

Building People's Agenda on ODA Accountability:
Bangladesh Perspective

Drowning with Debt or Development

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This is second publication of EJWG, it believes in simple and brief but easy communicative publications to reach as much as possible audiences. EJWG has been formed during August 2007 with a course of actions to review the past experiences of activism and to launch greater network in the beginning of next year. Members of the group have years of experiences on advocacy for policy and practice changes with micro and macro linkages.

Group considers that the inequality and injustice have been increasing especially in respect of economy. It is not only the matter of advocacy, but also a matter for educational awareness to the new generation that an intellectual base should be built supportive to transformation. There are a lot of activists in micro level who should be linked and supported with appropriate communication and activism for macro policy influences.

The group has taken a vision that it's like to see a world and Bangladesh with an economy of equity and justice and a society with a culture of human right and democracy. Its mission is to promote policy debate and practice / behavioral changes by activism of campaign and mass mobilization with micro macro linkages.

Details of the group is available in: www.equitybd.org

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1. Summary

This paper critically analyses the fact of increasing the number of LDCs (Least Developed Countries) amidst the World Trade Organization's effort of trade balance and, also analyses the fact of decreasing ODA (official development assistance). Considering various economic criteria, ODA trend, MDG progress and country's socio-political scenario, this paper justifies that Bangladesh has the right to have more ODA. Indebtness of Bangladesh to foreign loan is growing, presently around \$151 or taka 10,419 per person. Total debt service liability has already crossed country's annual national health budget, in contrary ODA has declined around 37 percent from 1999 level.

Bangladesh's progress of achieving Millennium Development Goals (MDG) is promising although the conditionalities of neo liberal regimes (the conditionalities of international financial institutions -IFIs like the World Bank (WB) , International Monetary Fund (IMF) and Asian Development Bank (ADB) perpetuating the pauperization. On the other hand, Bangladesh does not qualify to be eligible for debt cancellation as the IFIs (International Financial Institution) sets the eligible criteria on the basis of country's debt vs export ratio. Mr. Kofi Anan, the ex Secretary General of the United Nations and especially Mr. Jaffrey Sachs, special advisor to the present UN Secretary General criticizes this debt vs. export ratio; they mentioned it should be linked to MDG achievement and by 2015 the LDCs should not fall in new debt overhang. Kofi Annan, in his report during UN + 5 millennium summit, argued for debt cancellation and grant based support, even for the middle income countries.

This paper again justifies debt cancellation and ODA for Bangladesh placing the rationale of country's huge economic loss has been apprehending due to climate change. Scientists predicted that one third of country's area will be submerged and around 20 million people will be displaced in next 100 years by 1 meter sea level rise, so Bangladesh would deserves more emergency ODA. This paper identifies a probable figure of odious or illegitimate ODA which is around 13 billion out of 19 billion, this is based on the assumptions that the loan money has not gone to the poor. This calculation has been done following a theory of a noted economist of the country who argued that only 25 percent of the ODA has gone to the poor. In Bangladesh most of the loans has taken during military regime and has taken without approval from the parliament; in fact in the constitution of Bangladesh there is no such provision of taking loan approval from the parliament. Since the beginning of 2007 the government Bangladesh has been taking tough action against corruption, we are confident that ODA money can be best utilized in the coming years. So

debt cancellation for Bangladesh can free resources for MDG achievement thus for poverty alleviation of the country.

This paper also explained why the IFIs and multinational companies (MNCs) want to invest in this country. In fact, country's high and increasing level of foreign remittance, around 5 billion annually, and huge reserved of coal and gas allured IFIs and MNCs investment as Bangladesh has the capacity to pay the import bills and also has the capacity to pay the profit repatriation of MNCs who are investing in the country. Most of the foreign direct investments (FDI) are found in telecommunication, gas and oil exploration sectors as these sectors would ensure quick capital return than the other sectors. In this paper, in view of the Paris Declaration in 2005, implementation of four development projects have been analyzed and put as case studies. The case analyses show that Bangladesh became the victims of ignorance and arrogance of donors and other development partners. Even after official acknowledgement of the failure of the projects, Bangladesh made liable to pay the loan especially to ADB.

At the end of the paper thirteen point proposals have given for more pro poor, transparent and public participatory use of ODA. These are promulgation of right to information act, amendment of constitution so that any foreign loan and investment agreement discussed and approved in the parliament. There are also proposals for setting appropriate policies on productive use of foreign remittance and building alliance in international level for placing demand for the compensation of climate change impact.

This paper has been presented in a seminar in Dhaka on 6th October 2007, where top level policy makers of major political parties were participated, the seminar has got wider media coverage. The Equity and Justice Working Group will take forward the campaign both in national and international level. Details are available in www.equitybd.org.

