the 6<sup>th</sup> FYP*

One of the key ingredients of Bangladesh's impressive story of progress is its resilient GDP growth which held steady at 6% for several years and recently moved up to 6.5% which the country could attain amid a global recession and financial meltdown. Bangladesh's success in achieving this commendable GDP growth is only matched by few countries in the Asia-Pacific region. Also, this growth was balanced and broad based covering all the major sectors of the economy. Compared with 2008, the per capita income increased from \$619 to \$1,314, inflation was brought down from 8.9% to 6.2% and fiscal deficit maintained around 5% of GDP. The incidence of poverty and extreme poverty have both exhibited significant reduction, falling below 25% and around 12 % respectively, achieving the MDG target of halving the incidence of poverty between 1990 and 2015. It has already gone past the MDG target for child mortality 48 per 1000 live births, Net enrolment in primary education is almost 100% and the retention rate is 80% and consistently rising, female students outperforming their male counterparts in primary and secondary education. On other socioeconomic indicators, Bangladesh is performing equally well.

*Themes of the 7<sup>th</sup> FYP*

The 7<sup>th</sup> Five Year Plan centers on three generic themes:

- GDP growth acceleration, employment generation and rapid poverty reduction.
- A broad-based strategy of inclusiveness with a view to empowering every citizen to participate full and benefit from the development process.
- A sustainable development pathway that is resilient to disaster and climate change; entails sustainable use of natural resources; and successfully manages the inevitable urbanization transition.

Furthermore, the inclusive economic growth strategy of 7<sup>th</sup> FYP includes four pivotal themes:

- Break out of the sphere of 6% growth and raise the annual average growth rate to 7.4%.
- Growth will be inclusive, pro-poor, adapt well to the urban transition and be environmentally sustainable.

- By the end of the 7<sup>th</sup> FYP, poverty and extreme poverty will be substantially lowered.
- All the additional labor force will be gainfully employed, including much of the underemployed.

*Source: Seventh Five Year Plan "Accelerating Growth, Empowering Citizen", November 2015: xxxi, xxxv-xxxvi*

Importantly, the first year of the 7<sup>th</sup> FYP coincided with the launch of the UN Post 2015 - Sustainable Development Goals (SDGs), while at the same time it began with the country having entered the ranks of middle-income countries (Seventh Five Year Plan: xxxv). The country's goal of truly graduating to middle-income status, however, requires much higher investment, robust development assistance, thorough effective reform initiatives to improve the business environment, boost up budget revenue, reinforce financial discipline and uphold stable political environment (ADB, 2016a).

## CONCLUSION

Globally as well as in Bangladesh a large amount of aid is deliberately being used to reduce poverty, ensure social inclusion and access to public goods (e.g. health, education, energy, etc.), protect environment, support the framework of inclusive growth, and to some extent to support good governance, decentralization and capacity building.

The Government of Bangladesh has recently launched a groundbreaking Social Security Strategy and the Seventh Five Year development plan (2016-20). Both are well-aligned with the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). However, the main development challenges for Bangladesh are to sustain an enabling environment for private investment, strengthen efficiency and integrity in the public sector governance and the judiciary, accommodate a quickly growing and increasingly urbanized labor force, adapt the climate change, and manage substantial risks as one of the world's most disaster-prone countries (The Monitoring Profile, October 2016).<sup>13</sup>

Amerasinghe (2011) points out the fact that the fate of any developing country is in its own hands, and the aid can just assist in overcoming development challenges faster

by providing it the technical and financial assistance needed. Phillips (2009) observes that strong institution as well as good-policy based countries do well because they tend to use their resources more efficiently, whether these are local or foreign, aid or investment.

Phillips's observation is not the whole story. Some constraints are found from the donors' side, for instance, part of the problem inherently linked with donors' sophisticated diverse procedures and standard requirements, and imposed conditionality without considering recipient country's capacity to absorb those, and replication of the pre-configured global best practices at country level without adapting or considering enough the country specific political-economic circumstances.

In the case of Bangladesh, donors are, however, increasingly realizing their limitations and paradoxes. As such, they are involving civil society and the government together in the dialogue, building solid partnership with the government and prioritizing country specific needs in providing development assistance and making reforms. The Government of Bangladesh is also vision driven to get the fully fledged support of the development partners. As such, the country has already taken some pragmatic initiatives, for instance, it has introduced *Local Consultative Groups (LCG)*, reinstated *Bangladesh Development Forum (BDF)*, and developed *Joint Cooperation Strategy (JCS)*.

Success here, however, strongly depends on changing notions of the institutional practices, and leadership attitude as well as competence level of the government and donors. In fact, managing the aid for robust development results requires strong commitment and cooperation of the development partners, committed and visionary political leadership, ownership of the government, empowered citizenry,<sup>14</sup> strong civil society, competent practitioners, and public sector management as well as accountable<sup>15</sup> governance system.

