

THE FOREIGN AID AND RURAL
DEVELOPMENT IN BANGLADESH

1972-1985

M.P.

BY

SHAMIMA SULTANA

THESIS SUBMITTED TO THE UNIVERSITY OF DHAKA
FOR THE DEGREE OF MASTER OF PHILOSOPHY.

JANUARY, 1987

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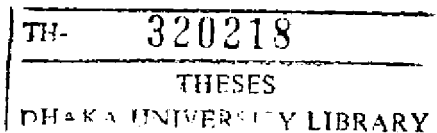
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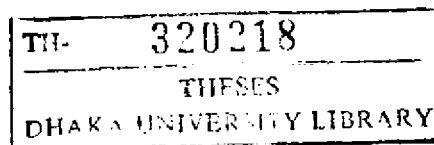
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A B S T R A C T

The thesis is a study of Foreign Aid and Rural Development in Bangladesh during the period from 1972 to 1985. The study focuses on the web of relationships between the foreign aid and rural development and government policy towards rural development involving foreign aid.

Analysing the role of foreign aid in rural development, answers to the following questions have been sought: (1) What is the state of rural poverty in Bangladesh? (2) What is rural development? (3) What types of foreign aid are given to Bangladesh? (4) How foreign aid is utilised? (5) What is the role of the government in rural development? (6) What are the constraints to rural development? A socio-economic feasibility study is also made on a particular area, named the Pathakhali-Konai Projects at Mirzapur(Tangail).

The thesis makes the observations that a rational approach based on priority basis should be followed in the utilisation of foreign aid to promote rural development, which should be fitted with infra-structural changes enabling the rural poor to have increased and effective participation in the developmental activities including the process of decision-making and decision-implementing.



ACKNOWLEDGEMENT

Any research work is strenuous and painstaking. It requires hard labour of the researcher under guidance of an expert on the topic. Virtually the research fellow has to find out source material of the topic and depict it in form of a treatise. The research work has to be carried out through different stages step by step. It is a fact that while doing the research work one comes into contact with many persons in way of collection of materials and naturally the fellow remains indebted to these helpful persons. So is the case with me.

My first and greatest indebtedness is to my supervisor Professor Emajuddin Ahmed, Pro-Vice-Chancellor, University of Dhaka, for his untiring and patient guidance in carrying out my research. I can humbly tell that without his great care, keen interest and deep insight into the subject matter, it would not have been possible for me to complete the present study. I must acknowledge the debts and gratitude to my parents who were my constant

sources of inspiration and encouragement while doing this research. I can see that I had to carry on my study in the midst of a lot of troubles and difficulties but I am happy that my husband was very helpful and decent to me all the time. My gratefulness is also to Dr. Harun-or-Rashid, Assistant Professor, Department of Political Science, University of Dhaka, for his careful reading of the manuscript and valuable comments.

I must express my gratefulness to the University of Dhaka for awarding me a scholarship for a year to carry on the present study. I am also grateful to the staffs of a number of institutions including the Dhaka University Library, the Planning Commission Library, the External Resources Division, National Institute of Public Administration, Bangladesh Institute of International Strategic Studies for their all cooperations and assistance. Lastly, I am thankful to Illius and Bimal of the University of Dhaka for their neat typing of the manuscript.

ABBREVIATIONS

CARE	-- Comparative American Relief Everywhere.
DTWs	-- Deep Tubewells.
EIP	-- Early Implementation Project.
FFYP	-- First Five Year Plan.
GDP	-- Gross Domestic Products.
GNP	-- Gross National Products.
HYV	-- High Yield Varieties.
IDA	-- International Developmental Agencies.
ILC	-- International Labour Organisation.
LLPs	-- Low Lift Pumps.
NGOs	-- Non-Governmental Organisations.
SFYP	-- Second Five Year Plan.
STWs	-- Shallow Tubewells.

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CHAPTER - ONE
INTRODUCTION

Bangladesh is an overwhelmingly rural country. It has the fourth highest rural population in the world. Only China, Indonesia and India have larger absolute population but none of these has such a high proportion of the total population living in rural areas and dependent on agriculture. The teeming millions of this country however live in a beautiful lush green environment under severe physical and economic strains. They are very simple, ethnically homogeneous, speaking one language, hospitable to guests and demanding a minimum for life comfort.

Of its 95 million people, 91 percent live in rural areas and 75 percent are engaged in agricultural production. The rural people are however extremely poor.

Bangladesh is one of those countries however which have been receiving large quantities of foreign aid. Bangladesh gets approximately 1.5 \$ billion of aid every year and that accounts for nearly 50 percent of its total revenue budget, 80 percent of its development budget and about 10 percent of the Gross National Products. Aid is given to Bangladesh expressly for the purpose of eradicating poverty and strengthening the economy. But it is surprising that the poverty has been increasing day by day with the increase

of foreign aid. Foreign aid has failed to eradicate poverty in rural Bangladesh.

This gives rise to a number of questions. Why rural poverty is not eradicated, though the quantum of aid is increasing? What is the extent of rural poverty? Has it any relationship with the process of aid utilization? How is foreign aid used in Bangladesh? This study is an attempt to analyse these questions.

Rural development aims at satisfaction of basic needs of the rural people such as — food, clothing, shelter, education, social security, medical facilities, recreational facilities and so on. The program of foreign aid has been initiated to alleviate rural poverty. Socio-economic development is the primary objective of foreign aid.

There are some works on the nature of rural development, rural poverty and of foreign aid. Kamal Siddiqui has analysed the conditions of poverty stricken rural people in Bangladesh. He has analysed the effects of resource inflow on production and distribution, particularly in the rural sector. Rehman Sobhan has also analysed political economy of foreign aid to Bangladesh. All these studies have discussed the problems of poverty and aid in general terms.

This study seeks to analyse the impact of foreign aid on rural poverty. Is rural poverty affected in any way by foreign aid? If not, why? What should have been done in that case? Taken the specific case study, we have tried to study it in depth.

In this study we have followed the analytical statistical methods. We have also taken help from secondary sources, i.e., documents and other writings of different authors regarding foreign aid and rural development in Bangladesh. We have also collected information from news paper reportings, government documents and publications. Finally I have also made a field work in the rural area on a water development project, undertaken by Netherland Technical Assistance Programme.

The study is divided into some chapters. The introductory chapter opens the discussion about the rural poverty and foreign aid and the background to the present study. In the second chapter, the nature of rural poverty in Bangladesh has been discussed. Chapter three has focussed on the extent of foreign aid and the amount of disbursement of foreign aid per year from 1972-1985. The fourth chapter examines the

nature of utilization of foreign aid. The fifth chapter examines the government bodies on rural development. The sixth chapter analyses the socio-economic study of Pathakhali Konai Project. The seventh chapter analyses the development strategy and comes up with some observations.

C H A P T E R - T W O

NATURE OF RURAL POVERTY IN BANGLADESH

Definition of Poverty

The definition of poverty is very relevant though subjective in nature. The real problem in analyzing poverty refers to scarcity or insufficiency of resources in some sections of the population and in some areas, an area which lacks the means to eradicate its own poverty.

The most difficult task is to define absolute poverty. In this respect two criteria are available in the existing poverty literature: maximum needs and acceptable needs. The second approach developed mainly by UN and ILO experts — poverty in terms of lack of basic human needs. Drawanski and Scott draw up an hierarchically arranged list of such needs:

Basic physical needs

1. Food (Nutrition)
2. Shelter
- 3 . Clothing
4. Health

Basic Cultural needs

1. Education
2. Leisure and recreation
3. Security

Higher needs

1. Surplus income
2. People's participation in development agencies.

While describing poverty in Bangladesh, Khan (1970-80) lists the following as "core basic needs", food, clothing, shelter, health, education, drinking water and acceptable per capita requirement of each of these items. For him the cost of these basic needs constitute the poverty line.¹

Poverty means an unequal distribution of property in a broader sense; it also means an unequal distribution of power. People are poverty stricken when their income, even

1. A.R. Khan, "Basic needs Target: An Illustrative Exercise in Identification and Quantification", in D.P. Ghai, The Basic needs approach to development, Geneva, ILO, 1977, p.80.

if it is adequate for survival falls markedly below that of the community. Then they can not have what the larger community regards as the minimum necessary for decent living.

Poverty is both an absolute and relative term. In an absolute sense, it means lack of resources for specific needs. In a relative sense, it refers to the extent of these resources in comparison to what other individuals in the society have. A poor urban family today may have technological possessions and education superior even to those of the upper socio-economic groups in rural areas. Townsend defines poverty as an inequity in the distribution of five resources including cash income, capital asset, occupational fringe benefit, current public services and private income in kind. Explanation of poverty in bourgeois social science may be defined as follows:

1. An explanation in term of individual attributes;
2. Cultural possessions;
3. Explanation in term of the role of public social service.

Explanation emphasising the relationship between individual and poverty as stemming from limitations, maladjustments and deficiencies of individuals refers to poverty in terms of their biological endowment, economic capacity and psychological equality.

Analysts can endlessly argue about the nature and depth of poverty without reaching unanimity but there is no denying among them that Bangladesh is one of the poorest countries in the world and majority of the people are poverty stricken. What is more alarming is that the level of poverty is increasing and increasing fast.

Per Capita Income

The dimension of poverty in Bangladesh is reflected in many ways. The average per-capita income is very low and that is very unevenly distributed in society. In 1977 World Bank Atlas, Bangladesh was placed second from the bottom, just above Bhutan on the basis of per-capita income i.e., in Bangladesh \$ 90 in 1975. In 1978 it was sixth from the bottom; the other five were Bhutan, Ethiopia,

Laos, Mali and Ruanda.² Even during 1981-82 the per-capita income remained stationary at \$126. The government of Bangladesh has recognised an income of \$100 as the poverty line and according to government estimate 80 percent of the total population is living below the poverty line. Per-capita income during 1984-85 was \$160.

Food (Nutrition)

Since per-capita income is not seriously taken as the indicator of poverty these days, for a real picture of poverty we can take a look at the daily food basket. In Bangladesh it consists of 8 ounces of rice, 2 ounces of fish or meat, 1 ounce of pulse and some vegetables. A household which can arrange such food by its income is lucky, though such food has never been considered balanced and not at all adequate for health and energy. In Bangladesh however more than 85 percent of the rural households fail

2. Dr. Emajuddin Ahmed, Bangladesh: Rajnitir Goti Prakriti O Onanya Prabandha (Bangladesh: nature and dynamics of politics and other eassays) Dhaka, Book Society, 1982, p.p. 113-15.

to arrange such food regularly throughout the year.³

A National Nutrition Survey, undertaken in 1962-64, indicated that at least 45 percent of all rural households had calorie in-takes below the acceptable levels.⁴ The declining food availability per head has resulted in further deterioration in the overall food and nutrition situation since then.⁵ The second nutrition survey, undertaken in 1976, showed that average daily energy intake became 150 calories less in 1976 than in 1962-64. The survey further indicated that a food basket of an average Bengali household could generate only 2094 calories which was 7 percent less than the minimum requirement. In the poorer families it was much less. In fact, the average daily intake in 59 percent of rural households does not exceed 1500

-
3. Dr. Emajuddin Ahmed and Saaduddin "Bangladesh: Rural Poverty and Foreign Aid", Journal of Social Studies, vol. 25, 1984, C.S.S. Dhaka University, p.36.
 4. Quoted in Stefan de Vylder and Senial Asplund, Contradictions and distribution in a rural economy. The case study of Bangladesh, SIDA, May, 1979, p.7.
 5. Per-capita availability of food is declining in Bangladesh. While it was 361 pounds per year in 1973-74, it came down to 352 pounds in 1977-78. For more on this see government of the people's Republic of Bangladesh, Bureau of Statistics, Statistical Year Book of Bangladesh, Dhaka, 1979, p.463-68.

calories.⁶ The UN statistics also revealed that Bangladesh had in the early 1970s the lowest average energy intake per head among the twelve developing countries in Asia.⁷ The situation has worsened in the early 1980s.

