

EXTERNAL ASSISTANCE AND CLASS FORMATION IN BANGLADESH

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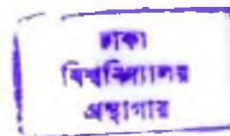
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REQUIREMENT FOR M. PHIL. DEGREE FROM
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This is to certify that the thesis, "EXTERNAL ASSISTANCE AND CLASS FORMATION IN BANGLADESH" submitted for the award of Master of Philosophy Degree from the Department of Sociology, University of Dhaka, is a record of research carried out by Md. Ayub Ali under my supervision. As far as I know, no part of this thesis has been submitted for any degree, diploma or recognition before.

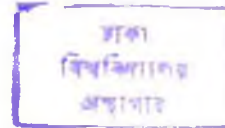


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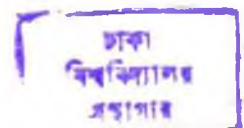
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Md.Ayub Ali



ABBREVIATIONS:

CAS= Country Assistance Strategy
CBO= Community Based Organisation
CEM= Country Economic Memorandum
DAC= Development Assistance Committee
EEC = European Economic Community
FAP= Flood Action Programme
FFW =Food For Work
IBRD= International Bank for Reconstruction and Development
IDA= International Development Authority
IEFR = International Emergency Food Resource
IFC= International Finance Corporations
IMF= International Monetary Fund
LDC: Less Developed Countries
NGO= Non- Government Organisation
OECD: Organisation of Economic Cooperation and Development
ODA: Overseas Development Authority
PPA= Participatory Poverty Assessment
RRMP= Rural Road Maintenance Project
SAR= Staff Appraisal Report
TM = Task Manager
UK= United Kingdom
UNDP= United Nations Development Programme
UNHCR= United Nations High Commission for Refuges
UNICEF =United Nations International Children's Education Fund
US = United States
USAID= United States Assistance for International Development
VGD= Vulnerable Group Development
WB= World Bank

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Preamble

After independence, the class formation in Bangladesh went through a radical change. During the Pakistan period, in this part of the world, which was then known as East Pakistan, there was an upper class, which was constituted mostly by the non-Bengalees. The Bengalee aristocracy did not have any strong meaningful relation with this non-Bengali upper stratum of the-then Pakistan. Only a handful of the proverbial 22 rich families of Pakistan had a tenuous relation with the Bengalee aristocracy. Consequently, after the achievement of independence, a vacuum occurred in the upper echelon in social stratification of Bangladesh. The vacuum is being continually filled up by a wide-ranging variety of fortune-hunters, rent-seekers, civil and military bureaucrats, and businessmen. But most important contribution in the formation of this new class is made by the inflow of a huge amount of external assistance, which came in form of loans, grants, food, projects, disaster assistance, etc. Obviously, the beneficiaries of this external assistance are not necessarily the poor people for whom external assistance is supposed to be used. The stakeholders are the civil, military and industrial bureaucracies, commission agents and construction contractors, equipment suppliers, consulting firm owners and consultants, the NGO owners and managers, small number of academicians and intellectuals and aid negotiators. The purpose of this exegesis is to review the existing scenario of class formation with an in-depth analysis of the emergence of a new upper class and its close linkage with the external assistance.

Chapter one: Introduction and Methodology

1. Introduction

Historically Bangladesh started her journey for socio-economic development taking a huge debt and liabilities of Pakistan. The term, 'external assistance' (with its various synonyms, such as development assistance, foreign aid, foreign assistance, external assistance etc.,) has become an essential component for the development in the third world countries like Bangladesh. External assistance is globally viewed as a critical component of the growth paradigm, which influences development concepts, plans and strategies for more than half a century. The term came into common usage in the early sixties and became popular through the declaration of official aid agencies, non-government organizations and, ironically, by the critics of foreign aid. As such, "the term assumed different meanings according to the various interest groups who viewed and used it from different points of view."¹ There are so many theoretical perspectives regarding the role of external assistance in development. The modernization, dependency, neo-Marxist, or radical Marxist theorists are having their own explanations about its role in economy and society. However, there is need to analyze it from the sociological points of view that somehow did not get priority among them. Currently, most of the developing countries are dependent on the external assistance or foreign aid for their development planning and implementation. There are numerous donors; bilateral and multilateral organization, such as regional Banks, World Bank and IMF, etc., which provide assistance to the third world countries like Bangladesh from their own interests of development.

The understanding regarding development hitherto was mostly based on economic issues. However, since the middle of this century, a new outlook on

development has emerged in the contemporary world. During the first half of this century, two World Wars occurred which had changed economic order as well as the notions of development. One of the consequences of those World Wars, particularly the World War II, was the independence of the colonies from colonial rule. The economic thinkers have prescribed the experience of western development modernization model, and to promote that model, they have made a linkage between external assistance and development. After World War-II, external assistance and its dimensions have been changing overtime, which might have some intended and unintended consequences, that needs to be delved with kin interest.

“The operational usage of aid in Bangladesh classifies external assistance into four kinds: Project aid, Commodity aid (non-food), food aid and technical assistance. This classification has been followed for the identification and analysis of the issues relating to aid utilization”.²

There are some issues, which are more crucial for determining the policy orientation of the government to external assistance for the economic and social development. The activities of non-government organizations (NGO) are also important and familiar phenomena in the socio-economic development of the country, because alongside the government sector, the non-government organizations have an important role in the aid regime. The government bodies and the non-government organizations are involved in aid utilization. The aid utilization process itself perpetuates the emergence of this new system. This system somehow affects social relations which in effect results in promoting the emergence of a new social class (interest group) who have a distinct role in society. The aided development efforts, forming a social class, on the one hand, and building a distinct socio-cultural system, on the other, that affected the traditional social relations in the society. The kind of relations developed as such may be looked from the viewpoints of both

intended and unintended beneficiaries of the development programs. The unintended beneficiaries are the professionals and the people having access to capital, and the intended beneficiaries are the section of the society who has been defined as the target beneficiaries in the project. The unintended beneficiaries are performing a superficial role in the development process. On the other hand, the rural people have been taking part in the rural power structure, and some of them seem to be marginalized due to the externally assisted development programs.

However, external assistance is somehow conditional in nature, which by and large serves the interests of the donors as well. The volumes and its disbursements also depend on the attainment of the conditions. The donors are more interested in the policy of reform lending in the third world countries including Bangladesh. The inclusion of the imposed conditions by the donors is also determining factors for the amount of aid allocation and disbursements. The implementation of prescribed policies in the recipient countries is creating the opportunities for those who have access to professional capacities and capital.

There are some problems, mostly related to management and inappropriate state policy that influence largely the utilization of available volume of aid. It seems that it also creates opportunities for the unintended beneficiaries of the society. In most studies, conducted by different individual and organizations, only the quantitative impacts (target and achievements) of the external assistance have been addressed, but the qualitative aspects, that are intangible also might change social relations as an impact of the external assistance, which has been largely ignored in the recent times. The impact of such aided development on different social aspects that are qualitative in nature has been taken into account in this study. It is interesting to note as to whether any

relation exists between external assistance and class formation. In course of our exegesis, we may find out some crucial variables in this relation, and to this end, this work has been devoted.

To define social class is very difficult task, but generally different users with their own objectives use the term. The class is a social group having some levels of economic relations, but class relation in the objective sense takes very different forms in familial forms of ownership or collective ownership. Thus, patron-client relationship, which can also be turned into a corporate unit for specific purpose, hardly shapes people's consciousness in class terms³. G. D. Wood observed that "vertical solidarity of the patron client type relation may form class relations under the condition of agrarian underdevelopment in communities like Bangladesh"⁴. This study however does not reveal any category referring to the concept of class in a Marxist sense. There is a large variation in Bangladesh; in the way people define their own economic and social relations to other groups of people. So, we have taken class as a social group that has a level of economic and social relations. Alongside, they are also taking part in their respective arena that they did not have in the past.

The development programs assisted by the external donors might have an important role to the intended or unintended beneficiaries through the process of aid utilization in the recipient countries. Whether such development initiatives have a role to create a social class has been analyzed in terms of the development project implemented by the government of Bangladesh with assistance from bilateral and multilateral donors. If a project substantially impacts on a specific interest group, which has some sort of relationship with local resources, it leads to a beneficial class formation. However, it is not in typical Marxist Varity, but nevertheless, in the sense of general beneficiaries group, that it may be defined as a class. External assistance plays an influential role in the emergence of social class in society.

External assistance including policy lending creates opportunities for capital accumulation due to weak state mechanism and inappropriate policies for regulating and operating the aid utilization process. At the same time, a group of professional beneficiaries has emerged based on external assistance. Alongside, changes have also occurred in rural power structure and benefit acquiring system. The people from the poorer section did not have the access to different local institutions and decision-making bodies in the larger society. Now, it is evident that some of the people from poorer sections are taking part, to some extent, in decision-making activities.

1.1 Importance of the Study

External assistance, which is an integral part of development in Bangladesh, is one of the much-discussed issues in the contemporary world. The development budget of a fiscal year, in most of the developing countries, is dependent on various kinds of external assistance/foreign aid. Though it plays an important role in developing countries, it has some intended and unintended impacts on socio-economic development, social relation as well as on social structure. It is to be mentioned that most of the externally assisted development programmes focus mainly on economic development but the critical social component, an integral part of society, is overlooked or ignored by development practitioners and planners of the country. A numbers study or research was conducted by government bodies, international agencies, national and international non-government organizations, but the impacts of external assistance on social relations and emergence of a new class in recipient countries has somehow been overlooked instead of putting keen interest. However, among different development approaches, thinkers belonging to new Marxists have some time addressed the critical social issues like social relation and social structure in their analysis. The Marxist

development thinkers viewed that the economy of a country is a determinant factor of society, but they laid emphasis on the question of distribution of resources among different social strata. The unequal distribution of resources results in sharp gap among different social strata, which affects existing social system and the social structure. This study, though in limited form, attempts to cover the issues and concern relating to external assistance in view of providing a critical understanding of the problem.

One of the specific objectives of external assistance is development through mobilization of the resources and by creating scope for alternative development of the less privileged people. The existing external resource utilization process creates a scope of emerging new beneficiaries in the society. The dimension of social mobilization and utilization process influences social relation. So, for critical understanding about society and social relation, and the trends and dimensions of social change, this study might be helpful for the policy planners, researchers, academics and development practitioners home and abroad.

According to modernization theorists like Daniel Larner and W.W. Rostow, developing countries might be developed through economic assistance of the developed nations following the path of modernization. The developed world's opinion is that they provide assistance to the developing nations for two purposes. One is humanitarian ground and another is economic ground for solving economic crisis. Conventionally, external assistance might be necessary for easy capital formation, because poor countries have little means to save and the government undertakes project planning and implementation centrally. It has been found that instead of helping the poor, the economic development programmes create obstacle for them. From macro and micro economic perspectives, dependence on foreign aid reduces the scope of savings that result in the increase in consumption of foreign commodities,

which further leads to the dependence on foreign aid. Thus, the vicious cycle of dependency on external assistance is created which is also perpetuating for the emergence of new beneficiaries group within the aid regime.

Though the external assistance is provided for economic development, but it has both negative and positive consequences in the society of recipient countries. During development planning, the planners overlook the negative consequences of programmes. As for the donor-driven development programmes that are implemented in Bangladesh, conditions are also important part of those programmes.

The crisis of the present world order is not only an economic phenomenon, but also a social one. The economy is the determinant factor in society, specifically, of social relations, cultural dimension and of many other social aspects. This study will help understand such ongoing processes in the society.

To assess the impact of externally assisted development programmes on society, especially of programmes assisted by the World Bank, such kinds of study might be helpful. Alongside, it will also help to understand the trend of changes and the factors that are influencing it.

1.2. Objective of the Study

Politically the history of Bangladesh is the history of movements, but the economic history from the beginning of this century is the history of dependency. As one of the underdeveloped countries in the world, the economic development of Bangladesh is dependent on external assistance. However, development itself is a composite concept comprising social and economic indicators. Since the independence of the country, external assistance is playing a pivotal role for socio-economic development in different forms. The main objectives of this study is to measure the social impact of external assistance, particularly on the emergence of social class, changes in class relation and power structure. The following issues will be critically examined:

- ☛ The role of external assistance in the emergence of a new class in Bangladesh;
- ☛ A critical understanding of the mechanisms of the distribution of resources among the different stakeholders of the external assistance.
- ☛ An overview of ongoing trends of development activities of the government and NGOs;
- ☛ Paradigm shift of the external assistance utilized by the NGOs i.e. from philanthropic motives to commercial motives;
- ☛ Role of development programmes aided by foreign assistance on the spontaneous development process in recipient countries.

1.3. Hypothesis

The different forms of external assistance plays an important role in the development of Bangladesh. To assess the overall impact of external assistance on the socio-economic condition and social structure of the country, the following propositions will be examined:

- i) External assistance benefits those who already have access to either capital or professional skill and, on the other hand, marginalizes further the conditions of those who do not have any of the two.
- ii) As an impact of external assistance, the gap between rich and poor is gradually increasing.
- iii) A professional class has emerged basing on externally assisted programmes/projects activities.
- iv) The external resources mobilization (specifically of NGOs) is shifting activities from the philanthropic motives to the commercial motives.
- v) The role of the Non-Government Organizations is that of new vested interest, which may be foreign connection rather than national.
- VI) A new power structure is emerging in society.
- VII) The resultant behavior of the externally assisted development programmes has a deteriorating effect on the capacity of national governance, and undermines the responsibilities of the political decision-makers. It furthers and accentuates social inequalities. As a result, spontaneous development of economic life is being hampered.
- VIII) Externally assisted development takes the shape of development serving the interest of newly emerged social class. This externally assisted development policy formulated and practiced by professionals is complicating the class relations of society still further.

1.4. Methods of the Study

The methods and techniques are the key components of any study. The outcome of research depends on methodological base, its appropriateness and proper implementation over the whole process of study. The method must be consistent with the objectives of the study that can cover the whole area of interest. However, sometimes a single method could not address the areas of the study; then it becomes essential to select more than one method. In this study it has been a blend of the historical method with social survey and tools and techniques of qualitative method, namely in-depth interview, focus group discussion and community discussion.

The primary data is used to analyze the status of acquiring anticipated benefits by target beneficiaries, but we had limited options to analyze and to meet up the requirements of the objectives of the study. As a result, the secondary data have been used to complete the study.

1.5. Sample Survey

For clear understanding about externally assisted development programmes and its role in the emergence of a new social class in Bangladesh, the Third Fishery Project, World Bank, UNDP and former ODA-funded projects have been selected. The Department of Fisheries of the Government of Bangladesh implemented the project. I have selected one site of the project that is located in three thanas (administrative unit) under the Gopalganj district.

The main rationale to conduct sample survey with the beneficiaries of the project areas is to understand the benefit distribution pattern of the project among anticipated beneficiaries. So, out of 37 villages, only two villages were selected, and 200 households were selected through systematic random sampling from those villages.

Household heads of the families were selected as the respondents of the study. The fishing stratum of the households was determined by the occupation of the head of the household irrespective of occupations of other family members.

A structured interview schedule was used to collect data from different categories (full-time, part-time and occasional) of fishermen and non-fishermen. The draft interview schedule was pre-tested before finalization.

Sampling for In-depth Interview Respondents:

Purposive sampling technique was used to select the fish traders and local elites. Five fish traders were interviewed. In selecting the elites, a few people of the locality were asked to mention the name of influential persons of the locality and, from them, 7 elite members were interviewed. The sample covered different types of elite, such as religious leaders, business elite, power elite and traditional elite.

The in-depth interview technique has been used to know the attitude of the rural elites, fish traders, and local influential persons towards the benefit distribution pattern of the project and fisheries development programmes. It was felt that there were some issues that could be covered in survey method. Therefore, to supplement the information related to the attitudes of rural elites and fish traders who, according to rural people, were the most important beneficiaries of the public stocking, qualitative information has been collected through participatory manner. The necessity of in-depth information was strongly felt during pre-testing of the survey schedules in the study areas. The elite members and fish traders were interviewed using informal techniques. The provision of flexibility of this technique to ask any question was made easier for the interviewers to go deep into the hearts of the respondents.

Participatory Rural Appraisal (PRA)

The tools and techniques of the participatory rural appraisal were used to understand the dimension of benefit distribution among the different stakeholders. During interview, different stakeholders regarding benefit distribution of the project raised some issues, for example, whether this project is benefiting a specific group. To get a clear understanding of the benefit distribution issues, it was decided to use the techniques and tools of PRA.

1.6. Limitations of the Study

Every research study encounters some problems in terms of time management, availability of relevant information, documents and literature, access to information, etc. This study is not free from those limitations. The given time frame for this study was not adequate in comparison with the magnitude of the problem. Non-allocation of fund for such a study can be regarded as another hurdle in carrying out the study within the given time frame. Apart from these, the inflation rate of currency has not been taken into consideration while transforming the resources of the respondents into taka (money). So, it is quite difficult to delineate the actual trend of benefit of the study population.

1.7. Scope of the Study

The study comprises seven chapters and the first chapter gives an introduction of the study, which includes methodology, importance of the study, limitations and conceptual framework. The second chapter focuses on the theoretical model, history of development theories, linkages between external assistance and development with changing world economic order and its dimensions in the context of Bangladesh and review of literature. The review of literature on external assistance and its role in class formation has also been dealt with in this section. The third chapter contains the definition

of external assistance, history of external assistance, donor interests, and forms of external assistance as well as various conditions tied with aid. Some specific indications of the process responsible for emerging new aid beneficiaries have been presented in this chapter. Chapter IV deals with the activities of multilateral donors, which include structural adjustment policy implementation in Bangladesh alongside many other developing countries. In addition to that, this chapter also sheds light on the process of people's participation in development activities.

The fifth chapter reveals the case study on project performance funded by multilateral donors with special focus on the actual achievement of the anticipated beneficiaries of the project. The performance has been evaluated using both the quantitative and qualitative methods. The changing pattern of external assistance allocation and disbursement is presented in chapter VI. In this chapter, the allocation and the disbursement have been presented categorically. The allocation of the external assistance in government and non-government sectors has also been delineated in this chapter. Finally, chapter VII has been followed by the conclusion of the study.

1.8. The Concept of Social Class

The main concepts--external assistance, development and class--need to be defined for the purpose of the clarity of the conceptual framework. The definition of class has always been a subject of debate, and has proven to be a very 'knotty' issue. Peter Calvert concludes that "Class is an essentially contested concept, it is a waste of time to attempt to establish a meaning for it that will command universal acceptance."⁵ Notwithstanding this opinion, "many scholars have attempted to define class using a number of criteria."⁶ In this context, Max Weber's labour market approach to the definition of class is most useful. He defines a class situation as occurring only when, "...a number of people have in common a specific causal component of their life chances, in so far as this component is represented exclusively by economic interests in the possession of goods and opportunities for income and it represented under the condition⁷ of the commodity or labour markets."⁸ This definition allows for an understanding of how occupation can be seen as a determinant criterion of class. Certainly it is this possession (of occupation), in the absence of the direct possession of property or income, which placed the established middle class in the position to compete effectively in the labour market for economic power. The possession of occupation, in turn, led to the acquisition of middle class status, another concept, the parts of which are not always easy to identify. Weber himself defines status as every typical component of the life fate of men that is determined by a specific, positive or negative, social estimation of honour.

The status of honour is normally expressed by the fact that above all else, a specific style of life can be expected from all those who belong to the cycle. Further, since class distinction are linked in the most varied way with status distinctions they can be and often coterminous. Concern with social class and

social stratification is as old as social thought. The ancient Greek philosophers were extremely conscious of the effect of the stratification, and proposition about stratification may be found in the writings of Plato and Aristotle. Thus, Aristotle discussed the conditions for different types of political organization, suggested in essence that constitutional government has limitation on the power of the political elites most likely to be found in societies with large middle classes. City-states characterized by large lower class and small middle and upper class, however, would be more likely to govern as dictatorships based on much support, or as oligarchies.

“Most of the contemporary sociological theory and research on ‘Social Class’ does not stem from the Greeks. The emphasis of the enlightenment on the possibility of the social laws and of their discovery through observation and comparative study must be taken as one of the methodological breakthrough.”⁹ Karl Marx carried the scientific perspective into the study of social class from what he called the scientific laws of history. He accepted that premises of social phenomena possess their own laws, but he also set out to discover the underlying cause variables and how they expressed under different historical conditions.

However, the present context of class analysis must consider variables like external assistance and development linkages and the emergence of new interest group or social class. This new interest group would be treated as social class in this context who are still outside the traditional hierarchical system. Taking into consideration this approach that society is changing under different historical conditions, different intellectuals have interpreted the concept of class from their own perspectives and approaches. In this study, the notion of class would be used in very general and flexible sense from the theoretical perspective.

'Using the concept of social class to interpret the dynamics of social change has assumed that the creation of new occupational role has often resulted in the emergence of groups that initially outside the traditional hierarchical system'¹⁰. The focus of interest is to measure the nature of class formation in different conditions such as change of development perspective due to international economic order and geo-politics including the North-South relations.

Though class remains the central aspect of this analysis of social change, class is a phenomenon of distribution of power within the community or society. "In the terminology classes are not communities; they merely represent possible and frequent, when (i) a number of people have in common a specific causal component of their life changes, insofar as (ii) this component is represented exclusively by economic interest in the position of goods and opportunities for income, and (iii) is represented under the conditions of the community for labour market, this is class situation."¹¹ That class in Bangladesh emerged under the aided development approach fits the first two characteristics of class situation, but does not fulfill the characteristics of the conditions of the community labor market. The labor market did not fit, because the activities of those professional beneficiaries exclusively operated under a limited boundary. It is to be mentioned that the people of the traditional system are also moving towards getting financial benefits. This section of people is also giving room for traditional people to rationalize the approach and making linkage with traditional systems.

In general, in conceiving social structure where different forms of social order are involved we usually have to deal with widest concept of 'class' just as we do in general theories concerned with the social class determination of cultural phenomena. However, the matters are not complicated by the threefold denotation of the social class. There are three main sources of class

power: the position of property, qualifications and physical labour power, which lead to give rise to a three-fold class structure; a dominant/upper class based on property, an intermediary/middle class based on credentials and a working class based on labour power.¹²

There are some common and conceptual frameworks and some preconceived assumptions evident in the definition of the class, which are not self-explanatory. If they seem to be self explanatory, then they are generally accepted. There are three assumptions that appear to be common with regard to the definition of class, which can be stated in the following manner: a) "The class constitutes a system of the most comprehensive group in the social structure. b) The class division concerns social status connected with a system of privileges of discriminations not determined by biological criteria. c) The membership of individual in a social class is relatively permanent."¹³ In the first assumption, two elements must be distinguished, classes are the most comprehensive groups as well as class is for a system of such groups.

The second element introduced by this assumption involves treating a class as member of a certain system of relations. This means that the definition of any class must take into account terms of the relation of the class to the other groups in the system. However, the concept of capitalist system needs to be taken into consideration in view of explaining the proletariat in the Marxian sense. In line with Marxian analysis, the middle class implies the existence of lower class and an upper class. This constitutes a fundamental distinction between a social class and an occupational group, irrespective of its size. In this respect, occupational groups can be described without referring to the relation between social class and occupational groups. For example, farmers, priests or warriors in certain social systems, as the components of the basic groups in a social structure; these occupational groups became social class when there is a relationship of subordination or exploitation. Considering this

perspective of class analysis of society and defining the concept in the case of Bangladesh society, the emergence of a class as an impact of external assistance could be taken into consideration. It seems that external assistance and its distribution system in the country helps to establish organizations like consulting firms, private research organizations, commission agents and NGOs.

These organizations are fully dependent on external funds, projects or programmes. Most of the organizations have governing bodies comprising influential persons who have all sorts of access to the government sectors. It needs to be mentioned that those specific groups directly or indirectly have control over the organizations dependent on external funds by maximizing their own interests.

It has been assumed that the externally assisted development programmes have been playing decisive role in giving birth to new interest groups or social class having professional capabilities, access to capital and power structure as well.

¹ Meghna Guhathakurta, *The Politics of British Aid Policy Formulation: An Analytical Models*, CSS, Dhaka, 1990: p-11.

² *Task force Report*, Vol.II, UPL, Dhaka, 1990: p.269.

³ Eirik G. Janson: *Rural Bangladesh: Competition for Scarce Resources*. UPL, Dhaka, 1990: p.301.

⁴ G.D. Wood. *Bangladesh: Who's Idea Who's Interest?*, UPL, Dhaka, 1981: p-4.

⁵ Peter Calvert, *The Concept of Class: An Historical Introduction*, St. Martin's Press Inc., New York, 1982: p-17.

⁶ David Lockwood, *The Blockcoated Worker: A Study in Class Consciousness*, London, Unwind University Books, 1958: p-56.

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⁸ Max Weber, *Essays in Sociology*, Oxford University Press, New York: 1968: p-181.

⁹ David, L. Sills (eds.), *International Encyclopaedia of Social Science*, Crowell Collier & Macmillan, INC, London, 1972: p-296.

¹⁰ Ibid: p-297.

¹¹ Ibid: p-297.

¹² Stephen Edgell. *Class*: Routledge, 1993: P-53

¹³ Stanislan Ossowski: *Class Structure in the Social Consciousness*. Roulledge & Kegenpaul, London, 1973: p-87.

Chapter Two: External Assistance and Development Linkages

2.1. Development Theories and External Assistance Linkages

External assistance is a new concept in the history of development. Development thinking has run a long course. It has reached to a critical point through several phases. However, there is need for an understanding about the meaning of development and its crisis with historical context to find the linkage between development and external assistance. Primarily, the notion of external assistance emerged as complementary to smooth socio-economic development in underdeveloped countries. Apart from that, the role of external assistance needs to be understood in the context of the existing economic and social condition.

The concept of development is a changing phenomenon. "The meaning and paradigmatic status of development has changed over the years"^{1.1} Such changes have occurred with the political and economic order of the world. Theoretically, the different meanings of development are development as economic growth, development as redistribution with growth, development as improvement in life chances and development as liberation from dependency and exploitation. This shift in the meaning of development gained further impetus in the middle of the present century when so many countries of the Third World attained freedom from the colonial rule and confronted the problem of economic reconstruction. Consequently, the term development acquired a strong economic connotation, so strong as to become synonymous with economic growth. The works of W.W. Rostow on the stage of development bears an ample testimony to this shift in the meaning of development.

With the changing conditions of world economic and political order, both the existing paradigms of development -capitalist and socialist- are in a crisis today. As a result, the development process is taking new shape as well as includes various components like external assistance as part of it. The concept of external assistance is the by-product of the Second World War that has become an indispensable part of development at the middle of this century. The role of external assistance (either positive or negative) needs to be analyzed from different viewpoints of development theory.

The early work of social scientists reveals that the term 'development' was used to refer to the course of social evolution. L.T. Hobhouse, for instance, defined the term as increase in the scale of efficiency of social organizations. As implied in this outlook, development is the metaphor of growth, and thus it was conceived as organic, immanent, directional, cumulative and irreversible. "With the rise of industrial system and emergence of capitalism, new western development thinking emerge centering economic growth. This economic growth is measured in terms of Gross National Production (GNP). It reveals that 'development is an autonomous process of societal growth and change'². In strict economic terms, 'development' means the capacity of national economy where initial economic condition has been more or less static for a long time but subsequently able to generate and sustain an annual increase in its gross national product at certain rates. This is a totally growth-oriented approach to the definition of development based only on the GNP of a country.

Celso Furtado defined development as economic development being fundamentally a process of incorporating and defusing new techniques, implies changes of structure in both the systems of production and distribution of income³. The way in which these changes take place depends,

to a large extent, on the degree of flexibility of the institutional framework within which the economy operates. This process is somehow very complex in nature.

'Development is a long-drawn-out complex process, which required thinking in terms of a generation or more, rather than of a decade or an annual appropriate cycle'⁴. Lappe defined 'development as social process in which people join together to build economic and political institutions serving the interest of the majority'⁵. In that process more and more people unite to acquire the knowledge and techniques they need to develop their resources and free themselves from hunger, diseases and ignorance. The traditional idea of development was 'advancement towards certain well-defined general objectives which correspond to the specific condition of man and society of the modern world'⁶. From the viewpoint of economic growth, economic development is the idea of structural changes in the economy reflected in the sectoral shift from agriculture to industry or from the primary sector to the secondary and tertiary sectors. The development of the labour force is also supposed to change correspondingly. Investment in skill development, energy production and technological innovations forms the backbone of development.

Resource crisis, lack of modern technology as well as lack of capital for investment are considered to be the main causes of underdevelopment in the Third World countries. This viewpoint gives emphasis on imported capital and technologies in the development of Third World countries.

"The traditional measures of national economic progress can not satisfactorily measure the extent to which the human needs of individuals are being met."⁷ The concept of development as economic growth perspective, having enjoyed mounting importance in the fifties and sixties, has been facing very rough weather since the seventies. It has been criticized for its crude methods of

estimating GNP, the inadequacy of GNP growth as development, for overstressing and concealing dependency and the assumption of an automatic trickle down effect. The GNP of the country may grow, while the majority of the people may experience even greater hardship. This may happen when the growth of GNP is accompanied by a more unequal income distribution, which is what usually happens. However, there is no necessary positive relationship between GNP growth and the impoverishment in the life chance of the people. Many countries of a high per capita income give a poor account of themselves in respect to the life chances of their people while many with a low per capita income give evidence of better life chances. The life chance approach is a flourishing approach that fulfills the demand of social analysis and economic relations among the different sections of the society. A more serious challenge to the GNP conception came from those who underscored the lack of correspondence between economic growth and satisfaction of basic needs. This resulted in reinterpretation of development as an endeavor to provide for the basic needs of people. The elements of key importance in this perspective is the fulfillment of the basic needs of the people measured in terms of the provision of necessary service or an increase of the life chance of people.

The critics of the growth oriented development approach viewed that “the strategy of imported capital and technology for development has its own risks. First, foreign aid without strings is hard to come by. Secondly, dependence on foreign aid entails the possibility of political and cultural dependence too. Thirdly, the idea of economic dependence negates the idea of economic self-reliance, which by any standard is the true measure of economic development.”⁸ In consequence of structural inequalities and class contradiction in the underdeveloped countries, the benefit of economic

growth have generally remained concentrated in a few monopoly houses and have not trickle down to the vast majority of the people.

The focus of development shifted from the growth of Gross National Production to the reduction of poverty by the mid-seventies. The reduction of poverty is an essential component of development therein. Accordingly, the concept of development got enlarged to refer to economic equity and social reliance along with economic growth. This development strategy received support from the contribution of some economists. Those economists were concerned with the balanced and big push approaches immediately after the Second World War. For example, P.N. Rosenstein⁹ and Rangner Nurske,¹⁰ have advocated for well-balanced and simultaneous investment in the major sectors of the economy. In such a case, the role of foreign aid was to supplement private investments and domestic savings of the recipient countries. However, under both balanced and big push strategy, self-sustaining growth was the major goal. P.N. Rosenstein, even calculated the aid requirement for the underdeveloped countries in order to “accelerate their economic development to a point whose satisfactory rate of growth can be achieved on a self-sustaining basis.”¹¹

The growth theory received further impetus from the work of economists like W.W. Rostow¹² and J. P. Lwis¹³. Rostow’s lineal approach and Lwis’s surplus labor model gave further impetus to the growth-oriented developing countries’ attempt to transit from traditional economy to take-off stage by raising the level of investment and institutionalizing development efforts and developing a strong manufacturing sector. Both these theories emphasize on investment and growth determinants. So, the developing countries should invest in socio-economic overheads and modern infrastructure sector in order

to create avenues for growth. It was assumed that these were required. They also assumed an interventionist role for the state because of structural bottlenecks and market imperfections. It is also viewed that the growth-oriented development theory brought more pessimism than optimism. By the early seventies, it was clear that mere maximization of the growth could not solve the poverty problems of the majority population in the developing countries, though the growth rate of the developing countries were higher than that of the developed countries. Hence, "the idea of aggregate growth as a social objective has increasingly been called into question."¹⁴

The economic growth conception of development has its lack of concern for distribution. As a result, the western capitalist thought came under fire and created the relevance of the Marxian approach of development analysis. Accordingly, development is redefined as distribution with growth, which positively correlates development with growth and distribution of the national resources. This approach also feels the necessity of external assistance and makes the linkages of external assistance and development.