2. We are living in an age of paradox : reality of globalization and ODA

The Millennium Development Goal Report, 2007 of the United Nation apprehended that the decreasing trend of ODA will also continue during 2007. The highest ODA was reported in 2005 of \$108 billion; it was due to US lobbying of debt cancellation for Iraq and Nigeria. Amidst these the ODA has not reached up to 0.3 % of GNI (Gross National Income) of the

developed countries, although they committed to the UN to give 0.7 % of their total GNI as ODA. Except Scandinavian countries, Luxemburg and the Netherlands none of the developed countries has reached to the commitment level. In a Monterrey conference of the UN in 2002, the Development Assistance Committee (DAC) comprising of 22 developed countries committed for 0.7 percent GNI contribution as ODA among which 16 countries have fulfilled the target. The report has also stated that the ODA in 2006 was 103.6 billion which is 5.1 % less compared to the 1997 level. It is estimated that if the developed countries fulfill their ODA commitment then it might fourfold of the present level.

According to the UN set criteria, the number of LDCs is increasing. In 1971 the number of LDCs was 25 now it is 50. Distribution of LDCs are; 35 in Africa, 10 in Asia, 5 in Oceania and 1 in Caribbean region. Although LDCs account for 12% of the world's population but they could attract less than 2% of global foreign direct investment, which are mostly in oil, gas exploration and mining. LDC's contribution in global trade is worse even: the share of LDC's in world export fall from 3.0% in the 1950s to 0.7% in 2000 while their share in agriculture export dropped from 3.3% in the 1970s to 1.5% in the 1990s. Harriet Schmidt, director of the UN office for developing countries said in a recent UN Conference in Istanbul "If the global force of globalization continues on the path of last 30 years, it will completely sweep away the LDCs, paradoxically, as some countries get more integrated and prosperous, others get more marginalized and isolated. This is the sad reality for the LDCs. While globalization has, over the last 30 years, expanded trade, increased economic output and created unparalleled wealth in global terms, the LDCs have failed to reap its benefits". (AFP dispatch published in the Daily Star, Dhaka 10th of July 2007).

3. Bangladesh has the right of deserving foreign aid

Bangladesh is a poverty-stricken country with more than 1100 people per square kilometer, which is highest among all other developing countries. The country still has the highest incidence of maternal mortality although the rate is in decreasing trend (380 per 100 thousands). Per capita GDP is \$485. Half of the children suffer from malnutrition.

Historically it was the colony of British for 250 years and under Pakistani

regime for 30 years. Historians show the casual relationship of exploitation, extortion and draining away of resources by the colonial masters which is one of the major reasons of pauperization in the country. Since the liberation in 1971 Bangladesh has been receiving ODA, where the government only is not the driver of development, there are many non-governmental organizations working parallel for country's socio-economic development. Several models of development have received global attention which is being replicated in many other parts of the world. This is one of the country of the LDCs that shows remarkable progress in millennium development goal (MDG); primary education enrolment reached to 87%, gender parity has achieved in primary education, coverage of water and sanitation facilities reached to 80 %, rapid progress has achieved in the reduction of child and maternal mortality. All the progresses have achieved amid political turmoil and frequent natural disasters.

Taking this all in consideration, it will not be overenthusiastic to say that ODA can work.

Bangladesh's Progression in MDG Achievement

Goal	Indicator	year 1990	Status 2006-07	Progress rate	Time needed at current pace
01	% of population less than \$01 % of hard core poor	58.8% 28%	40.9% 36%	01% negative	2019 Uncertain
02	Net enrolment in primary Education	73.7%	87.2%	0.9%	—
03	Female-Male ratio in primary Education	45 : 55	51: 50	—	—
04	Under-5 child mortality/ 1000	76	69	1.4%	2022
05	Maternal mortality/100000	574	380	11%	2028
06	HIV prevalence rate	—	0.2-0.7%	Negative	Uncertain
07	% of forest land area	9%	10.3%	0.08%	Uncertain
08	Official Dev. Assistance (ODA)% of GNI	—	0.33%	—	

Despite having all the possibilities, Bangladesh is under threat of devastating affect of climate change. Scientists predicted that one third of country's area will be submerged and around 20 million people will be displaced in next 100 years by 1 meter sea level rise. Carbon emission is the major reasons for global warming and climate change, where Bangladesh is hardly responsible; a Bangladeshi emits only 0.2 tons of

carbon annually while a US and Qwaitee citizen respectively emits 20 tons and 40 tons of carbon annually. In fact, market led economies and consumerist livelihood pattern of the developed countries are responsible for this climate change. So, taking all these reasons in background Bangladesh has the right to deserve ODA for continuing its development progress and, to recover from the shocks of natural calamities, which has been increasing in the recent years due to climate change.

4. Debt servicing is increasing alarmingly; per person debt is \$151 / taka 10,500

Bangladesh, in the initial years of following independence in 1971, was heavily dependent on Official Development Assistance (ODA), especially on food aid. This dependency has reduced drastically afterward; at present Bangladesh receives \$1241.16 million aid, of which food aid and project aid is \$15.80 million and \$1225.36 million respectively. Out of total \$1241.16 million ODA, principal payment is \$488.80 million and net ODA is \$752.36 million (source Bangladesh Bank, i.e., central bank of Bangladesh, June 2006). This figure shows that the net foreign aid declined by 37% from 1999 level (\$1179 million). The deficit financing in budget was 35% in FY 2006-07 that has forecasted to increase to 48% in FY 2007-2008. Now outstanding external debt is \$18,908 million, which is 31.7% of country's GDP and per capita debt is \$151 (\$1 = Taka 69, Taka is the BD currency) or taka 10,419. Debt service amounted to \$666 to \$715 million in 2005-2006; Debt servicing is now 14% of export earnings which was between 6% and 9% during a period from 1972 to 2004. Distribution of debt service liabilities is; 48% to the World Bank, 26% to Asian Development Bank, 13% to Japan government, 11% to IMF and other donors and 2% to USA government. A Jubilee Netherlands study in 2006 shows that Bangladesh pays back \$1.50 for each of the \$1 it receives as aid.