Out of total population more than 85 percent live below the poverty line, more than 60 percent take less than the minimum calorie requirement, 67 percent suffer from protein deficiencies and more than 70 percent are suffering from anaemia.⁸ The average life expectancy is only 47 years. In a nutrition survey conducted by some scholars in two union Parishads i.e. Chander Kandi and Mominpur, it was found that 23 percent of villagers in those two Unions comprising 30 villages could afford to eat meat only 12 days in that year and 11 percent of them could eat meat only on Eid days.⁹

6. Dr. Emajuddin Ahmed, Bangladesh: Rajnitir Goti Prakrity O Onanya Prabandha, Dhaka Book Society 1982, p.113

7. FAO/UNDP government of Bangladesh Agricultural Mission, Nutrition Working Paper III, Dhaka, 1977.

8. Dr. Emajuddin Ahmed and Saaduddin op.cit, p.37.

9. Dr. Emajuddin Ahmed and Saaduddin ibid.

The worst sufferers are in fact the children who are the future of the nation. 82 percent of them do not have the minimum hemoglobin in their blood, 25 percent of all children are seriously malnourished and 50 percent of them are moderately undernourished. Approximately 50,000 children become blind due to lack of vitamin A.¹⁰ The rate of infant mortality is 140 per 1000 live births and one in every four dies before the age of 5.¹¹ In the words of AID economists, F. James Levinson — "Second and third degree malnutrition among children below the age of three increased from 50 percent in 1964 to an astounding 75 percent in 1976. The figure compares with less than 20 percent in most of Latin American countries and less than 4 percent in Chile."¹²

Clothing

While the nutritional level is alarming, poverty in terms of clothing is really shameful. In Bangladesh, per-capita consumption of cloth is merely seven yards.¹³ Only

10. Dr. Emajuddin Ahmed and Saaduddin, op.cit., p.37.

11. Ibid.

12. Ibid.

13. Statistical Yearbook of Bangladesh, op.cit., p.468.

a pair of Lungi, a Shirt or a T Shirt, and a pair of gancha (long napkin) are what an adult male uses throughout the year. An average Bangali woman can afford to use only one sari and she wears that in most cases without pattice and a blouse. In warm weather, cloths are not indispensable for bare survival, but what is needed for a moderately decent living is beyond the means of not less than 45 percent to 47 percent of the total population in rural areas; 55 percent of the children of 5 years of age and below never gets new clothes.¹⁴

Housing

In rural Bangladesh dwelling of an average Bangladeshi consists of a few thatched hutments, made of bamboo sticks and diverse dry straw and grass. Some of these may have mud wall but the floor is in more than 90 percent cases earthen. These huts may last for 3 to 4 years. The members do the cooking either in an open space beside the huts or in an improvised kitchen of thatched roof with or without walls. The dried up leaves or stalkes of plants or herbs

14. Dr. Emajuddin Ahmed — Bangladesh: Rajnitir,
op.cit., p.115.

are generally used as fuel in more than 85 percent household. A number of chouki or Khatias (rope woven beds), earthen cooking materials and pitchers, a few plates, generally of aluminium and other agricultural implements are what an average household have. They do not have tubewell or other sources of pure drinking water near them and almost all have no electricity.¹⁵ The consumption of industrial consumers goods is practically nil.

Poverty is a culture bound concept. The people who lack education and skill, who have bad health, poor housing, low level of aspirations and high level of mental distress — they are poor. They are, in the language of sociology, multi-problem families. The intensity of poverty is equally felt in the towns and cities. In 1980 in Dhaka city itself 7 percent of the inhabitants had to go to bed without supper and about 11 percent of them were not sure whether they could eat that night.¹⁶ The severity of poverty is however more intense in the villages than in towns and that is mainly due to the existing socio-economic structure in Bangladesh.

15. Emajuddin Ahmed and Saaduddin, op.cit., p. 38.

16. Dr. Emajuddin Ahmed, Bangladesh: Rajnitir, op.cit., p.116.

Health

For most people there is a complete lack of public health services. The total number of physicians and dentists has been lower these days than in 1961. The Planning Commission has itself acknowledged such pathetic conditions of rural areas, where there is almost a total absence of health facilities.¹⁷ The health of the poor has sharply deteriorated over the years.

Education

About 80 percent of the total population in the rural areas are illiterate. What is unbelievably true that the absolute number of illiterate persons in the country is gradually increasing; of course, higher education is spreading, but that is mainly for the urban based upper and upper-middle classes. Adult education centres and literacy programmes have very little impact on the rural population. In the villages education is spreading

17. The government of the people's Republic of Bangladesh, Planning Commission, The First Five Year Plan- 1973-78, Dhaka, 1978, p.498.

but that is mainly for the upper landholding classes. The picture of the female education is still more dismal.

The economy of Bangladesh is agro-based. 91 percent of the population live in the rural area. The sources of income of rural people is land and farming. There is twenty five million acres of cultivable land for 95 million people in Bangladesh. The majority of the people live in rural areas and the development of rural areas means development of agriculture. Our industries are dependent on agriculture. Land is the most important source of employment and income in rural areas. It also represents both economic and social status. But land ownership is very unevenly distributed.

According to the 1977 land occupancy survey, about 50 percent of all rural households owned no cultivable land other than their homestead and 15 percent of them owned some land other than their homestead but not exceeding 0.5 acre. The total number of persons belong to these categories is approximately 45 million in Bangladesh. They are the poorest of the poor.

The level of rural poverty in Bangladesh is alarmingly high. What is more depressing is that it has been increasing very fast. Analyzing the minimum nutritional level and monthly income required by an individual for his maintenance — A.R. Khan showed that only 40 percent of the people in rural Bangladesh lived below the poverty line in 1963-64 and only 5 percent of them suffered from extreme poverty. Then in other words, poverty and extreme poverty grew in the decade 1963-64/1973-74 at a rate of 25 percent and 80 percent respectively.¹⁸

About two third of rural households own some firm land and most firms are small. The average being 3.75 acres. Population growth has a serious impact on it; while the well-to-do have managed to hold on, or increase their land-holdings, the rest of the people have experienced a downward trend with some of them ultimately ending in landlessness. In the words of Stefan de Vylder, "the number of landless has been increasing between two and three times

18. A.R. Khan, Poverty and Inequality in Rural Asia, Geneva, ILO, 1977.

faster than the agricultural population during the last 15 to 20 years".¹⁹

Water is the most important resource and poor households have very limited access to it, though access to water determines to a large extent the cropping intensity and agricultural productivity. The most important assets of Bangladesh are its land, manpower and water. Rice output per acre in Bangladesh is only one quarter of that of Japan despite the fact that the soil and climate of Bangladesh are more favourable.²⁰

Women folk constitute almost 50 percent of the total population and their role in the production and income - generating activities are significant. A study of the activities in the society and the nature of its underdevelopment will remain incomplete without reference to the role and status of the woman. In rural areas early marriage is common; even the women get married when they are not even

19. Stepfan de Vylder and Deñial Asplund, op.cit., p.9.

20. Mohiuddin Khan Alamgir, Development Strategy for Bangladesh, Dhaka, Centre for Social Studies, 1980, p.5.

10 years old. These women get divorced and subsequently remarried. The reasons for such divorces lie in poverty. Dowry is another acute factor causing divorce.

From these discussions, it can be seen that in the rural area of Bangladesh the core of basic needs is spatial. Lack of education, low productivity in agriculture, problems in land reform, women degradation etc., are the features of rural life. All these things have bearing on the country's low per - capita income and GNP.

CHAPTER - THREE

FOREIGN AID IN BANGLADESH: SOURCES, EXTENT AND TYPES

(The vicious circle of underdevelopment is evident everywhere in Bangladesh economy. Absolute poverty, unemployment, undernourishment, unhygienic living conditions, low productivity and investment pervade the economy. Added to the normal indicators of least development, the country is frequently devastated by natural calamities like cyclone, flood, drought, sometimes all in a single year. Death rate has declined substantially due to introduction of improved health care but child mortality is still high and population is still growing at a high rate. Per-capita income of Bangladesh is around US \$116, which is one of the lowest in the world.¹ There is little savings for any meaningful investment for future growth. In addition to the general problems of under-development, the country is faced with food deficit to the extent of about 1.5 million tonnes a year.

1. Government of the People's Republic of Bangladesh, Ministry of Finance, External Resources Division, Flow of External Resources into Bangladesh, June 30th, 1983, Dhaka, p.1

Table - one

Foreign Aid at a Glance

From December 16, 1971, to June 30, 1985

(US dollar in million)

Category of Aid	Commitment			Cancellation/Adjustment			Disbursement			Pipeline on July 1, 1985	Revalued pipeline on July 1, 1985	Percentage of disbursement over total availability
	Grant	Loan	Total	Grant	Loan	Total	Grant	Loan	Total			
Food Aid	2,714.4	762.6	3,477.0	(+)9.9	...	(+)9.9	2,528.2	762.6	3,290.8	196.1	194.4	94.4
Commodity Aid	2,581.4	2,709.0	5,290.4	(+)26.3	(-)1.3	(+)25.0	2,406.9	2,496.3	4,903.2	412.2	374.7	92.2
Project Aid	2,713.8	6,249.4	8,963.2	(-)80.7	(-)178.3	(-)259.0	1,694.0	2,817.6	4,511.6	4,192.6	4,061.7	51.8
TOTAL:	8,009.6	9,721.0	17,730.6	(-)44.5	(-)179.6	(-)224.1	6,629.1	6,076.5	12,705.6*	4,800.9	4,630.8**	72.6

* Does not include the disbursed portion of the pre-liberation period project-in-progress and pre-liberation debt of completed projects Visibility located in the territory of Bangladesh.

** Revalued pipeline means the closing pipeline in dollar value as per exchange rate of U.S. dollars vis-a-vis other currencies prevailing at the close of the year.

Source: Government of the People's Republic of Bangladesh, Ministry of Finance, ERD, Flow of External Resources into Bangladesh, Dhaka, 1985, p. 7

Management of external resources in Bangladesh involves mainly the processes of assessment, mobilization, utilization and debt servicing of foreign loans. Foreign aid is received in three distinct forms, namely-

- 1) Food aid
- 2) Commodity aid
- 3) Project aid, which again includes technical assistance.

The quantum of external aid in a year or during a plan period is an aggregation of the above three categories. The total development expenditure of the country is met from external assistance and investment surplus mobilised domestically. In fact dependence on foreign aid for implementing public sector development programme is now over 80 percent.² Commitment and disbursement of foreign economic assistance in Bangladesh in the period from December 16, 1971 to June 30, 1985 totalled about \$14,485 million and \$10,336 million, respectively.³ It is indicated in Table-one.

2. Flow of External Resources into Bangladesh ...op.cit.,p.3

3. Ibid., p.13

The total foreign aid outstandings including the undisbursed proportion were received from three main types of creditors :

- Bilateral-official
- Multilateral and suppliers
- Financial institutions

The inflow of external assistance in Bangladesh comes from different sources namely, the group of countries constituting the aid club, Centrally Planned Countries, the OPEC countries, various international agencies and others including India and Pakistan. Table-two indicates the accounts of Foreign Aid to Bangladesh from December - 1971 to 30th June, 1985.

