



# Foreign Aid 101

The Story of a Bottomless Basket

# What is Foreign Aid?

- Official development assistance by developed countries and multilateral institutions
- Unofficial aid through non-governmental and charitable foundations



# Rationale of Aid

## Recipient Country

- Gap between revenue and expenditure
- Natural or man-made disasters

## Donor Country

- Foreign policy objectives
- Global peace and prosperity
- Trade and economic interests



# Forms of Aid

- Grants
- Loans
- Supplier's/Buyers' Credit



# Types of Aid in Bangladesh

- Food Aid
- Commodity Aid
- Project Aid



# Types of Development Partners

- Bilateral
- Multilateral
- Private charitable organizations

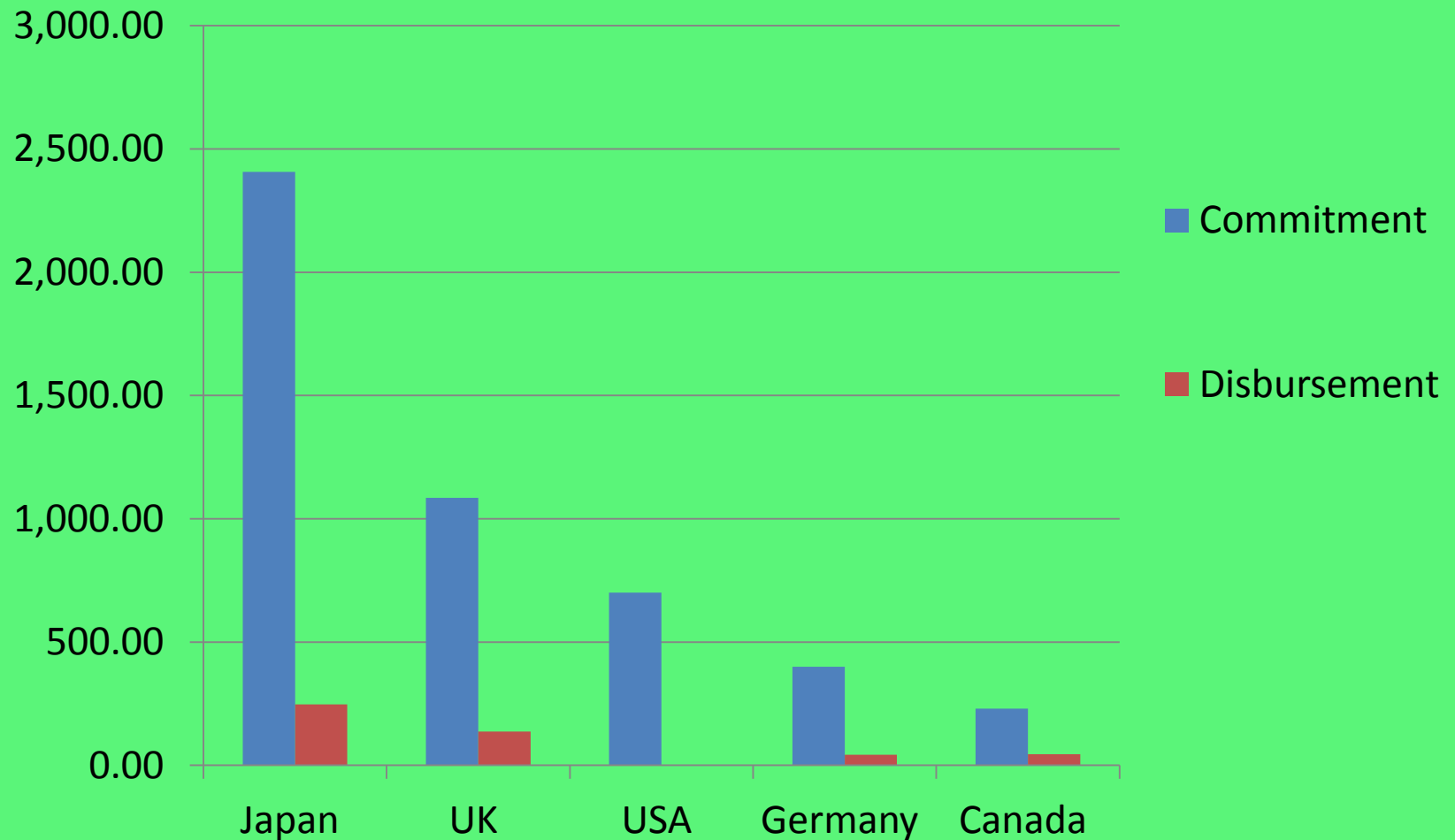


# Some of the Major Development Partners in Bangladesh

- World Bank
- ADB
- JICA
- DFID
- AUSAID
- CIDA
- GIZ

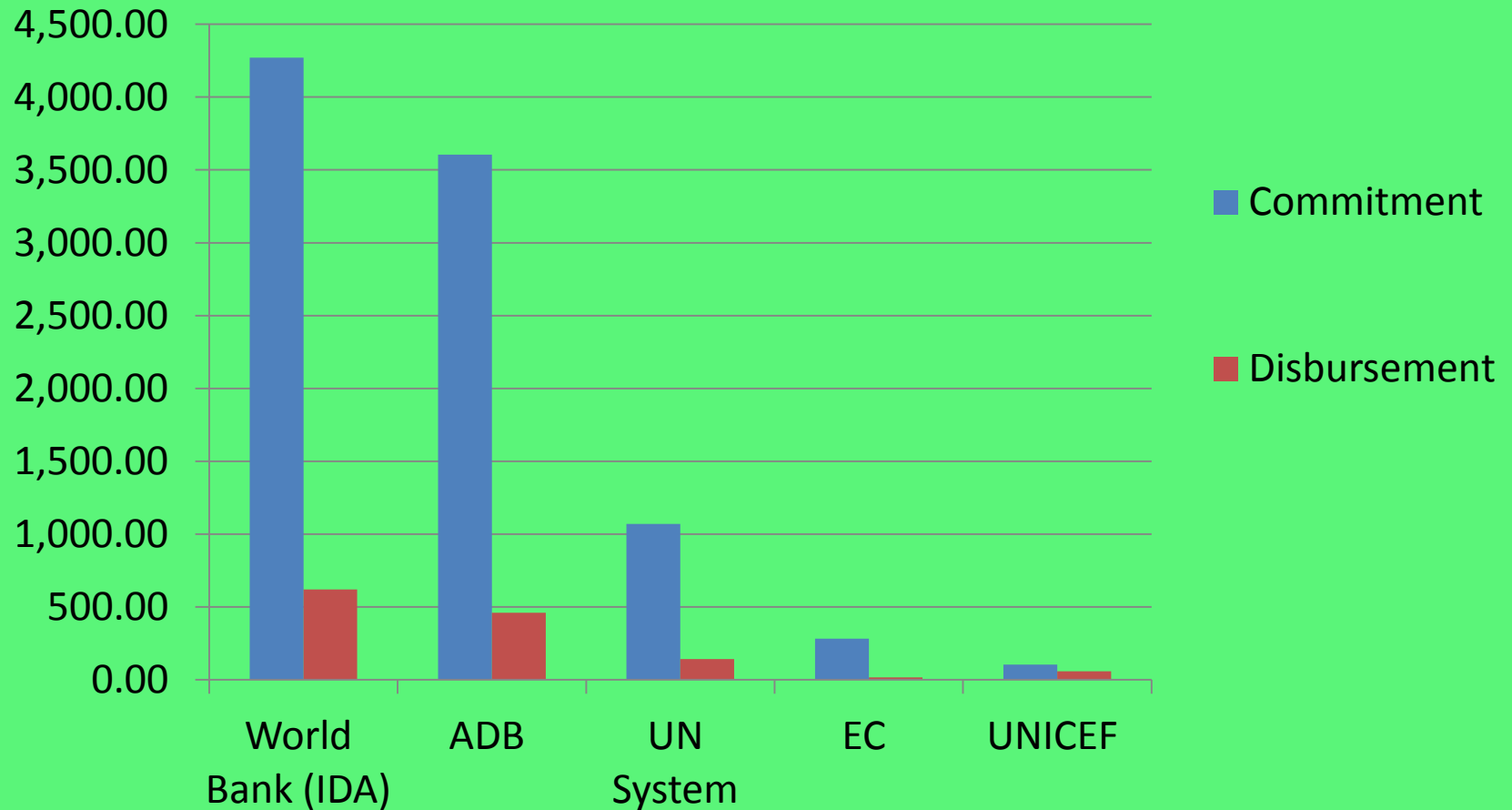


# Development Partner's Commitments & Disbursements in 2011-12 (\$M) –Bilateral

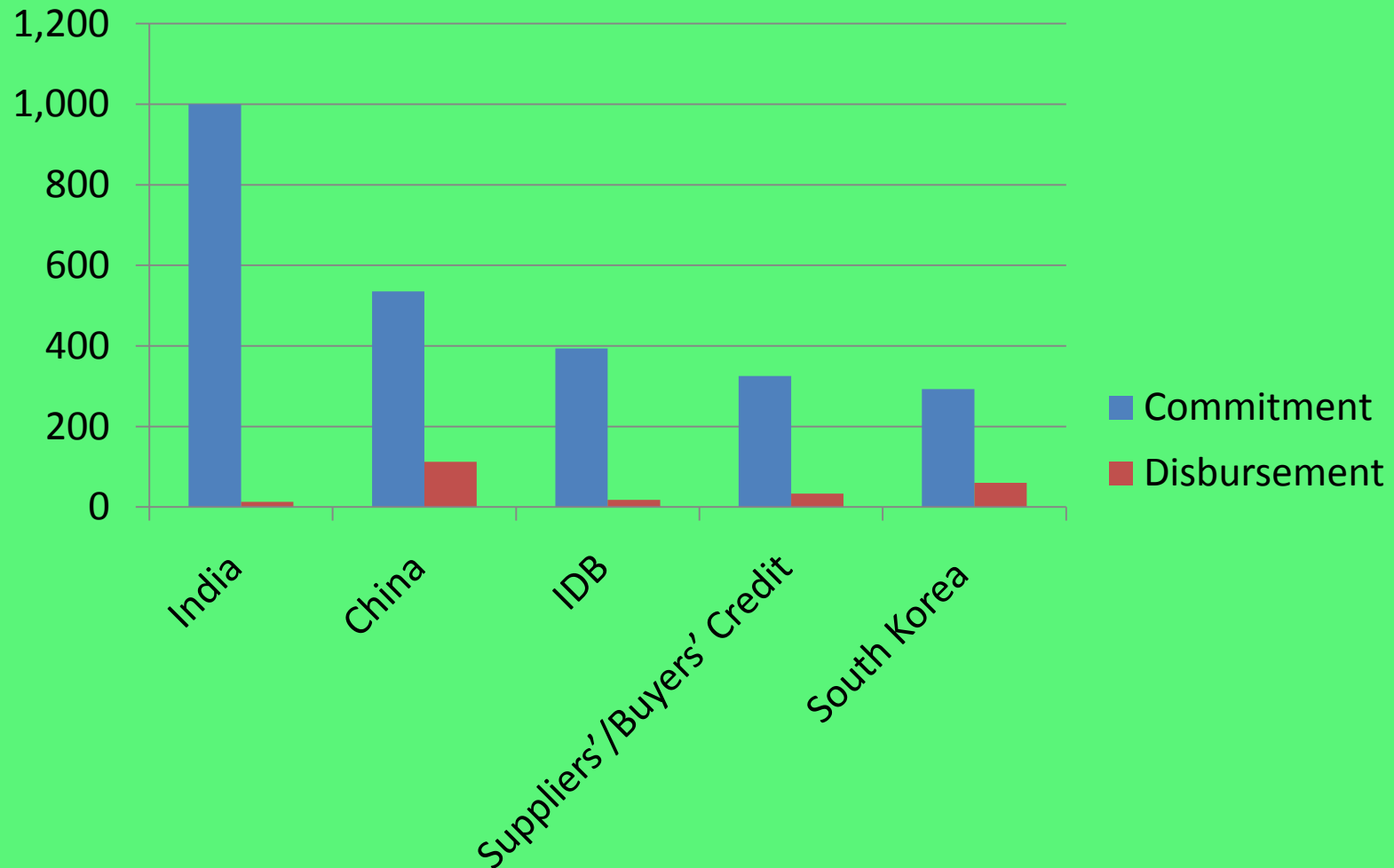




# Development Partner's Commitments & Disbursements in 2011-12 (\$mil) – Multilateral



# Non-aid Group Sources' Commitments & Disbursements in 2011/12 in \$ M



# Total Amount of Aid from 1972/73- 2011/12

Year	Amount in US\$ M
1972/73	551
1982/83	1,177
1992/93	1,675
2002/03	1,585
2011/12	2,126
<b>Total</b>	<b>54,723</b>



# Reasons for low level of disbursements

- Lack of resources
- Low absorptive capacity
- Corruption
- Bureaucratic hurdles
- Discrepancies in procurement guidelines of development partners and GOB
- Conditionalities
- ADP used for “unusable” projects ( eg bridges without connecting roads)



# Impact of low disbursements

- Slow ADP implementation
- Increased domestic (bank) borrowing



# Genesis of Bilateral Aid in Bangladesh

- 1970s: Post-war rehabilitation and infrastructure; NGOs
- 1980s: Infrastructure and technical assistance; NGOs; Community based development; service delivery
- 1990s: Sector-wide approach in health, education; service delivery; democratic development; institutional development; governance

