



**Challenges in Foreign Aid Utilization:
A Comparative study of Project Implementation in Bangladesh**

By

**Afrina Islam
MPPG 11th Batch**

February 2025



**South Asian Institute of Policy and Governance (SIPG)
North South University, Dhaka, Bangladesh**



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**South Asian Institute of Policy, and Governance (SIPG)
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Dedicated to

I dedicate this to my father, Major (R) Aminul Islam, whose guidance inspires me. To my beloved daughter, Abshara Afrina Saleh, who fills my life with joy, and purpose, and to my cherished family, and friends, whose unwavering support, and encouragement have been with me every step of the way.

Declaration

I declare that the dissertation entitled “**Challenges in Foreign Aid Utilization: A Comparative study of Project Implementation in Bangladesh,**” submitted to the South Asian Institute of Policy and Governance (SIPG) of North South University, Bangladesh for the Degree of Master in Public Policy and Governance (MPPG) is an original work of mine. No part of it, in any form, has been copied from other sources without acknowledgment or submitted to any other university or institute for any degree or diploma. Views, and expressions of the thesis bear the responsibility of mine with the exclusion of SIPG for any errors and omissions to it.

Afrina Islam

ID NO. 2325594085

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Abstract

This thesis critically examines the role of foreign aid in shaping Bangladesh's development trajectory, with a particular focus on aid dependency, governance, and institutional capacity. While foreign aid has been instrumental in supporting post-independence recovery and infrastructure development, its long-term effectiveness is undermined by entrenched bureaucratic inefficiencies, governance deficits, and donor-driven priorities that often misalign with national objectives. Rather than serving as a catalyst for self-sustaining growth, aid has reinforced structural dependency, weakening Bangladesh's fiscal and policy autonomy. Employing a qualitative methodology, this study draws on expert interviews, secondary literature analysis, and a case study approach. The Greater Dhaka Sustainable Urban Transport Project (BRT, Gazipur–Airport), funded by the Asian Development Bank (ADB), serves as a critical case illustrating how institutional constraints, mismanagement, and political economy factors impede the effective implementation of aid-funded infrastructure projects. The research is anchored in Institutional Theory and Contingency Theory, providing a theoretical lens to examine how rigid bureaucratic structures perpetuate inefficiencies while highlighting the necessity of adaptive, context-specific aid management strategies. Findings reveal that bureaucratic inertia, lack of transparency, and fragmented coordination between government agencies and donors significantly diminish aid effectiveness, leading to project delays, cost overruns, and suboptimal outcomes. The study critically evaluates reform prospects, advocating for institutional restructuring, enhanced governance mechanisms, and a recalibration of donor-recipient relationships to prioritize national ownership and long-term sustainability. Ultimately, this research challenges the prevailing aid paradigm, arguing that without profound institutional reforms and a strategic shift toward self-reliance, Bangladesh risks remaining trapped in a cycle of external dependence. To enhance Bangladesh's

aid management, this study recommends strengthening institutions, improving transparency, and fostering stakeholder coordination. Policy reforms, local engagement, and technology adoption are vital for efficiency, while diversifying aid sources will ensure sustainable financing aligned with national priorities.

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List of abbreviation

ERD – Economic Relations Division
PC – Planning Commission
IMED – Implementation Monitoring and Evaluation Division
SDG – Sustainable Development Goals
OECD – Organization for Economic Co-operation and Development
GoB – Government of Bangladesh
ADB – Asian Development Bank
DAC – Development Assistance Committee
ADP – Annual Development Program
GDP – Gross Domestic Product
IMF – International Monetary Fund
JICA – Japan International Cooperation Agency
USAID – United States Agency for International Development
NEC – National economic Council
ECNEC - Executive Committee of the National Economic Council
RADP - Revised Annual Development Plan
FYP – Five Year Plan
MTBF - Medium-Term Budgetary Framework
JEC – Joint Economic Commission
LDC – Least Developed Country
ODA – Official Development Assistance
SWAp – Sector Wide Approach
BRI – Belt and Road Initiative
SAARC - South Asian Association for Regional Cooperation
BIMSTEC - Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
LM – Line Ministry
PO – Project Official
AFD - Agence Française de Développement
RHD – Roads and Highways Division

Chapter 1: Introduction

1.1 Introduction

Since gaining independence in 1971, Bangladesh has become a compelling case study for examining the transformative potential of foreign aid on a nation's development. Emerging from the devastating aftermath of the Liberation War, the country faced acute economic challenges characterized by pervasive poverty, fragile institutions, and widespread infrastructural collapse (Sobhan, 1982). Foreign aid served as a critical lifeline during this period, providing much-needed resources for immediate recovery and laying the groundwork for long-term development. However, while aid has undoubtedly contributed to Bangladesh's progress, its implications for economic resilience, institutional capacity, and sustainable growth remain subjects of considerable academic and policy debate. Foreign aid continues to play a substantial role in Bangladesh's development financing. Recent figures indicate that Bangladesh received \$8.2 billion in foreign assistance in the fiscal year 2021–2022, accounting for approximately 42% of the annual development budget but less than 2% of its GDP (Economic Relations Division, 2023). Predominantly extended as concessional loans, this aid has contributed to the country's rising debt servicing obligations, despite the debt-to-GDP ratio remaining below 40%, a level considered sustainable for low-middle-income countries (World Bank, 2023). Nonetheless, the evolving landscape of foreign aid raises critical questions about its effectiveness in fostering self-sustaining development and the associated risks of dependency.

Over the decades, Bangladesh has made strides toward reducing aid dependency, with economic diversification, particularly in export-oriented industries like ready-made garments, and increased remittance inflows playing pivotal roles (Rahman and Yusuf, 2020). However, challenges persist, including inefficiencies in aid utilization, governance deficits, and the prioritization of donor-driven agendas over nationally articulated

development priorities (Ahmed and Ahmed, 2022). These issues underscore the need to enhance institutional capacities and promote greater alignment between external assistance and domestic objectives. The objective of this research is to critically analyse the role of foreign aid in shaping Bangladesh's development trajectory, with a particular focus on the dynamics of aid dependency, governance, and institutional capacity. By examining how foreign aid has influenced key sectors such as infrastructure, healthcare, and education, this study seeks to identify the opportunities and challenges associated with leveraging aid for sustainable development. Moreover, it aims to explore strategies for reducing aid dependency and fostering economic self-reliance in the context of Bangladesh's transition to a middle-income country.

This research contributes to the broader discourse on development financing by offering a nuanced understanding of how foreign aid interacts with local governance structures and socio-economic imperatives. By situating Bangladesh within the global development framework, it evaluates the extent to which international initiatives, such as the Busan Partnership Agreement, have influenced aid effectiveness and alignment with national priorities (OECD, 2014). Ultimately, the study aspires to provide actionable insights for policymakers and stakeholders to optimize the developmental impact of foreign aid while minimizing its potential drawbacks.

1.2 Statement of the Problem

Bangladesh, as one of the largest recipients of foreign aid among developing nations, continues to encounter significant hurdles in ensuring the efficient and effective utilization of these resources to meet its sustainable development objectives. While foreign aid has historically contributed to the country's infrastructure development, its impact often falls short of expectations. Persistent institutional shortcomings—including bureaucratic inefficiency, poor inter-agency coordination, and insufficient technical and managerial expertise—are key barriers that undermine the success of aid-funded projects (Rahman and Yusuf, 2020). These institutional limitations not only delay project

implementation but also lead to cost escalations and poor quality of outcomes, severely impeding Bangladesh's capacity to achieve its development goals. The problem is further exacerbated by a complex political and economic environment. Governance deficits, fluctuating governmental priorities, and external donor pressures create a challenging framework within which aid programs are managed (Ahmed and Ahmed, 2022). Such pressures often result in a misalignment between donor-driven aid objectives and Bangladesh's national development priorities, leading to fragmented planning and execution. For instance, external conditions imposed by donors may divert attention from critical domestic needs, undermining the sustainability of development outcomes (Osman, 2019).

These inefficiencies have tangible consequences for critical sectors such as transportation, energy, and urban development, where foreign aid has been heavily invested. Projects frequently experience substantial delays, escalating costs, and diminished developmental impacts, further aggravating the already pressing challenges of resource scarcity and infrastructure deficits (World Bank, 2022). Additionally, the inability to effectively manage and utilize foreign aid perpetuates dependency on external assistance, posing long-term risks to the country's goal of achieving self-reliance and sustained economic growth. The challenge of optimizing foreign aid utilization is also intertwined with institutional fragility. Weak systems of accountability, limited capacity for monitoring and evaluation, and a lack of transparency contribute to the mismanagement of aid resources (OECD, 2014). Furthermore, the fragmented coordination between various governmental agencies and donors often leads to overlapping responsibilities and inefficient resource allocation. These structural weaknesses not only diminish the overall effectiveness of aid but also erode public confidence in the government's ability to drive meaningful progress.

Given the scale of aid dependency and the critical role it plays in Bangladesh's development, addressing these challenges is imperative. This study seeks to identify the

institutional, political, and economic factors that hinder effective foreign aid utilization during project implementation phases. By analyzing these multifaceted challenges, the research aims to provide actionable recommendations that will improve aid effectiveness, align donor priorities with national development strategies, and enhance socio-economic outcomes. Moreover, the study contributes to the broader discourse on development finance and governance reform, offering lessons for other aid-reliant nations in the Global South. With the ambitious vision of becoming a high-income nation by 2041, Bangladesh must not only address these systemic inefficiencies but also build robust institutions capable of managing foreign aid as a catalyst for sustainable and inclusive development (Government of Bangladesh, 2022).

1.3 Research Objectives

Consistent with the research problem the key objectives of this research are as follows:
Examine the existing institutional frameworks and capacities in Bangladesh that determine the allocation, management, and implementation of foreign aid projects.
Recommend potential improvements and reforms to enhance the efficiency and effectiveness of aid utilization.

1.4 Research Questions

Lead Q: What are the key institutional frameworks and capacities that govern the allocation, management, and implementation of foreign aid projects in Bangladesh?
Sub Q-1: What are the primary challenges related to transparency, accountability, and coordination in the management of foreign aid in Bangladesh, and how do they affect aid effectiveness?

1.5 Rationale of the Study

Foreign aid has played a crucial role in supporting the economic and social development of Bangladesh over the years. However, despite the substantial inflow of foreign assistance, challenges related to the effective use of aid—particularly in areas such as transparency, accountability, and coordination—continue to undermine its potential to drive sustainable development. These challenges often result in suboptimal outcomes for aid projects and limit their impact. Therefore, it is imperative to conduct a comprehensive analysis of the institutional frameworks and capacities involved in the allocation, management, and implementation of foreign aid in Bangladesh.

This study aims to investigate the key institutional structures and the capacity of the agencies responsible for overseeing foreign aid, alongside the influence of donor requirements on these processes. By critically examining the mechanisms that govern the management of foreign aid, the research seeks to identify systemic challenges that hinder the efficient delivery of aid and the achievement of developmental objectives. In particular, issues such as a lack of transparency, accountability, and coordination among stakeholders will be explored, as these factors are often cited as significant barriers to the effective use of aid resources. Additionally, the study will explore potential reforms and strategies that could improve the management of foreign aid. This includes examining the role of technological innovations and the application of international best practices in aid management. The research will assess how such reforms might enhance both the immediate effectiveness and the long-term sustainability of aid-funded projects in Bangladesh. By addressing these issues, the study aims to offer valuable insights into how Bangladesh can improve the efficiency and impact of foreign aid. The findings and recommendations of this research could inform policy reforms aimed at strengthening institutional capacities, enhancing coordination among donors and implementing agencies, and ultimately maximizing the developmental impact of foreign aid.

This research endeavors to make a substantive contribution to the field by addressing critical gaps in the existing literature on foreign aid utilization and institutional capacity in Bangladesh. Its significance lies in its focus on leadership dynamics, organizational culture, bureaucratic processes, and stakeholder perspectives, all of which are underexplored in current studies. By adopting a holistic approach, this research aims to advance theoretical, empirical, and practical understandings of aid management in the Bangladeshi context. While previous research has highlighted technical and governance-related issues, this study will delve deeper into the institutional mechanisms that underlie aid outcomes. The theoretical contributions of this research will stem from its emphasis on leadership and organizational culture, which are often treated as peripheral elements in discussions on aid effectiveness. As noted by Grindle (2007), leadership is crucial for institutional reform, yet its interplay with hierarchical organizational cultures in Bangladesh remains underexplored (Mahmud, 2019). This research will contribute to filling this theoretical gap by analyzing how leadership dynamics and cultural practices within public institutions either enable or impede the effective utilization of foreign aid. Moreover, the study will challenge the dominance of donor-imposed frameworks. It will propose alternative approaches that prioritize local institutional contexts, thereby contributing to the ongoing debates on the limitations of universal aid management tools. By doing so, it will enrich the academic discourse on the compatibility of global and local priorities in development planning.

Empirically, this research will add to the literature by incorporating diverse stakeholder perspectives, which are often neglected in studies on aid management in Bangladesh. Existing works largely focus on donor policies and technical challenges, sidelining the practical experiences of government officials, civil society organizations, and beneficiaries. This study will bridge this gap by collecting and synthesizing primary data from these key stakeholders. For example, government officials' experiences with political pressures and donor expectations will be analyzed to reveal how these factors shape institutional responses to aid challenges. Similarly, civil society organizations' roles

in promoting transparency and accountability will be explored, shedding light on their potential to strengthen governance in aid utilization. By bringing these voices to the forefront, the research will provide a nuanced understanding of the systemic issues in aid management.

The practical implications of this research are equally significant. Bangladesh's reliance on foreign aid for development necessitates robust institutional frameworks that can maximize aid effectiveness. However, the persistence of bureaucratic inefficiencies and donor-driven agendas undermines the sustainability of aid outcomes (Sobhan, 1993). By analyzing the root causes of these inefficiencies, the study will offer actionable recommendations for improving aid governance. For instance, it will propose strategies for fostering leadership accountability and cultivating organizational cultures that encourage innovation and adaptability. Additionally, the research will advocate for participatory approaches that involve all relevant stakeholders in decision-making processes. These recommendations are expected to provide policymakers with the insights needed to reform institutional practices and enhance the alignment between donor expectations and local development priorities.

Another unique contribution of this research is its focus on the role of emerging donors, such as China and India, in reshaping the aid landscape in Bangladesh. While traditional donors often emphasize governance reforms, emerging donors prioritize infrastructure development and economic cooperation (Brautigam, 2009). This shift raises critical questions about the sustainability and governance implications of foreign aid. By analyzing the impact of these emerging donors, the research will highlight the opportunities and challenges associated with their involvement in Bangladesh's development. This research aims to make a multifaceted contribution to the literature on foreign aid utilization in Bangladesh. By addressing theoretical gaps, providing empirical insights, and offering policy-relevant recommendations, it will advance the understanding of how institutional factors shape aid outcomes. Furthermore, its focus on stakeholder perspectives and emerging donor dynamics will ensure a comprehensive and context-

sensitive analysis. Ultimately, this research seeks to inform the design of more effective and sustainable aid management frameworks, thereby enhancing the role of foreign aid in Bangladesh's development trajectory.

1.6 Significance of the Study

The investigation of the relationship between foreign aid and the institutional capacity of the Bangladesh government is of paramount importance, particularly as the country seeks to achieve middle-income status by 2031 (Khan, 2022). While Bangladesh has made remarkable strides in terms of economic growth and human development, the effective utilization of foreign aid remains essential for sustaining progress in critical sectors such as health, education, and infrastructure (World Bank, 2022; Rahman & Islam, 2020). The challenge lies in optimizing the impact of this aid, as Bangladesh grapples with institutional constraints that hinder its full potential (Mahmud, 2008; Mannan, 2015). Understanding these institutional challenges is vital for crafting strategies that can improve aid effectiveness and ensure that aid aligns with national priorities (Lewis, 2011). This research is timely and highly relevant to Bangladesh's ongoing development agenda, as it explores ways to address these challenges and enhance the use of foreign aid in line with the country's development goals. For policymakers, tackling these institutional issues is fundamental to improving governance and capacity-building, which are crucial for ensuring long-term economic resilience and self-reliance (Sobhan, 2000). From the donor perspective, the study's insights can guide the design of more adaptable and contextually appropriate aid programs that can better support Bangladesh's development needs (Riddell, 2007).

Academically, this research contributes to a gap in existing literature by offering both empirical and theoretical perspectives on the role of institutional capacities in shaping the outcomes of foreign aid. It enriches the broader discourse on aid effectiveness and sustainable development, particularly in the context of Bangladesh's unique political and institutional challenges (Rahman, 2022). This study also seeks to provide actionable

recommendations that can optimize aid utilization, contributing to the nation's long-term economic advancement by enhancing both the quantity and quality of development outcomes. Moreover, the findings of this research have important implications for policy and practice within Bangladesh's development landscape. By identifying and addressing the systemic inefficiencies that hamper aid effectiveness, the study offers targeted solutions that could strengthen governance frameworks, improve accountability, and ensure better alignment between donor strategies and national priorities. These insights will not only support Bangladesh's developmental aspirations but also offer transferable lessons for other aid-dependent countries in the Global South (OECD, 2014).