As compared to the South Asian average, Bangladesh received higher proportions of credit from multilateral and supplier sources. The share of credit from financial institution was very close to the regional average. The share of Bangladesh in local outstanding external debt in South Asia amounted to 1025 percent. The distribution

Amount of Foreign Aid to Bangladesh
16th December, 1971 to 30th June 1985

(US dollar in Million)

Donor/country Agency	Commitment			Total	Disbursement			Total
	Food Aid,	Commodity Aid	Project Aid		Food Aid	Commodity Aid	Project Aid	
A. DAC countries	1602.9	1851.4	2139.1	5593.4	1468.7	1697.2	1304.4	4470.3
B. International Multilateral Agencies	851.1	331.5	488.2	1650.8	804.6	294.1	308.2	1406.6
C. Centrally Plann- ed countries	8.0	34.0	....	42.0	8.0	34.0	....	42.0
D. OPEC country	110.7	307.8	84.3	502.8	105.2	305.1	80.3	491.6
E. Other countries/ Agencies	141.7	76.6	2.2	220.5	141.7	76.5	1.1	219.3
Total	2014.4	2601.3	2713.8	8009.5	2528.2	2406.9	1694.0	6629.1

- Notes: A. DAC country refers to those countries which are members of the Development Assistance Committee (DAC), Organisation for Economic Co-operation and Development — OECD. Drawn from North America, Western Europe, Japan and Australia and membership of such countries now stands 16.
- B. International Multilateral Agencies e.g., the EEC, UNICEF, Food Foundation, ADB, IDA, IDB, IFAD are the most noteworthy.
- C. Of the Centrally Planned Countries the USSR, China, GDR, Romania, Poland, Hungary and Yugoslavia are important.
- D. Iran, Iraq, UAE, Libya, Saudi Arabia fall in this group.
- E. India, Pakistan, Turkey, Thailand and some Agencies belong to this group.

Sources: Government of the People's Republic of Bangladesh, Ministry of Finance, ERD, Flow External Resources in Bangladesh, June 30, 1985.

of the outstanding external debt of Bangladesh for 1979 by types of creditors can be seen from Table - three.

Table - three

Distribution of Aid by type of creditors - 1979

Types of creditors	(in US dollar)				
	Bangla- desh	South Asia	% of 1 & 2	% of (1)	Distri- bution
1. Bilateral official	2113.6	26406.6	8.32	48.6	59.9
2. Multilateral private	2012.6	15508.3	12.48	46.6	36.5
3. Suppliers	163.6	824.3	1.98	3.7	1.9
4. Financial Institutions	61.7	698.2	8.84	1.4	1.6
5. Others	-	2.2	-	-	-
Total	4351.5	42439.4	10.25	100.00	99.9

Source: World Bank Report, page-133, R.P. 136.

Purpose of Foreign Aid:

The Bangladesh efforts for amelioration of massive poverty before the liberation of the country have been inadequate. There were demands from all quarters to allocate more funds for economic development to this area. In most cases the demands were not met. After independence national aspirations were high and the country tried to move toward the path of self sustaining economic growth. But the trade gap which was formidable at the time of liberation, gradually widened after the liberation and this increasingly led to a greater reliance on external assistance. Bangladesh received foreign aid in small quantum in pre-liberation days. After the liberation war, flow of aid increased gradually and it was mostly co-ordinated by the United Nations Relief Operation in Bangladesh (UNROB) at the beginning. The assistance during this period was mostly for providing immediate relief and rehabilitation to 10 million refugees. Side by side the reconstruction of economic and social infrastructure was also undertaken. The relief and rehabilitation phase

lasted for about 1½ years since independence. Commitment and disbursement of foreign aid during this period totalled US \$1,497 million and US \$822 million respectively. The First Five Year Plan was formulated in 1973. The plan envisaged people's participation in development activities and economic self-reliance, which could not be achieved mainly due to domestic resource constraints and there was no-other choice but to accept foreign aid.

Economic development involves a process by which a backward stagnant economy gets transformed into a self-sustained one. This process is generally characterized by rise in levels of investments and savings, an increase in human skills, progressive modernization of technology, a substantial change in the composition of output and employment, changes in social modes and outlook, development of new institutions and the like. The process of development requires that all or most of these grow proportionately and simultaneously. (All investments are not necessarily productive and all savings cannot just be productively invested without the availability of resources.

Foreign aid plays a dual role of providing both additional resources and foreign exchange; it relieves and removes constraints imposed by the inability to adjust the structure of production to the changing pattern of demands in the short-run; in the absence of optional allocation of resources it goes on substituting domestic savings in the long-run. Thus other things being equal, economic growth may not automatically lead to the closing or reduction of the saving gap. One could expect that most of the aid would have been invested for rural development; the picture is, however, different in Bangladesh.

In addition to the general problem of underdevelopment the country is faced with food deficit to the extent of about 1.5 million tonnes a year. Food aid constitutes about 19 percent of the total commitment of foreign aid to Bangladesh. The country has received commitments worth about US \$ 2,829 million in terms of food aid up to June 1983, out of this about US \$2,770 million has been disbursed. This shows an utilization rate of about 98 percent. Table - four shows the amount of commitment and disbursement of total food aid till June 30, 1985.

Summary of Commitment and Disbursement of Food Aid to
Bangladesh (during Dec., 16, 1971 to June 30, 1985

(US dollar in Million)

Financial Year	C o m m i t m e n t			D i s b u r s e m e n t		
	Grant	Loan	Total	Grant	Loan	Total
1971-72	171.485 124.000-R 109.56000-W	..... ..... .....	171.485 124.000-R 109.56000-W	129.619 77.000-R 870.262-W	..... ..... .....	2129.619 77.000-R 870.262-W
1972-73	244.272 12,529 - R 12,93,340-W	34.500 140.000-R 45.000-W	258.772 152.529-R 1,338.340-W	181.652 59.599-R 1,008.340-W	0.900 4,500-R	182.552 64.029-R 1,008038-W
1973-74	38.052 186.600-W + freight	177.100 (681.707-W)	155.152 688.317-W + freight	111.638 630.935-W + freight	117.107 (58.500-R)	228.745 118.500-R + freight
1974-75	214.264 (44.504-R) 551.249-W + freight	246.800 (340.000-R) 550.000-W + freight	461.004 384.504-R 1,401.249-W 10,000-WF	199.512 29,004-R 804.380-W	182.768 219.957 550.845-W + freight	382.280 248.961-R 1,355.255-W + freight
1975-76	98.852 52.825-R 468.481-W	141.900 100.000-R 593.000-W	246.762 259.825-R 1,661.481-W	11.786 61.344-R 421.548-W 10,000-WF	201.697 294.673 558.726-W	313.483 356.017-R 980.274-W 10,000-WF
1976-77	90.503 39.568-R 637.170-W	52.640 82.335-R 265.000-W	143.143 (121.803-R) (922.776-W)	77.057 (37008-R) 487.559-W	44.503 (73.043-R) 52.000-W	121.560 110.111-R 539.359-W 1,400-WF
1977-78	106.865 (777.614-W) 991111 sg.	31.950 220.000-W + freight	246.762 259.825-R 1,061.481-W	116.809 865.016-W 5,111 sg.	60.975 337.597-W + freight	177.844 1,202.613-W 103.720-R + freight

Contd.... p/39.

Table-four

1978-79	289.757 (46,848-R) 1455,685-W	40,9000 150,000-R	300.657 196.848-R 1455683-W	162.092 30.534-R 932.142	17,000 119,254-W + fright	179.092 305.34-R 1,051391-W + fright
1979-80	255.022 10,000 Sg 244.054-R 121.927-W	15.000 50,636-R	270.022 10,000 Sg 74690-R 1251,927-W	318.787 10,000 Sg 41.174-R 1,576727-W	55,900 200,636-R	374.689 10,000 Sg 241.810-R 1,576,727-W
1980-81	171.372 777.143-W 18619-R	31.500 65.539-R	202.877 777.143 84.158-R	162.577 732.792-W 18619-R	31.500 05.539-R	194.072 (732.793-W) 84.154-R
1981-82	183.700 795.791-W 53,000-R	34.400 100.000-R	218.100 795.732-W 153.000-R	230.500 1095.037-W 30.000-R	..... ..... .....	230.500 1095.037-W 30.000-R
1982-83	248.350 144.645-R 1065.898-W	284.350 114.640-R 1065.898-W	221.050 137.000-R 920.876-W	34.400 100.640	..... ..... .....	255.400 237.646-R 920.876-W
1983-84	271.753 (1,216.000-W) (130.280-R)	13.410 (45.000-R)	285.263 (1,216.000-W) (175.280-R)	262.974 (1,255.308-W) 94.750-R	13.410 (45.000-R)	276.384 (1,235.308-W) 139.750-R
1984-85	380.158 (111.631-R) (1927.856-W)	..... ..... .....	380.158 (111.631-R) (1927.856-W)	242.041 (124.941-R) (1,181.030-W)	2.457 (10,000-R)	244.498 (134.941-R) (1,181.030-W)
FOFAI =	2,714.405 (772.676-R) (13,725.255-W) 10,000-WF (19,111-SG)	762.557 (1,084.156-R) (2,374.717-W)	3,476.962 (1,856.832-R) (16,099.972-W) 10,000-WF (19,111-SG)	2,528.209 (750.456-R) (12,780.577-W) 10,000-WF (19,111-SG)	762.557 (1,084.156-R) (2,374.717-W)	3,290.766 (1,834.612-R) 10,000-WF (19,111-SG)

Note: Figures in the parenthesis represents quantity in metric tonnes.

Abbreviations: R = Rice; W = Wheat, WF = Wheat Flour, SG = Sorgham.

Source: Government of the Peoples Republic of Bangladesh, Ministry of Finance, ERD, Flow of External Resources in Bangladesh, June 30, 1985, page 18-39.

After independence the food gap widened due to heavy loss of production and growing population. Food aid is only obtainable from the cereal surplus countries like Australia, Canada, USA, Japan, West European countries. Bangladesh also received wheat from the EEC and World Food Programme. In time of emergency some other countries also provided food aid. The food aid is negotiated with donors on the basis of estimates, prepared by the government. Food is a critical item for a food deficit country like Bangladesh. But fortunately donors have also responded promptly in their commitment of food aid in a particular year, is disbursed in that year and the remaining balance is utilized next year. Table- four indicates the donor-wise commitment and disbursement of food aid in the country. Many observers hold that food aid which currently represents more than 20 percent of foreign aid to Bangladesh and which account for more than 30 percent in the early 1970s offered minimum benefits to the rural poor.⁴ The

4. Betsy Hartmann and James Boyee, Needless Hunger:Voices from a Bangladesh village, California, Institute for Food Development Policy, 1979;B Hartmann and James Boyee, Bangladesh:Aid to the Needy, Washington, Centre for International Policy, Report IV, No.1, May, 1978; Stefan de Vylder and Daniel Asplund, op. cit.

food aid is channelized through the government rationing system.

The commodity aid for Bangladesh is an important component of foreign aid. Because of chronic balance of payment difficulties, Bangladesh cannot import essential development inputs and other commodities through cash foreign exchange. Commodity aid finances much of essential imports like fertilizer, pesticide and small equipments. It also finances substantial part of the country's import programme and helps to maintain the flow of essential commodities in the domestic industries. In the process commodity aid mobilizes local currency resources through generation of counterpart funds which are channelled into development projects. The request for commodity aid originates in the relevant agencies and administrative ministries/Division on the basis of requirements. Multifarious items are made eligible for import under commodity aid in the process of negotiation with foreign donors.

