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ECONOMIC DIPLOMACY OF BANGLADESH: ODA IN PERSPECTIVE

Abstract

Studies on economic diplomacy of Bangladesh examine foreign policy and external economic aspects of the country. Such studies have not yet focused on Bangladesh's Official Development Assistance (ODA) centric economic diplomacy. Instead of assessing how much and whether ODA is required for Bangladesh's development priorities, this paper examines the major issues of ODA-centric economic diplomacy of the country and how they are to be dealt with. The paper thus limits its scopes – what is on offer or what ODA is on supply keeping aside Bangladesh's development needs. Rather than providing concrete policy measures for various key ministries and divisions, this paper provides some propositions that could be taken by the Government of Bangladesh (GoB) into consideration. Realising dynamism of global assistance, assessing conditionalities of ODA, lessening gap between commitment of aid and its disbursement, emphasising more on Aid for Trade (AFT) and mobilising climate financing are important issues for ODA-centric economic diplomacy of Bangladesh. No sources at multiple levels which are not tied with tough conditions should in general be left aside by the country. Priority needs to be given to countries or organisations which have already provided soft loans or grants, are still willing to do so as well as those which have emerged as new sources of assistance. The GoB requires exercising effective economic diplomacy to respond to these issues.

1. Introduction

Fluctuating Country Programmable Aid (CPA), shifting priority from grants to loans and diverse preferences for funnelling foreign aid are radical developments of global aid diplomacy in recent times. This fact indicates how foreign aid is going to be a key subject matter of economic diplomacy. Though economic diplomacy of a developing state like Bangladesh has been shifting from foreign aid to international trade, the former is still significant to meet the development priorities of the country.

A set of literature explains indistinctiveness of economic diplomacy and foreign aid. Haan¹ shows that economic diplomacy is a key to handle outbound and inbound Official Development Assistance (ODA). Dahal et al.² state that economic diplomacy

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¹ Arjan de Haan, "Development Cooperation as Economic Diplomacy", *The Hague Journal of Diplomacy*, Vol. 6, Issue 1, 2011, pp. 203-217.

² Madan Kumar Dahal, Moham Man Sainju, Mohan Prasad Lohani, Shankar Prasad Sharma and Umakant Parajuli, "Nepal: A Generic Guideline for Development through Economic Diplomacy", 2008, available at

deals with foreign aid usually disbursed for directing development programmes and the former plays a significant role to attain climate fund. Accordingly, climate diplomacy is a key subject matter of aid diplomacy. Rana³ argues that economic diplomacy eases tensions between Development Partners (DPs) and recipients. Showing aid diplomacy for donors, Baranay⁴ states that “economic diplomacy is the universal mechanism of involving the countries in direct dependence on donors.” He also quotes S. Rogov, “economic aid has political consequences.”⁵ Thus, economic diplomacy and ODA are interlinked.

Existing literature on economic diplomacy of Bangladesh usually deal with external economic aspects of the country. Therefore, the issue of ODA comes, though not with a particular wide-ranging focus, in some of the literature. On what issues, at what levels, with which countries and organisations, by which actors and through what instruments, Bangladesh’s ODA-centric economic diplomacy should be advanced? Such explicit questions are yet to be studied. This paper is an attempt to address this research gap. It also reviews (a) long-term flow of external assistance (food, commodity and project aid), grants and loans received by Bangladesh, (b) major DPs of the country, their focused sectors and conditionalities, (c) sector-wise long-term disbursement of ODA in Bangladesh and; (d) long-term aid summary (pipeline, commitment and disbursement) of the country. It is to note that the paper is not an effort to (i) examine whether/how much ODA is required in Bangladesh’s development context and (ii) offer policy measures for specific actors assigned to deal with ODA-centric economic diplomacy of the country.

The paper adopts a framework of economic diplomacy given by S. Khatibzadeh.⁶ The framework is consisted of five components: issues, actors, levels and instruments of economic diplomacy and countries with whom to practice economic diplomacy. As the components are qualitative and have causal relations with politico-economic institutions, the framework is adopted and applied on a single case, Bangladesh, and on a major pillar of economic diplomacy, ODA.⁷ For data elicitation, the paper examines documents (e.g., existing literature) and interview transcripts. Documentary information helps tactics of collecting explicit data and usually comes from a variety of sources e.g., government documents, academic studies, clippings and articles sourced from print media, documents from various organisations etc. On the other hand, the paper adopts semi-structured interview comprised of four phases:

<http://www.ifa.org.np/pdf/diplimacy.pdf>, accessed on 12 June 2013.

³ Kishan S. Rana, “Economic Diplomacy: What Might Best Serve A Developing Country”, *International Journal of Diplomacy and Economy*, Vol. 1, Issue 3/4, 2013, pp. 232-247.

⁴ Pavol Baranay, “Modern Economic Diplomacy”, 2009, p. 3, available at http://www.dec.lv/mi/Baranay_Pavol_engl.pdf, accessed on 10 March 2011.

⁵ *Ibid.*

⁶ Saeed Khatibzadeh, “Iran’s Economic Diplomacy: An Assessment of Iran Economic and Trade Cooperation with Japan, China and South Korea”, *V.R.F. Series No. 417*, 2006, available at <http://www.ide.go.jp/English/Publish/Download/Vrf/pdf/417.pdf>, accessed on 26 December 2011.

⁷ Mohammad Jasim Uddin, “Conceptualising Economic Diplomacy”, *BIISS Journal*, Vol. 36, No. 2, 2015, pp. 133-150.

constructing topic guide, selecting respondents, arranging interview and setting up of interpretive outlines in realising relations of actors with predefined theoretical concepts and observations. The paper undertakes interpretive approach, a method of qualitative data analysis. The approach is of two types – thin and thick. To analyse scope of and observations on Bangladesh’s ODA-centric economic diplomacy, thick interpretation is adopted.

