

Foreign Aid in Bangladesh after the Liberation War: A Study In Retrospect

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[Abstract : Bangladesh has been a foreign aid recipient since its independence in 1971. It receives foreign assistance mainly to finance the budget or trade deficit and the annual development program (ADP) over a period of time. Moreover, it also gets external assistance in the form of food and commodity aid for various purposes in different years from the donors, mainly for the reconstruction of the newly independent country, to overcome various natural disasters such as floods, famine, cyclones, etc. Bangladesh receives foreign assistance from both multilateral and bilateral donors. Three development partners, World Bank, International Development Agency (IDB), Asian Development Bank (ADB), and Japan, provide 52.71 percent of the total disbursed aid to Bangladesh. The paper attempts to undertake a retrospective study of the importance of foreign aid in Bangladesh and as well reconnoitre it's impact on the overall body politic of the country since its independence in 1971.]

Introduction

Bangladesh has been a foreign aid recipient country since its independence in 1971. It receives foreign assistance mainly to finance the budget or trade deficit and the annual development program (ADP) over the period as envisaged. Moreover, it also gets external assistance from donors through food and commodity aid for various purposes at different periods of time. Thus, in the immediate aftermath of its independence, Bangladesh received aid from different quarters mainly for reconstructing the newly independent country. Later on, aid was disbursed to the country for overcoming the various adverse effects of natural disasters such as floods, famine, cyclones, etc on the country. (Basharat, 2014, p- 94). Needless to mention, Bangladesh as a recipient of foreign aid and assistance has sought to fulfil the objectives for which the very phenomenon of foreign aid is meant for like, alleviation of poverty, increase the rate of savings

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and investment, accelerate infrastructural development, growth of GNP and the like. As empirical evidences suggest, these problems are mainly associated with the poor and underdeveloped countries. Thus, the donor countries and organizations are more likely to give foreign aid to countries with the worst economic conditions. They give development assistance on the assumption that a huge amount of capital provides additional resources to the recipient country and helps them to push up their development activities. (Fatema, 2017, p- 81) In this light, the paper attempts to investigate the impact of foreign aid in Bangladesh since its independence in 1971.

Methodology of the study:

Historical research involves finding, interpreting, and correlating information within primary and secondary sources to understand past events. Historical data collection is accomplished through methodical and comprehensive research based on primary and secondary sources. (Torou Elena, p-1) The paper follows the qualitative method, where information has been collected from both primary and secondary sources, predominantly from scholarly articles and reports obtained by journalists, newspaper reports, books, journals, etc. The paper focuses on the nature and needs of getting foreign loans and other assistance by Bangladesh from the various developed countries in the period following the independence of the latter in 1971.

Structure of the Paper

Barring 'Introduction' and 'Conclusion', the corpus of the paper is divided into three consecutive sections, arranged in a logical and coherent manner. The first section entitled 'Foreign Aid: A Theoretical Overview' throws a few theoretical reflections on foreign aid with a brief history of the concept. Section 2 entitled 'Aid Flow to Bangladesh: A Nonlinear Phenomenon' argues that disbursement of foreign aid to Bangladesh has not been steady in colour and texture. It has varied over time depending on the corresponding varying politico-social and economic factors at home. The section discusses the phenomenon in three subsections. Section 3 entitled 'The Current Sources of Foreign Aid for Bangladesh' deals with a general discussion on the various sources of Bangladesh's foreign aid at present. The conclusion is preceded a paragraph title 'A Prelude to Conclusion'

Section I: Foreign aid : A Theoretical Overview

Foreign aid, often regarded as development aid, is integral to international development cooperation efforts. It encompasses all official grants and concessional loans, in currency or kind, that are broadly aimed at transferring resources from developed to less developed nations on development grounds.