In advancing a more nuanced understanding of the interplay between foreign aid, institutional capacity, and development outcomes, this research highlights the urgent need for comprehensive reforms in Bangladesh's aid management systems. By transforming foreign aid from a short-term solution into a driving force for sustainable and inclusive development, Bangladesh can reduce its dependency on external resources and work towards its long-term goal of becoming a developed nation by 2041 (Government of Bangladesh, 2022). This study lays the foundation for strategic reforms that will foster resilience and self-reliance, ensuring that foreign aid contributes more effectively to the country's development trajectory.

Chapter 2: Patterns and Dynamics of Foreign Aid in Bangladesh

2.1 Introduction

Foreign aid has played a crucial role in shaping Bangladesh's development trajectory since its independence in 1971. Given the country's resource constraints, external assistance has significantly contributed to infrastructure development, poverty alleviation, and improvements in key social sectors such as health and education. Over the decades, Bangladesh's engagement with foreign aid has undergone substantial transformations, influenced by shifting global geopolitics, economic priorities, and development needs. This chapter explores the historical patterns, major sources, and evolving dynamics of foreign aid in Bangladesh, while also examining the challenges in its utilization. At the time of independence, Bangladesh faced a fragile economic situation characterized by disrupted agricultural production, halted industrial activities, and weakened trade. With limited domestic resources, the country relied heavily on external aid to rebuild its economy. In this context, foreign assistance played a pivotal role in addressing Bangladesh's development needs and socio-economic challenges (Gupta, 1999). Today, Bangladesh receives development assistance in the form of loans, grants, and technical cooperation from a range of bilateral and multilateral Development Assistance Committee (DAC) donors, including the World Bank, the Asian Development Bank (ADB), the United States, the United Kingdom, Japan, Australia, Germany, and the European Union (Golder et al., 2021). In addition to these traditional donors, Bangladesh has expanded its development partnerships with non-DAC donors such as China, India, Saudi Arabia, Turkey, Kuwait, and the United Arab Emirates, securing diverse external resources to support its economic growth. This chapter provides a foundation for understanding the evolving patterns and dynamics of foreign aid utilization in Bangladesh, setting the stage for an in-depth discussion of the constraints affecting its effective use.

2.2 Patterns of Foreign Aid in Bangladesh

2.2.1 Changing Nature of Foreign Aid

Over the past five decades, Bangladesh's foreign aid landscape has undergone significant transformations, shifting from a grant-based assistance model to a loan-dependent financing structure. Since 1971, the country has received approximately \$112.59 billion in external assistance, with grant aid totaling \$29.41 billion and loan assistance reaching \$83.17 billion. The share of grants in total aid has steadily declined, reflecting Bangladesh's growing reliance on loan-based funding. In FY 1972-73, grants comprised 90.5% of total aid, but by FY 2023-24, they accounted for only 6.2%, while loans surged to 93.8%. This shift underscores a fundamental change in the nature of development financing.

Table 2.1: Changing Structure of Foreign Aid (1972-2024)

Fiscal Year	Grants (%)	Loans (%)
1972-73	90.5	9.5
1979-80	53.2	46.8
1998-99	43.6	56.4
2023-24	6.2	93.8

Source: Economic Relations Division (ERD), Ministry of Finance

2.2.2 Shifts in the Composition of Foreign Aid

The composition of foreign aid has evolved significantly, adapting to Bangladesh's changing economic needs and priorities. Historically, aid was categorized into:

Food Aid: Emergency support in the post-independence period.

Commodity Aid: Imports of essential goods and industrial inputs.

Project Aid: Infrastructure development, social sector investments, and capacity-building initiatives.

Between 1971 and 2024, Bangladesh received:

\$6.98 billion in food aid.

\$10.91 billion in commodity aid.

\$83.17 billion in project aid.

While food and commodity aid played a crucial role in the 1970s and 1980s, their importance has significantly diminished. In FY 1971-72, food aid accounted for 47.9% and commodity aid 50.08% of total foreign assistance. However, by FY 2023-24, food aid constituted only 0.2%, and commodity aid had disappeared entirely. In contrast, project aid surged to 99.8%, reflecting Bangladesh's transition towards long-term development financing.

Table 2.2: Composition of Foreign Aid (Cumulative, 1972-2024)

Aid Type	Amount (\$ Billion)
Food Aid	6.98
Commodity Aid	10.91
Project Aid	83.17

Source: Economic Relations Division (ERD), Ministry of Finance

2.2.3 Bangladesh's Dependence on Foreign Aid

The aid-to-GDP ratio and the proportion of external assistance in the Annual Development Program (ADP) are key indicators of Bangladesh's reliance on foreign aid. In the immediate post-independence period, Bangladesh had an aid-to-GDP ratio of 8.5% (FY 1972-73), reflecting heavy dependence on foreign assistance for economic recovery. The ratio fluctuated over time:

8.8% in FY 1989-90

4.1% in FY 1999-2000

3.17% in FY 2005-06

1.47% in FY 2016-17 (the lowest point)

2.30% in FY 2019-20

2.90% in FY 2023-24

Despite this declining trend, foreign aid remains crucial for financing large-scale infrastructure projects, addressing budget deficits, and supporting priority sectors such

as energy, transport, and health.

Evolving trends in Bangladesh's foreign aid landscape highlight three key challenges:

Declining Grant Assistance: The shift towards loans increases the burden of debt servicing, requiring efficient allocation and effective repayment strategies.

Dependence on Project Aid: While infrastructure investments drive economic growth, ensuring absorptive capacity and timely implementation of foreign-funded projects remains a challenge.

Shifting Aid-to-GDP Ratio: The declining aid-to-GDP ratio reflects economic resilience, but continued foreign assistance is essential for financing mega-projects and ensuring inclusive development.

Moving forward, Bangladesh must focus on strengthening institutional frameworks, improving project efficiency, and diversifying funding sources to maximize the benefits of foreign aid while reducing long-term financial vulnerabilities.

2.3 Historical Trends in Foreign Aid Acceptance

Bangladesh's relationship with foreign aid has undergone significant transformations, influenced by internal development strategies and external economic conditions. The evolution of aid acceptance can be categorized into distinct phases:

2.3.1 The Early Years (1971–1980)

In the aftermath of independence, Bangladesh faced a devastated economy characterized by minimal industrial infrastructure and acute food shortages. During this period, foreign aid was predominantly directed towards relief and rehabilitation efforts. Key donors included the United States, the World Bank, and United Nations agencies, with assistance primarily in the form of grants and food aid to meet immediate needs.

Table 2.3: Foreign Aid Inflows in the Early Years

Year	Total Aid (Million USD)	Grants (%)	Loans (%)
1972	950	80	20
1975	1,250	70	30
1980	1,500	60	40

Source: Economic Relations Division (ERD), Government of Bangladesh

2.3.2 The Structural Adjustment Era (1980–2000)

The 1980s and 1990s marked a shift towards structural adjustments and economic reforms. Multilateral institutions like the World Bank and the International Monetary Fund (IMF) introduced conditional lending programs emphasizing trade liberalization, privatization, and fiscal austerity. This era saw an increase in loan-based assistance, with a focus on policy reforms to stimulate economic growth.

2.3.3 The Diversification and Growth Phase (2000–2023)

Entering the 21st century, Bangladesh diversified its sources of foreign aid, engaging with a broader array of bilateral and multilateral donors. The focus expanded to include infrastructure development, social sector improvements, and capacity building. Notably, there was a significant increase in aid commitments from emerging economies alongside traditional Development Assistance Committee (DAC) donors.

Table 2.4: Foreign Aid Commitments and Disbursements (2010–2023)

Fiscal Year	Commitments (Million USD)	Disbursements (Million USD)
2010-11	3,500	2,000
2015-16	5,000	3,500
2020-21	7,000	5,000
2022-23	10,000	7,960

Source: Economic Relations Division (ERD), Government of Bangladesh

2.3.4 Recent Developments (FY 2023-24)

In FY 2023-24, Bangladesh continued to navigate the complexities of foreign aid utilization amidst global economic uncertainties. The government emphasized aligning aid with national development priorities, focusing on sustainable infrastructure, human capital development, and climate resilience. Efforts were made to enhance aid effectiveness through improved coordination with development partners and strengthening institutional capacities.

2.4 Major Donors and Sectoral Allocation

2.4.1 Key Bilateral and Multilateral Donors

Over the years, Bangladesh has received substantial assistance from both multilateral institutions and bilateral partners. The primary contributors and their focus areas include:

World Bank: Infrastructure development, governance reforms, and poverty alleviation.

Asian Development Bank (ADB): Energy projects, transportation networks, and rural development initiatives.

United Nations Agencies: Health services, educational programs, and humanitarian aid.

Bilateral Donors:

United States (USAID): Healthcare, agriculture, disaster management, and humanitarian relief.

Japan (JICA): Transportation infrastructure, health, and education.

China: Mega infrastructure projects and special economic zones.

India: Connectivity projects, power sector support, and human resource development.

In FY 2023-24, the United States, through USAID, provided approximately \$371.76 million to Bangladesh, allocated across various sectors including emergency food aid, healthcare, agriculture, disaster management, and support for the Rohingya refugee crisis.

2.4.2 Sectoral Allocation of Aid

The allocation of foreign aid across sectors has shifted over time, reflecting changing national priorities and donor interests. Initially centered on humanitarian relief, the focus has progressively moved towards infrastructure development and social sector investments.

In FY 2023-24, project assistance was distributed among 15 sectors. The top five sectors receiving the highest allocations were:

Power and Energy: This sector received the largest share of foreign assistance, underscoring the emphasis on enhancing energy infrastructure to support economic growth.

Transport and Communication: Significant investments were directed towards improving transportation networks and communication systems, facilitating better connectivity and trade.

Housing and Community Amenities: Allocations in this sector aimed at improving urban infrastructure and community services.

Agriculture: Support was provided to boost agricultural productivity and ensure food security.

Health: Investments continued in strengthening healthcare services and infrastructure.

The following table provides a detailed breakdown of foreign aid allocations in these sectors for **FY 2023-24**:

Sector	Allocation (Million USD)
Power and Energy	2,700
Transport and Communication	2,400
Housing and Community	1,500
Agriculture	1,200
Health	1,000

Source: Economic Relations Division, Ministry of Finance, Government of Bangladesh

The emphasis on the Power and Energy sector aligns with Bangladesh's strategic objective to ensure a stable and sufficient energy supply, which is crucial for sustaining its rapid industrialization and economic expansion. Similarly, substantial investments in Transport and Communication are aimed at enhancing both domestic and international connectivity, thereby facilitating trade and commerce.

The evolving patterns in sectoral allocation reflect Bangladesh's shifting development priorities and the dynamic nature of its collaboration with international donors. The increased focus on infrastructure and energy signifies a strategic move towards long-term economic sustainability and growth. The sectoral allocation of foreign aid in Bangladesh has transitioned from immediate post-independence relief efforts to a concentrated focus on infrastructure and energy development. This shift mirrors the country's evolving development goals and the adaptive strategies of its international partners.

2.5 Development Planning and Aid Management Structure and Process of Bangladesh

The aid management of Bangladesh involves functions and coordination among a number of ministries, divisions and executing agencies within a structured process. Understanding management dynamics bears great importance to developing insights about the scope of Bangladesh's engagement with donors.

2.5.1 Institutional Linkages of Development Planning

The development planning of Bangladesh is adherent to a systemic process involving a number of executive bodies and organisations. The National Parliament approves the plan and sends it to the National Economic Council (NEC). NEC is the foremost authoritative body of the government to devise and endorse development plans. The council comprises the ministers and high officials of relevant key ministries headed by the Prime Minister. The NEC supervises, finalises, approves and reviews the development programmes. Moreover, the Cabinet Secretary, Governor of the Central Bank, Members

of the Planning Commission and Secretary of the concerned ministries/division support the plans, policies and projects and take decisions necessary for the country's socio-economic development. The NEC provides guidance and direction to devise different development plans, programmes and policies (Hamiduzzaman, 2014). NEC sends the planning documents to the Executive Committee of the National Economic Council (ECNEC), the highest agency of the government, to supervise the implementation of the policies decided in the NEC.

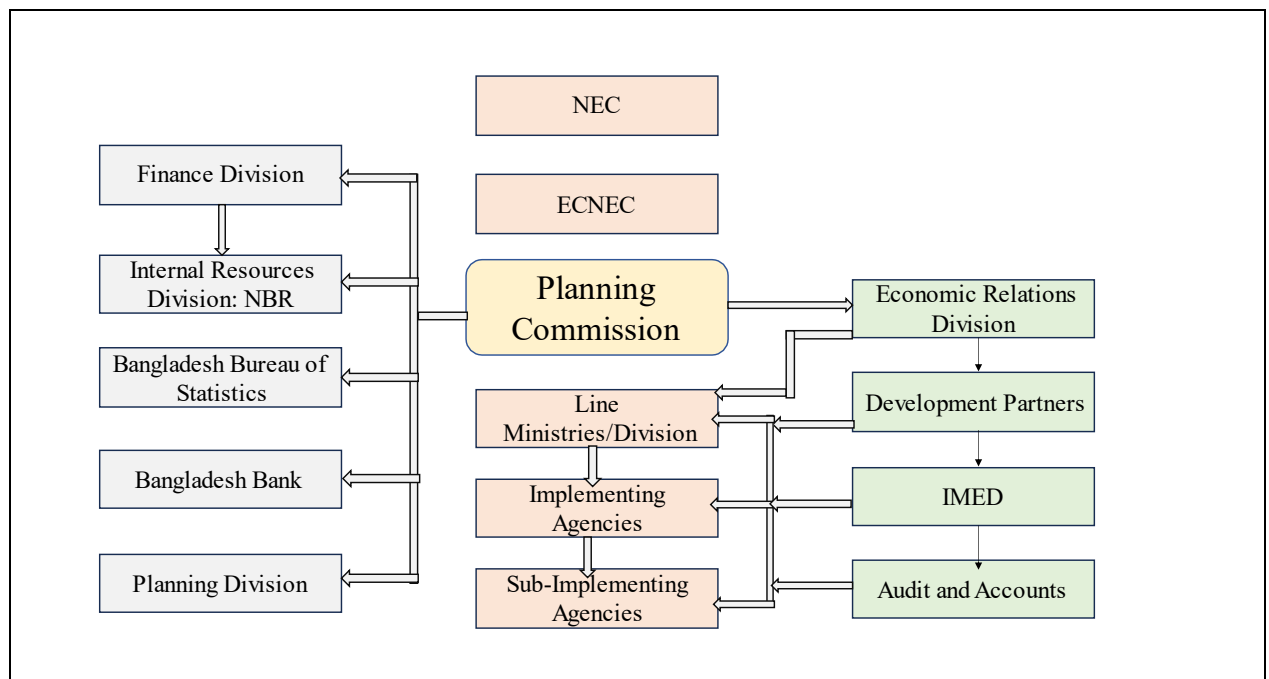


Figure 2.1: Institutional Linkages among the Stakeholders¹

As the highest endorsing body of the government headed by the PM, ECNEC approves the individual capital intensive and critical development projects. ECNEC examines the economic situations of the country and appraises the overall actions and strategies².

The current development planning of Bangladesh is directed by three tiers of planning process that include long-term Perspective Plan, mid-term five-year plan (FYP) and short-term Annual Development Plan (ADP). The perspective plan has been introduced since

¹ Source: www.plancomm.gov.bd Bangladesh Planning Commission [Accessed on 12th January 2023]

² Ibid.

the current government came to the power in 2009³. The first Perspective Plan Vision 2021 includes 6th FYP (2011-15) and 7th FYP (2016-20) and second Perspective Plan Vision 2041 consists of another four subsequent FYPs including the current 8th FYP (2021-25). The FYPs are executed in compliance to three-year rolling Medium-Term Budgetary Framework (MTBF) and year-wise Annual Development Programme (ADP)⁴. The ADPs contains the compilation of the of projects endorsed by Planning Commission, Finance Division and Economic Relations Division (Mamun, 2020). The ADPs are later modified which are widely known as RADP (Revised Annual Development Plan). The overseas development finance is an essential source to finance the Annual Development Programme (ADP) that consists of several specific and compiled projects/programmes drawn from the national development strategy (NSAPR) and five-year plans. The projects and programmes included in the ADP (approved and unapproved) go through intensive approval process involving Planning Commission, Finance Division and the line ministries⁵.

2.5.2 Structure of Aid Administration

The Economic Relations Division (ERD), as one of the four divisions of the Ministry of Finance, is entrusted with the overall management of external assistance. As the focal point, ERD leads the entire process for the government by liaising with the development

³ Ibid.

⁴ Ibid.

⁵ Ibid.

