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Foreign Aid and Development: An Assessment from Third World Perspective

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Abstract

Dependency on others is nothing new. It comes very naturally only when the question of interdependency or reciprocity becomes premier for the very existence of human society. But we have seen that many Third World countries are dependent on developed countries for a number of reasons, one of which is foreign aid to combat poverty in the recipient countries. Third World poverty is one of the pressing problems in the world today, condemning billions of people to lives of hardship and misery. Such poverty has led many Third World countries to receive foreign assistance from donor countries in various forms and conditions for meeting up a number of purposes especially with the accent on poverty alleviation. Since the Second World War, the governments of all rich countries have got involved in aiding the development of the countries having low economic growth and poverty. Thus, foreign aid has played an important role in world development. Moreover, countries with low domestic savings will naturally seek external resources for their investment programmes. And also the countries that are unable to generate expected amount of foreign savings for its growth seek finance from other countries. But the prime argument in support of aid is that it can alleviate poverty encouraging economic and social development in the recipient countries. The main objective of this paper is to assess foreign aid performance as to whether it brings any change or not in promoting economic growth and improving human welfare in the aid receiving countries especially focusing on Bangladesh. In this regard, this paper also attempts to answer the question in relation to aid performance by summarizing the major findings of the scholarly and policy literature on the relationship between foreign aid and development shedding some lights on donors' motive behind giving foreign aid and recipients need to receive it for meeting their felt needs.

Introduction

Foreign aid, in the form of official development (ODA), was once seen as the panacea for the development and transformation of the developing countries (Sobhan, 1996:1) In the history of the economic development of nations it is

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almost impossible to find a single instance where a country did not depend upon external resources at some stage of its development, irrespective of the forms in which the flow of such resources took place (Rahman, 1984: 1). The Third World Countries had been ravaged due to centuries of colonial exploitation and underdevelopment has been stagnating in the vicious circle of poverty. The Third World Countries are still bearing the brunt of colonial exploitation. However, most less developed countries, with the exception of the oil-rich ones, were the victims of a chronic balance of payments deficit, and hence were unable to finance the required development investment without the inflow of foreign resources (Rahman, 1984: 3). After the end of the Second World War, developing countries were seeking to pull their people out of poverty, and remove economic backwardness caused to them during long colonial rule. Currently the world is witnessing a growing debate on the role of external assistance in the development of the Third World. In every fiscal year, the developing countries are receiving the money volume of official development assistances (ODA), which includes bilateral grants, official assistances as well as multilateral flows, has grown from an annual rate of $ 4.6 billion in 1960 to $ 56 billion in 1990. However, in terms of the percentage of developed country GNP allocated to official development assistance, there has been a steady decline from 0.51% in 1960 to 0.29% in 1990 (Todaro and Stephen, 2003: 648). And thus transfer of foreign resources had no visible impact on the economic and social development of the Third World Countries. Foreign aid is about the development among the poorest in the world, among the most marginalized and oppressed peoples and societies. Since 1990, traditional, project based and tax payer financed development cooperation has been under the threat of being dismantled as a result of the changed political world order, problems of efficiencies, decreasing support, and new attitudes towards the position of foreign aid in relation to cooperation between partners in North and South. At the same time the need for foreign aid in many countries has unfortunately become greater than ever before in spite of much aid being misused by the power holders of the recipient countries. Although one of motives of aid was bringing rich and poor together by reducing widening gap between the two classes of people. Basically aid was not properly used to eradicate poverty, develop people's overall social conditions, rather in most cases it failed to achieve its coveted goals of greater equality between countries, the people in developed and developing countries and people within developing countries. Most of the Third World Countries became dependent heavily on foreign aid instead of being self-dependent that has bound most of them into fetters. In the period 1950-55 aids began to play an increasingly important part in the economy of developing countries. Bangladesh is also one of the developing countries of the world, which depends on foreign aid for self-reliant growth. It is because economic development is an aspiration of a country that involves a process by which a backward stagnant economy gets transformed into a self-sustained one. But Bangladesh is still far behind the long-

desired goals for development. This paper examines aid performance in the process of development in the Third World and its effectiveness as well from scholar points of view conceptualizing the key terms to be discussed in a logical framework. This paper also outlines donors' motive behind aid and recipients necessity of the same with the reference to Bangladesh.

Specifying the key concepts

For proper understanding and analytical clarity it is needed to define the key concepts- Foreign Aid, Development and Third World.