There would have a sharp increase of debt servicing in the coming years due to commencing of repayment of PRGF (Poverty Reduction Growth Facilities) loan of \$590.7 million has taken from IMF (International Monetary Fund). It has estimated that during 2007-08 total debt servicing liabilities would reach to 20% of country's annual budget. It is also projected that in the national budget, the need of foreign assistance to implement

development program would be almost 49%. Government is now negotiating a new loan with the IMF package of PRSC (Poverty Reduction Support Credit) which will indebted the country with \$400 million more loan.

5. Neo liberal conditionality putting hardship in people's livelihood

In fact, the loan conditionality of the international financial institutions (IFIs), especially of World Bank and IMF, has made Bangladesh highly liberalized among the South Asian countries. These loan conditionality bars the country investing in the public service sectors e.g. agriculture, education, health, financial institutions etc. and the economic liberalization drastically reduced country's industrial growth. This process of economic liberalization has been started with the support of military government during 1980s. Even, during the period of PRSP preparation (2005-2007) the import tariff has been brought down to near zero level, which was around 300% during 1980s. Recently, in June 2007, tariff on importing raw materials and machineries has been increased which will hamper the growth of promising local industries, especially the textile and medicine industry which have export potential next to garments. Garments constitute around 70% of total export earnings, and medicine export is increasing gradually more than 10% annually; these two sectors will be impacted badly. Import tax has also been imposed on primary and mid level products but the lower import tariff has been kept remain as it was in finished product, which will create uneven competition with local products, and all these will jeopardize local industrial development resulting more unemployment and economic disparity. This has happened as per IMF's advice to fulfill its conditionality to get the last installment of PRGF loan and, also for paving the process of getting PRCS (Poverty Reduction Credit Facilities) facilities in the coming years. Government has done all these amidst the stiff opposition from all business associations and civil society.

Therefore, the neo-liberal economic policies and loan conditionality is increasing poverty and economic disparity. Statistics form the Government of Bangladesh shows that the number of hardcore poor has been increased from 20% in 1995-96 to 30% in 2005-06. At present around 60 million people live below the poverty line, which was 51.6 million in 1991-92, and increased respectively to 53.5 million in 1995-96 and 55.8 million in 2000.

According to GINI coefficient ratio, income inequality increased to 0.46 during 2005 which was 0.39 in the year 2000 (Household Income and Expenditure Survey 2005, published in September 2007, BBS, GoB). In fact this has reflected the hardship of the poor people who are living in the bottom line of income structure.

Again, during the period of PRSP education budget has been decreased to 14.5% from 15.9 % and the health budget decreased to 6.6% from 6.8%. Inflation went up to 10.10 % on a point to point basis and 7.49 % on an average basis in July. The inflation rate was 9.2 % on a point to point basis in June, and 7.2 % on an average basis. (this is higher in food items even higher in the rural areas), which is beyond of the forecasting, in PRSP it was supposed to keep within 6%. To rein in inflation IMF suggested for adopting money contraction policy and, meanwhile, government adopted this policy (although aberrantly GoB especially Bangladesh Bank Governor said that the central bank will not follow the IMF advice and it will go for expansionary policy) which will result slow down in investment and unemployment and further will aggravate the situation. Figures already are showing that both private and domestic credit growth is being in declining trend.

Fact Sheet on ODA in Bangladesh

- Outstanding external debt: \$18,908 million,
- Per Capita external debt: \$151 in taka 10,419,
- Annual debt servicing: \$1500 million,*
- Annual health budget: \$500-700 million (2003-2008),
- Debt servicing: 11 % of export earning
- Net ODA trend decreased 37% from 1999 level,
- Debt servicing liabilities: 20% of Annual Budget of 2007-08:
- Sharing of ODA in Annual development programs: 49%
- Debt servicing liabilities: 48% to World Bank, 26% to ADB, 11% to IMF, 13% to Japan Govt.
- Annual net requirement for MDG: 7.5 billion, which is four times of actual ODA received.