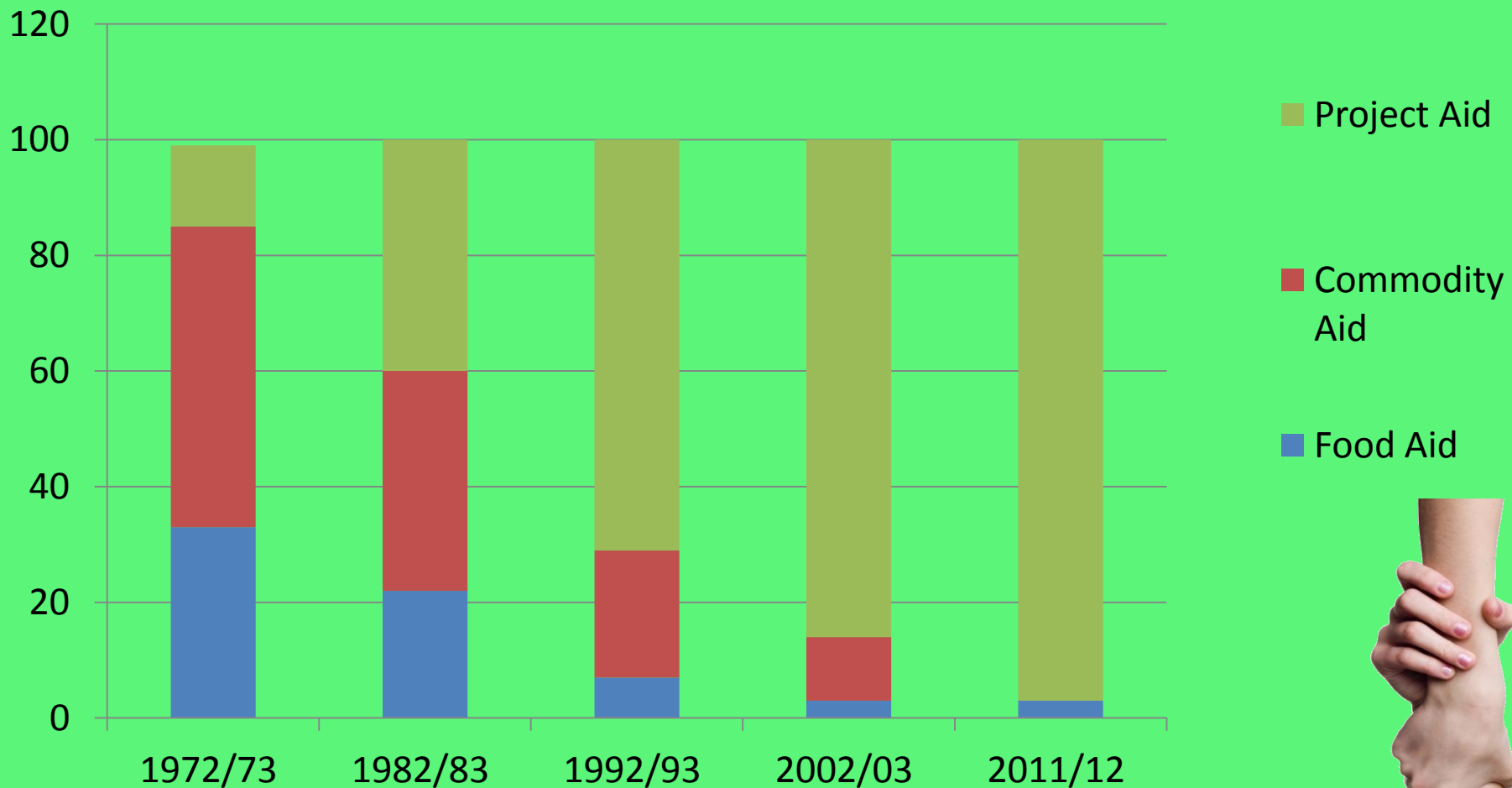


# Trends in Bilateral Aid

- 2000s: Sector-wide, and multi-donor joint funding for service delivery, move away from infrastructure; governance
- 2010s: Sector-wide, multi-donor, supporting government programs, move away from NGOs