Foreign aid

Foreign aid, foreign assistance or external resources all mean the same but in different terms. Donors and recipients loosely use the term foreign aid for meaning different purposes. Most theorists of foreign aid treat aid as a transfer of resources. But only a few scholars are concerned with the notion of foreign aid as a policy of donor governments and even fewer talks of the politics of aid policy formation, (Guhathakurta, 1990: 9). The history of foreign aid is not new. Aid is the transaction between rich and poor, but independent, government was very restricted in scope before 1960. France and British had been helping the colonies with development since 1920s. The USA had turned a member of programmes with emphasis on development, but concentrated heavily on military and strategy and supporting friendly government. The Soviet Union had also begun to lend on a small scale to non-communist developing countries with avowedly political motives. And some other countries were just beginning to get involved in aid for development. The term foreign aid can be used as the explicit public transfer of resources on concessional terms from one state to another. Besides, aid also can be defined as the transfer of resources including the supply of finance, food and technical assistance from MDCs to LDCs. This is a very simple definition. But is not so easy a term to be defined. Aid is that part of the total flow of resources from rich to poor countries which is made available (a) by government (b) on concessional terms, and (c) primarily to promote economic development and welfare (Gold Thorpe, 1975; 282). The fundamental idea of aid is a transfer of resources on concessional terms that are more generous or softer than loans obtainable in the world's capitalist markets. Aid, in some cases, is used to mean in the restricted sense, Official Development Assistance (ODA). From the above definitions of aid it has been clear that aid is given on concessional terms, and it is one kind of donor's policy for gaining their goals. Aid also refers to long term development assistance, not emergency, or relief-aid, although official contributions are included in overall aid figures for such purposes. Generally, we mean aid as all government resource transfer form one country to another as foreign aid. Economists also have defined foreign aid as any flow of capital to LDCs, which meets two criteria:

1.The objective of aid should be non-commercial point of view of the donors;

2. It should be characterized by concessional terms.

Development

The term 'development' simply refers to change- from dissatisfied to satisfied position. Most development Specialists would agree on that point. But development is a contested term. It has no agreed definition. Many economists have defined development in different perspectives. Mainstream economic theorists define development as economic growth and modernization of the traditional society. In economic term, development is traditionally meant the capacity of a national economy, whose initial economic condition has been more or less static for a longtime, to generate and sustain an annual increase in its gross national product (GNP) at the rate of perhaps 5% to 7% or more (Todaro and Stephen, 2003: 15). Development, however, describes the process of economic and social transformation within a country- economic growth and economic development as well as improvements in human welfare, such as rising education levels, improvements health and life expectancy. In the 1960s, a number of Marxist and Neo- Marxist economists held the view that development implied the gaining of real national independence and self-centered economic progress (Martinnussen, 1999: 42). The welfare theorists like Amartya Sen, Paul Streenth, Mahabubul Haque emphasized on the human welfare as the over all object-the essence of development. The welfare theorists have emphasized on the three core values of development. Such as;

- Sustenance- the ability to meet baric needs (both material and non material need).
- Self-esteem: to be a person-here the development means the recognition of human dignity, authenticity, identity, respect, and honor.
- Freedom from servitude: to be able to chose-freedom in this perspective means emancipation from alienating material conditions of life and from social servitude · to nature, ignorance, misery, institutions and dogmatic belief.

In the truest sense development is one of the oldest and most powerful of all western ideas. So the meaning and concept of development also encompasses varied discussion and changing time-to-time, place-to-place and context-to-context. But in a comparative sense, development encompasses a long trend of growth in G.N.P per capita, resign education levels, imprecating health condition, how to moderate population growth, sustainable use of natural resources and environment, and secure access to adequate amounts of food.

Third World

Traditionally specking, Third World Countries mean the countries sharply separated form the first world- capitalist countries whose political, economic and social structure are weak in nature. Actually, it is very difficult to define Third World because there is no clear indication or recognition of any state as Third World today. The Third world as a concept is synonymous to the political slogan

third way meaning a political programme that was neither explicitly capitalist nor explicitly socialist in orientation. The term Third Word is the product of the US-USSR conflict continued until the end of the cold war in 1990. From this perspective Third World countries were labeled those countries that who ignored the struggle between two super powers with opposite ideologies and took a separate political ideology – neutralism in every context of world politics. Whatever the origin of the term, this term is very commonly used by both the developed and under developed countries. And with the changing nature of world politics this term has been defined in different perspectives. Here, we can discuss the term under following perspectives.