* : In 2007-08 national budget, \$200 million (in BDT 13210 million) has been allocated for paying the interest of foreign loan. Where as principal amount was \$1300 million (in BDT 91,000 million): Source: Bangladesh Bank quarterly financial report, June 2007

6. Debt cancellation has to be aligned with MDG achievements

A report of Jubilee Netherlands in 2005, in view of the methodology as suggested by the UN Millennium project, shows that Bangladesh needs external budget support of \$7.5 billion annually to achieve MDG, but it annually receives only \$1.4 billion as ODA which is nearly one-fourth of total requirement. Annually Bangladesh pays about \$715 million (figures from 2004, at present it is \$1500 million) to its creditors, while it spends less than 700 million in its annual health budget. So one dollar spending on debt service means one dollar losing from MDG budget requirement and delaying MDG achievement. Due to the debt vs. export ratio as set by IFIs, Bangladesh is not entitled for debt cancellation. Jeffrey Sachs (2005, Investing in Development) mentioned this as an arbitrary criterion, he criticized the debt cancellation as it is not aligned to the MDG based needs. Sachs proposes that “debt sustainability is redefined as the level of debt consistent with achieving the MDGs, arriving in 2015 without a new debt overhang”. Similarly former UN Secretary General Kofi Annan said “To move forward, we should redefine debt sustainability as the level of debt that allows a country to achieve the MDGs and reach by 2015 without an increase in debt ratios. For most HIPC countries, this will require exclusively grant based finance and 100% debt cancellation, while for many heavily indebted non HIPC (Highly Indebted Poor Countries) and middle income countries it will require significantly more debt reduction than has yet been on offer.” (Larger Freedom ... 2015). If debt sustainability is redefined basing on the amount of finance needed for the implementation of MDGs, Bangladesh may claim full debt cancellation. As per UN Millennium project, Bangladesh will require average \$14.1 billion to implement the MDG in each year during a period from 2005 to 2015. If we deduct user fee from people and government generated revenue, then the net annual requirement of external support will stand \$7.5 billion, which is four times more than the present flow of foreign aid Bangladesh receives.

Ironically, Bangladesh is not receiving that much support from the international communities what they committed; Bangladesh has been treating as a field of exploitation by the multinational corporations and a country of loan investment by the IFIs.

Bangladesh PRSP Where Conditionality Undermine the Local Ownership

A full blown PRSP preparation in Bangladesh took long time around 3 years i.e., 2002 to 2005, final PRSP has been released in October 2005. There was an interim PRSP which have had submitted during 2003. In fact, the Government of Bangladesh (GoB) tried to follow a comprehensive process of participation not only within its own mechanism, it also has taken civil society participation and gone up to districts level. The process of PRSP have had started with the focus group discussion from poor villagers even. GoB has not taken any foreign money / grant from any donors (including IFIs) for the preparation, even the local consultants has finally drafted the PRSP. There is one major criticism from the activists that, the PRSP has been prepared through a process of participation which is bureaucratically managed and by passing the political participation. It should be noted that, due to the rival / confrontational nature of the major political parties, there was hardly any possibilities remained that the political parties could have come to discuss on PRSP face to face or to come in some minimum consensus. Amidst all these limitations, one has to accept that there was a considerable effort from GoB to follow a participatory process.

There are lots of popular issues have been included in the PRSP also included in the policy matrix. But IFIs have succeeded to integrate their conditionality of import liberalization, privatization of state owned enterprises and banks (even which are profitable), introduction of private sector investment in public service sectors (especially in electricity, telecommunication and water etc). In respect of import liberalization the IFIs have gone beyond the target as set in the PRSP through creating pressure on the government. During this period the IFIs have been succeeded to open the currency market also.

Now three years period has over, there is an extension of the PRSP for another one year. Meantime GoB, civil society and donors are reviewing the progress. What has found, during PRSP preparation period, hard core poor population has increased from 20% to 30 %; income inequality as per GINI coefficient ratio has been increased (from 39% to 46%), country's external debt has been doubled and annual debt servicing liabilities has crossed the total allocation to annual national health budget. Although mentioned in the PRSP document to keep inflation within 6 %, but it has crossed double digit already, especially in rural areas and in respect of food items inflation is high. Economists are saying that IMF's policy of money contractions and blanket liberalization is responsible for this inflation. Even going beyond the PRSP the government has had to impose higher import tariff on machineries and raw materials item of export oriented industries. It was found that, conditionality of the IFIs have had implemented and even sometimes more have been implemented with the advice from IFI missions, but a lot of popular issues like regulation of non government health clinics, certification board for non government primary and secondary teachers, introduction of compost fertilizer, decentralization of administration / local government have not been implemented.

So, it has been observed that, whatever the strategy is followed for participatory way, if there are imposed conditionalities then the ownership issues does not work, conditionalities and ownership is contradictory to each other.

7. Bangladesh is a profitable ground for international investor and creditors

Bangladesh is being considered potential for foreign loan investment by the IFIs and also for foreign direct investment (FDI) by the Multi National Companies (MNCs). This is mainly because of its foreign currency reserve, high and growing level of foreign remittance which has crossed around \$5 billions recently and for its huge reserve of natural gas and coal. Policy makers already expressed worries for high level of profit repatriation i.e., sending our hard earned foreign currencies to aboard as principal and interest of the FDI; there were explicit worries from the Finance Minister of last political government too. Several intellectuals and development partners in Bangladesh, especially the G8 ambassadors, are so blatant in preaching in favor of foreign direct investment. A study financed and commissioned by ADB also shows, how the proposed \$2 billion investment from TATA, the Indian Conglomerate, is profitable for Bangladesh. ADB is advocating for TATA's investment as the bank has already given a commitment to TATA to provide a loan of \$600 millions. ADB has also invested money to the mobile phone company Grameen Phone; the company has already repatriated around 90% of their investment to their principal office in Norway just within four years of its investments.