The paper reveals that understanding international aid dynamism, examining aid-oriented terms and conditions, meeting gap between commitment and disbursement of ODA, accessing Aid for Trade (AfT) and mobilising aid for addressing climate vulnerabilities are some of the major issues of Bangladesh’s ODA-centric economic diplomacy. Relevant actors, importantly the Government of Bangladesh (GoB) need to be aware of the issues while practicing economic diplomacy. The paper is structured as follows. Section two reviews literature. Section three explains several aspects of ODA in Bangladesh. Section four addresses economic diplomacy of ODA in Bangladesh perspective. Section five concludes the paper.

2. Literature Review

Since its independence, Bangladesh accelerated its efforts towards practicing economic diplomacy though the term flourished in the country significantly in the 1990s. Tajuddin⁸ discussed how vital economic diplomacy was immediately after Bangladesh’s independence. Shafullah⁹ explained important elements (e.g., foreign assistance, investment, manpower export, trade in goods, etc.) of Bangladesh’s economic diplomacy. Hasan¹⁰, Haq¹¹ and Singh¹² focused on linking economic diplomacy with foreign policy of Bangladesh. Absar¹³ stated that rules of the World Trade Organization (WTO) are planned in a way that the Least Developed Countries (LDCs) like Bangladesh are concerned with several trade conditionalities. Therefore, the country should be aware of labour and environmental standards while practicing economic, particularly trade diplomacy. Hussain¹⁴ identified nexus between economic diplomacy and foreign policy of Bangladesh. Hussain also showed how important Southeast and East Asia would be for Bangladesh’s economic and trade diplomacy.

⁸ Mohammad Tajuddin, “Diplomacy of Bangladesh in the Formative Phase”, *BISS Journal*, Vol. 19, No. 1, 1998, p. 68.

⁹ M Shafullah, “Economic Diplomacy and Bangladesh Syndrome”, *The Independent*, Dhaka, 27 December 2001.

¹⁰ A. Al Hasan, “Economic Foreign Policy (Diplomacy): Perspective Bangladesh – A New Concept”, *Unpublished Paper*, Defence Services Command and Staff College, Bangladesh, 2002.

¹¹ M. S. Haq, “Economic Diplomacy and Bangladesh”, *The Independent*, Dhaka, 18 June 2002.

¹² Narendra Kr. Singh, *Bangladesh Diplomacy and Foreign Policy*, New Delhi: Anmol Publications Pvt. Ltd., 2003.

¹³ Syeda Sharmin Absar, “Economic Diplomacy for Bangladesh: A Prescription for Less Developed Countries in the World Trade Organisation Era”, *Journal of South Asian Studies*, Vol. 26, No. 3, 2003, pp. 349-57.

¹⁴ Akmal Hussain, “Bangladesh’s New Foreign Policy Direction in Southeast and East Asia: Perspective and Goals”, *Journal of International Development and Cooperation*, Vol. 12, No. 1, 2005, pp. 1-14.

With some specific examples, Abdin¹⁵ revealed that foreign policy of Bangladesh should give special emphasis on its economic diplomacy. Reasons behind this were to dig up both geo-strategic and geo-economic platforms in order to take advantages of the forthcoming multilateralism. It would help Bangladesh in mobilising inward Foreign Direct Investment (FDI), availing modern technical and technological know-how, boosting trade and receiving inbound ODA. Rashid¹⁶ supported the arguments of Abdin and also argued how important economic diplomacy in the coming decades would be for Bangladesh in negotiating complicated global economic issues. The GoB set some key tasks of Bangladesh's economic diplomacy – "ensuring greater market access for exports, expanding overseas employment opportunities, increasing FDI inflow and exploring terms of ODA suited to developmental needs."¹⁷

Since second decade of the 21st century, literature on economic diplomacy of Bangladesh began to be context and sector specific. Ahmed¹⁸ argued that international economic diplomacy would in near future be increasingly guided by both bilateral and multilateral dialogue and cooperation. Bangladesh has to understand such dynamism not only for its economic survival but also for promoting its growth and development. Dorussen *et al.*¹⁹ critically assessed how significant economic diplomacy would be for South Asia. Bangladesh as a part of the subcontinent should realise it. Sobhan²⁰ focused on economic diplomacy and set its priority tasks for Bangladesh. The tasks are: signing Memorandum of Understanding (MoU)/agreement on global trade, FDI and avoidance of double taxation; tackling issues on debt; gaining ODA for both infrastructure and climate change issues. Islam²¹ questions whether economic diplomacy of Bangladesh. Shikha²² reassessed nexus between foreign policy and economic diplomacy of Bangladesh. She also showed how economic diplomacy at regional level would be beneficial for Bangladesh's trade, FDI and ODA. Uddin²³ argued that Bangladesh is yet to meet its foreign policy goals significantly through exercising economic diplomacy. Rahman²⁴ observed that the country would require producing diverse sets of negotiators having specialisation in varied fields.

¹⁵ Md. Joynal Abdin, "Economic Diplomacy", *The Daily Star*, Dhaka, 31 August 2009.

¹⁶ Harun ur Rashid (ed.), *Bangladesh Foreign Policy Realities, Priorities and Challenges*, Dhaka: Academic Press and Publishers Library (APPL), 2009.

¹⁷ Ministry of Foreign Affairs (MoFA), Government of Bangladesh, "Diplomatic Initiatives and Activities of the MoFA in 2009", *Bangladesh Foreign Policy 2009 in Perspectives*, 2009, p. 68.

¹⁸ Hemayetuddin Ahmed, "Economic Diplomacy in A Multi-polar World", *The Daily Star*, Dhaka, 07 January 2010.

¹⁹ Han Dorussen, Syed Mansoob Murshed and Hugh Ward, "Any Tied that Bind? Economic Diplomacy on the South Asian Subcontinent", in Peter A.G. van Bergeijk, Maaïke Okano-Heijmans and Jan Melissen (eds.), *Economic Diplomacy Economic and Political Perspectives*, The Netherlands: Martinus Nijhoff Publishers, 2011.

²⁰ Farooq Sobhan, "Focus on Economic Diplomacy: the Priority Tasks", 2011, available at www.bei-bd.org/downloadreports/publicationdownload/55/download, accessed on 23 November 2011.

²¹ M. Serajul Islam, "Whither Bangladesh's Economic Diplomacy?", *The Daily Sun*, Dhaka, 22 October 2012.