Development as Distribution with Growth Approach: The distribution with growth approach of development reveals that only economic growth should not be the basis of development measurement, it needs the aspect of distribution of the resources. The distributional aspect has not been considered in measuring the development in growth-oriented development approach. 'Realizing the limitation of economic growth as a measure of development, many analysts have redefined the scope of economic development in terms of distribution with growth'¹⁵ or 'a trinity of economic growth, equity and self-reliance.'¹⁶ Indicators have been devised to measure each of the three development objectives.

The principal indicators of economic growth are the rates of increase of per capita GNP, together with separate estimates of the rate of the growth of the two major goods-producing sectors: agriculture and industry. 'The equity objective is held to comprise of the equality of the current income and employment opportunities with their indicators as follows:

- (a) the degree of equality in the overall distributions of income class;
- (b) differential between average levels of living in urban and rural areas;
- (c) dispersion of average levels of living among the different regions of the country;
- (d) the range of income accruing to people working within the economic enterprise from the highest paid executive manager to lowest paid worker; and
- (e) the extent to which employment opportunities are available to the working population, as well as the adequacy of provisions made for the unemployment and the underemployment.¹⁷

Finally, the indicators for economic self-reliance of nations are:

- (a) the extent to which the control over productive enterprises is exercised by nationals,
- (b) the extent to which the country has remained free of foreign exchange problems and foreign debt;
- (c) the extent to which the country has been able to do without foreign aid; and
- (d) the extent to which the country has developed an independent technological base of economic activity.¹⁸

This conception of development is different in some respects from the GNP growth conception of development. First, it envisages economic growth without external dependence, which is evident from the premium. Thus, it rejects the dependent capitalist development paradigm, which remains an

integral part of the conventional economic growth paradigm. Second, the more importantly, it lends no credence to assumption of an automatic trickle down effect; instead, it places an accent on planned redistribution leading to the diminution of economic disparities. Finally, it acknowledges the importance of agriculture for economic development without at the same time underrating the contribution of the industrial sector. This is in line with the development experience of many developing nations.

This enlarged vision of economic development is no doubt an improvement over the conventional conception. However, to be sure, economic self-reliance is the true measure of development. The skewed distribution of world resources is one of the constraints of such approach. Economic self-reliance cannot be achieved by hundreds of underdeveloped countries without effective redistribution of the world resources. Furthermore, given the structure of powerful vested interest groups within each developing country, one can never be too sure whether economic disparities can be eliminated at all without effective state regulations.

Another problem with this conception is that of the strain between the twin objectives of growth and redistribution. In some cases, distribution tends to impede growth. Done without considering the farm size, land reforms can be counter-productive for growth. As a result, these two development objectives are thus difficult to reconcile. There are many other constraints of this perspective of development in the Third World countries like Bangladesh due to these limitations of the possibility of redistribution that results in the emergence of another conception with its focus on human basic needs. The beginning of the human basic need conception may be traced to the United Nations Development Programme as well as other international agencies like International Labor Organization, Overseas Development Council, etc. These organizations provide support to developing countries to meet up basic

human needs of those who are affected by unjust social system and also by resources distribution pattern in society. However, a new approach to development -'the improvement of life chance' has emerged as a flourishing approach in the recent times due to the limitations of the distribution with growth approach.

Development as Improvement of Life Chances: The focus of this development approach is to ensure the fulfillment of basic needs and welfare of the people. Practically, this approach can be treated as the dominant approach of multilateral donors and international development agencies. After the fall of the Soviet Union, the political and economic world order has virtually been uni-polar i.e. led by the western world. With the changing socio-economic conditions, the new approach, 'improvement of life chances' of development has flourished through a course of time. The development programmes of international agencies make it clear that they view development as an endeavor to provide all the basic needs of people. Declaring that the "ultimate purpose of development is to provide increasing opportunities to all people for the better life"¹⁹, the United Nations maintains that "it was essential to expand and improve facilities of education, health, nutrition, housing, social welfare, and to safeguard the environment".²⁰ The UNICEF's development policy focuses on the provisions of daily needs such as safe water, nutrition, vaccination, sanitation, basic education and relief of women's drudgery. Similarly, the International Labor Organization (ILO) calls for production plans on the basis of basic needs of the people, though without neglecting the needs of the modern sector.

Thus, development has acquired a different connotation with the changes in emphasis from economic growth to provision of basic human needs. As an operative reality, now it refers to all those programmes launched by any

international, national or voluntary agencies, which seek to provide for the basic needs of people like disadvantaged sections, the poor and landless, small and marginal farmers, slum dwellers and so on. Programmes like Health for all, Food for Work, Food for Education, Female Secondary School Assistance Project, etc., are some examples, which have been designed to address the basic needs of the people. This is how development as improvement of life chances has become a new theme in development arena.

As regards widespread poverty and scarcity of resources in the poor countries, those have been conceptualized as a situation to facilitate the analysis of development aiming at meeting the basic needs of people. For achieving the objectives of welfare for the disadvantaged, the country needs economic base and capabilities. However, the third world countries always face the budgetary crisis; so they need financial support from donors, either bilateral or multilateral, for materializing their objectives.

A number of international institutions like ILO, FAO, UNDP, the World Bank as well as some economists have talked about different development goals, like meeting of the basic needs of the majority population, human rights, strengthening institutional capacity building in the developing countries. Although all the institutions and individuals agreed upon 'distributive justice,' we find different approaches to reach this goal. However, emphasis has been given to raise the level of domestic savings, reallocating investments in favor of poor groups, introduction of fiscal measures to distribute benefits and transfer of existing assets²¹.

Another view is presented by UN agencies such as the ILO and FAO, which suggested a more pragmatic approach to this goal, for example, adoption of labor incentive method of production, people's participation, distribution of assets in favor of the poorer section of the society. A third view is presented by more or less radical thinkers who criticized the first approach saying that

“confusions has been compounded by the identification of growth and development.”²² However, they laid down five main components for new development strategies, such as: ‘the satisfaction of material and non-material needs, the eradication of poverty, self reliant and participatory development, the exercise of public power and balanced development.’²³

The major message of those strategies is that the developing countries should adopt ‘new values’ that constitute development and progress. These three approaches recommended that meeting basic needs and rural development should be the major development goals, which had different implications for foreign aid agencies. However, the difficulty was that these two goals became catchwords for the donor agencies in allocating their aid, though majority of them subscribed to the first approach. Because, the second and third approaches urged the donor agencies for a massive restructuring of aid in favor of the poorer countries, less tying of aid financing of the recurrent costs, etc. Though the donor agencies restructured their aid in the above-mentioned strategies, the volume of aid that has gone to the low-income countries comes to about 40 per cent; the rest goes to the middle-income countries.

The critics of such approach underscored the need for meeting the basic needs of the underdeveloped countries with minimum resources and limited funds to be provided by the international development agencies. Piecemeal development projects launched by the UNICEF, World Bank and many other international agencies may help meet some of the needs of some people in select sites, but cannot cope with the needs of the masses in general. In fact, success histories of the development projects sponsored by the international donors and voluntary agencies are few and far between. But, it has been voiced from different corners that the managers and implementers as well as those who have access to professional capacities and capital make the maximum benefit from the aided development efforts.

2.2 External Assistance and Development Linkage:

The development approach and international relations determine the requirements of the aid for development. The development approach relates the external assistance and social dimensions that are considered to be the influential factors for development. In the new economic world order, development is an output of multifarious relationships of different factors and efforts. Among the factors of development, foreign influence is an essential component for the third world countries in the recent period.

A large number of countries were under colonial administration and those colonial states were exploited directly by the western countries before the Second World-II. After the independence from colonial rules, those countries inherently got a very poor economic base and minimum resources. However, after independence they became dependent on rich countries or international agencies in many ways for their socio-economic development. This process relates to external assistance of various forms like financial, technical and or policy prescriptions.

From the past experiences, it might be indicated that the programme aid has replaced the old colonial relations between the donors and the recipients, and the recipient countries increasingly screen private investment. As a result, external assistance and development has become interrelated for most of the third world countries.

Due to financial crisis, developing countries are not free from external interference, because they are somehow depended on donors. Development planning and policies encompass not only economic but also political and administrative factors. They contract on and reinforce economic and development policies, produce differential impact on various socio-economic class or interest groups. Furthermore, various interest groups or socio-economic classes participate with varying degrees of influence and power in

the political process, and hence, in the decision making process for economic issues.

Governments have non-economic objectives of various kinds, which compete with facilities to achieve economic objectives. It also influences the economic strategies and policies of the government. So, the donors' policy and interest influence the policy formulation process of recipient countries.

The interplay of economic as well as non-economic factors gives shape to the evolution of economic policy making. Development planning in Bangladesh is formulated considering the availability of external assistance. Every year the consortium of the donor countries and agencies determine the extent and type of aid for Bangladesh. The decision is not entirely unilateral, it considers government's request, if not totally, at least partially. Since independence, the volume of foreign aid has increased significantly. It is disbursed either in the form of grants or loan with covert or overt conditions. The aid has been received for ensuring the institutional development, resource utilization, human resource development and much other socioeconomic well being of the people. So, the linkage between external assistance and development is very axiomatic in the light of programmes and policies formulated by the government of Bangladesh.

But, the donors have their own policies and objectives to give any assistance to recipient country. In the recent times, the issue of local resource mobilization is coming up at the front line of donors. It might be due to change of international economic policy and geopolitics that might have a relation between development of the third world and aid relations.

Foreign assistance and domestic resources mobilizations are complementary, and domestic savings is considered as important performance criteria in the allocation of foreign economic assistance. Foreign aid is used as stimulating

factor for greater domestic savings efforts, so that the receiving countries would not be dependent on the generosity of the donors for a long time. But, in practice things are opposite.

There was a both complementary and competitive relationship between foreign economic assistance and domestic resources mobilization. Starting from the very low level of domestic resources mobilization, an increasing amount in domestic savings was essential for utilizing and absorbing an increased amount of economic assistance. The domestic efforts are of prime importance to ensure the proper utilization of food aid. On the other hand, for the utilization of project assistance, local expenditure is required to ensure the proper implementation of the projects. If the local resources could not be mobilized by the national administration, the available project assistance might remain unutilized. However, some project's local cost financed is by donors; so, foreign aid instead of uplifting the saving has been determining saving investment gap. Foreign aid would be needed again to fulfill this gap. Bangladesh suffers from chronic balance of payment deficit due to the excess of aggregate demand over aggregate supply and due to over valuation of currency. Again, external assistance becomes an essential component to meet up such deficit. "Foreign aid now comes in many different forms and from many sources. Originally the term was used only for government-to-government grants. Then it was expanded further to include all transfers, private or public, loan or grant, there bringing in all foreign investment".²⁴ According to the modernization theorists, it is impossible on the part of the under- developed countries to have economic progress without foreign aid. However, a group of intellectuals analyzed that external assistance hamper economic development in the Third World countries.

After the independence, Bangladesh was in various crises for reconstruction of the devastated infrastructure and meeting up of food crisis. However, at

that stage, the highest amount of aid was in the form of grants; but over time the project and commodity aid has been increasing gradually. As consequences of increasing disbursement of commodity aid, home market of local products has been reducing as well as consumption of imported goods increasing correspondingly. Therefore, external assistance is not only single objective (development) phenomenon but interrelated with economic, social and institutional activities, which influences the socio-economic life of the people of the third world countries.

The socio-economists have accepted unanimously that there is a relationship between external assistance and development, though there are two opposite views about the impact of external assistance in developing countries. The economists of the modernization approach as a way of development found a positive role of aid in the development. On the other hand, the radical thinkers delineated the negative impacts on the society and economy of the recipients. However, the radical thinkers are not dead against external assistance, but they are against the present forms, dimensions and conditions of external assistance. Aid like goods, service and technical know-how is the essential part of the development of the poor countries in modern time. The policy should have to be in favor of development of third world countries, instead of exploitation and expansion of the market of the donors' good and services in the recipient countries.

However, one thing is clear from the history of development and external assistance and different approaches of development with historical context: a strong relationship has been established between external assistance and the development in the developing countries. Resource deficit, budget deficit and the trade deficit are the common phenomena in the poor nations. External assistance is the main source to deal with these deficits. The development

plan and its implementation of almost all developing countries need external assistance. It reveals that over the course of time external assistance and development is interrelated to each other.

2.3. External Assistance and Milieu of Class Formation Process

The finding out of a linkage between external assistance and the emergence of new social class is a difficult task, because class formation is not a tangible thing. To understand social class formation as an impact of external assistance, we should look at the background of aid utilization process that might give a reasonable understanding on the matter. However, social and economic activities of government institutions and non-government development organizations need to be analyzed from both structural and functional viewpoint. However, a few studies have identified that external assistance makes a structural change, which normally changes the function of social and economic institutions. However, it has been tried to find out the background of the society and economy as well as the institutional structure that might create a new professional and/or beneficiary class in society. The benefit-acquiring and distribution system and its process might help to understand class formation in a country.

The aid dependence is a structural phenomenon, which derives from the incapacity of the economy to react to external shocks. In the increasingly interdependent world, the external shocks are becoming progressively more frequent and severe in impact on more structurally diversified developing countries. 'Aid dependence has become the consequence of this state of structural atrophy and now also a cause, because of the nature of the dominant development paradigm being marketed by the aid donors through the mechanism of aid conditionalities as an universal panacea to the problems

of the developing world'.²⁵ 'The donor driven development approaches pay little attention to the needs and modalities of economic diversification and has served to perpetuate this structural atrophy in the developing countries which is the source of their aid dependence'²⁶. This dependence on aid creates more scopes with new dimensions in putting conditions to change, which perpetuates to create more opportunities for the new interest groups, 'occupational class', as well as those who have linkage with power structure in different levels.

'There will be no long-term economic growth, no general increase in the well-being to the people, and no movement towards a just and equal society in Bangladesh without a great deal of objective study of its people, society and economy. An understanding of the rural power structure is especially relevant to any plan of rural development'.²⁷ The administrative capacity of the government is also an important issue for consideration of development plan and implementation. The scarcity of administrative capacity excludes an authoritarian and well-centralized alternative particularly in the case of Bangladesh. The inadequate administrative capacity leads to generate an alternative option of development in third world countries like Bangladesh. The inadequate administrative capacity helps a few people to avail themselves of the opportunities to greater benefits and influence in building and or strength the existing linkages among themselves who have involvement with local power structure.

The recurrent failure in achieving expected outcome from development programmes in Bangladesh has many reasons. The policy planners prepare plan without contemplating the dimension of local power structure and its role in executing the plan. There are various constraints in developing

appropriate plan; they are scarcity of resource, administrative incapacity, dependency on external assistance, etc. The conditions tied with external assistance are reform of local policies, introduction of new policies and restructuring of administration, etc., which ensure more space for globalization of capital through structural adjustment programmes. The role of donor-driven development initiatives needs a critical review to get a clear understanding about milieu of class formation in Bangladesh. It is evident that 'with policy beyond their control, donors for development and other international agencies are not really helping the poorer countries of the world'.²⁸ Without contemplating the societal impact of any assistance, donors provide assistance to the developing countries. However, the development initiatives influence the existing social order as well as class relations within the society.

'The economic and social orders are essentially universalistic and achievement oriented. Those who get are, he who secures more money is more important than he who has less'²⁹. The development approach initiated in developing countries by the IFCs has an impact on distribution pattern of resources in the recipient countries that perpetuates in such emerging groups. The IFCs not only promote the development approach but also policies that help to materialize things in recipients' countries. They prescribe policies that enhance emerging of a new shape of distribution pattern of external resources. The policies create the scope in serving the purposes of the donors beyond the objectives of the development programmes. These process and background create the new beneficiaries of the development programmes who already have created a separate identity in the society.

The benefit distribution of the external assistance sometimes differs in its forms. Social scientists have explained the role and nature of benefit

distribution by the forms of aid. Among different forms of aid, food aid remains an important component of the aid programme of many donor countries. The nature of such aid to the extent that it is directly related to the hunger and entitlement is of more significance to the alleviation of poverty. There is, however, a substantial literature, which cautions against assuming that the volume of aid is coterminous with the alleviation of poverty. Rehman Sobhan views,³⁰ to some extent, the food aid goes to feed the urban areas and within it to classes other than the poor, its impact on poverty may be entirely negative. This could occur if food aid has a disincentive effect on domestic food production and hence negatively influence the income, employment of the rural poor. Thus it would be difficult to conclude that food aid had significantly contributed to a reduction in rural poverty, though for some countries it may have moderated its significant growth though by no means arrested it.

The argument is that in the globalization marketplace national governments decline in importance, which is well known to the people in Southern and Northern countries who are challenging the conventional wisdom in the country. "The national governments allow their operational sovereignty to decline and even to wither away, and those national government are replaced by the power of companies--large multi-nationals--that use their market power to dominate government decision-making".³¹ It is fact that the stabilization and structural adjustment policies are creating these harms in the poor countries. The neo-liberal experience of cutting social spending invariably in health and education, ending government subsidies on food and fuel, setting higher prices on water and electricity, deregulating economic, health and safety rules, restricting credit to small producers and farmers and creating higher regressive taxes lead to harming ordinary people's lives. Any

one of these programmes would be harmful as well as crucial punishment for the poor people. Smooth capital flows failed to generate employment opportunities for the rural and urban poor, and it also restricted the opportunities for small-scale domestic producers. The economic and socio-political background of the recipient countries of the third world leads to introduce the above reforms and changes in fulfilling the conditions of the donors. However, the ultimate beneficiaries of these programs are the capitalists as well as the professionals involved with these programmes.

From the human development viewpoint, those who do not complete schooling, particularly women, are effectively excluded from improving their lives. When damage is done to the poor people, it leads to four macro harms: 1. unequal development is created; 2. inequality of income is increased; 3. wealth is concentrated, and 4. sustainable development is locked. This process is ongoing in Bangladesh society. The system is disbanding social cohesion by not valuing all people's stake and responsibility in building a fair and just society'.³² However, the globalization policies promote by the IFCs somehow benefit the capitalists, non-government organization, professionals and people having power relations. On the other hand, the above-mentioned four macro harms affect the poor people's lives.

Distributional Effect of the Fund Supported Programme: The conditions imposed by the donors with aid sometimes leads to the emergence of the background of unequal benefit distribution among the different sections of society. Such distribution pattern might have an impact in giving rise to beneficiaries of external assistance. In most of the cases, the setting of fund's conditionality impacted on the resources distributional system. However, the conditions tied with assistance also enhance restructuring of the policy instrument in the recipient countries. The restructuring of donors' policies

also influences the recipients' programme activities. Article one of the International Monetary Fund's Charter called on the IMF to make financial resources available to members on a temporary basis and with adequate safeguards to permit them to correct payments imbalance. In 1952, the principle of conditionality was empirically incorporated with the fund's lending policies. The conditionality was conceived to encourage policies that would make it more likely for a member country to be able to cope with its balance of payments problem and to repay the fund within three to five years. The inception of the practice of conditionality accompanied the birth of the stand by arrangement. In its infancy 'the stand by arrangement was intended to be a precautionary device used to ensure access on the part of the members who had no immediate need for such resources in the near future'.³³ The arrangement matured quickly by device for linking economic policy to financial assistance. The arrangement can be described as 'line of credit outlining the circumstances under which a member can make drawing on the fund'.³⁴

Until mid-70s, the typical conditions placed on the use of fund resources involved policy that influenced level and composition of aggregate demand. During this period, excess demand was perceived as the most important cause of inflation, currency devaluation, and ultimately payment difficulties. From the monetarist point of view, the expeditious elimination of excess demand was viewed as an essential condition for restoring payment equilibrium. According to this approach, excess demand is the root cause of inflation and exchange rate dis-equilibrium. Its goal is the rapid alleviation of inflation and restoration of exchange rate equilibrium vis-a vis policy that alter the size and composition of aggregate demand.

Monetarist policy 'generally calls for control of money supply, reduction of the government deficit, exchange devaluation, deregulation of prices, reduction of consumer subsidies, and elimination of tariff and trade barriers'.³⁵ The six initiatives stated above have negative impacts on poor and middle-income groups. As exchange rate devaluation, reduction of consumer subsidies and deregulation of price severely affect the poorer section of the society, they increase the gap between the rich and the poor. Like that of other third world countries, the economy of Bangladesh is based on agriculture. The poor farmers fall into danger due to cut of subsidies by the government that result in massive economic crisis in the country.

The origin of the debate over the distributional impacts of IMF and IFCs stabilization programmes can be traced to Cheryl Payer's vociferous critique of fund-supported adjustment policies. Payer starkly asserts that "IMF-supported stabilization programmes inherently promote sharp, regressive income shift".³⁶ Payer states that the adverse effect of stabilization on unemployment is also an issue of analysis. Hayter³⁷, Grivin, and Bernal³⁸ have also made similar criticism about the fund-supported activities. The distributional aspects of South America stabilizing programmes during the 70s also reported a tendency of IMF-supported adjustment policies to encourage income movement. Diaz Alejandro³⁹ and Foxely both concluded that the net effect of adjustment programmes on the income distribution in the southern cone appeared to have been regressive. Ahluwalia and Lysy,⁴⁰ indicated that there is no inherent theoretical economic reason for income to become more or less concentrated after the onset of an adjustment programme. It is also argued that income could become more or less equitably distributed depending on the conditions of several external variables. Foxely (1981) has outlined several ways in which particular adjustment policies can promote regressive income movements. First, deregulation of prices can

deleteriously affect money holders; in the likely event, that price would increase. Price deregulation would thus act as an effective tax on the poorer segments of the economy, since the poor are more likely to hold assets in the form of money. Secondly, deregulation of the interest rates can make it increasingly difficult for small and medium-size firms to gain access to credit. Large, more established firms, particularly multinationals, are more likely to gain access to foreign capital markets, where interest rates are often one-half to one third less those prevailing in domestic markets after deregulation. These can lead to an increased concentration of assets. Thirdly, in the event that nominal wages are held relatively constant by restrictions imposed by the government, currency depreciation can lead to a decline in real wages as the price of traded goods approaches the price of non-traded goods, raising the overall process of goods.

Finally, Foxely argues that fiscal policy that involves reduction of education, housing, health, and consumption can disproportionately hurt lower and middle-income groups. However, reduction in the government investment projects can result in the loss of potential jobs of poorer and less skilled labourers.

Devaluation is an important factor in influencing the distributional component of adjustment policies. However, the effect of devaluation can be influenced by two important intervening variables. Firstly, the asset structure of the domestic economy can partly determine how devaluation influencing the relative price between traded and non-traded goods can affect distributional movement. The second factor influencing the distributional impact of devaluation was the consumption pattern, as reflected by relative composition of imported commodities. Johnson and Salop,⁴¹ asserted that economies characterized by a relatively high proportion of basic, non-compressible consumer goods would be more likely to be adversely affected

by a relative increase in import prices than the reverse. Perhaps the most important point made by Johnson and Salop was with reference to the choice of fiscal policy instruments. They stressed that distributional effects of such policies are inevitable, although the direct effect of such policy depends completely on the choice of policy instruments. They argued, "the authorities are not totally determined how the burden in increased taxes and decreased fiscal benefits is to be borne. Rather, the political power of various income groups as well as the authority's perception are the causes of the balance of payments problem and the effects of different policy instruments will influence the choice of policy instruments".⁴² The state policies affect the benefits distribution pattern among different income groups of the society. On the other hand, the state policies have been changed under the pressure of donors.

However, in 1990, the government of Bangladesh established a semi-government micro-credit financing institution called Palli Karmo Shahayok Foundation to support micro credit activities in the country. Presently, the foundation is acting as a conduit for short-term loan to the rural poor through the partner non-government organizations. In fact, 'the foundation was established with initiatives of World Bank, which provides IDA loan to fund the project'.⁴³ The foundation has become a mediator of World Bank's fund in Bangladesh.

In 1995, the World Bank has carried out a study on government-non-government organization relationship in Bangladesh. The aim of the study was to bring about a shift in the role of the state from that of monitoring and control of non-government organizations' activities to wider policy formulation. Alongside, donors also create scope for non-government

organizations to work together with government bodies. They also imposed conditions on the government to ensure participation of the non-government agencies in the development projects and their implementation in partnership with non-government organizations. In addition, donors appreciate in participating in the policy formulation process of development programmes in the country. Very recently, it has initiated in Bangladesh that kind of participation of non-government organizations in policy formulation process for the country by World Bank. As part of the promoting participatory approach and making the policy participatory, the World Bank circulates county economic memorandum to the NGOs for comments that is the recognition of the NGOs as the representatives of poor and civil society. Such exercise was restricted to the government only.

In 1995, World Bank formed the non-government organization advisory committee with leading non-government organization. This committee has an important role in influencing the Bank's assistance strategy to the government. Alongside, the Asian Development Bank plays the crucial role in influencing the government policies to ensure wider space in development activities for NGOs and civil society representatives.

As part of a seven-country exercise, Asian Development Bank had commissioned a study on NGO in Bangladesh in 1989. To assess the role and impact of non-government organizations in Bangladesh, a follow up study was also undertaken a few years later'.⁴⁴ The study identified 23 NGOs that, by virtue of their size, experience, competence and attitudes, have the potential to collaborate with Bank- financed future projects. That study suggested the bank to enter into a policy dialogue with the government of Bangladesh to create a modality of such collaboration. In order to facilitate wider participation of non-government organizations in development, the

study also felt that both government and non-government institutions need involvement in the process. The study also proposed a technical assistance project entitled 'Institutional Strengthening for Government-NGO Co-operation'. This technical assistance project is designed to achieve an improved policy and institutional environment for government-NGO collaboration by establishing effective mechanism for government-NGOs co-operation, strengthening the NGO Affairs Bureau of government and providing training assistance to NGOs'.⁴⁵ However, the question is why the international financial institutions have begun to peruse such policies towards Bangladesh. The Bank has its own strategies of implementation in Bangladesh. In materializing the strategies, it takes different initiatives that directly or indirectly create the background in initiating new elements. In addition, the non-government organizations get higher exposure at national and international levels for their activities, which also create a space for them. As a result, non-government organizations are drawing attention at all levels and getting higher priority. This helps them to come into touch with the power structure of society.

Corruption and Illegality: The World Bank has been providing credit in various sectors of development since independence of the country. However, the bank had provided assistance to the government of Bangladesh for development, but many evaluation reports reveal that most of the projects have diverse affects on the economy and social relations in society. Corruption and illegal practice have an important role in such activities. It is clear from an instance that where the World Bank issued loan for the small farmers' development through irrigation facilities where each tube-well would serve 25 to 50 small farmers joined together in a co-operative irrigation group. Betsy Hartmann and James Boyce both are independent researchers who lived for nine months in one of the villages covered by the project,

learned what was no secret to anyone of the village: the tube-well has become the property of one man, the richest landlord in the village.⁴⁶ The corrupted cooperative irrigation group amounts to only a few signatures collected on a scrap paper. The foreign donor and Bangladesh government paid \$12000 for each well. This particular landlord paid less than \$300 for each well and much of that was used as bribe to local officials. The landlord would allow small farmers tilling adjacent plots to use 'his' water, but he charged an hour rate so high that few were able to afford. The amount of land owned by the rich landowners is half the area that the tube-well is capable of irrigating; as a result, the tube-well was greatly underutilized. One hundred percent of those wells are going to the 'big boys'. The landless and near-landless, the majority of the population is not participating at all' in this irrigation program. This aid and project not only failed in narrow production terms, but also strengthened the oppressors of the already desperate small farmers and the landless. 'The richer classes have way of being things to their own advantages. When the structure remains unchanged, the foreign aid, whether or not it comes with an attached clause that it should be so used as to rich the poor, help the ruling classes maintain their power and authority and this is what has happening in Bangladesh'.⁴⁷ The programmes implemented by non-government organizations are not very different from the government programmes. The role of non-government organization in aid utilization impacted in the same manner, because though the NGOs are working for poverty alleviation in the country, they could not reach the hard-core poor. "The staffs of the organization remain under pressure to disburse loan and its recovery as target. In fact, to avoid risk of loan-default, NGO workers avoid including hard-core poor under the programme. As a result, the poorest of the poor gets very limited scope to get access either in the government or non-government micro-credit programme of poverty alleviation".⁴⁸

Though it is well accepted that the non-government organization's activities are very effective in poverty eradication, nevertheless some Marxist and neo-Marxist thinkers are vocal against those activities from the very beginning. They have treated them as instrument of imperialism. They also find that such activities create an environment in favor of the donors and for vested interests. The non-government organization themselves have become vested interests in Bangladesh. These vested interests are making money through corruption in a very prudent manner from external aid.

The corruption in different sectors in Bangladesh has been treated as a cause of stagnation in the way of development of the country. In recent times, the issue of corruption is a widely discussed phenomenon in society. It is accepted and recognized that the development initiatives of non-government organisations are not free from the corruption and misuse. Richard Holloway⁴⁹ mentioned that the growth of NGO corruption in recent years, to the extent that it has appeared on the public agenda, can be attributed to the two factors. Those factors are the dramatic increase in the money available to NGOs and the confusions of state about the role of NGOs. To address such corruption, such measures as setting self-regulatory bodies, creating tighter legal and regulatory environments with adequate provision for checks and balance and more discriminate funding by donor may be considered. Over the last ten years those controlling the development assistance purse strings have increasingly steered funds directly to NGOs on the assumption that they are the ones best able to deliver cost-effective services, engage stakeholders, promote participation and effectively represent the needs and interests of the poor. Through the process, "not only much money has gone to the existing NGOs but also have created new organisations to avail the financial boon."⁵⁰ Although the NGOs are voluntary, non-government, non-profit making

organizations, interestingly, nearly all such characteristics are found to be obverse. These dual characteristics they maintain to practice corruption with the fund.

One of the most common forms of corruption can be found when an NGO's commitment to improve other people's lives changes to a desire to improve its own. In a global situation of increasing unemployment, NGO wealth has encouraged an increasing number of people to hawk fraudulent proposals, with the main (though obscured) purpose of personal gain. Such people have a constituency to which they relate.

A second form of corruption occurs when a state, business, political party or donor agency puts forward an organization as an NGO that they, not independent citizens, control. The state does this to gain access to funds available to NGOs but not to governments or to set up a rival to threaten a real NGO. Businesses do this when commercial advantage can be gained or criminals seek safe hiding. Political parties do this to gain benefit for politicians or political constituencies. Donor agencies do this when their pressure to disburse funds outpaces the available NGOs. Sometimes NGOs might be formed with an ideological objective. As mentioned by Geoffrey D. Wood,⁵¹ Gono Shahaja Sangstha is such an organization formed by those who were in activities of a political ideology during turbulent years of late sixties and early seventies. Some were imprisoned by the state during seventies and early eighties due to their political commitments. The roots of Bengali nationalism are significant to understand the evolution of GSS and its approaches to mobilization among the poor. But recently the activities of the organization have been stoooped and the future activity of this organisation is uncertain because of distribution of power and capital among management

personnel. It might be an instance of non-government organization's beneficiaries.