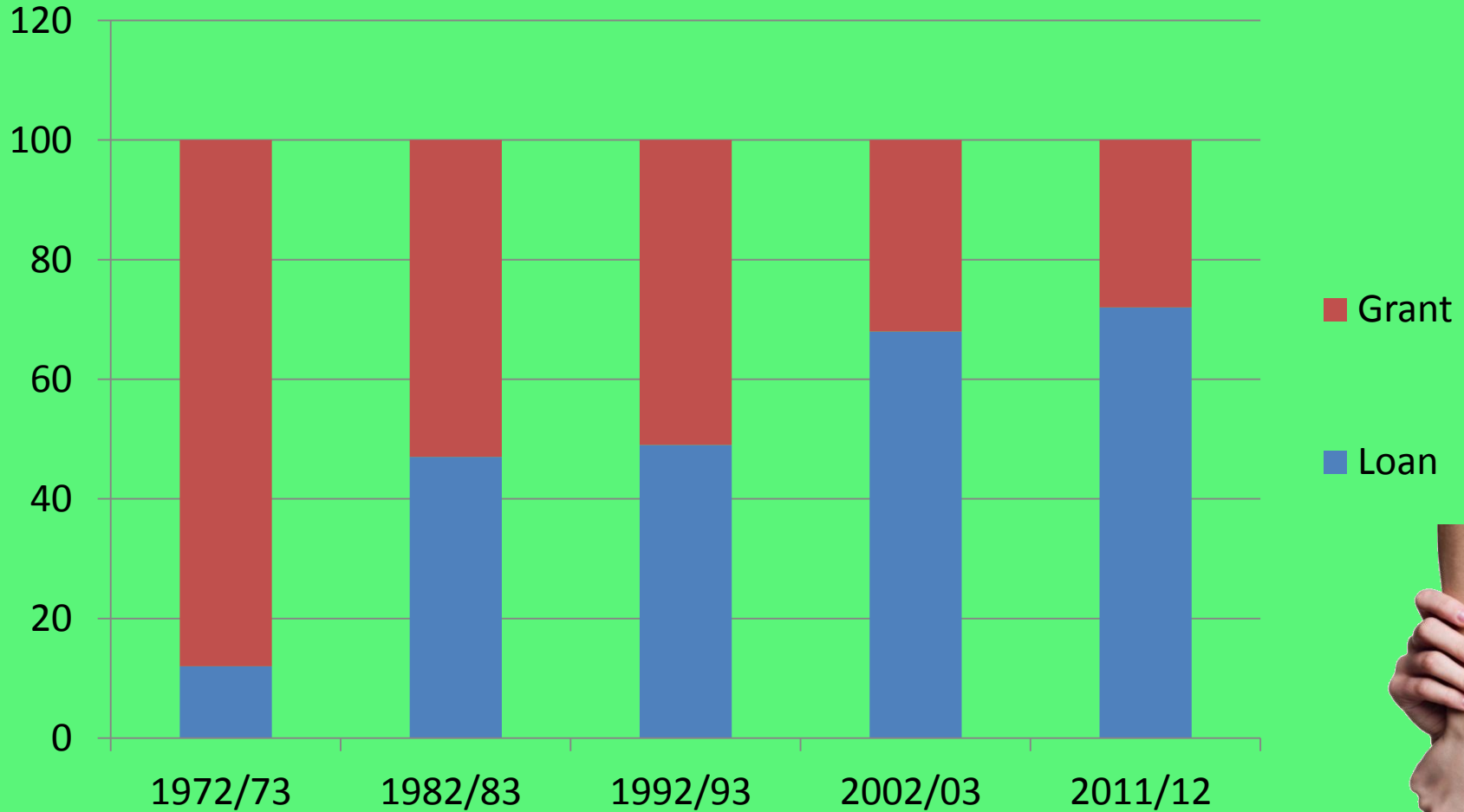


# Changing Patterns of Aid by Purpose (% of total aid)

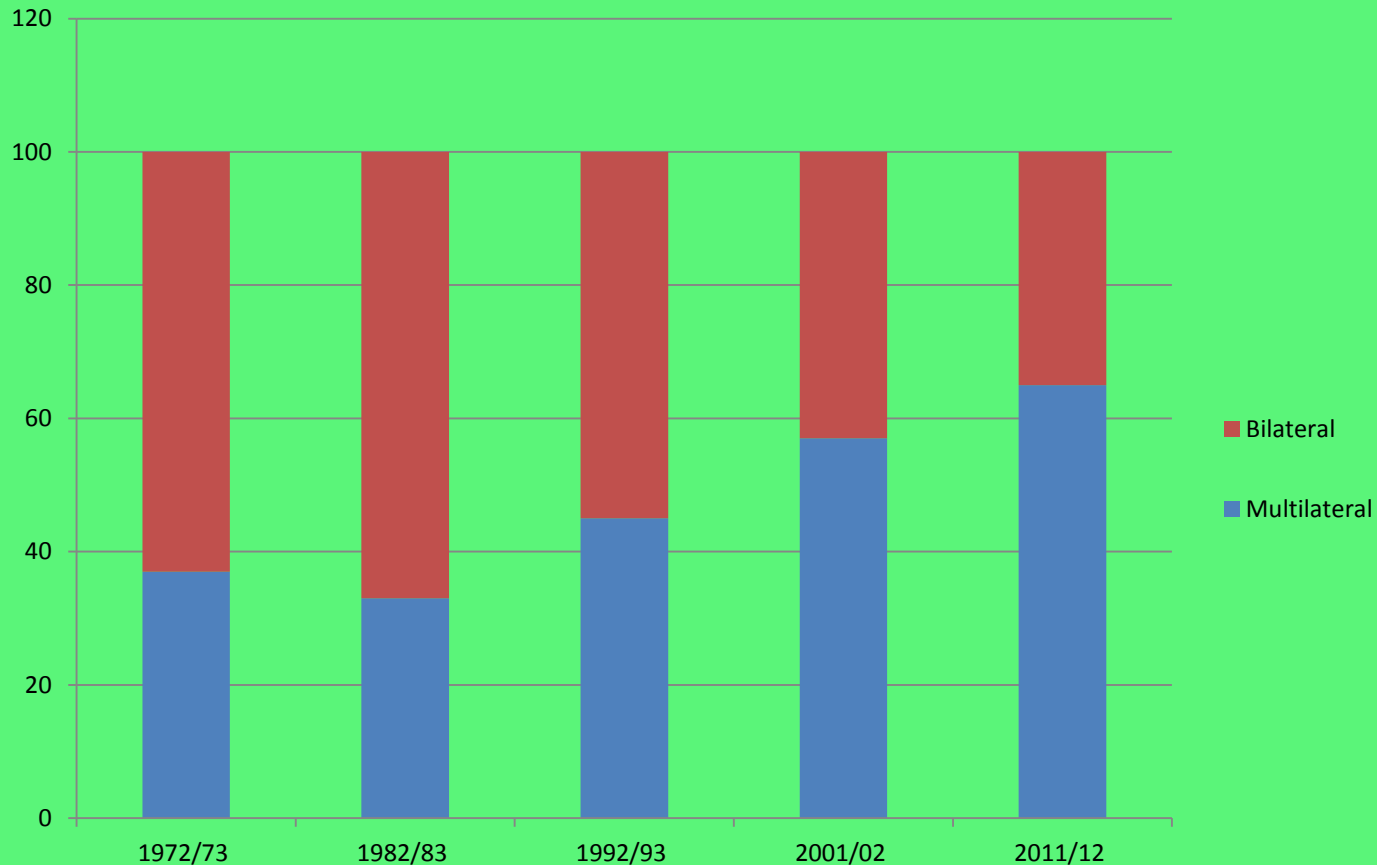




# Changing Patterns of Aid by Type (% of total aid)



# Changing Patterns of Aid by Source (% of total aid)



# Disbursement of Project Aid by Sector Comparison between 1972/3 – 2011/12

US\$ Million