²² Meherun Nesa Shikha, "Economic Diplomacy between Bangladesh and East Asia", *The Daily Star*, Dhaka, 19 May 2012.

²³ Mohammad Jasim Uddin, "Economic Diplomacy and Foreign Policy", *The Daily Star*, Dhaka, 28 February 2013.

²⁴ AKM Masudur Rahman, "Economic Diplomacy and Bangladesh", *The Financial Express*, Dhaka, 20 April 2014.

Literature aforesaid were mainly focused on important aspects of economic diplomacy and foreign policy of Bangladesh as well as link between the two. A few were on why is economic diplomacy important for Bangladesh allied with subsidiary international economic issues. Some were on prioritising areas of identifying challenges and specifying areas-specific potential outlooks for Bangladesh's economic diplomacy. Till now, sectors or contexts- specific major undertakings on economic diplomacy of the country are understudied. On what issues and at what levels ODA-centric economic diplomacy should be advanced? What are the major countries and organisations and who are the main actors? What are the vital instruments to address the major issues? Available literatures on Bangladesh's economic diplomacy are yet to focus the questions and these are the mainstays of this paper. Before addressing these questions, the paper looks into a discourse of ODA in Bangladesh.

3. Bangladesh and ODA: A Discourse

Bangladesh had to seek ODA to meet its development needs immediately after its independence. Several states, Global Financial Institutions (GFIs), voluntary and other organisations did respond. In 1974, after setting up of Bangladesh Aid Group (BAG) now known as Bangladesh Development Forum (BDF) aid started to flow officially to Bangladesh. In the BAG/BDF meeting, the GoB used to highlight its development plan and financial needs for upcoming year while DPs used to assess aid effectiveness and commit accordingly.²⁵ Economic Relations Division (ERD) under the Ministry of Finance (MoF) is now a coordination point where both parties meet and assess their demands. Analyses of the flow of external assistance (Annex 1), grants and loans received (Annex 2), ODA by twenty major DPs (Annex 3) and disbursement by economic sectors (Annex 4) over the last four and half decades give an idea about the following:

- (i) changing quantity and composition of aid in Bangladesh e.g., project assistance, technical assistance and mainly loans have largely replaced contemporary grants and other forms of aid,
- (ii) decreasing and increasing contribution of bilateral and multilateral [e.g., World Bank (WB), Asian Development Bank (ADB), International Monetary Fund (IMF) DPs respectively to total ODA, and
- (iii) changing sectoral composition of aid in Bangladesh.

In addition, some recent changes include:

²⁵ Rehman Sobhan, *The Crisis of External Dependence: The Political Economy of Foreign Aid to Bangladesh*, Dhaka: University Press Limited, 1982.

- (a) inflow of bilateral aid significantly from emerging sources (e.g., South Korea, Kuwait, Russia, China and India) rather than from some of the traditional ones (e.g., US, Canada, Kingdom of Saudi Arabia (KSA) and Australia),
- (b) reduction of aid dependency and dropping of net aid flow by far to Bangladesh,
- (c) declining contribution of aid to deficit financing, and
- (d) changing political economy and operational modalities of foreign aid in Bangladesh.²⁶

In the 1980s and until the late 1990s, aid was guided by Structural Adjustment Policies (SAP). Since then conditionalities (Annex 5) for aid started to focus more on human rights, institutional reforms and governance issues of Bangladesh. It continued even after undertaking Poverty Reduction Strategy Paper (PRSP), a policy direction to gain aid and adjust needs of recipients and DPs. PRSP was a substitution of Five-Year Plan (FYP). However, the GoB continues to negotiate with DPs in line with its FYPs. Since late 1990s, there were further developments in Bangladesh's aid programmes. For example, increasing amount of aid started to inflow to the Non-Government Organisations (NGOs), activities related to rural poverty, socio-economic wellbeing of rural women and private sector development. The aims of growing sum of aid in private sector development were to facilitate market-oriented reforms, make the scenario of FDI and business friendly environment better and to support involvement of private entities in developmental activities. Besides, two recent developments are ODA in AfT²⁷ and climate vulnerability. Still, projects funded by AfT in Bangladesh focus on developing trade policy and regulation, international trade, infrastructure related to trade and productive capacity. Climate aid is a recent experience. Bangladesh has already created Climate Change Trust Fund (CCTF) by its own resources. On the other hand, Bangladesh has formed Climate Change Resilience Fund (BCCRF) with the help of UK, Sweden, Denmark, EU, Switzerland, Australia and the US. While some of the donors (e.g., UK) have already assured to contribute more aid to BCCRF and said that the aid will not be mixed up with traditional ODA, some (e.g., Germany) have agreed to supply grants to the programmes on adaptation and mitigation.²⁸

²⁶ Binayak Sen, interviewed by *The Daily Star*, Dhaka, on 07 June 2012, said: "In our economic reality we cannot avoid foreign assistance, at least for now."

²⁷ Hasanuzzaman, "Aid for Trade (AfT) Agenda: Moving Ahead", *Journal of International Affairs*, Vol. 14, No. 1&2, 2010, pp. 85-102; Hasanuzzaman, "Assessing the Aid for Trade (AfT) Agenda: Bangladesh Case Study", *Asia Pacific Business Review*, Vol. VI, No. 2, 2011, pp. 5-14.

²⁸ The GoB as of 2015 has received more than hundred million as climate fund. For details see, Saleemul Huq, "Innovation in Climate Finance", available at <http://www.icccad.net/innovation-in-climate-finance/>, accessed on 02 October 2015.