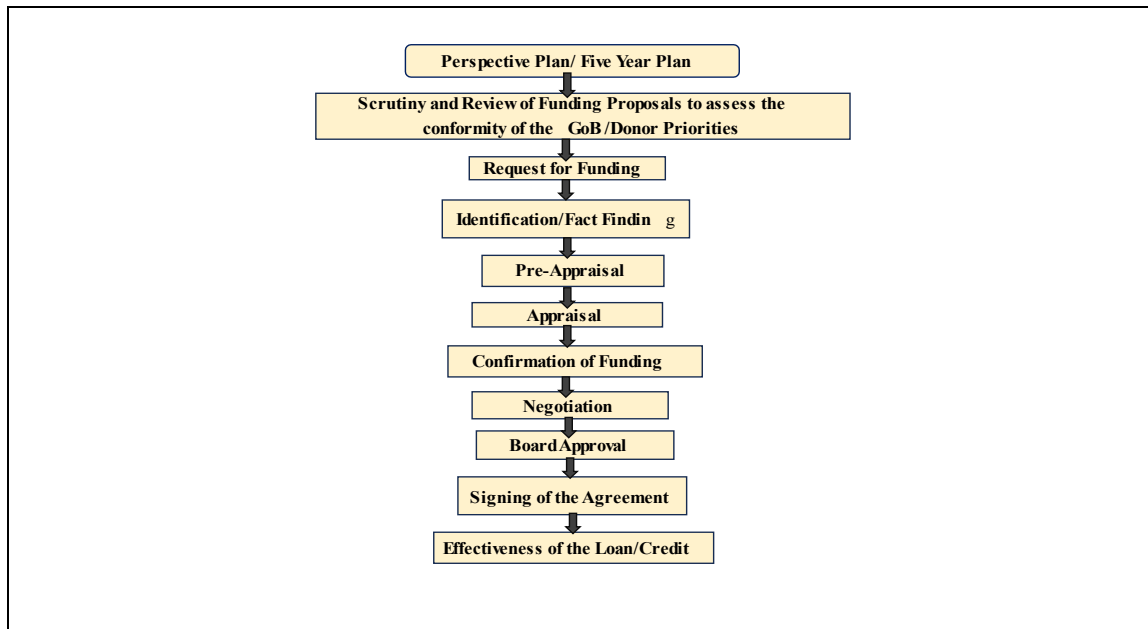


Figure 2.2: Business Process of ERD⁶

partners and coordinating the inflow of external resources to the country's development initiatives. Based on the development priorities of the country set by the Planning Commission and requests from the line ministries for securing funding for the projects, ERD appraises the need for external resources for particular projects, sends the requests to the relevant donors for finance and accomplishes all the processes of resource mobilisation⁷.

As the aid coordinating authority of the government, ERD is assigned with programming aid, initiating, budgeting, negotiating, signing agreements, monitoring the implementation and keeping the DPs informed of the utilisation of the loan and grant money. The schematic diagram (Figure 2.2) outlines the primary stages of mobilisation of loans/credits/grants followed by the ERD. However, the processes vary depending on the nature of loans, credits and grants and the procedure followed by the donors. ERD also

⁶ ERD (Economic Relations Division). (2015a). Business Process. Retrieved from <https://erd.gov.bd/site/page/948ac198-abd1-4bdf-b5a4-9998008b041a/Business-Process> [Accessed on 15th of July 2022]

⁷ ERD-Hand-Book - Economic Relations Division-Government of the People's Republic of Bangladesh

performs the tasks of examining and analysing the project proposals to be sent for external assistance and evaluating the performance of the DPs to rationalise the overseas assistance in line with the country's needs⁸.

ERD consists of ten wings such as Wing 1: America and Japan, Wing 2: World Bank, Wing 3: Administration and the Middle East, Wing 4: United Nations, Wing 5: Asian Development Bank, Wing 6: Co-ordination and Nordic, Wing 7: Europe, Wing 8: Asia and the Joint Economic Commission (JEC), Wing 9: Foreign Aid Budget and Accounts (FABA) and ICT Functions and Wing 10: Development Effectiveness. All the wings are directly and indirectly involved with maintaining relations with respective Development Partners (DPs) and monitoring and coordinating the utilisation of the mobilised resources. The Wing 9 of ERD, known as Foreign Aid Budget and Accounts (FABA), performs certain specialised responsibilities such as collecting, recording and analysing the data related to foreign aid commitments, preparation of the allocation of project aid for ADP and RADP and managing issues related to external debt management. All the wings are directly and indirectly involved with maintaining relations with respective DPs and monitoring and coordinating the utilisation of the mobilised resources. The development finances from China and India are processed and coordinated from Wing 8: Asia and the Joint Economic Commission (JEC)⁹.

2.6 Conclusion

The evolution of Bangladesh's foreign aid landscape reflects a marked shift from reliance on grants and humanitarian assistance toward a more diversified portfolio dominated by loans and project-based support. This transition underscores a broader transformation in development financing, necessitating prudent fiscal management, strategic investment, and enhanced absorptive capacity to ensure long-term economic sustainability. The

⁸ Ibid.

⁹ ERD-Hand-Book - Economic Relations Division-Government of the People's Republic of Bangladesh

declining share of grants relative to loans highlights the growing importance of self-sustaining economic mechanisms, as Bangladesh increasingly relies on concessional and non-concessional loans to finance its infrastructural and developmental ambitions. In this context, the ability to effectively allocate and manage external resources has become paramount, given the need to balance economic expansion with debt sustainability. Moreover, the shift in aid composition demands a stronger institutional framework, capable of not only absorbing and utilizing foreign assistance efficiently but also ensuring that development outcomes align with national priorities.

The increasing diversification of donor sources presents both opportunities and challenges for aid management in Bangladesh. While partnerships with multilateral institutions, bilateral donors, and emerging economic powers have expanded the scope of external financing, they have also introduced complexities in aid coordination and policy harmonization. Managing varied donor expectations, financial terms, and sectoral priorities necessitates a well-structured governance mechanism to streamline aid utilization and maximize its developmental impact. To this end, strengthening institutional capacities, addressing bureaucratic inefficiencies, and ensuring policy coherence remain critical imperatives. As Bangladesh moves toward graduation from Least Developed Country (LDC) status, it must transition from an aid-dependent economy to a self-reliant, investment-driven growth model. Future strategies should therefore focus on enhancing project execution efficiency, exploring diversified financing mechanisms—including blended finance and public-private partnerships—and reinforcing regulatory frameworks to ensure that foreign aid continues to serve as a catalyst for sustainable and inclusive development.

Chapter 3 : Literature Review

3.1 Literature Review

Foreign aid is a significant factor in shaping the development trajectory of many nations, particularly those in the Global South. It refers to the transfer of resources—such as financial capital, goods, or services—from one nation or organization to another, aiming to improve the recipient population's well-being. This assistance comes in different forms, such as bilateral or multilateral aid, and addresses a broad range of issues, including poverty alleviation, healthcare, education, and infrastructure development. In Bangladesh, foreign aid has played a pivotal role in addressing developmental challenges, particularly in the post-independence period. The underlying objective of foreign aid is to promote economic growth, stability, and sustainable development in recipient countries, contributing to global humanitarian goals (Smith, 2020). A prominent category of aid is Official Development Assistance (ODA), which focuses on fostering sustainable development and poverty alleviation (OECD, 2020).

However, the relationship between foreign aid and governance quality in developing nations, including Bangladesh, remains a contentious issue. Critics of foreign aid argue that it can foster dependency, create inefficiencies, and increase corruption. These concerns are particularly pronounced in countries with fragile governance systems, where large inflows of aid can undermine institutional capacity and policy autonomy (Easterly, 2006). Bangladesh, a major aid recipient, illustrates how foreign assistance, if not well-managed, can exacerbate governance challenges, especially during the early years following its independence.

3.2 The Dynamics of Aid Dependence and Governance in Bangladesh

Prolonged dependence on foreign aid often leads to a range of governance challenges, including the weakening of state institutions, the reduction of political autonomy, and the

proliferation of rent-seeking behaviors. These challenges were particularly pronounced in Bangladesh during the 1970s and 1980s, a period marked by political instability, weak institutional capacity, and poor governance structures that hindered effective aid management (Sobhan, 1982). Scholars argue that in countries heavily reliant on aid, such as Bangladesh, the influx of foreign assistance can discourage governments from mobilizing domestic resources and prioritizing institutional reforms, leading to an erosion of accountability and governance standards (Brautigam & Knack, 2004). These criticisms of aid dependency are often framed within the broader context of the "aid-dependence trap," where continued aid inflows create a cycle of reliance, preventing the development of strong governance systems.

While there is broad agreement on the negative consequences of aid dependency for governance, the impact of foreign aid on governance quality is not universally negative. Brautigam and Knack (2004) suggest that high levels of aid dependence can indeed erode governance by diminishing the incentive for governments to strengthen domestic resource mobilization mechanisms. However, they also argue that aid can foster improvements in governance, provided it is aligned with the recipient country's national priorities and accompanied by reforms that enhance institutional capacity. In Bangladesh's case, the shift in the 1990s and 2000s toward reforms aimed at improving transparency and accountability within state institutions demonstrated the potential for foreign aid to contribute to positive governance outcomes. The introduction of performance-based aid mechanisms, particularly in sectors like public financial management, facilitated greater coordination between government agencies and donors, which in turn led to more effective aid utilization (Ahmed, 2013).

The role of governance in shaping the effectiveness of aid has long been underexplored in the literature. While the connection between governance quality and economic growth has been extensively studied (North, 1990; Burnside & Dollar, 2000), the relationship between governance and aid effectiveness is less clear. Burnside and Dollar (2000) argue

that aid can promote economic growth and development, but only in countries that exhibit sound governance practices and stable institutions. They suggest that foreign aid is most effective in promoting growth when it is targeted at countries with strong policy frameworks and effective governance structures. This perspective implies that while aid can be a catalyst for development, its impact is conditional upon the presence of competent governance institutions.

The relationship between aid and governance in Bangladesh reflects this conditionality. In the early years following independence, Bangladesh's reliance on foreign aid coincided with weak institutions and political instability, which hindered the efficient use of aid resources (Sobhan, 1982). However, reforms introduced in the 1990s and 2000s, such as the implementation of the Sector-Wide Approach (SWAp) in the health and education sectors, demonstrated the potential for aid to complement governance reforms and improve institutional capacity (Ahmed, 2013). Under these reforms, aid was increasingly aligned with national development priorities, helping to improve governance outcomes in specific sectors by promoting greater accountability and transparency in service delivery.

Furthermore, the governance challenges associated with aid dependence are often exacerbated by the institutional context in which aid is delivered. In countries like Bangladesh, where state institutions have historically been weak, the influx of foreign aid can sometimes bypass formal governance structures, establishing parallel systems that undermine the legitimacy and capacity of domestic institutions (Mosley et al., 1995). This phenomenon is referred to as the "parallel governance" effect, where foreign-funded projects operate outside the formal state apparatus, weakening state capacity and reducing the ability of governments to manage and oversee aid effectively. In Bangladesh, the proliferation of donor-driven projects during the 1980s and 1990s contributed to such fragmentation, with donor agencies often creating their own structures to manage aid disbursement and project implementation, which undermined the efficiency of state institutions (ERD, 2010).

Despite these challenges, some scholars have pointed to the potential for foreign aid to positively influence governance in Bangladesh, especially when it is strategically linked to governance reforms. Dreher et al. (2011) argue that aid can be effective in fostering institutional improvements when it is tied to specific governance reforms and when donors work in coordination with national governments to strengthen domestic institutions. In Bangladesh, the introduction of performance-based aid mechanisms, such as those implemented in the education sector, has helped incentivize reforms that improve governance and enhance service delivery (Ahmed, 2013). These reforms suggest that foreign aid, when strategically aligned with national governance priorities and implemented with strong accountability mechanisms, can have a positive effect on the governance environment in Bangladesh.

3.3 Aid, Institutions, and Economic Growth – A Complex Relationship

The relationship between foreign aid and economic growth has been a subject of extensive scholarly debate, with particular attention paid to the role of institutional quality in mediating aid's impact on development outcomes. Good governance, which encompasses transparent public administration, effective law enforcement, robust legal frameworks, and minimal corruption, is often regarded as a critical factor in fostering sustainable economic development (North, 1990). Institutional quality, therefore, is seen as a pivotal element that determines the effectiveness of foreign aid, with the argument being that aid can only catalyze growth in environments where institutions are strong and conducive to development (Acemoglu et al., 2001).

Burnside and Dollar (2000) have been instrumental in framing the debate on the conditional effectiveness of aid, positing that foreign aid has a more significant impact on economic growth when it is paired with sound domestic policies and strong institutions. According to their analysis, foreign aid, in isolation, cannot ensure sustained economic growth in the absence of effective governance. Instead, it is the combination of external

assistance with internal institutional reforms that determines the success of aid interventions. This view is supported by numerous studies that argue that aid is more effective in promoting economic growth in countries with stable political institutions, better governance structures, and sound policy environments (Burnside & Dollar, 2000; Rodrik, 2004). The critical role of institutions in shaping the outcomes of foreign aid highlights the complexity of aid effectiveness, as the success of aid interventions is often contingent upon the institutional context in which they are implemented.

Conversely, weak institutions can exacerbate the risks and costs associated with foreign aid, potentially undermining its intended impact. In environments characterized by poor governance, aid can sometimes foster dependency, distort local economies, or exacerbate inequality, rather than fostering sustainable development (Moyo, 2009). In countries with fragile or ineffective governance structures, foreign aid may be misallocated, misused, or siphoned off by corrupt elites, leading to inefficiencies and a failure to achieve the desired development outcomes (Fowler, 2000). This phenomenon is particularly pronounced in fragile states, where state capacity is limited, and governance systems are unable to manage or effectively utilize aid resources. As a result, the relationship between aid and economic growth is not linear, and while aid can contribute to growth, its effectiveness is highly dependent on the quality of institutions and governance.

Bangladesh's governance challenges are rooted in both historical legacies and contemporary political dynamics. The country inherited a professional bureaucratic system from British colonial rule, but political instability and entrenched patron-client networks have weakened its effectiveness over time (Evans & Rauch, 1999). The political rivalry between major parties has often disrupted policy continuity, undermining long-term governance reforms and institutional capacity (Alesina et al., 2003). Corruption remains a significant barrier to effective governance, particularly in public procurement and service delivery, further eroding public trust in institutions (Transparency

International Bangladesh, 2021). In the context of Bangladesh, the relationship between aid, institutions, and economic growth has been particularly complex. Bangladesh has received significant foreign assistance since its independence in 1971, which has been pivotal in supporting various sectors such as health, education, and infrastructure. One notable approach to aid management in Bangladesh has been the Sector-Wide Approach (SWAp), which aims to align donor priorities with national development goals. The SWAp framework has been particularly instrumental in sectors like health and education, where it has helped integrate donor support into the government's broader policy objectives, ensuring that aid contributes to long-term development strategies rather than short-term project-based interventions (Ahmed, 2013). This alignment of donor and national priorities has allowed Bangladesh to achieve substantial improvements in key sectors, such as increased literacy rates and enhanced health outcomes, suggesting that aid, when well-managed, can indeed support development goals in the presence of strong governance structures.

However, the long-term sustainability of these gains remains uncertain due to underlying weaknesses in governance and state capacity. While foreign aid has contributed to notable improvements in certain sectors, the broader economic impact of aid on Bangladesh's development has been tempered by challenges related to corruption, political instability, and insufficient institutional capacity (Sobhan, 1982). For example, despite the success of SWAP in health and education, the general performance of Bangladesh's public institutions in other areas, such as infrastructure development and governance, remains less impressive. These ongoing institutional weaknesses suggest that aid, while helpful, cannot compensate for systemic issues related to governance and institutional capacity. In this sense, while Bangladesh has seen tangible benefits from foreign assistance, the overall contribution of aid to sustained economic growth is limited by the country's governance challenges.

Theoretical perspectives on foreign aid often emphasize that institutions play a central role in determining aid effectiveness. According to the New Institutional Economics (NIE) framework, institutions—understood as the formal and informal rules that govern economic and political interactions—are essential in shaping development outcomes (North, 1990). In this regard, the quality of institutions is seen as the mediating factor that determines whether foreign aid is used effectively or squandered. If institutions are weak, aid is more likely to be diverted away from productive investments and instead used for patronage or other unproductive purposes, limiting its positive impact on growth (Knack, 2001). In the case of Bangladesh, while aid has contributed to progress in areas such as education and health, these sectors are still vulnerable to inefficiencies arising from corruption and poor governance in broader state institutions.

Moreover, empirical studies have highlighted that the efficacy of foreign aid in fostering growth is conditional upon the presence of reforms that enhance governance. Aid effectiveness is maximized when it is accompanied by institutional reforms that strengthen state capacity, enhance accountability, and improve transparency in government operations (Dreher et al., 2011). In Bangladesh, the introduction of reforms aimed at improving governance in the 1990s and 2000s, such as the decentralization of government functions and the promotion of public financial management reforms, has contributed to better utilization of aid resources in certain sectors (Ahmed, 2013). However, these reforms have been piecemeal and inconsistent, often undermined by political instability and resistance from entrenched interests within the state apparatus, highlighting the challenges of achieving comprehensive institutional change in the context of foreign aid.