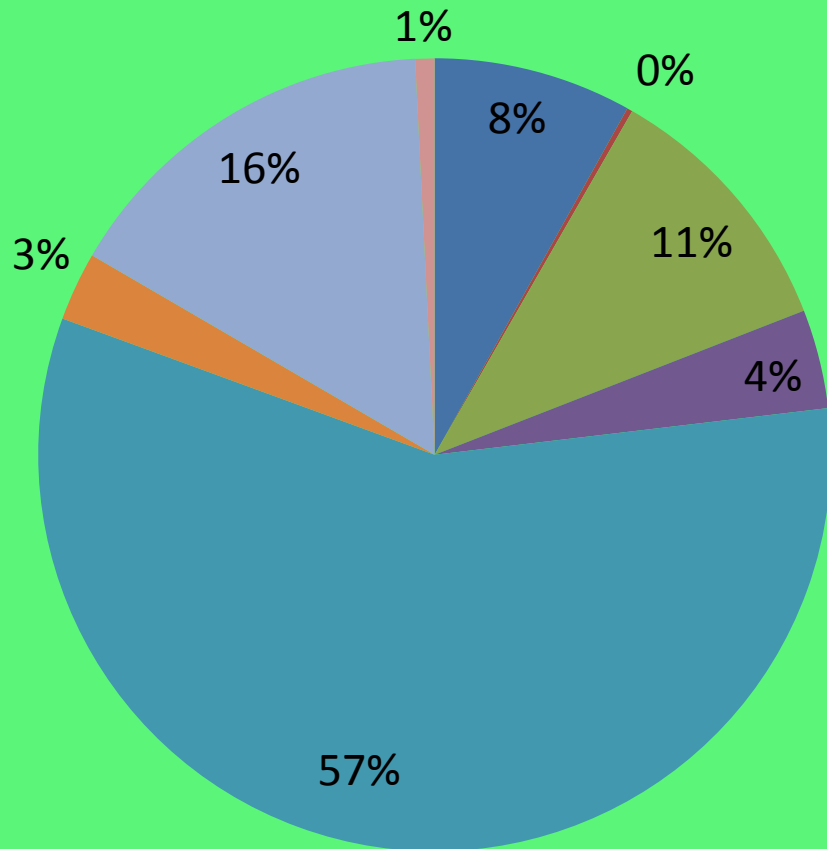
Sector	1972/73	1982/83	1992/93	2002/03	2011/12
Power	7.2	65.2	290.6	186.2	398.5
Public Admin	-	-	17.9	101.5	344.5
Education & Religious Affairs	0.2	10.9	84.9	107.5	279.8
Health, Pop. & Family Planning	9.6	27.1	34.4	90.5	274.1
Physical Planning, WS & Housing	3.6	10.6	48.3	383.1	245.4