- Sociological analysis
- Developmental perspective
- Power exercise

From the sociological perspective, Third World has been defined on the basis of social structure. In this perspective the Third World represents the traditional and fragile social structure where people are mostly passive not active. Sociological analysis of the term 'Third World' ought to start with what seems to us the central and crucial problem of its regimes namely the stark fact that is because of a conjunction of factors- conquest, colonization, domination as well as previous development policies. Third World societies are split societies in the economic, geographic, social, and political sense. The most obvious evidence is in the separation between the privileged sectors, which are tide to the world system, and the underprivileged and marginal masses (Elbaki Hermassi, 1980: 172). From the developmental perspective, Third World countries are defined on the basis of the economic growth and per-capita income. S.D.Muni has characterized Third World distinctiveness from a development perspective. He says, "it is from this perspective that Third World is distinct and separate from the other two worlds----- for the context of development in these countries in the Post-Second World War period has been conditioned by their pre-colonial evolution and colonial trauma. It is now becoming increasingly clear to many social scientists and statesmen that in terms of goals, levels, patterns and strategies, the experience of either capitalist or socialist development may not be fully applicable to Third World Countries... Therefore, it is on the basis of the contexts, goals, strategies and out comes of development that the Third World is a distinct concept and a category by itself (S.D.Muni, 1979: 126). Third World countries from the developmental context are categorized as the underdeveloped and many of developing countries which are economically inferior and dominated by the developed First World. The economy of the Third World is not self sufficient to exercise its internal renounces and engulf with major development problems, needs, and trajectories. Third World countries are defined on the basis of power exercise and power relationship in the international polities. By the criterion of power -defined in terms of economic, technological,

and military capabilities- the Third World as a whole (not withstanding certain important but partial exceptions) appears remarkably inferior to the developed states of the North (Ayoob, 1995: 15). Actually, from the power capabilities, the leaders of the Third World are less capable to exercise the power in the international politics even in their domestic affairs.

These are the major characteristics which clearly defined the Third World as weak, vulnerable, and insecure with these traits being the function of both domestic and external factors. In a truest sense, Third World has no existence, as it is the by-product of the affluent developed countries for their own interests. Third World is often taken to be synonymous with descriptions like underdeveloped, less developed and developing. It is creation or grouping of some weak countries for their cooperation and to take counter action against the adverse decisions of the developed countries. Actually, Third World itself is not valued term. Many have criticized this term and viewed that Third World exists only because it has been created. Third World itself exists only as a kind of collective psychological delusion. It is psychology and politics, namely, western guilt, and the politics of foreign aid, which between them conjured up the Third World (Toye, 1993:15).

Foreign aid: The donors' motives

Now it is a common question to all aid readers that why donors give aid to the recipients of developing countries? With an unflinching determination, any one can say that donors are, of course, not giving aid without any interest. Aid may be viewed as a bridge between the givers and recipients because all aid givers have their political, strategic and economic self-interests and by aid they make a bilateral relationship with a view to achieving their desired goals. Besides, donors also give aid for some humanitarian and moral causes. Few people would dispute that our present world is divided between East and West, or rich and poor, or North and South. A high proportion of the people of the South are very poor indeed. We, most often, speak of the rich poor gap and the need to bridge it. It is argued that aid can help us to bridge this gap and it will be principal justification if it can do that. The donors' motives to give aid can be divided into three groups-political, economic and moral. In the broader sense political reasons for aid, which transcends all others, is that aid may bring us closer to a single world perspective. There are more precise reasons for giving aid, which provides a regular means of contact between as well as individuals from either side of the rich- poor divide. Foreign aid policy has seldom been the central instrument used by the donor countries to safeguard their political and national security interests. (Martinnussen and Pedersen, 2003: 12) In this sphere, we can cite the example of the establishment of military and political alliances in connection with the military aid has usually been much more important. Moreover, officially development assistance has seldom, and decreasing, been based on donor countries narrow interests of national security. Today one of the most important

