

# How Good is Good Practice in Making Aid Effective?

## *Rhetoric and Reality*

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### Political Sub-text of Aid

The genesis of aid culture dates back to post-colonial era followed by the motivations of bilateral as well as multi-lateral donors for the development of post-colonial societies in particular and post-war reconstruction of Europe followed by loans to Asia Africa and Latin America. Indeed, the multilateral entity in channeling aid to these regions emerged after the birth Bretton Woods Institutions in 1940s. Since then, aid has been being pursued as the vehicle for development mainly by bilateral and multi-lateral donors. However, the aid trajectory towards development has been a longstanding controversy which has led to the contemporary discourses, discussions and way forwards for making aid effective

It is noteworthy that the recent aid effectiveness initiatives are fronted towards realization of normative objective of aid around MDGs. Although the whole ethos of aid-development route historically developed with humanitarian spirit and altruistic goals leading to growth of lots of NGOs both in north and south, the aid dynamics has never been come out of global economic, political and cultural hegemony. These hegemonic drives remain dormant under the caveats of so called development. Therefore, it is imperative to unveil the political sub-text getting into discussion on aid effectiveness. While the humanitarian goal is obvert in the aid dynamics, its political sub-texts remains covert. These covert factors include the followings (i) geo-political self-interests of donors; (ii) promotion of commercial objectives such as sale of technology, grain surplus and expertise from donor countries. With regard to geo-political interests, if the case of US administrations is taken into account, the major interest is driven by the consideration that financial aid to developing countries will ensure their foreign policy objectives. All these indicate the business motivations whereby the heart of the aid flow lies with debt servicing of recipient countries rather than their own development. This has been succinctly pointed out in a study<sup>2</sup> referring to the write-up of former Director of the *World Development Report*, 2000/2001:

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<sup>2</sup> The Least Development Countries 2000 Report, pp. 123.

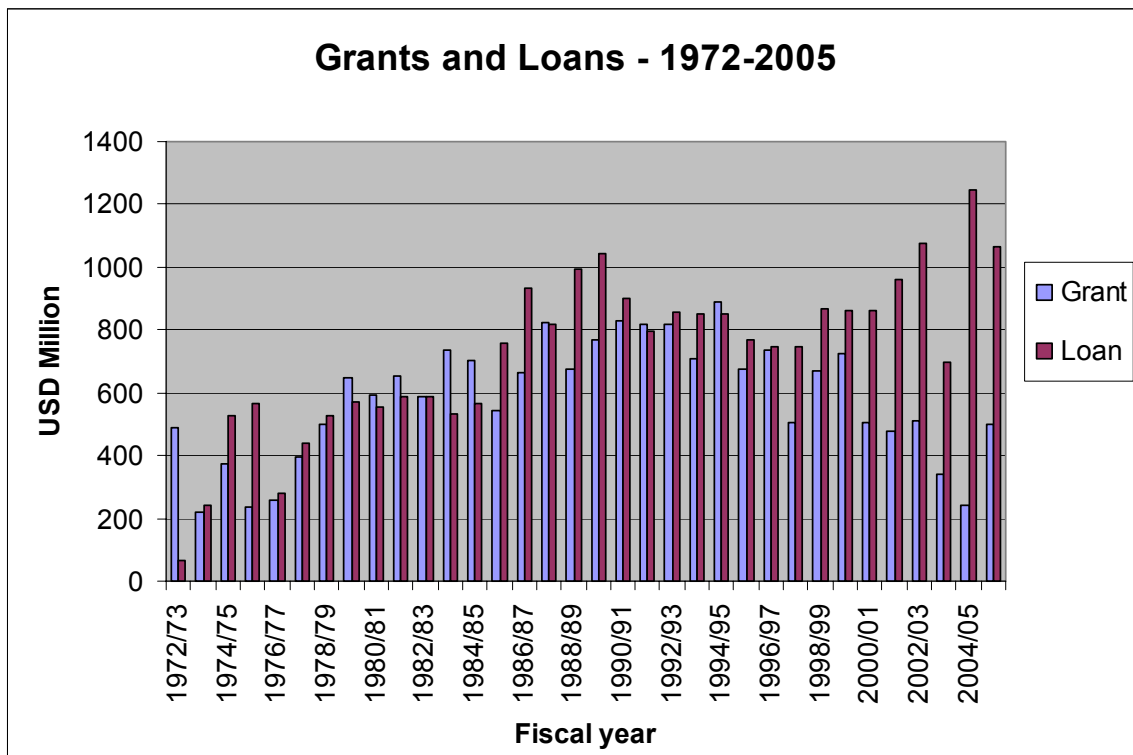
"much of the aid inflows are motivated simply to ensure 'normal relations' with regular debt servicing .....For their own reasons – to do with the institutional importance of avoiding certain types of balance sheet adjustments – the official donors, who are also the main creditors, are putting money in so that the debt can be serviced" (Kanboor, 2000: 688).