# Disbursement of Project Aid by Sector Comparison between 1972/3 – 2011/12 US\$ Million

Sector	1972/73	1982/83	1992/93	2002/03	2011/12
Transport	51.2	63.6	155.0	188.6	114.3
Industries	2.5	52.9	31.9	21.0	81.6
Water Resources	14.1	50.4	156.2	54.3	63.5
Social Welfare, WA & YD	-	0.2	0.7	4.9	50.8
Agriculture	0.7	56.9	72.8	7.6	49.6



# Aid by sector at a glance in 1972/73 & 2011/12

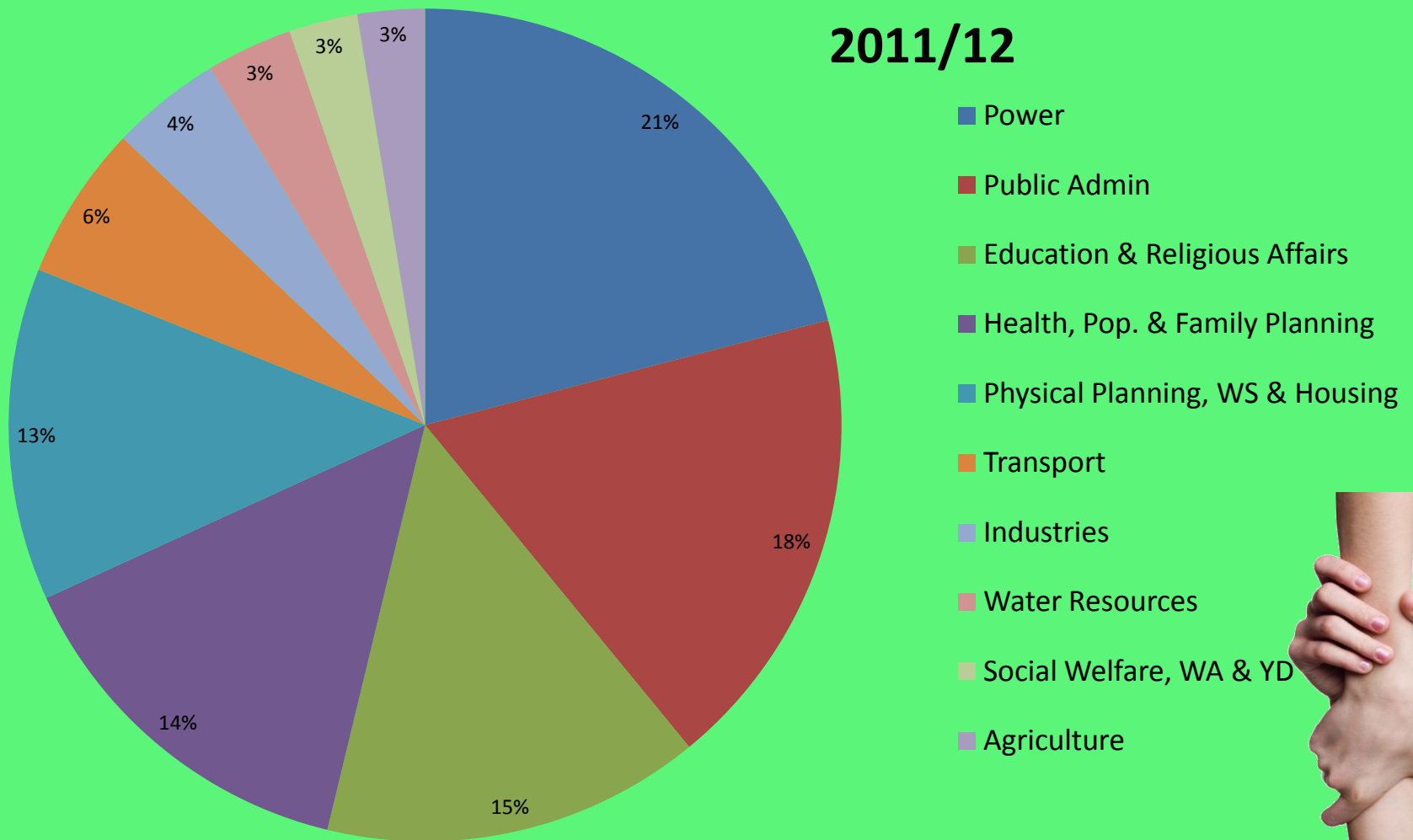


**1972/73**

- Power
- Education & Religious Affairs
- Health, Pop. & Family Planning
- Physical Planning, WS & Housing
- Transport
- Industries
- Water Resources
- Agriculture