It is to be noted that over the decades, the GoB has failed to utilise approved project assistance. Again, DPs have not disbursed as much as they committed. In effect, aid gap among the pipeline, commitment and disbursement increased annually (Annex 6). Both sides have identified some reasons. Low capacity to absorb aid, poor capacity to implement projects, bureaucratic bottlenecks, lack of good governance, delays in appointment of consultants and awarding contracts are identified by DPs. On the contrary, the GoB has identified several reasons for shrivelling of overseas aid: (a) delays to get permission from DPs in different stages of tender process (b) lack of matching fund to use project loans (c) error in designing project (d) elongated duration for land acquisition (e) delays in employing or changing consultant (f) delays in calling re-tender (g) contractor's aversion to work due to rising expenditure (h) delays in implementing projects due to intricacy sometimes from high court, and (i) politicisation of bidding processes and delays in the bidding process. However, hitch continues between the DPs and GoB on the ways of utilising aid and conditionalities imposed. A contradiction was observed between the GoB and WB in funding Padma Bridge. In effect, two other donors in the project, ADB and Islamic Development Bank (IDB), also denied supplying loans to the project. At times, Multi Donor Trust Fund (MDTF) produces dilemma; if one denies, others follow it and this is because of intrusive approach of the DPs. Interaction between DPs and the GoB over foreign aid is thus friendly in public but sometimes conflicting practically.²⁹ Therefore, the issue of aid effectiveness comes to the fore.

The GoB has been involved with global initiatives on aid effectiveness. In 2005, it signed Paris Declaration (PD).³⁰ Since then, it participated in several events focusing on harmonising global aid and enhancing its effectiveness. In 2008, the GoB agreed with Accra Agenda for Action (AAA) that is planned to fortify and intensify implementation of the PD.³¹ Both the Declaration and the Agenda helped the GoB formulate Harmonisation Action Plan (HAP) to publicise PD and speed up its functioning. The GoB in 2010 signed a Joint Cooperation Strategy (JCS) with its DPs to lessen hitch between the two. The aim of the JCS is to expedite effective aid utilisation and functioning of development projects. Thereafter, HAP and JCS have

²⁹ Naomi Hossain, "The Real-life Relationship between Donors and Recipients in Bangladesh: Explanatory Research into the Sociology of Aid Relations", Unpublished Paper, Institute for Development Studies, University of Sussex, February 2004.

³⁰ PD is a practical action-oriented roadmap to improve quality of aid and its impact on development. It gives implementation measures and establishes monitoring system to assess progress and ensures that donors and recipients hold each other accountable for their commitments. It outlines five principles for making aid effective: ownership, alignment, harmonisation, results and mutual accountability. For details, see at <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>, accessed on 16 August 2015.

³¹ AAA takes stock of progress and sets agenda for accelerated advancement towards Paris targets. It proposes four areas for improvement: ownership, inclusive partnerships, delivering results and capacity development. For details, see, *ibid*.

produced two developments: (i). growing number of joint arrangements in the form of Sector-Wide Approach (SWAp) and partnerships under Multi-Donor Trust Fund (MDTF); and (ii). exercising common procedures in financial management and procurement in case of partnerships under the joint arrangements.³² On the other hand, Bangladesh has become one of the few countries in the world to set up a locally developed online aid information platform called Aid Information Management System (AIMS) - a web-based software application that helps Bangladesh to track and manage its aid flows. To manage aid in a coordinated way, the GoB has also created Aid Effective Unit (AEU) in its ERD. Besides, a Local Consultative Framework (LCF) is launched jointly by the GoB and DPs to evaluate development projects. Again, holding of meetings among DPs and Project Directors in ERD has been a regular phenomenon. These help the GoB improve interaction with DPs, speed up inflowing committed aid and reach a consensus on how to further utilise disbursed aid. Even after that, the GoB needs to pay attention to aid-driven developmental activities to be planned, executed and monitored well.

4. ODA-Centric Economic Diplomacy: Bangladesh Perspective

Availability of ODA for a recipient and its management clearly fall within the rubric of economic diplomacy.³³ Persistent and required inflow of ODA is vital for a recipient like Bangladesh and the inflow relies partly on how Bangladesh showcases herself before international community and fits it in economic diplomacy of global aid. It is thus significant to recapitulate on which issues, at what levels, with which countries, by what actors and through what instruments, Bangladesh's ODA-centric economic diplomacy should be advanced.

4.1 Issues

Supplying 0.7 per cent of gross national income by rich economies as ODA to low-income economies is a global consensus. Some of the rich economies are yet to meet the consensus. Likewise, DPs are yet to disburse what they have committed. Therefore, issues of lessening gap between commitment of ODA and its disbursement, assessing preconditions of ODA effectively and realising dynamism of global ODA are crucial.³⁴ These will help Bangladesh understand the rationales of having ODA and carrying out its implementation. One of the

³² Economic Relations Division (ERD), Ministry of Finance (MoF), *Aid Effectiveness and Bangladesh Context*, Aid Effectiveness Unit, Foreign Aid Budget and Accounts (FABA), Government of Bangladesh, 2012.

³³ Kishan S Rana and Bipul Chatterjee, "Introduction: The Role of Embassies", in Kishan S Rana and Bipul Chatterjee (eds.), *Economic Diplomacy: India's Experience*, Jaipur: CUTS International, 2011, pp. 1-23.

³⁴ Author's interview with Dr Maxim Basak, Second Secretary, Embassy of the Russian Federation in Bangladesh, in 2014.

important sources of Bangladesh's ODA is Japan. Sometimes, Bangladesh's uneconomical consumption of Japanese ODA and recent initiative of Japan to curb its ODA for low-income states could reduce Japan's ODA to Bangladesh. On the other hand, Japan is uneasy to MDTF since engaging more than one DP in a single project creates dilemma. Bangladesh has to exercise effective economic diplomacy to respond to the issues and should deepen its interaction with Japan to get ODA uninterruptedly. Besides, there are some developing countries (e.g., Russia, India, China, etc.) that are emerging as the new DPs. Economic relations between Bangladesh and the developing countries are growing. Therefore, assessing whether the emerging DPs could be the new sources of ODA for Bangladesh is important.