During 1980s ADB managed to have blanket immunity for its work in Bangladesh. The World Bank also tried for having such blanket immunity during last few years but failed due to strong public opposition and pressure to the government. Such blanket immunity is not in line with their deed of partnership as set by their board of governors, it is only immunity provided to their staff, not the immunity to the institutions. But these IFIs are desperate for such blanket immunity as they want to be freed from growing public angers.

India's conglomerate TATA and Mittal already expressed their interest for investing around \$5 billion in Bangladesh and they are negotiating with the government for using country's gas and coal as raw materials at reduce rate, the rate which even is lower than the rate paying by the local investors. Asia Energy, a British company, meanwhile made an agreement with the government for extracting coal in the southern part of Bangladesh. Several international companies like Chevron, Cairn and Shell have been engaged in gas exploration. Occidental and Niko, these two oil and gas exploration companies caused severe blow-out in the country's gas field and caused loss of around \$2 billions. As per Production Sharing Contract-PSC although

Paris Declaration for Aid Effectiveness

In March 2005, 93 countries from developed and developing countries, 26 international organization including World Bank, International Monetary Fund and Asian Development Bank and 16 international civil society organization met in a summit at Paris and signed the Paris Declaration (PD). Major objectives of the declaration are i) to call for increasing aid and ii) to provide a framework of principles to make the aid effective. PD assumed that these will facilitate to eradicate the growing level of poverty and inequality and will ensure the pace of growth. PD declared five principles in this regard.

Local Ownership: It is the recipient or developing countries should lead their project and they should prepare the development policies and strategies, the aid projects should be a part of those local development strategies.

Alignment: Donor countries should provide assistance within the framework of local development strategies and institutions.

Harmonization: Donor should work with coordinated and transparent process in local level.

Management for Result: All countries, donor and recipient must take the management toward the result.

Mutual Accountability: Donor and recipient country should jointly be accountable for the management for result.

Some indicators, timeframe set out in the PD so that by 2010 which could be monitored. A review forum on Paris Declaration also planned in September 2008 to be held in Ghana.

they are supposed to compensate the loss but still they didn't. Since 1980s IFIs conditionality has been weakening the monitoring and controlling capacity of the government institutions on the companies engaged in country's oil and gas sector. There are strong and stiff civil society and local level resistance against all those companies.

There is growing public protest both in local and national level against those deals and companies. It is very unfortunate that, people do not know the loan investment conditionalities of IFIs, MNCs and foreign governments agreed and signed by the government. Even, in the constitution of Bangladesh there is no provision for ratifying those agreements in the parliament. Present government has taken a number of steps in respect of legal reforms; government should ensure (i) people's access to the agreements with IFIs, MNCs, and foreign governments and (ii) should amend the constitution that all loan and investment agreements should be ratified in the parliament.

8. Bangladesh: victim of donor's ignorance and arrogance and the fate of Paris Declaration

The dire need of foreign assistance and the weak political institutions made Bangladesh victim of donor's ignorance and arrogance. There is hardly any reflection of Paris Declaration (local ownership, harmonization, alignment, mutual accountability and management for results). Japan is the biggest donor in respect of infrastructure development and it engages Japanese construction firm in infrastructure development, the *Jamuna* bridge country's only connecting bridge to the north and the south has recently found cracks, heavy loaded trucks barred to run over the bridge, which has been considered as one of the reasons for price hike of perishable agricultural goods in Dhaka city.

There were two big environment projects in Bangladesh; Sustainable Environment Management Program (SEMP) worth of \$26 million financed by the United Nation Development Fund and Sundarvan Biodiversity

KJDRP : Stitch In Time Save Nine

Khulna-Jessore Drainage Rehabilitation Project (KJDRP) implemented during 1993-2004. Objectives of the project was to eliminate water logging, improve livelihood and thereby poverty reduction of the project area. Three agencies e.g ADB, Dutch government and the GEF (Global Environment Fund) financed \$62 million for project implementation, where \$32.6 million as loan from ADB and rest as grant from two other donors. Since the beginning of the project there were allegations on the project. Although the project design changed four times but there were little pro poor implications, and still the area suffers from water logging. During the project period there were a number of civil society demands from the local level not only to the government but also to the donors but the voices hardly taken care of. Meantime due to the pressure from local civil society and NGOs, ADB Operation Evaluation Department (OED) conducted a post evaluation and termed the project as an unsuccessful one. There were four major reasons behind the failure, these are (i) hardly any participation of local people during designing of the project and lack of root cause analysis (ii) study has not been done on local environment, ecology and river management, (iii) hardly any participation of people during project implementation and, finally (iv) everything has happened in non transparent way. Local civil society activists mentioned that this has happened as because to ensure the benefits of local power structure, bureaucrats, engineers and contractors. Recently on 9th June 2007 ADB Country Director Hua Du with representatives from different INGOs (International Non Government Organization) and concerned government agencies visited the area and made commitment to take emergency drainage planning to get rid of water logging.

Conversation Project (SBCP) by a loan from ADB worth of \$77 millions. Both the projects were accused of mismanagement by ADB and UNDP that allowed corruption and misappropriation. SEMP started in 1999; accusation against this project was discussed in the parliamentary standing committee. Afterward an official investigation found the allegation correct.