Now-a-days commodity aid is available in tied and partially untied forms. A substantial part of this aid is

however coming as grant from the U.S.A., the U.K., FRG, Canada, provides on the basis of bilateral agreements; Japan is also providing partially untied commodity aid. At least three conditions need to be noted in connection with negotiation for commodity aid. First, commodities coming as grants are contingent upon surplus production of those commodities in donors countries. This means that commodity aid cannot be always obtained as grant to meet the requirements of the recipient country. Second, commodity aid supplements domestic local currency through generation of counterpart funds, subsistence of commodity aid by domestic production calls for the hard option of vigorous mobilisation of more domestic sources. Finally, given the differences of C & F/FOB unit prices of the same commodity imported from different sources, appropriate price adjustments are made for making local currency deposit into the government's consolidated fund by the donor agencies. The level of commitment of commodity has been fluctuating from the high level of commitment of about US \$ 285 million in 1970-80 to about US \$ 484 million in

1982-83.⁵ Table - five shows that the commitments, disbursements of commodity aid from all sources have totalled US \$4,035 million till June 30, 1985.

For implementation of development projects substantial capital investment is needed. The donors are however interested to see some tangible results out of their economic assistance provided to the recipient. So, they have preferences for projects aid; its disbursement is generally slow compared to other two types of aid. While the utilisation of food and commodity aid has been relatively rapid, the disbursement of project aid have been relatively slow. Over 98 percent of food aid and 90 percent of commodity aid have so far been disbursed. In case of project aid it is only about 49 percent.

The poor people cannot expect any benefit out of it. Project aid consists of about 50 percent of the entire aid basket. Projects for which financing through foreign

5. Government of the People's Republic of Bangladesh, Ministry of Finance, ERD, Flow of External Resources into Bangladesh, Dhaka, June 30, 1983, p.5.

Summary of Commitment and Disbursement of Commodity Aid to Bangladesh
(During Dec., 16, 1971 to June 30, 1985)

Financial Year	C o m m i t m e n t		D i s b u r s e m e n t		Total
	Grant	Loan	Grant	Loan	
	(US dollar in Million)				
1971-72	259.546	34.147	115.545	22.162	137.707
1972-73	210.245	91.875	279.208	9.700	288.908
1973-74	37.238	134.714	40.336	07.870	108.206
1974-75	88.031	331.120	109.697	265.866	375.563
1975-76	107.858	253.027	91.667	277.533	369.200
1976-77	157.519	146.627	123.901	129.037	252.938
1977-78	146.208	279.841	254.465	219.821	374.286
1978-79	350.620	248.818	204.349	278.103	482.512
1979-80	108.362	170.984	163.341	214.525	377.866
1980-81	185.702	109.170	180.128	212.895	393.623
1981-82	248.819	242.680	214.487	206.866	421.352
1982-83	278.080	206.300	244.522	207.34	451.865
1983-84	240.412	287.755	244.356	194.838	439.194
1984-85	152.617	100.461	243.878	187.688	431.566
Total	2,581.357	2,709.019	2,406.868	2,496.284	4,903.152

Sources: Government of the People's Republic of Bangladesh, Ministry of Finance, ERD,
Flow of External Resources in Bangladesh, June 30, 1985, page - 40-61.

aid is necessary, are prepared by the executing agencies in consultation with ministries/divisions and the Planning Commission. These projects are drawn up in accordance with the provisions set forth in the Five Year Plan, the formulated project evaluation committees of Planning Commission for consideration. As it is recommended by the OPEC, projects costing up to Tk. 2 crores can be approved by the Minister of the concerned ministry. Project is generally meant for the upliftment of the national economy. The British government announced its intentions in 1975 to give special emphasis to the poorest people in the rural areas, but the single largest British-Aid Projects in Bangladesh in late 1970s was the Greater Dhaka Power Distribution Projects at the estimated cost of £41 million. It was to improve the transmission and distribution of electricity in the capital city. Such a project can never be described as a rural development projects; yet for less as helping the poorest section of people. Though there are about one million people in Dhaka, who live in slums or in roadsides, this project has been practically

of no help to them.⁶

Another example of project aid will also indicate the same trend. Danish aid to the tea estates, Belgium's to the Bangladesh Solvant Oil Co. Ltd., for instance, are never meant for the poor. Such countries and institutions as the UK, Belgium, Sweden, Saudi Arabia, the World Bank, the Asian Development Bank and so on are offering aids liberally to private industry in Bangladesh. Aid is also given to the Bangladesh government for distribution in the form of loans to private industry through government financial institutions such as the Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Sangstha. During the period 1973-80 loans amounting to \$589 million have been disbursed to as many as 4000 private entrepreneurs by the government and all these entrepreneurs are quite well-to-do by any standard.⁷ In most of the cases foreign aid is handed over to the rich people in urban and rural areas and this is

6. Dr. Emajuddin Ahmed and Saaduddin, op.cit., p.52.

7. Bangladesh International Action Group, Foreign Aid to Bangladesh: in Theory and Practice, London, April 1983, p.36.

being done on the basis of the discredited "trickle down" approach.⁸ It can be concluded that most of the foreign aid to Bangladesh is spent for the benefit of the rich and, especially, for the urban rich. The reactions of the donors are reflected in the statement of a World Bank official, "If the government does not have the will to help the small farmers, we cannot force them to do it. We can advise, we can write provision into our projects, but without genuine commitment on the part of government it just won't work".⁹ Table- six shows the commitment and disbursement figures of projects aid.

How Foreign Aid is Spent

The share of aid in financing domestic development expenditure on government account was as high as 78 per cent in 1981/82. Aid is however, also financing parts of the revenue budget directly and indirectly and remains an

8. Bangladesh International Action Group, Foreign Aid to Bangladesh, op.cit., p.36.

9. Bangladesh International Action Group, Foreign Aid to Bangladesh, op.cit., p.32.

Summary of Commitment and Disbursement of Project Aid to Bangladesh(December 16, June 30, 1985)

(US dollar in Million)

Financial Year	C o m m i t m e n t			D i s b u r s e m e n t		
	Grant	Loan	Total	Grant	Loan	Total
1971-72	81.680	64.946	146.626	6.005	3.469	3.474
1972-73	49.518	274.923	324.441	25.530	54.454	79.984
1973-74	31.376	192.824	224.200	66.657	54.720	124.769
1974-75	42.928	347.687	390.615	65.709	77.720	143.451
1975-76	178.84	184.212	363.653	31.146	94.395	125.541
1976-77	167.488	130.204	297.642	52.934	105.650	158.584
1977-78	198.087	403.788	601.875	121.470	154.996	278.466
1978-79	350.939	538.331	889.270	138.171	233.199	368.370
1979-80	158.237	465.015	623.252	170.187	299.709	469.896
1980-81	243.795	838.286	1082.081	251.690	308.425	560.121
1981-82	380.588	846.935	1233.526	205.547	278.928	584.275
1982-83	438.588	567.106	1005.710	243.202	395.011	638.213
1983-84	346.283	535.374	881.657	226.404	326.417	552.821
1984-85	542.472	997.084	1339.556	214.925	375.989	590.914
Total	2,713.806	6,249.460	8,963.266	1,694.039	2,817.621	4,511.660

Source : Government of the People's Republic of Bangladesh, Ministry of Finance, ERD, Flow of External Resources in Bangladesh, Dhaka, page 62-91.

important source of revenue to the government. In 1978/79, 16 percent of domestic revenues were provided by counterpart funds generated by food aid.) The loss of counterpart funds will have to be matched by outlays of public revenues that finances the procurement of surplus foodgrain to support the public distribution system. The Second Five Year Plan has not made any significant efforts to reduce external dependence to finance the development effort: the plan itself has programmed to fund 70 percent of the public sector development outlay from external resource inflow.¹⁰ If, however we exclude what has been characterised as non-investment development expenditure, then 74 percent of public investment will be funded by external resource inflows. Since the plan itself envisages that as a result of external resource inflows GDP will rise from 12.1 per cent in 1979/80 to 13.4 percent in 1984/85, it would appear that the five years plan will have contributed to increase the extent of Bangladesh's integration in the world economic system in a more dependent capacity. In practice both food

10. Bangladesh Statistical Year Book, 1981, p.85.

and commodity aid are deployed in the execution of ADP projects. For example, food aid disbursed under the Food-for-Works programme may finance the digging of irrigation canals for Bangladesh Water Board, ADP projects.

Agriculture still accounts for about 50 percent of Bangladesh's GDP. Today the key components of the rural development programme i.e., the distribution of modernising inputs such as fertilizer, pesticides, irrigation and credit and the construction of storage capacity have a substantial aid component. The imported component of this programme is predicated on adequate flows of projects and commodity aid. Even the more labour intensive irrigation programmes based on canal excavations are sustained by the various food aid programmes for rural public works. Recent aid donors have made it possible for aid to support programme for rural credit and the development of rural institutions to provide an improved infrastructure for such projects. This dependence on aid-supported rural development programme has created its own problem for providing a basis for self-sustained development. There is limited scope for the development of new lands in Bangladesh and

much of the aid programmes are focussed on enhancement of yields on available land. This immediately creates a bias within these programmes towards those who own land. Ownership is highly concentrated into a very few hands i.e., some 8 percent of rural households own 48 percent of the cultivable land.¹¹ Indeed 2.5 percent households own 25 percent of the land.¹² To the extent that the spread of HYV technology enhances the demand for labour and the various aided rural works programmes also provides employment to the landless poor; thus, aid does contribute to improving the prospects of some of the rural poor.

Aid has been a critical source for both capacity creation and utilisation in the manufacturing sector. Dependence on aid has made both investment priorities and the choice of technology in manufacturing highly sensitive to the sources of aid and the terms at which it is disbursed. Bangladesh has done little to build up a capacity

11. A.R. Khan, Poverty and Inequality in Rural Asia, Geneva, ILO, 1977.

12. Ibid.

for a self-generating industrialisation programme.

Virtually, every new industrial project under execution in the public or private sector is tied to aid disbursements either directly to the projects or through various public sector financing agencies. These kind of donors are the U.S., the U.K., FRG, Japan and this donation is meant for keeping public enterprises operational.

As a matter of fact, entire infrastructure of development and social services remain dependent on aid. The development of transport capacity, from road building to intercity highways to village roads, is sustained by aid as in the procurement of rolling stock for the railways, improvement of the lines, increase of inland water transport capacity, expansion of shipping fleet, development of ship building capacity, building of airports and modernisation of the air services. Similarly in the development of power generating capacity and its distribution, including even rural electrification, the development of public building, the expansion and improvement of education and health services, aid remains final arbiter.

The short-run effectiveness of foreign aid depends upon how it relieves shortages of domestic skills, saving and imports, while its long-run effectiveness depends upon the use of additional output to raise saving and exports and reduce imports. This requires that the structure of the economy be adapted to accommodate the expected inflow of external resources; the latter requires that the additional output be allocated to increase saving and exports and/or to reduce imports without any deterioration in the effectiveness of investment.

The effectiveness of foreign aid in a country has to be judged by its contradiction to the mobilization and allocation and the use of external resources. The availability of external resources temporarily relieves some of the existing constraints enabling a country to make more efficient use of other available domestic resources.

Foreign aid plays a dual role of providing both additional resources and foreign exchange. It relieves the constraints stemmed from the inability of the structure of production to adjust to the changing demand in the short-run.

As investment continues to grow, domestic absorption capacity can be increased only if domestic saving rises appropriately with the growth of income. The latter calls for such structural changes in the economy that will lead to the commensurate growth of public and private saving.

The dependence of rural poor is infested with the structural crisis in Bangladesh society. Currently 50 percent of all rural households are classified as functionally landless whilst another 25 percent find it difficult to ensure subsistence from their cultivable land and have to seek supplementary sources of income. Food aid has acquired a further dimension in the lives of the rural poor. Rural public works programmes and Food-for-Works programmes are becoming increasingly important as source of livelihood for a rising segment of the rural poor. In 1979/80, 490000 tonnes of food grains were distributed as part of various public works and another 57000 tonnes went out as relief; 547000 tonnes of grains were being made available for the most needy

segment of the population. This could provide 1.49 million people for 100 days in a year at a rate of 6.6 Lbs per day, which would permit a diet of 2 lbs a day for a working adult and a little over a pound for a family of four. This would cover 58 percent of all landless who are in need of work very badly. About a million people representing the same number of households may have actually found employment for around 100 days of the slack season. This being a large figure gives some dimension to the spread of the aid package.