From this perspective of political sub-text, aid has become an industry which directs the recipient countries through a dependent structure that delivers the interests of a aid-giving countries.

### Aid Flow and its Effectiveness in Bangladesh: Collateral Damage or Calculated Default?<sup>3</sup>

The flow of aid in Bangladesh is characteristic of increasing trend. The following figure indicates this trend. The aid structure however shows a reverse trend between grant and aid. Thus, there has been a declining trend of grant corresponding to the increased trend in the volume of loan.

**Figure 1: Yearwise allocation of grants and Loans**



Source: Flow of Externals Resources into Bangladesh, 2007.

<sup>3</sup> The concept of *collateral damager or calculated default* has been borrowed from Jan Pronk's article on MDGs.

Now, the question is to what extent, the aid has contributed to the development of the country. The profile of overall human development achieved during last three decades does not indicate any significant progress as long as the development is concerned. According to Abul Barkat (2001)<sup>4</sup>, there has been hardly any contribution of aid flow in terms of creation of economic and social opportunities for the common people during the period between 1971 and 1999. As a result, no correlation has been found between human deprivation and aid flow. The state of human deprivation is indicative of the following scenario: About 40 per cent of the population is unemployed or underemployed, 48 per cent children under five years are underweight. According to the UNICEF, 69 in 1000 children die before reaching their fifth birthday. Among infants, from birth to one year old, the mortality rate is 46 in 1000 live births. Maternal mortality is also an alarming problem: 380 mothers die for every 100,000 births. Only 13% of births in Bangladesh are attended by skilled health personnel. Only 48% of the population have access to improved sanitation and 25% do not have access to an improved water source<sup>5</sup>.

The above scenario gives an impression about the effectiveness of aid injected to Bangladesh throughout the decades. This leads to the question: what is the reason behind? From donor's perspective, the common thread of effectiveness analysis goes around the governance factor of the recipient countries. That means effectiveness of aid has a lot to do with the governance mechanism of the recipient countries. The logic therefore is built upon the proposition that aid may not be effective if mis-governance and corruption exist. Indeed, the donors have recently shifted the conditionality from policy to governance in the face of growing criticism against structural conditionality. This shift towards governance, transparency and accountability factors imply that they are considered as collaterals to ensure aid effectiveness. According to this understanding, the above scenario of human deprivations is the result of collateral damage characterized by mis-governance or corruption. There is no denying the fact of mis-governance and or corruption.

But the collateral damage is more apparent than real in the sense that there has been a calculative dimension of aid which has gradually enchained the recipient countries with indebtedness due to the structure of aid. As mentioned before, much of aid flows are motivated by debt-servicing. Therefore, it is more of the function of calculative default in the aid architecture or package that has made the aid flow ineffective. Available data suggests that a significant proportion of aid money goes against repayment of debt. The external debt service payment on total public sector debt rose from \$ 100.9 million in 1974-75 to about \$ 1.458 billion in 2005-06<sup>6</sup>.

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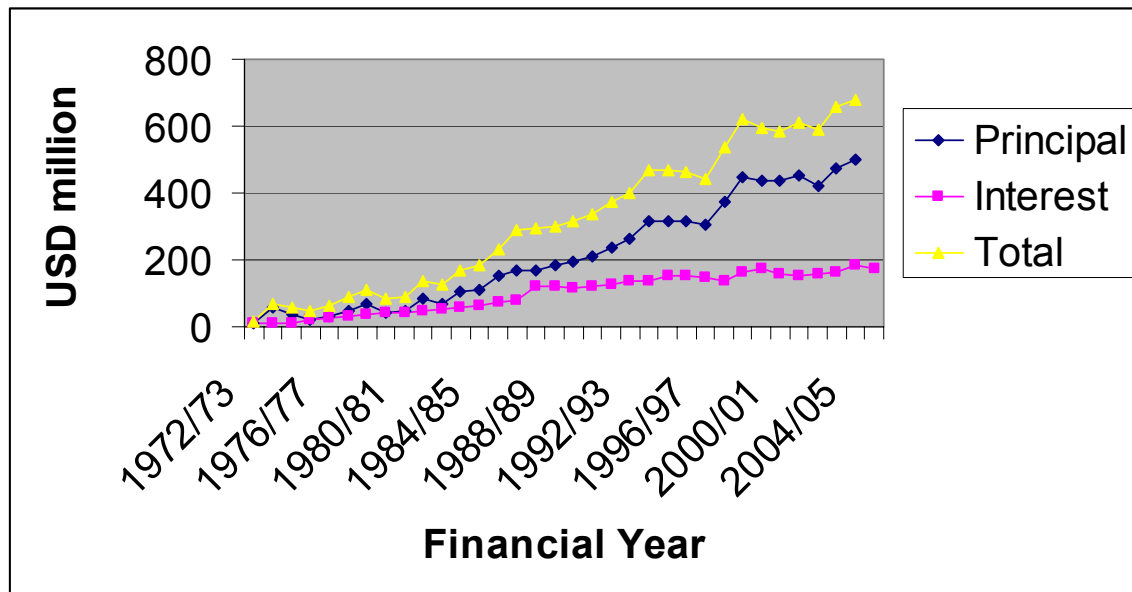
<sup>4</sup> How much Foreign Loan and Aid is Necessary for Bangladesh: Political Economy of Last Three Decades Experience, pp. 11.

