

POLICY PRIORITIES FOR FOREIGN AID REFORM IN BANGLADESH

DISCUSSION

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Aid Effectiveness in Bangladesh

- Henry Kissinger labeled: “Basket case”
- Just Faaland called it “a test case of development”.
 - I could rephrase it as “ a test case of aid effectiveness”
 - Has Bangladesh passed the test? How much is aid responsible for success or failure?

Aid Effectiveness in Bangladesh...

REPORT CARD

- Donor assessments got better, year after year
- Aid generated reforms; reforms produced growth – nothing to be euphoric, yet.....
- A mixed bag -- glass half full, or half empty....
- Aid has been producing results...but also questions and controversies
- Not all aid was wasted
- If aid was spent poorly, domestic resources not spent wisely either

Aid Effectiveness in Bangladesh...

- Experts descended on Bangladesh in droves
- Washington consensus in operation since 1980s
- The mantra -- Stabilize, privatize, liberalize –
- Did SPL work? How much of SPL was actually implemented?ownership matters.
- Paul Rodan's thesis:
...world was not created convex downwards. In the complex real world, fancy models don't work. First best solutions don't work; best becomes enemy of the good.

Aid Effectiveness in Bangladesh...

- If aid was wasted, debt service ratio would not be under 10%, public debt would not be 40% of GDP
- Objective of aid is to eliminate need for aid. Aid dependency is on a rapid decline – proof of aid effectiveness
- Donors must ensure that aid complements and strengthens a country's own plans, budgets, and structures, rather than undermining them by parallel donor-run administration.