It was a fact that pulling out of WB loans for Bangladesh's Padma Bridge gave rise to off-putting impression over other donors. In effect, ADB and Japan International Cooperation Agency (JICA) called their loans off to the project. Lessening hiccups among the GoB and GFIs (e.g., WB, ADB, JICA, etc.) as well as gaps between or among the GFIs are crucial. Since, it could interrupt persistent inflow of ODA to Bangladesh. Again, poor implementation in Annual Development Programmes, low Country Policy and Institutional Assessment (CPIA) rating and lack of consensus on the modalities of ODA are critical challenges of Bangladesh to avail sufficient International Development Association (IDA) allocations. Therefore, the issue of how to fully access allocations provided by IDA is important. Another vital issue is AfT. Despite unconvincing negotiation on Doha Development Agenda (DDA) and economic recession in Europe, both AfT commitment and disbursement are in rising trend.³⁵ AfT is going to be potential as it helps developing economies improve transport connectivity, trade-related capacity building and realise benefits of liberalising trade. Though multi-party DPs are eager to supply growing ODA to facilitate international trade of developing economies, Bangladesh has not yet received adequate fund from such donors on its trade-related aspects. The GoB needs to push DPs for supplying fiduciary assistance to Bangladesh's infrastructure-related development projects to promote trade-facilitation measures of the country. Therefore, negotiating persistently at multilateral level (e.g., the WTO) to avail required amount of AfT and upgrading existing mechanisms of releasing ODA in utilising AfT funds effectively are significant.

Like AfT, ODA for climate change related issues is almost recent. The GFIs, some of the Organisation for Economic Co-operation and Development (OECD) states and globally agreed arrangements on climate change issues are committing ODA for the LDCs to help them face climate change related hazards. Therefore,

³⁵ Organisation for Economic and Cooperation Development (OECD), *Aid for Trade and Development Results: A Management Framework*, The Development Dimension, OECD Publishing, 19 June 2013.

competition to avail such ODA is growing among the LDCs. Again, some of the DPs want to mix up traditional ODA and assistance for climate change issues. The LDCs argue that ODA for climate change issues must be separated from contemporary ODA and provided as grants. They oppose even minimum engagement of the WB with global climate financing. The GoB should be aware of the issues. Therefore, blending of Bangladesh's climate diplomacy with its economic diplomacy is important to avail ODA for climate vulnerabilities bilaterally and multilaterally.³⁶ Besides, it is evident that a significant portion of global ODA is being mobilised through International NGOs (INGOs). NGOs and Civil Society Organisations (CSOs) are growing in number in Bangladesh. It is thus essential to support renowned national and local NGOs so that they can increase interactions with INGOs to get ODA.

4.2 *Countries, Organisations and Levels*

Except loans with tough conditions, no sources of ODA should in general be left aside by Bangladesh, which are soft loans or grants as well as based on the country's development priorities or aspirations.³⁷ Priority thus needs to be given to countries and organisations which have already provided and are still willing to offer soft foreign assistance. Hence, some of OECD, *Development Assistance Committee* (DAC), Middle-east and Organization of the Petroleum Exporting Countries (OPEC) states (identified in Annex 3), along with emerging South Korea, Russia, India and China are important sources. Among the GFIs, the WB, ADB, International Monetary Fund (IMF) and IDB need to be under close eyes. It is also essential to focus on New Development Bank (NDB), Asian Infrastructure Investment Bank (AIIB), JICA, UK aid, Canadian and Switzerland International Development Agencies and UN agencies, Organisation of Islamic Conference (OIC), etc. To address climate vulnerabilities, mobilising ODA from bilateral DPs is crucial. Sources supplying generally to development projects are vital as they are committing to provide ODA also to climate vulnerabilities. The United Nations Framework Convention on Climate Change (UNFCCC), UN Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing States (UN-REDD), European Commission (EC) and *United Nations Development Programme* (UNDP) are important sources for climate financing. The GoB should negotiate persistently with these organisations. Economic diplomacy should also be carried out with BASIC (Brazil, South Africa, India and China) and OPEC states. Besides, three major blocs i.e. European Union (EU), the US supported by Japan and Canada, and G-77 developing countries in the UN and China are

³⁶ Author's interview with Dr Qazi Kholiquzzaman Ahmad, Chairman, Palli Karma-Sahayak foundation (PKSF), Bangladesh, in 2014.

³⁷ Author's interview with Dr Jiban Ranjan Majumder, Joint Chief, ERD and Economic Minister, Economic Wing, Bangladesh Embassy in Japan, in 2014.

important stakeholders, with whom Bangladesh needs to continue negotiation. Furthermore, other regional groups e.g. African Group, LDC Group and Alliance of Small Island States (AOSIS), Environmental Integrity and Umbrella Group should be under the close eye of GoB. Voluntary organisations providing climate funds should as well not be overlooked.

For mobilising ODA, the GoB should focus not only on GFIs but also pay attention to bilateral, regional, multilateral and plurilateral (EU) levels. At regional level, Bangladesh needs to work on how to mobilise South Asian Association for Regional Cooperation i.e. SAARC fund. As several global organisations (e.g., UN), International CSOs (ICSOs) and INGOs offer assistance, the GoB also needs to value the sources. For climate fund, Bangladesh should first concentrate to bilateral level, as some (e.g. UK, Switzerland and Canada) of bilateral donors have already created their own climate funds, committed to supply climate aid and started disbursing some of the aid to help the most vulnerable countries. Accessing such aid by meeting conditions provided by bilateral DPs is vital. As the EU is keen to supply fund to climate change related projects, availing fund at plurilateral level is also crucial.

Although South Asian states view climate change related concerns in their own way, SAARC being a regional entity should persistently raise its voice at global forums so that multiparty sources disburse their committed funds for climate vulnerabilities in time. Bangladesh needs to be aligned with SAARC initiatives. The country should also persist negotiating at meetings of Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA), Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP), Meetings of Parties (MOP), Subsidiary Body for Implementation (SBI) and Subsidiary Body for Scientific and Technological Advice (SBSTA).³⁸ The GoB should as well negotiate with G77 and China, LDC group and wider plenary taking all parties into account.

4.3 Actors and Instruments

The Prime Minister (PM) and her Office, Ministry of Planning (MoP), Ministry of Finance (MoF), particularly Economic Relations Division (ERD), Ministry of Commerce (MoC), Ministry of Foreign Affairs (MoFA) and its overseas counterparts are important actors of Bangladesh's ODA-centric economic diplomacy. Other actors in Bangladesh include CSOs and local NGOs, INGOs (e.g., Saferworld), embassies and consulates of major donors and offices of global, regional and unilateral financial institutions e.g., the WB, IMF, ADB, IDB, JICA, etc.