<sup>5</sup> Jubilee Australia, A Case of Debt Relief, pp. 12-13.

<sup>6</sup> Financial Express, June 02, 2007.

According to an estimate, the repayment of official external debt of Bangladesh only in 2004 was 60 per cent of the total Overseas Development Assistance. The sectoral view of debt servicing is further worsening. In 2004, debt service (US \$ 675 million) was higher than total government spending on health (US \$ 561 million), equal to up to two thirds of total spending on education<sup>7</sup>. Alongside external debt, commitment to domestic debt is on the rise which is estimated to be 18.2 per cent of its GDP. Together, domestic and external debts account for 53 per cent of the total GDP of the country<sup>8</sup>. This increased proportion of debt-servicing has consequently increased the per capita debt burden. The per capita debt obligation of Bangladesh has increased substantially from \$6.59 to US\$139.91 over the last three decades<sup>9</sup>.

**Yearwise Debt Servicing: 1973/1974-2005/2006**



Source: Flow of Externals Resources into Bangladesh, 2007.

### Good Practice Principles (GPP) : Praxis and Practice

Good Practice Principles (GPP) evolved out of the aid-conditionality-effectiveness debate spearheaded by global civil society during Paris Declaration and Oslo conference in 2005 and 2006 respectively. Indeed, GPP was meant to overcome some of the problems arising out of aid industry so as to transform the accountability the aid system so that poor countries and poor and marginalized men and women living in those countries gets benefit of aid. With this spirit, the five building blocks were agreed upon under

<sup>7</sup> Debt and Millennium Development Goals in Bangladesh, Country Paper by Jubilee Netherlands and SUPRO, pp. 6..

<sup>8</sup> Jubilee Australia, A Case of Debt Relief, pp. 13

<sup>9</sup> Financial Express, June 02, 2007.

*partnership commitments* of the Paris Declaration 2005. They include the followings: (i) ownership; (ii) alignment; (iii) harmonization; (iv) managing results; and mutual accountability.

Meanwhile, multilateral donors, particularly the World Bank has reviewed its conditionality in the face of critics and tremendous pressure emanating from global civil society and particularly the British and Norwegian Government. However, in practice, the World Bank and IMF still pushing policy conditions with the tacit support of their rich-country share holders. Although the Bank and Fund claim to have reduced the number of policy conditionality, 'many of them have simply been re-grouped into fewer "mega conditions", and instead of calling them conditions, some of these are now re-born as "benchmarks"<sup>10</sup>. Therefore, good practice principles are there, but what is missing is its practice in real business. This calls for what I have questioned with the title of my paper *how good is good practice principles* if we mean it. Having raised the question, I do not rule out the fact that there is no good practice at all. If we consider education sector, Second Primary Education Development Program (PEDP II) could be referred as the good practice model in the sense that a coordinated approach both among donors and various government bodies are in practice. The following case illustration will substantiate how coordinated approach is being pursued in ensuring better and successful management of PEDP II.

Through PEDP II, different development agencies are supporting plans and programs identified by the government based on an agreed policy framework. Since this is a sub-sectoral SWA Bangladesh government is taking a stronger lead in the design of programs and the allocation of resources; development partners are working as a group rather than individual, both the development partners' group and government are sharing same management system and arrangements rather than having a multiplicity of different projects with their own reporting cycles and management systems. Even within PEDP, cross-ministerial participation of Bangladesh Government is ensured; Ministry of Planning and Ministry of Finance and Ministry of Education and Ministry of Primary and Mass Education are appraised and identified for different coordinating activities for the better and successful management of the PEDP II.