The urban sector of the population also become dependent on aid. The working class employed in the public enterprises and large manufacturing enterprises in the private sector were estimated at 420,888 in the year 1978. During the climax of the nationalist struggle and its immediate aftermath, the urban working class, who were under the rationing system, was an important element in influencing the courses of politics. Their direct rationing system is reinforced by their interest in an adequate flow of aid-financed imports to keep

their industries viable. Higher utilisation of foreign aid means more employment and higher earning so that any cut in the aid cannot leave the working class untouched. Government employees enjoy the benefits through the public distribution system. The bureaucracy and enterprises, under the state ownership and control, remain the largest single area of employment outside agriculture. The state bureaucracy provided employment to 563,058 people by 1980. The state sector has a total estimated labour force of 1.13 million.

Another politically powerful group is student residing in university and college hostels. Not only the rationing but their higher education is closely related to aid programmes.

Primary school teachers constitute another group being benefitted from the statutory rationing system. The armed forces and para-military forces and police force would by now appear to have expanded to 200000.¹³

13. World Bank Annual Report, 1981.

Strings or no Strings:

Ideally an aid-giving country should attach no conditions to its aids which are designed to increase its political or economic influence in the recipient country or to serve as a weapon against communism or to expand its trade. The sole purpose should be to promote economic growth and to raise standard of living. Some strings however, seem desirable in the interests of the recipient country.

It is a slogan of developed country that 'we should help the poor'. The British government announced its aid policy in 1975 in a white-paper-- 'more help for the poorest'.¹⁴ It is important to understand the sources and circumstances under which pressure comes to be exercised on Bangladesh. In Bangladesh donors have tended to freely express their view on the stability of various

14. Emajuddin Ahmed and Saaduddin, op.cit., p.44.

policies, enacted by the government of the day, the quality of the administrative system and the integrity of the political leadership.

Occasionally pressure is mounted upon to serve specific foreign policy objectives of particular donors. But the variety of extraneous intervention tends to be less frequent and relates only to the interests of very few donors. In recent years there has been a generous concern amongst the Scandinavian donors that the benefits of their aid programme are not reaching the lower income group of Bangladesh. In most issues in contract, Bangladesh had much to lose from market forces and much to gain from a more purposeful redefinition of their economic relationship with India. It always was and remains in Bangladesh's interest to plan the pattern and level of economic relation with India and to take the initiative in channelling it in a mutually beneficial direction.

In the case of socialist bloc as well as India, it may be noted that whilst they may have refrained from attempting to influence the course of development strategy in Bangladesh, their aid posture is not providing that incentive to the state of their bilateral political relation with Bangladesh, compared to the commercial credits offered in the period, prior to August, 1975, which may reflect the benefits derived by Bangladesh from the somewhat more cordial relations between the regimes of Indira Gandhi and Sheikh Mujibur Rahman.¹⁵

The OPEC donor — Libya has made a negligible contribution and Iran has never added to the \$ 12.5 million they committed for the Aushuganj Fertilizer Factory in 1975. The principal new donor to Bangladesh since August 1975 has been Saudi Arabia. It may be recollected that until August 1975, Saudi Arabia did not recognise Bangladesh. However, the ground work for recognition had been

15. Stepanek Joseph F, Bangladesh Equitable Growth, New York 1979, chapter 5.

laid through a series of visit to Riyadh by the Bangladesh Foreign Minister. World Bank soft loan window at IDA and pressure on the Bank to play down its policies on basic needs is rather significant. The recent changes in Bank's lending strategy would appear to be reflecting this changing perspective in aid in the Reagan administration.¹⁶

It is one of the underlying arguments in this study that whilst some donors may be generally concerned with this apparently insoluble contradiction in their aid policies to Bangladesh, the principle donors are more aware of what they are doing to their wisdom, as they remain, perhaps out of philosophical conviction, committed to a strategy of capitalist development in Bangladesh. This is to be realised by channelling development resources towards a property owning elite who will be hopefully motivated by the urge to accumulate wealth, use aid productivity. Thus what an earlier

16. World Bank Annual Report, 1981.

apostle of this strategy in Pakistan termed the social utility of greed, will be deployed in the service of growth of the Bangladesh economy.¹⁷

17. G.F. Papanak, Pakistan's development — social government and private incentive, Harvard University Press, 1966.

CHAPTER - FOUR

NATURE OF THE UTILIZATION OF FOREIGN AID

Foreign aid given to Bangladesh is essentially meant for the poor. 91 percent people live in rural area. Rural areas in Bangladesh are not developed. Foreign aid is given to Bangladesh for the eradication of poverty and for the country's infrastructural development as well. The most of the aid should have been invested for rural development, but in the case of Bangladesh it is a different experience.

The proper investment of aid to a particular area for the promotion of development is selected by the administrative agencies i.e., ministries/divisions and planning commission. It is to be noted that while selecting the areas for aid investment by the recipient country, the interests of the poor is overlooked. Food aid, for instance, should have gone to the poor - but food aid has largely been used in the urban areas irrespective of income groups.¹ While such aid generally did not reach the rural poor, it contributed to keep the domestic price of food grain rather depressed. To an extent distribution of seeds, fertilizer and pesticides, received as aid at subsidized rate. Compensated for the loss of the farmers due to

1. Stepanek Joseph F, Bangladesh equitable growth. New York, 1979m chapter-5.

the price depressing in the urban areas, but these areas more often are beyond the reach of the comparatively poor peasants. It was in question in certain quarters whether a high dependence through aid would cause postponement of undertaking the reform measures to accelerate development and lead to the perpetuation of a reactionary elite groups holding effective power. In the plan these questions were neither raised nor answered, nor the inconsistencies selected in them reconciled in specific term. The flow of foreign aid in quantities stipulated in the plan was thus largely uncertain and at times by both donors and the recipient.²

In Bangladesh donors have tended to freely express their view with regards to the continuity of various policies enacted by the government in-office, the relevance of the administrative set up and the integrity of the political leadership. Occassionally pressure is mounted upon by them to serve specific foreign policy. The objectives of particular donors, as proposed, are sometimes aimed at

2. Some ramifications of such a dependence on foreign aid were spilt out in Faaland, J(ed): Aid and The case of Bangladesh, Bergen 1979.

attempting to affect the domestic political debate. But this variety of extraneous intervention tends to be less frequent. In recent years there has been a growing concern amongst the Scandinavian donors that benefits of their aid programme are not reaching the lower income group of Bangladesh. It is one of the underlying arguments in this study that whilst some donors may be genuinely concerned with this profligate contradiction in their aid policies to Bangladesh, the principal donors are more aware of what they are doing. In their wisdom they remain, perhaps out of philosophical conviction, committed to a strategy of capitalist development to Bangladesh.

Commodity aid has been of lesser benefit to the poor. That is due to partly the nature of aid and partly to the development strategy pursued by government of Bangladesh. The supply of fertilizer, in the biggest single aid project of the Dutch government in Bangladesh can be cited in this regard. It accounted for about 21 percent of the Dutch bilateral aid during 1977-81.³ During the same period

3. Bangladesh International Action Group, Netherlands Group, Dutch Aid to Bangladesh: Preliminary Results of an Inventory of Dutch Aid Relations, London, November 1982, p.8.

commodity aid has yielded practically no benefit to the landless or near landless because they do not own any land for cultivation. The government of Bangladesh has distributed fertilizer at heavily subsidized price; the rate of subsidy being not less than 50 percent of its actual costs.⁴ In 1981-82 the subsidy on fertilizer was estimated at taka 118.3 crore, which was almost 12 percent of the total development for the entire agricultural sector. Moreover the marketing system of the fertilizer is controlled by dealers and middleman at various level in collaboration with the government officials, while a portion of it is sold in the black market at a price which is 50 percent to 100 percent higher than the government price. In sum, the benefit of both fertilizer and subsidy are pauped by the rich farmers, local oligarch and dishonest businessmen and not by poor farmers or landless.

Like fertilizer aid, the World Bank Irrigation Programme also ended up benefitting the rich farmers and local influentials. The terms agreed upon by both the

4. Nurul Islam, Development Planning in Bangladesh, Dhaka University Press, 1979, p.p, 206-7.

donors and recipient has always been considered to be a critical aspect of aid negotiation. At the time of negotiation there have been ingrained major defects in the agreement. A World Bank expert working on the project of 1970 commented: "I no longer ask who is getting the well. I know what the answer will be and I do not want to hear it. One hundred percent of these wells are going to big boys."⁵

In rural areas varied categories of people live: the rich peasants, middle peasants, landless and jothders and Union Council Chairman and the poor. These village elites group become more benefitted by the foreign aid than the poor. Thus it is a dishonest corrupting process of aid administration. Though we get more aid in the name of the poor but the poor are always deprived of it and there is no significant infrastructural development.

5. Betsy Hartmann and James Boyce, Needless Hunger: Voices from a Bangladesh Village, California; Institute for Food Development Policy, 1979; B. Hartmann and James Boyce, Bangladesh: Aid to the Needy, Washington, Center for International Policy, Report IV, No.1, May, 1978, op.cit — page 7.

Bangladesh is a country which has suffered from colonial exploitation for about 213 years. In 190 years of British colonial rule, resources were always taken out to England.⁶ In the post Bangladesh period, there has been an inflow of foreign aid from outside. The flow of external resources into the developing countries is a critical factor for their development. The extent of foreign aid for a developing country arises mainly for two reasons. First, the country can not mobilize enough domestic savings; Second, continuous unfavourable balance of payment difficulties forces the country to accept foreign aid and assistance. Even if a country could have been able to earn required domestic and foreign exchange resources, foreign co-operation may still be needed for technological input, which is required for economic development. In a situation of striking poverty as in Bangladesh, both savings -investment and export-import gaps are of crucial importance. The main stay of our economy is agriculture and enough resources has not been squeezed out of this sector for meaningful breakthrough in the economy.

6. A.M. A. Muhit, Thoughts on Development Administration, 1981, p.107.

The land-man-ratio is very low and the productivity of land can only be increased through massive investment in modern agricultural inputs. The agro-industrial base of the economy has to be built up to raise output and also to increase export, otherwise the country will continue to face export-import gap in future. While self-reliance is a national goal, external assistance will continue to be an important factor in the economic development of Bangladesh.

The global product has increased enormously in the post-war period but it has not been shared equitably by all the countries of the world. In 1978 while the global product has total of \$8.8 trillion, OECD countries with one sixth of rice accounted for \$6.4trillion, Centrally Planned Countries of Europe for \$1.3trillion, OPEC countries for \$4.25 billion and the rest of the world with over two-third of mankind account for only \$1.2 billion.⁷

7. Government of The People's Republic of Bangladesh, Ministry of Finance, Economic Survey of Bangladesh, Dhaka 1978-79.

The flow of assistance to Bangladesh in the first few years following independence was required not simply for investment but also for meeting the consumption needs. The economy as a whole had negative net savings upto 1975-76. Since 1976-77 domestic savings have started contributing to investment which means that all foreign aid is now going into development activities and a small contribution to it is being made by our own resources. Both in 1976-77 and 1977-78 domestic savings between 2 percent and 4 percent have gone into investment. The share of external resources in investment is about 11 percent now. If we allow for higher prices for tied goods and extra expenditure involved in aid utilisation, the actual investment level accounted for by external resources will be around 8 percent of the GDP./

The effect of aid is however, not all good. It is generally argued that foreign aid tends to promote capital intensive projects thereby causing unemployment in a recipient country. There is some truth in this argument and a year ago foreign aid was invariably transferred into capital intensive technologies. Things have been changed a great deal now covering external assistance in financing import of

various commodities and industrial raw materials and spares as well as local currency cost of various projects. In Bangladesh, for example, IDA credit finance amounts roughly 75 percent of the total cost of a projects exclusive of taxes and duties.⁸ The emphasis on rural development and agricultural programme also indicates a shift in foreign aid policy of donors, of course, in the name of efficiency capital intensive projects are prepared and there the bargaining capacity of the recipient comes to play an important role. Foreign aid tends to make a project expensive. There is a question of tied assistance which tries to promote costly export of donor countries. Foreign aid provides for luxury imports and creates facilities completely out of these with the environment. Foreign aid results in distortion of properties and preference for projects whose social return is not always that is desirable; for example, Sugar Industry in Bangladesh was established with negative social return. The reason was the

8. Government of the People's Republic of Bangladesh. Ministry of Finance, External Resources Division, Flow of External Resources, Dhaka, June, 1983.

race for modern technology but the more important one was the availability of aid that financed sugar plants.