Allegation was also found correct in respect of SBCP and then in 2003 the project was cancelled. It was reported that around 50 % of the project money had spent as salaries and benefits of foreign consultants, some of the consultants were getting salary as high as \$15000 per month. Although ADB withdrawn its support from this project, but Bangladesh already owed \$77 millions to ADB.

At least there were two projects; one was funded by the World Bank during 1996 to 2000, i.e., Union Health Complex Constructions and, other one was funded by ADB with others (2000-2006) for educating non attending school children, which were found politically motivated just to please political regimes of those periods.

Sometime political governments take project with the loan money from IFIs to please their party people from grass root to the top level, even if it is known to the donors, they do not raise any question, most of the time they want to pass the time and spending of the money without any hassle. Construction of union health complex during 1996-2000 is one of the projects like this. Initially ROSC (Reaching out School Children) is also such a project but while political regime changed and a non partisan care taker government come in power the whole nature of the project turned to different.

Physical infrastructure is a popular aspect of donor funded project preparation as quick money spending is possible in infrastructure development; all the parties involved with such project e.g. politicians, bureaucrats and contractors everybody could reap the benefits through misappropriation and become happy. Because of such biasness of all the parties, one of the government departments has gained tremendous growth; the department has the finest building in the city. One, who visits the office, will see huge number of lavish cars in the office premise. Basically the department has created ignoring and taking away the autonomy of local governments; historically the local governments have had such departments for construction of physical infrastructure. A number of local government activists in the country demanding abolition of this department so that the local government would gain relative autonomy and space for community participation ensured.

A circle of local consultant firm, bureaucrats, engineers, and contractors has been created who, in fact, are the beneficiaries of the donors funded

projects. The local consultants firms, who provide local consultants, also are the creator or founder of NGOs, receive subcontracts of the projects. These local consultants firms provide jobs to the children of the bureaucrats, engineers and politicians. Very often, these donor funded projects of this department finance office and residence decoration of high profile officials of government, finance entertainment of different high profile government meetings and supply cars in different occasion is being done from this department.

9. The development merchandisers are taking the opportunities of situation

ADB and WB in their next 3 years plan prioritize public service sectors, especially water and power sector, for investment. ADB signed a loan agreement for investing in country's power sector at high rate of interest which will be in accordance with the interest rate of London Stock Exchange. ADB already have started their work in Dhaka City Corporation for the privatization of water supply which will hinder the access of poor city dwellers to the safe drinking water at comfortable price. ADB is now planning to extend the 'water privatization scheme' in other cities and municipalities of Bangladesh. Meantime another bilateral donor has started its work with the municipalities of Noakhali, Maijdee, Chaoumohuni, Patuakhali and Baragona for privatization or commercialization of government water supply system so that government does not need to provide subsidy in this regard. Water supply and bottled water is one of the fast growing businesses of local and foreign companies. There was riot while water has been privatized in Bolivia. Poor families in Ghana even starve to save money just to purchase water. Slum dwellers in Dhaka and Chittagong do not get supplied water as they live in the lands which they do not own; according to rules, people who live in their own land will get supplied water through pipes. So slum dwellers bound to pay much for water than a rich or middle class people of a town.

On the other hand, the World Bank showed investment interest in agriculture and education sectors. As they stated in this respect, they want to make coordination of fee system in both public and private universities, which means WB will pressure government to increase fees of the public universities.

In fact, IFIs are trying to promote corporatization and commercialization of agriculture sector, especially commercialization of seed market with the introduction of GMOs (genetically modified organism). Government also has an agreement with USAID in this regard. Commercialization of agricultural inputs, especially of seeds, will make farmers dependent on multinational seed companies and will make agriculture system costly and unsustainable wherein 70% of country's workforce employed. Livelihoods of farmers who constitute 80% of the population will be endangered. A big NGO of the country has already in agreement with Monsanto (present name "Pharmacia") for experimentation and introduction of GMO / Hybrids seeds. With the influence of IFIs and according to the instruction of the Bangladesh Bank (the central bank of the Bangladesh), private banks even some of the foreign banks have announced their investment plan in agriculture sector; meantime City Bank and Standard Chartered Bank have declared BDT (Bangladeshi Taka) 100 million investment plan in agriculture. Such corporate investment will increase commercialization of agriculture, i.e., big agricultural farm will grow up replacing small farm/land holders. Small farm holders and landless day labor which constitute around 50 % of the population ultimately will be the losers. There will have no way for the land less laborers and small farm holders except migrating to the urban areas.

ROSC: When Non Political Involvement Matters

ROSC started in July 2004 and supposed to continue to 2010. Total project allocation was taka 3900 million, wherein taka 360 million was from the Government of Bangladesh (GoB) and rest taka 3540 million from the World Bank and Swiss Development Cooperation (SDC). Objective of the project is to provide education to the non attending school children through promoting community involvement in remote rural areas. The project was started during last political regime. Everything whatever it was; like upazila selection for project operation, selection of school's place and NGOs (over night flying NGOs has been created) had happened with the instruction from top political level and local Member of Parliament. Local Member of Parliament, education officer, bank officials, even NGOs were also accused of taking bribes and corruptions. There was a review from donor side; it was a saying that, there was an advice from the donors to local consultants not to mention those issues of corruption in the report.