It should be noted that foreign aid as an instrument of foreign or national policy does not have an enriched history. Through the thin veneer of history, one

notices the practices of foreign aid among a few powerful European countries in the 17th, 18th and 19th century with military considerations only. In the aftermath of World War I, no aid programme was launched even to salvage Europe from the Economic Depression of the thirties. During World War II, the Lend-Lease Act of US President Roosevelt, approved by Congress in March 1941, had, perhaps, been the most vigorous aid programme, hitherto unnoticed in world history. The Act gave President Roosevelt virtually unlimited authority to direct material aid such as ammunition, tanks, airplanes, trucks, and food to the war efforts of most of the European nations then fighting Nazi Germany. It is only after the post-World War II era that foreign aid became a prominent topic on the international politico-economic stage, thanks to a few developments as cited below:

- (i) The establishment of the United Nations Organization, which mandated economically developed and advanced countries to allocate at least 0.7% of their gross national income to international aid.
- (ii) The emergence of the Cold War, which intensified geopolitical rivalries and competition between major powers, leading to the use of foreign aid as a tool to gain influence and control over strategically important regions.
- (iii) The process of decolonization in the aftermath of World War II, as former colonies sought assistance from both Western and Eastern blocs to support their nation-building efforts and assert their independence.

In more concrete terms, foreign aid received enormous attention worldwide since the European Recovery Program and the Marshall Plan implementation following the Second World War. The Marshall Plan served as a keystone for development aids. Since the Marshall Plan has been regarded as a successful aid and development cooperation effort model, its success has helped motivate the United States and other developed countries to provide LDCs with development aid. (Soo Bong, 2017, P- 21)

While foreign aid disbursed to the peripheral countries during the erstwhile Cold War period had geo-strategic and security consideration, the same following the period of decolonization attained a much broader dimension. Henceforth, foreign aid played a vital role in the economic development of many countries across the world at different points of time to the extent that it was internationally regarded as a critical element of the growth paradigm, which included development concepts, models, plans and strategies for nearly half a century. (Shams Uddin, p- 3)

The types of foreign aid vary. It can be in the form of a loan, grants, or relief. Aid does not include private donation that comes from one government to another. Currently, the main donor countries are the USA, Japan, Norway, Sweden, China, Canada, and the U.K., which give bilateral aid. Moreover, there

are different aid agencies, referred to as multilateral donors, such as the World Bank, IMF, the United Nations, UNDP, ADB, etc. The purpose of foreign aid varies over time, depending on the interests of both the donors and the recipients. Thus, aid can be of nature development, military, humanitarian, or even altruistic. For example, Sub-Saharan African and Asian countries mostly take humanitarian aid for their sustenance, whereas countries like India and Pakistan (South Asia) receive military aid in addition to other aids for development purposes. Many Afro-Asian countries receive aid for both development and humanitarian objectives.

The developing nations offer developing aid or loans to fulfill their sustainable development process. Such aid is mainly related to poverty reduction, infrastructure development, and emergencies. The most common type of foreign aid is official development Assistance (ODA), which is given to support a developing nation's economic, environmental, social, and political sectors. Countries like Bangladesh takes foreign aid to fulfill their national budget, the balance of payment support, debt relief, ADP (Annual Development Program), health and education sector development, structural development, and to overcome their emergency period. (Fatema, 2017, p: 80-81)

Section 2: Aid Flow to Bangladesh : A Nonlinear Phenomenon

This section of the paper endeavours to show that the aid flow to Bangladesh from its very inception till to date does not follow a linear fashion. Aid has been disbursed to the country depending mostly on the internal situations of the country. In other words, domestic economic, political, social and related factors dictated the inflow of aid to the country. This will be studied in three sub-sections.

2.1: Aid Immediately after 1971

The war of liberation out of which Bangladesh won its independence from Pakistan in 1971 was the second in a two-part struggle against colonial exploitation and neo-colonial underdevelopment. The province of Bengal had historically been the wealthy center of the East India Company, later under British imperial rule. (Naomi, p-23) But after independence in 1971, Bangladesh became the poorest country in the world.

The war and flood of 1971 and 1972 respectively caused tremendous damage to the transport system of the newly born country, and seriously disrupted agriculture, on which 80% of the population depend for a livelihood. The achievement of political independence out of the liberation war of 1971 meant that the entire politico-economic and social machinery of the new state had to be created anew. The maximum war damage had been done to the transport system. When the war ended, some 287 railway bridges and culverts were damaged, the communication lines were disrupted, and numerous road

bridges needed repairs or replacement. Out of all, a few of these had been sufficiently repaired within four to five months following independence to allow traffic movement except during the monsoon. Four major railway bridges were nonfunctional, and as a result, the railway system was disrupted. They were: the Hardinge bridge over the Padma at the mouth of the Ganges, connecting both India and the Bangladesh port of Khulna in the south-west with Rajshahi and the north-western area of Bangladesh; the bridge over the river Tista, linking north-western Bangladesh not only with its outlying districts but also with the Indian railway system between West Bengal and Assam; the Mymensingh bridge over the old course of the Brahmaputra in north-eastern Bangladesh; the King George VI bridge over the river Meghna near Dhaka, linking Dacca with the port of Chittagong. The temporary losses of the Hardinge Bridge and the King George VI Bridge were the most serious in terms of their economic effects. They interrupted large and important traffic flows from Bangladesh's only two ports to the related consumption areas in both cases.