³⁸ Author's interview with Dr Abdur Rob Khan, Associate Professor, North South University, and Director, Institute of Development, Environment and Strategic Studies (IDESS), Bangladesh, in 2014.

It is atypical that the MoFA deals with foreign aid. Rather, the MoP or MoF is usually assigned to do it. Diplomatic offices abroad maintain interactions with DPs in countries of assignments. Very few emerging states (e.g., India) appoint permanent expert on global aid in their diplomatic establishments abroad. Such practice is not available in many donor countries. What is available is growing amount of aid supplied by overseas NGOs to recipient ones. Given that, making contact, if possible, with INGOs and realising their outbound aid priorities are within the assignments of foreign embassies. Bangladesh's foreign diplomatic offices are to understand such dynamism of global aid and increase interactions with DPs in countries of assignments. Therefore, assigning aid diplomats in vital foreign embassies of Bangladesh is important.³⁹

Bangladesh is one of those countries which carried out 2011 Survey on Monitoring Paris Declaration (PD). In 2008 and 2010, PD Evaluation Phase I and II were completed. The ERD under the MoF of Bangladesh took part in both evaluations. Being coordinator of Asia-Pacific region in 2011 Busan High Level Forum (HLF), it played a key role in drafting documents to be adopted in the HLF. In 2014, representatives from the ERD and MoF also played significant role participating in the high level meeting on Global Partnership for Effective Development Cooperation held in Mexico that reiterated political promise to make development cooperation effective. On the other hand, spokespersons from the ERD and MoC actively participated in several global conferences on AfT and raised their voices. However, survey, evaluation or forum aforesaid focus on aid effectiveness and thus concerned stakeholders need to continue to increase their involvement with such global arrangements. They should take attempts to achieve better ranking in identified indicators of global survey and evaluation on overseas aid.

It is to be noted that Bangladesh so far has received ODA even from such arrangements [e.g., Saudi fund, Kuwait fund, OPEC fund, Least Development Fund (LDF)] that do not have branch-offices in the country. At times, it creates dilemma e.g., inconsistent contact between donor and recipient. Therefore, disbursement of aid is delayed. It is essential to negotiate with those arrangements in order to launch branch-points in home country. It is also important to influence headquarters of some regional financial institutions (e.g., ADB) and GFIs to more empower their branch-offices placed in the recipient country. It will help the GoB taking quick decision on aid to be disbursed, minimising its aid-driven project costs and saving time.

³⁹ Author's interview with Professor Shamsul Alam, Member, General Economics Division (GED), Planning Commission, Bangladesh, in 2014.

A recent experience is that some donors are making their priority lists where they would supply ODA in future. For example, the Netherlands has already made its priority lists. It has included Bangladesh as one of its priority countries-list to supply ODA for the long-term developmental aspects. The GoB should realise donors' psychology⁴⁰ and convince them. It is crucial to shrivel hitch among the major GFIs, bilateral donors and the GoB. Bangladesh needs to be aware of new crisis on earlier tension as well as work on future aid diplomacy (of major and new DPs) and priorities of donors. The GoB also needs to continue regular interactions with separate donors.

Besides, developing and capitalising expertise of Bangladesh prior to international review on Aft, supporting national NGOs and CSOs to create and maintain contact with INGOs and ICOSOs eager to supply aid to developmental aspects are vital. Furthermore, requesting, persistently negotiating and creating pressure on donors to functionalise their new and earlier commitments on ODA, synchronising strategies and development goals of donors and the GoB are essential. Negotiating with DPs on conditionalities of aid and their flexibilisation is also essential.

For mobilising climate fund, besides traditional sources of ODA, especially ERD, Ministry of Environment (MoE), NGOs and INGOs working on climate vulnerabilities in Bangladesh and their experts are key actors. DPs, global communities aware of climate change issues, three major and other regional blocs identified in section 4.2 are also vital. One of the important instruments for mobilising climate aid is to take active part in climate change related bilateral, regional and multilateral forums in order to demand Bangladesh's needs justifiably. Dispatching delegations comprised of public and private (e.g., NGOs, CSOs, professionals, media) entities to the Conference of the Parties (CoPs) is essential. It is also essential to increase diplomatic initiatives for being a co-chair or member of Technology Executive Committee (TEC), Technical Assistance (TA) and high-level discussion groups on climate finance for helping to design governance and structure of Green Climate Fund (GCF). Besides, the GoB needs to be fully aware of First Start Finance (FSF), Global Climate Fund (GCF), adaptation fund, Special Climate Change Fund (SCCF) and their developments. Playing active role in sideline meetings of multi-party negotiations within and with G-77 plus China is vital. Again, it is also vital to organise regional dialogue in between the two CoPs in reaching regional consensus on climate fund. Furthermore, intensifying diplomatic steps to be the leader of LDCs for raising the concerns of Bangladesh is needed.⁴¹ Importantly (a) increasing bilateral efforts (signing MoU/agreement); (b) utilising already disbursed ODA effectively; (c) be fully aware of climate change

⁴⁰ Author's interview with M M Akash, Professor, Department of Economics, University of Dhaka, in 2014.

⁴¹ Author's interview with Dr Qazi Kholiquzzaman Ahmad, *op. cit.*

related global developments; (d) increasing negotiation capability; (e) showcasing climate change oriented success stories globally; and (f) promoting sectors (e.g., energy) where donors (e.g., Germany) are keen to support are significant instruments for mobilising ODA on climate vulnerabilities. However, climate aid has to be in addition to traditional ODA and the GoB should raise its voice if there is any disagreement between the two.