In countries like Bangladesh, where institutional frameworks are fragile, large inflows of foreign aid can create opportunities for elite capture and the mismanagement of resources. Transparency International Bangladesh (2020) highlights how donor funds in sectors such as health and education have often been mismanaged, raising concerns

about the overall effectiveness of aid in achieving its intended developmental outcomes. Nonetheless, not all research suggests a negative relationship between foreign aid and governance. Dreher et al. (2011) argue that when aid is linked to specific governance reforms, it can encourage institutional improvements. In Bangladesh, the introduction of performance-based aid mechanisms in the 2000s contributed to improvements in public financial management and service delivery, demonstrating the potential for aid to positively influence governance outcomes.

3.4 Aid and Governance in the Context of Non-Traditional Donors

The shifting dynamics of foreign aid have seen an increasing role played by non-traditional donors in developing countries, including Bangladesh. The rise of countries such as China, India, and Russia as emerging aid providers has added complexity to the aid-governance relationship. These donors differ substantially from traditional ones like the World Bank and the International Monetary Fund (IMF), particularly in their approach to aid and governance. Whereas traditional donors often tie aid to governance reforms and institutional capacity-building, non-traditional donors typically prioritize economic cooperation, infrastructure development, and geopolitical interests (Brautigam, 2009). This divergence raises important questions about the long-term implications for governance, transparency, and sustainability in countries like Bangladesh, which has increasingly become a recipient of aid from these new sources.

China has become one of the most prominent non-traditional donors to Bangladesh, particularly through its Belt and Road Initiative (BRI). The BRI has brought substantial infrastructure investments into Bangladesh, particularly in sectors such as transportation, energy, and communications. Projects funded by China, including the construction of roads, bridges, and power plants, have helped address Bangladesh's critical infrastructure gaps, which are central to its development agenda (Xu & Zhang, 2020). However, China's aid strategy is distinct in that it often prioritizes economic cooperation and infrastructure

over institutional and governance reforms. This approach allows Bangladesh to maintain greater policy autonomy, as Chinese aid typically does not come with the same governance-related conditions attached by traditional donors like the World Bank or IMF (Chen, 2018). While these investments have contributed to rapid economic growth, concerns have been raised about the governance implications of Chinese-backed projects. Critics argue that the focus on large-scale infrastructure projects, often executed by Chinese firms with limited involvement from local institutions, can exacerbate governance challenges, particularly in terms of transparency and accountability (Islam & Hossain, 2020). This lack of local ownership and oversight can lead to elite capture, where political and business elites benefit disproportionately from aid without effective checks and balances. Moreover, some have expressed concerns that Chinese aid does not prioritize the development of Bangladesh's domestic institutions, which are critical for ensuring long-term sustainability and equitable distribution of benefits (Moyo, 2009). Thus, while China's model of aid may enhance economic infrastructure, it raises critical questions about its contribution to strengthening the country's governance structures.

In addition to China, India has also emerged as a key non-traditional donor to Bangladesh, leveraging its geographical proximity and historical ties to the country. India's aid strategy to Bangladesh has focused on infrastructure, energy, trade, and regional cooperation, often within the framework of bilateral agreements. Indian aid to Bangladesh has included both financial resources and expertise in areas such as electricity generation, road construction, and disaster management (Kumar, 2019). Furthermore, India has been an active player in supporting Bangladesh's integration into regional economic initiatives, such as the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). India's approach to aid is similar to China's in its emphasis on infrastructure development and regional connectivity, though India's assistance often comes with more attention to governance-related reforms. Indian aid projects in Bangladesh tend to be accompanied by more substantial engagement with local governance structures, reflecting India's desire to bolster regional cooperation and stability. However, as with China, critics argue

that India's aid may still be driven by strategic interests, with limited attention paid to institutional strengthening or addressing the underlying governance challenges in Bangladesh (Ghosh, 2016). The aid relationship between India and Bangladesh is thus shaped by both economic and geopolitical factors, which may at times undermine the prioritization of good governance and institutional reforms. Despite these concerns, India's assistance has been credited with facilitating closer political ties between the two countries, enhancing Bangladesh's energy security, and supporting its efforts to combat natural disasters. The governance implications of India's aid, like those of China, remain complex, as the focus on infrastructure and connectivity does not always correspond with efforts to improve public sector transparency or reduce corruption in Bangladesh (Kumar, 2019).

Russia, while not as significant a donor as China or India, has also become involved in Bangladesh's aid landscape, particularly in sectors such as defense, energy, and nuclear power. Russia's aid to Bangladesh is often framed within a context of strategic partnership, especially in the realm of military cooperation and energy infrastructure. Russia has been involved in providing technical expertise and financing for the construction of Bangladesh's first nuclear power plant, which is expected to play a significant role in the country's energy future (Khadka & Dube, 2020). The Russian model of aid, like that of China, does not prioritize governance reform, but instead focuses on fostering long-term economic and strategic relationships through infrastructure development and energy cooperation. The lack of conditionalities linked to governance issues in Russian aid to Bangladesh has similar consequences to Chinese aid, potentially undermining efforts to strengthen institutional frameworks in the country (Chakraborty & Saha, 2015). While Russian investments, particularly in energy, may be beneficial for Bangladesh's long-term development, they raise questions about the inclusiveness and transparency of these projects, especially given the limited involvement of Bangladeshi institutions in decision-making processes related to these aid initiatives.

3.4.1 Implications for Governance and Sustainability

The increasing influence of non-traditional donors such as China, India, and Russia present both opportunities and challenges for Bangladesh. On the one hand, these donors provide significant financial resources for critical infrastructure projects that support economic growth. On the other hand, the lack of focus on governance reform and institutional capacity building in many of these aid relationships risks undermining the long-term sustainability and inclusiveness of these investments. Without parallel efforts to strengthen institutions, combat corruption, and promote transparency, these aid flows may perpetuate existing governance challenges rather than address the root causes of underdevelopment in Bangladesh (Dreher et al., 2011). Furthermore, while non-traditional donors provide Bangladesh with more policy autonomy than traditional donors, this freedom comes with the trade-off of less scrutiny and fewer incentives for governance improvements. The challenge for Bangladesh, therefore, lies in balancing the economic benefits of non-traditional aid with the need to address its institutional weaknesses. In the long term, for these aid investments to contribute meaningfully to sustainable development, they must be accompanied by efforts to strengthen governance, improve public sector efficiency, and ensure that the benefits of infrastructure development are equitably distributed across society (Sachs, 2005).

3.5 Gaps in Existing Research and Synthesis of the Issues

While the existing literature provides significant insights into foreign aid utilization and institutional capacity in Bangladesh, substantial gaps remain. These gaps limit the depth of understanding necessary for creating more effective policies and frameworks for aid management. Specifically, the literature often overlooks the role of leadership dynamics, organizational culture, and bureaucratic processes in shaping aid outcomes (Khan, 2018). Additionally, insufficient attention has been given to the perspectives of key stakeholders, including government officials, donors, and civil society organizations, whose experiences and insights are crucial for addressing systemic challenges in aid management.

Leadership plays a pivotal role in ensuring the efficient allocation and utilization of foreign aid, yet this aspect is underexplored in the context of Bangladesh. According to Grindle (2007), strong leadership can drive institutional reforms and improve governance, which are prerequisites for maximizing aid effectiveness. However, in Bangladesh, political patronage often undermines leadership efficacy, resulting in inefficiencies in aid disbursement and project implementation (Zafarullah & Huque, 2001).

Organizational culture also significantly affects the operational capacity of institutions managing aid. As highlighted by Hofstede (1984), hierarchical cultures often resist innovation and adaptability, which are critical for managing complex donor requirements. In Bangladesh, the persistence of rigid bureaucratic hierarchies hampers inter-agency coordination and limits the government's ability to respond dynamically to emerging challenges in aid management (Mahmud, 2019). This gap necessitates a closer examination of how organizational culture interacts with leadership to influence institutional outcomes.

Existing studies often focus on technical aspects of aid management, such as financial tracking and project monitoring, while neglecting the bureaucratic processes that underlie these activities. According to North (1990), institutions function effectively only when formal rules align with informal practices. In Bangladesh, the divergence between official regulations and on-the-ground practices often leads to inefficiencies and corruption in aid management (Sobhan, 1993).

Moreover, the over-reliance on donor-imposed frameworks, such as the Logical Framework Approach (LFA), limits the flexibility of bureaucratic processes in accommodating local contexts and priorities (Ringhofer, 2020). This issue is particularly pronounced in Bangladesh, where donor-driven agendas often bypass local institutional mechanisms, undermining ownership and sustainability (Haque, 2012). Further research is needed to assess how bureaucratic processes can be restructured to balance donor

expectations with domestic priorities. Another critical gap in the literature is the limited exploration of stakeholder perspectives on aid management. While some studies have examined the role of donors in shaping aid policies, the voices of government officials, civil society organizations, and beneficiaries are often absent (Mosse, 2005). This omission limits the understanding of practical challenges faced by those directly involved in aid implementation.

For instance, government officials in Bangladesh often face conflicting pressures from political actors and donor agencies, which can hinder their decision-making capacity (Islam, 2021). Similarly, civil society organizations play a crucial role in monitoring and advocating for transparency in aid management, yet their contributions remain under-documented (Rahman & Khan, 2018). Incorporating these perspectives could provide a more holistic understanding of the systemic issues in aid management and identify opportunities for reform.

Another underexplored area is the influence of emerging donors like China and India on aid dynamics in Bangladesh. While traditional donors often emphasize governance reforms, emerging donors tend to focus on economic cooperation and infrastructure development (Brautigam, 2009). This shift has implications for how aid is utilized and its long-term impact on institutional capacity. Rahman (2021) argues that the influx of Chinese investments under the Belt and Road Initiative (BRI) has created new opportunities for infrastructure development in Bangladesh but has also raised concerns about debt sustainability and governance. Further research is required to assess how emerging donors' approaches to aid influence institutional practices and governance outcomes in Bangladesh.

This research seeks to address these gaps by conducting an in-depth analysis of the institutional factors influencing foreign aid utilization in Bangladesh. By focusing on leadership dynamics, organizational culture, and bureaucratic processes, the study aims

to uncover the underlying mechanisms that shape aid outcomes. Additionally, the research will incorporate stakeholder perspectives, providing a comprehensive view of the challenges and opportunities in aid management. The findings are expected to contribute valuable insights to the literature and inform policy and practice in aid management. Specifically, the study will offer recommendations for strengthening institutional frameworks, enhancing leadership accountability, and fostering stakeholder engagement, thereby addressing the systemic issues that undermine aid effectiveness in Bangladesh.

The relationship between foreign aid, institutions, and economic growth is complex and often influenced by the quality of governance. Studies suggest that aid is more effective in promoting growth when combined with sound domestic policies and strong institutions. In countries like Bangladesh, where institutional weaknesses such as corruption and political instability persist, the effectiveness of aid remains limited. Although foreign aid has supported key sectors like health and education, broader governance challenges continue to undermine its long-term impact. Non-traditional donors, such as China, India, and Russia, have become increasingly influential in Bangladesh's development, primarily focusing on infrastructure rather than governance reforms. While their aid has helped address infrastructure gaps, concerns have been raised about the lack of emphasis on institutional strengthening and transparency. Furthermore, the increasing reliance on non-traditional aid sources could perpetuate governance issues, with limited attention to public sector efficiency and accountability. Existing research also highlights gaps in understanding how leadership, organizational culture, and bureaucratic processes affect aid outcomes in Bangladesh. Addressing these gaps, along with incorporating stakeholder perspectives, is essential for improving the governance of aid and ensuring its sustainable contribution to economic development.

Chapter 4: Theoretical Framework

4.1 Introduction

Foreign-aided projects in Bangladesh are frequently characterized by delays, cost overruns, and substandard outcomes, reflecting systemic inefficiencies in the planning, management, and execution phases of these initiatives. These recurring challenges highlight deeper structural and institutional constraints that extend beyond surface-level administrative hurdles (DiMaggio & Powell, 1983; Lawrence & Lorsch, 1967). Addressing these issues requires a comprehensive analytical approach that integrates institutional and contingency theories to identify the underlying factors contributing to these inefficiencies. Institutional theory provides a framework to analyze how external norms, donor expectations, and entrenched bureaucratic practices influence foreign aid management. The alignment of Bangladesh's foreign aid practices with international best practices, often mandated by donor agencies, aims to enhance efficiency but may inadvertently clash with the country's institutional realities (North, 1990). This misalignment results in procedural delays, resource misallocation, and suboptimal project outcomes. Furthermore, prioritizing compliance with external standards can marginalize essential local priorities, leading to a disconnection between project objectives and national development goals (Meyer & Rowan, 1977).

Contingency theory, on the other hand, underscores the necessity of organizational adaptability in responding to dynamic external conditions. In the context of Bangladesh, the ability of institutions to adjust to fluctuating donor priorities, geopolitical influences, and domestic socio-political factors is crucial (Lawrence & Lorsch, 1967). However, rigid bureaucratic structures, insufficient leadership capacity, and weak coordination mechanisms impede this adaptability. These deficiencies exacerbate delays, inflate costs, and undermine the effectiveness and sustainability of foreign-aided projects. This chapter examines the intricate interaction of institutional norms, external donor agendas, and organizational adaptability that defines the foreign aid management landscape in

Bangladesh. Utilizing an integrated theoretical framework grounded in institutional and contingency theories, the analysis aims to uncover the systemic inefficiencies inherent in the current practices. By identifying these challenges, the chapter offers actionable strategies to enhance institutional capacity, ensure better alignment with donor objectives, and foster adaptive mechanisms. These reforms are vital for achieving more effective, efficient, and equitable utilization of foreign aid in Bangladesh.

4.2 Institutional Theory and Foreign Aid Management

Institutional theory, as articulated by DiMaggio and Powell (1983), asserts that organizations conform to external norms and values to gain legitimacy and ensure their survival. This theoretical framework is particularly relevant in understanding the dynamics of foreign aid management in Bangladesh, where the influence of donor agencies and adherence to international norms significantly shape the country's aid practices. The government's drive to meet external expectations often manifests in institutional isomorphism, a process whereby the state adopts standardized practices that align with global benchmarks to satisfy donor requirements and enhance its international credibility. While this alignment can improve Bangladesh's legitimacy within the global aid community, it often neglects the country's unique socio-political and economic realities, leading to systemic inefficiencies.

A key manifestation of institutional isomorphism in Bangladesh's foreign aid management is the dominance of donor-driven procurement and reporting standards, which often take precedence over the country's own development priorities. While these externally imposed frameworks are designed to enhance transparency and accountability, they can result in rigid procedural requirements that fail to consider the local context. For example, donor-mandated procurement policies often emphasize competitive bidding processes and exhaustive documentation, which, when implemented in an environment with insufficient institutional capacity, lead to significant delays, administrative bottlenecks,

and the misallocation of resources (Chambers, 2017). This focus on compliance can overshadow the need for more flexible and innovative approaches to addressing the pressing development challenges faced by local communities.

Furthermore, the external pressure to conform to international norms influences not only procurement but also broader project planning and execution. Standardized monitoring and evaluation (M&E) frameworks, frequently imported wholesale from donor templates, often fail to capture the complex socio-economic dynamics specific to Bangladesh. This misalignment leads to the design of aid projects that are not responsive to the country's local needs and conditions, reducing their overall effectiveness. In addition, the heavy reliance on external consultants, a common requirement by donors, often marginalizes local expertise and undermines long-term capacity building efforts. By sidelining indigenous knowledge and local professionals, this approach perpetuates dependency on external actors and reduces the sustainability of development interventions (Mabefam, 2020).

Moreover, institutional theory highlights how external norms, particularly donor conditionalities linked to aid disbursement, can exacerbate existing governance challenges in Bangladesh. The extensive compliance mechanisms that are tied to these conditionalities place additional strain on already overburdened domestic institutions. In such a context, the pressure to comply with donor-imposed standards can make it increasingly difficult for Bangladesh to strike a balance between adhering to external expectations and addressing its internal developmental priorities. This tension often leads to a neglect of critical areas such as community engagement, participatory planning, and the integration of local knowledge systems into development projects (Watts, 2015).

While institutional theory underscores the importance of legitimacy and standardization in foreign aid management, its application to Bangladesh reveals the limitations and challenges associated with reconciling global norms with local realities. The pervasive

tendency towards institutional isomorphism, driven by donor pressures, calls for a more nuanced approach that seeks to blend global best practices with the specific needs and conditions of Bangladesh. Such an approach would require not only rethinking the design and implementation of donor frameworks but also fostering greater institutional capacity within Bangladesh to adapt these frameworks to its distinct socio-economic and political landscape. By doing so, Bangladesh could better navigate the complexities of foreign aid management, ensuring that international support contributes meaningfully to the country's sustainable development goals.

4.3 Organizational Adaptability and Contingency Factors

Contingency theory, as articulated by Lawrence and Lorsch (1967), underscores the critical necessity of aligning organizational structures, processes, and strategies with external environmental variables in order to attain organizational effectiveness and efficiency. This theoretical framework is particularly pertinent to understanding the complexities of foreign aid management in Bangladesh, where the interplay of dynamic donor priorities, bureaucratic constraints, and leadership deficiencies often create significant barriers to optimal project implementation. The core tenet of contingency theory posits that an organization's success is contingent upon its capacity to adapt to external stimuli, a concept that holds substantial relevance for Bangladesh's foreign aid landscape.