factors, which govern aid, is the relationship between the former metropolitan powers and their one-time colonies. Each side in this political equation exercises an important power clout upon them. A major part of Third World politics includes wars, civil disturbances and revolution, and most of the weapons used in this conformation come from the principal aid donors. Another group of arguments in support of donor's giving aid are economic, which argues that aid assists Third World countries to achieve their development goals. Besides, aid paves the way for the developing countries to improve their standards of living, build up their infrastructure, create industrial sectors and establish social services more quickly. Further more, aid supports economic interests by facilitating private investment abroad, improving access to vital materials, expanding demand for domestic industry, and subsidizing or tying export (Nafziger, 1997: 440). More over, the former colonial powers have not only concentrated their foreign aid in their former colonies because of feeling their veneration and an especial kind of community. They have also done this to maintain privileged access to resources and markets in decolorized area (Martinnussen and Pedersen, 2003: 13) Donor countries serve their purpose of business interest through tied foreign aid. Tied aid normally refers to a donor's demand that grants or loans must be used to buy goods and service from the donors own country. Besides, another economic motive behind aid is that aid should be employed to combat absolute poverty in the recipient countries.

Form economic argument we turn our attention to moral causes that the religious ethics speak -the better off have moral obligation to help their fortune betrayed brothers living in other parts of the world. But in the international foreign aid debate purely moral and humanitarian arguments are rare. Humanitarian views regarding aid speak of improving the condition of the poorest members of the world community. Most proponents of foreign aid in both developed and developing countries believe that the rich nations have an obligation to support LDCs economic and social development. They, then go on to link this moral obligation with the need for greater LDC autonomy with respect to the allocation and use of aid funds (Todaro and Stephen, 2003: 658). Humanitarian motives are major impetus for reforms and new initiative in the donors' countries. Most often this motivation is combined with some form of enlightened self-interest on the part of the givers.

Foreign aid: The recipients' needs

The reasons why developing notions have been eager to take aid have been given less attention than the reasons why donors give aid. The major cause is probably economic. Developing countries have often tended to accept foreign aid to get rid of their economic backwardness because foreign aid is considered to be a crucial and essential ingredient in the development process. Aid supplements scare domestic resources and help transform the economy structurally. Moreover, aid contributes to the achievement of LDCs take off into self-

sustaining economic growth. The recipient countries require aid to promote their economic development. Most of the Third World countries hope that the aid they receive would promote their development. Government in the South wants aid to promote economic and social development. Also, these countries (developing countries) are so weak economically and so vulnerable that it is difficult for them to manage the often-significant changes from year to year in private financial flows. It is not possible for poor countries themselves to finance these investments through increased exports. Another motive is connected with the economic and political power interests of those in power in recipient countries, who see aid as an opportunity to maintain and strengthen their positions (Martinnussen and Pedersen, 2003: 22). Most of the Third World Countries seek foreign assistance to fight absolute poverty, which is the major critical issue of their states. Some Third World Countries have learnt the technique of how they should play with the developed countries in their aid politics. Now they peddle around for assistance. In this way they emphasized their strategic position. In effect, they use the weapons they have at their disposal. Developing countries receive foreign aid for a number of proposes. Poverty alleviation programs remain high on the agenda. But the case of Tanzania is more complex. When Tanzania's poverty has forced it accept ever-greater amounts of aid while western donors appear to have made a deliberate attempt to undermine the policy of self-reliance.

Foreign aid: Development or dependence?

(a) Aid and development : An assessment

Foreign aid in different times and different places has been highly effective, totally ineffective and everything in between. Perhaps that is to be expected in a complex endeavour that has spanned half a century, with scores of countries as donors, a hundred countries as recipients, tens of thousands of specific activities, and nearly US$1 trillion in finance (World Bank, 1998: 2). Now we attempt to find the impact of aid on development in different social contexts. We have seen that millions of people now benefit from a longer and healthier life, but at the same time there have never been so many absolute poor people. Now question is that aid does help development? The answer of this question may be of many from different points of view.

- Aid has achieved much, especially with regard to improving the living conditions (longevity, whealth, education and so on) for hundred of millions of people, especially in south Asia.
- Aid is a failure, since the media can report that extreme human suffering continues.
- Aid works effectively in some sector, countries and contexts.
- Aid is of limited significance for both success and failure in development work, which primarily is borne by people, enterprises, organizations and governments in developing countries themselves (Martinnussen and Pedersen, 2003:12).