5. Concluding Remarks

This paper aimed at identifying important issues of Bangladesh's ODA-centric economic diplomacy and ways of dealing with the issues. It finds that the major issues include: (a) realising global aid dynamism; (b) reducing commitment-disbursement gap of aid; (c) lessening difficulties among the GoB and GFIs as well as between/among the GFIs; (d) examining conditionalities of aid; (e) assessing cost benefit of using MDTF in a single project; (f) studying emerging DPs as new sources of ODA; (g) assessing aid modalities to fully access IDA allocations; (h) examining conditionalities to access AfT and global climate fund; and (i) blending of climate and economic diplomacy. While addressing the issues, the GoB in general needs to focus not only on the GFIs but also at multiple levels in order to mobilise ODA. Thus, advocating organisations and actors governing ODA, increasing capacity of the GoB to continue active interactions with vital DPs and major GFIs as well as understanding country-aid ownership are indispensable.

In particular, there are several instruments of economic diplomacy that this paper identifies to deal with major issues of Bangladesh's ODA-centric economic diplomacy. These include:

(a) negotiating with DPs on aid conditionalities and their flexibilisation, realising outbound aid priorities and psychology of donors, assigning aid diplomats in vital foreign embassies of Bangladesh, managing better ranks in several indicators of various surveys and evaluations on global aid;

(b) participating actively in global aid forums and raising voice by dispatching delegations, studying long-term plans of major DPs and continuing negotiations to be included in priority lists of DPs, encouraging non-traditional DPs to set up their country-level offices in Bangladesh, influencing headquarters of regional and global financial institutions to more empower their branch offices in Bangladesh;

(c) meeting gap between major GFIs, bilateral donors and the GoB, strengthening already established joint aid assessment mechanisms, pressurising

DPs to continue their commitments, advocating local NGOs, INGOs and requesting DPs to harmonise their aid strategies with Bangladesh's developmental goals;

(d) for mobilising climate aid, important instruments are (i) participating actively through dispatching experts in climate change related multiple-level forums; (ii) increasing bilateral efforts through signing MoUs and agreements; (iii) showcasing Bangladesh to climate change related global watchdogs and donors on how already disbursed funds are being utilised and how committed funds would be used; and (iv) aligning climate diplomacy with economic diplomacy.

Annex 1: Flow of External Assistance (US\$ million)				
Fiscal Years	Food Aid	Commodity Aid	Project Aid	Total Aid
1971-1980	2090	2768	1749	6607
1981-1990	2346	4435	7340	14121
1991-2000	1537	3169	10911	15617
2001-2010	613	536	15104	16253
2011-2014	212.55	0.00	9586.838	9799.388
2015	37.530	0.00	3005.542	3043.072

Source: Economic Relations Division (ERD), 2015.

Annex 2: Grants and Loans Received (US\$ million)			
Fiscal Years	Grants	Loans	Total Aid
1972-1980	3360	3247	6607
1981-1990	6742	7379	14121
1991-2000	7379	8238	15617
2001-2010	5122	11131	16253
2011-2014	2556.82	10001.4	12558.22
2015	570.825	2472.247	3043.072

Source: ERD (2015), MoF, the GoB.

Annex 3: ODA by 20 Major DPs (US\$ million): FY (1972-2013), FY 2014 and FY 2015							
DPs	Grant	Loan	Total	FY 2014	FY 2015	GT	%
IDA	562	12551	13113	936.05	977.89	15026.94	22.1
Japan	3350	4100	7450	450.78	366.46	8267.24	12.5
ADB	162	8968	9130	464.68	715.75	10310.43	15.3
USA	2787	763	3550	0.46	1.53	3551.99	5.9
Canada	2123	16	2139	16.28	13.28	2168.56	3.6
UN ex. UNICEF	3062	00	3062	26.63	144.76	3233.39	5.1
Germany	1520	268	1788	35.34	30.07	1833.41	3.0
UK	2215	83	2298	116.02	79.30	2493.32	3.8
EU	1572	48	1620	51.12	29.74	1700.86	2.7
N.lands	1109	71	1180	6.96	0.93	1187.89	1.9
KSA	587	318	905	6.42	9.76	921.18	1.5
Sweden	833	24	857	23.97	10.15	891.12	1.4
Norway	709	3	712	--	2.84	714.84	1.2
France	325	256	581	0.00	00	581	0.9
Denmark	845	102	947	62.67	29.53	1039.2	1.5
UNICEF	1038	00	1038	16.88	39.16	1094.04	1.7
Russia	35	359	394	--	--	394	0.6
Australia	388	49	437	0.00	00	437	0.7

India	206	247	453	123.37	93.99	670.36	0.7
IDB	22	557	579	76.94	132.92	788.86	0.9
Total	23450	28783	52233	2414.57	2678.06	57325.63	88
All DPs	24661	34650	59311	3084.39	3029.24	65424.63	

Source: ERD (2015), MoF, the GoB.

Note: -- data not available. Out of US\$ 3084.39 million, other sources provided US\$ 669.82m in FY2014; other sources include China (US\$ 472.71m), South Korea (US\$ 35.54m), International Fund for Agricultural Development (IFAD) (US\$ 14.28m), Kuwait (US\$ 9.35m), OPEC (US\$ 6.65m), Nordic Development Fund (NDF) (US\$ 4.6m), and others (US\$ 126.69m). Although China ranked 3rd in FY2014, it is not included in table 4. For FY2015, out of US\$ 3029.24 million, other sources provided US\$ 351.18m; one of the vital other sources was China, providing US\$ 121.23m.

The shaded figures only represent ODA by DPs for FY2014 and FY2015. Other figures including percentages represent the time FY1972-FY2013. GT (Grand Total) represents sum of FY (1972-2013), FY 2014 and FY2015.