The damage to agriculture was still more colossal. The short-term interruption of agriculture (as explained below) has been serious. One of the more severe effects of the war was that plow bullocks were driven off and scattered and slaughtered in considerable numbers. It has been estimated that there was a shortage of some 500,000 bullocks when normal cultivation restarted at the beginning of 1972. But the long-term damage was slight and could quickly be overcome if the normal flow of imports could be restored. This, however, was not the case. The transport bottlenecks and the need to create new trade channels restricted production for a longer period. In more general terms, once the difficulties (however grave they were) of the first year following independence could be solved, the development task could have been easier. But the food problem attained a critical dimension. Needless to mention, Bangladesh has been the victim of three successive disasters, cumulative in their consequences: the cyclone of November 1970, the war of 1971, and most recently, the monsoon failure of 1972. In order to avoid a more severe situation, it was necessary to procure food-grains in sufficient quantities to feed the teeming million. This step could not be taken successfully as the exact size of Bangladesh's population could not be quantified in exact number. The last population census was taken in 1961. To this is added, the exact number of human loss during the war of liberation period. The uncertainties around the exact number of population and life expectancy of the people hindered food procurement in desired amount.

It may be mentioned that before independence, roughly one-third of Bangladesh's export trade and half of the country's import trade was with Pakistan. However, Bangladesh faced considerable difficulties in economic adjustment in the post-independence era. The balance of payments pressure became acute. (A. K. Monawwar Uddin, 1989, p- 117) Moreover, the severity of the monsoon floods in 1974 further deteriorated the food situation ultimately

leading the newly born country towards a serious famine. In the circumstances, foreign aid was an inevitable tool to face the challenge.

2.2: Politicization of Foreign Aid in Bangladesh

The inflow of foreign aid to Bangladesh has been politicized from the very beginning, but its manifestation became clear after the end of the first phase of political regime in 1975.

The emergence of Bangladesh as an independent country in 1971 transformed the power balance of the South Asian subcontinent in favor of the Indo-Soviet coalition. As the period was marked by Cold War rivalries between the two superpowers, U.S. and USSR, the newly independent country began to hold immense strategic significance for U.S. foreign policy-makers. The Nixon-Kissinger team's tilted policy towards Pakistan during the struggle for self-determination, and this contributed to the earning of a controversial image for the Americans among the newly liberated country's elite and the people as they had looked towards the U.S. as the world's leading spokesman for liberty and freedom. (Monzimal Haque and Aynul Islam, 2014, p-4)

Emerging as a global military and economic power after Second World War, the United States carried out foreign aid programs directed first to Europe, and then to under-developed countries of the Third World, based on some notions of political development. Besides the implicit notions of policy-makers and the explicit notions of social scientists, other political, social, economic, military, and cultural factors have also provided explanations of American attitudes and policies of the post-war ideological and international entanglements. Security needs and perceptions were particularly potent variables in producing an anti-communism in an obsessive manner. Both the US aid officials and theorists have defined political development goals in terms of democracy, stability and anti-communism, peace, world community, and pro-Americanism. Three main conceptual tools for bringing these goals into being have been embodied in U.S. economic and technical assistance since 1947. According to the economic approach, economic and technical assistance would contribute to economic development, and economic development, in turn, contributes to political development. According to the Cold War or security approach, aid has been seen as a Cold War tool that can be used to promote political stability, win alliances for the U.S., and impede the emergence of radical or communist regimes. The approach is the explicit democratic approach, according to which economic and Cold War doctrines should be so adjusted as to maximize the likelihood that aid may contribute to the growth and strengthening of the liberal democratic political system in the Third World. (Robert, 1973, p- 318-319)

After the liberation war of Bangladesh in 1971, Sheikh Mujibur Rahman, out of gratitude towards India and the Soviet Union, promulgated the foreign policy of Bangladesh, which was marked by the influence of India and the Soviet Union.