But the nature of the project has changed drastically when new, non partisan care taker government came in power, Project Implementation Unit basically which is composed of local consultants takes stern initiatives; they have changed the NGO selection and brought transparency and participation in local level. There is drastic reduction of corruption and mismanagement, schools are running, children are getting books, dress and food at least in grass root level.

10. People should not take responsibility of illegitimate loan: We demand open Public Audit on all foreign loan use.

A people's movement against the foreign loan taken during the period of autocratic regime has been intensifying around the world. Foreign loans those has taken during military regime and by the autocrats e.g., like the period of Marcos in Philippines and Suharto in Indonesia, the foreign loan which has not approved in parliaments, and the loans which has not reached to the people or loan that has given considering the interest of creditors not considering the interest of recipients has to be considered as illegitimate debt. Same logic has been used by US regime pleading to cancel the debt in Iraq which was taken during the regime of Saddam Hussein.

Ecuador in Latin America has declared a Public Audit Commission to investigate the use of all foreign debts, especially to decide illegitimate debt. They mentioned that, if it is proved the money being misappropriated by regime and transferred to the foreign countries, the government will not take responsibility to pay that money. Norwegian government has already cancelled such illegitimate debts, which they found given as part of their own interest not as the interest of the recipient countries.

Meanwhile, the United Nations and the World Bank declared that they will work jointly to recover the money transferred by corrupt regimes of developing countries and has been deposited in the banks of the developed countries, like Swiss Bank in Switzerland. The Philippines government has already recovered money deposited by Marcos in abroad. In Bangladesh most of the foreign loans have been started during the military regimes, and it is observed that most of the loans have been taken when national parliament was not working. In fact, there is no provision in our constitution to discuss and ratify loan/foreign investment agreement in the parliament even during a democratic and parliamentary governmental system. So someone can argue that, people of Bangladesh have the right to disown all these foreign loans.

Abul Barakat, Professor, Department of Economics at the University of Dhaka and the General Secretary of the Bangladesh Economic Association, in an article of the Political Economy of Aid in the last 30 years, published in 2002, notes that till that time only 25% of foreign aids

PEDP II: Infrastructure Biasness Deemphasize Quality Education

PEDP II (Primary Education Development Program II) is one of the biggest project worth of \$1815 millions started during 2003 and will be continued up to 2009 , 63.9 % of the project cost has been funded from GoB and rest will be from the donors, where 13.8 % as loan from the World Bank and ADB. DFID, EC, Netherlands, NORAD, SIDA, CIDA, JICA, UNICEF and AusAid are also involved in this project. The project objectives basically are to improve quality, increase access and increase completion rate in the primary schools. There are four project components, where quality through infrastructure development is one component.

Although more than 63 % of the resources from GoB but there were heavy influence of donors, mostly as because of ADB, as because of its infrastructure biasness and hiring of consultants. Only the major achievement has happened, this is in respect of physical infrastructure development, which has been done by LGED. It has also happened as because of the fact that, bureaucrats and engineers has had the possibility to get their benefits. Another aspect of expenditure has happened this is in respect of expenditure for foreign consultants. ADB has used its own policy of procurement as it disburses its credit through parallel approach although PEDP should have pooled funding mechanism from one basket.

Even the easiest task, teacher's recruitments has not happened according to the plan, teachers student ratio is supposed to be brought down to 40: 1 which is now 56:1, in some remote places it is 83:1. Nothing has happened in respect of community involvement, even there was no community or teachers involvement in respect of planning and construction of physical infrastructure. There was initiative to train school management committee members but in a discrete and limited fashion. One of the important aspect of PEDP II was unfolding School Level Improvement Plan by training and building capacity of School Management Committee (SMC) members that was not translated. Progresses in rest of three components which are related to quality through organizational development, quality in schools and classrooms and improving equitable access are really slower than PEDP II plan. Community involvement through decentralization and devolution for making equitable access to primary education and quality education should be the major success, but except the issues of teachers' recruitment, all other intended plans are yet not translated in to realities although PEDP II is in mid phase now.

The project has only two/three (if extended one year) years in ahead, but there are very little improvement in respect of primary education, rather figures showing alarming situations, e.g., drop out rate increases to 47% from 33% in 2002, survival rate in 52.9 %, coefficient efficiency is 61.8 %, transition rate of primary to secondary declined from 92.4 % in 2003 from 83.3 % in 2004.

went to the poor. He states that of each \$100 aid, \$25 went back to its origin, \$30 eaten up by the bureaucrats, politicians, commission agents, consultants and contractors, and another \$20 went to the urban and rural elite in different forms. Taking cognizance of Barakat's work, it could then be said that of the \$19 billion of Bangladesh's debt only \$5.75 billion went to benefiting the poor. So, rest \$13.25 could be said as odious debt too.

Therefore people of Bangladesh, of which majority are poor, can not take the responsibility of this illegitimate debt. So we are demanding public audit like the public audit commission on debt in Ecuador. People have the right to know how this money has been utilized. We have the responsibility to the tax payers of the foreign countries that pays that money for the poor people of Bangladesh. Unfortunately our politicians and bureaucrats do not have such guts although it is a necessary at least to ensure fair utilization of foreign aid.