The application of contingency theory is insightful when considering the fluid nature of donor priorities, which are frequently influenced by geopolitical shifts, global economic trends, and emerging international development imperatives. These external factors place considerable demands on governmental institutions to adjust their strategies, structures, and operations in alignment with evolving donor agendas. In Bangladesh, however, the country's rigid bureaucratic structures often limit the capacity to effect such adaptive changes, leading to delays, misalignments, and inefficiencies in project

implementation. For example, abrupt shifts in donor funding or the imposition of new conditionalities typically require modifications to project scope, timelines, or strategies. However, the absence of streamlined decision-making mechanisms and the persistence of bureaucratic inefficiencies tend to exacerbate these challenges (Rahman et al., 2020). This failure to adapt to changing external conditions can hinder the timely and effective execution of foreign-aided projects.

Further compounding these challenges is a pervasive leadership deficit at various levels of the administrative hierarchy in Bangladesh. The lack of forward-looking leadership often results in reactive rather than proactive management, preventing the anticipation and effective handling of external contingencies. This leadership gap undermines the government's ability to navigate the complexities inherent in foreign aid management, where an agile and responsive approach is critical to managing the uncertainties of external factors (Ahmed & Sarker, 2021).

Bureaucratic inefficiencies, characterized by fragmented coordination mechanisms and convoluted administrative procedures, are central to the lack of organizational adaptability in Bangladesh's foreign aid management system. These inefficiencies manifest in procedural delays, cost overruns, and suboptimal utilization of resources. For instance, overlapping mandates across ministries and agencies frequently lead to conflicts and redundancies, undermining coherent and timely decision-making processes. Additionally, limited cross-sectoral coordination hampers the ability to integrate diverse stakeholder perspectives, which are necessary for aligning projects with both donor expectations and local development priorities (Chowdhury et al., 2018). These structural impediments result in a fragmented and disjointed approach to managing foreign-aided projects, further hindering the country's capacity to respond effectively to the external environment.

Contingency theory also highlights the role of environmental volatility in influencing organizational effectiveness, an aspect that is particularly relevant in the context of foreign aid management. External factors such as fluctuations in global financial markets, evolving donor policies, and regional political dynamics can have a significant impact on the trajectory of foreign-aided projects. Bangladesh's limited capacity to anticipate and mitigate the effects of these external shocks often results in project disruptions, inefficiencies, and delays. For example, fluctuations in exchange rates or delays in fund disbursements due to geopolitical tensions can disrupt project schedules, necessitating costly revisions and reallocations of resources (Haque, 2019). The application of contingency theory offers valuable insights into the contextual and systemic factors that shape organizational adaptability in Bangladesh's foreign aid landscape, emphasizing the need for a more responsive and flexible organizational approach.

A critical issue in Bangladesh's foreign aid management is the prioritization of donor-driven agendas over locally articulated development goals. Donor agencies often emphasize specific sectors, such as climate resilience or gender equity, which may be shaped by global trends or geopolitical considerations. However, these priorities may not always align with the country's pressing domestic needs, such as infrastructure development or agricultural modernization. The divergence between donor and local priorities can result in fragmented development efforts, as the government faces difficulties reconciling external expectations with its own strategic imperatives (Rahman et al., 2021). The insistence on donor-specific procurement processes and reporting standards adds further complexity, imposing additional administrative burdens that may not align with local institutional capacities.

The lack of effective coordination between donors and recipient institutions exacerbates these issues, as the absence of a unified framework for donor alignment often results in overlapping initiatives, redundant efforts, and inefficient resource allocation. For instance, when multiple donors fund similar initiatives within a single sector, such as

education, without a cohesive strategy, the potential for redundancy increases, leading to diminished collective impact (Chowdhury & Ahmed, 2020). Addressing these challenges requires the establishment of robust coordination mechanisms that facilitate communication, align objectives, and harmonize donor priorities with national development plans. Such measures would allow for more coherent foreign aid management and improve the alignment between donor activities and the developmental needs of Bangladesh.

In conclusion, the relevance of contingency theory in explaining foreign aid management in Bangladesh is evident in its focus on the necessity of organizational adaptability in response to external environmental factors. The theory highlights the structural and contextual challenges that impede effective foreign aid management, including rigid bureaucratic systems, leadership deficits, and fragmented coordination mechanisms. To improve the effectiveness of foreign-aided projects, Bangladesh must adopt a more flexible and adaptive organizational approach, strengthening leadership, enhancing coordination across ministries and agencies, and fostering greater alignment between donor priorities and local development goals. By doing so, the country can better respond to the dynamic external environment and ensure that foreign aid is utilized effectively to achieve sustainable development outcomes.

4.4 Relevance of Contingency Theory

The effective management of foreign aid in Bangladesh is hindered by a range of governance challenges, including corruption, inefficiency, and a lack of accountability. Contingency theory, which emphasizes the alignment of organizational structures and strategies with external and internal environmental conditions, provides a valuable framework for understanding how these governance deficits impact the ability of Bangladeshi institutions to manage foreign aid effectively. According to contingency theory, organizational success depends not only on external factors but also on the

internal capabilities of the organization to adapt to these factors (Lawrence & Lorsch, 1967). In the case of Bangladesh, systemic governance issues exacerbate the difficulty of adapting to the complex and dynamic environment of foreign aid management, thereby hindering project outcomes.

To address the governance and accountability deficits, it is necessary to adopt a multifaceted approach that incorporates both external and internal adjustments. From a contingency theory perspective, improving governance and accountability in foreign aid management in Bangladesh requires the alignment of organizational structures and processes with both external donor expectations and internal governance needs. Strengthening institutional frameworks, enhancing transparency, and developing robust oversight mechanisms are critical steps in mitigating corruption and improving accountability. For example, the establishment of independent anti-corruption bodies, along with capacity-building initiatives for public officials, could help address corruption risks and enhance the effectiveness of foreign aid management. Additionally, the integration of participatory governance practices that involve local communities and civil society organizations in project planning and implementation can increase accountability and ensure that foreign aid projects align with local development priorities (Chowdhury et al., 2018).

Moreover, a more balanced approach to donor agendas is essential for improving the synchronization of foreign aid efforts with national development priorities. Contingency theory suggests that organizations must adapt their strategies to align with both external and internal environmental conditions. In Bangladesh, this requires harmonizing donor priorities with local development needs to avoid fragmented and conflicting development efforts. The creation of more robust coordination mechanisms between donors, government agencies, and local stakeholders would help align objectives and ensure that foreign aid contributes effectively to sustainable development outcomes. Contingency theory offers a valuable lens for understanding the governance and accountability

challenges that hinder effective foreign aid management in Bangladesh. By focusing on the need for organizational adaptability and alignment with both external and internal factors, contingency theory highlights the importance of strengthening governance frameworks, improving transparency, and fostering participatory decision-making. Addressing these issues through a multifaceted approach can improve Bangladesh's ability to manage foreign aid more effectively and ensure that development outcomes are more sustainable and aligned with local priorities.

Contingency theory provides a useful lens for understanding the complexities of foreign aid management in Bangladesh, particularly in the context of governance, accountability, and the alignment of donor priorities with national development goals. According to contingency theory, the success of an organization is contingent upon its ability to adapt to both external pressures and internal conditions (Lawrence & Lorsch, 1967). In the case of Bangladesh, foreign aid management is shaped by a combination of donor-driven agendas and the country's institutional capabilities, which often leads to misalignments and inefficiencies in aid utilization.

Donor agencies frequently exert significant influence on recipient countries through conditionalities, funding preferences, and strategic priorities. However, this external pressure can lead to a mismatch between donor objectives and the pressing domestic needs of Bangladesh, such as infrastructure development or agricultural modernization. While donors may focus on global issues like climate resilience or gender equity, these priorities often overshadow local development imperatives, creating fragmentation in aid efforts (Rahman et al., 2021). From a contingency theory perspective, this misalignment arises because the local institutions are unable to adapt their strategies to harmonize with both donor expectations and national development objectives, thus impeding the effective use of foreign aid.

Furthermore, the lack of coordination among donors and between donors and local institutions exacerbates synchronization challenges. Contingency theory emphasizes the importance of alignment between an organization's structure and its environment (Lawrence & Lorsch, 1967). In Bangladesh, the absence of a unified framework for donor coordination leads to overlapping projects and inefficient resource allocation, reducing the overall impact of foreign aid. This misalignment is evident in sectors like education, where multiple donors may fund similar initiatives without a cohesive strategy (Chowdhury & Ahmed, 2020).

Governance and accountability deficits also pose significant barriers to effective foreign aid management in Bangladesh. Corruption, inefficiency, and weak oversight mechanisms hinder the effective allocation and utilization of aid resources. According to institutional theory, these governance issues are perpetuated by a focus on compliance with donor norms at the expense of internal reforms (DiMaggio & Powell, 1983). In this context, the failure to address internal governance deficits further complicates the ability of Bangladeshi institutions to manage foreign aid effectively. For instance, corruption in procurement processes and mismanagement of funds leads to suboptimal project outcomes, eroding public trust in government institutions (Haque, 2019).

In line with contingency theory, addressing these governance challenges requires adapting both external strategies and internal institutional reforms. Strengthening governance frameworks, improving transparency, and fostering participatory governance can enhance accountability and ensure that foreign aid projects are responsive to local needs (Chowdhury et al., 2018). Moreover, the integration of robust monitoring and evaluation systems is essential for improving accountability and project performance, ensuring that donor objectives align with national priorities. Contingency theory offers a valuable framework for analyzing the complex dynamics of foreign aid management in Bangladesh. It highlights the need for institutional adaptation to both external pressures from donors and internal governance reforms. By improving coordination, aligning donor

priorities with national development goals, and addressing governance deficits, Bangladesh can optimize the impact of foreign aid and foster more sustainable development outcomes.

4.5 Towards a Comprehensive Solution

The effective management of foreign aid in Bangladesh necessitates a nuanced understanding of both institutional and contingency theories. Institutional theory, with its emphasis on the influence of external norms and structures, helps explain how foreign aid is shaped by donor-imposed conditions and frameworks. These external pressures often lead to a mismatch between donor priorities and local development needs, as recipient governments may prioritize compliance with donor requirements over addressing their own institutional weaknesses (DiMaggio & Powell, 1983). In Bangladesh, such dynamics contribute to systemic inefficiencies, including corruption, misallocation of resources, and poor governance in the implementation of aid projects.

Contingency theory, on the other hand, underscores the need for organizations to adapt to both internal and external environments for optimal performance (Lawrence & Lorsch, 1967). In the context of foreign aid management in Bangladesh, this theory highlights the necessity of aligning the institutional capacities of the government with donor expectations. As external pressures from donors create a complex environment, the Bangladesh government must adapt its internal processes, governance structures, and administrative capacities to ensure aid projects meet national development goals while also satisfying donor requirements. To address these constraints, a dual focus on institutional capacity building and organizational adaptability is crucial. Institutional reforms should aim at strengthening governance frameworks, streamlining administrative processes, and enhancing the research and analysis capabilities of government institutions. These reforms can facilitate better alignment of foreign aid with national priorities, improving both the design and execution of aid projects, and ensuring

greater accountability. Moreover, the establishment of specialized units within ministries for aid evaluation and impact assessment can play a critical role in achieving these goals. In addition, contingency theory advocates for flexibility and responsiveness to changing conditions. Thus, enhancing donor alignment through collaborative platforms that harmonize agendas and reduce administrative burdens is essential. By involving key stakeholders, such as government representatives, civil society organizations, and the private sector, these platforms can foster shared ownership of development initiatives and ensure a more integrated approach to aid management (Rahman et al., 2020). Fostering a culture of learning and innovation within both donor and recipient institutions is vital for long-term success. This involves encouraging experimentation with new approaches, sharing best practices, and institutionalizing mechanisms for continuous feedback and improvement. By addressing these multifaceted challenges through a combined application of institutional and contingency theories, Bangladesh can optimize foreign aid utilization and move closer to achieving sustainable development goals.

4.6 Conclusion

The integration of institutional and contingency theories in this thesis offers a robust framework for analyzing the multifaceted challenges and opportunities that arise in managing foreign aid in Bangladesh. Institutional theory elucidates how external forces—such as global norms, donor expectations, and international regulations—pressurize Bangladesh to adopt practices that may not always be suited to its unique political, social, and economic realities. These institutional pressures, while often well-intentioned, can inadvertently lead to the adoption of rigid practices that are disconnected from the local context, creating inefficiencies in foreign aid utilization. On the other hand, contingency theory brings to the forefront the need for flexibility and situational responsiveness. It emphasizes that the dynamics of foreign aid management in Bangladesh cannot be fully understood or addressed by a one-size-fits-all approach. Rather, the success of aid management relies heavily on the capacity to adapt strategies based on the specific conditions and needs of each situation.

This combined theoretical approach highlights two crucial aspects in the context of Bangladesh's foreign aid management. First, institutional theory reveals how governance deficits—such as corruption, bureaucratic inefficiencies, and weak institutional frameworks—often exacerbate the challenges faced by the country in managing foreign aid effectively. These structural weaknesses, rooted in institutional inertia, hinder the efficient allocation and implementation of aid resources, leading to suboptimal outcomes. Contingency theory, however, offers a path forward by emphasizing the need for tailored, context-sensitive solutions that can be adapted to Bangladesh's evolving socio-political and economic landscape. This approach advocates for the incorporation of flexibility within the institutional framework to allow for greater responsiveness to changing conditions, whether they are political shifts, economic crises, or natural disasters.

By integrating both theories, this thesis argues that addressing governance deficits and strengthening institutional capacities are key to improving the management of foreign aid in Bangladesh. Institutional reforms that enhance transparency, accountability, and the technical capacity of implementing agencies are critical to overcoming the challenges posed by governance weaknesses. Meanwhile, contingency theory suggests that foreign aid programs must be adaptable, with strategies that account for the diverse and changing realities on the ground. This may include adjusting project designs to fit local needs, aligning donor objectives with national priorities, and fostering collaborations that account for regional variations and sector-specific challenges.

Ultimately, this theoretical lens provides a comprehensive understanding of the underlying inefficiencies in Bangladesh's foreign aid system and offers practical, actionable insights for policymakers and development practitioners. By addressing institutional weaknesses through reforms and enhancing the flexibility of aid strategies, Bangladesh can create a more efficient, responsive, and effective foreign aid management system. This integrated framework not only sheds light on existing

challenges but also guides the development of strategies that are better suited to the complexities of managing foreign aid in a dynamic and evolving context. Through these efforts, foreign aid can be transformed into a more powerful tool for fostering sustainable development and addressing the pressing socio-economic needs of the country.

Chapter 5: Research Design and Methodology

5.1 Introduction

This chapter presents the research design and methodology employed to achieve the study's objectives: (1) to examine Bangladesh's institutional frameworks and capacities that govern the allocation, management, and implementation of foreign aid projects, and (2) to recommend potential improvements and reforms to enhance the efficiency and effectiveness of aid utilization. Research design refers to the systematic procedures and techniques used to answer the research questions (Babbie & Mouton, 2006). A sound design defines research objectives, identifies sources of information, specifies data types, outlines data collection methods, and ensures analytical rigor (Bloomfield & Fisher, 2019). This study investigates. This chapter is organized as follows: Section 5.2 outlines the philosophical positioning of the research; Section 5.3 details the research approach; Section 5.4 justifies the chosen research design; Section 5.5 describes the sampling strategy; Section 5.6 explains the data collection methods, including semi-structured interviews and secondary data; Section 5.7 outlines the process for analyzing primary and secondary data; Section 5.8 reflects on the researcher's positionality and measures for ensuring reflexivity, generalizability, and trustworthiness; Section 5.9 discusses the ethical considerations followed in the study; Section 5.10 acknowledges the limitations of the research and summarizes the chapter.

5.2 Research Philosophy

Research philosophy is a fundamental component in shaping the inquiry process, influencing the purpose of the study, data accessibility, and methodological choices (Moon & Blackman, 2017; Neuman, 2011). It helps to establish the researcher's theoretical perspective on the research problem and informs the subsequent stages of data collection and analysis (Edson et al., 2016; Dougherty et al., 2019). The primary philosophical assumptions guiding research are ontology, which concerns the nature of

reality, and epistemology, which focuses on the knowledge of that reality (Edelheim, 2014; Saunders et al., 2016). This study adopts a philosophical stance that supports the exploration of the challenges faced by Bangladesh in the utilization of foreign aid and the ways to improve the institutional framework for ensuring the accepted development finances. The research is exploratory in nature, with the researcher's knowledge development guiding strategic decisions regarding approach, sampling, data collection, and analysis. This section is structured as follows: Subsection 5.2.1 addresses the ontological positioning of the research, Subsection 5.2.2 presents the epistemological positioning, and Subsection 5.2.3 discusses how these philosophical perspectives influence the methodological approach.

5.2.1 Ontology

The ontology of this study is embedded in relativism which claims that reality is shaped by multiple interpretations based on the contexts instead of being absolute and objective (Gergen, 1999). Relativism refers to the belief that reality is not distinct from the subjective experience and that nothing exists beyond an individual's thoughts (Guba & Lincoln, 2005). This study supports Crotty's (1998) assertion that knowledge of reality relies on human views and beliefs created on the basis of how people interact with their environment and communicate within their social context. This ontological perspective has directed this study to capture the opinions of distinguished and knowledgeable respondents to investigate the research topics. Having acknowledged multiple realities derived from diverse perspectives, the questioning process in this research within the relativist disposition fosters critical self-reflection and raises the obvious role of bias in shaping understanding of reality.