A third form of corruption happens when an NGO creates an income source that ostensibly benefits its public work but then allows a portion to be channeled into the pockets of the directors or high-level employees, or when an NGO pays their officers (or provides other benefits) that far exceed the usual rates of salary/pensation. The proportion of income used for the programme dwindles as the proportion pocketed by the board of staff increases.

A fourth form of corruption takes place when an NGO becomes a 'gun for hire' - contractor who takes on any job for which funding is provided. Far from having a constituency whose well-being provides the driving force behind the NGO, the NGO does any thing for anyone. 'In many countries, particularly in the south, such abuse have meant that public opinion sees NGO as operators of self interested scams, with onus on NGO to prove their bonafide'.⁵² Such kind of corruption is creating opportunities for concentration of money in few hands of the society.

However, the NGOs are working with the poor but the percentage of the landless people is gradually increasing, and also the occupational dislocation is increasing in the country. Alongside, the poverty situation is stagnant, though the development initiatives of the non-government organizations in Bangladesh are getting higher exposure as a unique development model for poverty eradication. However, the condition of the extreme poor of the country has not changed remarkably. The donor-driven development programmes and their intended and unintended consequences are the emergence of new beneficiaries, extending scope of corruption, etc. The external assistance is accentuating the ground for new social classes with

professionals and power elites who maintain professional linkages among themselves, which also help them to get more access to benefits from such development activities.

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Chapter Three: Definition, Historical Context, Objectives, Forms and Conditions of External Assistance

3.1. The Concept and Terms of External Assistance

The concept of aid itself had undergone massive changes, though the changes in terms of meaning had been attributed by donors. In the post-Second-World-War period, aid was synonymous with helping in times of need. This can include a variety of forms, namely finance or material resources or technical assistance. The term external assistance is used with its various synonyms such as development assistance, foreign assistance, external assistance, etc. Foreign aid, in its generic sense, is defined as the flow of capital from developed to the less developed or developing countries. It is given with concessional terms and with a view, when it is purely economic, to promoting development and general welfare of the people in the recipient countries. However, the term 'external assistance' assumed different meanings according to the views and purposes of different interest groups. Different interest groups have defined external assistance from their own perspectives. The United Nations in 1960 defined aid as "all transactions (for a country or an international organization) which result in a permanent net addition to total resources available for economic development of another country."¹ OECD defined aid, in terms of flow of financial resources, i.e., "net financial flows to the less developed countries and multi-lateral organizations."² "The net financial flow was also categorized as official and private flow. The transactions included in the flows of financial resources were bilateral grants, bilateral loans repayable in the recipients' currencies, transfer of resources through sales for recipients' currencies (consisting entirely of USA surplus agriculture commodities under

PL-480), bilateral loans with a maturity of more than one year, grants and capital subscription to international organizations and agencies for development purpose and official net purchases of the obligation or international institutions.”³ The development assistance committee (DAC) of the Organization for Economic Co-operation and Development (OECD) thought that aid qualified as official development assistance, when it satisfied three criteria: first, it has to be undertaken by the official agencies; secondly, it has to have 'the promotion of economic development and welfare' as its basic objective; and third, it has to have a grant element of 20 percent or more, which implies that aid transfer should be more concessional than goods and services or exchanged in the open market. Normally, a 10% interest rate on any transfer would be considered to be a commercial rate. Thus, an outright grant of aid would have a 100% grant element, a loan at 10% will have zero grant element and a soft would lie somewhere in between.⁴

The non-government voluntary organizations emphasized that aid should be moral obligation of the rich towards the poor nations of the world. The socialist thinkers viewed external assistance as a "peculiar form of capital export" by which capitalist countries exploit the developing countries of the world. For them, most of the developing countries have been encountering external exploitation that helps persist the prevailing poverty.

Though aid has been transferred to the LDCs aiming at eradicating poverty through economic development, but R.F. Mikesell mentioned that “there does not exist any general relationship among growth, poverty and income distribution.”⁵ Income may be increased but if it is not distributed among the people of the country, the gap between the rich and the poor certainly increases. As a result, the poverty situation may be changed and the poor mass, remain untouched.

The term aid currently is being used to describe 'the transfer of resources from government or official institutions to developing countries.'⁶ The major sources of Third World foreign exchange are public bilateral and multi-lateral development assistance known as aid. Many resources transfer can take distinguished forms, such as the granting of preferential tariffs by developed countries to the Third World exports of manufactured goods. These permit developing countries to sell their industrial products in the markets of developed countries at higher price.

This is consequently a net gain for less developed countries and a loss for developed countries, which amounts to a real resource transfers to the lower or less developed countries. On the other hand, we should not include all transfers of capital to LDCs, particularly the capital flows of private foreign investors, as foreign aid. For a couple of years, aid was calculated as the sum of official and private capital flows, although now these two limits are listed separately. Private flows represent normal commercial transactions and are promoted by commercial considerations of profits and real returns. Therefore, it should not be viewed as aid any more than LDCs export to developed countries should be viewed as aid. The commercial flows of private capital to LDCs are not a form of foreign assistance, even though they may benefit the developing countries in which they take place.

Development economists belonging to modernization perspective have defined foreign aid as any flow of capital to LDCs, which meets two criteria. One of its objectives should be non-commercial from the donors' point of view; and secondly, it should be characterized by concessional terms, that is, the interest rate and repayment period for borrowed capital should be *softer* (less stringent than commercial terms). Even this definition can sometime be inappropriate, since it could include military aid, which is both noncommercial and concessional. Normally however, military aid is excluded from international measurement of foreign aid flows, because the military assistance does not play

any positive role in the socio-economic development. "The concept of foreign aid is now a widely used and accepted one, which encompasses all official grants and concessional loan, in currency or in kind, which are broadly aimed at transferring resources from developed to less developed nations and more recently from OPEC to other Third World countries on development and or income distribution grounds."⁷

"The Development Assistance Committee members defined aid flows as total official aid under six elements: a) Contributions of international organizations for development purpose; b) bilateral grants; c) bilateral loans repayable in lenders currencies; d) bilateral loans repayable in borrower's currency; e) consolidation credits; f) transfer of resources through sales for recipients."⁸

From the above ideas, definition and criticisms, it can be summarized that external assistance is resources transfer from developed countries or international agencies to underdeveloped or developing countries for non-commercial objectives in a concessional manner.

3.2. The History of Foreign Aid

It is often difficult to pinpoint exactly when a particular type of activity relating to aid was initiated. The most of the development theorists viewed that the concept of external assistance is a by-product of the Second World War and it had been incorporated by the efforts of Britain and the United States of America. "The term came into common usage in the early sixties and become popular through the declarations of official aid agencies, non-government organizations and the critics of foreign aid".⁹ Before Second World War, there was a system of external assistance in the form of transaction between rich and poor, but the scope of the independent governments was very restricted before 1960s. Britain and France had been providing assistance to their colonies since 1920s. The United States had run a number of programmes with increasing emphasis on development; but all these programmes are concentrated heavily

on military strategy and supported friendly governments. Before the Second World War and even in the nineteenth century, the US government had occasionally helped the friendly governments, which found itself in difficulty, but the extent of help was very minimum. To introduce any aided programmes in the middle of this century, humanitarianism got utmost priority, but the hidden objectives of the donors does not come out at the beginning of the programme. Though the image of the US is not always benevolent, but the Congress found ways of symbolizing American humanitarianism abroad long before foreign aid was conceived. As early as 1812, for example, it voted to dispatch grain to Venezuela after the earthquake disaster¹⁰ and again in 1847, and 1880, the United States Government authorized the Navy to ship relief goods to Ireland.¹¹ Such gestures did not become automatics; in spite of Venezuela precedent, the Congress defeated proposal to authorize funds for direct aid to Greece in 1827, to Ireland in 1847, 1861, and 1880, to the persecuted Jews in Russian in 1892, and to the victims of earthquake in Chile in 1939. On the whole, humanitarian purpose has invoked private aid far more frequently than they have attracted public funds.

Though there was a presence of the United States of America in other countries in the past, but it greatly enlarged through the operation of programmes of economic and military assistance after the Second World War. The system of giving financial assistance to War-affected Europe through John Marshal's 'European Recovery Plan' in 1947 later on continued its extension to the Third World countries. In 1960s, the World Bank and International Development Agency (IDA) began to give aid to the developing countries. On the other hand, International Monetary Fund (IMF) increased its aid. 'In the period of 1950-55, aid began to play an important part in the economics of developing countries. During these years aid flow achieved a figure of more than \$100 million.'¹²

The European Recovery Plan known as Marshall Plan emerged through a long process. The plan was not a sudden event. There are some important influential

factors involved with such a plan. Among these factors, economic crisis, low production, inflation, and inability to pay for urgently needed imports from the other parts of the world, and political unsuitability and communist expansion had played key roles to give rise to this plan. Low production creates scarcity of basic materials, and inflation that raises price levels of the product and political instability and fund crisis resulted in low production again. The political causes played a vital role in formulating such a plan. It is true that many of the economic difficulties could be dealt with by governmental action where the government is secured. But government was not secured in the postwar time, because the communists were building their strength in the most of the European Countries.

In some respects, postwar political development was an important phenomenon. The great political fact of that time was the rise of communist power and influence. This was in the Eastern Europe where the Soviet Russia has acquired a dominant position. In France, Italy, Greece and Czechoslovakia, communist party had succeeded in building up their strength. Austria was vulnerable. The hostility between Russia and Western powers emerged in 1947 with German and other European issues. As early as 1946, the US Secretary of the States James F. Byrnes had served a notice that the United States would no longer tolerate Soviet hindrance to reconstruction in the Western Europe and Germany.¹³ On March 12, 1947, the President of the United States asked Congress to appropriate \$ 400 million for military and advisory aid to Greece and Turkey, and proclaimed what came to be known as the Truman doctrine -- a policy of active support to free people resisting subjugation by armed militaries or by outside aggression. So, both the USSR and USA tried to establish their dominant roles with their presence abroad, especially in the European countries. The cold War started with such tension between the USSR and the USA. Although Marshall's speech of June 5, 1947 declared that their

policy was not directed against any country or doctrine, but, in practice, it was against the ambitious doctrine of the USSR.

Considering the existing world situation, specifically future American activities with the changing condition, a draft report with analytical studies and recommendations on European outlook was prepared by Will Clayton, Assistant Secretary, State Department, and was presented to the Secretary of the State Department, Marshall on May 23, 1947.¹⁴ The plan was later declassified and there were revisions also. Own safety of US was taken into consideration in directing such a proposal to all European countries. It was also considered if the Soviet decided to come in and its effects in the future. It is easy to propose a great plan, but exceedingly difficult to manage the form and procedure, so that it has fair chance of political survival.¹⁵ Marshal viewed¹⁶ that the European countries 'come clean' -that is, they came up with a workable plan based on overall requirements and the existing resources at their command, not on what they thought the United States would give. Describing the current outlook in Europe, Secretary Marshall delivered a speech on June 5, 1947. He said, the truth of the matter in Europe's requirements for the next three or four years are so much greater than her present ability to pay that she must have substantial additional help or face economic, social, and political deterioration of a very grave character.

Besides the demoralizing effect on the world at large and the possibilities of disturbances arising as a result of the desperation of the people concerned, the consequences to the economy of the United States should be apparent to all. It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the World, without which there can be no political stability and peace. Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist.

Such assistance must not be on a piecemeal basis as various crises developed. Any assistance that this government may render in the future should provide a cure rather than a mere palliative. Any government that is willing to assist in the task of recovery will find full cooperation on the part of the United States Government. Any government, whose maneuvers block the recovery of the countries, cannot expect help from the United States. Furthermore, government, political parties, or group who seek to perpetuate human misery in order to profit therefrom politically or otherwise will encounter the opposition of the United States.¹⁷

During the war, the United States of America started lending on a large scale to the Latin American governments for the development of strategic and industries, and for war time import substitutions. With the end of war, the United States had become involved in heavy expenditure on relief and reconstruction in a large number of European countries. With the development of Cold War, Marshall aid was introduced to strengthen Western Europe economically and politically. The volume of American aid was increased to a higher amount. Since the beginning of the Marshall plan, there was an idea of aid for the development of poor countries as a logical extension of economic aid for reconstruction of war-damaged countries and military aid for meeting immediate danger to friendly countries. "As early as 1949, American President Truman had declared 'four points' of his inaugural address with an intention to make the new nations familiar with the knowledge and technology of the United States, by providing advisors to work abroad and offering training in the United States."¹⁸ The hidden objectives of such aid is evident in the statement .In the decade of 50s, the United States laid emphasis on aid for economic and social progress. It became clear that development needed not only technical know-how but also fund to purchase the materials and equipment that the developing countries yet could not produce by themselves. Aiming to fulfill the requirements of the developing countries, Development

Loan Fund (DLF) was established in 1995 to finance development projects at lower interest rates over long repayment periods through commercial banks.

Alongside, economic and political interest was also an important issue for the United States. The changing world situations accentuated the problems, which might jeopardize the dominating role of the United States. However, ideological expansion needs influencing the political and economic order.

The expansion of communism (revolution in Cuba, War in Korea, Revolution in China, etc.,) became a threat to the United States. Responding directly to this threat as well as to growing international emphasis on development, in 1960 the USA joined with the Latin American Republic to sign the Act of Bogota.¹⁹ In March 1961, President F. Kennedy called for an alliance for progress, and, in August 1961, the charter of punta del Este laid down principles for inter American Cooperation on a ten years' program for social and economic development.²⁰ As a result, the economic aid of the United States to Latin America and Africa increased sharply and the aid area has shifted from Europe and Japan to Asia. It was one kind of challenge for the USA. This challenge needed new legislation. In March 1961, the US President had delivered a message to the Congress on foreign aid, and declared:

"Existing foreign aid programmes and concepts are largely unsatisfactory and unsuited for our needs of the underdeveloped world as it enters the sixties. There exists in the 1960s major economic assistance efforts by the free industrialized nations to move more than half of the people of the less developed nations to self-sustained economic growth. While the rest move sustainable closer to the day when they, too, will no longer have to depend on outside assistance. To achieve this new goal we will need to review the spirit of common efforts which lay behind our past efforts- we must also revise our foreign aid organization, and our basic concepts of operation to meet the new problems which now confronts us."²¹

Considering the state's own interest, and responding to the President's declaration, the Congress passed the Foreign Assistance Act of 1961 to replace the Mutual Security Act of 1954 as the fundamental guideline and authority for both military and economic aid programme. "In the same year, the Agency for International Development was created to administer economic aid program, combining development loan fund and International Cooperation Administration, which had been responsible for technical assistance and defense support."²²

The USSR had a role in foreign assistance. "The Soviet economic interest in developing countries outside the Soviet bloc began in 1954 when the first trade agreement was signed with Afghanistan and Argentina."²³ The Soviet aid is tied with specific Soviet exports. The Soviet aid is in the forms of loan, commonly repayable within twelve years at the rate of 2.5 per cent interest. It is repaid by shipment of commodities specified at the time of original agreements. As a result of the entrance of the Soviet Union in the aid scene, a different kind of situation developed. However, Soviet aid concentrated among countries belonging to the Soviet bloc. The socialist countries had a political aim that their faster economic growth will encourage the spread of communism.

British aid had a long history in relation to the other donors. Britain, France and other influential states had a large number of colonies. Colonial powers have been providing aid for development for a long time. In the case of Britain, development aid began in 1929 on a very small scale. This aid did not become important until the end of the Second World War in 1945. The colonies were the recipients of such kinds of aid for several centuries. The colonies were treated as the sources of wealth and will serve business interests. However, from the beginning of this century, Britain has begun to take a slightly more active interest in colonial economy. After the First World War, efforts were made to find and expand market for colonial products in Britain. Under the Colonial Development Act of 1929, the British government assisted colonial

governments to develop their economy by means of grants and loans for infrastructural development in terms of providing transport, research, power and water supplies, land survey, and so on. The policy of the United Kingdom carried this a stage further in 1940. In this year, Colonial Development and Welfare Act was passed, where education was included and 5 million pound were made available for the development of each colony. Again a new colonial development and welfare Act was passed, under which the amount for development programmes for ten years in each colony soared up to 120 million pound. The last major innovation of British aid came in 1948, when the Overseas Resources Development Act was passed. This set up a government cooperation--that is colonial development cooperation in agriculture, industry and any other profit-making field in the colonies. Throughout the decade of 50s, colonies were the major recipients of British external assistance. But, by the end of the decade, many former colonies had become or about to become independent. The government's aid policy on the eve of independence had been changed.

France has been playing an important role in assisting the poor countries. Once France had a numbers of colonies in Europe and Latin America. France had provided a huge amount of aid to the colonies. She had introduced a substantial programme of grant aid for colonial development.²⁴ Just before the beginning of African independence, the total amount of grants and loans was over three times of that of the United Kingdom. France provided aid for recurrent payment under very stringent conditions. Following Britain and France, Germany embarked on a capital programme in the 1960s. The reasons are very complex and many in number. But they added up to declaration that Germany, as a legally re-established and respected state, was once again able to take its place in the world and to assure wide international responsibilities.²⁵ Actually, Germany got interested in cold war politics due to the Berlin tension. However, 'in a world where aid is an essential political and commercial tool for any

important power, and is in particular an important element in the cold war, it was inevitable that Germany should become a donor on a substantial scale.²⁶ At the beginning of 1953, a small technical assistance programme was launched by Germany. It was mainly in the form of training in Germany. She had also contributed its share to the IBRD and other United Nations bodies. Germany had a fundamental rule for providing aid, that is to promote indigenous enterprise, and grant is appropriately only for technical assistance. Their view is that financial aid should be on a project basis and used either for revenue earning projects at commercial rate of interests or for infrastructure investment at a subsidized rate of interest.²⁷ But with the change of national and international situation, the aim and objective of the process and rule of aid have changed.

Multi-lateral Donors: Among the multilateral donors, the World Bank and the IMF are the pioneers in lending to the developing countries. The World Bank groups, United Nations agencies and Development Banks provide multilateral aid. EEC and OPEC also provide multilateral aid, but these organizations are collectives of donors having different principles. The World Bank and IMF were founded in 1944 at Briton Wood's meetings in the USA to establish a new financial system. 'To achieve international cooperation in solving international problems in terms of economic, social, cultural and humanitarian character the members are pledged to cooperate with the United Nations organizations in promoting higher standard of living, full employment, and conditions of economic and social progress and development.'²⁸ At the beginning, the United Nations' machinery for carrying out its obligation to the poor countries was very slow to develop, and the United Nations has never channeled through its own organizations more than a small percentage of world aid.

The IBRD was the first UN agency concerned with developing countries. At the initial stage, it emphasized on reconstruction for the first decade of its existence

-although lending for development to the poor countries began in 1948. Since then, development activities have expanded very rapidly. In the early stage, development was neglected by this organization because most of the developing countries were colonies, and regarded as the responsibilities of the colonial powers. There were some legislative constraints of the IBRD lending in the British colonies until the legislation in 1949 was passed to allow lending to her colonies. The IDA is the soft arm of the World Bank that provides soft loan to governments of poor and less developed countries only. "The World Bank financed development projects; cover agriculture, rural development, energy development, health, industry, mining, population planning, technical assistance, transportation, telecommunication, urban development and water supply."²⁹ The Bank's lending has been shifting time to time from project lending to programme lending and again programme lending to policy lending. At the beginning of the eighties, the World Bank started policy-lending programme in the developing countries. There are many other United Nations specialized organizations -the Economic, Social and Cultural Organization, Food and Agricultural Organization, World Health Organization, United Nations Development Program etc., which have provided assistance to the less developed or developing countries in their respective fields. These organizations started their programme at the beginning of their activities. In addition, there are other organizations like regional Banks and collective donors, like EEC, OPEC etc., who have provided assistance to the poor countries.

At this time most of the countries of Africa and Caribbean as well as a number of Asian countries were still colonies. Though they might have needed aid for their development, they remained dependent upon their metropolitan countries only. It was the developing countries of Asia and Latin America in particular that first put pressure upon the developed nations to provide financial and other assistance. The Colombo plan was set up in 1950 in response to their

pressure. It ultimately becomes very important which advanced economies had to establish aid mechanism.

As early as 1950, the United States had passed its International Development Act; then the Public Law -480 was also passed under which food aid could be provided. In 1960, the United States declared the decade 'as the first decade of development' and called upon the advanced economies to make available one percent of their GNPs for development assistance.

In 1969, the Pearson report by Lester Pearson called upon donor countries to provide 0.7 percent of their GNPs as official aid. Willy Brandt, the former Chancellor of West Germany produced south Dialogue that played an important role in the rich-poor relationships for the balance of the 1970s. During this decade the number of United Nations members reached the 150 mark and organized pressure existing upon the donor countries became stronger than before. Under the presidency of Robert McNamara, the World Bank became the largest single source of development funds in the world.

These development organizations played a central role in international affairs. Most of the developing countries were regular recipients of aid, and almost all rich countries accepted the need to provide aid. The Brandt report worked against a background of growing world depression, disillusionment with aid and an increasing western tendency to downgrade all questions relating to the North-south dialogue. As a consequence, in 1980s, a number of questions were hanging over the early idea of aid.

Meghna Ghuathakurata has periodized in the following way in order to give a better understanding of the facts, forces and dynamics, which shaped the nature of external assistance as preached and practiced by the western donors.

The periods are:

1948-52 Marshall aid to Europe

1952-56 US aid to Korea

1956-60 Aid as instrument of superpower rivalry

1960-70 Aid for development and growth of donor club

1970-79 Revision of the principles of aid giving: the emphasis on the Basic Need Approach

1979-86 The effect of the oil crisis and world recession: the swing from equity to efficiency models.³⁰

Changes have occurred in external assistance-providing system. With the change of world economic and political system, the donor countries have revised their policies and conditionalities for the recipients. Paul Mosley³¹, suggested that an important change in the aid giving process during mid-sixties to mid-eighties is that it has become, for the capitalist countries, less of an individualistic and more of social progress. The development assistance committee (OECD) donors did measure performance not only by quality variables such as interest rate, proportion of aid given on grant terms, and proportion of aid given to less developed countries is scrutinized annually by the other members of the committee. It is believed that Japan--a poor performer in many years by OECD standards on the criteria of ratio of aid to GNP and concessionality of its aid--was in the early seventies persuaded to increase its overseas aid substantially purely as a result of pressure from other donors.³²

However, with the changing economical and political conditions of the world, the external assistance providing system needed revision for the safeguarding of the donor's interest. As a result, the development in the Third World countries like Bangladesh takes shape of Donor-driven development, which is mostly dependent on the external assistance. The development process is gradually changing, with the change of the volume and forms of, and conditions tied with foreign assistance. The recent era of development is the era of participatory development, which is also imposed by donors. As a result, the outsiders guide the development process in the Third World countries like

Bangladesh, which undermines the local resources, technology, and expertise that leads to a more dependent development.

3.3. Objectives of External Assistance

Foreign assistance generally serves three main objectives: political, economic and humanitarian. These three objectives are inseparable and mutually interdependent. Under the three broad objectives, there are various kinds of specific objectives of the donors for providing assistance to the recipient countries. In granting assistance (if it is not military assistance), the comprehensive justification is the promotion of economic development in the recipient countries. The inseparability of the above mentioned three broad motives has led to a variety of interpretations of their meanings. As put by Goran Ohlin, foreign aid policies will be approached and interpreted differently. First of all, by various branches of government departments, namely, department of foreign affairs, finance, commerce, defense and secondly, by the electorate and its representatives to whom foreign aid policies, even well understood, will necessarily mean many and different things and be approved or rejected for different reasons.³³

There are two broad divisions of opinions: one group thinks that economic development should be the sole purpose of aid and another group, who believes that the donors' self-interests are not always best served by trying to maximize economic development. Those who believe that aid is provided for humanitarian purpose view that whole of the benefits of aid arise via the enrichment of the recipient countries. The commercial interest of aid-giving is necessary to distinguish the collective interest of donors, the interest of any single donor, and the interest of a particular interest group within the donor countries. The benefit of different interest groups depends on various conditions. If the productivity of capital in the recipient countries exceed the productivity in the donor countries then that capital can benefit both the donors

and the recipients. However, to serve their own purposes, either economical or political/strategic donors provide aid to the recipient countries. When a particular donor takes decision for providing assistance, then they integrate their strategic interest with some superficial humanitarian objectives.

However, it seems to be their moral obligations to prevent the widening gap between the rich and poor nations aiming at developing allies that will, in turn, help expand their world trade.

Benjamin Heggling³⁴ has mentioned that, In the inaugural address President Kennedy stressed his moral obligation to help less prosperous people. To those people in the huts and villages of half of the globe struggling to break the bonds of mass misery, we pledge our best efforts to help them to help themselves for whatever period is required not because the communist may be doing it, not because we seek their votes but because it is right. If a free society can not help the many that are poor it can not save the few who are rich. The statement shows that the humanitarian ground is the main determinant factor of allocation of external assistance, but not bypassing the national interest and foreign policy of the donor countries. The objectives of foreign economic policy are general and vague. The donor countries provide aid for reasons of self-interest; they are not in the business either for charity or for sense of guilty. The amount of aid given is an indication of the donors' economic power.

In the long run, most of the development aid is provided to establish stability in the recipient countries and to ensure the security of the donor countries. Though the apparent objectives of aid were purely development or economic, foreign aid is not free from its political implication and the impact in the aid-recipient countries. Without going into political aspect of assistance, it is impossible to identify exactly the motives, the operation, implication and the impact of aid on development. Hence, the political and economic interest which remains with all sort of assistance. As stated by Montgomery, "a study concentrating on the politics of foreign aid may produce an abstraction as well

rather the totality, but an understanding of foreign aid operation as a whole can not be reached without it."³⁵ The military aid might be treated as a component of aid that serves the security purpose of donors. The political domination makes wide access in the economic interest of the donor countries. The US bilateral aid was oriented towards the short-term security and political interest, which reduced greatly the aid priority for poverty alleviation, and longer-run political and economic interest.³⁶ There is ideological influence also as an important objective of foreign aid in the recipient countries. As early as 1950s, Prof. Freidman said that foreign aid is an instrument of US ideological war and its 'assigned role is to help win over' to the US side 'those uncommitted nations that are also underdeveloped and poor.'³⁷

The aid is a part of a political bargain: donors possess certain surpluses of capital and trained people that they are willing to make available to the recipients at a price. Generally, the motives for providing aid fall under several headings: helping allies, pursuing cold war strategic interests, safeguarding trade and investment and keeping up with the international Jounce. This latter activity is an important factor that recipients sometimes play upon the advantages.

A major principle of aid giving has always been support for county allies and friends. Thus, most of the British aid goes to Commonwealth countries, and French aid to Francophone countries. The United States directs a high proportion of its aid to states that it considers to be in the front-line against communism, while the bulk of Soviet aid goes to the members of the CMEA or to potential socialist countries, which may join that association. The bulk of Arab aid is directed to Arab and Islamic countries. The first motive inevitably spills over into the second, a more concrete reason for providing assistance, that of strategy or support for countries on the other side of the cold war.

"The most important economic reason for providing aid is to safeguard the commercial interests of the donor country in the recipient country."³⁸ It is a

British or French commercial concern to ensure that a particular country continues to buy British or French products; injections of aid, especially when tied to the purchases of goods and services from the donor, reinforce such trade objectives.

There is another agreement of a longer-term nature, which does carry some weight: that the world divided between the haves and have-nots is a dangerous world that may one day corrupt in violence to the detriment of everyone. But, especially of the more advanced countries, since they have the most to lose. Therefore, the argument runs that it is better to ameliorate the lot of the poor now in order to avert such a calamity in the future.

Rag Prentice defended multilateral aid at a public meeting on the ground that for everyone provided by British 1.5 refunded in order for British goods in 1978 when Mr. Judith Haet was minister responsible for ODA, the ministry published the industrial development strategy that is overseas development paper No. 17. When he was minister for overseas development, the contribution of the minister for overseas development; one passage from this paper reads as follows: "there are two basic ways in which the aid programmes help British Industry, by helping foster income creation, it increases the overseas market for British goods. In the process, it also provides opportunities for aid-financed export both under bilateral and multilateral aid arrangements."³⁹

The reason why less developed countries or Third World nations have been very eager to accept foreign aid even in its most stringent and restrictive forms have been given much less attention than why donors provide aid. Basically, one can identify three reasons, one major and two minors, why the LDCs have sought aid.

The major reason is clearly economic in concept and practice. The Third World countries have often tended to accept uncritically the preposition typically advanced by development country economists. Because of the scarcity of

resources it was not possible to complete, Bangladesh accepted the liability for past disbursement.

There is a hidden conditionality to provide any kind of assistance to the recipient countries or the organizations; especially the World Bank has a set of conditions of their loan for the recipient. Among the conditions, the implementation of the package of structural adjustment is the prime one. Taking into consideration of Teresa Hayter, "no aid is unconditional"-the hidden conditionality and its ingrained influence on the society can be realized. John Pincus Said, the quest for a valid rationale for aid or concession is ultimately insoluble when we limit our analysis to 'objective' considerations, and forego any recourse to questions of values. Ethical considerations, uncomfortable though they may be in a power-centered world, are underlying elements of North-South economic relations. They are as real as any other factors in world politics, although more erratic in their influence and events. We cannot and should not rewrite economic analysis as a theory of social justice. But views of justice permeate and shape economic and political systems. Once the analysis is done, stubborn issues of equity remains.' Robert Asher pointed out that during the 1950s, foreign aid was provided principally under the Mutual Security Act of 1951, as amended, and justified primarily as national security measure needed to strengthen allies and to build up low income countries so that they would be less vulnerable to communist aggression or takeover.⁴⁰ During the 1960s, the long-term security argument remained a basic element of the official rationale, but the definition of security changed with new perceptions of the nature of the East-West conflicts. The US roles in the World affairs and the ambitions of the less developed countries for sophisticated weaponry and with the accommodation of experience is concerning the behavior of less developed countries have also changed. The security argument will undoubtedly paid a role in the 1970s and eighties.

Before providing external assistance, donors set up some economic rationale. The economic rationale for US commitment to the development of the poor countries has been widely publicized. Basically "it is that development is good business". It wedded the market for American exports. It provides opportunities for productive private investment. It builds more promising, lower cost sources of supply for imports. "Poor countries make poor markets, better market will help the United States in two ways: directly, by buying more of its exports; and indirectly, by buying, in the Third World countries which, in turn, may be able to take more American products."⁴¹

The idea that development assistance should have early and obvious political pay off in winning friends for the United States is decreased but not dead.⁴² More frequently put forward in recent years as the political justification for stimulating growth in the low-income world in the long run is the improved international climate that should prevail in the expanding world economy and the stronger institutional development that growth can provide for peaceful conduct of world affairs. According to this view, development assistance becomes a tool--one that fashions international environment less likely to be divisive, polarized, and in other ways, congenial to the United States. American aid is provided for military and security interest, policy prescription and used as instrument of its foreign policy.

The security and national economic interests have been the primary aid objectives of Western donors. "For the ex-colonial powers, aid is still the prestige-carrying instrument and at the same time the means for achieving certain desired political and economic objectives."⁴³ Socialist aid also provided for foreign policy and national interests. The Soviet Union provided aid to prevent the US aggression in the world as well as to expand communism worldwide. The same underlying principles as persuaded by the Soviet Union also motivate the eastern bloc's aid objectives. The international donor

organizations are providing aid with some sort of conditions, which serve their own purposes. The World Bank, IMF and IDA have their set conditions. Now, the IMF imposes conditions for stabilization measures for the economy, and the World Bank prescribes structural adjustment policy to the recipients.

Apart from the political objectives, some forms of aid is also supposed to attain social objectives i.e. humanitarianism, international solidarity, etc. It is somehow related with emergency and relief aid. It does not mean that it is free from politics. In many cases, political motives and humanitarian consideration are intermixed. However, the objectives are changeable with the change of international economic order and political conditions.