External assistance creates what is commonly known now as debt trap. A recipient country continues to borrow and additional export earnings go to meet debt service obligation with export earning that free foreign exchange does not become available to a country and therefore her investment choices become restricted and capacity to bargain for appropriate technology also becomes limited. In 1968 the total debt burden of non-oil developing countries was only \$36 billion. In 1980 it amounted to around \$438 billion. Significantly, debt from private sources, meaning hard term funds, went up from 25 percent to 31 percent.⁹

The another argument against foreign aid is that it obliged a country to accept dictates from donors on at least economic matters. It can not be denied that political arm twisting is also done. Projects arguments go as far as to stipulate consultation on appointment of project personnel

9. Government of The People's Republic of Bangladesh, Ministry of Finance, Economic Survey of Bangladesh, Dhaka, 1979-80.

Management practices, pricing policy, accounting system, credit and monetary policies and the like are matters in which donors give guidance. This is considered ignominious and a kind of surrendering sovereignty. Development is a matter of partnership between the donors and the recipients. In practices, sovereignty in the present inter-dependent world is a myth. Even the strongest powers are not that sovereign, they have to have consideration for others. As a result, dependence on factors like the fitness of exhaustible natural resources, the carrying capacity of the ecosystems and the global span of weapons of war have curtailed the scope for free action by all nations, rich or poor, powerful or weak. Viewed in this context, in order to provide better living standards for its peoples, some society's sacrifice in sovereignty may be understandable whatever ignominious economic dictation comes from donors else letting its people die of starvation and malnutrition !

A very strong argument against external assistance is that it does not bring about people's welfare. It involves dependency relationship, favours comfortable style and thus stands in the way of hard decisions required for structural changes in an economy and a society

to accomplish the greatest good for the greatest number. The food production can be obtained by application of fertilizer and installation of tubewells and pumps both of which are received under aid. In this way food production may increase but mass poverty continues and landless increases. Again fertilizer or pumps can be imported under aid but no attempt is made for structural changes in the industrial production process. Thus, these long term growth potential is not built up and dependency relationship is promoted.¹⁰ Aid also does not try to transfer or adapt technology in industrial development and it increases the import bill for technological as well as raw material inputs.

Import of luxuries and non-essential items under aid and appointment of consultant from donor countries are at times without rhyme and reasons. It is the character and capacity of the ruling elites which determines the extent of waste. On many occasions, import items like

10. Government of the People's Republic of Bangladesh, Planning Commission, The Two Year Plan, 1978-80, Dhaka, March, 1978, p.29.

big cars, airconditioners and such luxuries are made precisely because our agency asks for them. There is a constant pressure from donors to appoint consultants since they have very little faith in the indigenous capacity to execute and operate projects.

External resources have dizzed so far sinister, essentially on two accounts (1) the recipient countries whose ability in priority determination, investment planning, resource allocation, project preparation and execution is limited, (2) the character and orientation of the ruling elite of recipient countries largely determines the worth or otherwise of external assistance.

CHAPTER - FIVE

GOVERNMENT BODIES ON RURAL DEVELOPMENT

It can be seen that the life of the rural poor, the landless and the near landless, who constitute the majority of the population, is extremely difficult to bear with. This poverty will continue unless the development strategy is altered by the ruling elite in Bangladesh. All the resources both domestic and foreign, should be channelised to improve the conditions of the poor in rural areas.

The government of Bangladesh officially declared the objectives such as a significant reduction of poverty and a more equitable distribution of resources in the society. Mujib regime declared its objectives in the First Five Year Plan and it was "to remove poverty" and to frame effective fiscal and pricing policies for equitable distribution in Bangladesh."¹ Zia regime

1. Government of the People's Republic of Bangladesh, Planning Commission, The First Five Year Plan 1973-78, Dhaka, November, 1973, p.9.

reiterated the same objectives, when the Two-Year Plan was formulated in 1978. The main aims were to expand employment opportunities to arrest deteriorating economic conditions, improve income distribution and thereby promote social justice.² The Zia government incorporated these aims into 19-point programme which had received popular endorsement in the referendum. Delineating the objectives and strategies of the Second Five Year Plan, the Planning Commission wrote in 1980: 'poverty is so endemic and ambiguous in Bangladesh that over three-fourths of the population cannot afford to meet the minimum dietary requirement.'³ The Second Five Year Plan was "to bring about significant improvement in the quality of life in the rural areas" and to "move towards

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2. Government of the People's Republic of Bangladesh, Planning Commission, Two Year Plan, 1978-80, Dhaka, March, 1978, p.29.
 3. Government of the People's Republic of Bangladesh, Planning Commission, The Second Five Year Plan 1980-85, Dhaka, May, 1980, p. II-i.

a more equitable distribution of income, resources and opportunities for better social justice".⁴

It has already been highlighted that the Upazila replaced the age old system with some promising attempts at restructuring development administration at local level, 'The process of development.'

The Planning Commission provides detail planning guidelines for the Upazila Parishad.⁵ The Parishad prepares a Five Year Development Plan according to the guideline. To prepare realistic and pragmatic plans the Parishad is also supposed to undertake socio-economic surveys and feasibility studies concerning the Upazila in order to specific problems. Schemes on

4. Ibid.

5. Government of the People's Republic of Bangladesh, Planning Commission, The Guideline for Upazila Parishad for the utilisation of development Assistance Provided by the National Government, July, 1985.

physical infrastructure, irrigation and flood protection, agricultural land use and crop production, production oriented socio-economic activities for the destitute and provision of social service, like health, education, family planning, etc. have been undertaken.⁶

From 1971, a number of voluntary organisations, both foreign and Bangladesh, came forward with helping hands primarily to support governmental efforts to rehabilitate the war affected people of Bangladesh. Although initially these voluntary organisations participated in the relief and rehabilitation works, gradually they started involving themselves in other areas of development activities. They are now involved in the health, education, family planning, agriculture and other socio-economic development activities.

6. Government of the People's Republic of Bangladesh, The Guideline for, op. cit., p. 19-20.

Until 1978, there were no set rules to co-ordinate and monitor the activities of the voluntary organisations when the Foreign Donations Regulation Ordinance was promulgated.⁷ This ordinance was further amended in 1982.

The Foreign Regulation Ordinance was promulgated in 1982 establishing rules for receiving any foreign contribution by a citizen of, or organisation in Bangladesh and also for making such regulation by any government organisation or a citizen of a foreign state.⁸

There are thousands of voluntary organisations which extend their helping hands primarily to support governmental efforts to rehabilitate and to develop. Here we mentioned the name of some registered voluntary organisations who are of both Foreign and Bangladeshi origin.

7. Government of the People's Republic of Bangladesh, ERD, A Handbook on Non-governmental organisations, Dhaka, September 9, 1986.

8. Ibid.

There are 83 (eighty three) registered foreign voluntary organisations in Bangladesh while Bangladeshi voluntary organisations numbered 126.

NGOs

The only 20 (twenty) names of the foreign organisations are given below:⁹

- | | |
|---|---------------|
| 1. CARE - U.S.A. | |
| 2. World Missionary Evengelism - U.S.A. | |
| 3. The Salvation Army | ... U.K. |
| 4. Swedish Free Mission | ... Sweden |
| 5. OXFAM | ... U.K. |
| 6. SOS, Children Village International | ... Australia |
| 7. Radda Barnen | ... Sweden |
| 8. Asian American Free Labour Inst. | ... U.S.A. |

9. Government of the People's Republic of Bangladesh, A Handbook, op. cit., p.28-34.

- | | | |
|---|-----|--------------|
| 9. Rangpur Self-help Aid Services | ... | Denmark |
| 10. Terre - Des - Hommes | ... | Franch |
| 11. Bangladesh Lhutharan Mission | ... | Finland |
| 12. Terre - Des - Hommes, International
Federation | ... | Holland |
| 13. Japanese Missionary Fellowship | ... | Japan |
| 14. Terre - Des - Hommes | ... | Switzerland |
| 15. Ramkrishna Mission | ... | India |
| 16. New Zealand Baptist Missionary
Society. | ... | New Zealand |
| 17. CONCERN | ... | Ireland |
| 18. Nor Wegiar Red Cross | ... | Norway |
| 19. Rabiati Al Alarm Al Islami | ... | Saudi Arabia |
| 20. South Asia Partnership | ... | Canada |

Following are the names of the 25 (twenty five) registered Bangladeshi voluntary organisations.¹⁰

1. Bangladesh Rural Advancement Committee
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10. Government of the People's Republic of Bangladesh, A Handbook, op. cit., p. 35-45.

2. Christian Service Society
3. Assistance for the Blind Children
4. Christian Commission for Development in Bangladesh
5. CARITAS
6. Bangladeshi Voluntary Service
7. HEED-Bangladesh
8. Gono Unnayan Prochesta
9. Kumudini Welfare Trust of Bengal
10. Proshika
11. Young Women's Christian Association of Bangladesh
12. The World Muslim Peace Council
13. Rural Development and Health Centre
14. The Golden Clinic
15. ASA
16. MIDAS
17. Agriculture Development
18. Technical Assistance for Rural Development
19. Village Education Research Centre
20. Dipshika

21. Social Association for Rural Development
22. Progressive Rural Organisation for Voluntary Activities
23. Women for Women
24. Barisal Development Centre
25. Saptagram Nari Swanirvar Parishad.

CHAPTER - SIX

SOCIO-ECONOMIC STUDY OF PATHAKHALI-KONAI PROJECT

Location, Area and Boundary:

The Pathakhali Konai beel projects is located to the North and North-east of Mirzapur police Station. The project is situated in a bend of the Bangshi river on its left bank near the confluence of the Bangshi and Langli rivers. The area is formed by two basins, the Konai beel and the Para beel. It is surrounded by medium low lands and bordered in the east by forest grounds. The main drainage course in the area is formed by Konai Khal, which flows from the Konai beel in eastern side towards the Bangshi river. In a small flood season, the channel, namely the Pathakhali Khal issuing out of the main river Bangshi and regaining at downstream, divided the region into halves. A few marshes on it as usual in other flood plains, dot the region here and there. Flood waters from Bangshi used to enter the area through the Pathakhali Khal and inundate it almost every year.