Furthermore, development partners require to do a wider focus on development effectiveness rather than just on development assistance effectiveness. Development assistance should be aligned with the national priorities and clearly be placed in the national

budget. Thus, the county could deserve increased liberal cooperation from the institutional donors, particularly in the area of infrastructure and transports, climate change adaptation and local governance development, and institutional capacity building. Also, the governments and development partners shall have to work together to monitor implementation of the country's development strategy and national budget, and take decisions based on the whole landscape of the development.

Finally, the strategic focus of the government and development partners shall have to be drawn to the five pillars of Paris Declaration on Aid Effectiveness: (i) *Ownership – the recipient government sets its own strategies for development, improves their institutions and tackles corruption;* (ii) *Alignment - donors bring their support in line with these objectives and use local systems;* (iii) *Harmonization- donors coordinate their action, simplify procedures and share information to avoid duplication;* (iv) *Managing for results – the government and donors focus on producing and measuring results;* and (v) *Mutual accountability - donors and the government are jointly accountable for development results.*

## END NOTES

1. The Economist, November 3 -9, 2012 edition p.21.
2. PRSPs were introduced as the Breton Wood institutions - the World Bank, and the International Monetary Fund – suggest strong country ownership to be built on economic policy programs and poverty reduction pathway.
3. The Seven Years Progressive Report of the incumbent Government led by Bangladesh Awami League.
4. The Aid Effectiveness Unit, Economic Relations Division (ERD), Ministry of Finance, Government of the People's Republic of Bangladesh.
5. This document - Monitoring Profile, October 2016 was prepared based on data collected from voluntary reporting to the Second Monitoring Round of the Global Partnership for Effective Development Cooperation and others open source information available online.
6. Poverty Reduction Strategy Papers (PRSPs) get prepared by member countries in broad consultation with stakeholders and development partners, and updated every three years with annual progress reports, that describe the country's macroeconomic, structural, and social policies in support of growth and poverty reduction, as well as associated external financing needs and major sources of financing (IMF, 2012).
7. The development aid effectiveness movement, following the PRSPs and MDGs, effectively started in Bangladesh in 2002 on the mandate of International Conference on Financing for Development in Monterrey, Mexico. Since then it continued with the Rome Declaration on Harmonization in 2005, the Paris Declaration on Aid Effectiveness in 2005, the Accra Agenda for Action (AAA) in 2008, and the Busan Partnership Agreement in 2011. Following the Busan agreement, the first high-level meeting of the ministers, heads of international organizations, civil society representatives, corporate leaders and legislators from all over the globe took place in Mexico City in 2014 to review, frame and sustain the effective partnership and development co-operation and to develop an agreement for the post-2015 agenda or the framework for Sustainable Development Goals (SDGs).
8. *Ibid* 5.
9. Initially it was the coordinator of development partners in Bangladesh under the framework of Local Consultative Group (LCG). It is, however, no longer the coordinator of aid donors in Bangladesh. The LCG group of aid donors now has a revolving chair/coordinator since 2007. The LCG is composed of the Secretary, Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh and 49 Bangladesh-based representatives of bilateral & multilateral development partners, including 5 International Financial Institutions, the 13 UN agencies with representational offices in Bangladesh and the UN Resident Coordinator.
10. The PD survey has been undertaken three times—first in 2006, next in 2008, and finally in 2011. The number of countries participating in the survey increased from 34 in the first round, to 55 in the second round, to 78 in the final round (WB 2011:3).
11. See the 2005 full report of CPD, title “*Aid and Policy Reforms in Bangladesh*” at <http://www.cpd-bangladesh.org/publications/all.html>.
12. Reaching Our Development Goals: Why Does Aid Effectiveness Matter? P.7. *This booklet, published by OECD in cooperation with the Millennium Campaign, United Nations following the 2008 Survey on Monitoring the Paris Declaration, aims to stimulate dialogue around the aid reform effort embodied by the Paris Declaration on Aid Effectiveness.*
13. *Ibid* 5.
14. “Transparency, participation, and accountability that come from an empowered citizenry are the strongest antidotes to corruption.” - *Growth and Responsibility in Africa*, G8 Summit Declaration, Heiligendamm (2007).
15. “Accountability is a complex term; whose definition is not easy. Accountability requires (a) transparency, so that the actions of power holders can be monitored by other institutions or the public; (b) answerability of power-holders, meaning the obligation to provide explanations for their behavior; and (c) control mechanisms that prevent abuse of power and ensure that corrective measures are taken when

and where necessary.”- Lise Rakner, Christian Michelsen Institute in “Aid, Budgets and Accountability”, Summary Paper, CAPE Workshop (2005).

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## Cross-References

- [Development Partners and Priority Sectors for Bangladesh: Aid Effectiveness](#)
- [Development Partners and Priorities for Bangladesh: Assessing Aid Effectiveness](#)
- [Priority Sectors for Bangladesh: Development Aid Effectiveness](#)
- [Historical Outlook of Development Assistance in Bangladesh](#)
- [Effectiveness of Development Assistance in Bangladesh](#)