Denials of Transparency Rights: Privilege for Donor and Recipients Both

In Bangladesh, there is no 'right to information act', that privileges both donors and GoB officials denying people's access and rights to information on any project. The author faced similar hindrances while he was trying to get information on different donors' project both from donor and government agencies.

A market infrastructure development project for char region has been implementing through partnership with the local NGOs under the leadership of a government engineering wing. A number of NGOs, some of those are from the char or coastal areas and have long years working experiences in local level, have applied for the partnership when a tender process has invited. In the process of NGO selection it was written in the rules that, after the selection process the authority should provide information if any party wants to know about the information on selection process. An international fund for agriculture development and the Netherlands government funded this project. Finally it was found that NGOs who don't have working experiences in those local areas have been selected for the said project implementation. This has happened due to NGO's relation with a consulting firm, the consulting firms are heavily involved with the government wing and they also are the board members of that NGO. Referring to the NGO selection process, when the NGOs applied for selection information to highest authority, it was denied and no response has got yet.

This is one example amongst hundred. Donors also have been requested for such information but they regret like as the government departments. Both the government departments and donors should understand that, transparency and open flow of project information in turn will benefit the project with a healthy implementation and, in fact, this is the basic objective both of the donor and government agencies.

11. How to ensure effective pro people ODA utilization

We have already argued that, Bangladesh has the right to have foreign aid. In view of Paris Declaration, politicians, civil society and all above mass people has to take responsibility or to be pro active for appropriate utilization of ODA; all have to act as a countervailing force. In this respect we have several specific demands to the government.

- (1) Government should enact 'right to information act' so that people will have easy access in all ODA project, separate conditions should include there in this regard.
- (2) For having a transparent picture of all ODA used in past, government should constitute Public Audit Commission (PAC). The PAC would investigate all foreign aid use and take public hearing especially hearing from the people, who suppose to be the beneficiaries of those projects.
- (3) The interim care taker government, as a part of its anti-corruption drive, has already unearthed some facts of deposited misappropriated money in foreign banks. Government should do intensive investigation on foreign aided projects, and if found such a misappropriation and money kept in foreign bank, initiative should be taken to return the money with the help of international agencies. It should be noted that UN and the World Bank have already express commitment to recover such money stolen from low income countries.
- (4) Government must keep provision of transparency and participation of people and civil society in the entire foreign aided project in its all stages of implementation, i.e., during the stages of project preparation, implementation and evaluation. Even if there is no enactment of 'right to information act', donors can put such a conditionality of transparency and participation while they fund a project.
- (5) Constitution should be amended including the provision that any foreign loan agreement should be ratified or approved in parliaments. Oversight function of the parliamentary standing committee on foreign aided projects should be strengthened.
- (6) Government should consider and allow civil society or media initiative to get information on foreign aided project and should allow critical analysis of a project. This in turn will help the government for the best and appropriate utilization of foreign aid. In foreign aided project government should keep provision and encourage civil society and media for participation.
- (7) Government should not make any agreement with the loan conditionalities of IFIs and no agreement should make related to the essential public

services like health, education, water, electricity, physical and electronic communication etc. These sectors should be considered as basic human rights and state should be responsible providing these basic services with affordable fees tailored to the capacity of downtrodden people.

- (8) Government should forge unity with the countries who are pleading for unconditional aid from the IFIs and other international agencies.
- (9) Government should not consider any attempt of blanket commercialization of agriculture, as we feel this will displace the small farmers and landless labors. Government should revive the BADC (Bangladesh Agriculture Development Corporation) for the promotion and preservation of local seeds. To reduce the dependency on chemical fertilizers government should train and introduce compost fertilizer, which not only will save the hard earned foreign currency now being spent for importing chemical fertilizer, but also will help for maintaining organic properties of lands. It should be noted that there are instances in many developed countries who are introducing plan of gradual withdrawal of chemical agriculture from their lands.
- (10) At present most of our hard earned foreign currencies spent to meet the import bills and also to meet the demand of foreign companies to repatriate their profit and investment. Government must prepare a policy so that these hard earned foreign remittance / currency would be best utilized especially in building infrastructure for productive purposes.
- (11) There will be an UN organized climate change conference 'Conference of the Parties' in Bali in December 2007. Prior to that conference the government should sit with civil society and also contact with other least developed countries to place our demand. Bangladesh should demand compensation and more emergency fund in this regard. In respect of international campaign government should have a coordinated position with the civil society groups.
- (12) In view of MDG goal no. 8, the developed countries still not providing 0.7 % of their GNI as development assistance that they committed in UN, which is still around 0.3 %, government should forge alliance with other developing countries to keep pressure continuously on the developed countries.
- (13) In line with the views from ex UN Secretary General Kofi Anan and present UN Secretary General's special adviser Jaffry Sachs, Bangladesh should raise questions on the arbitrary debt vs. export ratio as set by IFIs as the criteria of qualifying for debt cancellation. They argued that country like Bangladesh should be entitled for debt cancellation so that freed resources will be utilized for MDG achievements and there will be no new overhang of loan liabilities during 2015 along with MDG achievements.