3.4 Types of Aid

The kind of aid depends on which criteria are followed to make classification. Among such criteria, concessionality, sources, individuality or collectivity, and forms of payment are notable. There are various kinds of aid receipt by the less developed or developing countries from the donors. On the basis of the pattern of aid and donor, aid can be broken down among the following headings:

A) Bilateral Assistance B) Multilateral Assistance

3.4.1 Bilateral Assistance

Bilateral Assistance is the first and most important sources of assistance in the period before the establishment of Briton Wood organization. Then the provision for aid was government-to-government assistance, mostly in ex-colony states. Multilateralism was introduced through the Briton Woods Organization. After the prologue of Multilateralism, it is the largest donor for the Third World countries like Bangladesh.

In addition to the International Agencies, World Bank, IDA, Asian Development Bank, United Nations Development Program, IMF, etc., there are

several programs of bilateral capital assistance to the underdeveloped areas. The United States has provided most of this bilateral assistance through a series of government agencies of which the International Cooperation Administration is the most important. There are other countries, like Canada, Australia, United Kingdom, which have provided a handsome amount of capital assistance through the Colombo Plan organizations. France, Sweden, Switzerland have also undertaken modest amount of bilateral programmes in the form of technical assistance. There are other countries like Japan and European countries that have been providing bilateral assistance to the Third World countries like Bangladesh. The bilateral assistance is direct country-to-country assistance. "In case of bilateral assistance, where source of bilateral assistance is one country, then any form of arrangement can be made between the donor and recipient. As a result, the donors control the way in which assistance is given and can take any political credit for whatever is achieved."⁴⁴

3.4.2 Multilateral Assistance:

The multilateral assistance consists of aid channeled through international agencies, such as the World Bank, United Nations agencies or regional banks like Asian Development Bank. Multilateral assistance may also come from a group like the European Economic Community (EEC), Organization of Petroleum Exporting Countries (OPEC) and any other collective donor. The advantage of this form of aid or assistance is that it is free from politics, and so is likely to be more objective. It does not always work in this way, but that, at any rate, is the theory. But, however may some aid come from a bilateral source, a single country or multilateral source, it may still take a number of forms. Bangladesh received assistance from different multilateral agencies like the World Bank, European Economic Community (EEC), International Monetary Fund (IMF), Organization of Petroleum Exporting Countries (OPEC),

Asian Development Bank, etc.. The external assistance can be broken down basing on its forms as in the following headings:

A) Project Assistance, B) Program Assistance, C) Technical Assistance, D) Commodity Assistance, and E) Food Assistance.

It may be provided in the form of finance (grants or loans), technical assistance (the provision of expert personnel and training), of food aid, emergency assistance or military aid. It is provided to the underdeveloped or developing countries bilaterally or multilaterally.

3.4.3 Project Aid:

Project assistance is specific development project; it constitutes more than 50 per cent of all ODA. In fact, it is the principal form of external assistance for the Third World countries like Bangladesh. DAC/OECD countries mentioned that commodity, food and other forms of assistance are more or less temporary in nature. A large proportion of development is project-based. However, project aid is a major determining factor influencing the growth or development trajectory of any aid receiving country. Project would continue to remain the main form of resource transfers, even if one ignores the current sub-optimal state of utilization of these dominant forms of external assistance. Project aid is also the largest component of aid received by Bangladesh.

“This aid is provided for the precise development for the construction of dam, road and University complex or for a scheme of integrated rural development in the less developed and developing countries.”⁴⁵ Project can be watched as they grow, and project aid is popular with donors, since they can supervise their aid inputs, and if necessary, reassess project from time to time. Furthermore, project aid provides a political bonus at the conclusion, since, as a rule, some thing concrete has been left behind which can be pointed out as

British, American or World Bank's achievement. But there are some problems existing in the developing countries from the donors' perception. Most of the problems are related to administrative and project management. A very few number of less developed countries can cope with this problem that development planning/management brings to surface. These problems are very intricate, complex and sometimes beyond their control. Some problems as perceived by the donors are as follows: Interference in staff recruitment and their allocation, overstaffing, misuse of trained staff, inadequate employee compensation that cause disincentives and low morale, problematic stage of checking in different stage of project implementation, and very poor coordination among the agencies responsible for project implementation. Economists within the aid agencies, for instance, concentrate on national and sectoral analysis and on project identification and definition, prepare most of the development projects' appraisals. "Government-hired technical experts and consultants perform feasibility studies."⁴⁶ From the very beginning of the project, from identification to implementation and even in the impact assessments, donors have a dominating role. Specifically, micro-macro related questions are usually predominant in the donor's views. In the case of great difference of opinion in any major issue, the donor can simply either withdraw or drop the project from its lending program or reduce the disbursement of loan. For example, "the amount of disbursement from the Asian Development Bank has reduced in the year of 1997-98 fiscal year. The amount of disbursement was about 24 per cent of total targeted amount."⁴⁷ The donor-recipient tensions may center around criteria to be set for appraisal, absorptive capacity of the recipient, yield of the projects or its rate of returns costs, externalities, implementation capabilities of the project sponsors, etc. In such case, donor's satisfaction is an important issue for the future of the projects.

Both bilateral and multilateral donors like to be able to point to what they or their institutions have achieved. Moreover, if donors feel satisfied, it is easier for them to justify further aid to their constituents of electorates.

3.4.4 Food aid/ Assistance

Food aid is the most humiliating form of foreign assistance. Many radical groups treat dole and food aid as the same. There are different arguments regarding food aid in the Third World countries. On the positive side, it has been argued that hunger presents the most basic and primitive form of deprivation. Governments are known to have expressed visible embarrassment in different international forum where this issue came up for deliberations in the past. Sensitive radical political activists of the food deficit region repeatedly agitate on the delicate issue of food aid and advise their governments not to beg rice or wheat from the colonial exploiters. It is indeed a shame to have to ask for food for the citizens of any self-respecting sovereign country.

The direct origin of the Public Law 480 goes back to 1951. "Undoubtedly, the humanitarian intention of ordinary American supporting food aid is genuine. But the actual motives behind the program are something else. During different periods of time, the US food aid programme have many purposes of diverse interest groups, but at no time has its primary purpose been to feed the hungry."⁴⁸ Until 1966, the humanitarian intent was not even written in the food aid, but from its very inception in 1954, the food aid programme has been an extension of foreign policy, farm interest and corporate interest that are mutually supportive, the US Policy makers have viewed that the "food aid programme means to:

- rid US markets of price depressing domestic supplies;
- open new markets for commercial sales of US farm product and thereby offset trade deficits;

- provide support for US military interventions in the Third World countries;
- extend the reach of US agribusiness corporations into food economics abroad
- pursue foreign governments to accommodate US economic and military interest."⁴⁹

This form of aid is sustaining in the Third World countries. From the philanthropic point of view, food aid meets the crisis when indigenous production and commercial imports are insufficient. Besides meeting the food gap, food aid also provides invaluable budgetary resources to the governments of the recipient countries. Some times, large food aid-supported employment and income generating projects like the Food For Work (FFW) and Vulnerable Group Development Project (VGD) programmes have been positively evaluated by independent analysts in terms of overall total impact. Sometimes conditionalities attached to food aid can be termed positive as far as their ex-ante intents are concerned. The usual marketing requirement stipulates the conditions that food recipient countries would continue to make their normal commercial purchase in order not to destabilize the global grain market, would meet efficiency as well as equity criteria. The public sector management capabilities are judged in terms of storage, sound transportation system, and uninterrupted internal distribution of food grain. It helps contain famine and other extraordinary food crisis resulting from drought, floods, earthquake and other forms of natural disasters, including wars and breakdown of the recipients' food distribution systems.

3.4.5 Program Assistance

Programme aid consists of more general help for countries' ongoing development efforts without the aid being tied to specific projects. Such aid provides foreign exchange, which allows the recipient to purchase foreign

inputs, and sustains its development momentum. Supervision is more difficult; in effect, the donor provides finance for the recipients and leaves its use to the latter's direction. The programme aid is politically less popular with the donors than project. It may be more useful at the recipient's end.

3.4.6 Technical Assistance

The diffusion of knowledge and skill is a normal social process that has gone on within and between nations at all times. However, since Second World War, particular efforts have been made to stimulate this diffusion. The idea that the prosperous nations might aid the poorer ones through technical assistance has become the large-scale international programme. The different kinds of knowledge diffusion can be defined as technical assistance. 'Technical Assistance is an integral part of the bilateral aid programme of each of the developed countries.'⁵⁰ Financial aid and technical assistance are the main media through which the developed countries have so far sought to promote the economic development of the less developed countries. Technical Assistance can be project preparatory services. In most of the cases, the technical assistance is project-tied technical assistance, which is virtually project aid. However, technical assistance is treated as such. Generally, technical assistance has three main objectives: transfer of technology, human resource development and institution building. Technical assistance programmes help the causes of Human Resources Development and institution building in the recipient countries. Technical assistance is supplied in two ways: bilateral and multilateral. Technical assistance takes two main forms: technical assistance project- the supplying of technical experts and advisors from outside, and the training of nationals of the less developed countries in the required skill and pre-investment programme-surveys of investment prospects, feasibility studies, and the establishment of the training institutes. Technical assistance may include the supply of equipment with the particular training endeavour.

The United Nations also provides substantial technical assistance in four major ways:

1. Provided by the United Nations and financial institutions from its own budget;
2. Provided by the specialized agencies of the United Nations and financed by their own budgets;
3. Provided by the specialized agencies of the United Nations and financed from voluntary contributions from member nations channeled through expanded programme of technical assistance; and
4. Through pre-investment activities financed and executed with United Nation's special fund.

Most of the technical assistance is tied with development projects, programmes and policy lending by the donors in the Third World countries like Bangladesh. In the case of Bangladesh, the share of aid is the highest in the form of project where technical assistance is tied with most of the projects. However, this form of assistance is remaining obscure, and this affects the benefit distribution pattern of such aided programmes.

3.4.7 Financial Aid

Financial assistance is an important part of external assistance. This takes several forms, but mainly financial aid takes three forms: grants, loans and the transfer of resources through sales through the recipient countries' currencies (almost exclusively US contribution of surplus agriculture commodities under PL-480).⁵¹

3.4.8 Emergency Assistance

Emergency Assistance is an important help to those countries where natural disasters and war devastate the whole structure of society. These kinds of aid are given in response to disaster--floods, earthquakes, droughts, or other

natural calamities, and to provide for the refugees created by the disaster or as a result of wars. Emergency aid is provided by the various relief agencies, many of them are non-government and channeled through the United Nations High Commission for Refugees, for feeding and clothing of the refugees. Apart from bilateral country-to-country response to the emergency, a number of international bodies exist especially to deal with these emergencies. The most famous of all is the International Red Cross, while the UNCHER is solely concerned with refugee. The World Food Programme has created the International Emergency Food Resources (IEFR). Some countries like Sweden and Britain have created their own disaster relief organizations while a number of voluntary organizations (NGOs) such as Save the Children Funds began their activities in response to emergencies. In Bangladesh a number of Non-Government Organizations emerged like business organizations for emergency assistance utilization.

These are the main categories of aid or assistance, though there are other forms as well. Military assistance is another major category of foreign aid which accounts for substantial part of the total aid flows. In most cases, Military aid has to be paid for, although it may be supplied swiftly when a country is threatened. This kind of assistance could be found in Cuba, Afghanistan, Namibia etc., which could be identified as politico-ideological imperialism instead of assistance.

3.5 Conditionality from the Donors

External assistance is provided aiming at variety of objectives. However, to consummate those objectives, either economic or political, donors attach conditions with the assistance provided to the recipients. Development theorists belonging to dependency paradigm and critics of aided development process in the Third World countries like Bangladesh have argued that where

there is external assistance, there is also some conditions. Teresa Hayter mentioned, "Aid has never been an unconditional transfer of financial resources. Usually the conditions are attached to aid."⁵² However, imposed conditions serve either economical or political purpose or both. The conditions of external assistance have changed over times with changing conditions of the world economic and political orders.

The conditionality is part and parcel of any kind of aid--either bilateral or multilateral. The conditions attached with the assistance are determined by the political and economic factors. The multilateral aid agencies (World Bank, IMF, IDA, EEC, etc.) have specific objectives and process of aid allocation. Among the international aid agencies, International Monetary Fund (IMF) always had policy strings attached to credits. But, the World Bank has shifted to policy-related lending very recently. It is introduced in support of structural adjustment programs and there is growing use subsequently of loans in support of sectoral adjustment programs.

International Monetary Fund was jointly established to promote international monetary stability and to facilitate the expansion and balanced growth of the world trade. Article one of the Fund's Charter calls on the IMF to make financial resources available to promote on a temporary basis and with adequate safeguard to permit countries to correct payment balance. "In 1952, the principle of conditionality was implicitly incorporated the fund's lending policy".⁵³ The conditionality was conceived to encourage policies that would make it more likely for a member country to be able to cope with its balance of payments problems and to repay the funds within three to five years. The inception of the practice of the conditionality accompanied the birth of the standby arrangement. In the beginning, the standby arrangement was intended to be a precautionary device used to ensure access on the part of the members who had no immediate need for such resources in the near future. The standby arrangement matured quickly into a device for linking economic policies to

financial assistance. Guitiian stated that 'the standby arrangement can be described as a line of credit outlining the circumstances under which a member can make a drawing on the fund'.⁵⁴ In September 1968, the fund decided to incorporate the practice of conditionality explicitly into the charter. Until mid 70s, the typical conditions placed on the issue of fund resources involved policies that influenced the level and composition of aggregate demand. During that period, excess demand was perceived as the most important cause of inflation, currency over-valuation, and ultimately payment difficulties. The expenditure elimination of excess demand was viewed as an essential condition for restoring payments equilibrium. This position has often been referred to as the monetarist approach. Over the last two decades, foreign aids have been determining both the direction and structure of Bangladesh's development programmes.

"Contractions and structural changes in the public sector have become a component of adjustment programme supported by World Bank."⁵⁵ By the end of 1991, the Bank had supported privatization as part of 71 structural adjustment and 43 sectoral adjustment loans. About 44 per cent of a total of 245 of such loans had contained conditions on so called public enterprise reforms. Other conditions such as liberalization of trade or labor policies, devaluation of local currencies and privatization of state and community land were also meant to encourage foreign private investment.

Apart from adjustment loans, the Bank uses its guaranties, and advisor services of IFC for what is called advising the government about a realistic policy framework. While World Bank conditionality normally addresses overall policy, the advice of IFC, in turn, covers specific privatization programmes and transactions.

Other donor institutions such as USAID have also made privatization an element of their policy conditionality for many years. In a move, which

appeared to be rather ideologically motivated, the US agency in June 1986 instructed 36 of its missions to ensure at least two privatizations per year in their host countries.

The general message of the World Bank advice and conditionality regarding privatization seems to be very simple. The Bank claimed that "under all market and country conditions' privatization paid off in financial and economic terms."

⁵⁶ The sector concerning what to privatize and what to reform should thus tend towards privatization as the outcome, most likely to produce positive gains. It is to be mentioned that with the changing world situation and economic order, the bilateral donors are also shifting the areas and sectors for providing assistance. The changing situation and preferential areas and sectors would be clear from the following table. It would be clear from the table that not only the financial institutions or Briton Wood's institutions but also bilateral donors have specific conditions that support the conditions of the IFC. The country-wise conditions normally imposed and priorities given by individual donors would be clear from the following table. It has become conspicuous that donors have specific choice and priorities, which affect the distribution pattern of aid and its ownership.

Bilateral Donors' Aid Strategy

Aid indicators	Denmark	Finland	Netherlands	Norway	Sweden	UK	USA	
Aid Priorities	<p>Until 1980s -Social Infrastructure</p> <p>Since 1980s: -Women in development -Environmental Protection 1990s Transport/ Energy</p>	<p>Until mid 1950s: -Forestry</p> <p>Since Mid 1980s: -Transport -Energy</p> <p>1990s: Energy / Agriculture -Transport / Water development</p>	<p>Since 1980s: -Social service namely poverty alleviation -economic infrastructure Road, Power and Telecommunication -Environmental Protection -Strengthening Administration.</p>	<p>Since 1980s: -Social Sector -Agriculture -Wid -Environmental Protection -Research Cooperation.</p>	<p>Since 1960s: Social sector Education and health</p> <p>Since 1970s: -Industry -Water supply and Import support -Education Mid 1970s: -Import support -Balance of Payment</p> <p>Since 1980s: -Energy -Public Administration -WID & Environment Issue</p> <p>1990s: Economic infrastructure -Energy -Telecommunication -Transport Social Sector Education Balance of Payment</p>			<p>Since 1990s: -To manage Wildlife -Democracy and Governance</p>

Continued

Conditional ity		-Good Governance -Economic Policy Reforms -Improved budgetary discipline & Improved expenditure control.	-Trade Liberalization -Exchange rate adjustment -Price deregulation -Parastat sector reforms -Restructuring the financial system		-Exchange rate adjustment -Public sector retrenchment & Privatization -Trade Liberalization/ Policy reforms -Good Governance -Price Control	Public Sector Reforms - Renewable natural resources - Strengtheni ng the Private Sector	
Aid Tying	Denmark has been tying its bilateral aid but the proportion of their bilateral aid decline after 1975		Dutch aid tying started at a high level but later on this showed a strongly declining trend	Norwegian ODA has been tied at a relatively low & stable leve (largely below 20%)	Swedish ODA has been tied at a relatively low and stable level (largely below 20%)	British ODA tying aid to a much greater extent than Nordic countries.	
Issues Promote Efficiency in Aid use		-Policy Dialogue People's Participation	-Country allocation system -Policy dialogue -Aid producers -Project cycle management -Institutional tractor -Aid coordination		-Aid coordination -Decentralization -Increased Concentration -Greater responsibility for the recipient		

Continued

Aid Effectiveness	Transport and communication : Negative outcomes	Industry: Negative results Agriculture Mixed results Infrastructure: Harbor Project: Positive Forestry: Positive Water Mixed Results Education and Social Service: Results are quite impressive	Program Assistance: -This showed extremely low rates of returns -Capital Investment: Two fifth can be considered an absolute failure Rural Development: Mixed Results Technical Assistance: Quite Effective Sector Aid(Sugar): High degree of effectiveness	-	Industry Sector: Negative Education : Mixed results 1970s: Water supply Negative Economic Infrastructure: Positive Aid for Policy Environmental Change: Positive Economic reforms programs: Quite Positive	
Ownership		Water supply : A donor driven Engineering Project Industry : Mixed ownership feasibility study and Preparatory work driven: Donor technology supply, Finance and Personnel NGO Project : Donor Driven	Program assistance: Fertilizer supply: Donor Driven Cotton Industry: Mixed ownership technology: Donor Driven manufacturing Industry : Donor Driven	-	Public sector Budget support: Recipient Ownership Civil Service Reform : Balance of Payments: Telecommunication and construction: Donor Ownership	General Type Africa Ltd. Project: Mixed
Aid Policy Goals	-Economic Growth -Poverty Alleviation -Institutional Development -Human Resource Development	-Balance the National Economy -Poverty Alleviation -Human Resource Development -Empowerment of rural population -Consideration of the Environmental factors -Effective Private sectors	-Public self-reliance -Poverty Alleviation -Human Resource Development	Economic Development -Poverty Alleviation -Targeting Aid to the poor	Economic growth leading to poverty alleviation -Rehabilitation and development of social service -Economic reforms -Strengthening of the domestic process	Economic Growth -Strengthening of the Private sector -Expanded Family Planning and Aids Prevention

Source: Rehman Sobhan, Aid Dependence and Donor Policy: The case of Tanzania with Lesson Learn from Bangladesh's Experience. JPL, 1996, pp-173-179.

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Chapter Four: Multilateral Donors and Impact of Their Activities

4. Introduction to Multilateral Donors' Activities in Bangladesh

There are numerous multilateral donors like the United Nations bodies, World Bank, regional banks and charity organizations providing assistance to Bangladesh for her socio-economic development. The multilateral donors have their own perspectives of providing development assistance to the recipient countries. However, the World Bank is one of the big donors of Bangladesh in terms of volumes of aid. In this section, the assistance of the World Bank among multilateral donors has been considered with special emphasis. The changing dimensions of World Bank's lending operations like policy lending and policy reform lending have been considered as key issues.

The World Bank's over-arching mission in Bangladesh is to reduce poverty in sustainable process, coinciding with the government's primary objectives. "Over the last 30 years the Bank provided some 7 billion US dollars' worth in concessional funding for about 137 projects in almost in every sector ranging from infra-structural development in social sectors like population control, health and education".¹ The Bank has also supported a wide range of policy and institutional reforms and played a major role in promoting the private sector by backing economic liberalization and improvement of public sector management. Before mid-eighties, the Bank's involvement was only with the government program, but since mid-eighties, the Bank and other international donors have started to provide space for the non-government organizations to work in projects funded by the Bank.

As the largest donor, the Bank's loan operation began after it had opened a small representative office in Dhaka in 1970. Subsequently, the office was

upgraded to full-fledged resident mission. During this period, the Bank has financed development projects, provided loans to induce policy changes, carried out various economic and sectoral studies and acted as the aid coordinator of international donors for the country. The Bank's objective is poverty reduction through helping development efforts and by prompting an employment generating, private-sector led-growth in the country. 'The objective is pursued through two-pronged strategy aimed at promoting labour-intensive growth and investing in human resources development complemented by targeted measures that directly assist the poorest groups in society who would otherwise be left out of the development process' ². The Bank's primary involvement is in three key interrelated areas: carrying out economic and sectoral work in relevant areas to generate suggestions for priority policy and institutional improvement, preparing and financing development projects for supporting investment or reforms in various economic sectors, and taking the lead in aid coordination at both local level and at the annual aid group meetings. Since Bangladesh became a member of the Bank in 1972, it has been preparing a Country Economic Memorandum every year on her economic performance and medium term prospects. It is one of the documents discussed at the Paris Aid Club meeting along with the government-prepared memorandum and the UNDP's Human Development Report. The CEM has also served as useful reference for aid allocation. Some of the key areas in which the Bank has carried out economy and sectoral work in recent years are tax policy, public expenditure review, impact on public expenditure, food policy, public enterprise management and labor markets.

The government allows the private sector and creates option for accumulating resources due to the policy changes. The support of multilateral and bilateral donors including the World Bank for the ongoing reform programmes are

crucial in initiating the policy and institutional changes needed to foster a market-based economy. The reforms have already contributed to greater economic liberalization, deregulation and also have laid the foundation for more active and competitive participation by the private sector. Such policy changes have created the opportunity for acquiring benefit of the vested interests from donor-supported development programs.

Alongside the programme and project lending, multilateral donors are also lending new policies and policies reforms. Such lending is the part of conditions that are tagged with other development programs. However, the new policy introduction or policy reforms are also prerequisites or condition of other programmes that is assisted by the multilateral donors like World Bank.

The Bank's CEM 1997³, however, stated that the slow moving reform program should be accelerated in all the critical policy, regulatory and institutional areas in order to promote resource use and private investment, particularly in labor intensive and dynamic activities. These dynamic activities can be ensured without private sector participation in reform process, which increased opportunities for the capitalists of the society. The policy prescriptions are given to the developing countries in promoting free market economy. However, for favorable environment to achieve those objectives, the government has to accept various kinds of policy prescriptions to get an access to the Bank's loan through this process. As consequence of the external capital and policy implementation in the country, a window has been opened for the vested interest class as well as the concerned professionals in the recipient countries like Bangladesh. Alongside, the non-government organizations have become one of the stakeholders of such process. Furthermore, in recent time

non-government organizations have achieved the status for playing an effective role in policy influence. The Bank prepares the country economic memorandum for Bangladesh, and recent experiences reveal that after preparation of country assistance strategy documents, the World Bank has shared the document with NGO leaders and civil society representatives. The NGOs have criticized the CAS formulation process of World Bank and have put their recommendations on it. By getting the opportunity to provide input in the CAS, they have pressurized the Bank to open up more space for them.

The Bank's lending operations are in project lending, program lending, policy reform lending and policy lending. With all lending programs, it tags conditions either in the form of new policy introduction or reform of policies existing in the recipient countries. Recently, policy lending to the third world countries is dominant form of external assistance of both multilateral and bilateral donors. The structural adjustment policy lending to the third world countries, including Bangladesh, is an important issue of the policy lending, which was introduced to foster the development of Bangladesh in mid-eighties. Although the implementation of those policies were to boost-up socio-economic development, but unfortunately those policies impacted adversely on the society. The policy planners have ignored the social issues in such development efforts. As a result, the social dimension of this policy has been strongly mentioned by the professionals.

The experiences with new policy reveal that those have led to the emergence of some critical groups among the civil societies throughout the world. The NGOs, as one of the actors of the civil society, have also raised the issue of social dimension of adjustment, which became sharp with the UNICEF publication entitled "Structural Adjustment with Human Face" in 1995.

Simultaneously, this issue has initiated the process of some action groups dealing with the World Bank policy issues. Alongside, the World Bank has also brought about change in the traditional adjustment package with a particular policy focus on participation. Apart from other groups, this breakthrough in the Bank's operational mechanism has made inroad into the development forum of the NGOs that is called the NGO Working Group on the World Bank. The major thrust of this forum is to ensure citizens' participation in the policymaking process particularly in relation to the country assistance strategy, a policy instrument of the World Bank. However, after strong criticism of Bank's strategy, the Bank is providing financial support to those NGOs for conducting some studies on issues where they have made criticism against the Bank. Participatory Poverty Assessment Study was conducted by a group of researchers of different NGOs in 1999 on behalf of NGO Working Group of World Bank. The people, who had criticized the strategies of the World Bank, are getting assistance from the Bank for conducting activities and research on the same issues. 384686

The concept of civil society and its role in development have been strongly voiced from different corners of the society. Alongside, the NGO-leaders are taking part in different activities as representatives of the civil society. But, now the question is whether the NGOs and professionals are really serving for commoners without any interest. The critics of such activity claims that alongside a section of the government bureaucrats, those NGO-leaders and professionals are real beneficiaries of such policy lending and policy reform lending. Interestingly, NGOs is extending their involvement in development activities funded by different donors through open bid. The World Bank's RRMP-II projects are an example of such projects. Though the NGOs claimed that they had moral obligation to work for the poor, it is a matter of question

whether these activities support the ethos of non-government organizations. Through the participation of the NGOs and civil society, they would rather like to put pressure on World Bank as well as the government of the country. In a sense, the NGOs are conducting their activities being the representatives of the donor agencies, which can be understood from the reaction of the donors on any incidence, which can hamper the activities of the NGOs. In that sense, it can be assumed that these development organizations have foreign connections.

Bangladesh has a history and reputation of a strong and vibrant civil society, which is supposed to provide an opportunity for major policy influence. Besides civil society, the NGO sector has been considered to be effective in using grassroots experience in terms of strategy formulation process. The self-identified representatives of the civil society and NGO leaders are participating in the formulation process of assistance strategy on an ad hoc basis. The participants are the biggest beneficiaries of such development either from the government mechanism or from the NGOs, and even from both. The World Bank prepares the whole CAS documents and pragmatically, invites NGO leaders, civil society representatives and few from the citizen (most of them involved in consultancy with different national and international organization) as superficial/pseudo participators in CAS formulation. As a result, the formulated policy becomes biased to the NGOs, consultants and who have access to capital and professional skills. The World Bank has been operating their assistance program for Bangladesh for about twenty-seven years. The Bank's operation is significant for the economic development of the country, but it has a very off-screen impact on the socio-economic condition of the people of the country. It can be said that the process of aid allocation and aid utilization is making for unintended beneficiaries. It will be clear from the

World Bank's support in different policy reforms and new policy implementation in the third world countries. Under the policy-lending program, the World Bank prescribed economic reform, economic policy reformulation and new policy formulation in the country. It has some very important intended and unintended consequences, which have been described in detail in the following pages.

4.1. Economic Policy Lending to Bangladesh

The history of lending operation in Bangladesh reveals that the World Bank's activities have been shifting from project lending to policy lending. The project lending continued to be dominant until the Mexico crisis during early 80s when the country became fundable to pay the debt. Alongside this shift, some terminologies like project lending, program lending and policy lending have emerged and different professionals have explained such terms. In the hindsight of policy reform lending, there are some stabilization measures: typed credit and monetary policy, interest rate policy, fiscal reform and public expenditure cuts, etc, are instructions of the World Bank to the borrower agencies or government. This stabilization has come to the frontline of discussions of policy planners, NGO leaders, development practitioners and professionals. There are disagreements between the World Bank and the rest of the group on the stabilization measures. However, the heart of the disagreement on stabilization measures are based on issues that have augmented two perspectives: (i) magnitude of structural adjustment policies and (ii) global poverty and inequality. Putting the extent of policy lending into the context, it is figured out that 90 countries including 4 billion people had been living in the countries where structural adjustment policy has been introduced over 15 years. There had been major differences between the

policy measures of the industrializing countries and the developing countries. The relative positions of the countries are contributing to these differences. It is fact from the perspective of north-south dichotomy that the governments of the UK, the USA and other northern countries decide the policy measures for them but it is led by the World Bank and the International Monetary Fund in case of developing countries. Developed and industrialized countries are capable of deciding about their own policy measures, but poor countries do not have the opportunities to exercise their potentialities and capabilities to make their policy measures for development planning. The third world countries normally design a plan depending on availability of external fund and necessary technical assistance because of its domestic resources scarcity. However, the external funds become available only along with conditions to serve the donors' purpose, instead of the development of the recipient countries.

Besides, there are some similarities between northern and southern countries irrespective of the relative position. This perspective helps to understand the global scenario resulting specially from the application of ingredients of structural adjustment policy measures like privatization, cutting of subsidies, etc. An impact of these measures has often led to exclusive economies, which have thus benefited those who already have access to either capital or professional skills and on the other hand marginalized further those who do not have access to any of the two. The process of how the dynamics of policy lending have created the losers and the winners have been elaborated through the following examples:

Example 1a: Devaluation of Currency

Faced with currency devaluation, the producers are forced to sell their products in the international market with a view to earning currency having higher value. However, all kinds

of producers cannot get access to the international market. For example, the small producers who do not have foreign currency have to produce for the domestic market and thus become the big losers in the face of currency devaluation. On the contrary, the exporters with foreign currency become the winners of the policy because they receive increased value of taka through export”⁴.

‘Currency devaluation usually is the key component of the adjustment program. The wisdom of devaluation, however, has been the subject of much debate because of controversy over its effectiveness in eliminating supply-demand imbalances, because of its inflationary effects, and because of its distributional and related political consequences. The devaluation increases the costs of imports and the prices of exports in terms of domestic currency. The impact of devaluation on the balance of payments as well as those in poverty depends upon the extent of expenditure switching and the extent of expenditure changes’⁵.

Example 1b: Cuts in Public Expenditure

Governments have often made the cuts in public expenditure in their social programs such as health, education, etc. and these have been the cases in the early stage of the structural adjustment policy. “Though changes have occurred in the late 80s and 90s, however, it was the government rather than the World Bank who decided to cut off the health budget while the military budget was kept intact. As a result of the cuts in the health and education sectors, the big losers have been the vast majority of the population who depend on government for services or access to basic services’⁶.

Example 1c: Elimination of Subsidies

There is a combined effect of elimination of subsidies and currency devaluation on the poor. As a result of currency devaluation, the value of currency decreases. Combined with this policy, elimination of subsidies makes the poor unable to afford all the necessities as price increases. In coping with this situation, the poor have to trade off one necessity with another. Thus, if the poor people consider food as top priority, then nothing is left for education. On the other hand, if the poor people decide that sending children to school is important, then they will have to go with only one meal a day.