Most development economists tend towards the third and fourth interpretation. There are many examples of aid saving human life, increasing agricultural production, and improving the level of health and education and so on. At the same time, there are also a long series of examples of aid leading to 'white elephants' or landing in the wrong pockets, Cassen's study of the effects of the aid (1994: 224) concluded that aid has contributed positively to a long series of results and process such as raising food production in South Asia; experimental rural education programmes in Africa, infrastructure investment; rural development self-help schemes; strengthening developing country institutions, family planning and so forth. He also concluded about development assistance, that the majority of aid is successful in terms of its own objectives (Cassen, 1994:225). Aid has supported a variety of self-help and private schemes in service sectors, often with the help of NGOs. In health education, housing, and a variety of productive activities- including power supply or irrigation- there is much to be done with a greater use of market forces to achieve both efficiency and equity, provided the interest of the poor are treated with care (Cassen, 1994; 196). On the basis of several country study of aid's effects Lele and Nabi (1991:7) point to four rationales for aid.

1. Aid improves economic policies and the distribution of resources in recipient countries.
2. Aid strengthens technical, management, and institutional and administrative capacity and thereby increases the effectiveness of capital.
3. Aid provides income transfer in situation where market forces fail.
4. Aid ensures fulfillment of poor people's basic need.

Lele and Nabi found in their study of aid's impact that aid helped several Asian countries to maintain poor people's consumption possibilities, and limits inflation and pressure on wages, thereby gave governments in developing country and opportunity to tackle crisis. The debate of whether or not aid causes development is on going, but some elements of agreement is emerging. Primarily aid has contributed significantly to a reduction of poverty in recipient countries, through economic growth, income redistribution, improved health, and education, a combination of resource transfer, societal change, capacity building and human resource development (Martinnussen and Pedersen , 2003: 243). Aid is most effective in developing countries with macro-economic stability, coherent policies and good institutional capacities. It is essential that improved policy- making and capacity- buildings are aid objectives in all developing countries, particularly in the weakest and least developed countries. Besides poverty reduction will be achieved though aid to the low-income countries with the large number of poor people. A large number of absolute poor- people move out of income- poverty because of the allocation of aid. Generally speaking, aid has contributed substantially to improvements in people's livelihoods, and capacities through its impact on growth, public services, conflict management

and influence on societal change. Mjema has shown in his economic tests that the links between aid and GDP growth are weak but positive with respect to Tanzania's economy. However, the roots of Tanzania's economic stagnation lay out side the hands to the donors. If we want to find out the effect of aid on Tanzania's development then we can say without fail that Tanzania was exposed to some degree of aid compression between 1983-85. All levels fell consecutively form $ 695 million in 1982 to $ 487 million in 1985. Of this $ 208 million cut in aid, 53% was accounted for bilateral donors and 40% by the multilateral, of which the World Bank accounted for 34% (Sobhan, 1996: 50). According to the above statistical data indicating a decrease in the flow of foreign assistance to Tanzania we can say that the current levels of aid should have yielded much more positive economic outcomes they did.

(b) Foreign aid and dependence: The critics' views

We have already assessed aid from impact point of view. But all things considered, we can come to a conclusion that aid makes the recipient countries dependent on the donor countries to some extend causing dependence at significant level in those countries. Despite years of aid giving many developing courtiers appear no better off today than when the process began. And at a majority of internal agencies the World Bank, the UN General Assembles, IMF, the question of the flow of resources from rich to poor rates high on agenda. Yet none of the activity makes any distinction to their basic situation. Here we find the rich stay rich and the donors provide assistance at a certain level, which serves their vested interest. As a result the poor remain poor and continue this situation for lounger period of time making them supplicants for foreign aid. And sometimes, aid is poorly administered and much of it goes to the wrong groups. The most compelling argument can be made against aid is that it hampers self-reliance causing a mentality of recipient countries dependence upon the donors country. Teresa Hayter who worked for some years in the world of aid, but finally she concluded on the basis of her study conducted in Latin America that aid preserves the capitalist interests in the Third World. Since capitalism was treated as a means of exploitation and dependence, it does not serve the purpose of the people of the Third World that aid should be successful. Perhaps the greatest objection to aid is that it is provided for political reasons rather than to promote development in the Third World countries. In this regard John white's argument is mentionable, who, a defender of aid, explained aid as the condition, which makes its recipient worse off. White emphasized that while aid could be viewed in economist terms as a transfer of resources, it was also a political transaction. Aid in some cases foster political exploitation. There are many examples of Third Word governments using aid to enrich the ruling elite at the expense of the masses. President Sese Seko of Zaire, for instance, used foreign aid money to partly fund the construction of eleven presidential palaces. Aid is misused and falls into the hand of the relatively rich and powerful, not the poor