The eastern-northern boundary of the region is marked by raised ground and forests of the Modhupur Tract. There are villages of Tarafpur, Takiadma, Latifpur, Bardam, Seoratali, Goraki, Geraki, Trimohan, Jugirkopha and Selimnagar. It is likely to benefit an estimated area of 45 acres.¹

Problems and Solutions:

The problems of this area was the submergence of standing crops due to flood waters. The Khal was in open connection to the Bangshi river in the west well before 1978. Due to high discharges of the Bangshi considerable flow entered the Konai beel through the Konai Khal. The floods caused heavy damage to standing Aus, Jute and B. Aman crops through inundation, high flow velocities and sand deposit. During the monsoon of 1980 the embankment of north and south of the Khal breached at many places,

1. Extension of Pathakhali Konai Embankment: Bangladesh Water Development Board.

causing a loss of the Aus and Aman crops of 60 percent. The existing embankment along the Bangshi river was not strong. However the cross dam and guide embankments saved the crops in a large part of the area. To save crop damages the dam was built at first in 1977-78 and 1978-79 at the oftakes of Pathakhali Khal.

Purpose of the Study:

The main purpose of the study what is being done here is to record the socio-economic condition prevailing in the area and the extent of benefit drawn by the people from the Pathakhali-Konai embankment.

Methodology of the Study:

The methodology of the study consisted in collection of relevant data/information by the methods of questionnaire survey from a member of household heads or other members. Questionnaire was however proceeded by several other necessary steps.

We talked to the BWDB officials and the local people about the entire study and surrounding area. This helped us select two sample villages of the area which were studied rigorously. The names of the villages are Jugirkopha and Geraki. The next step was to take census of all the households in these villages. The households were divided first into Farm and Non-Farm households based on occupation. The farm households included those who cultivate any land either their own or rented in. The Non-Farm households comprised the landless wages labour and also the service holder who have some land but who do not cultivate themselves. The households were grouped into different social categories, which are shown in Table-one and two. The field work continued for 5 weeks. The percentage of land in Geraki and Jugirkopha is also shown in Table - three.

The census of households was made covering population, occupation and land owned by each household.

Table -one

Social Classification: Geraki

Group/ Sub-group	Non-Farm Households				Farm Households				Total house- holds	No. surveyed household		
	Total No. No.	No. Surveyed	Land owning status, No. of house- holds	Quantity No.	Owner No. survey- ed	Owner-cum-Tenant Total No. No.	Tenant Total No. No.	Tenant No. survey- ed				
<u>Non-Farm Households</u>												
Total	22	10(45%)	1	2.46						22	0(45%)	
Labour	21	10(48%)	0	0						21	10(48%)	
Service	1	0	1	2.46						1	0	
<u>Farm Households</u>												
Marginal Farm (<1 acre)					25	8(32%)	3	3(100%)	0	0	28(22%)	11(39%)
Small Farms (1+ -3 acre)					49	23(47%)	7	4(57%)	0	0	56(44%)	27(48%)
Middle Farms (3+ -7)acres)					15	7(47%)	4	3(75%)	0	0	19(15%)	10(53%)
Large Farms (>7 acres)					3	2(67%)	0	0	0	0	3(2%)	2(67%)
All Households	22	10(45%)			92	40(43%)	14	10(71%)	0	0	128(100%)	60(47%)

Note : The non-farm households include one service-holder who owns the land shown under this category of households. The labour households do not own any cultivable land.

Source: Dr. Maniruzzaman Mia, Society and economy in Bangladesh, A base-line study of the Pathakhali-Konai Bil Area. April 1983, page- 19.

Table - two

Social Classification: Jugirkopha

Group/ Sub-group	Non-Farm Households			Land owning status			Farm Households			Total House- holds	No. surveyed household
	Total No.	% surveyed	No. of house- holds	Total No.	Quantity	Owner	Owner-cum-tenant Total No.	Tenant Total No.	No. surveyed		
<u>Non-Farm Households</u>	58	16(28%)	30	30.04	acres					58	16(28%)
Total	28	16(57%)	0	0						28	16(57%)
Labour	30	0	30	30.04	acres					30	0
Service & Business											
<u>Farm Households</u>											
Marginal Farms (< 1 acre)				12	9(75%)	27	19(70%)	10	3(30%)	49(33%)	31(63%)
Small Farms (1 + - 3 acres)				13	10(76%)	12	9(75%)	0	0	25(17%)	19(76%)
Middle Farms (3 + - 7 acres)				8	6(75%)	2	2(100%)	0	0	10(7%)	8(80%)
Large Farms (> 7 acres)				8	7(87%)	0	0	0	0	8(5%)	7(88%)
All households	58	16(28%)		41	32(78%)	41	30(73%)	10	3(30%)	150(100%)	81(54%)

Note : The amount of land shown under non-farm household is owned by the businessmen or the service-holders.
The labour households do not own any cultivable land.

Source: Dr. M. Maniruzzaman Mia, op.cit., April 1983, p.18.

Table - three

The Comparision of Land Owning Status

Unit	Land owning status				
	Landless	< 1 acre	1+ -3 acres	3+ -7 acres	7 + acres
Jugirkopha	19%	33%	36%	7%	5%
Geraki	17%	22%	44%	15%	2%
Bangladesh	29%	30%	24%	12%	5%

Sources: Dr. M. Maniruzzaman Mia, op.cit., April 1983, p. 17.

Socio-Economic Situation:

According to the socio-economic feasibility study, this is an area with mainly marginal and small farmers, 60 percent of the households owning less than 1.2 hector of land and another 16 percent being landless.² There was no land owners holding more than 8 hector of land. Sharecropping is fairly common and engages about 30 percent of the total number of households. There is also some Khas land in the area and this comprises some 20 hector in total. The exact size of such land is difficult to know. The farmers of the area expressed the opinion that the embankment has been useful, making their harvests more secure. They however, made the complaint that after the construction of the embankment, water has become stagnant, causing skin diseases. Fishing also has been affected by the construction of embankment and there seems to be a steady decrease in the fish supply of the area.

2. N. Matin and K.J. Talukdar, A socio-economic study on Pathakhali Konai flood project embankment scheme, April 1, 1984.

In the western part of the project area there is a large beel, named Para beel. This beel has been the focus of very frequent conflicts and quarrels in the past. An influential wealthy land owner, living outside the project area managed to get a permission to dig a canal to drain out the beel into the Konai Khal. He has got a lease of Khas land to cultivate and to dig a fish pond in the centre of the beel. This scheme was detrimental to the interests of the surrounding land-owners, mainly residents of the nearby village, Bardam. When the beel is drained out, it affects the high land surrounding the beel which now suffers from drought and shortage of irrigation water. And other lands were affected by alignment of the canal itself. The villagers managed to have the support of a former minister, who came to pay a visit to the area and after viewing the situation ordered the canal to be closed for two days only. What is more important for the agricultural development in project area, however, is the prevention of inflow of early floods and the reductions in the daily rise

of water level. The project area is flooded by local rainfall, inflow from the eastern beel area and 90 per-cent of the area is flooded.

Project work raises the consciousness of the poor and organizes them into some kind of action. To promote their interest work has already begun in the project area. One cooperative of fishermen in the same villages has been in existence for several years but it is not sound and solvent and so it needs some outside support. In this area there are some NGOs such as CARE, Grameen Bank, BRAC who have started some activities. BRAC has also showed some interest to work in this area and recently a woman group has been formed.

In pre-project agricultural condition, HYV Boro was the most important crop, cultivated in almost half

of the available lands. Aus and Aman also were extensively cultivated, and also rabi crops as well. The cropping intensity was about 150 percent. Crop damages were excessive and mainly due to pre-monsoon flooding.

It is estimated a yield increase of about 90 percent.³ A farm has conducted a survey very recently concluding that the same maximum yield level could be obtained prior to construction of the project but the damages to crops were more frequent under the "without project" condition. After the construction of the embankment the weighted average yield of Aman was doubled and the financial gross value of product was 120 percent higher than before (constant prices).⁴ The project had not much adverse effect on navigation but did reduce the total fish production

3. Md. Ali Akber, An Evaluation of the Socio-economic Impact of EIP Schemes in Bangladesh, Development of Social Work, Rajshahi University, April 1981.

4. Government of the People's Republic of Bangladesh, Govt. of Netherlands and Sweden, Report of the Appraisal Mission, EIP Cell, Dhaka, Sept. 1985.

inside the area. The demand of agricultural labour has increased and some of the fishermen have now turned to agricultural labour.

Four out of ten irrigation pipes are actually in use and work properly. The increased occurrence of DTWs and STWs, 22 and 40 respectively, reduce the use of LLPs and the need for irrigation from the Bangshi River.⁵

The situation in and around the Para beel is complex. The embankment constructed in the South as an extension of the EIP embankment (Trimohan to Latifpur) is in poor shape.

This project is an incomplete one. By this embankment there is crop damage to HYV Boro in Para beel caused by drainage congestion. It will function as a flushing sluice to

5. Government of the People's Republic of Bangladesh, Government of Netherlands and Sweden, Report of the Appraisal Mission, EIP Cell, Dhaka, Sept. 1985.

reduce the ecological problems in the area. Through this embankment a net of 160 hector land is benefitted.⁶

From the above analysis we can conclude that the effect of the embankment is not focused on the landless and the poor people. Because the embankment was made mainly for the protection of damaged crops and those who have lands are benefitted from it.

In a population of 10 million, 29 percent are landless. Only the landless or labourers invest themselves during the project period in exchange of wages. This policy is not and can not be a permanent attack on the poverty but this policy is a temporary one. We need proper land reform. We need a massive planning on the priority basis. The policy of the taxation should be changed. More taxation has to be

6. Government of the People's Republic of Bangladesh and Government of the Netherlands, Governments of the Sweden, EIP on Flood Control, Drainage improvement and irrigation. Report of the Appraisal Mission, Dhaka, Sept. 1985, p.16.

imposed on the richer class of the people and that money should be utilised for the upliftment of the poorer sector of people.

Again in the Pathakhali-Konai area, mostly the local rich peasants, and local elites are benefitted out of the embankment. In the rural areas establishment of industries is required which may come in aid of the rural poor and agricultural development. Industrialisation may solve the unemployment problem of the landless labourers or non-farm income groups. It would be of the national interest - 'aid for the direct attack on poverty.'

CHAPTER - SEVEN

AID-BASED DEVELOPMENT STRATEGY

The focus on rural development efforts in recent years by national government as well as by international agencies is certainly a positive indication. Very often little distinction has been made between national development strategy and rural development policy in political discussions, planning exercises and academic discourses. In most cases flow of assistance to the developing countries is turned to the shifting focuses and nuances of rural development thinking, and planners also respond to such changes to keep abreast of the latest development theories, a phenomenon described by scholars as development fashions.¹ A policy of rural development is a policy for national development", said President Julius Nyerere of Tanzania.² Thus the conception of rural development as a strategy for national development is necessary for countries having a sizable rural sector.

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1. Mahbub-al Haq, The poverty curtain New York: Oxford University Press, 1978 .
 2. Quoted in Wahidul Haque "Towards Theory of Rural Development," Development Dialogue, Vol.2,1977,p.14.