Example 1d: Privatization

It is peculiar that in many countries, state enterprises, which have been sold off, are the ones that have been making profit. It is certainly true that in a number of countries the best profit-making public enterprises have been sold out to those people who had money to buy or who have political leverage to negotiate with the government. In addition, it is often not just the Transnational Corporations (TNCs), but also the combination of the elite together with the TNCs. In many cases, privatization of Banks have virtually eliminated access of small farmers to credit, and the winners are obviously the foreign and local counterparts and the elites who have been able to identify and purchase viable government enterprises.

It is fact that 'the structural adjustment policy have on the one hand created inequalities and on the other hand generated the process of wealth creation in a global sense. Regarding the global effect on poverty situation, the World Bank contended that increasing poverty has not been followed by inequalities while the NGOs felt that in many cases certain groups have become poorer as well as the increase in inequality has increased as a result of structural adjustment policy'.⁷

4.2. World Bank's Policy Reform Lending in Bangladesh

The World Bank's policy lending and its impact on the sectoral reforms in the context of Bangladesh constitutes very negative experience. Regarding the reform programs, 'the actual implementation lagged behind the conditionalities or the targets set in terms of time'⁸. The reason for this lagging and the failure in economic reform was not, however, fully attributed to the government's failure, because the counter-factual on whether the government would have gone in other types of reforms is not available. Instead, the World Bank's imposition on the design of structural adjustment programs was identified as one of the major obstacles. Although the government theoretically participated in formulating the design, the literature on the

structural adjustment programs was entirely drafted by the World Bank and the donors, and thus conditionalities and the actual designing of the reforms were dictated or imposed by them. In such imposed, donor-driven nature of policy reform, insights from the local people, specialists, professionals and government officials were not incorporated. The reform programs lacked some crucial issues and eventually experienced disadvantages in the implementation process. The aspect of sequencing of reform thus was the missing piece of the reform programs and how the absence of this aspect caused failure can be illustrated by the case of financial sector reform programs.

Example 2a: Failure in Financial Sector Reform Program

As the financial sector reform involves Banks and its efficiency, we have thought of privatization of Banks with the belief that privatization will be better, because there were so much of corruption directed towards loans and loan defaults in the public sector banks. Although data is not available, analysis done by Prof. Wahiduddin Mahmud establishes the fact that the private sector banks have done better than the public sector. So, from this perspective the augment that the private sector banks can be potentially better than the public sector in terms of giving loans is supposed to be valid. But, the experience with the privatization of banks shows that it is more than the public sector in terms of default loans. Why is it so? It is not because these privatized banks have violated the rules that the owners of the Bank cannot take away money in their own name or in the name of fictitious accounts. In fact, it happened because privatization measures were not implemented under effective supervision of Bangladesh Bank. But, it is important to assess whether Bangladesh Bank has the capacity to supervise those Banks. So, what was required in the case of reform design was sequencing i.e. the privatization program needed to be introduced after due strengthening of Bangladesh Bank.

Although the World Bank has given prescription to the government of Bangladesh that nationalized Banks are to be privatized as part of the financial reform, the question is whether privatization of bank will strengthen financial performance of the country. There are a number of private banks operating, but Bangladesh Bank failed to supervise those private banks. As a result, the default loan of private banks is more than that of the nationalized banks.

It is mentionable that the lack of public support, secrecy and faulty assumptions were the causes of failure in economic reform. Although the reform program bypassed public support and continued to maintain secrecy about the conditionalities, however, everybody including donors now recognize the need for public support. The World Bank initiated making the documents public very recently. The case of electricity sector can be mentioned in this regard. This sector experienced failure, because instead of informing the public about the necessity of this reform, the whole implementation process sustained privilege distribution among those who caused electricity leakage through sheer corruption. If there were more participation from the local side, some local bureaucrats, experts and politicians, then some of these reforms could be better designed. With regard to conditionality, the targets of the reform programs were based on faulty assumptions and not on feasibility study on a particular sector. It can be categorically mentioned that the World Bank had been rigid from the beginning not only in terms of conditionality, but also in terms of using relevant studies and knowledge in devising lending programs in Bangladesh.

The case of the jute sector also has been referred here to delineate how the bank's ambitious program caused failure in this sector.

Example 2b: Failure in the Jute Sector

The World Bank allocated 215 million dollars for the jute sector reform, which involved the conditional ties like the following: (i) a number of jute mills have to be privatized within two-three years' time; (ii) a number of jute mills both in the public sector and the private sector will have to be closed altogether; and (iii) a big number of employees have to be sacked from the remaining industries. The assumption behind was that after having all these done, the remaining jute mills could be profitably run. Regarding the assumptions, it was numerically written in the paper that Bangladesh's exchange rate really would be depreciated by these two-three years by 40 per cent, the exporters will get much more money out of that and the international price of jute goods would be much more competitive.

Despite all these ambitions, the jute sector reform programme failed both in achieving these projected benefits and satisfying conditionality. In fact, the reform programme was not synchronized with other policies. For example, if we look at the records of the last few years, the jute sector was on the decline. The reform program was followed by withdrawal of subsidies, and ironically there was no study on the necessity of subsidy on exports. Indeed, the proposal on jute sector reform did not leave any room for this choice. On the contrary, "although India was not a major exporter, its export was expanding with the government subsidy on exports."⁹ So, the whole assumptions on the performance of the remaining industries were proved to be wrong.

"Regarding the profitability of the remaining jute mills, it was projected that these jute mills will remain a burden under the present situation if they do not upgrade the technology, product quality and if international market does not improve".¹⁰ If the 'jute sector has to survive, something needs to be done regarding the national decision about whether subsidy should be given in the sector at least for the time being. It is hope that jute will ultimately be more in demand in the world and some product innovations will be made so that it can compete more

Bangladesh's experiences with policy lending shows that these policy prescriptions and conditionalities are not seriously exercised by the government and it is not clear whether the government and the donor community is learning from the past experience to have a better policies for future. In this context it seems to address the issue of good governance, obviously a good government is needed to create a good happening. It is the government rather than a donor who is to be blamed, because though there are good economists in the government sector, the government has been traditionally spoon-fed in terms of writing any paper. The government has never learnt in putting its effort in this sort of negotiation, and the bureaucrats are interested to the extent it involves the share of the pie. So, the lack of serious effort in doing exercise is matter of attitude rather than the capability of the government sector.

Regarding conditionality, the World Bank has been playing dubious role in putting conditionalities on the question of economic and political sovereignty. However, something has to be done with putting conditionalities on the military budget on the question of good governance and the Bank perceives it as interference with the political sovereignty, whereas the conditionalities put on economic reform is not perceived as interference with the economic sovereignty. Whether the issue of military expenditure comes under public expenditure review or not, the issue of military expenditure is a politically sensitive issue and a bit different one. However, areas like administrative reform, legal reform were not included in the conditionality package, and these issues were excluded partly due to the World Bank's learning by doing approach and partly its own doctrinaire of philosophy of getting prices right. However, though the Bank feels that interference in the military budget is interference in political sovereignty, it does not hesitate to interfere in

economic sovereignty. The hindsight of this motive is to expand free market economy in this country.

The information about the World Bank constitute very secrete documents, which is gradually changing in recent time. The Bank is now changing its secrecy-level, which is occurring because of the pressure from the groups who are vocal and wanting changes rather than attitudinal shift in the Government or the World Bank. The civil society representatives and NGO leaders are very much vocal about the secrecy of the documents. Regarding privatization, in the absence of competition, just privatization of any sector is more likely to result in monopoly, and if the monopoly exists, the public accountability will be much less in the private sector than in the public sector. As a result, this monopoly will simply create transfer of resources from the public to the private sector. It creates a concentration of capital in a few hands that who have access to capital and negotiability.

On the issues of secrecy, secret elements come out of the Bank-client/borrower relationship where the Bank has to maintain the client's secrecy. From this perspective of this relationship, the assumption has been that as a borrower, government is a democratic one and has a popular support, and this is what the government is saying about the backing from the country as a whole. The Bank is taking the documents as supported by the people of the country. In this regard, the Bank claims that the government maintains secrecy, not the Bank, because the Bank staff is under restrictions from the government not to distribute the policy documents. When the government intends to implement any policy without considering public demand, the vibrant civil society can criticize the government's initiatives; so, the government requests the Bank not to circulate the documents. It is also a question why the government requests the Bank not to disclose the documents. Where the government is democratic and bureaucrats are

negotiating agents, then the bureaucrats request the bank to make the documents restricted.

In spite of all these restrictions, the Bank has taken the risk of distributing Country Assistance Strategy (CAS) documents without the permission from the government. The Bank is trying to establish that they are trying to ensure participation, but it is also a question how much participatory it is. Critics of the development programmes treat the participatory process as consultation instead of participation. With regards to the rigidity of the Bank, although the Bank had been traditionally rigid in terms of changing things, it is now much more flexible. It is also viewed by the critics of the Bank-supported programmes that the Bank is making things public to the NGOs and the few people who are direct and indirect beneficiaries of such programmes.

The debt crisis is an important issue related to external assistance, like policy prescription. The whole issue of debt crisis was attributed to the non-sensible hypothesis that as a result of the exchange rate depreciation, a significant number of industries became sick, and thus, the progressive rescheduling of debt for those sick industries was prescribed to overcome this crisis. The process led to the mounting debt crisis, and the relevant policy prescription is illustrated through the following.

Example: 2c

Declaration of sick industries made by the Ministry of Finance essentially meant that those industries will get their loan rescheduled and it increased the number of sick industries from 1500 to 6000. Because the moment rescheduling was taking place, it was discovered by all borrowers that they would get in the rescheduling process, and, in some cases, get their loan partially written off, and then qualify to rent a long phase of rescheduling. This, in practice, has accelerated successive rescheduling, and resulted in debt burden piled up over the period of

time. The third review of debt default made by BIDS found that total recoverable amount on debt was 10 per cent of the total amount, which was actually due.

Regarding the analysis of winners and losers of the policy lending and reform lending, it is not fair to say that this document lacks such analysis. However, the Bank has not been able to do such kind of analysis in terms of the governance sense, but nobody has done it. The leakage of the system of power sector reform needs analysis of winners and losers of the reform. This analysis has to be done by the government, civil society or the research institutes rather than an outsider like the World Bank. The Bank feels that there is a need for conditionalities to ensure the utilization of financial resources in the right direction. But, on the other hand, the NGO and civil society representatives thought that the World Bank is playing dubious role in terms of CAS formulation process. In the face of criticism, the World Bank blames government for not being open in terms of circulation of CAS document, whereas the Bank itself does not involve government and civil society groups in the CAS formulation process.

As for the relevance of policy lending to project lending, the issues of policy lending have to be understood from the perspective of project, because the latter one has impact on the former one in terms of consequences. In this context, it can be cited that the Flood Action Plan (FAP) and shrimp cultivation projects are predominantly based on the production criteria, which overlooks other resultant issues like environment, equity, human rights, etc. To articulate how the macro policies are affecting majority of the people, that should be translated into the language of planners, economist and the government.

However, if economic policy reform is to be effective and functional, the ownership of the reform has to be ensured not just on the part of the government and the particular ministry, but also on the part of the civil

society and the people at large. The NGO and civil society representatives claimed that the Bank has to formulate strategy in this regard.

4.3 Concept and Components of Country Assistance Strategy (CAS)

The concept of the Country Assistance Strategy (CAS) is basically the most important strategic planning and management document that the World Bank has for any country. It became more important when the country is totally dependent on concessional loans or grants of IDA. In the process, the Bank identifies the level of funding and the core position of assistance including key performance figures that involve the things like public expenditure review with the CAS. The 'core position' is the minimum position of funding, that is, the case of inability of particular country in terms of satisfying the conditions of the donors. An example is the jute sector in Bangladesh; if the privatization activities do not move fast enough, what will happen to the jute sector is to identify the core position in the CAS, that means, that minimum position will be the recount of the fund to be allocated for Bangladesh. With regard to the process of approval of the projects, after having the CAS, the report is submitted to the World Bank's Executive Directors and the Board for approval, which is done after reviewing the document together with the policy framework paper, the major IMF document.

The following four categories of CAS can be identified basing on the status of the countries:

Category one: This category involves the big borrower country, which takes one billion dollars per year from the IBRD, which is the hard loan window of the Bank plus an exposure to more than 215 million dollars from the IDA.

Category two: This category differs from the first one only in terms of borrowing status. Thus, this category includes those big borrowers who take more than 500 million dollars loan from the IBRD and more than 100 million dollars from IDA.

Category three: Category three involves the countries having the record of borrowing more than 100 million loan from the IBRD and more than 20 million from IDA.

Category four : This category includes the countries having small programmes and CAS is not required at all for these countries¹¹.

The World Bank's strategic planning process involve three steps: (i) analytical works comprising economic and sector work, poverty assessment and public expenditure review; (ii) discussion and strategy formulation; and (iii) implementation in terms of both lending programs and non-lending programs. Although the borrower government is supposed to do all the analytical works for the country assistance strategy planning process, but in many countries including Bangladesh, the Bank is dealing with all these things with very little government involvement. The country is totally in a flawed situation, unless the government is not able to come up with its own strategies and then ask donors where the donors can come in and help where they cannot. Considering this situation, it can be categorically mentioned that the Bank's authority over the CAS document outlined the importance of the inputs and genuine participation of civil society in all the stages leading up to the country assistance strategy. The extent of the involvement of the government in CAS formulation for the country has a consequence on the beneficiaries or stakeholders of the development programmes. Where the government has very minimum involvement in CAS formulation, the Bank

seeks support from outside the government. The involvement of the NGOs and consulting firms, though at the consultative level, has become possible due to the insignificant role of the government in the CAS process and that has opened the window to gain access to the benefits by the NGOs from such development programs or projects. To get more access to policy formulation and influence, the NGO leaders made criticism of the Bank-supported programmes. By doing such activities, the NGOs and consulting firms are getting space for involving themselves in Bank-funded development activities and emerging as the beneficiaries of such development activities.

Participatory CAS Experience To-Date

COUNTRY	CAS PARTICIPANTS	METHODOLOGY	PLANNING	RESULTS/FOLLOW-UP
VARIOUS	Social Scientists, NGOs	Involve in ESW, PPAs	Diverse	Aranon paper. 23 PPAs. National debate
Malawi, Cote d'Ivoire, Mali, Chad, Cameroon	NGOs, CBO Leaders, Academics, Unions, Private Sector	Consultation meetings to scope national priorities	Use of GroupWare, materials disseminated	What WB is done well/ badly; Where consensus or divisions
Vietnam, Bangladesh, Mozambique, Burkina Faso	Academics, International or "establishment" NGOs	Intensive dialogue on action plan	Prior information about national priorities	Feeds into CAS local support
Guinea Bissau, Lesotho, (Ghana, Zambia)	Full rang of CS	Special Workshops, External facilitators	Document outlining national priorities, draft of CAS	CAS reflects participatory process; careful feedback

Source: 'What is World Bank's Country Assistance Strategy' (CAS) by Kamal Malhotra, Co-Director, Focus on the Global South, World Bank; the paper was presented at the Workshop in April 17, 1997, Dhaka, Bangladesh.

4.4 The World Bank's Project Cycle

The World Bank's project cycle covers life of the typical project for identification of needs and priorities until the final completion of work and evaluation of results. Though not rigid, the cycle can be seen as a six-step process which typically takes about 10 years and throughout which World Bank staff works closely with the borrower government. At any stage of the

project cycle, there may be opportunities for NGOs to work in partnership with the Bank. A team of Bank staff headed by a task manager (TM) manages the Bank's involvement in a project. Sector specialists and members from the region's technical department of the central Vice-President assist the TM. TM works in close partnerships with the borrower and other parties involved, including the NGOs.

At the first phase of the project cycle, the borrower carries out identification with the Bank's assistance, as needed. During this initial stage, it decides who will be benefited and how that will happen. While government can submit project for Bank financing, proposal comes from several sources, such as UN agencies, private sponsors of NGOs. Once the priority for the project is agreed upon, the next stage, Project Preparation, begins. Preparation is primarily the responsibility of the borrowers, at times with heavy inputs from the Bank. Factual and technical reports prepared at this stage may be made available to the outside parties upon request.

The Bank then conducts an appraisal, or detailed review, of the proposal. During site visits, a team of Bank staff and consultants undertakes an independent assessment of the project, including the capacity of the implementing agencies. The team summarizes its findings and recommendations in the Staff Appraisal Report, which after being reviewed within the Bank, forms the basis of negotiation with the borrower. From the perspectives of the critics of the Bank, the consultants and the appraisal mission create an option for more consultancy and profit making ways from the project.

During the fourth stage, negotiators of the Bank and the borrower reach agreement on the measures necessary for successful projects. Staff Appraisal Report (SAR) is then submitted to the Bank's Board of Executive Directors for

approval. Once the loan or credit is approved, implementation of the project begins, and the SAR is also made publicly available. The borrower is responsible for implementation, but the Bank plays an important role in supervision and, when needed, provisions of technical assistance.

Sixth and the final stage of the project cycle are Evaluation, during which the project's outcome is measured against its original objectives. An implementation completion report is prepared by the country department prior to the anticipated closing date and distributed to the Bank's board not later than six month after that date. An independent department within the Bank, the Operation Evaluation Department is responsible for rating the development impact and performance of all completed projects. Operation Evaluation Department reports its findings directly to the Bank's Board and President; that results in recommendation feedback about the design and implementation of policies and lending operations. Operation Evaluation Department recently began an assessment of contribution of NGOs to the development effectiveness of the bank-financed projects.

The participation in the country assistance strategy formulation held in Bangladesh was so-called consultation of the document between the World Bank and some established NGOs, rather than participation. The Bank's own perception of participation is to invite people for doing analysis, and stressed that this view of participation has to be a major battle, which needs to be fought (Appendix-2).

Through the process, the NGOs are influencing policies and taking the initiatives to build up their capacity not only by creating their analytical capabilities through the discussion and review on Country Assistance Strategy, but also using the power of the grassroots to this end. In doing so, the NGOs are being too much involved with World Bank lead enterprises,

which might jeopardize their independence in terms of doing their own brainstorming analysis and thus making major contribution in devising a sound poverty strategy for the country. According to the opposite view it is one kind bargaining with the World Bank about their access in the process. However, the role of NGOs in the development of the country is not out of questions. The access of NGOs to this process has been increasing due to the inadequacy of the government's involvement on the one hand and the World Bank's dominance, on the other.

NGO sector has to be developed further in the line of the World Bank policy instruments as most of the NGOs in Bangladesh lack macro-micro linkage in their program design. To achieve the level, the NGOs are working to build up their own capacity to bargain for their own interests. They are organizing several workshops with the participation of political personalities, academic professionals and policy planners other than NGOs themselves. But, it is to be mentioned that all these academicians and political personalities are somehow involved with such programs, and somehow they are getting some benefits from such programs. Thus, it was suggested that a forum should be established involving various actors of civil society who can open a series of dialogue with the World Bank representatives and put their agenda for national development.

It was felt from various documents of the World Bank and different organizations that the external assistance has on the one hand been providing the safety net of those who are the poorest of the poor, but on the other hand, benefiting those who are involved with such process of the development.

DDPAA (1997) Making Things Work: A draft Workshop Proceedings on Capacity Building of NGOs/ Civil Society on World Bank Policy Instruments.

² A special Bulletin on 25 Years of Partnership of Bangladesh and World Bank, The Daily Star, 1995.

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- ¹ The Country Economic Memorandum, 1997, Bangladesh, Dhaka, Bangladesh
- ² IDPAA (1997) Making Things Work: A draft Workshop Proceedings on Capacity Building of NGOs/ Civil Society on World Bank Policy Instruments.
- ³ Jere R. Behrman: (1990) The Action of Human Resources and Poverty on One Another: What We Have Yet to Learn, Living Standards Measurement Study. The World Bank, Washington, D.C. Working Paper No. 74. P. 99
- ⁴ IDPAA, Opt cited. P.6
- ⁵ Ibid, P.7
- ⁶ Ibid, P.7
- ⁷ The World Bank's Strategic Approach to Poverty Reduction, the Paper was presented in the Workshop in April 7, Dhaka, Bangladesh.
- ⁸ Wahiduddin Mahamud, Discussion on World Bank's Country Assistance Strategy, April 7, 1997, Dhaka Bangladesh.
- ⁹ Kamal Malhotra, What is World Bank's Country Assistance Strategy (CAS) Focus on the Global South, World Bank, the paper was presented in the Workshop on April 17, 1997, Dhaka, Bangladesh.

Chapter Five: Case Study of an External Assisted Project

5.1. Introduction

Class formation is not new in Bangladesh. Different researchers and academics have carried out numerous studies. The external assistance brought about social changes in terms of giving birth to a new social class; an unintended beneficiary group has been emerging in society. The role of aided development programme has been critically assessed through the assessment of the externally funded programme. It is to be mentioned that the benefit distribution pattern has been examined through the Third Fisheries Project.

The Third Fisheries Project was designed to develop the fisheries sector in the western part of Bangladesh. The aim of the project was to increase the fish production for both domestic consumption and export. The World Bank along with UNDP and ODA were the financier of the project. The total cost of the project was US\$ 44.6 million. The project had six components initiated in 1991 and completed in 1996. The NGOs were involved as two components-- Floodplain Stocking Component and Coastal Shrimp Component. A total of 100,000 hectares of low-lying floodplain were brought under the project for public stocking. NGOs have been engaged to organize the poor fishermen in order to catch the stocked fish after raising the fingerlings over a certain time. The Shrimp Culture Component was another area of intervention of the third fisheries project, where the NGOs have participated to improve income distribution through shrimp culture by increasing local participation especially of the poor, through group formation. The Third Fisheries Project (TFP) aimed at supporting a long-term development process of the inland fisheries through expansion of fish production in the floodplain for domestic consumption,

increase of fish income particularly of the rural poor. It also aimed at supporting private sector participation in the fisheries development programme, especially women's participation and strengthening sectoral institutions like Directorate of Fisheries (DOF) and Fishery Research Institute (FRI). In a word, the project was conceived with a special objective i.e., local fishery resources mobilization through increasing private sector participation and institutional capacity building. How far the project has achieved that is not out of question.

5.2. Objective of the Study

In order to achieve these goals, one of the interventions was to stock fingerlings in the open water-bodies to increase the production, which was expected to improve the quality of life of the fishermen. How far the project had impact on the livelihood of beneficiaries and who were the ultimate beneficiaries of the project was the main objective in selecting such a project for my study. During the selection of the project for case study, different stakeholders were taken into consideration.

The study has been designed with objectives to measure the changes in demography, economic and social condition, assets ownership, income and expenditure status, credit repayment status, changes in mode and volume of fishing activities. This study also considers the impact of awareness about fishing upon fishing rights and involvement with cooperatives of NGOs as well as other organizations. The study also projects to measure the benefits enjoyed by the local elite due to stocking, and to obtain opinions of local elites and fish traders about stocking. It is to be mentioned that all statistics used in this section has been presented at the end of this chapter.

5.3. Household and Demographic Characteristics

5.3.1 Age Structure of the Surveyed Households

The average age of the male heads of the families was between 43 to 45 years, while their wives were between 37 to 39 years. The family size was 6.2. It is more or less close to the national average family size (Table: -02).

The literacy rate of the male-headed families of the study population was 53%. It has been observed that in almost all sample surveys of the country, the literacy rate was reported to be higher than the national rate 35.2. This reported high rate of literacy in different villages could be due to people's inherent tendency to hide their weaknesses regarding education.

5.3.2 Education Level of the Respondents

The female literacy rate was much higher in the study area than the national rate that was much lower than that of the male counterparts. The female literacy rate was around 28% in the area. The women who went to schools had almost completed 5 years of schooling (Table: 02). It was observed that the respondents did not differ much about male and female literacy rates and average completed years of schooling. There were a number of respondents in the area who had education beyond high school and college.

The fishing stratum of a household was determined by the main occupation of the head of the household. This, however, did not eliminate the possibility that the other members would not be engaged in fishing-related activities. Investigation into this matter showed that 32% respondents had at least a family member engaged in fishing-related occupations. However, only 2.75% percent of the families had professional fishers and the rest were part-time or

occasional. It is interesting that although professional fishers might not be more than three percent of the total sampled population, about one-third of the rural families were still directly or indirectly engaged in fishing-related occupations (Table: -02). Two types of family are known to exist in this country: nuclear and extended. It is widely believed that the extended family system pre-dominates in this country, but it was found that only little over one-fourth of the families are extended and the rest are nuclear. If this trend continues, the prospect of survival of extended family system in this country could be at a stake (Table: -02). It may be noticed that economic aspects of the respondent's families have not been discussed here. Hence, this has not been included here to avoid repetition in the next section.

5.3.3 Trends of Migration

During data collection, many respondents reported that a large number of villagers had migrated to the neighboring country and urban areas. A large number of respondents reported that their family members have migrated primarily in search of employment due to increased unemployment and poverty (Table: -04). Migration due to marriage was primarily applied to female family members, because there is a patrilocal family system. A considerable number of people, mostly Hindus, seemed to have migrated to other countries. It is evident that due to the development interventions in this area, the traditional fishers, especially Hindu fishers, are losing access to the water-bodies for fishing. The landowners and new fishers, e.g. Muslim fishers are putting pressure on them. Due to the increased number of fishers, exploitation has been gradually increasing in the project areas, which put their security at stake, and consequently, they continue to migrate to other places.

5.3.4. Occupational Status of the Respondents

The people of the study area have opportunity to engage themselves in various kinds of occupations. The highest number of respondents was engaged in small farming (44.6%) that was followed by daily wage labor (13%) and fishing (6%). Fishing as the primary occupation of the respondents was 7.3%. Almost all wives of the heads of the households were engaged in household chores (96%) (Table: -03). In fact, no job opportunity for women existed outside the home in rural areas.

In table 02, it was shown that only 2.2% of the families had more than one full-time fisher. Of those 2.2% percent families, which had more than one professional fisherman, 50% belonged to the area. Two additional professional fishermen were found in 50% professional fishermen families in the area (Table: -05).

It is to be mentioned that the women folk are involved in numerous informal works, which support household expenditure, but such works are yet to get recognition in terms of economic contribution in household expenditure. Their occupations include handicraft, working in agriculture field, homestead gardening, poultry and livestock, etc. Though these have no formal recognition, income from these types of works help to save substantial amount of expenditure of the households.

5.4. Possession of Assets by the Household

The ownership of assets have been categorized in various forms, such as household assets, land assets, water body assets, fishing and farm equipment, trees and plants, etc. It was anticipated that due to project intervention, there might have been impact on the economy of the families. So, the changes of assets ownership were taken as proxy indicators to measure impact of such

intervention on target beneficiaries. The ownership of various assets by respondents has been discussed item by item, which are as follows:

5.4.1. Possession of Household Assets

The most important goal of the project was to bring about an improvement in the lives of the fishermen as well as people around the stocking area. The change that might have occurred in the post-intervention period due to fish stocking was measured by assessing the pre-and post intervention economic assets of the respondents who were professional fishermen and non-professional fishermen (part-time and occasional fishermen) and non-fishermen. Traditionally, assets are measured in terms of size of cultivable land, weight of ornaments, number of livestock heads, etc. It is to be mentioned that the data of pre- intervention period have been collected using recall method. Instead of size of the land or weight of the ornaments, the respondents were asked to determine the values of their assets according to the present market price. Hence, the quantities of assets are presented here in terms of taka rather than in terms of quantity of a particular item. For the purpose of making the comparison (between the assets of pre- and post-intervention periods) realistic, the respondents were asked to calculate the values of the items of pre-intervention period in present market price.

5.4.2. Possession of Land Assets

Land assets were calculated on the basis of the size of the homestead, cropland, orchard/forest, fallow lands and any other kinds of land. In general, the land assets of the respondents of the area had increased slightly in the post-intervention period. The mean value of the land assets of the studied respondents had increased from Tk. 60, 688.0 in the pre-intervention period to Tk. 63, 020.0 in the post-intervention period. It was interesting to observe that

the professional fishermen appeared to have higher amount of land assets compared to the other two strata (Table: -06). It was informed by the respondents that the price of land has been increasing due to introduction of HYV, which replaced the traditional varieties in the agricultural system.

The above analyses have revealed that the land assets of the sampled population have increased. The professional fishermen were found to have very little land assets compared to the members of other two fishing strata. It is, however, expected that non-professional and non-fishermen will have higher land assets than that of traditional fishermen as they mostly live on land. The assets have been calculated in present market price. Day by day, the price has been increasing. Finally, it may be said that the average land assets of the sampled population have improved to some extent, but it is extremely difficult to say what proportion is contributed by the public stocking. It is also important to note that the inflation of money during pre- and post intervention period has not been considered. It may have some effective role in increasing the price of land assets. For specification of the project's impact, additional qualitative methods like participatory rural appraisal was used to understand the critical dimension of the project's contribution to the economic development and living standard. During qualitative study, it was observed that the price of land has increased but the incidence of land purchasing from the earning of fish is very insignificant. Land assets have increased in price but not in quantity.

5.4.3. Possession of Share Cropping

Sharecropping is a traditional practice in this country from time immemorial. People who do not have enough land of their own crop others' land. In general, respondents sharecrop a small size of land. The average value of the land sharecropped by the respondents in the study area was very small. Table: 07 shows that in the pre-intervention period on an average, land worth Tk. 6677.0 was

share-cropped by the respondents which increased to only Tk. 7318.0. The difference was calculated only around Tk. 641.0. This means that sharecropping has increased very little in the post- intervention period. It should be mentioned here that money inflation has not been calculated. If it is done, the amount will be less than the stated value.

The above discussions indicate that sharecropping, a universal phenomenon in Bangladesh has a stable pattern. Table: 07 shows also that professional fishermen share cropped less than the respondents of the other two strata. It could be that they did not have the skill for other occupations or were doing well in the present occupation. Some changes seemed to have occurred among the professional fishermen in the post-intervention period, but that would not be the major cause of variation of mean difference between the pre-and post-intervention periods, because the sample size of the professional fishermen was too small. Hence, the non-professional fishermen or non-fishermen who had very large samples must have caused the difference.

5.4.4. Possession of Water Body Assets

Water body assets are crucial for the fishermen, as a larger harvest is possible only from large water body assets. It was observed that the studied respondents had doubled their water body assets in the post-intervention period compared to the pre-intervention period. In the pre-intervention period their average water body assets were worth Tk. 3881.0, which increased to Tk. 7946.0 in the post-intervention period (Table: 08).

The above statistics indicate that the water body assets of the respondents in the post-intervention period had increased. The improvements seemed to have occurred more among the non-professional fishermen and non-fishermen compared to the professional fishermen. This could be because they found it profitable with little investment. It was found that landowners in the water

body or *beel* have become more profitable from this project. So, it can be assumed that the NPF and NF have become more interested to get benefit. Previously, they did not have significant amount of water body asset, but they invest more in the water body. Those who have ponds and ditches in the water body for traditional harvesting (de-watering in the dry season) of fish, with the coming down of water level of floodplain, fishes enter into their ponds and ditches. These ponds and ditches are owned by the local landholders. When the fish enter into ponds and ditches, then this public property (fish) become private property, which benefits only those who own land in the water body.

5.4.5. Possession of Moveable Property

The status of affluence can be measured by the moveable properties of a family, because people try to spend their extra income to purchase moveable property. So, it is one of the most important indicators of affluence in the accumulation of movable properties. On an average, a household possessed movable properties worth Tk. 2800.00 in the pre-intervention period, which increased to Tk. 3459.00 in the post-intervention period (Table: 09). Among all categories of respondents, fishermen slightly increased their movable properties. However, it has been found that the overwhelming majority of the respondents possessed movable properties.