Source: Rereading PEDP II: A Critical Review of the Outcomes Anticipated.

As a coordinated approach the initiative can be recognized as good practice. But the good practice in managing such initiative is merely the means to reach the end envisioned goal of development and here lies the effectiveness of aid. From this viewpoint, good practice as such follows the reductionist principle in the sense that the managerialism of concerned agencies in

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<sup>10</sup> Oslo Conference Finds World Bank, IMF Still Pushing Conditions.

delivering the outcomes through log frame or technocratic level Mid-Term Framework exercise is seen as being effective rather than the impact of aid in delivering multiplicative, diffusive and additive value through this initiative.

But this is a shell game between the donors and a certain class of people of the country aligned with the ideology and 'developmentalism' of aid industry that seeks value for money in aid architecture. A closer look with this lens confirms the fact that aid resources do not make change in the life and livelihood of the poor and marginalized who should be placed at the centre of the endeavor. An estimate suggests that only 25 per cent poor and laboring class of people have received the aid benefits while the remaining resources have been plundered by commission agents, foreign consultants, contractors, bureaucrats, politicians, national consultants and rural and urban elite respectively<sup>11</sup>. However, the irony of the fact is that the absolute *excluded groups* such as women, ethnic population, the person with disability, socially isolated women due to stigmatization etc. remain outside the benefit of aid-development initiatives.

Besides this, the GPP can not be good enough unless the *partnership commitments* outlined during Paris Declaration 2005 understood with a deeper analysis in the light of the ground reality. Indeed, to provide momentum to upcoming Accra process, we should even go beyond Paris Declarations if reform is to deliver poor people particularly women<sup>12</sup>.

Given this hindsight, GPPs, subsequently tuned as *partnership commitments* should go through a morphological analysis. Of the five building blocks developed as *partnership commitments* in the Paris Declaration, two major aspects are being discussed here.

### Harmonization

Recently, the Government of Bangladesh and Development partners have jointly developed a Harmonized Action Plan (HAP) with mutual understanding, respect and trust as well as formed a Task Force including an integrated plan of action. The envisioned objectives of HAP include (i) reduction of overall poverty; (ii) improvement in partnership; joint efforts towards achieving MDGs; and (iv) sustainable development<sup>13</sup>. From the viewpoint of process, it is a good start, no doubt. But the harmonization will not be effective if it ends up with the process instead of taking this process take the existing development dynamics into cognizance. The experience with the current development dynamics in Bangladesh reveals that despite

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<sup>11</sup> How much Foreign Loan and Aid is Necessary for Bangladesh: Political Economy of Last Three Decades Experience, pp. 14.

<sup>12</sup> Making Aid Accountable and Effective: *The Challenge for the Third High Level Forum on Aid Effectiveness*. pp. 4.

<sup>13</sup> Harmonized Action Plan Bangladesh for Making Foreign Aid Effective. pp. 2.

having some good efforts or practices, lack of harmonization with other policies may hold back the momentum of achieving particular objectives and hence may turn into ineffective. Usually, policy conditionality is blamed for thwarting the aid for development process.

However, aid for development initiative may be proved ineffective even in case a particular development effort/program is free from policy conditionality and or process conditionality. The case of vulnerability of Jute Mills workers and their families could be referred here in relation to the education initiative undertaken by PEDP II or other mainstream education programs targeted towards attainment of education MDGs. The following case illustration is an entry point discussion and analysis on the issue.

In July 2007, about 4000 Jute Mill workers of the South-Western part of the country lost their job due to implementation of Structural Adjustment Policy (SAP) of the World Bank and IMF. Loss of job has not only made the livelihood of the workers vulnerable, but also resulted in knock on effect on the education of their children for two reasons. First, the jobless workers are unable to afford the cost of education of the children of their respective families. Second and crucial issue is, it is yet to be decided whether the functions of schools within Jute Mills campus will continue or not. Thus, on the one hand, the students of workers' families are victims of uncertainty of school functions and economically vulnerable on the other. Some of the students have already become child labor in the face of acute household economic crisis while others are attending schools and preparing their class works going hungry or half-fed.