5.2.2 Epistemology

The pragmatic evaluations of the nature of the research influence this researcher to adopt an interpretivist stance. Between two epistemological paradigms, positivism suggests a

unified science based on objective and atomized reality. As opposed to this, interpretivism aims to explain social reality through participants' subjective thoughts and perceptions within the social context in which the reality is entrenched (Bryman & Bell, 2007). This study attempts to look into the existing institutional frameworks and capacities in Bangladesh that determine the allocation, management, and implementation of foreign aid projects and recommend potential improvements and reforms to enhance the efficiency and effectiveness of aid utilization. This objective calls for a more in-depth analysis of the phenomena. To explore the answers to the research questions, this study necessitates ideas, thoughts, beliefs, and assumptions of the persons involved in different levels and processes of decision-making regarding the acceptance and utilization of foreign aid. The interpretivist stance guides the researcher to develop profound knowledge through interaction with the expert respondents and combine those insights with the information derived from the secondary sources.

5.2.3 Influence of Philosophical Positioning on Research Methodology

Relativist ontology asserts that reality is socially constructed, with multiple subjective truths varying across individuals, groups, and cultures. Correspondingly, interpretivist epistemology emphasizes understanding and interpreting these subjective realities, acknowledging the role of human perception and reflexivity in knowledge creation. This study aligns with relativism and interpretivism, prioritizing context-dependent realities and the significance of interpreting individual experiences within their social and cultural contexts. The aim is not to uncover universal truths but to understand the subjective perceptions, values, and meanings that participants assign to events.

These philosophical foundations guide the research methodology, leading to an exploratory and interpretive qualitative approach. The study collects diverse perspectives through participant observation, in-depth interviews, and document analysis. A key tenet of interpretivism, reflexivity, stresses the researcher's self-awareness, transparency, and

receptiveness to multiple viewpoints, guiding the research process (Finlay, 2002). Reflexivity underpins both the moral and scientific aspects of the research, ensuring that the researcher remains attuned to their position, assumptions, and biases throughout the study. This qualitative approach, grounded in relativism and interpretivism, enables the exploration of complex social phenomena by recognizing the researcher as an active participant in the interpretive process.

5.3 Research Approach

The research approach defines the structure of the study, determining how theory and data interact (Alturki, 2021). It establishes a systematic procedure for answering research questions, guiding the overall research process (Saunders, 2009). Researchers typically adopt either a deductive or inductive approach. A deductive approach tests existing theory by evaluating data to support or challenge theoretical assumptions, while an inductive approach generates theories from data by identifying patterns and themes (Blackstone, 2018).

This study recognizes the complementary strengths of both approaches and adopts a hybrid methodology that integrates deductive and inductive reasoning. This strategy aims to enhance thematic analysis and deepen the understanding of the research issue, generating in-depth knowledge with practical implications. The integration of both approaches allows for a rigorous exploration of the data while refining theoretical frameworks based on emerging insights.

In line with the deductive approach, the study's theoretical framework, rooted in neoclassical realism and hedging, informs the research questions and sets the boundaries for the investigation. However, the inductive approach is employed during data analysis to identify trends and patterns, allowing the study to draw logical conclusions and explain causal relationships. This dynamic interplay between theory and data shapes the

research, prompting the researcher to continually reassess the theoretical framework in light of empirical findings and adapt the analysis to include additional variables, such as domestic economic factors, alongside political considerations.

5.4 Research Design

The methodology of a study is shaped by its core objectives (Crabtree & Miller, 2000). Given the relativist ontological and interpretivist epistemological stance of this research, a qualitative approach is adopted to capture the perspectives of key elite and expert participants, rather than quantifiable variables. In political science, qualitative methods focus on interpreting naturalistic data, whereas quantitative methods rely on statistical analysis to establish causal relationships between variables (Denzin & Lincoln, 2005). While qualitative and quantitative methods are often seen as distinct, this study emphasizes the former due to its capacity to explore the complex, contextual factors pertaining to Bangladesh's institutional architecture in managing the foreign aid. Given the multifaceted nature of the issues, a qualitative methodology allows for a more nuanced, subjective, and context-sensitive analysis. Quantitative methods, which focus on numerical data, are ill-suited for capturing the complexity and contextuality of the problem.

The qualitative paradigm offers a flexible and dynamic approach, using tools such as interviews, observation, content analysis, and thematic analysis (Patton, 2002; Neuman, 2011). This methodology enables a deeper exploration of the phenomenon from multiple viewpoints and allows for an inclusive understanding of the intricate dynamics at play. Through the collection of primary data, the qualitative approach facilitates rich insights that would be difficult to achieve using other methods (Marshall & Rossman, 1999).

5.5 Sampling and Data Collection

Sampling is a crucial element in the research methodology, influencing the depth and relevance of the data collected. In qualitative research, purposive sampling is often employed to select participants with specific expertise (Patton, 2002). This study uses purposive sampling to engage experts with specialized knowledge of Bangladesh's foreign aid systems, particularly in terms of the allocation, management, and implementation of aid projects. The objective of this research is to assess the existing institutional frameworks and capacities in Bangladesh that determine how foreign aid is allocated, managed, and implemented. By conducting expert interviews, the study aims to gain a nuanced understanding of the decision-making processes and institutional arrangements governing foreign aid. Insights derived from these experts will inform recommendations for improving the efficiency and effectiveness of aid utilization.

To ensure the quality and relevance of data, the research adopted a systematic approach in identifying experts with in-depth knowledge of Bangladesh's aid management systems. The sample includes experts from think tanks, academic institutions, and media outlets. These experts are selected based on their experience in development economics, foreign aid policy, and the operational challenges faced by Bangladesh in managing aid projects. Their perspectives provide valuable insights into the strengths and weaknesses of the existing systems.

The research focuses on experts who have critical knowledge of the institutional structures involved in foreign aid. Their input is crucial for understanding how aid is allocated, how priorities are set, and how various agencies cooperate to implement projects. A range of expert views will be gathered to build a comprehensive understanding of the aid management system, which will guide the development of recommendations for enhancing the efficiency and effectiveness of aid.

The qualitative data collected from these expert interviews will be analyzed using systematic coding and thematic analysis. This approach ensures that the data is reliable and that key patterns and insights are identified. Additionally, secondary sources such as government documents, reports, and project evaluations will be incorporated to complement and validate the findings from the interviews.

The study will also focus on selected foreign aid projects in Bangladesh, particularly those in the infrastructure sector, to understand how aid flows are managed and utilized. These projects are selected based on their significance in terms of their scale, sectoral impact, and alignment with national development goals. The research will analyze the processes through which these projects are conceived, financed, and implemented, considering both internal factors (such as institutional capacity and political priorities) and external factors (such as donor requirements and global trends).

By analyzing these factors, the research aims to develop a detailed understanding of Bangladesh's foreign aid framework. This will allow for the identification of key challenges and the development of recommendations to reform institutional capacities and improve the overall efficiency and effectiveness of aid utilization.

5.5.1 List of the Respondents

SI no	Participant ID	Type of Respondents	Means of Interview	Date of the Interview
1	PC-1	High-level official of the Planning Commission	Face to Face	26 November, 2024
2	PC-2	High-level official of the Planning Commission	Face to Face	29 October, 2024
3	IMED-1	Mid-level official of the IMED	Face to Face	23 Dec, 2024
4	IMED-2	High Official of the IMED	Face to Face	09 October 2024
5	ERD-1	Mid-level official of the ERD	Face to Face	08 October 2024
6	ERD-2	High-level official of the ERD	Face to Face	15 Nov. 2024
7	LM-1	High-level official of the Line Ministry	Face to Face	23 January 2025
8	LM-2	Mid-level Official of the Line Ministry	Face to Face	10 November 2024
9	PO1	Official of the Foreign Funded Projects	Face to Face	23 November 2024
10	PO-2	Official of the Foreign Funded projects	Face to Face	20 September 2024

5.5.2 Contribution of the Respondents to the Research

The expert informants, with their practical experience and substantial knowledge have in many ways played significant roles in this study. Firstly, the contextual understanding of these respondents enabled the researcher to develop a nuanced and critical perspectives of the intricate phenomenon of investigation and its underlying dynamics. Secondly, most of the expert respondents chosen for this study had the access to specialized information and classified data. Their keenness to share insights derived from that hard-to-reach information have enriched the study with incredible perspectives and added multiple layers of analysis. Thirdly, the readiness of the expert informants to challenge presumptions, delve further into the information, and present opposing views encouraged a more thorough analysis of the study issue. Fourthly, responses of the eminent participants helped triangulate and validate the study's findings by supporting or refuting presumptions based on empirical evidence. Finally, the input of these respondents contributed to developing first-hand knowledge and bridging the understanding gap between scholarly study and real-world application that led to the development of informed policies, practices, and interventions.

5.6 Data Collection

Data collection is the systematic process of obtaining observations and measuring information following a predetermined strategy that addresses research questions, tests hypotheses, and evaluates results. The accuracy of data collection is essential for sustaining the research's credibility, regardless of the field of investigation (Gibbs et al., 2007). This section is divided into two subsections. Subsection 5.6.1 illustrates the process of collecting primary data from expert Respondents and subsection 5.6.2 highlights the process of collecting secondary data from multiple sources.

5.6.1 Collection of Primary Data

Interviews were conducted in an open-ended style using a semi-structured questionnaire. The questionnaire is either a formal or informal document containing a sequence of open/close-ended questions for capturing the respondents' views, opinions, experiences and observations (Rowley, 2014). The efficacy of the questionnaire in collecting requisite sets of data to answer the research questions and meet the research objectives is very important (Saunders et al., 2016). The greatest advantage of semi-structured interviews is that, along with questionnaires, there is a provision to link the issues further beyond (Saunders et al., 2016). Considering the informants' position, knowledge and experience, the open-ended style appeared appropriate. The expert respondents often do not prefer being put in any restricted domain of discussion (Aberbach and Rockman 2002). While being asked about any particular topic in most cases, the respondents of this study started sharing their personal experiences and anecdotes, which enriched the data set. However, the questionnaires were there to ensure a structured approach to the queries.

The semi-structured questionnaires helped balance flexible and structured queries covering specific topics and taking the discussion to certain unforeseen and unrelated domains by the respondents. The semi-structured interviews captured the participants' narratives and established links with the researcher's observations gained from the secondary sources. The respondents of the study come from diverse professional and academic backgrounds. Considering the different aspects of the research questions regarding the relevance of their professional expertise and academic knowledge, six sets of questionnaires have been used for the interviews. Despite some similarities on the fundamental issues, each questionnaire was carefully designed to generate robust and appropriate data. The questionnaires were drafted in English, but considering the convenience of communication, most interviews were conducted in Bangla. The length of the interview sessions depended on the number of questions and the nature of the queries. To develop an in-depth understanding of the issues associated with the research topic, the questionnaires were not strictly followed. The interview sessions lasted around

60-70 minutes on average.

5.6.2 Collection of Secondary Data

Secondary data served as a splendid source of rich information besides primary data. Using secondary data in qualitative research entails analyzing, reinterpreting, and critiquing previous research, reviewing recent studies to explain, educate, and introduce previously unstudied phenomena, and synthesizing recent studies to reach a new conclusion (Irwin & Winterton, 2011). The study analyzed the scholarly articles, academic writings, books and periodic assessment reports of the World Bank and Asian Development Bank and ERD on trends of external resource mobilization. Apart from all these, newspaper articles also acted as a great source of secondary data as these encapsulate updated information.

The relevance of the document to the research topic and the authenticity of the sources were considered during the analysis. Moreover, to improve the collected data's authenticity, the selection of written sources was subject to strict maintenance of neutrality and objectivity of the highest standard. The factual inaccuracy and inconsistencies of perceptions have been anticipated since the research incorporates responses from various actors and professional groups, which might cause data dissonance (Vogl et al., 2019). The contradictions in the original data have been addressed with the help of the secondary data generated from authentic documents. Additionally, improving the trustworthiness of data is an essential component of any research endeavor in terms of methodological concerns which has been accomplished by comparing data from various sources. The key advantage of the written materials includes comprehensive coverage of the subject and reliable information with references. Data quality has been greatly enhanced by the triangulation of document analysis and primary data from interviews, which has helped the researcher unearth unexplored facts avoid the problems of black-and-white tales.

5.7 Data Analysis

Having reviewed different methods of qualitative data analysis, this research decides to opt for thematic analysis for four core reasons. Firstly, thematic analysis offers immense 'theoretical flexibility', which can be considered an analytic method instead of a methodology (Clarke & Braun, 2013). This flexibility leads to a data and theory-driven set of findings involving a wide range of research questions (Braun & Clarke, 2006). Secondly, thematic analysis aptly combines the philosophical paradigm and research approaches. Thirdly, thematic analysis helps interpret qualitative information into data, which is encoded through codes. The codes subsequently generate themes, eventually revealing the features of the research phenomenon (Boyatzis, 1998). Finally, thematic analysis is useful while working with large amounts of data as it combines data from multiple sources, distinguishes the main themes, creates thematic descriptions, explains thematic patterns, summarizes the findings and draws a conclusion (Saunders et al., 2016).

The generated data has been analysed in relation to the key themes, which help better understand the external and internal factors shaping the foreign aid management in Bangladesh. The thematic analysis follows two forms of processes: inductive and deductive. According to the inductive process, themes evolve from data without being driven by any preconceived theory, and the researcher intends to generate themes in line with the research interest. On the other hand, the deductive approach is consistent with existing theories (Saunders et al., 2016). Identifying the themes is subject to two levels: semantic and latent. The semantic level explores the themes based on the surface meaning of the data. On the other hand, the latent level unearths and conceptualizes the deeper meaning of the collected data based on casual ideas and assumptions (Braun and Clarke, 2006).

The process is relatively flexible rather than constrained by a rigid set of rules despite the prevalence of a wide variety of guidelines for transforming qualitative data into research conclusions (Patton, 2002; Seidman, 2013). All the themes were highlighted and verified

to provide outcomes of the traits of each source. This study adheres to the following steps for thematic analysis outlined by Braun and Clarke (2006) for generating themes.

Table 5.1: Braun and Clarke’s Steps of Thematic Analysis

Phase	Process
1. Familiarising with Data:	Systematic reading and rereading of the transcribed interviews to comprehend the perceptions of each of the participants and noting down initial ideas.
2. Generating of Initial Code:	Identification of significant codes in a systematic fashion and categorising data in relevance to the codes.
3. Searching Themes:	Classifying codes to possible themes and gathering data pertaining to possible theme
4. Reviewing Themes:	Checking the relevance of the themes extracted from the codes and entire data set. Generating a thematic map of the analysis
5. Defining and Naming Themes:	Clustering and arranging the themes derived from the interpretative meanings and generating clear names of each theme.
6. Producing Reports:	Integration of the themes into exhaustive description and developing basic statement referred to as the general essence of the experience and producing scholarly reports.

In this study, the coding and theming process was carried out manually to examine the existing institutional frameworks and capacities in Bangladesh that determine the allocation, management, and implementation of foreign aid projects. The goal was to identify strengths, weaknesses, and areas for potential reform to enhance the efficiency and effectiveness of aid utilization. The coding process began with a careful examination of the data, which included 10 interview transcripts, journal articles, government reports, assessments, emails, policy papers, speeches, and newspaper articles. The data was read thoroughly, and significant segments were manually highlighted and assigned codes that reflected the key ideas, patterns, or phenomena found in the content. These codes were designed to capture relevant information about the institutional mechanisms involved in foreign aid management, such as political dynamics, administrative structures, policy decisions, and the influence of international donors.

Once the data was coded, the next step was to organize the codes into broader themes and sub-themes that would help address the research objectives. These themes were carefully constructed by grouping related codes together, ensuring that each theme reflected a key area of focus in the research.

In addition to coding data, the researcher compared and contrasted codes and sub-themes to identify patterns and connections across different data sources. This process involved revisiting codes and adjusting them as necessary to ensure their relevance and alignment with the research focus. Some codes were merged or removed to reduce redundancy, while others were refined to better capture the complexities of the data. The thematic analysis was driven by the goal of understanding the institutional factors that influence Bangladesh's foreign aid strategies. The process of coding and theming was iterative, with the researcher regularly revisiting and refining the themes and codes as new insights emerged. This approach enabled the identification of key issues such as the need for stronger coordination among aid institutions, better alignment of aid with Bangladesh's development priorities, and improved oversight of aid implementation. Ultimately, the coding and theming process provided a comprehensive understanding of the institutional frameworks that shape foreign aid in Bangladesh. The insights gained from this analysis were used to develop recommendations for improving the management of foreign aid, addressing inefficiencies, and ensuring that aid resources are utilized effectively to support Bangladesh's development goals.