Annex 4: Disbursement by Economic Sectors (US\$ million): FY (1972-2013), FY2014 and FY2015

Sector	1972-1980	1981-1990	1991-2000	2001-2010	2011-2013	2014	2015	Total (1972-2013)
Agriculture	112	623.6	668.5	549.2	188.2	122.7	208	2141.5
Rural Development and Institution	37.7	310.2	603.3	569.9	142.4	49.1	49.9	1663.5
Water Resources	134.1	765.9	1260.3	628.8	194.5	96.6	89.3	2983.3
Power	256.1	1555.2	1607.3	2076.3	1230.4	498.9	629	6725.1
Oil, Gas and Natural Resources	64.2	631.1	566.8	393.8	102.5	69.8	18.1	1658.4
Science and Technology	3.1	20.9	00	00	00	00	00	24
Transport	408.5	919.8	2198.1	1632.9	456.4	431.2	282.1	5615.8
Communication	40.8	170.3	215.6	357.3	157	113.3	96.1	940.8
Industries	364.6	945.2	314.3	253.9	233.8	321.3	82	2111.7
Education and Religion	47	305.6	867.5	1866.9	940.8	352.9	375.1	4127.8
Sports and Culture	00	0.5	0.5	0.3	00	00	00	1.3
Health, Population and Family Welfare	52.8	182.8	542.9	1446.5	722.7	242.7	177.4	2947.5
Family Welfare*	63.6	276.1	576.4	00	00			916.3
Social Welfare, Women and Youth Development	16.3	7.4	32.6	100.4	126.8	92.4	66.6	283.3
Labour and Manpower	5.1	4.8	0.7	2.1	00	00	0.6	12.7
Public Administration	2	22.6	208.8	3872.4	1561.1	468.7	621.6	5669.7
Physical Planning, Water Supply and Housing	46.9	232	810.2	1141.3	483.8	187	295.9	2814.4
Mass Media	00	0.4	16.1	8	00	00	00	24.5
Cyclone Reconstruction	25.1	00	00	00	00	--	--	25.1
Private	69	465.1	417.6	4.7	00	--	--	956.5

Source: ERD (2015), MoF, the GoB.

Note: -- These two sectors were not included in FY 2014 and FY 2015. *Merged with Health and Family Welfare since July 1998. The shaded figures only represent sectors-wise ODA for FY 2014 and FY 2015.

Annex 5: Sources, Sectors Focusing and Conditionalities		
Major Sources	Sectors Focusing	Conditionalities
Japan	Infrastructure, power, health, HR development, climate vulnerability, NGOs, R&D, local governance	1% rate of interest, payable within 40 years; for technical assistance, public private partnership is required
USA	Earlier: productivity, food, developing lives of people; recently: democracy, governance, population growth, long-term economic development, health and food security, climate vulnerability	Conditionalities attached with democracy, human rights and governance
UK	Earlier: MDGs; recently: climate vulnerability	Effectiveness, disbursement procedure and better financial management of aid
Canada	Eager on health, education, economic growth	
Germany	Earlier: MDGs; recently: climate vulnerability	effectiveness, disbursement procedure and better financial management of aid
South Korea	Poverty, ICT, HR, renewable energy, governance, health security, climate vulnerability	Tough conditionalities, with delayed disbursement
Russia	Power, energy, procurement of arms	Credit with an interest rate of Libor plus 1.75 per cent; returnable within defined years with a 10-year grace period
China	Infrastructure	Political/environmental conditionalities are not attached; accessibility is quick and easy
India	Transport, railway, construction	1% rate of interest, 0.5% commitment fee on unutilised credit after 1 year from the date of commercial contract approval; 20-years repayment period including a grace period of 5 years; purchasing 85% of required inputs from India; remaining might be purchased from Bangladesh if and when contractors are botched to supply inputs from India; intra-country competition bidding process
WB	Earlier: poverty, peoples' lives; recently: infrastructure	In terms of interest, loans are cheapest but conditionalities are difficult and thus rate of disbursement is slow
ADB	Agriculture, education, energy, finance, health, industry, trade, transport, ICT, water supply, public- and multi- sector, climate vulnerability, strengthening sub-regional physical connectivity	Continuing reforms, accelerating project execution, stepping up of DPP/TPP endorsement, lessening setbacks in activating project, getting better procurement procedure

IMF	Structural reforms	No interest but introducing controlled and moderate policy for monetary and fiscal consolidation, trimming down barriers on trade, increasing energy and fuel price, removing lending limit for banks, continuing reforms for banks, fixing retail petroleum price taking global price of petroleum into consideration
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Source: Compiled from various documents.

Annex 6: Aid Summary - Pipeline, Commitment and Disbursement: FY1972-2015 (US\$ million)

Fiscal Year	Opening Pipeline	Commitment	Disbursement
1972	-	610.804	270.800
1973	340.004	878.413	551.444
1974	666.973	555.068	461.237
1975	760.804	1266.690	901.049
1976	1126.445	958.881	800.530
1977	1284.796	726.981	534.712
1978	1477.065	1147.874	833.860
1979	1791.079	1760.239	1030.049
1980	2521.269	1153.257	1223.061
1981	2451.465	1559.237	1146.445
1982	2864.257	1922.849	1239.631
1983	3547.475	1522.532	1177.383
1984	3892.624	1694.987	1268.399
1985	4319.212	1980.709	1269.446
1986	4639.263	1661.445	1305.928
1987	5425.393	1603.257	1595.160
1988	5214.931	1529.778	1640.380
1989	5458.172	1873.470	1668.478
1990	5348.495	2175.066	1809.559
1991	5915.160	1370.344	1732.575
1992	5290.420	1915.610	1611.468
1993	5979.856	1274.548	1675.008
1994	5312.363	2410.184	1558.643
1995	5914.939	1612.212	1739.091
1996	6230.617	1279.575	1443.750
1997	5431.237	1661.117	1481.230
1998	4697.092	1790.715	1251.373
1999	4895.530	2648.516	1536.057
2000	5979.575	1475.027	1587.948
2001	5752.268	2052.840	1368.804

2002	5857.955	878.744	1442.234
2003	5450.047	1692.571	1585.022
2004	5738.109	1923.080	1033.432
2005	6911.062	1580.707	1488.447
2006	6694.542	1787.360	1567.636
2007	6759.480	2256.128	1630.575
2008	7288.340	2842.444	2061.514
2009	8682.135	2444.317	1847.305
2010	8861.288	2983.677	2227.774
2011	9429.360	5968.626	1776.742
2012	14151.983	4764.525	2126.478
2013	15436.142	5854.607	2811.000
2014	16637.698	5844.22	3084.39
2015	18174.791	5258.465	3043.072
Total	250601.711	92151.856	65439.116

Source: ERD (2015), MoF, the GoB.