But within a short time, Sheikh Mujibur Rahman faces security and socio-economic challenges. As a result, Bangladesh needed a huge amount of foreign aid, investment, and technology to rebuild its wartorn economy. India and the Soviet Union extended economic assistance and cooperation to Bangladesh, but these were not enough to meet the demand of war-stricken Bangladesh. In this situation, Sheikh Mujibur Rahman took the initiative to develop Bangladesh U.S. bilateral relationship. (Mahmud, 2009, p- 110)

The USA recognized Bangladesh on 4 April 1972 as a sovereign and independent state. The initial setback was reserved as rapprochement came early because of the acceptance of the realities by the U.S. government and the positive response of the Mujib government to the U.S. initiatives. Thus, the stage was the start of cordial relations between Bangladesh and the United States. In the Mujib period, when the Bangladesh government was regarded by many as too pro-Soviet and pro-Indian, ties grew between Bangladesh and the United States. With the establishment of diplomatic relations at the ambassadorial level in May 1972, U.S. aid projects in former East Pakistan could be revived, and U.S. aid for various new development projects was also explored. The U.S. aid in the context of the period after the liberation war of Bangladesh was largely humanitarian, and its effort had been largely directed to bring back stability and peace to the region by promoting the rehabilitation of Bangladesh's economy, thereby meeting the basic needs of the people. The U.S. involvement during the initial years had been rather low-key and non-political. (Mahmud, p- 110)

After recognition by the U.S., Bangladesh's flexibility in the conduct of foreign policy widened. Furthermore, assistance from the richest country began to flow for the rehabilitation of Bangladesh. The first direct assistance from the U.S. totaled about U.S. \$122 million over a period of only four months. Sheikh Mujib was reported to have rejected opposition by some of his cabinet colleagues in accepting aid from the U.S. However, the pro-Soviet and pro-Indian lobbies in Bangladesh opposed receiving aid from the U.S. as they perceived that Bangladesh would be under the influence of U.S. imperialism. In early 1975, the rejection of democratic pluralism, the introduction of a one-party system, and the suppression of freedom of the press had a dramatically negative effect on Bangladesh's relations with the West, particularly with the USA. The introduction of one-party system (BAKSAL) alarmed policy-makers in Washington. It was felt there that under a one-party system, Bangladesh would follow the East European pattern, and thus be firmly saddled to the Soviet orbit.

Nevertheless, after adopting such kinds of policy with a presidential type of government for the country, Sheikh Mujibur Rahman, along with his family members, was killed in a coup on 15 August 1975. By all calculations, the U.S.-Bangladesh relation during the Mujib period could not develop on firm ground, and lack of mutual cordiality was, in many ways, the consequence of the government's policy of upholding Indo-Soviet interests even though assistance

from these quarters was less than what came from the USA during the time. Besides, Mujib's policy is opposed to the U.S. economic policy of privatization and open market economy. (Rashid, p- 320)

With the change of government in August 1975 after the tragic assassination of Bangabandhu Sheikh Mujibur Rahman, Saudi Arabia, the U.S.-led pro-Pakistan alliance during the 1971 war, recognized Bangladesh as an independent state. Foreign policy emphasis shifted from the Indo-Soviet alliance to China and Islamic countries. Under President Ziaur Rahman's regime, Bangladesh chooses the China- U.S. axis as its new friend. (Mahmud,115-116). President Zia's principal aim was to acquire massive amount of aid, primarily from the United States and other Western aid donors, but also from OPEC and the Socialist bloc. His primary concerns were to find financial and material support sufficient to prevent further deterioration of the Bangladesh economy and, beyond that, to establish development and trade partners that might make it possible for Bangladesh to begin to operate on its own steam. The economic consideration thus gave way to further political consideration. Bangladesh and the U.S. started taking similar stands on international events, a significant consequence for the West and the U.S. The U.S. was no doubt interested in the political stability of Bangladesh so that the country's vital need for economic development was not disrupted. The U.S. as the largest single donor of external aid to Bangladesh has made significant contributions to the country's economic development. Indeed, the advancement of communism appeared to be an unstoppable tidal wave that motivated the U.S. to recruit Bangladesh into the cordon sanitaire, which Washington was determined to erect around the perimeter of Soviet power. Subsequently, Bangladesh was listed as one of the world's most privileged countries. (Khan, 2017, p- 32)