5.8 Researcher's Role

Understanding the researcher's position within the social context is central to qualitative research (Berg, 2007). Harding (1987) asserts that a researcher's stance shapes the coherence and interpretability of the study. Qualitative research often faces scrutiny regarding reflexivity, generalizability, and credibility, as it typically examines specific phenomena within a defined social environment. To mitigate these concerns, this study

employs systematic sampling, data verification, triangulation, and interdisciplinary analysis. The following subsections (5.8.1, 5.8.2, and 5.8.3) address how reflexivity, generalizability, and credibility are incorporated into this research.

5.8.1 Reflexivity

Reflexivity is crucial in qualitative research as it requires the researcher to critically reflect on their own role, biases, and assumptions throughout the study (Altheide & Johnson, 1994). Given the researcher's background in the Bangladesh Ministry of Finance, self-awareness was essential to minimize biases and ensure an accurate representation of participants' perspectives. Personalized invitations were sent to Respondents, clearly outlining the study's objectives, expected contributions, and time commitments. In-depth interviews allowed participants to express their viewpoints in a focused manner. The researcher maintained reflexive journals to capture introspective thoughts, challenges, and insights throughout the data collection and analysis process. These journals facilitated critical self-reflection on the researcher's impact on the study's direction and outcomes.

5.8.2 Generalizability

The generalizability of qualitative research findings, while often challenging to achieve, is a crucial consideration in understanding the broader applicability of the results. LeCompte and Goetz (1982) define generalizability as the ability to apply study findings to other contexts. Although this study is based on elite interviews and secondary data, its findings can be generalized in several ways.

First, the theoretical framework of neoclassical realism and hedging, which underpins this study, extends beyond the specific context of Bangladesh and can inform research on development cooperation and foreign aid in other countries. The framework highlights trends, opportunities, and constraints that can be applied to similar settings.

Second, the sampling strategy, which includes experts from diverse professional backgrounds, offers a broad view of the topic, facilitating the identification of common patterns and themes. These insights are relevant to similar contexts, enhancing the generalizability of the findings.

Third, the comprehensive presentation of participant viewpoints, research context, and analysis contributes to the transferability of the findings to other studies exploring similar phenomena. The clear documentation of the data analysis process strengthens the study's credibility and reliability, which further supports generalizability.

Finally, the triangulation of primary and secondary data sources enhances the robustness and validity of the findings, ensuring that the research outcomes are relevant and applicable to other settings.

5.8.3 Credibility and Validity

Validity is crucial in qualitative research, ensuring that the study accurately addresses the research objectives and produces credible findings (Creswell, 2003). This study enhances validity and reliability through two levels of triangulation:

First, the interviews are cross-verified with expert perspectives to enrich the findings. Second, primary data from these interviews are complemented by secondary sources, such as Bangladesh's Perspective Plans, FYPs, ADPs, and reports from ADB, the World Bank, and scholarly literature. This integration of data from multiple sources mitigates potential biases and enhances the study's reliability and rigor.

Moreover, the study incorporates thick descriptions of the research context, participants, data collection techniques, and analysis procedures. This transparency enables readers to evaluate the validity of the findings and improves the interpretability of the results. The

prolonged involvement with participants fosters trust and rapport, ensuring open and insightful responses, which contributes to a more thorough analysis.

5.9 Ethical Considerations and Interview Protocol

Ethical concerns in qualitative research, particularly with elite participants, are significant due to power dynamics and the potential for marginalization of respondents (Sanjari et al., 2014). The ethical principles outlined by Lancaster (2017) highlight challenges in ensuring confidentiality, anonymity, and addressing positionality during elite interviews. To mitigate these challenges, the study adopts a flexible approach to ethics, tailored to the specific context of elite research (Gaztambide-Fernández, 2015).

The participants, comprising high-ranking and mid-level bureaucrats and diplomats from Bangladesh, were informed of the research's purpose, significance, and potential outcomes. After providing written or verbal consent, the interviews were conducted. Participants were reminded of their right to refuse to answer questions or withdraw at any time without consequences.

Confidentiality was assured through the use of identification codes for the data. All data collection was conducted in accordance with the Data Protection Act of 1998. Personal data will be retained only as long as necessary for the study's objectives.

5.10 Conclusion

This chapter has outlined the methodological framework of the study by illustrating the researcher's intention of determining each aspect of the research design to address the complex research problem. The qualitative inquiry of the study is ontologically aligned with relativism and epistemologically adherent to interpretivism. The philosophical stances imply the subjective disposition of reality that underscores the significance of perceiving the research problem through the understanding of social context, personal

experiences and contemporary worldview. Data collected from the expert interviews have made the study centered around the insights of diverse actors engaged in different steps of selecting, confirming and executing the infrastructure projects financed by the development partners. By engaging with the influential individuals possessing important positions and specialized knowledge and expertise in the area of development cooperation, this research has captured a wide range of viewpoints and nuanced perceptions. This diversity has allowed for a more comprehensive investigation of the study question, adding to variegated perception and insights to the data. The participants from wider spectrum of professional backgrounds not only reaffirmed the study's findings but also opened up novel viewpoints and avenues of investigation.

The secondary data collected from diverse sources also plays a very important role in providing supplementary context, comparative insights, and longitudinal perspectives on Bangladesh's foreign aid management. Leveraging the existing literature, government reports, and media sources the researcher has gain critical insights into the research topic. Moreover, the secondary data facilitated the cross-verification and triangulation of the two sets of data from multiple sources which mitigated the discrepancies of information, enhanced the robustness of the findings and confirmed the validity of the findings.

The study employed thematic data analysis technique because of its efficiency in identifying recurring themes, patterns, and underlying factors within interview and secondary data, thereby providing a significant understanding of the research problem. The deductive and inductive approaches of thematic analysis have facilitated inclusive investigation of the research topic. Inductive reasoning enabled the researcher to identify emerging patterns and themes from the primary and secondary data. Similarly, the deductive approach guided the investigation and data analysis process in line with the theoretical frameworks built on the perceptions derived from neoclassical realism and hedging. Additionally, the chapter defines the researcher's role in addressing concerns with reflexivity, generalizability, ethics, research protocol, and the challenges

encountered by the researcher. Overall, the methodology applied in this study offers a robust framework for generating significant insights that helps addressing the complex research questions, achieving the research objectives and advancing scholarly understanding of the topic.

Chapter 6 : Data Analysis and Findings

6.1 Data Analysis and Findings

The management of foreign aid in Bangladesh represents a complex and multifaceted challenge, influenced by the dynamic interaction between demand-side constraints and supply-side factors. On the demand side, significant capacity gaps within government institutions—spanning technical, administrative, and financial domains—impede the country’s ability to effectively negotiate, implement, and monitor aid-funded projects. These challenges are further compounded by inefficiencies in aligning foreign aid with national development priorities, leading to suboptimal utilization of external resources. On the supply side, development partners often prioritize their own agendas, imposing conditions that result in project duplication, inefficiencies, and misalignment with Bangladesh’s broader development goals. This persistent tension between local needs and donor-driven priorities complicates the effective management of foreign assistance.

This chapter critically examines the constraints and success factors in the utilization of foreign aid in Bangladesh, drawing on empirical data gathered from interviews with key stakeholders, including officials from the Economic Relations Division (ERD), the Implementation Monitoring and Evaluation Division (IMED), and sectoral line ministries. The analysis is driven by the combination of two theoretical frameworks: institutional theory and contingency theory. Institutional theory provides insights into the influence of formal and informal structures, rules, and practices within governmental organizations, while contingency theory highlights the importance of adapting strategies to the specific contextual and situational factors at play. Together, these theories guide both the primary and secondary data collection, shaping the research design and the interpretation of findings. By framing the data analysis within these theoretical lenses, the chapter explores the key bottlenecks in foreign aid management and identifies potential pathways for reform.

Ultimately, this chapter seeks to contribute to the broader discourse on optimizing foreign aid management in developing countries, with a specific focus on the unique challenges and opportunities within the Bangladeshi context. The research aims to inform policy recommendations, emphasizing the need for capacity building, improved governance, streamlined administrative processes, and enhanced alignment between donors and the government to ensure the more effective and efficient use of foreign aid.

6.2 Findings

Through an analytical lens, it evaluates the systemic weaknesses in institutional capacities, governance frameworks, coordination mechanisms, and the alignment of aid with national priorities. The evidence underscores the structural inefficiencies that hinder effective aid management, including fragmented governance, inadequate inter-ministerial coordination, and the absence of robust monitoring and evaluation mechanisms. Furthermore, the analysis highlights the challenges posed by donor-imposed frameworks, which often lack flexibility and fail to adapt to the socio-political and economic realities of Bangladesh. These rigid frameworks not only undermine the effectiveness of aid but also constrain the country's ability to respond to emerging challenges, such as climate change and economic shocks. By leveraging qualitative insights from stakeholder interviews and a thorough review of relevant literature, this chapter provides a nuanced understanding of these constraints and offers strategic recommendations to enhance aid effectiveness.

6.2.1 Institutional Frameworks and Government Capacities

The institutional framework governing foreign aid in Bangladesh is primarily structured around the Economic Relations Division (ERD), which is responsible for coordinating and managing foreign aid inflows, and the Implementation Monitoring and Evaluation Division (IMED), which monitors and evaluates the progress of aid-funded projects.

Information from ERD-1 (2024) highlighted the significant role of the ERD in managing and negotiating aid agreements, emphasizing that the division is tasked with ensuring that foreign aid aligns with the government's development priorities. ERD is responsible for initiating aid projects, signing agreements, and managing relations with donor agencies. However, respondent from IMED-1 (2024) pointed out that despite the ERD's role in coordination, the capacity of the ERD to effectively manage and implement aid projects is often hindered by various internal constraints. These include limited technical and administrative expertise, lack of sufficient human resources, and inadequate institutional infrastructure. Another respondent from IMED-2 (2024) echoed this sentiment, emphasizing that while IMED plays a critical role in monitoring the implementation of aid projects, its capacity is also compromised by similar challenges, including insufficient technical expertise and outdated monitoring systems.

Both ERD and IMED representatives suggested that a major institutional weakness lies in the fragmented nature of the aid management system, where different sectors and ministries have overlapping responsibilities, but effective coordination mechanisms. As respondent ERD-2 (2024) noted, many of the line ministries involved in implementing aid projects operate in silos, and there is a lack of a unified approach to aid management. This lack of synergy results in inefficiencies, delays, and resource misallocations, limiting the overall effectiveness of aid. The institutional capacity gaps identified by the respondents underscore the need for comprehensive reforms to enhance the technical expertise, administrative capabilities, and coordination mechanisms within the government's aid management institutions. Respondent PO-1 (2024) suggested that capacity-building initiatives for government officials, particularly those working in the ERD and IMED, are essential to improving the management of foreign aid.

6.2.2 Challenges in Foreign Aid Management

One of the most persistent challenges identified in the interviews is the lack of

transparency in the allocation and utilization of foreign aid. Transparency is crucial for effective governance and the proper utilization of external resources; however, according to respondent IMED-1 (2024), there are significant gaps in the availability of information on the disbursement of foreign aid and its subsequent use. The limited access to detailed information about aid allocations and expenditures creates an opaque environment where the public and other stakeholders are unable to scrutinize the use of foreign resources effectively. Respondent PO-2 (2024) highlighted that the issue of transparency extends to project-level reporting mechanisms. Often, agencies are reluctant to share data on project outcomes and expenditures, particularly in cases where projects do not meet the anticipated targets. This lack of openness severely limits the ability of civil society organizations, independent watchdogs, and the public to hold government agencies and donors accountable for the impact of aid-funded projects.

Furthermore, as respondent ERD-2 (2024) pointed out, donor agencies themselves may sometimes prioritize confidentiality over full disclosure, especially when dealing with sensitive or politically charged projects, which can further undermine transparency efforts. The lack of transparency not only hampers public oversight but also complicates the ability to perform rigorous evaluations of the aid process, as it is difficult to verify whether resources are being spent efficiently and in line with the intended objectives. This opaque process erodes trust between the government, donors, and the public, ultimately reducing the credibility of foreign aid initiatives in Bangladesh.

6.2.3 Accountability Gaps and Weak Monitoring and Evaluation Systems

Closely linked to the issue of transparency is the challenge of accountability, which is largely undermined by weak monitoring and evaluation (M&E) systems. Respondent ERD-2 (2024) pointed out that the capacity of institutions like the ERD and IMED to conduct comprehensive and meaningful evaluations of aid projects is limited by several factors. One key issue is the lack of standardized evaluation frameworks. Without standardized

metrics and methodologies for assessing project outcomes, it is nearly impossible to track the effectiveness of foreign aid investments or ensure that aid objectives are being met.

Moreover, Respondent IMED-2 (2024) revealed that the current M&E system within IMED often lacks the resources and technical capacity to perform in-depth, real-time assessments of aid-funded projects. This weakness results in delayed reports and suboptimal feedback loops that could otherwise serve to course-correct projects in a timely manner. As a result, accountability is compromised, as project implementers are rarely held responsible for inefficiencies or non-compliance with donor expectations. The absence of robust M&E mechanisms creates an environment where mismanagement, misuse, or underutilization of aid resources can go undetected for extended periods, leading to significant losses in terms of aid effectiveness. The lack of accountability also encourages a culture of non-compliance, as implementing agencies may not face meaningful consequences for failing to meet performance targets or adhere to agreed-upon timelines and objectives.

6.2.4 Coordination Failures Across Stakeholders

Coordination is another critical challenge that severely affects the management of foreign aid in Bangladesh. The interviews clearly indicated that the lack of effective coordination mechanisms between government agencies, donors, and project implementers leads to inefficiencies, project duplication, and the misallocation of resources. Respondent PC-1 (2024) discussed how the absence of a centralized coordination system often results in confusion and duplication of efforts across different stakeholders. This lack of alignment between government ministries, sectoral agencies, and donor organizations results in wasted resources and delays in the implementation of key development projects.

Respondent PC-2 (2024) further emphasized that poor coordination is particularly evident at the project level, where agencies with overlapping responsibilities may not share essential information with one another. For example, there is no consistent, centralized

platform for tracking the progress of ongoing projects, which makes it difficult for stakeholders to monitor the status of aid utilization or identify potential issues early on. This fragmented approach to project management often leads to inefficiencies and the redundancy of activities, where multiple donors or agencies may fund similar initiatives without adequate communication or harmonization of efforts.

In addition, as Respondent PO-1 (2024) noted, the lack of integrated data management systems exacerbates these coordination issues. Without a comprehensive database that links donor-financed projects to their outcomes, it is difficult to ensure that all stakeholders are working from the same set of information. This results in a disjointed and inefficient approach to aid management, where efforts are fragmented and synergies between projects are missed.

6.2.5 Impact on Aid Effectiveness

The challenges of transparency, accountability, and coordination directly impact the overall effectiveness of foreign aid in Bangladesh. Respondent IMED-1 (2024) emphasized that these issues severely hinder the optimal use of aid resources. When transparency is lacking, the public and governmental oversight bodies are unable to assess whether aid is being utilized in line with national priorities or donor commitments. Furthermore, the absence of reliable monitoring and evaluation frameworks prevents stakeholders from gauging the true impact of aid-funded projects, which undermines efforts to achieve sustainable development outcomes. Respondent PO-2 (2024) noted that ineffective coordination results in delayed project implementation, cost overruns, and a lack of synergy between different development initiatives. These inefficiencies ultimately reduce the potential of foreign aid to contribute to Bangladesh's long-term development goals. The lack of accountability further exacerbates these issues by allowing inefficiencies to go unchecked and encouraging a lack of adherence to agreed-upon timelines and benchmarks.

6.2.6 Capacity Constraints

The implementation of foreign-aided projects in Bangladesh faces profound challenges due to pervasive capacity constraints within critical government institutions, including the Economic Relations Division (ERD), the Implementation Monitoring and Evaluation Division (IMED), and various line ministries. These challenges stem from an acute shortage of skilled personnel, inadequate training, and systemic inefficiencies that compromise the effectiveness and sustainability of aid utilization. Notably, the ERD, tasked with managing foreign aid and negotiating financing agreements, suffers from a critical skills deficit. A respondent from the ERD emphasized, *“We lack professionals capable of ensuring effective project execution, and the absence of legal experts to scrutinize financing agreements leaves the state vulnerable to unfavorable terms”* (Respondent ERD-1, 2024). Empirical evidence reveals that such gaps often result in suboptimal project outcomes and a diminished negotiating position with development partners. For instance, a recent analysis of project delays in Bangladesh attributed 60% of the setbacks to weak project preparation and implementation capabilities. Furthermore, inadequate legal expertise has led to the state committing to financing agreements with clauses that undermine fiscal sovereignty.

The issue is compounded by limited understanding of global financial instruments and the broader architecture of international development finance. Without specialists to navigate these complexities, the government struggles to optimize aid alignment with national priorities, often resulting in misallocated resources and unmet development objectives. Respondents from both ERD and IMED have underscored the pressing need for targeted capacity-building initiatives, particularly in advanced project design, monitoring, negotiation, and legal interpretation. One ERD official noted, *“Without access to advanced training programs, staff are ill-equipped to manage the growing complexities of foreign aid projects”* (Respondent ERD-2, 2024). The lack of structured career development pathways further perpetuates these deficiencies, contributing to high turnover and institutional stagnation. Collectively, these constraints undermine the

effectiveness of foreign-aided projects, eroding their potential to catalyze meaningful and sustainable development outcomes for Bangladesh.