The study also showed that during the high price of rice, many fishermen sold out their furniture and other movable properties (Table: 16). Although small, the movable properties of sampled population had increased in the post-intervention period. The improvement took place more among the non-professional fishermen and non-fishermen compared to professional fishermen. So, it cannot be said that it is an impact of stocking program. It also comes out from the study that the benefit is going to the non-traditional fishermen and non-fishermen. It might be the impact of the stocking program. So, the

distribution pattern of fishery resources has changed as an impact of the stocking program. The traditional fishers are losing their fishing right which reduces the amount of their total catch.

5.4.6. Ownership of Livestock

Traditionally livestock is a part and parcel of a rural family in Bangladesh. This is also treated as economic assets as they are used for cultivation and also for milk. More importantly, it is still a symbol of affluence. We found a family spent about Tk. 100.00 a day to take care of a bull only to demonstrate the wealth of the family. In the study area, a significant change had occurred with regard to the possession of livestock heads. On an average, the sampled population used to possess livestock worth Tk. 4678.0 in the pre-intervention period, while it increased to livestock worth Tk. 6138.0 in the post-intervention period. This was an increase of about 23% over the pre-intervention period (Table: 10). The increase had taken place among the respondents of all strata, but relatively more among the professional fishermen and non-professional fishermen (Table: 10).

Although very small, the possession of livestock heads had increased in the case of the respondents of the area. However, the reason for having more livestock in the area could be that the people used livestock for cash income by selling milk as they had small size of cultivable lands. The professional fishermen had much lower number of cattle heads compared to other non-professionals and non-fishermen.

5.4.7. Ownership of Farm and Non-Farm Equipment

Ownership of Farm Equipment: The vast majority of the sampled populations were farmers, some of them, small and some, big (Table: 02). Nearly 90% of the respondents in the study area had farming equipments worth Tk. 500.00 or less

(Table: 11). Only a negligible few of the respondents had farm equipment worth more than Tk. 2000. The respondents reported to have farm equipment on an average worth only Tk. 176.0 in the pre-intervention and Tk. 177.0 in the post-intervention periods (Table: 11). The most interesting point here is to note that the respondents, most of whom were small or large farmers, did not actually possess farming equipment. In other words, the farmers in the study area simply use human energy and primitive equipment. It may also be noticed that all professional fisher respondents possessed very little or no farming equipment (Table: 11). The differences between pre-and post-intervention periods with regard to possession of farm equipment have been taken into consideration to measure the impact of the fingerling-stocking programme.

5.4.8. Ownership of Fishing Equipment

In general, the expectation was that the public stocking would increase fish production. In view of this expectation, another assumption was that the sampled respondents who lived around the *beel* would acquire more fishing equipment in the post-stocking period for fishing. In the study area, the pre-intervention fishing equipment possessed by the respondents was worth only Tk. 1896.00, which increased to Tk. 2100.00 in the post-intervention period. It was found from the study that the professional fishermen possessed much more equipment than the non-professional fishermen did, and non-fishermen both in the pre- and post-intervention periods. These differences were found statistically insignificant (Chi sq. sig. at .00 level for pre-intervention and .00 level for post-intervention periods in Table: 12). It may also be marked that in both pre- and post-intervention periods, over 50% of the professional fishermen of the studied population had fishing equipment above worth Tk. 2000.00, while the corresponding figures of other strata were around only 30% (Table: 12).

It was anticipated that with the public stocking the people around the water-bodies would acquire more fishing equipment in the anticipation that more fishes would be available for catch. The members of the fishing strata other than professionals observed no major changes in the possession of fishing equipment. As expected, professional fishermen had much more fishing equipment compared to the people of the other two strata. Also in the post-intervention period, fishermen acquired more equipment than during the pre-intervention period. It was found that non-professional fishers and non-fishers fished in the peak fishing period. Non-fishers and non-professional fishers may have land, ponds, and ditch in the floodplain. So, they can fish by de-watering the pond and ditch for which they need not more fishing equipment.

5.4.9. Possession of Trees and Plants

Today trees and plants are considered to be very important economic assets as they generate income. Hence, it was felt necessary to include them in assessing the economic status of a household. The possession of trees and plants by the respondents was not found very substantial. On an average, the total value of all the trees was only Tk. 1194.00 in the pre-intervention period, and it increased to Tk. 1517.00 in the post-intervention period (Table: 13). The majority of the respondents did not have trees worth over Tk. 500.00 or more, indicating that very few people had trees at their homesteads. Strata-wise, the possession of trees and plants by the respondents was very little both in the pre-and the post-intervention periods. It is to be noted that the non-professional and non-fishermen respondents possessed more tree resources than the professional fishermen owned (Table: 13).

The statistics show that people had more tree resources in the post-intervention period than that in the pre-intervention period. It is however, unlikely to have any linkage with the stocking, but recent momentum for plantation of trees by

the government as well as NGOs might have motivated people not only to plant new trees but also to maintain old ones. These two steps possibly increased the number of trees and plants.

The above discussions on the economic assets have shown that no radical change has occurred in the economic lives of the population of the project area, but some trends of gradual change seem to have taken roots. Comparisons of pre-and post-intervention periods have shown some improvement in land assets, water-body assets, movable properties, possession of cattle, and tree resources, etc. These improvements may not be very striking, but we should remember that just by public stocking in the *beel*, no major impact can be expected in the lives of the people in about 3 years' time or so. However, it is clear that these strata acquired more benefit than they anticipated.

5.5. Household Income and Expenditure of the Respondents

To measure and calculate the real income and expenditure, all sources of income and areas of expenditure were selected earlier. The sources of income have been categorized into income from fish, income from farm and income from non-farm activities and that have been presented categorically. The expenditure of the households has been calculated on the basis of food items, non-food items, and others, which have also been presented categorically. To measure the impact of such intervention, efforts were made to identify whether any changes have occurred in the income or expenditure.

5.5.1. Annual Income from Fish

As for the income from fish of professional fishing households, the Staff Appraisal Report (SAR) anticipated that each professional fisher would receive Tk. 3750. This is equivalent to Tk. 25 per day over a 5-month fishing season.

The price of stocked spaces varies between about Tk. 35 and Tk. 80 according to season and marketing system.

Income of a household was calculated from all sources, such as fishing, farm products and non-farm products. The sources of fishing income were pond, kua, ditch, khal, beel, river and other water bodies. Incomes from all these sources were added together to determine the fishing income of a household. If there were more than one earning member in the family, their incomes were also included into it. The average annual household income of a family from fish was Tk. 7982.00. Table: 30 shows that over 70% respondents of professional fishermen earned more than Tk. 10,000.00 annually. Similar findings were also reported in the pre-intervention period. The fishing income of non-professional fishermen was next to that of professional fishermen. In fact, over 80% non-fishermen respondents earned Tk. 2000.00 or less. These differences indicate that even today the professional fishermen primarily make their living from fishing. Though there are trends in the income distribution from fish in relation to the fishing category in the project area, it was found to be something different from the participatory rural appraisal tools and technique exercise in the field to validate and triangulate the data that these projects benefited those who have land, ponds and ditches in the floodplain. The villagers provided data on benefit distribution that those who have ponds and ditches in the *beel* got highest amount of benefit from the project. The quantitative survey could cover such kinds of benefit distribution pattern from the project. The qualitative method has provided some important issues, which help to understand some of the critical issues regarding impact of the project. Such qualitative information enriches understanding and getting appropriate data on this issue. The villagers reported that when water starts coming down, then the landowners restrict the fishers to fish in their land. With the coming down of water, fishes

takes shelter in the ponds and kuas of landowners which benefit landowners under the project areas.

5.5.2. Annual Income from Farm Products

The vast majority of the rural population of Bangladesh depends on farm products for their livelihood. Respondents have indicated irrespective of their fishing strata that all of them earned a substantial income from the farm, although many of them possibly did that by sharecropping. The average annual household income from farm products of the sample population was Tk. 1,117.00 (Table: 14).

5.5.3. Annual Income from Non-Farm Products

Income from non-farm products included business, service, wage labour, rent, interest, etc. Interestingly, income of household non-farm products of the study population is a substantial amount of their total income. The average annual household income of the respondents from non-farm products was TK. 14040.00. These incomes indicate that the sources of income other than farming also existed in rural areas. In fact, fishing and farm incomes were lower than non-farm incomes. Another important feature is that income distribution among the fishing strata differed significantly (Table: 15). The Table also shows that the professional fishermen had lower income from non-farm products compared to members of two other fishing strata.

5.5.4. Expenditure on Food Items

It is extremely difficult to include all food items in the list for conducting a study, as people have individual peculiarity in food habits. However, it has prepared a list of 13 common items specifically for this study. Without such a list, the interviewers as well as the respondents could not set a limit to it. The 13

items included in the list were rice, wheat, pulses, fish, meat, vegetables, molasses, edible oil, tea, milk, eggs, spices and other items. For convenience's sake, information of three months on all these items were collected for and later multiplied by 4 to convert the amount to that of a year. The respondents spent on average Tk. 16140.00 for each year. It is noteworthy that the expenditure reported on food items in the pre-intervention period was almost half of the reported present expenditure. There is no doubt that inflation had contributed to some extent to this high expenditure, but there must be other reasons as well for a sharp difference. Moreover, this study differed with the pre-intervention study particularly with regard to the differences on food expenditure by the fishing strata. The finding about pre-intervention period reveals that the non-fishermen and non-professional fishers spent more than the professional fishers, but this study did not find any statistically significant difference among the fishing strata on food expenditure.

5.5.5. Expenditure on Non-Food Household Items

The non-food items that are part and parcel of our life were also included in the study, as a significant amount is spent on it by the people. The items included were soap, tobacco, firewood, kerosene, batteries, electricity, medicine, cloth, education, hired labor, transport and other items.

It was found that respondents spend a substantial amount of money for non-food items. The sampled respondents on an average spend TK 5932.00 (Table: 17). It was expected that the professional fishers who were relatively poor would spend distinctly less on non-food items compared to members of the other two fishing strata, but it was not found to be as true as differences measured in the study. There is no significant difference existing among different strata of respondents in the study (Table: 17).

5.5.6. Expenditure on Other Items

Besides the above-mentioned essential expenditure, expenditure on construction and repair of houses, purchase of house, purchase of land, investment in fish culture, investments in fishing gears, investment in ditches and other equipments were also included. However, all these investments could be done by those who had the surplus; others could not do without them, because a professional fisher could not survive without fishing gears. Although, expenditure on other items has varied among different fishing strata; but, no significant difference was observed among the different fishing strata of the study population.

Calculating the income and expenditure is extremely difficult, because, in general, people have a tendency to underreport their income and over report the expenditure. In order to minimize the over and underreporting, the respondents were asked item-wise income and expenditure. Finally, it was added to the income of each individual from all sources and to expenditure on all items. The consolidated income is on an average; the annual income was Tk. 4186.00 (Table: 19). This appears to be unrealistic, because with this meager income, a surplus is a difficult proposition. When respondents were asked about their savings, they replied that they saved nothing. This means that they had spent all their income. Hence, it is extremely difficult in this culture to calculate actual income and expenditure of an individual; yet, collection of these pieces of information is important at least for making a reasonable guess about a person's income and expenditure.

5.6. Electricity, Housing and Drinking Water Status

The purpose of including this variable in the study was to assess the general standard of living of the people around the project area. In general, the overwhelming majority of the respondents of the study area did not have

electricity connection in their houses. Only one percent of the study population's households had electricity connection. The number of electrified houses did not change in the post-intervention period (Table: 20). Since only a few persons possessed electricity in their houses, fishing strata-wise analyses was considered to be meaningless.

Almost all respondents and fishing strata were found using tube-well for drinking water (Table: 21). Of those who use tube-well water, only about 14% to 25% independently owned tube-wells. The highest number of tube-wells however, was owned by the neighbors followed by the government and the respondents themselves. There was virtually no difference in the ownership pattern of the tube-wells between pre-and post-intervention periods.

The rise of average income of the respondents seems to have very little reflection with the value of the dwelling units. On an average, the values of dwelling units of the respondents have increased about Tk. 917.00. This indicates that people invested little in housing despite considerable rise in income. Strata-wise non-professional fishermen and non-fishermen had more valuable dwelling units in the study area than the professional fishermen during both pre-and post-intervention periods (Table: 23).

5.7. Fishers' Access to Fishing Knowledge and Awareness

In this section, both qualitative and quantitative aspects regarding the third fisheries project were covered. The respondents were asked about their access to water bodies, knowledge and awareness about fishing rules, etc.

5.7.1. Awareness about Third Fisheries Project

In principle, when 90 per cent respondents showed agreement on a particular issue, fishing strata-wise analysis was not done, as results were likely to be statistically insignificant for having too many responses on one side. It was

found that about 93% of the respondents have knowledge about public stocking in the nearby *beel* (Table: 24). However, villagers could not tell the quantities of fish stocked in the project area floodplain.

50% respondents of the study stated that the goal of the stocking was to increase fish production in the country (Table: 25). Other important responses about the knowledge of goals were welfare of the poor, benefits of fishermen, consumption of fish by the poor and welfare of all people. All these responses indicated that the people around the project area had some relevant ideas about the goals of stocking.

About three-fourths or more respondents of the area believed that the stocking was done by the government, while about one-fourth of the respondents believed it to be an act of foreign organizations. A significant number of the respondents, however, said that both the government and a foreign organization were involved with it. There was a reason to believe that foreigners were involved with it, as the villagers (Table: 26) saw a number of foreigners with the stocking team.

Awareness of stocking among the villagers was further reflected in their ability to name the stocked species. The prominent species named by the respondents of the *beel* are Rui, Silver Carp, Katla, Mirror Carp, Mrigal and Japanese Carp (Table: 27).

The above statistics indicate that the people around the *beel* know very well about the public stocking, who were involved with it, and the purposes of stocking.

5.7.2. Knowledge about Fishing Rules

The Directorate of Fisheries (DOF) claimed that enough publicity was made regarding prohibition of harvesting of restricted size of fish (less than 9 inches in length) by using current net. In the pre-intervention period, only 7% of the respondents were aware of the fishing rules. In this study, five indicators were

used to measure the knowledge of the respondents about fishing rules: methods of implementation of fishing rules, prohibitive months of catching fish and payment of the rent for fishing. Over 82% of the respondents had knowledge about some of the regulations and rules related to fishing. The majority of the respondents have reported that the fishing rules were implemented by burning or taking away of the nets and fishing equipments of the violators. A significant percentage of respondents also viewed that the police also arrested the violators. Some also reported that DOF officials guarded the *beel* during the ban period of fishing (Table: 28). 45% of the respondents have reported that the use of nets of one-inch mesh or less was prohibited. The remaining respondents did not have correct knowledge of prohibited equipment and the size of the nets' mesh (Table: 29).

The vast majority of the respondents seemed to have accurate knowledge about the rules of prohibition for harvesting under-sized fish. About 90% of the respondents had knowledge that harvesting of fingerlings below 9 inches size was against the fishing rules of the country (Table: 30). This was, however, a very old fishing rule. Three months' fishing restriction in the post-intervention period was imposed in the project area for the purpose of allowing the fish to grow. About 45% of the respondents had correct knowledge about the restricted period of fishing. It is important to note that a significant number of inhabitants around the Project were not aware about these important rules (Table: 31).

Although majority of the respondents were aware of the fishing rules, overwhelming majority of the respondents (93%) who fished during the last one year did not pay any rent either to the government or to the lease holders (Table: 32).

The above discussions show that despite wide publicity regarding the fishing rules as claimed by the DOF, a significant number of respondents either do not

know the rules or know the rules wrongly even after 3 years of the stocking programme. It was observed that though the people did not know about the government's rules, they know about the restriction with regard to fishing in the water body. They have also mentioned that the restriction was not implemented properly in the project area.

5.8. Mode and Site of Fishing

The professional and non-professional fishermen catch fish in different types of water bodies, namely *beel*, rivers, pond, ditches, *kuas* and *khals*. About 90% of fishermen catch fish in the *beel*. Fishing in *beel* appears to have increased in the post-intervention period compared to the pre-intervention period. Next to *khals*, ponds and rivers were the best choices of fishers for fishing. This indicates that people around the *beel* primarily fished in the *beel* possibly because more fishes were available in that *beel* in the post-intervention period (Table: 33).

The respondents seemed to have much higher tendency to catch fish individually (85%). The post-stocking data show that group fishing had declined to 3% from 25% in the pre-stocking period. The above data show that in the post-stocking period, group fishing had decreased significantly (Table: 34). The study findings also reveal the same trend on group fishing status in the water bodies under the project area.

5.9. Marketing Pattern of Fish

Separate analysis was done on the total sale of stocked and non-stocked fish to measure which fishes sold more. In the study area, the non-stocked fishes were sold more than the stocked species (the mean amount of selling stocked fish is Tk. 3093 which is lesser the non-stocked fish amount mean Tk. 4654.00, Table: 37), and it was observed that the median sale values of the stocked and non-stocked fishes were much lower than the mean values (Table: 37). This means that only few people actually set control over the sale of fish. For example,

fishermen of the project area sold more stocked and non-stocked fishes than the members of other areas (Table: 37). The most important point here to note is that a significant income had been generated from the stocked fish in the project area, which was absent in the pre-stocking period.

The sellers of the fish mostly sold their catch in the *beel* sites - *Arong* (daily morning bazaar) (Table: 38). A few of the respondents of the project area used to sell dry fish, which they processed when raw fishes were sold at a very low price. Those who sold dry fish, daily bazaar were their first choice. 72% among the respondent (Table: 38) sold at the village bazaar (popularly known as hut). Majority (66%) of the fishers sold their catch in the local *hut*, which is located near by the *beel* (Table: 38). The highest percentage of the buyers belonged to the group of the middlemen who would transport fish to different towns. The percentage of direct consumers was between 35% of the fish. Whereas the Paikar and primary collector purchase (84%) and (14.8%) of the total catch. Besides these, there were two groups of buyer; a significant number of buyers were bulk buyers (Table: 38). All these statistics indicate that fish trading was quite developed in the project area and the marketing system is under the control of the group of solvent influential people of the area. It was observed that the financially solvent persons are controlling the fish business. In addition, a group of people is involved in *Kua* fishing in the project area. They purchase *Kua* fishing right in lean fishing period at a cheaper price and make huge profit from this business. It reveals that fish marketing is dominated by those people who are able to operate such programmes.

5.10. Credit and Institutional Aspects

The credit status and participation in cooperatives have been discussed elaborately in this section. This section covers whether there is any positive

impact of the above- mentioned project on access to credit and institution building process.

5.10.1. Credit Status of the Respondents

It is widely believed that the poor do not have access to credit facilities. This could be partially true in this case as only one-third of the respondents around the *beel* had taken loan from different sources (Table: 39). The largest number of moneylenders was the traditional *muhajans* of the rural areas followed by Agricultural Bank, relatives, and NGOs (Table: 40). It may be noted that this is true in spite of the existence of the Agricultural Bank, which was supposed to provide low interest credit to people, but the poorer have nothing to mortgage to the Bank. As a result, they do not get access to the government Bank's loan.

A sharp gap was observed between the mean and the median values of the given loan (Table: 40). This indicates that a few people had taken a larger amount of loan depriving others. It is clear that it is also concentrated to the few hands. Those who took loan showed very negligible interest in investing it in fish production, because almost all recipients of loan invested their money in non-fishing sector (Table: 41).

The interest rates paid by the recipients seemed to be very exorbitant, as about 31% of the recipients of the loan paid 21% to 100% interest annually and 27% of the respondents who received loan paid more than 100% interest per year (Table: 42). This means that a significant number of the respondents borrowed money from non-institutional sources, particularly traditional moneylenders, and the *muhajans*. The factors that forced the people to go to *muhajans* were also observed in the selected villages. The participants reported that the poorest fishers lacked worthy things including land, which is essential for Bank loan. So, they were bound to take loans from *muhajans*. Some of the participants reported that the loan repayment schedule for Bank as well as the NGOs is very

tight; but the *mahajans* are reluctant about that, and so, they go to them. The repayment rates of the loan were found satisfactory as the vast majority of the respondents of the recipients of loan had paid back their loan in time (Table: 43). This could be because the primary source of loan was private. It is widely believed that the people had to pay a significant amount of loan as kickbacks to the officials of the loan-giving institutions. It is also clear that the loan repayment rate is very regular and higher than the other groups.

5.10.2. Participation in the Cooperatives

One of the approaches to alleviate poverty in the country was to bring the poor under the cooperative societies. This was more so for the fishermen, as leasing rules of *beel* were formulated in favor of the fishermen's cooperative societies. Table: 45 shows that only about 13% respondents were members of fishermen cooperative societies and the rest were involved with some professional and NGO *Samity*. Of those who reported to be the members of cooperative societies, the highest percentage (48.6%) of the respondents belonged to the Landless Cooperative Society. However, a significant number of the respondents also became members of different cooperative societies. The traditional fishers are involved with the fishermen cooperatives. But, most of them do not have capital to lease in water body for fishing. In most cases, by the name of their *Samity*, influential *mahajans* leased in and gave them fishing opportunity only.

5.11. Awareness on NGO Programmes

Although it was reported in the pre-intervention study that the NGOs were active and existed in a large number in the rural areas, only 20.7% of respondent of post-intervention period reported to have knowledge about the existence of NGOs in the areas (Table: 47).

The nature of activities with which the NGOs were reported to be involved were credit programme, relief, education, health, public service and other activities. The respondents mentioned that the activities of the NGOs are public service at the top followed by education and credit programmes. Almost all who have knowledge about activities of the NGOs have reported that they are not personally involved with activities of any organization.

The above facts reveal that the NGO activities are not effective and have very little involvement with the stocking programme. It is supposed that the knowledge of the people involved with the NGOs would have been much higher. I have excluded the analysis of benefits derived from the NGO programmes by the local people because only a negligible few knew and were involved with it.

5.12. Beneficiaries of the Programme

Data regarding the beneficiaries were collected through survey as well as in-depth interviews. The respondents identified four categories of people as the most important beneficiaries of public stocking. They were fishermen (both professional and non-professional), general people, pond and kua owners, and officials. In-depth interviews also revealed that the fishermen and the kua owners were highly benefited by public stocking. The highest percentage of respondent have (43% to 55%) repeated that the fishermen had increased their income in the post-intervention period (Table: 50). The respondents further

opined that production, trading and consumption also increased due to public stocking and had benefited the people in general, fishermen and the traders (Table: 50). Though a section of people of the project area became benefited from such activities, most of the benefit concentrated in the hands of a few--landholders, *mahajans*, and fish traders. Those who were not anticipated as beneficiaries in the project documents, deprived the ultimate beneficiaries.

5.13. Attitude of Elite and Fish Traders towards the Project

The fish traders and the elite members of the project area are somehow involved with the projects. Especially the fish traders are one of the expected beneficiaries of the project. So, the attitudes of fish traders and the elite members have been stated bellow.

5.13.1 Attitudes of Elite members towards Fish Stocking Program

The interviewed elite were schoolteachers, local politicians, UP chairmen and members, religious leaders, rural doctors, local businessmen, wealthy farmers, ex-government employees and community leaders. The purpose of including these cross-section in the study was to get the feeling of the people who were directly or indirectly involved with variety of decision-making in the community. These elite members of the community were relatively wealthy, educated (usually high school or less), permanent resident, mostly Muslims and middle aged. A total of 15 elite members were interviewed.

Stocking operation was a big event in the villages because many people including foreigners came from outside to release fingerlings. These events could not escape the eyes of the villagers including the elite members. Public stocking event was in the knowledge of all the elite members. They could vividly tell what happened during the stocking operation. They told us that the

Bangladesh Government organized the programme with the financial assistance of the World Bank and the UNDP. The primary responsibility of stocking was, however, upon the Directorate of Fisheries. The fingerlings were released publicly but none could tell about the amount actually released in the beel. Some of the elite members were also personally involved with it. In short, the local elites were fully aware of the stocking operation.

The people were not properly informed of the purpose of stocking in an organized manner. Most of the information given by the elite members possibly were from their own speculations. They reported that the purposes of the public stocking were to increase fish production, which had been steadily declining in this country for sometimes, to provide protein to the poor villager, to improve the condition of the fishing community, and also to help the fish traders.

In general, the elite members opined that the fish stocking had benefited different categories of people. Fishermen were benefited most, because they harvested a large quantity of fish from September to November every year since public stocking began in July, 1991. Some reported that a fishermen family earned around Tk. 18,000.00 to 25,000.00 per month during the peak harvesting months. These figures, however, appear to be too inflated. The poor people around the *beel* were also benefited, as these *beels* being public property, they could freely fish in them. In fact, a large number of part-time and occasional fishermen consumed a considerable amount of fish during the peak period. Many of the rich people had *Kuus* in the *beel*, which drew fishes with the recession of the monsoon water. As a result, the *kuas*, which were of no importance previously, had now become very valuable assets for the owners. It is important to note that the survey data are also very similar to these qualitative data with regard to the beneficiaries of public stocking.

The income from the *kua* had become so profitable now a days that many of the rich having properties in *beel* dug *kuas* for sheltering the stocked fish. This act of the rich had antagonized the poor because due to the existence of these *kuas* their share of catch had declined considerably. The reported income from the *kuas* was three to four times higher than that of the pre-intervention period. The respondents of the survey also reported that the income from *Kua* had definitely increased, but not as high as reported by the elite members. The unexpected income from *Kuas* had also created an opportunity for spontaneous emergence of a group of middlemen in the rural areas. They managed to market the large quantities of *kua* fish, as the owners of the *kuas*, who were traditionally farmers or absentee landlords, did not have the knowledge and skill of marketing the fish. A group has emerged basing on the fish marketing system in the project area.

Some of the elite members contradicted their fellow elites, arguing that the fishermen, who were supposed to be the primary beneficiaries, of stocking were the least benefited. Because they were not allowed to fish for three months after stocking, and then when they were allowed to fish, the water level went too high to catch substantial amount of fish. Hence, the poor fishermen were deprived of their legitimate share of the catch. For the same reason, the non-professional fishermen were also not benefited by public stocking.

The elite members had made some suggestions to improve this situation. In every *beel*, there is a depression, which holds water in the dry season. The government lease out their water bodies every year to the highest bidder. A substantial amount of fish would take shelter into this water body by entering into the private *kuas*. The elite members argued that if these *water-bodies* were left without leasing, the poor fishermen and common villagers could fish in it. Some also suggested that people should be allowed to fish in the private *kuas* as the fishes were public property. Another suggestion was to give liberal loans to

the fishermen to buy modern fishing gears to fish in deep water so that they did not have to wait for recession of water. The elite members also opined that the public stocking had negatively affected the indigenous species, because the released carps ate a large member of them. However, because of stocking, the quantity of stocked fish had increased substantially.

Although some were critical of stocking for variety of reasons, none opposed future public stocking. They all expressed their confidence in the benefits of public stocking. They suggested that people should be informed properly about its purpose and what they should do to protect the fish for their own benefits. They blamed the law-enforcing agencies for not imposing the fishing rules properly. It was reported that sometimes the law enforcing agencies came to the *beel* at daytime, but all thefts took place at night. In order to stop the night thefts, they suggested engaging local guards along with the law enforcing agencies. The law enforcing agencies should also be empowered to withdraw the banned fish species from the market.

Despite elite members' critical views about the Government's role, they did not believe that this programme could be successful without its involvement, because the NGOs or cooperative society could not manage such a large operation. But, they strongly felt that the local participation should be much higher in future; otherwise, the programme would remain isolated benefiting a limited number of people.

5.13.2. Attitudes of Fish Traders towards Stocking Program

In rural Bangladesh, there are two types of markets: one sits every morning where people gather to buy fish, vegetables, milk and small groceries to meet their daily requirements; another type sits normally twice a week where traders come from far off places, and more goods are bought and sold. The former is commonly known as '*Arong*' and the latter '*hut*'. Fishes are sold in both types of

markets, but only a little quantity in the former. This study had tried to measure the attitudes of fish traders of both the types. I went to the markets in the morning to interview the fish traders of 'Arong' and in the evening to meet the traders of 'huts'.

The ages of the fish traders varied between 30 to 65 years. The fish traders interviewed did not work round the year. Some one worked seasonally when fish catch was high. The average number of children in fish traders' family was little over 3. Fish traders did not come from fishing backgrounds, as some of the traders' parents' occupations were agriculture and business. The newcomers in the trade were pre-dominantly Muslims. The family size including children and dependants was around only 6. The monthly average income of the fish traders of 'Arong' was around Tk. 2500.00 to Tk. 3000.00, while that of fish traders of weekly 'hut' was Tk. 3500.00 and more. The fish traders on an average seemed to be economically better than the professional fishermen; they had more than one acre of landed property including homestead.

Most of the fish traders had some idea about public stocking and believed that it was done to benefit the fishermen. But, the fishermen were not benefited, as they did not have access to the leased out *beel* or to the private *kuas* where most of the fishes took shelter with the recession of water. The fish traders, however, did not have much knowledge as to what their primary goals were. They also could not exactly name the organizations involved with it, but suspected the government to be involved with it.

In addition to indigenous species, the stocked fishes like Rui, Katla, Mrigal, Mirror Carp, Japanese Carp, Grass Carp, and Thai Puty are also sold by the fish traders. The supply of stocked fish according to the traders had increased significantly in the post-intervention period. This statement of most of the fish traders contradicted the allegations often made by the local fishermen and

villagers that the stocked fish either died or escaped from the *beel*. They believed that the three-month ban on fishing in the post-release (of fingerlings) was the major reason of rise of the production. They now trade a greater volume of stocked fish than before. Because of greater vigilance by law enforcing authority, the sale of restricted sizes of fish had gone down to 5% in the markets they sold fishes during the last 3 years. The fish traders might have under reported this, because the sale of restricted size of fish would be a reflection on them.

The fish traders strongly stated that they had been selling more fishes than before and making considerable profits. The rise of supply of fish did not depress the price. In fact, prices of different fishes had increased 25% to 30% during the last three years. However, the prices of indigenous fishes had increased more than the stocked fishes. They also opined that the quantity of production of indigenous fishes had declined considerably but not for stocked carps, rather for over fishing and use of pesticides. The fish traders appeared to have clear knowledge about fishing rules of the country but opined that these were not implemented with sincerity.

Fish traders expressed very positive attitudes towards public stocking, because they received more fish than before, and those came mostly from *Kua* and *beel*. Had there been no public stocking, there could not be so many stocked carps in the markets. They also reported that villagers around the *beel* had eaten more fish in the post-stocking period compared to the pre-stocking period.

5.13.3 NGO intervention

When NGOs got involved in the implementation of the floodplain component and were organizing poor fishermen to dissuade them from catching undersized fish, they were faced with severe resentment from the poor fishermen, since no alternative income opportunities were made available to

sustain their livelihood during that period. Moreover, when the stocked fish matured, the areas were leased out to big contractors. Therefore, the poor fishermen gave up their natural fishing right without benefiting from the project. Therefore, it is evident that modus operation for NGOs to work in the large-scale projects is not yet well defined and conditions are not well laid out.

Table -01: Percentage Distribution of Samples of the Study by Primary Beneficiaries Category

Fishing strata	Percentage
Professional fisherman	2.78
Non-professional Fishermen:	
Part-time	35.10
Occasional	39.39
Non-fishermen	22.73
Total	100.0

TABLE: 02: Selected Characteristics of the Sampled Population

Characteristics of the respondents	Mean	%
Age of the male head of the family	45.1	--
Age of the wife of the male head of the family	39.4	—
Family size	6.2	—
Literacy rate of the husband	52.9	--
Average completed school years of the husband*	6.1	--
Literacy rate of the wife	27.8	
Average completed school years of the wife	5.1	--
Other families have members engaged in fishing:		
Professional		1.0
Part time		9.9
Occasional		21.3
		--- 32.2
Family type:		
Extended		27.1
Nuclear		73.1
		--- 100.0
Religion:		
Hindu		78.1
Christian		18.1
Muslim		3.8
		--- 100.0

Calculation of average completed school years is done excluding those respondents who did not go to school.