After another tragic assassination in Bangladesh politics, which claimed the life of President Ziaur Rahman, President Hussain Muhammad Ershad came into power in March 1982. It sought to reset working relations with India. His government strengthened relations with the U.S., China, Japan, and Islamic countries. The relationship with Russia remained lukewarm. During the Ershad regime, Bangladesh became the President of the U.N. general assembly. (Mahmud,115-116)

President Ershad was labeled as 'the man of private enterprise' by Reagan due to his trade liberalization policies, private investment promotion, and privatization. To legitimize the power, Ershad left no stone unturned to express his capitalist intentions to the U.S. Unlike previous regimes, speculations of military engagements were visible in this era since Admiral Ronald J. Hays, Commander-in-chief of the US Pacific Command (USPACOM) paid a visit to Bangladesh in January 1986. The dependence of Dhaka on Washington in all ways soon began to create an uncertain environment. The decision of General Ershad to expel Soviet diplomats from the country was a

demonstration of unnecessary appeasement and dependence on the U.S. Therefore, US-Bangladesh bilateral relations during Ershad regime marks an era of needless dependence on the United States for all kinds of support moving off the balanced approach adopted by Ziaur Rahman. (MonzimaHaque and AynulIslam, p-4)

2.3: Foreign Aid with Conditions and Strings

The general election of 1991 marked the beginning of the decline of military hegemony in Bangladesh politics. Begum Khaleda Zia assumed leadership of the country. The 1990s saw the birth of pragmatism in Bangladesh's domestic politics and foreign policy. This government based its foreign policy on close strategic relations with China and the West and also took cognizance of importance of new geo-economics in the post -cold War era.

The imperatives of globalization requiring liberalization, open market, integration with global economy required the policy makers to adjust with the new international requirements. With privatization, Bangladesh also moved towards enhancing trade and economic development of the country. (MonzimaHaque and Aynul Islam, p-5)

However, foreign aid generated a dual crisis of dependence and conditionality for Bangladesh. The international donor agencies pressed Bangladesh to reform the financial sectors, reduce agriculture subsidies and strengthen development program implementation. Despite U.S. dissatisfaction with the economic regulations, American investments continued to pour into Bangladesh, and the country has been able to raise the volume of export to the U.S. in the competitive market. Besides economic assistance, the United States also attempted to institutionalize democratic institutions in the country. Various exchange programs were considered to broaden the exposure of Bangladeshi leaders to the concepts of Western democracy and human rights. (Raphael, 1994)

The U.S. assistance to Bangladesh is given through loans and grants. Loans usually have a fixed period of repayment and an affixed interest rate. Grants, on the other hand, have no specific schedule repayment. The U.S. assistance to Bangladesh may be categorized into food aid, non-project or commodity aid, and project aid. (Mahmud, 2009, P-145) In economic terms, the relationship with the U.S. has long been and will be, in the foreseeable future, continue to be a significant one for Bangladesh. It embraces commerce, investment, and development aid. The U.S. is one of the largest donor countries through its USAID (U.S. Agency for International Development). USAID reportedly spends \$ 900 million from 2011-2016 in Bangladesh for social causes and the environment.

The expansion of trade and investment transactions is growing. About 200 US companies are engaged in business in Bangladesh. American investment had gone up 30-fold, and the natural gas sector and power generation attracted most of the investment. According to the American Chamber of Commerce in

Bangladesh, the total investment by U.S. entrepreneurs is \$ 1.35 billion by the end of 2012. As per the latest Bangladesh bank survey report, FDI from the U.S. was in the 7th position with \$ 25.6 million in January – June 2012. Most of the FDI came in the gas and petroleum sectors (\$13.5 million), followed by banking (\$ 8.9 million). During the fiscal year 2011-2012, the bilateral trade volume was \$ 5.4 billion, with the ^{second} highest position with a trade surplus of \$ 4.4 billion, constituting 25% of total exports and imports from the U.S. goods worth about 1.09 billion. The balance of trade is heavily in Bangladesh's favor. Further, the U.S. would jointly set up a new American Centre for public service and Arts with the liberation war museum to promote young leadership and cultural development. (Rashid, p- 324) Over the next five years, it is reported that the U.S. is committed to investing 1 billion to help Bangladesh to improve the lives of citizens, especially children. (The Daily Star, 2 February 2012)