# Aid by sector at a glance in 1972/73 & 2011/12



# Issues

- Tied versus untied
- Policy Coherence
- Aid versus trade
- Donor Coordination



# Critique of Foreign Aid

- Donor dependency
- Lack of ownership
- Duplication
- Unpredictability
- Lack of policy coherence
- Corruption
- Distortion
- Poverty Business





# 1<sup>st</sup> High Level Forum on Aid Effectiveness Rome 2002

- Recipient countries' priorities & timing
- More delegation among field staff
- Strengthen capacity in recipient countries to enable them to set their own agenda for development



# 2<sup>nd</sup> HLF Paris Declaration on Aid Effectiveness, 2005

- Ownership
- Alignment
- Harmonisation
- Results
- Mutual Accountability



# 3<sup>rd</sup> HLF Accra Agenda for Action (AAA)

- Ownership
- Inclusive partnership
- Delivering results
- Capacity development



# Fourth High Level Forum on Aid Effectiveness at Busan 2011

From effective aid to cooperation for development

- Strong, sustainable, inclusive development
- Government's own revenues to finance development
- State and non-state institutions design and implement
- Developing countries integrate, regionally and internationally



# Fourth High Level Forum on Aid Effectiveness at Busan 2011 (contd.)

- South-south cooperation
- Private sector and development
- Combating corruption and illegal flows



# Joint Cooperation Strategy

2010 GOB and 18 donors sign JCS

- Ownership and coordination
- Alignment
- Accountability and predictability of aid flows
- Common agreement on expected outcomes



# Millenium Development Goals (MDGs)

- 8 international development goals established following Millenium Summit of the UN in 2000
- 193 UN member states and 23 international organizations signed on to it



# Bangladesh and Millenium Development Goals (MDGs)

## **MDG 1 : Eradicate extreme poverty and hunger**

- Poverty declined from 56.6% in 1990 to 31.5% in 2010, expected to be 29% in 2015 – on track

## **MDG 2: Achieve universal primary education**

- 95% Primary school enrolment, but high drop out rate, so low completion rate; progress in adult literacy (58% in 2010)





# Bangladesh and MDGs

## **MDG 3: Promote Gender Equality (GE) and Empower Women**

- Primary and secondary enrolment parity gained and on track to achieve % of women employed in agriculture



# Bangladesh and MDGs

## MDG 4: Decrease child mortality

Indicator	1990/91	2010	2015
U5 mortality rate	146	50	48
IMR	92	39	31
Children immunised for measles	54	85	100



# Bangladesh and MDGs

## MDG 5: Increase in maternal health

Indicator	1990	2010	2015
Maternal Mortality Rate	574	194	143
Child birth by skilled attendant	5%	26.5%	50%



# Bangladesh and MDGs

## **MDG 6: Combat HIV/AIDS, malaria and other diseases**

- 776 cases per 100,000 in 2008 to 512 in 2010

## **MDG 7: Ensure environmental sustainability**

- Access to safe drinking water and sanitary latrines in urban areas significantly improved; challenge in rural areas; wetlands, biodiversity still a challenge



# Bangladesh and MDGs

## **MDG 8: Develop global partnerships for development**

Telephone and internet connection, esp cell phones increased, youth unemployment persists



# Post-MDG Discussions

- UN High Level Panel on Post-MDG
- 5000 people in 121 countries consulted
- Report released in May 2013
- Calls for 5 transformative shifts



# Post-MDG

- Leave no one behind- ensure no one is denied basic economic opportunities
- Put sustainable development at core – arrest pace of climate change and environmental degradation
- Transform economies for jobs and inclusive growth – harness innovation, technology and potential for business



# Post MDG

- Build peace and effective, open, accountable institutions for all – peace and good governance a core element of well-being
- Forge a new global partnership – inclusive and respectful





# Emerging trends

- Pulling out of NICs (China, India, South Africa)
- Trade and economic interests of donor countries
- New kids in the block
- Regional groups



# Way forward for Bangladesh

- Regional partnerships mostly trade related
- South-south cooperation
- Strengthening voice
- Good governance



**Thank You!**