Table: 03: Primary and Secondary Occupations of the Respondents

Primary occupation of males and females	%
Primary occupation of the senior Male members	
Small farmer	44.6
Service	3.8
Fishing	7.3
Daily wage laborer	13.9
Share cropping	0.5
Others	23.7
Nothing	6.3
	100.0
Primary occupation of the senior female member	%
Household chores	96.5
Others	3.5
	100.0

TABLE: 04: Migration of Family Members from Among the Sampled Families

Categories	Percentage
Migration of family member	
Migrated	5.3
Did not Migrated	94.7
Reasons of migration	
Employment	62.0
Poverty	19.0
Marriage	23.0
Other	33.3
Sub Total	137.3
Place of migration	
Outside country	52.3
Rural to urban (within the country)	47.7
Sub Total	100.0

* The rest of the families did not experience any loss of family member due to migration.

TABLE: 05: Other Members Engaged Full-Time in Fishing in the Families by Beels

No. of members engaged full-time in fishing	Percentage
Only one member	50.0
Only two members	50.0
Only three and above	0.0
Total :	100.0

* Other professional families did not have additional professional fishermen.

TABLE: 06: Percentage Distribution of Land Assets (in taka) Owned by the Respondents by Fishing strata

(in taka)	Before Intervention (in percentage)			After Intervention (in percentage)		
	PF	NPF	NF	PF	NPF	NF
0 - 10000	18.2	13.8	17.7	9.1	11.4	9.18
10001-20000	9.1	13.9	16.7	18.2	13.2	16.7
20001-30000	18.2	13.9	12.2	9.1	13.9	12.2
30001-50000	18.2	23.7	18.9	18.2	23.4	18.9
50001-75000	--	15.6	8.9	--	15.9	7.8
75001 +	36.4	19.3	25.6	45.5	21.7	25.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
Mean	60688.0			63020.0		

TABLE: 07: Percentage Distribution of Share Cropping Land Assets (in taka) of the Respondents by Fishing Strata

in Taka.	Before Intervention (in percentage)			After Intervention (in percentage)		
	PF	NPF	NF	PF	NPF	NF
0 - 5000	72.7	78.7	78.9	63.6	61.3	68.8
5001-10000	--	3.4	2.2	9.1	12.9	14.4
10001-20000	18.2	6.1	7.8	9.1	14.2	12.2
20001-50000	9.1	9.5	7.8	9.1	9.2	1.1
50001 +	--	2.4	3.3	9.1	2.4	3.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
Mean	6677.0			7318.0		

TABLE: 08: Percentage Distribution of Water Body Assets (in taka) Owned by the Respondents by Fishing Strata

(in taka)	Before Intervention (in percentage)			After Intervention (in percentage)		
	PF	NPF	NF	PF	NPF	NF
0 - 2000	63.6	61.3	68.8	54.6	57.3	65.5
2001-5000	9.1	12.9	14.4	18.2	13.6	16.7
5001-15000	9.1	14.2	12.2	9.1	10.2	11.1
15001-30000	9.1	9.2	1.1	-	15.6	2.2
30001 +	9.1	2.4	3.3	18.2	3.4	4.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
Mean	3881.0			7946.0		

TABLE: 09: Percentage Distribution of Movable Property (in taka) Owned by the Respondents by Fishing Strata

(in taka)	Before Intervention (in percentage)			After Intervention (in percentage)		
	PF	NPF	NF	PF	NPF	NF
0 - 2000	63.6	71.5	70.0	63.7	56.2	67.8
2001-5000	18.2	14.6	13.3	-	12.9	5.6
5001-15000	9.1	11.2	14.4	18.2	23.4	20.6
15001-30000	9.1	2.0	1.1	18.2	5.1	5.6
30001 +	-	0.7	1.1	-	2.4	1.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
Mean	2800.0			3459.0		

TABLE: 10: Percentage Distribution of Livestock Owned by the Respondents by Fishing Strata

(in taka)	Before Intervention (in percentage)			After Intervention (in percentage)		
	PF	NPF	NF	PF	NPF	NF
0 - 2000	63.7	56.2	67.8	45.5	45.4	57.8
2001-5000	-	12.9	5.6	9.1	9.5	10.0
5001-15000	18.2	23.4	20.0	36.4	33.9	21.1
15001-30000	18.2	5.1	5.6	9.1	8.1	8.9
30001 +	-	2.4	1.1	-	3.1	2.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
Mean	4678.0			6138.0		

TABLE 11: Percentage Distribution of Farm Equipment Owned by Respondents by Fishing Strata

(in taka)	Before Intervention (in percentage)			After Intervention (in percentage)		
	PF	NPF	NF	PF	NPF	NF
0 - 500	100.0	95.9	94.4	100.0	97.3	92.3
501 - 2000	--	3.7	4.4	--	2.4	6.7
2001 - 5000	--	0.3	1.1	--	0.3	1.1
5001 +	--	--	--	--	--	--
Total	100.0	100.0	100.0	100.0	100.0	100.0
Mean	176.0			177.0		

TABLE 12: Percentage Distribution of Fishing Equipment (in taka) Owned by the Respondents by Fishing Strata

(in taka)	Before Intervention (in percentage)			After Intervention (in percentage)		
	PF	NPF	NF	PF	NPF	NF
0 - 500	9.2	23.7	51.1	--	25.8	50.0
501 - 2000	35.4	0.2	31.1	36.4	43.1	30.0
2001 - 5000	18.2	19.7	13.3	27.3	25.1	13.3
5001 +	36.4	6.4	4.4	36.4	6.1	6.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
Mean	1896.0			2100.0		
Chi-Square Sig.	.000			.000		

Table 13: Percentage Distribution of Tree and Plants (in taka) Owned by the Respondents by Fishing Strata

(in taka)	Before Intervention (in percentage)			After Intervention (in percentage)		
	PF	NPF	NF	PF	NPF	NF
0 - 500	53.6	68.5	67.8	63.6	59.0	56.7
501 - 2000	18.2	22.4	24.4	27.3	27.1	27.8
2001 - 5000	--	5.8	4.4	--	8.8	8.9
5000 +	18.2	3.4	3.3	9.1	5.1	6.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
Mean	1194.0			15.71		

TABLE 14: Percentage Distribution of Total Annual Income from Farm Products by Fishing Strata

(in Taka)	Fishermen Category		
	PF	NPF	NF
0 - 2000	27.3	32.7	36.7
2001 - 4000	27.3	29.3	32.2
4001 - 6000	27.3	21.1	32.2
6001 - 10000	18.2	17.0	8.9
Total	100.0	100.0	100.0
Mean 11,117.0			

Table 15: Percentage Distribution of Total Income from Non-Farm Product by Fishing Strata

(in taka)	Fishermen Category		
	PF	NPF	NF
0 - 5000	54.5	25.9	15.6
5001 - 10000	9.1	33.0	15.6
10001 - 20000	18.2	25.9	34.4
20001 +	18.2	15.3	34.4
Total	100.0	100.0	100.0
Mean	14040.0		

TABLE 16: Percentage Distribution of Yearly Total Expenditure on Food Items by Fishing Strata

(in taka)	PF	NPF	NF
0 - 5000	-	1.7	5.6
5001-10000	9.1	12.9	13.3
10001-20000	45.5	67.0	62.0
20001 +	45.5	18.4	18.9
Total	100	100	100
Mean	16140		

TABLE: 17: Percentage Distribution of Yearly Total Annual Expenditure on Non-Food Items by Fishing Strata

(in taka)	Fishermen Category		
	PF	NPF	NF
0 - 5000	45.5	60.7	47.8
5001-10000	27.3	29.2	38.9
10001-20000	27.3	7.8	10.0
20001 +	—	2.4	3.3
Total	100	100	1000
Mean 5932			

TABLE: 18: Percentage Distribution of Yearly Annual Expenditure on Other Items by Fishing Strata

In Taka	Fishers Category		
	PF	NPF	NF
0 - 5000	54.4	66.4	65.6
5001-10000	18.2	20.0	18.9
10001-20000	27.3	7.1	11.1
20001 +	—	6.4	4.4
Total	100.0	100.0	100.0
Mean	6127.0		

Table: 19: Average Household of Yearly Annual Income and Expenditure of the Respondents.

Items	Average (Taka)
Income	32385.0
Expenditure	28199.0
Balance	4186.0

Table: 20: Percentage Distribution of Extent of Use of Electricity in the Pre-and Post-intervention Period

Use of electricity	Response in Percentage	
	Pre -Intervention	Post-Intervention
Yes	1.0	1.0
No	99.0	99.0
Total	100.0	100.0

Table: 21: Percentage Distribution of Sources of Drinking Water

	In percentage
Tube-well	98.5
Pond	1.5
Others	-
Total	100

Table: 22: Percentage Distribution of Ownership of Tube-well

Nature of Ownership	Percentage of response	
	Pre-Intervention	Post-Intervention
Self	17.3	17.3
Neighbors	30.4	29.8
Government	32.7	33.1
Jointly own	6.9	6.9
Others	12.8	12.8
Total	100.0	100.0

The rest did not own tube-well.

TABLE: 23: Percentage Distribution of Value of the Pre-and Post-intervention Dwelling Unit

	Before Intervention (in percentage)			After Intervention (in percentage)		
	FF	NFF	NF	FF	NFF	NF
0-1000	18.2	12.9	6.7	9.1	10.5	6.7
1001-2001	9.1	12.2	8.9	9.1	11.5	6.7
2001-5000	27.3	20.7	22.2	36.4	21.4	16.7
5001-7500	-	9.8	5.6	9.1	10.5	5.6
75001-10000	18.2	15.3	15.6	18.2	13.9	22.2
10001-20000	18.2	19.7	24.4	9.1	20.7	23.3
20001+	9.1	9.5	16.7	9.1	11.5	18.9
Total	100.10	100.10	100.10	100.10	100.00	100.10
Mean	11570.0			12487.0		
Median	7000.0			7550.0		

Table: 24 : Percentage Distribution of Knowledge of Public Stocking of the Respondents

Knowledge of stocking	Percentage
Yes	92.4
No	7.6
Total	100.0

Table: 25: Percentage Distribution of Knowledge about Goals of Stocking

Knowledge	Percentage
For the welfare of the poor	23.0
For the higher production of fish	45.1
For the benefits of the fishermen	4.4
For the consumption of the poor	8.5
For the welfare of all	26.0
Others	6.0
Don't know	15.0
Total	128.0

- Others did not know about the program.

Table 26: Percentage Distribution of Knowledge about the People Involved with Stocking Program

Organization	Percentage
Government	74.5
Foreign organization	30.1
Others	10.3
Don't know	10.4
Total	125.3

* Others did not know about the program.

Table 27: Percentage Distribution of Reported types of Species Stocked

Name of Fish	Percentage
1. Rui	68.85
2. Katla	54.91
4. Mrigal	33.87
8. Silver Carp	65.57
16. Thai Puti	15.02
64. Mirror Carp	53.00
128. Japanese Carp	9.01
256. Common Carp	6.01
512. Others	15.02
999. Don't know	6.83
Total	336.55

Table 28: Percentage Distribution of Implementation of Fishing Rules as Opined by the Respondents

Categories	Percentage
DOF burnt the nets, took away the nets, fine the violators	69.7
Police arrested the violators	41.9
Fishery Officers guarded the beel	15.7
Others	6.6
Don't know	17.7
Total	151.6*

* Percentage exceeds 100 as more than one response was possible

Table 29: Percentage Distribution of Knowledge of the Use of the Size of Net

Categories	Percentage
One inch mesh	45.0
Two inch mesh	22.8
Other size	9.0
Can't tell	23.2
Total	100.00

Table 30: Percentage Distribution of Knowledge about Prohibition of the Size of the Fish

Categories	Percentage of response
9 inch or less	89.1
Other	2.3
Can't tell	8.6
Total	100

Table: 31: Percentage Distribution of Knowledge of Prohibiting Month of Catching Fish

Categories	Percentage
3 month or less	45.3
4-6 month	14.1
7-12 months	24.4
Can't tell	16.2
Total	100

Table: 32: Percentage Distribution of Payment of for Fishing in Public Water Bodies

Category	Percentage
Government of Bangladesh (DOF)	6.3
Leaseholders	1.2
None	92.5
Total	100

- The rest of the people did not fish.

Table: 33: Percentage Distribution of the Places of Fishing

	Percentage
Beel	90.0
River	2.1
Ponds	13.1
Ditches	17.0
Kuas	10.4
Khals	6.6
Others	4.1
Total	143.3**

* The rest did not fish.

** Percentage exceeds 100 or more than one response was possible.

Table: 34: Percentage Distribution of Mode of Fishing

Nature of fishing	Percentage
Individually	84.5
In group	2.7
Both	12.8
Total	100.0

The rest did not fish.

Table: 35: Percentage Distribution of Types of Nets Used in Fishing

Name of Gears	Percentage
1. Berjal	17.2
2. Angling	2.0
3. Tana Jal	2.5
4. Current Jal	4.0
5. Theira Jal	4.3
6. Koi Jal	10.6
8. Khapla Jal	20.7
9. Fash Jal	28.3
10. Thela Jal	2.0
11. Others	11.4
No net and equipment	15.4

Table: 36: Percentage Distribution of Knowledge of Prohibited Net and Its Mesh size

Knowledge of Prohibition	Percentage
One inch mesh	45.0
Two inch mesh	22.8
Other type of nets	9.0
Can't tell	23.2
Total	100.00

Table: 37: Percentage Distribution of Total Value of the Non-Stocked and Stocked Fish Catch of the Last Year

	Non Stocked Fish			Stocked fish		
	Fishermen Category			Fishermen Category		
	PF	NPF	NF	PF	NPF	NF
0-500	-	7.5	60.0	18.2	33.9	75.6
501-1000	-	10.8	8.9	-	13.9	3.3
1001-2000	-	15.9	6.7	-	22.7	10.0
2001-4000	18.2	26.4	11.1	18.2	16.6	4.4
4001-6000	18.2	14.9	2.2	9.1	3.4	5.6
6000+	63.6	24.4	11.1	54.5	9.5	1.1
Total	100.	100	100			
Mean	4654.0				3039	
Median	3000				800	

Tables-38: Percentage Distribution of Places of Selling Raw Fish, Dried Fish and Fresh Fish

Raw Fish	Percentage	Dried Fish	Percentage	Types Fresh Fish Buyer	Percentage
Beel side	65.6	Daily Bazaar	63.9	Direct consumer	34.9
Village hut	33.5	Village Hut	44.4	Paiker/ Primary collector	84.3
Daily Bazaar (Around)	17.6			Bulk buyers	14.8
River Bank	1.8			Money lender	.4
Others	1.8			Others	1.3
Total				Total	

* percentage exceeds 100 as more than one response was possible

Table: 39: Percentage Distribution of Persons Taking Loan After 1991

	Percentage
Yes	42
No	68
Total	100

Table: 40: Percentage Distribution of Sources of Loan

Sources	Pre-Intervention	Post Intervention
Caritas	5.5	1.5
Agriculture Bank	20.5	26.7
Commercial Bank	7.9	9.2
CCDB	1.6	3.1
From relatives and others	-	13.7
Mohajans	50.4	38.9
Others	18.9	5.3

* The rest did not take loan

Table: 40: Total Amount of Loan Taken by Fishing Strata

Range	Fisherman Category (in percentage)		
	FF	NFF	NF
200-1000	--	12.5	7.7
1001-2000	--	27.1	23.1
2001-4000	--	21.9	30.8
4001-6000	100.0	22.9	26.9
6001+	--	15.6	11.5
Total	100.0	100.0	100.0
Mean	--	4520.0	--
Medium	--	3000.0	--

Table: 41: Percentage Distribution of Purpose of Loan

Name of Purposes	Percentage
For buying fishing tools	6.3
For buying Land	9.4
For buying agricultural inputs	45.7
For buying cattle	4.7
For buying good	31.5
For education of children	2.4
To fulfill social obligation	6.3
Investment in trade	3.1
Others	11.0
Total	100

Table 42: Average Interest Rate Paid Against Loan by Fishing Strata

	Fishermen Category		
	FF	NFF	NF
0-20	-	41.7	50.0
20-100	-	31.2	15.4
101+	100.0	27.1	34.6
Total	100.0	100.0	100.0

Table 43: Percentage Distribution of Repayment of Loan

Items	Fishermen Category		
	FF	NFF	NF
Paid	100.0	91.7	84.6
Unpaid		8.3	15.4
Total	100.0	100.0	100.0

Table 44: Percentage Distribution of Procurement Cost of the Loan

	Fishermen Category		
	FF	NFF	NF
0	100.0	81.3	84.6
1-5	-	8.3	7.7
6-10	-	9.4	3.8
10+	-	1.0	3.8
Total	100.0	100.0	100.0

Table 45: Percentage Distribution of Members in Cooperative Societies

Membership	Percentage
Member	5.8
Not Member	94.2
Total	100

Table: 46: Percentage Distribution of Nature of Co-operative Societies

Name of cooperative society	Percentage of response
Fishermen Co-operatives	13.0
Animal Husbandry Co-operative Societies	8.6
Land less Co-operative Societies	48.6
BRDP	13.0
Others	21.7
Total	100.0

Table: 47: Percentage Distribution of Awareness of NGO programs

	Percentage
Aware	20.7
Not Aware	79.3
Total	100

Table: 48: Percentage Distribution of the Nature of NGO Programs

	Percentage
Credit Program	17.1
Relief	8.5
Education	21.9
Health	12.2
Public Service	30.5
Others	23.9
Total	114.10

Table: 49: Percentage Distribution of Personnel Involvement with NGO Program

Nature of Involvement	Percentage
Personally Involved	3.6
Not Personally Involvement	96.4
Total	100

Table: 50: Percentage Distribution of Beneficiaries of Fish Stocking and Nature of Benefit Derived by the People around the Project Area.

Categories	Percentage	Category	Percentage
Fishermen	41.9	Increased income	29.8
Fish traders	5.3	Increased consumption	22.4
Pond owner	42.2	Increased fish production	12.5
General people	32.6	Increased fish trading	21.4
Kua owner	25.5	Increased income of fishermen	51.4
Govt./DOF	1.8	Govt. official by adopting illegal means	14.9
Beel lessee	1.8	Others	21.8
Don't know	1.3		
Others	21.0		
Total	173.40	Total	174.2

Total percentage became more than 100 due to multiple answer. ¹²

Chapter Six: Dimensions of Foreign Aid in Bangladesh

Bangladesh started its journey with the debt and aid liabilities of Pakistan. Since the independence, the development programmes have been designed and implemented with assistance and aid from different donors. The trends of aid have been changing over time with the changing situation of the World Economic Order. It has been found that the proportion of multilateral aid has been increasing in relations to bilateral aid. In terms of categories of aid, project aid has been increasing in relation to food and community aid, which has been coming from both multilateral and bilateral donors. Alongside, the proportion of loan has been gradually increasing in relation to grants. These changes have a strong linkage with domestic policies and their dynamics as well as international economic and political order. However, no external assistance is free from direct or indirect conditions from the donors. With the changing situation of the world economy and political interests, the conditions are also changing overtime. Those conditions vary from donor to donor and country to country as well as from region to region.

However, donors provide external assistance with policy prescriptions and conditions related to implementation as precondition to qualify for getting aid. Bangladesh requires various kinds of external assistance for conducting development programmes because of its domestic resource crisis. Since independence, Bangladesh started its development journey with reconstruction of the war-devastated infrastructures and economy. As a result, foreign aid became a crucial component for rehabilitation and socio-economic development of the war-affected people and the economy of the country. The aid allocation and disbursement are inter-linked with various factors like development paradigm followed by the recipient country, political ideology of the government, geo-political importance of the country, role in international

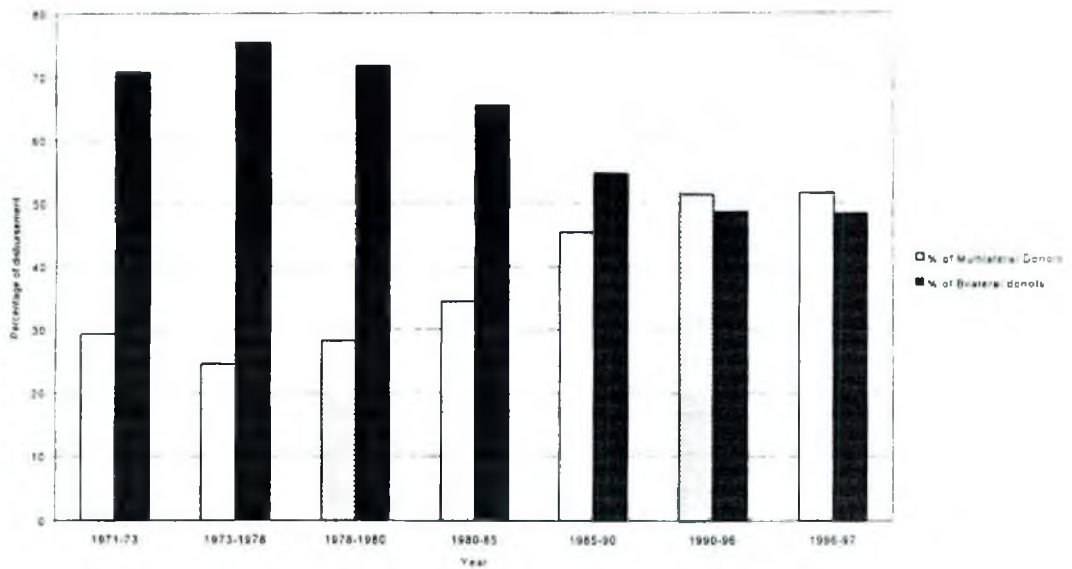
politics, etc. In addition to that, political and economic interests of the donors get priority in aid allocation and disbursement to the recipient countries. However, the external assistance or foreign aid scenario is not different from that of the changing phenomena of aid-dependent countries. Till 1990s geopolitics as well as commercial objectives have been the determinant factors for aid allocation process. In the case of Bangladesh, the changing situation of aid allocation and disbursement have got shape in which the non-government organizations have emerged as one of the sectors for aid utilization. This changing pattern has been taking new shape over time, and this has been presented in the following tables and graphs. Since independence, the government and NGOs of Bangladesh received about Tk. 1,80,000 crores as external aid from different sources in different forms to strengthen the economic development of the country. This aid has been received from multilateral and bilateral donors. During aid allocation the recipient country prepares a proposal, which covers the sectors and process of aid utilization. Aid allocation and disbursement are changing day by day in terms of types of donors, and this is clear from the aid history of Bangladesh, which has been presented in Figure-1.

Figure-1 reveals that disbursement of multilateral assistance/aid has been gradually increasing, whereas bilateral assistance is decreasing overtime. The aid disbursement pattern has been changing in response to the transformation of global economic order and political changes. The bilateral donors are either reducing or reorganizing their external assistance allocation and disbursement to Bangladesh because of internal changes in the donor countries, prioritization of the sectors for providing assistance and of the objectives and ethics of giving aid. It is clear from the volume of aid allocated by bilateral and multi-lateral donors that the trend is towards opposite in nature. The volume of multilateral

aid has been increasing. On the other hand, the contribution of bilateral donors has been decreasing day by day.

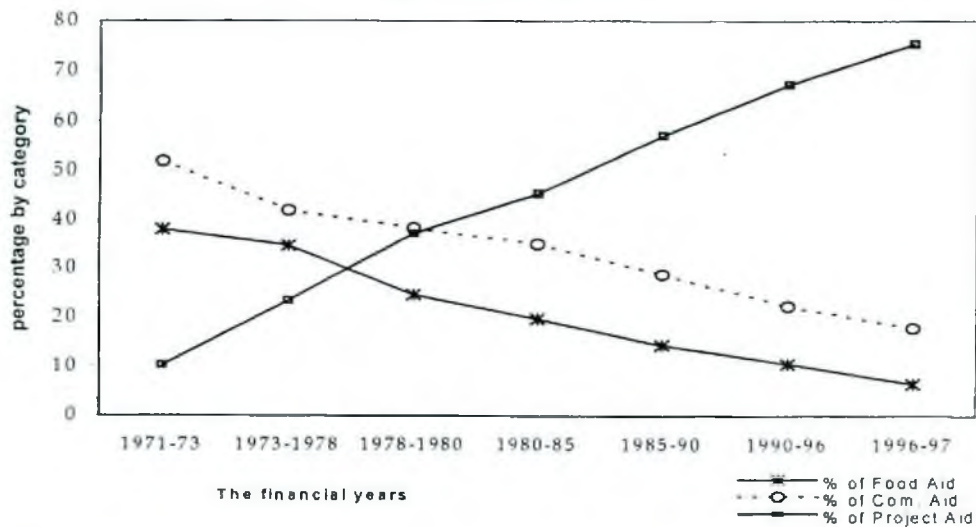
Since 1971, the bilateral and multilateral assistance disbursement had gap, because the number of bilateral donors was higher than that of multilateral donors. Till 1995, the amount of multilateral aid was less than bilateral aid, but it has exceeded in 1997. The following graph reveals the trend of multilateral and bilateral aid disbursement in Bangladesh. It is to be mentioned that the multilateral donors mostly provide assistance as loan to recipient countries. The point is that they provide project and programme aid, in which conditions like overseas and local consultant's provisions, equipment supply from donor countries, etc., could be imposed more comfortably than the other types of assistance. The terms and conditions of the programme and project aid have been playing effective role for accumulation of benefit by a beneficiaries group of the recipient countries. Such aid benefits both donors and a specific group of people of the recipient countries who are the most unintended beneficiaries of the programme.

Figure-1: Percentage of Disbursement of Aid to Bangladesh by Sources



Data Source: Flow of External Resources into Bangladesh, 1998, ERD, Ministry of Finance, Government of Bangladesh. The data used in this figure has been calculated from the above-mentioned sources.

Figure-2: Changing Pattern of Different Types of External Aid Since Independence



Data Source: Flow of External Resources into Bangladesh, 1998, ERD, Ministry of Finance, Government of Bangladesh. The data used in this figure has been calculated from the above-mentioned sources.

Figure-2 reveals the trend of disbursement of foreign aid by its types. Among three types--food, commodity and project aid, the commodity and food aid disbursement have been gradually declining overtime, whereas the project aid curve is in sharp upward trend. It is to be mentioned that the project aid is a type of aid in which the donor can impose conditions in favor of themselves in different forms. In addition to that, the opportunities for creating an unintended beneficiary group through this provision are much higher than that of the other forms of aid. However, one thing can be assumed from this trend: project aid creates potential market for goods and services of donors in the recipient countries. This kind of aid also creates opportunities for unintended beneficiaries like consultants, NGOs, contractors, aid negotiators, businessmen, etc.

The shifting trend of aid allocation and disbursements also serves the interest of donors as well as beneficiaries in the recipient countries. This has been also creating the scope for grabbing of higher benefit by the local beneficiaries' group. As a result of the shifting of foreign aid from bilateral donors to multilateral donors, from grant to loan and food and commodity aid to the project aid, it is propelling emergence of a new beneficiary group.

World Bank Portfolio in Bangladesh: 1972-1998 (in percent)

Items	Percent
Agriculture	17%
Structural Adjustment	27%
Population, Health, Nutrition	12%
Infrastructure	14%
Flood Rehabilitation	2%
Energy/Power	11%
Industry	5%
Education	7%
Water Sanitation	2%
Urban Development	2%
Technical Assistance	1%
Total	100%

Both bilateral and multilateral donors play similar role in aid allocation and disbursement, but multilateral donors specially provide programme and project aid to Bangladesh. The aid portfolio of the World Bank in Bangladesh reveals that the highest percentage of aid is allocated through the structural adjustment programme, which has also substantial role in benefiting the local and foreign consultants, government bureaucrats, contractors and equipment suppliers, NGO professionals and some academicians of the recipient countries.

To foster market economy, multilateral donors including the World Bank attached conditions with the programmes. The above table reveals that 27 percent of total allocation is in programme lending in the country. Such programme as well as policy lending creates more scope for local consultants, academician, bureaucrats, and negotiation agents. It is to be mention that the donor needs local support for sustainability of such lending and creating eyewash of the general masses and that is performed by such beneficiary groups.

The multilateral donors mainly World Bank has changed its funding sectors over time. In 1998, the Bank's funding went to the infrastructure, education, population and private sectors. However, about 14 per cent of it's funding provided for rural development programmes, which are mostly implemented by the government and NGOs. Through those programmes, the non-government organisations became one of the beneficiaries of this development programme activities. Most of the NGOs are also serving the interests of the donors and themselves. The aided programmes have also resulted in the mushroom growth of NGOs found in countries like Bangladesh.

Changing Pattern of Aid Disbursement into Bangladesh

Year	Forms of Aid			% of Loan and Grants		% of Aid by Sources	
	% of Food Aid	% of Commodity Aid	% of Project Aid	% of loan	% of Grant	% of Multilateral Donors	% of Bilateral donors
1971-73	38	51.9	10.2	11	89	29.3	70.7
1973-78	34.7	41.9	23.4	58.2	41.8	24.6	75.4
1978-80	24.6	38.2	37.2	48.8	51.2	28.3	71.7
1980-85	19.7	35	45.3	46.4	53.6	34.5	65.5
1985-90	14.3	28.7	57.1	56.7	43.3	45.3	54.7
1990-96	10.5	22.3	67.2	51.4	48.6	51.3	48.7
1996-97	6.4	17.8	75.4	50.3	49.7	51.6	48.4

Source: Flow of External Resources into Bangladesh, 1998, ERD, Ministry of Finance, Government of Bangladesh.

The Beneficiaries of the Foreign Aid Flow in Bangladesh during the Last Three Decades (1997/72 - 1998/99)

Beneficiaries	Total Amount of Benefit (Taka in Core)	Percentage of total benefit
Foreign Equipment Suppliers	23,400	13
Foreign Consultants	21,600	12
Local Commission Agents	10,800	6
Bureaucrats and Politicians	12,600	7
Local Consultants	7200	4
Construction Contractors	23,400	13
Other Rich People (both from rural and urban areas)	36,000	20
Labor, Farmer, Micro-Credit Recipients,	45,000	25
Total	180,000	100

Source: Abul Barkat, *Bangladeshe Boideshik Rhin o Shahajyer Political Economy*, BEA, 2001, Dhaka.

The Foreign aid inflow through the government of Bangladesh is about Tk. 180,000 crores during the last three decades. Alongside, through non-government sources, aid inflow in Bangladesh is Tk. 7567 crores. A number of experts have conducted studies the impact of this foreign aid, but it has not been proved that this aid have substantially and positively impacted on the human development in the country.

Though aid has been received for social, economic and cultural development of the country, but how much it impacted on those issues is a matter of question. However, Professor Abul Barkat has stated that we can not say that such foreign aid inflow has ensured economic opportunities, social benefits, political sovereignty, guaranty of transparency and social security'. In fact, the relationship between foreign aid inflow and those five types of independence is negative. The scenario of the destitute people of Bangladesh reveals it very clearly. 'Out of 13 core people, 6 crore people are living below the poverty line, 9 crore people do not have access to safe sanitation facilities, 7 crore people are deprived from primary health care facilities, about 4 crore adults are illiterate, about 20 lac children born with under weight, about 2.5 core people are either unemployed or under-employed'¹³. Though some of the economists viewed that foreign aid inflow creates utility in a trickle down process through increase of Gross Domestic Production, statistical figures reveal that correlation in creating utility for the poor people and aid inflow is negative.