The above case is the consequence of the policy conditionality imposed by the World Bank. Under the Jute Sector Adjustment Credit (JSAC), IDA offered a reform package which included closing of 9, public mills (out of 29) and downsizing two large public mills including, among others, retrenchment of 20,000 employees<sup>14</sup>. Apart from IDA, closing of jute mills was also one of the pre-requisite and prior actions of IMF's PRGF loan. As a matter of fact, the jute mills of Bangladesh has fallen victim of cross conditionality.

These policies are mainly concerned about jute sector restructuring and thus do not have the mandate to deal with the unanticipated problems relating to education emerged out as the by-product of reform measure. Similarly, despite the vision plan around MDG achievement, the mainstream education program characterized by Sector Wide Approach (SWAP) can hardly tackle this unanticipated problems because the resources has already been allocated through the process of 'development partnership bureaucracy'. Thus, lack of this synchronization/coherence between these two policies

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<sup>14</sup> Bangladesh Jute Sector Adjustment Credit, pp. 6.

adversely affects aid effectiveness in education. All these points to the fact that process oriented HAP is not enough, rather 'policy harmonization' is crucially important to effectively move HAP and eventually make aid effective.

### *Mutual Accountability*

It seems good like other Good Practice Principles. As long as the results of development is concerned, mutual accountability goes well with donors as well as the government. But this result based definition does not ensure that mutual accountability will suffice to make aid effective. Indeed, the fundamental flaw lies with the fact if any 'development devastation' occurs after a long period of time, it would be difficult to hold donors to account as the scope of mutual accountability is confined to results which are short-term phenomena. And this is how the donors have the room for maneuvering in terms of bypassing accountability from their end in case of any disaster or damage caused to any community as a consequence of a program intervention designed harmoniously with the spirit of mutual accountability. KJDRP project launched by ADB in the South-Western part of Bangladesh is a case in point here. The project has caused a long-term water logging in this area making the livelihoods of people vulnerable. There had been a series of advocacy dialogues with ADB representative on the issue of compensation. However, the issue of compensation could not be agreed upon as there is enough room for maneuvering as long as the mutual accountability refers to development results, not the impact. An ADB document entitled *Accountability Mechanism*<sup>15</sup> clearly articulates that the following matters are not eligible for complaints/requests:

- Decisions made by ADB or the project implementer regarding procurement of goods, services, and consulting services, These matters should be addressed to ADB's Central Operations Services Office, which can be contacted through [adb.org/COSO](http://adb.org/COSO);
- The project completion report for the project has been issued, normally within two years after physical completion of the report.

In case of first one, there is already a technical barrier for grass roots people in the suggested request/complaint process. Regarding second one, ADB will remain outside the ambit of accountability whatever volume of damage or negative impact is there once the physical completion report is completed.

All these indicate the rhetoric of mutual accountability. This poses a question as to how far the aid in particular and development in general could be effective in the light of the above scenario of accountability mechanism.

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<sup>15</sup> Asian Development Bank Accountability Mechanism : Listening to Communities Affected by ADB-Assisted Projects and Enhancing Development Effectiveness.

Another grey area is the horizon of mutual accountability. As per document and practice, mutual accountability does not go beyond government. To put it other way, downward accountability is usually bypassed by both donors and government.

## Conclusion and Recommendations

The aid discourse in Bangladesh is not new. But, the discourse was confined to a very few academics while the poverty reduction agenda of civil society was not explicitly focused on aid policy. It is only recently that the civil society activism has started to articulate the issue of aid effectiveness in the development praxis. Now the task before civil society is to develop a critical understanding of aid politics, mobilize critical mass around aid dynamics and its consequence on poverty and development. Besides, the most critical task is to make government responsive and pro-active on the agenda of aid effectiveness. Therefore, making aid effective for development is a long-term process. However to create an enabling environment in this regard, there is a need for combating fundamental problems inherent in the aid architecture. The above discussions give some oversights which are critical to make aid effective. In the light of these oversights, the following recommendations are being forwarded.

- ▶ Create a mechanism for real ownership of development process and Support wider participation of civil society in the aid discourse;
- ▶ Harmonization Action Plan (HAP) will not suffice to tackle the problem of aid effectiveness. Therefore, HAP should not be confined to programmatic actions. Rather, conditionality particularly economic policy conditionality should also be harmonized in such a way so that actions undertaken can ensure pro-poor development,
- ▶ Mutual accountability should be respected by the donors. In doing so, donors should be brought under binding commitments so that their accountability to the community is in effect,
- ▶ Technical assistance should be based on the needs and priorities of concerned stakeholders,
- ▶ Ensure right to information both from the part of government and donors,
- ▶ In the process of indigenizing ownership, the involvement of women of different categories and women organizations should be ensured in the formulation of aid policy and its delivery,

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