Some of the important trends in foreign aid during the 90s and afterwards can be summed up as follows:

- (1) The aid flow was mostly from the West. In this connection, Bangladesh, like any other Third World country, did not have the same leverage in bargaining as it had during the Cold War period.
- (2) The Western aid was mostly conditional tied to various demands for fulfilling human rights and environmental protection standards.
- (3) Since the phenomenon of globalization allowed a number of Multi-national Companies to enter a country in almost an unbridled manner for business and profit, such West based business houses exerted great influence on the aid policy of the Western donor countries.
- (4) Still more, it is the International financial institutions like the World bank, the IDB, the IMF etc. that became very parsimonious in disbursing aid and grants to the developing countries. In most cases, their list of conditionalities was harsh, and were looked upon by the recipients as a convenient tool in the hands of the West to keep the developing countries under a short leash.
- (5) In a period of globalization and information technology (IT), the demand for foreign aid and assistance became almost unavoidable for a vast majority of the underdeveloped countries of the south. The advent of IT put irreversible pressure on the poor and underdeveloped countries to adopt new technology and information methods. As a result, competition of receiving aid became vicious with the benefits being mostly accrued to the West.

Section 3: The Current Sources of Foreign Aid for Bangladesh

Bangladesh receives its external assistance mainly in three forms food aid, commodity aid, and project aid. More than two-thirds (67.7 percent) of the total aid was disbursed as project aid from 1971-2012, while commodity and food aid

accounted for 21 percent and 12 percent, respectively. Likewise, the share of Loan-Grants and the shares of the three aid forms have changed over time. In the first decade (1971-1980) after independence, the donors provided the highest amount of Commodity aid (42 percent) and food aid (32 percent) for the poor people of Bangladesh. Over the period of time, the dominant figure of Commodity and food aid steadily declined due to the reduction of dependency on these forms of aid. Both together were recorded as only 5.17 percent of total assistance from 2001-2012. On the contrary, the share of project aid progressively increased over the years, from 26 percent in 1971 to 94.83 percent in 2012.

Bangladesh receives foreign assistance from both multilateral and bilateral donors. Three development partners – World Bank-International Development Agency (IDA), Asian Development Bank (ADB), and Japan provide 52.71 percent of the total disbursed aid. The biggest multilateral donor is the World Bank, which provided 23.11 percent of the total aid; ADB ranked second with a contribution of 16.09 percent. U.N. Agency secured the third position by disbursing 5.34 percent of total aid in Bangladesh. Multilateral donors provide these amounts of aid almost entirely in the form of loans. Japan is the most significant bilateral donor, accounting for almost 13.51 percent of the total aid, almost evenly split between loans and grants. The United States contributes 6.29 percent, while the United Kingdom provides 4.01 percent of the total foreign assistance as the bilateral donor to Bangladesh. (Basharat, 2010, p- 96)

The World Bank:

The World Bank is the largest and most influential lender in the country. It is the coordinator of aid donors in Bangladesh. Since independence, it has lent \$12.5 billion to the country and played a critical role in shaping its institutions and policies. For these reasons, the role of the World Bank is singularly essential in any discussion of aid effectiveness in Bangladesh. In the 1970s, during the initial phase of its operations, the World Bank concentrated primarily on project lending for achieving food self-sufficiency, mobilizing domestic resources, improving social indicators, and enhancing project implementation. Even though, over time, the country attained varying degrees of success in all these areas, the pace of progress could have been faster in the 1970s. During the next phase of its operations in the late 1980s, the World Bank focused on policy reforms to create an environment conducive to private sector development. These reforms were addressed by removing trade, pricing, credit allocation, and interest rate distortions. (Quibria, 2010, p- 24)

The Asian Development Bank (ADB):

The Asian Development Bank is the second largest lender to Bangladesh after the World Bank. Between 1973 and the end of 2008, total lending to the country amounted to about \$10 billion, covering many sectors of the economy. However,

the principal focus of ADB lending was on agriculture, energy, transport, and education. In many ways, the findings from ADB's evaluation of its country assistance program are similar to those of the World Bank. Like the World Bank, ADB (2003) considers its program relevant and successful in several areas. These areas include support to agriculture to achieve the objective of self-sufficiency in food. Similarly, ADB considers its assistance in the energy and transport sectors to have been beneficial and made a significant contribution to GDP growth in the late 1990s. (Quibria, 2010, p- 26)