and needy. Aid increases the resources of those in power and thereby their grip on society. Thus we refer to the argument of P.T. Bauer, that is 'many tax payer in donor countries are far poor than many people in the Third World Countries where, however, aid benefits the prosperous rather than the needy and where the governments who demand international redistribution do not practice it at home (Bauer, 1981: 116-17). Aid really benefited those in poor countries who were already better off- such as town dwellers, politicians, academicians and civil servants. Gold Thrope, a critic of aid, who was fully concurred with P.T. Bauer, said that foreign aid is a process by which poor people of the rich countries help the rich people in poor countries (Gold Thrope, 1975:). Most of the rich countries were underdeveloped two centuries ago, and many underdeveloped countries have been advanced very rapidly over the last half-century without foreign aid. So aid was not indispensable in this regard. Mostly aid squanders capital and reduces private enterprises and it also hinders the development of local manufacturing industries. But Pearson argued that aid was apparently right and desirable for the purpose of promoting economic development and general welfare of the people of the poor countries. If aid were not successful in doing so, then it would be seen as a failure or ineffectiveness. We can go a bit further in summarizing the negative consequences of aid pointed out by the critics.

- Aid has not worked. In has not promoted economic growth and development in recipient countries. Aid has replaced or reduced domestic savings and investments instead of promoting them.
- Aid causes dependence and holds back necessary economic changes and political reforms in recipient countries. It ensures opportunities for recipient countries elite to continue policies that are detrimental to development. Right wing opponents of aid underscore the importance on the point that aid has not promoted economic growth in many developing countries due to the fact that it allows and leads a *laissez faire* policy in those counters.
- Economists also gave explanation from critical point of view that aid is not distributed according to the need of the people of the poor countries. Historic, strategic, political, commercial and other motives highly influence donors aid distribution

According to World Bank (2001c) account we can say that aid has gone to the middle-income countries rather than to the low-income countries to a large extend with the largest number of poor people. Besides, all resource transfers from one country to another a revalued exchange rate in the recipient countries, which also reduces its export opportunities and ability to compete. This has also caused a problem that oil-exporting countries have run into, and which has resulted in a high standard of living but low growth. The recipient countries must use resource transfer for investments rather than consumption in order to avoid the situation.

Third World context: Special focus on Bangladesh

Bangladesh is one of the developing countries in the world. Like some other developing countries, Bangladesh has relied heavily upon foreign aid since its independence. With the passage of time, the dependence on foreign capital has deepened. Some sectors of Bangladesh still calls for reformations for substantial change with foreign assistance. Poverty is still a crucial issue of the government and it remains high on the agenda requiring to be eradicated with external foreign assistance. The level of poverty is higher than it was before independence. As a developing country, Bangladesh is also to depend on developed countries for external resources, for poverty alleviation, Social and economic development, self-sustaining growth and so forth. But the quantum of external resources received by Bangladesh since independence (over $ 29 billion) has had no visible impact on the economic and social development of the country (Huq and Abrar, 1999: 1). Allegations can also be made about aid that the benefits of aid did not reach the vast majority of poor people in Bangladesh. Although it is observed that foreign aid has played an important role in some sectors in the economy of Bangladesh moderately contributing to growth but reaming poverty a far cry from alleviation, and the growth performance of Bangladesh would have been much better with distributive equity. The foreign aid received by Bangladesh has officially been categorized as project aid, commodity and food aid. Recent data shows that 45-100 percent of the development budget of Bangladesh has been financed by external aid. Economists also hold critical views of the external aid because of its macro-economic effects. Aid dependence also has fostered certain anti-development attitudes. If we depict the Bangladesh's aid scenario, then it will be explicit to guess the overall performance of aid that Bangladesh has received half of the $29.04 billion of foreign assistance so far as project aid. All projects under Annual Development Plan (APD) are generally financed under project aid. Commodity aid is the type of aid that is spent for the procurement of intermediate inputs and raw materials. Since independence Commodity Aid constituted 31.51 % of the total aid volume to Bangladesh. And food aid constituted 18. 32% of the total food aid received (Huq and Abrar, 1999: 18).