Development means the development of men as an individual and as a social being aiming at his liberation and at his fulfilment.³ Development should be geared to the satisfaction of needs beginning with the eradication of poverty through establishment of indigenous and self-reliant institutions, that is, relying on the strength of the societies, which undertake it and in harmony with the environment.⁴

More than one-fifth of the humanity is still in abject poverty and three-fourths of them are living in rural areas, two-thirds of whom again are concentrated in India, Indonesia, Bangladesh and Pakistan.⁵ The picture becomes more dismal when the global state of a few 'basic needs' indicators is depicted in a row - 873 m. adults of the world cannot read and write, 500m

3. To quote Dag Hammarskjöld, former Secretary General of the United Nations.

4. Ibid.

5. World Bank, World Development Report, 1982 Washington: World Bank 1982 .

are either unemployed or under-employed, 450m people suffer from hunger and malnutrition and 2 billion people do not have access to safe drinking water.⁶ The rich-poor gap also has widened so much that the relative position of poor has further deteriorated. 20 percent of households in rural Bangladesh have neither homestead nor agricultural land and 10 percent have only homestead but no arable land. Another twenty percent have acreage far less than subsistence requirement, so that percentage of landless households stands at 50 percent of the total.⁷ Unemployment and underemployment is estimated at between 30 to 40 percent and is growing rapidly.⁸ Rate of literacy was 21 percent in 1981-82 as compared to 16 percent in pre-independence year which

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6. Ruth L. Sivard, World Military and Social Expenditures, 1981, Varginia: World Priorities Inc., 1982, p.2.
 7. Population of Bangladesh has been estimated at 96m in 1984 and the figure is likely to be in the range 130-140m by 2000 A.D. See The Bangladesh Observer, 4 September, 1984.
 8. UNDP/FAO, "Agricultural Employment", UNDP/FAO Mission working paper IX, April, 1977, Dhaka.

indicates rather a humble improvement.⁹

It is lavishly assumed that there is no dearth of political will under a government committed to rural development. In view of the sheer size of the rural sector and its importance in the national economy as well as in aid basket, rural development may be said to pertain to distribution of scarce resources and hence the central issue of power struggle among pressure groups.¹⁰

Bangladesh is confronted with the problems of high rate of population growth, a relatively low rate of economic growth, a level of per capita income with more than 50 percent of population subsisting below poverty line and growing increase in the unemployment of educated people. The reasons responsible for this situation may be

9. The final counts of the 1981 census published only recently, however, records a decline in literacy.

10. Geof Wood, "Rural Development in Bangladesh: Whose Framework?" The Journal of Social Studies, No.8, April, 1980, p.30.

many but the most important is the failure of planning process to recuperate and strengthen the rural economy and utilization of the potential manpower through mass-scale rural industrialization. It is now an accepted fact that the growing unemployment problem cannot be solved by the development of agriculture alone or by modernising urban areas. The unemployed rural people should also be potential entrepreneurs and absorbed in labour intensive rural cottage and small industries.

Given emphasis on growth rate of GNP by increasing the rate of economic growth could not help decrease rural poverty. It has failed to utilize huge manpower in productive employment. A rethinking in the planning process started and the planners instead of placing stress in maximising growth in GNP laid emphasis on direct attack on poverty through rural development. Though rethinking in planning process and shifting in ideas took place among the planners but in principle real rural-based planning and development attitude is yet to take a

shape. Allocation of resources between the city and villages shows priorities to urban areas, hence rural areas remain neglected in most developing countries. The rural people can expect very little from urban based development planners and leadership.

It is our contention that the widespread and increasing donor influence in Bangladesh is potentially highly debilitating in relation to her prospects for self-reliant development. In consequence the country may have to pay a very heavy price in the long run.

The basic idea behind foreign aid-based development strategy is that foreign aid makes up the foreign exchange and domestic savings gaps to enable the recipient country to make necessary investment and imports for achieving predetermined growth rates. Export earnings of Bangladesh have failed to increase sufficiently; moreover, there has been a sharp decline in her terms of trade in recent years. The balance of payments of the

country is therefore characterised by a massive trade deficit, which has been around Tk. 2000 crore per annum during 1979-83.¹¹ Regarding savings gap, the average savings rate (savings as percent of GDP) was 2.45 percent over 1979-84, while total investment as percent of GDP during the same period was 10.82, most of which (8.37 percent of GDP) was made up of foreign aid.¹² The expected benefit from foreign aid is that increased investment will generate increased income which will, in turn, cause increased savings and that may allow repayment of the debt and reduce the need for external assistance. Thus a process of self-sustaining growth may be brought about. But that expectation has not been fulfilled and given the present state of the economy its prospects look bleak in the foreseeable future.

11. Statistical Pocket Book of Bangladesh 1983, op.cit., p.370.

12. Ibid., p. 398.

Foreign aid accounts for two-thirds of the total import bill. At present foreign exchange is earned by a large number of Bangladeshis working abroad. The remittances are expected to decrease much in future because of limited scope of further manpower export. Jute is a large export earning source which faces uncertain long-term prospects. There is no tightening of belt towards strengthening the economic base by proper use of export earnings and remittances. There is no positive policy in regard to importing appropriate technology and essential materials, whereas the import structure has been conventional and more importantly it serves the interest of the power elite. It is likely to remain characterised by the import of Luxury goods on the one hand and ordinary consumer items on the other, which can and should be produced domestically.

Per capita GNP at current prices for 1982-83 is Tk. 3027 or US \$121.¹³ It was expected that per capita

13. Statistical Pocket Book of Bangladesh 1983, op.cit., p.401.

GNP of 1984-85 would stand at Tk. 3391.¹⁴ At constant (1972-73) prices, it rose to only Tk.780 by 1982-83 from Tk. 710 in 1969-70, implying an annual rate of growth of 0.8 percent. Infact, it declined in the first half of 1970's and was Tk.695 in 1975-76, implying an annual rate of decline of 0.4 percent.¹⁵ 80 percent of the population are calculated to have been below the poverty line and about 60 percent of them are critically poor. The below poverty line figures were about 83 percent in 1963-64.¹⁶ 40 percent of the available labour time is unemployed, and about half the educated youth are either unemployed or employed in jobs which require much less education.¹⁷ Infant mortality rate is only

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14. Government of the People's Republic of Bangladesh, Ministry of Finance, Economic Survey of Bangladesh, 1984-85.
 15. Statistical Pocket Book of Bangladesh 1983, op.cit., p.401.
 16. Q.K.Ahmed and M.Hussain, Rural Poverty Alleviation in Bangladesh - Experiences and Policies, FAO, Rome, Feb.1984, Table 1: and Statistical Pocket Book of Bangladesh 1983, p.404.
 17. Report on Interim Evaluation of WFP - assisted project Bangladesh 2226 and Expansion, March 1980.

120 percent per one thousand live births.¹⁸ Literacy rate is only 23 percent, and the primary level enrolment has in fact been down from 71 percent in 1978 to 59 percent in 1983.¹⁹ This indicates a picture of deepening and widening poverty. However infra-structural growth has taken place mostly in all sectors - political, bureaucratic, business, military, industrial, landed and professional elites. They have been benefitted because they have control over or access to decision-making process. Some rural poor are also benefitting from such programmes as 'Food for Work' Programme, rural workers' programmes and the Grameen Bank. The extent of beneficiaries are marginal in the context of the totality of poverty situation.²⁰

18. Statistical Pocket Book, op.cit., p.144.

19. Ibid., p. 480.

20. Q.K. Ahmed and M.Hussain, "An Evaluation of Selected Policies and Programmes for Alleviation of rural poverty in Bangladesh", Paper presented at the regional seminar on Monitoring Poverty and Anti-Poverty Policies in Rural Asia, sponsored jointly by Bangladesh Institute of Development, Bangkok, held in Dhaka, 7-9 April 1984.

The above mentioned maldistributive situation is being further confounded by donor influence and interference in the country's economic, political, social and cultural life. In the economic sector, donors' terms and conditions have had pervasive influence on the investment, ownership patterns, management style, technology, exchange rate, organisational set up, distribution system, monetary and fiscal policies. They have got influence on selection, design and location of projects, appointment of key personnel. The policies of the donors have influence over the socio-cultural practices and political direction. The elite group, which is benefitted by foreign aid, takes their life style and cultural pattern of their foreign mentors. It is true that the performance in the past years is verified and aid selection for coming years is indicated by the donors. In these negotiations the recipient country's policies are called into question and donors' intentions are imposed and, thus, the authority of the government in regard to decision-making and implementing development projects is curbed.

Decisions are usually made in donors' offices in Dhaka or in the headquarters of their countries. There are differences in this regard among donor countries and agencies. There are different interest and influence groups also in Bangladesh. These groups seek their own interest and that of their principals abroad because the whole process involves their mutual interests. They can establish contact with the highest decision making body, eliminate any adverse situation created by functionaries at lower levels.²¹

The bilateral donors try to promote their interests and, in doing so, seek to wield influence in the management of recipient economies. Sometimes they pretend that they provide aid on humanitarian grounds. It is true that some humanitarian aid is provided at times of crisis caused by natural calamities such as tidal bore or famine and man-made calamities such as wars, but by and large the humanitarian-ground

21. Nurul Islam, "Interest Groups and Aid Conditionality" in Just Faaland Aid and Influence, op.cit.

theory of the aid does not hold good.

World Bank, IMF and Asian Development Bank are in fact the major contributors, whose biases, prejudices and interests find expressions in their operation. It is well known that the USA seeks to impose her intentions on the policies and programmes in these organisations.

CONCLUSION

From the above discussion we may conclude that foreign aid is given to Bangladesh in the name of poor but foreign aid has benefited the power elite, while large majority has remained alienated. It has not helped generate the prospect of creating in foreseeable future base for self-sustaining growth.

We tried to focus on some particular issues of rural development such as the level of socio-political development and decision making interest obstructing the removal of rural poverty. We also tried to highlight the nature of unemployment, because unemployment is a severe problem deepening rural poverty.

We have found the urban-biased policy of development which is not, and can not be, helpful for rural development.

The lack of poor participation of the poor in the development activities has radicalized their view points. Participatory development requires meaningful participation

of the bulk of population. How their participation can be ensured ? The emphasis should be on the institution building under both public and non-governmental initiative. The poor section may be effectively mobilized by the local level institutions. The multiplication of such organisations might weaken the hold of the rich in the decision-making process. We also tried to highlight the imperative of participation of the poor because it might create multiple poles of development and dilute the traditional power structure. As a matter of fact the bargaining power of the poor should be strengthened.

The aid-dependent development strategy has failed in Bangladesh. In the Second Five Year Plan it has been admitted that the path so long treated for the process of development has failed to achieve the desired objectives. It has further noted that if the development process continues in the manners it may further widen the gap between the poor and the rich.

The approach of the First Five Year Plan as well as Second Five Year Plan remained sectoral in nature. Sectoral programmes cannot meet specific and special needs of rural development and they cannot be the basis for consistent development activities. They must be of multi-component nature in approach. SFYP recognises this, but on matters of allocation sectoral approach has been retained.

The industry-oriented strategy has led to a high segmented development in the rural areas. It could not bring about any noticeable change in the per capita income, employment and productivity. Production in agriculture has increased but it could not prevent the increasingly growing rate of poverty.

Promotion of village and small scale industries should be an important element in the national development strategy. There is a need for expansion of labour intensive small scale industry in order to provide employment to growing unemployed in the rural areas.

In this situation we can adopt the major elements of the new strategy as the following manners:

- (a) A policy to be adopted to evolve a micro-level approach for the direct attack on poverty;
- (b) A proper assessment of basic needs of the rural poor should be taken into accounts;
- (c) More employment of the poor in the cottage and rural industries should be ensured.

Establishment of only such heavy industries may come in their aid.

The most important imperatives for Bangladesh are improvement of its planning process and gradual increase in contribution to investment by domestic resources.

There must be deployment of aid funds to the right channels. The planning exercise needs to be geared up; priorities must be fixed by the recipient country.

The central point of the argument is that the growth of the target group organisations would help create multi-poles and dilute the traditional power structure. In

this process the bargaining power of the poor would be strengthened.

The direct involvement of the rural inhabitants through root level organisation in the decision-making planning and implementation of development activities in the local level institutions are not functioning effectively. Some of the rural development projects are technically complicated and as such it is difficult to meet the rigid criterion of participation. We need radicalisation of the concept of participation in terms of government participation in people's programme instead of people's participation in government programme.

Donors' interest in giving aid to Bangladesh is to restore order and bring in social change through useful means. The continuation of donors influences in the aid-receptient country poses a grave threatening to the actual progress of the economy and the society. While utilizing aid in development work, especially in the rural areas, this has to be offset and realistic approach has to be adopted in handling the problem.

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