The government of Japan:

Japan is the largest bilateral donor to Bangladesh and accounts for a sizable portion (about 14 percent through F.Y. 2008) of the country's foreign assistance (GOB 2009). Its total aid disbursements during this period exceeded the combined total for the U.S. and the U.K. Japan implements its aid programs through several government agencies, the embassy, JICA, the Japan Bank for International Agencies, and the Japan External Trade Organization. The stated objective of the Japanese country assistance program is to support Bangladesh in achieving economic growth, social development, human security (including health, education, gender equity, and environmental protection), and governance. The actual assistance program included financial and technical assistance in many areas, such as physical infrastructure, agricultural development, and the social sector, at a highly concessional rate. In physical infrastructure, Japan has done more than any other donor and has indeed taken a lead role in financing several high-profile bridges, such as the Jamuna, Rupsa, and Padma bridges. The recent country evaluation by JICA (2004) found that its program was by and large consistent with country priorities as expressed in the Five-Year Plan and the Poverty Reduction Strategy Paper (PRSP) (even though JICA had little involvement in gender and governance issues). It noted certain deficiencies in program formulation, coordination, and implementation from the Japanese side. JICA has directed a large chunk of its assistance to rural infrastructure and agriculture, which experienced significant productivity growth. (Quibria, 2010, p- 28)

A Prelude to Conclusion

Aid Dependence of Bangladesh

Bangladesh's aid dependence reflects hereditary structural weakness. Long before the birth of Bangladesh, Pakistan began to receive U.S. aid on a significant scale from the late fifties. While initially, the United States remained Pakistan's principal donor, aid was also received from the OECD (The Organization for Economic Cooperation and Development) and socialist countries. When aid initially started to flow into Bangladesh after independence, it was mainly used for relief, rehabilitation, and repair of damages incurred during the liberation

war. The assistance provided to Bangladesh at that time was, at the bilateral level, was largely contributed by India and Russia. At the same time, most other aid was largely coordinated by the United Nations Relief Operations in Bangladesh (UNROB). However, once the abrupt post-war threat of economic erosion was over and the worst damage repaired, foreign aid became the fundamental element of the country's development. As the first five-year plan was launched in 1973, the insufficiency of domestic resources available to the economy persuaded the Bangladesh government to accept foreign aid to sustain some growth activities. Ten percent of the GDP and 100 percent of the ADP were financed with foreign aid till the end of the eighties. Bangladesh's dependence on the mobilization and invasion of foreign funds into the country for financing development projects under various plans and financing the import of food items and other necessary commodities became institutionalized. (Shamsu Uddin, p-5)

The foreign assistance received by Bangladesh is constituted mainly of grants and interest-based Loans. During 1971 - 2012, loans occupied a large portion (58.22 percent) of the total external assistance, while grants comprised 41.78 percent of all foreign assistance. Conversely, the share of grants and loans in total aid changed over time. In the first decade after independence (1971-1980), the number of grants was more than half (51 percent) of all foreign aid, and this share went down consistently over the next three decades (1981-2012) and was recorded as less than one - third (31 percent) of total aid during 2001-2012. Alarming, the share of loans in total aid rose from 49 percent in 1971 to 69 percent in 2012, respectively. Bangladesh spends foreign assistance in almost twenty sectors, including agriculture, rural development, water, oil, gas, mineral resources, transport, education, planning, power, industry, infrastructure, and health. (Basharat, 2010, p- 94)

Concluding Remarks

After independence, Bangladesh had the worst economic condition. Roads and transport systems had been damaged in the war. People were dying of food crisis and famine. So, in the first few years after independence, Bangladesh received foreign aid mainly as food aid and commodity aid, and the USA was the main donor country of Bangladesh. Bangladesh also received bilateral and multilateral aid from many countries and organizations for its development. Foreign aid was necessary to reconstruct the socio-economic condition of Bangladesh. In the first decade after independence, the economy of Bangladesh mainly depended on foreign aid. Till to date, aid continues to remain an important ingredient of our national development policy. While the process is likely to continue for an indefinite period of time, caution is needed to avoid excessive dependence on aid so as not to fall into a 'debt trap'.

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