Table 1: Structure of Foreign Aid Flow to Bangladesh (1971/72-1994/5) (US$ M)

Type	Grant	Loan	Total
Food Aid	4559.731	762.557	5322.288
	(32.18)	(5.13)	(18.32)
Commodity Aid	4248.256	4904.869	9153.125
	(29.98)	(32.97)	(31.51)
Project Aid	5360.59	9208.333	14568.923
	(37.83)	(61.90)	(50.16)
Total	**14168.577**	**14875.759**	**29044.336**
	(100.00)	**(100.00)**	**(100.00)**

Source: Huq and Abrar, 1999: 18

The major sources of official aid to Bangladesh are DAC countries, OPEC countries and multilateral financing institutions, e.g. World Bank, EU; bilateral aid shows a decline trend. In aggregate terms, 39.9% of external assistance and the rest 60.1% form bilateral source (Huq and Abrar, 1999: 18)

Since the independence of Bangladesh NGOs were involved in relief, rehabilitation work and reconstruction of the war-ravaged economy. And thus gradually NGO sectors have developed as an important development partner of the Bangladesh government. NGOs started contributing to social, economic, and humanitarian development of the grassroots. In 1995, there were at least 20,000 NGOs in Bangladesh. Of them about 900 obtained direct foreign funding and were registered with the NGO affair Bureau. In 1992 about 20% of aid flow has been channeled through NGOs. In the context of Bangladesh donors feel reluctant, in some cases, to channel aid through the exiting government machinery in the excuse that it is very difficult to reach the poor. It is due to the fact that undivided corruption, misappropriation of funds, misuse of power by the public offices, bureaucratic difficulties and procrastination etc. has become so pervasive in commoners life. So in this case donors channel their funds through NGOs, because it is more or less free of those mentioned problems. Donors' interest in giving aid to Bangladesh is generated not so much by humanities obligation as by restoring order and bringing in social change through peaceful means. But the aid utilization strategy is not contributing to that end, rather it is to some extent generating social conflicts and creating grounds for violent social change, which aid intends to avoid. In overall assessment, foreign aid has substituted domestic saving. This is not in comparably different from the experience of other less developed countries. More importantly it has been found that the marginal rate of saving has tended to rise with increased use of foreign aid, and that the substitution effects on saving have tended to decline with rising investment ability and capital intensity. This means that by supplying both capital and import for investment, foreign aid in Bangladesh has played a positive role in the mobilization of domestic resources, which, in all probability would not have been otherwise possible (Rahman, 1984; 93-94). But the structural changes in the economy of Bangladesh during the past decade were not commensurate with the requirements of self-reliant growth. Additional outputs were increasingly shifted to the non-traditional sectors. Without substantial role it is not possible to reduce aid dependence and achieve self-reliance over a reasonable period of time.

Concluding Remarks

Aid impact is uncertain and controversial. As with the World Bank –foreign aid in different times and different places has been highly effective, totally ineffective, and everything in between- we can add to that aid sometimes the deciding push factor, sometimes a near waste of resources, and sometimes of little or no significance. The impacts of aid depend on how it impacts on national

and local politics, institutions and socio-economic process, including conflicts and power relations over access to resources. In most low income countries, aid finances the bulk of the government's development expenditures, meaning that the impact and quality of public policy implementation is partly dependent on donors performance. Foreign aid in some case has been positive force for anti-development in the sense that it both retards growth through reduced savings and worsens income inequalities. Some critics on the right change that foreign aid has failed to reach its goal because it has been largely appropriated by corrupt bureaucrats, has reduced private initiative and welfare mentality on the part of the recipient nations has generally engendered. Although most aid does work, it succeeds in achieving its developmental objectives, contributing positively to recipient countries economic performance. Further, bilateral donors have political and commercial motive for aid, and if those motives predominate, the results will be harmful to growth and to the poor as well. From ethical point of view we can say that aid should be provided for humanitarian perspective not for political. But donors most often give aid just because to bind the Third World Countries into commercial and political fetters. Moreover, aid is not always necessary for development because some developed countries were underdeveloped near about two centuries ago, and many under developed countries have been in progress very rapidly over the last century without foreign assistance. So a clear conclusion can be made on assessing aid performance that development though foreign aid is a myth; it creates more dependency than self-reliance because foreign aid is the creation of the developed countries for their self-interests, although, where a trickle down process benefits go to the people of the recipient countries. Now concurring with P.T. Bauer one can now make conclusion that '... the Third World is the creation of foreign aid: without foreign aid there is no Third World'(Bauer, 1981: 87).

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