The identification of the ultimate beneficiaries of the external aid inflow is very difficult, because accurate calculation of aid distribution is not possible. However, it can be assumed, basing on different project documents and policy papers, that the foreign aid inflow has created an unequal distribution of income, and resources have been concentrated into the hands of a few local and foreign people and organizations. From a general calculation, it is found that foreign consultants and equipment suppliers have plundered about 25 percent of foreign aid in the last three decades. Local consultants, bureaucrats and politicians, commission agents, contractors have got 30 percent of foreign aid. The urban and rural capitalists and elites have got 20 percent of the total amount. The rest 25 percent have reached those poor people, in the name of whom this aid had been received. In a word, it can be said that an organized process has been created by a group consisting of foreign and local people who

have plundered Tk. 135,000 crore by spending only Tk. 45,000 crore for the development of the country.

However, a lion's share of foreign aid is spent to buy foreign products and services. A direct beneficiary class, based on equipment supply and consultancy service, emerged in foreign countries. Alongside, a local beneficiary class has also emerged in Bangladesh, and it has direct interest in the aid-dependent expenditure and consumption. Local entrepreneurs, commission agents of products and services imported through spending of foreign aid, construction contractors, bureaucrats and politicians who got benefit (as bribe or *Bokhira*) from equipment suppliers. This system has emerged on the basis of external assistance or foreign aid. Moreover, direct beneficiaries of foreign aid spent a portion of their income to buy goods and services in local market. In this way, a network of other beneficiaries is included in the greater network.

It is generally said that external assistance has a positive impact on income and employment generation, but there is no direct data on how much employment opportunities have been created as a result of the use of foreign aid and its trickle down effect. A very few higher level personnel of Indenting Business, DFI loan recipients, big contractors, and consulting firms are making huge money from aid inflow systems of Bangladesh. The income of the contractors and consulting firms is coming to a legal service of foreign aid. But changing the rules and regulation of the system and giving low quality work, these groups have been earning huge amount of money from the foreign aid system. All other beneficiaries of the foreign aid system have been earning huge amount of money through illegal means. From the above analysis of the beneficiaries and their benefit, it is clear that foreign aid has created an economic system of plundering that has established political corruption in the country. Terrorism, corruption, and earning black money are part of that process.

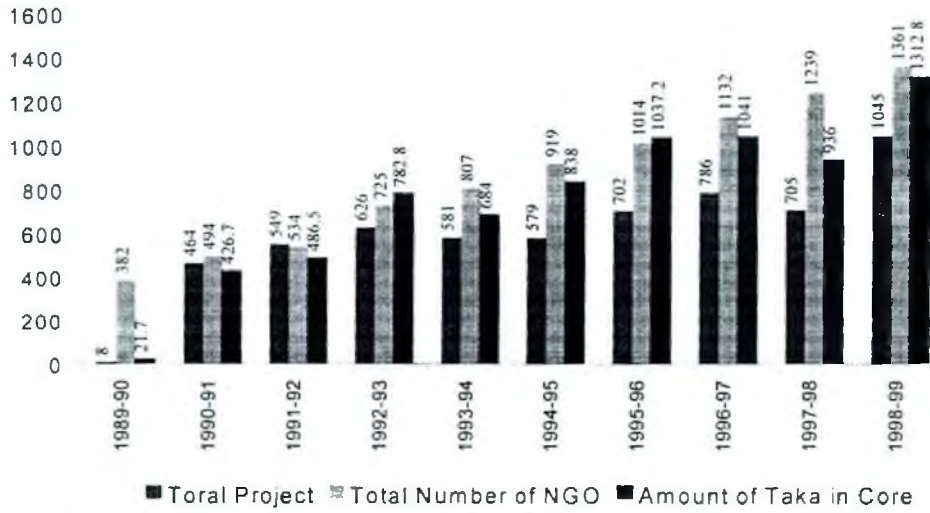
However, beside aid inflow through the government sources, the non-government organizations also establish a villainous system from the foreign aid inflow. This has also established beneficiary groups outside the government mechanism, and that is playing a crucial role in making money from the aid inflow. The establishment of Non-government Organisations in Bangladesh has become a very easy way of making money. Regarding the establishment of NGOs in Bangladesh, it would not be irrational to quote here from the ODI Country Study. That report reads as follows: " If you want to understand the NGOs, listen to this. I knew a man who after Liberation (1971) decided to be a magician. A great magician came from India, and he watched him and saw how much money he made, and thought he could do the same. But after few years his skills weren't quite that good; so, he gave up magic and started a rubber plantation, which at that time was all the rage. But again a few years later he wasn't prospering too well, so he came back to Dhaka and set up private health clinic for fat ladies to slim down their figures. The other day I went to his office and saw a new signboard over the door: 'Swadesh Unyayan Sangstha'--'Our Own Country Development Organization.' Now he says he has set up an NGO". The author has presented this from the conversation with a Bangladeshi journalist. This is not only the experience of the journalist but such things are common in Bangladesh. The aid allocation and disbursement trend reveals that NGOs are getting more space in the aided development regime.

Figure-3 reveals that foreign aid is also disbursed through non-government organizations. In the last ten years, the non-government organizations have received about Tk. 7567 crore, but how much they have impacted on the life of rural and urban poor needs to be assessed. But that is not a very easy thing to do, because general people do not have access to their accounts. However, one can assume from Figure-4 that the number of non-government organization has been increasing in the country. The number of non-government organizations

who have received foreign fund were 382 in the year of 1989 -99, which has increased to 1361 in 1999. The total amount of aid has also increased with the increase in the number of organizations. In 1989-90, the total amount of disbursement was only Tk. 21.7, which has increased to Tk. 1312.8 crore in the year of 1998-99. The scenario of poverty is deteriorating although the amount of aid is rapidly increasing in trend.

It is clear from Figure-4 that the activities of both national and international NGOs have been increasing very rapidly since 1990. The number of national and international non-government organizations that have released fund from the NGO Affairs Bureau since last 1990 has increased from 293 to 930 and 89 to 128 respectively. A tendency has been observed: people have become interested in establishing NGO as a way of making money. This is not a separate way of making money but is a part of the overall process of getting aid benefit from different programmes. It might be speculated that somehow the sectors have an important role of acquiring benefit from the aided development programmes in Bangladesh.

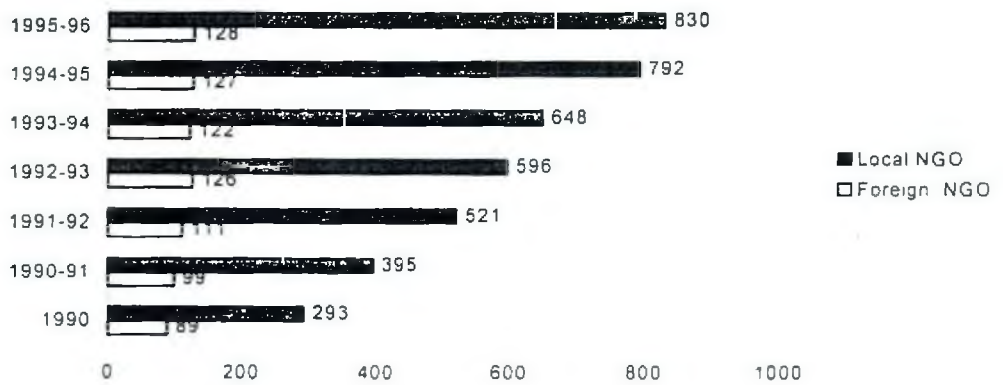
Figure-3: Number of NGO, Projects and their Amount of Aid



So

source: Flow of External Resources into Bangladesh, 1998, External Relations Division, Ministry of Finance, Government of Bangladesh, (The data used in this figure has been calculated from the above mentioned sources.)

Figure-4 : Increase of Local and Foreign NGOs in Bangladesh



The benefit is distributed among the people of a specific section of the society through a systematic process that has been established by them. It would be clear from an example; the resettlement component of the Rural Road

Maintenance Project-II (RRMP-II), which was funded by the World Bank, has created such beneficiaries. For assisting the government of Bangladesh, the resettlement component of the project was contracted out to the CCDB--a national NGO of the country. A retired bureaucrat was employed by the NGO as Team Leader. After implementation, seven projects funded by the WB were selected for a study of the performance evaluation of the NGO-World Bank collaboration projects. The World Bank also commissioned out this study to one of the National NGOs where six consultants were employed. Three of them were teachers of different universities. The study results reveal that the victims of those projects were compensated under the project provisions, but only those who had capacity and access to the social political and administrative arena got the compensation properly. Although the poorest of the poor got the compensation for his land, but most of them could not purchase; they spent the money they got as compensation for facing the crisis. Such development intervention had marginalized those who were hardcore poor. However, a class has been emerging based on the external assistance or foreign aid, and its members have linkages among themselves to serve their own interests, have been playing an important role to maximize their benefit from such aid-dependent development programmes; intra-group interest got most priority to them.

¹⁴ Abul Barkat, *Bangladeshe Boideshik Rhit o Shahyajer Political Economy*, BEA, 2001, Dhaka. Presented at the seminar on 10 February 2001.

Chapter Seven: Conclusion

External assistance is an essential component of development of countries like Bangladesh. Though it has a substantial role in countries poor in domestic resources, but proving a direct and straightforward correlation between external assistance utilization and emergence of a new social class is not very easy. Social class formation as the resultant behavior of development programme activities that are conducted with assistance from external donors needs a critical assessment of the multifarious linkages of those respective issues. For, it is not a straightforward and uniform process of polarization between expanding capitalists and aided beneficiaries.

The social class formation process has been looked for into the benefit distribution perspective of the aided programme. The benefits are distributed between two stages of society. The first and top of the beneficiaries are those who are involved in the planning, administering, and implementation of development programmes. The remaining group exists at the bottom of society and deserves the similar status of targeted beneficiaries of the programmes. Interestingly, both the beneficiaries are not the anticipated beneficiaries of those development programmes or foreign aid. The top one is either capital owner or professionally skilled persons or persons having linkage with public officials and donors, but the remaining ones are the local elites who have linkage with local government officials as well as dominant role in the rural power structure. A group from the aided development programmes can describe the emergence of the social class as capital accumulation. From this context, the head and executive level officials of NGOs, owners of consulting firms and individual consultants, some government bureaucrats belong to the newly emerged class under the aid regime. Alongside, capitalists, though their money-acquiring process from such development activities are quite different, also belong to the

same category, because the policy lending of the donors also benefits the capitalists through structural changes of the economy and restructuring of government policies.

Nowadays, it has become a fashion that if any one would like to make money, establishment of NGO or consulting firms is the best way. With almost all projects or programmes are always attached some additional works that need additional expertise from recipient countries. However, donors also make provisions to provide fund for higher studies (Masters degree or diploma level) for the local professionals to serve their purpose. The donor has some specific institutions where they normally send those local professionals. After receiving certificate from those institutes, they come back and serve the purpose of the donors. This process also serves some vested interest groups in the country by utilizing their achieved knowledge and status.

The non-government organizations, consulting firms, and people having linkage with socio-political power structure are notable vested interest groups. This process is also the reason behind the mushroom growth of NGOs and consulting firms in the country. The role of non-government organization in aid-utilization is something superficial, because they are working for poverty alleviation, but not reaching the hard-core poor. So, the hard-core poor people do not have access to development programmes initiated by the government, the non-government organisations or others, excepting few social service-related activities. There is a tendency of the NGOs to present their clients as poorer than they actually are. The participants of development activities should be the poorest section of the society. This reflects the dilemma that faces the NGOs; their legitimacy rests on their working with the 'poorest of the poor'. On the other hand, the NGOs are under pressure to produce results. This dilemma becomes particularly acute when the dominant paradigm is for 'self-reliant development'. "This is clearly an important step up from a relief orientation, in

which poverty is seen as the lack of consumption of goods. It, nonetheless, undermines the structural factors that underlie poverty as a whole, and the reasons that particularly poor households stay poor”¹.

One thing seems to be mysterious: some persons on the executive committees or governing bodies of non-government organisations are playing different roles in different organisations. The same person is executive member, chairman, and member of governing body or trusty board in a number of organizations that are running with assistance from foreign donors. However, it reveals that a specific group is controlling the whole NGO community for maximizing their benefit from aid regime. To ensure their control over NGO regime, larger partners provide various supports including fund to small partners. This process also accentuates mushroom growth of NGOs in Bangladesh, and they are expanding their grips. The development projects/programs also create an environment for the establishment of such organizations. It also creates an opportunity for reckless misappropriation of resources as well as establishing a chain among people who are involved in the same process at different places.

Most of the NGOs had started with philanthropic motives to help the poor through relief and rehabilitation programmes after the liberation war. However, gradually the non-government organizations have been shifting their activities from the philanthropic motives to the commercial and so-called development motives. The state policy and external assistance have created an option for the emergence of a ground of such shifting to development activities and also for creating a rationale behind it. The activities have created a space for capital accumulation system in the few hands of those who have professional skill and access to capital. However, those hands have the capacity to implement such development projects and programs. There are other options for accumulating money by those people through organization building and acquiring fund for technical assistance, depending on external assistance or foreign aid.

'Aid does not significantly increase investment and growth, not benefit the poor as measured by improvements in human development indicators, but it does increase the size of the government'. The NGO Affairs Bureau of Bangladesh government and different departments are the bright example of such increase. When a development program or project is initiated, then a new setup to manage that program is established; these increase the structure of the government. Implementing this process needs political decisions, which increase involvement of politicians. As a result, political elites continue to receive benefits from such aided programmes and projects. It confirms that the beneficiaries of aided programmes are people other than the poor.

Bangladesh of course had a technical resource base, but due to brain drain, the competent professional are leaving for better life in North America and European countries. The residues of competent professionals are staying at home. But the price of this retaining these experts at home is to see them absorbed into the domestic consultancy market, which itself is almost entirely sustained by programs of technical assistance. As a result a great deal of expertise in Bangladesh is today tied up with writing consultancy reports, usually in the capacity of junior partners of expatriate consulting firms'. The local experts have no scope to analyze the indigenous development options, and in most cases, they write their consultancy reports with predetermined findings. Basing on such kinds of business, some of the best experts have established consulting firms and are having good linkage with the government as well as donor agencies operating development activities in the country. This group is also the part of vested interest group and is making more scope for them who are involved in acquiring money form foreign aid.

The composition of aid have changed by donors in donor driven projects and by the questionable assumption that low capacity use of aided projects derived from supply- driven resources constrains rather than the weak governance and

misplaced allocate priorities of developing countries governments. Thus, the new aid strategy, offering more tangible aid, inadvertently encourages new forms of budgetary discipline and erosion in the capacity of mobilizing domestic savings. In the growing aid dependency environment, public officials find it more profitable to invest their time in negotiating aid, rather than mobilizing resources, the later task being both administratively more demanding and politically hazardous. 'The public officials earned more credit in negotiating new projects rather than in successfully bringing such projects to realization and then seeing that these same projects generate a high rate of return. Designed by expatriate consultants and negotiated by officials with only a transient commitment to the viability of the projects, many such projects were foredoomed to failure. However, the longer term was to be counted in the corrosion in the sense of commitment of the officials to their public responsibilities, as well as their corruption, as much through facilities offered by the donor agencies to those officials receptive to donors guidance, as through intimacy with the commission agents for donor funded projects.' It is evident from the formulation, negotiation and implementation process of the development projects that they are to create the space for a professional group (including commission agents, consultants, equipment suppliers and assistants to expatriate experts, etc.,) to accumulate money in their hands. The peoples involved with external assistance development process are the beneficiaries. It is to be mentioned here that those who have professional skill and capital are somehow getting space for pushing themselves into the process of communication network due to **status** quo, where the actual beneficiaries do not have any kinds of access. However, during implementation the interest of the actual beneficiaries have not been regarded with due importance. As a result, the actual beneficiaries are, losing the inherited right to use of natural resources and it's management, which they have been possessing for a long time. This

process forces the poor people to get dislocated from their traditional occupation, which resulted in a decrease of their income and creating income gap between the rich and the poor. This process cannot be placed absolutely in any specific theoretical perspective, but has a polarization direction that is very inconspicuous in nature.

The resultant behavior of the externally assisted development program has a deteriorating effect on the capacity of national governance, and undermines the responsibilities of the political decision-makers. It furthers and accentuates social inequalities. As a result, the spontaneous development of economic life is being hampered. Externally assisted development takes the shape of development serving the interest of the newly emerged social class. This externally assisted development policy formulated and practiced by certain professionals is complicating the class relations of society still further.

The policy lending is an important factor that is influencing to restructure the development plan of the country, and perpetuating capital accumulation by the capitalists. 'All most every country of this region is suffering from the negative impact of the structural adjustment policy lending. There are even examples such as Nepal, where the World Bank and IMF dictate annual budgets and ask government for approval'². Alongside, the multilateral donors are promoting micro-credit for rural villagers and women, but, by the time they produce something, there is no market for their products or the imported goods are already available from other countries or multinational companies at a cheaper price. Thus 'it is totally contradictory to promote at the same time the policy of free-market, liberalization and globalization in the interest of big local and transnational corporations, and the SAPs has clearly negative effects in micro-credit management and it's sustainability'³.

'The foreign assistance, especially food aid, has been politically important and remains for catering to the interests of the urban and rural rich. It has been

mentioned that the role of foreign assistance is in maintaining and strengthening the position of the rural and urban rich". It has also been added that 'A powerful constituency has developed around the aid regime which has power, influence and depth in the society. It has been seen that at the apex of this system is a class of the people in business, the state sector, the professional and amongst the rural elite, have directly identified their interest as class and their personal advancement with the perpetuation of the aid regime. Whilst this class may dominant state power by their own right and are not strong enough to sustain themselves in power in the face of the mobilized masses. Indeed any challenge from the masses, which cuts them off from access to aid regime would immaculate this class and effectively neutralize their political power base. Cut off from their agency commissions, consultancy fees, state sponsored credit and subsidies from aid financed projects, the overwhelming bulk of this class will have to join the ranks of the wage earners, except for the few who are willing and able to seek their fortune aboard".

The multilateral donors and project aid in the form of loan have an important role for the emergence of this class. Imposition of projects and consultancy bribery to 'reform minded bureaucrats' is a process of distribution of aided fund that has been provided by mostly multilateral donors. "The Bank has established cronies within the bureaucracy. After retirement, this reform minded bureaucrats are being gifted with consultancy service. The degree of these kickbacks, as they put it, depends how best the bureaucrats had served the Bank during their active services in government". It is somehow conspicuous that the unintended and unanticipated beneficiaries are the most benefited section of the foreign aided development programmes of Bangladesh.

The policy lending and the policy reform lending by the multilateral donors like World Bank and other international financial institutions imposed condition to privatize different social and service sector. Such privatization process is

creating an opportunity for making money by the NGOs and other concerned beneficiaries. 'Tendering of social service delivery, forcing NGOs to become private contractors, leaving NGO fundamentals. Either the community-based organizations were falling or they were forced to leave the fundamentals of NGO as they are being asked to participate in the tender in the social sector like private contractors. It has been expressed that the tendering might increase competition, but would have serious toll on access by the poor and the quality of the service'. 'The aid supported projects hardly reflected the national priorities and are almost invariably influenced by powerful interest groups within Bangladesh and the donor countries. Bilateral donors generally showed a leaning for their national firms, while national and international firms were found to form a bee-line and lobby for various project components. The end result was that the national interests went by default'. It is clear that to create such a class in the recipient countries, the donors have a substantial role.

A new class or beneficiary group has emerged, where the external assistance had a substantial role. That class is not in the traditional hierarchy, but that class enjoys access to most of the spheres of society. They have a strong social, political and economic network, which is used for the vested interest. As this new groups attempt to stabilize their position within society, they come into conflict with the older, privileged strata whose status, economic resources or power they challenge. The new groups also often develop sets of values, both secular and religious, that enhance their position by undermining the stability of the prior value system and the structure of privilege it justified. As a result of such newly emerging groups, social relations have been changing over time. Due to the aided development activities, the poor people have got some access to local, social and public resources, which make them aware of their rights, which are being threatened, in the traditional social system. Thus, historical change is viewed basically as a consequence of the rise of new classes and

downfall of old ones. It is assumed that complex social systems are inherently unstable, and that conflicts stemming from inequality cause pressure for changes in the system. Assessment of social changes and trends of Bangladesh society is difficult.

It can be stated that the dominant classes in Bangladesh did not constitute an autonomous ruling class. As a class, they remain dependent on external patronage through the aid regime to remain on top and to contain the pressures from below. The aid regime has its distribution pattern; it, therefore, becomes an element in the process of class formation and in ensuring the survival and dominance of the ruling elite. In the society of Bangladesh, the newly emerged pillager class is still outside the traditional socio-political hierarchy, but they exercise a provoking and dominant role to establish and sustain their position in the state and society. However, though they are outside the traditional socio-political hierarchy, they have established themselves as a separate entity in society, which is superficial in nature. They maintained strong linkage with the government bureaucrats and international intellectuals of different donors' organizations as well as different stakeholders in the country. They push their ideas and ideologies for making space for themselves in society. This group is upholding the capacity to influence state policies directly or indirectly that may capacitate them in future. It is to be mentioned that their patrons have enough capacity to push anything to the recipient's governments. This section consisted of local consultants, bureaucrat and politicians, capitalists, commercial elites, and intellectuals including academician who have acceptability to all spheres of society. Thus, external assistance is having no sole but definitely consequential role in the emergence of the pillager/plunderer class in the society, through the dependent culture of aided development programmes.

¹ Sara C. White, ODI Working Paper-50, Evaluating the Impact of NGOs in Rural Poverty Alleviation, Bangladesh Country Study, 1991, p-98.

² Report on NGO working Group on World Bank. Innotech Building, Quezon City, Philippines. 1996.

³ *ibid.* p-4.

Appendix :1

Socioeconomic Survey Questionnaire on Beneficiaries of a Aided Project
M.Phil. Student, Department of Sociology, University of Dhaka, Bangladesh.

1. Identification:

1.1 Identification Number

1.2. Name of the Household Head

1.3. Father's Name of Household Head

1.4. Thana 1.5. Union 1.6. District

1.7. Fishing Stratum : Before Project After Project

1.8. Types of Family : Joint Family Nuclear Family

2. Household Information:

Sl.	Age	Sex (Male =1, Female =2)	Education (Class Passed)	Primary Occupation	Secondary Occupation
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					

3. Number of Family members migrated to other places (If none skip to Question No. 4):

Sl. No.	Age	Sex	Education	Place	Reasons	Present Occupation

4. Other member engaged in fishing (in number):

Professional -----, Part-time-----, Occupational -----, None -----

5. Household Assets:

Sl. No.		Pre project period		Post Project period	
		Decimal	Price	Decimal	Price
A.	Land				
1	Homestead				
2	Cropped land				
3	Orchard / Forest				
4	Sharecropping or leased in				
5	Fellow land				
B.	Water-bodies				
1	Pond				
2	Kua				
3	Ditch				
4					
C.	Moveable Properties	No.	Price	No.	Price
1	Watch				
2	TVss				
3	Radio				
4	Two in One				
5	Ornaments				
6	Furniture				
7	Bicycle				
8	Rickshaw				
9	Van				
10	Utensil				
11	Others				
D.	Livestock				
1	Bullock				
2	Caw				
3	Calves				
4	Sheep /Goat				
5	Chicken				
6	Duck				
7	Others				
E.	Firm Equipment				
1	Plough				
2	Yoke				
3	Spade				
4	Others				
F.	Fishing Equipment				
1	Different Types of Nets and Gears				
2	Boat				
3	Others				
G	Trees and Plants				

6. Electricity in the Households:

Time	Yes	No.
Present		
Previous		

7. Source of Drinking Water: (Put Code: 1. Tube well, 2. Pond, 3. River, 4. others)

8. Ownership of the tube well at present : (1= Self, 2= Neighbor, 3= Government, 4= Other)

9. Ownership of the tube well at pre intervention period : (1= Self, 2= Neighbor, 3= Government, 4= Others)

10. Status of the Main House:

Status of the House	At present	Before intervention
Roof		
Wall		
Floor		
Value of the House (in Taka)		

Code: **Roof:** 1= Straw, 2= Tin, 3= Tiles 4= Concrete 5= others

Wall: 1= Mud, 2= Tine, 3= Brick, 4= Bamboo or Jute sticks, 5 = Wood, 6 = others

Floor: 1= Mud, 2= wood, 3= Brick, 4= Cement, 5= Others

11. Awareness about Third Fisheries Project:

1. Knowledge of public stocking in the beel as a government project	
2. Knowledge of the goal of the project	
3. Background of the people's involvement with stocking	
4. Knowledge of the procedure of the stocking	
5. Types of fish species stocked	

12. Fishing Rights: Payment is made to fishing to (Put tick): 1= DOF (License, 2= Leaseholders, 3= Nobody, 4= others)

13. Knowledge of fishing rules:

1. Net mesh size	
2. Size of the fish	
3. Fishing period	
4. Awareness of implementation of fishing rules and laws	

14. Types of nets and equipment used for fishing:

1.	2.	3.	4.
----	----	----	----

15. Place of Fishing (code: 1= Beel, 2= Rivers, 3= Ponds, 4= ditches, 5= Kuas, 6= others			
---	--	--	--

16. Mode of fishing (Code: 1= Individually, 2= In Group , 3= Both	
---	--

17. Total Amount of Catch during last one year:

Sl. No.	Types of fish	Weight	Price
1	Stocked Species		
2	Non Stocked Species		
3	Total		

18. Was the fish sold? Yes----- No-----

Sl. No.	Places of	Fresh (in Weight)	Dried Fish (in Weight)
1	Beel site		
2	Village Hut		
3	Daily Bazar		
4	Others		

19. Types of buyers:

Sl. No.		Fresh (in Weight)	Dried Fish (in Weight)
1	Consumers		
2	Paiker /Primary Collectors		
3	Wholesaler		
4	Money lenders		
5	Cooperative society		
6	Others		

20. Income in the last one year of the Household:

20.1. From Fish:

Sl. No.	Water bodies	From Project		From Non-Project	
		Weight	Price	Weight	Price
1	Pond				
2	Kua				
3	Ditch				
4	Open Water				
5	Minor Flood Plain				
6	Others				

20.2. Income from Farm:

Sl. No.		From Project	
		Weight	Price
1	Farm		
2	Vegetable		
3	Horticulture		
4	Others		
5			
6			

20.3. Income from Non-Farm :

Sl. No.		From Project	
		Weight	Price
1	Business		
2	Service		
3	Interest		
4	Rent		
5	Others		
6			

21. Expenditure on Food Items in last three months:

Sl. No.	Items	From Project	
		Weight	Price
1	Rice		
2	Vegetable		
3	Wheat		
4	Pulse		
5	Fish		
6	Meat		
7	Vegetable		
8	Molasses		
9	Edible Oil		
10	Tea		
11	Milk		
12	Egg		
13	Spices		
14	Others		

22.. Expenditure on Non-Food Items in last three months:

Sl. No.	Items	From Project	
		Weight	Price
1	Soap		
2	Tobacco		
3	Firewood		
4	Kerosene		
5	Electricity		
6	Cloth		
7	Education		
8	Transport		

9	Others		
---	--------	--	--

23. Main Expenditure on of the household in last three months:

Sl. No.	Items	From Project	
		Weight /No.	Price
1	Construction or Repair of house		
2	Purchase of Houses		
3	Purchase of land		
4	Investment in fish culture		
5	Investment in fishing Gears		
6	Investment in fishing ditches		
7	Investment in Harvesting		
8	Purchase of Livestock		
9	Purchase of agriculture equipment		
10	Household Radio Two in one		
11	Bicycle		
12	Agriculture inputs		
13	Household goods		
14	Social events		
15	Others		

24. Do you receive any credit from any sources? Put Tick (Yes) / (No)

Source of loan Year of receiving loan Amount of loan

Duration of Loan Loan repaid after Project Interest rate of Loan

25. Role of Co-operative Society _____

26. Awareness of NGO Program in the village _____

27. Membership with the NGOs _____

28. Benefit derived from the NGO programme _____

29. Direct beneficiaries of the Stocking programme _____

30. Indirect beneficiaries of the stocking programme _____

31. Who got the highest benefit from the projects? _____

32. The Impact of the project on traditional fisher _____

33. Access Status of fishers in waterbeds _____

34. Harassment status of the fishers after project intervention _____

35. Comparative availability of traditional species in the pre- and post intervention _____

Appendix-2: Letter from Country Representative, World Bank, Dhaka.

THE WORLD BANK
AA Pavilion, Dhaka 1000, Bangladesh
Phone: 861056

Pierre Landell-Mills
Chief of Mission

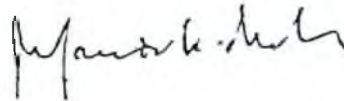
August 15, 1995

Distribution Below

Consultation on Country Assistance Strategy (CAS)

Thank you very much for participating in the consultative meeting on July 19, 1995 to discuss the **Country Assistance Strategy**. Attached please find an informal record of the meeting.

Sincerely,



Distribution:

Dr. Saleemul Huq, BCAS ✓
Dr. Ainun Nishat, BUET
Mr. Haroun er Rashid, POUSH
Mr. Jeffrey Pereira, CARITAS
Ms. Hameeda Hossain, Ain o' Shalish Kendro ✓
Dr. H. Zillur Rahman, BIDS
Dr. Mahmood Hassan, Gono Shahajya Shangstha
Dr. Abdullah Al-Muti Sharfuddin, CAMPE
Dr. Quazi Kholiqzaman, Bangladesh Ummayan Parishad
Mr. Quazi Faruque Ahmed, PROSHIKA ✓
Dr. Zafullah Chowdhury, Gono Shasthya Kendro

Attachment:

CONSULTATION ON COUNTRY ASSISTANCE STRATEGY

LIST OF PARTICIPANTS AT THE MEETING HELD ON
JULY 19, 1995 AT 1000-1230 HR. AT
WORLD BANK CONFERENCE ROOM

Name	Designation & Organization
Dr. Saleemul Haq	Executive Director BCAS
Dr. Anam Nishtar	BIET
Mr. Haroun er Rashid	President POUSH
Mr. Jeffrey Pereira	Executive Director CARITAS
Ms. Hameeda Hossain	Ain o' Shalish Kendro
Dr. Wahiduddin Mahmud	Department of Econ. University of Dhaka
Dr. Zillur Rahman	Senior Research Fellow, BIDS
Dr. Mahmood Hassan	Executive Director Gono Shalajya Shangstha
Dr. Abdullah Al-Muti Shartuddin	Executive Director CAMPE
Dr. Quazi Khofiquzzaman	Executive Director Bangladesh Unnayan Parishad
Mr. Quazi Faruque Ahmed	Executive Director PROSHIKA
Dr. Zafrullah Chowdhury	Executive Director Gono Shastya Kendro
Mr. Shamsuddin Ahmad	Senior Financial Analyst World Bank
Mr. M. Quazi	Program Officer (Infrastructure) World Bank
Mr. Zahid Hussain	Program Officer (Economics) World Bank
Mr. Jan Weijenberg	Head, Agriculture & Natural Resources Unit World Bank
Wahida Haq	Senior Projects Officer, Agriculture & Natural Resources Unit World Bank
Mr. Pierre Landell-Mills	Chief of Mission World Bank

Appendix-3:

**Result of Union Parishad Election of PROSHIKA MEMBER
ELECTION HELD IN 1998**

Sl No	Position	No. of persons contested			No. of elected persons			%
		Men	Women	Total	Men	Women	Total	
1.	Chairman	56	0	56	19	0	19	34%
2.	Member (General)	1472	41	1513	684	12	696	46%
3.	Member (Reserved for women)	-	1193	1193	-	492	492	41%
	Total	1528	1234	2762	703	504	1207	44%

*১৯৯৮ সালের
প্রশিকা*

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