6.2.7 Inadequate Research and Analysis Capabilities

A critical challenge in the effective implementation of foreign-aided projects in Bangladesh is the glaring inadequacy in research and analysis capabilities within key government institutions, which undermines both the alignment of aid with national priorities and its overall efficacy. The absence of dedicated research units within organizations like the Economic Relations Division (ERD) has significantly hampered the ability to conduct sectoral need assessments, feasibility studies, and socio-economic impact evaluations. As one respondent succinctly noted, “There is a great need for a research wing to deal with foreign aid professionally” (Respondent ERD-2, 2024). This institutional shortfall constrains evidence-based strategy development, leaving the government ill-equipped to identify sectoral gaps, analyze trends, and forecast future needs, thereby introducing vulnerabilities in both project design and implementation.

The lack of research rigor also leads to suboptimal project planning, as projects are often initiated without adequately understanding sectoral requirements. This misalignment frequently results in resource misallocation and diminished project effectiveness. As emphasized by one respondent, “Many projects are initiated without a clear understanding of their sectoral needs, which often leads to resource misallocation” (Respondent PC-1, 2024). Additionally, pre-implementation assessments that are crucial for evaluating feasibility and sustainability are frequently neglected, resulting in delays, cost overruns, and limited long-term benefits for beneficiaries. The inadequacy in research capabilities extends to monitoring and evaluation (M&E) frameworks, which are vital for tracking and enhancing project outcomes. Outdated data and limited analytical depth often characterize these systems, as one official from the Implementation Monitoring and Evaluation Division (IMED) remarked: “Our monitoring systems often rely

on outdated data and lack the analytical depth needed to measure real impacts” (Respondent IMED-1, 2024). This deficiency not only hinders timely decision-making but also restricts adaptive management of project activities, ultimately compromising the effectiveness of foreign aid initiatives.

Furthermore, capacity constraints in terms of technical expertise exacerbate these challenges. Many personnel involved in project planning and implementation lack the requisite skills for advanced data analysis and impact evaluation. One respondent stressed, “Building technical expertise in data analysis and impact evaluation should be a priority to improve project outcomes” (Respondent LM-1, 2024). This skills gap prevents institutions from fostering a research-driven approach necessary for informed decision-making. The broader implications of these deficiencies are profound, as they diminish the potential for foreign aid to align with Bangladesh’s national priorities and the Sustainable Development Goals (SDGs). Projects that are misaligned with urgent development needs fail to capitalize on the transformative potential of foreign assistance. As one respondent pointed out, “Without robust research, it is challenging to ensure that projects are tailored to our development priorities” (Respondent PC-2, 2024). Addressing these issues through institutional reforms, capacity building, and enhanced M&E frameworks is essential to optimize the effectiveness of foreign-aided projects and ensure their sustainable impact.

6.2.8 Weak Coordination Mechanisms

Coordination among the various stakeholders involved in foreign aid projects is critical for their successful implementation. However, in the context of Bangladesh, the lack of effective collaboration and fine-tuning between key actors—including Line Ministries, concerned sector divisions of the Planning Commission, the Economic Relations Division (ERD), development partners, and executing agencies—has emerged as a major obstacle to achieving efficient and impactful outcomes. Respondents consistently pointed to the

deficiency in inter-agency coordination, with one official noting, *“Proper coordination, cooperation, and consultations with relevant stakeholders are often missing in the system”* (Respondent PC-1, 2024). This breakdown in communication across the involved entities leads to a range of issues that severely hamper project execution, including delays, duplication of efforts, and misallocation of resources.

Empirical studies have underscored that robust administrative frameworks and institutional synergy are essential for improving the effectiveness of aid (Ringhofer, 2015). However, in Bangladesh, coordination is often fragmented and ad-hoc, creating silos where each stakeholder operates within their own domain without a shared vision or understanding of the project’s broader goals. This lack of a unified approach is particularly evident in the relationship between the ERD and the Planning Commission, two key players in the formulation and oversight of aid-funded initiatives. A study conducted by the World Bank in 2021 found that over 40% of foreign aid projects in Bangladesh experienced delays due to miscommunications between these institutions, particularly concerning project timelines, budgeting, and reporting.

The disconnect between development partners and local implementing agencies further exacerbates the issue. Development partners, while offering financial resources, often impose their own rigid project frameworks, which do not always align with the national priorities or local capacity. This mismatch leads to projects that are less adaptive to Bangladesh’s specific needs and governance context, reducing their long-term effectiveness. Moreover, executing agencies, which are responsible for implementing the projects on the ground, often lack the necessary technical expertise and resources to meet the expectations set by both the government and development partners.

This lack of coordination also results in resource inefficiency. Multiple agencies may duplicate efforts, while critical aspects of a project, such as monitoring and evaluation, may be neglected due to the absence of a central coordinating body with the authority to

streamline operations. The absence of integrated planning mechanisms—such as joint task forces or unified oversight committees—further compounds the challenge. As a result, aid funds are often underutilized or misdirected, ultimately undermining the overall effectiveness of development projects. In sum, the absence of fine-tuning and effective collaboration among the stakeholders involved in the aid process in Bangladesh creates a fragmented system that wastes resources, delays implementation, and reduces the impact of foreign aid. A shift toward more coordinated, transparent, and inclusive planning processes is critical to ensure that aid fulfils its potential to contribute meaningfully to Bangladesh’s development goals.

6.2.9 Development Partners’ Agendas and Lack of Synchronization

Development partners, in their engagement with recipient countries, often impose their own priorities, which frequently clash with local needs, leading to a misalignment between aid objectives and national development goals. One respondent from the Implementation Monitoring and Evaluation Division (IMED) succinctly captured this reality, stating, *“On many occasions, the needs of the country are projected by judging the comparative advantage of the development partners. They push forward their agenda with financial strength, and we are bound to swallow it”* (Respondent IMED-1, 2024). This dynamic is indicative of the power imbalance inherent in foreign aid relations, where development partners, leveraging their financial capacity, dictate the terms of projects, irrespective of local contexts and needs. This practice results in a duplication of projects, which compounds the already complex aid management process in Bangladesh. For example, projects funded by the Agence Française de Développement (AFD) and the European Investment Bank (EIB) are often marked by intricate financial arrangements that local agencies struggle to navigate. One respondent from a line ministry noted, *“The financial agreements from AFD and EIB are so complex that even our experts find it difficult to understand and negotiate”* (Respondent LM-1, 2024). This creates additional hurdles in project execution, with the complexities of these agreements not only causing

delays but also diminishing the potential impact of the aid.

A critical consequence of this mismatch in priorities is the lack of synchronization among development partners themselves. Respondents highlighted that overlapping initiatives and poor coordination result in inefficiencies that could be easily avoided with more strategic alignment. As one Respondent from the Planning Commission observed, *“We see duplication of projects and programs offered by development partners, which leads to a lower degree of aid utilization”* (Respondent PC-2, 2024). The proliferation of similar projects funded by different donors without sufficient coordination often leads to the redundancy of efforts, as resources are stretched thin across multiple initiatives that essentially seek to address the same issues.

Empirical research on foreign aid effectiveness supports this observation, with scholars emphasizing the importance of harmonization among donors to avoid fragmentation and enhance overall efficiency. For instance, studies by Watts (2015) and Ringhofer (2015) argue that the lack of donor coordination can severely undermine the effectiveness of aid, as each donor pursues its own agenda, disregarding the collective needs of the recipient country. In Bangladesh, the failure of development partners to synchronize their aid efforts has led to a situation where multiple agencies fund similar projects, often with conflicting methodologies and timelines, thereby reducing the effectiveness of the entire aid program.

On the supply side, development partners must adopt a more collaborative and coordinated approach to aid delivery. Several respondents, including those from the ERD and the Planning Commission, expressed frustration over the lack of transparency and the complexity of financial agreements. *“There needs to be a more transparent and collaborative approach to designing aid projects. It’s essential for development partners to harmonize their efforts, simplify the agreements, and ensure that they are tailored to the actual needs of the country”* (Respondent ERD-2, 2024). This sentiment underscores

the critical need for greater alignment between donor objectives and the development priorities of the recipient country. If donors were to work more closely together and prioritize mutual goals over their individual interests, the overall efficiency and effectiveness of foreign aid could be greatly improved, ensuring that projects are more sustainable and better suited to the long-term needs of Bangladesh.

6.2.10 Governance and Accountability

The implementation of foreign-aided projects in Bangladesh is significantly hampered by governance issues, including corruption, lack of accountability, and ineffective monitoring and evaluation processes. These deficiencies undermine the effective utilization of foreign assistance, creating serious bottlenecks and eroding trust between development partners and local stakeholders. Respondents consistently pointed to the systemic flaws in governance that hinder project execution and affect the overall impact of foreign aid. As one respondent from the Implementation Monitoring and Evaluation Division (IMED) explained, *“Corruption and lack of accountability create major delays and inefficiencies in the implementation of projects. This erodes trust with our development partners and leads to poor outcomes”* (Respondent IMED-1, 2024). These governance challenges not only affect the immediate project outcomes but also deter future investments, as development partners are increasingly reluctant to engage in environments where transparency and accountability are compromised.

Despite efforts to tackle these issues, institutional weaknesses continue to undermine efforts aimed at improving governance. A respondent from IMED expressed frustration with the limited progress in addressing these challenges, stating, *“Although there are initiatives to address corruption and accountability issues, the results are still far from satisfactory. Institutional weaknesses, including outdated systems and inadequate enforcement mechanisms, continue to undermine transparency”* (Respondent IMED-2, 2024). These sentiments highlight the persistent gaps in governance that contribute to

the failure of foreign-aided projects in Bangladesh, with corruption at both the institutional and operational levels creating systemic barriers to project success.

The lack of proper governance also extends to the monitoring and evaluation (M&E) processes, which are critical for assessing the effectiveness of foreign aid projects. Respondents from various ministries and divisions expressed concern over the lack of a robust M&E framework to track project progress and measure impact. A respondent from the Planning Commission (PC) noted, *“There is no effective system in place for continuous monitoring and evaluation of projects. Without proper oversight, it’s difficult to measure whether projects are achieving their intended outcomes”* (Respondent PC-1, 2024). The absence of a clear and transparent M&E system means that many projects are implemented without adequate tracking, leading to inefficiencies and, at times, the continuation of failed projects due to the lack of accountability mechanisms.

Furthermore, the executing agencies, often responsible for project implementation on the ground, face significant challenges in monitoring and reporting. A respondent from a line ministry (LM) shared, *“We face severe challenges in monitoring the implementation of foreign-aided projects because of inadequate resources and lack of coordination. Often, there is no real-time data or follow-up on project progress”* (Respondent LM-1, 2024). This lack of real-time data collection and follow-up severely limits the ability to assess project performance during implementation, leading to inefficiencies and suboptimal outcomes. The absence of a comprehensive and integrated approach to M&E also exacerbates issues of accountability. Respondents emphasized that the absence of a centralized system for project oversight, combined with poor coordination between agencies, results in gaps in accountability, where no single agency is fully responsible for tracking and ensuring project outcomes. One respondent from the Economic Relations Division (ERD) highlighted, *“There are no clear accountability frameworks for monitoring project performance. Different agencies have different priorities, and this makes it difficult to have a unified approach to M&E”* (Respondent ERD-1, 2024). This fragmented approach

to accountability not only hinders the proper tracking of foreign-aided projects but also creates an environment where projects can proceed without meaningful oversight, leading to inefficiencies and sometimes misuse of funds.

Moreover, the lack of governance and accountability in the aid process has serious implications for the long-term sustainability of foreign aid projects in Bangladesh. A respondent from the Planning Commission noted, *“Projects often fail to meet their long-term objectives because there is no accountability for their post-implementation phases. We need a better system to track outcomes after projects are completed”* (Respondent PC-2, 2024). Without proper post-implementation oversight and feedback loops, the full impact of foreign aid projects cannot be assessed, leaving the country vulnerable to the waste of resources and missed opportunities for sustainable development.

6.3 Overcoming Constraints in Implementing Foreign-Aided Projects in Bangladesh

Effectively utilizing foreign aid to advance Bangladesh’s national development goals remains a significant challenge, fraught with structural, procedural, and strategic constraints. Addressing these challenges necessitates a multidimensional approach that integrates empirical insights and stakeholder perspectives into a cohesive roadmap for improved aid utilization. This section critically examines key strategies to overcome these constraints, focusing on enhancing institutional capacities, strengthening governance frameworks, streamlining administrative processes, and fostering donor alignment and flexibility.

6.3.1 Enhancing Institutional Capacities

The technical, financial, and administrative capacities of key government institutions in Bangladesh—such as the Economic Relations Division (ERD), Implementation Monitoring and Evaluation Division (IMED), and various line ministries—remain critical bottlenecks in the effective utilization of foreign aid. Addressing these limitations is essential for

improving aid management, aligning it with national priorities, and achieving sustainable development goals (SDGs). One of the most pressing challenges is the lack of technical expertise within these institutions. Respondents emphasized the urgent need for capacity-building initiatives to bridge gaps in technical and administrative skills. A respondent from IMED noted, “Capacity-building initiatives are vital to addressing gaps in technical and administrative skills” (Respondent IMED-2, 2024). Despite this acknowledgment, training programs remain fragmented and often lack focus on contemporary challenges, such as climate resilience, digital transformation, and global financial systems. The absence of modern financial management systems exacerbates inefficiencies in resource allocation, utilization, and reporting. Respondents highlighted the need to integrate advanced digital platforms to enhance transparency and accountability in aid management. Such systems would not only streamline financial processes but also enable real-time tracking of aid flows and outcomes. However, the successful implementation of these systems requires investments in both technology and the technical proficiency of the workforce, a dual challenge yet to be fully addressed.

A major institutional gap lies in the shortage of specialized personnel equipped to handle complex aid negotiations and implementation. An ERD respondent remarked, “Critical workforce with the skills to manage foreign aid is missing. We need professionals who can ensure effective project execution. Moreover, we do not have legal people to look into the financing agreements in a better way to protect the interest of the state” (Respondent ERD-1, 2024). This limitation not only weakens Bangladesh’s negotiating position with donors but also increases its vulnerability to unfavorable financing terms and project conditions. Developing a cadre of legal and financial experts within ERD and other relevant institutions could significantly enhance the country’s ability to safeguard its interests in aid agreements. The lack of dedicated research capabilities further undermines institutional effectiveness. Without research wings or dedicated units for sectoral analyses and feasibility studies, government institutions are often unable to identify priority areas for foreign aid or develop compelling proposals to attract targeted

grants and loans. As one ERD respondent observed, “The absence of a research wing weakens our ability to attract targeted grants and loans” (Respondent ERD-2, 2024). Establishing research divisions within key institutions like ERD could provide the evidence base necessary for informed decision-making and strategic planning, particularly in critical sectors such as health, education, and climate adaptation.

Inter-agency coordination also remains a significant hurdle. Respondents pointed out that institutional silos and overlapping mandates lead to inefficiencies and delays in project implementation. Strengthening coordination mechanisms, such as inter-ministerial committees or task forces, could enhance collaboration among agencies and ensure that aid projects align with both national priorities and donor objectives.

6.3.2 Strengthening Governance Frameworks

Enhancing governance frameworks is essential for ensuring that foreign aid is managed transparently, efficiently, and in alignment with national development priorities. However, the current governance structures in Bangladesh are plagued by systemic challenges, including corruption, lack of accountability, and fragmented policy directives. These issues undermine the effectiveness of aid and hinder the achievement of sustainable development goals (SDGs). As one ERD respondent emphasized, “Strengthening IMED’s monitoring capabilities and enforcing anti-corruption policies can significantly enhance aid effectiveness” (Respondent ERD-1, 2024). Robust oversight mechanisms are crucial to preventing the mismanagement and misallocation of resources, particularly in high-priority sectors such as healthcare, education, and infrastructure.

The lack of inter-ministerial coordination further exacerbates governance inefficiencies. Sectoral ministries often pursue isolated agendas that conflict with broader national development goals, leading to duplication of efforts and resource wastage. An IMED

respondent observed, “Sectoral ministries are often focused on their own agendas, which can conflict with broader development goals” (Respondent IMED-1, 2024). Addressing these discrepancies requires the establishment of a unified policy vision and inter-ministerial coordination mechanisms that prioritize collaboration over competition. A centralized coordination body with clear mandates could play a pivotal role in harmonizing these efforts, ensuring alignment with national priorities.

Moreover, the governance framework must integrate mechanisms for inclusive participation and consultation to align donor-funded projects with local needs. Respondents pointed out that limited stakeholder engagement often results in project designs that are disconnected from ground realities. For instance, a Planning Commission official stated, “Effective governance requires incorporating feedback from local stakeholders to ensure projects are relevant and impactful” (Respondent PC-1, 2024). This suggests a need for participatory governance practices that include civil society, local governments, and beneficiaries in the decision-making process.

Another critical challenge is the absence of an independent accountability system to oversee donor-government interactions. Respondents highlighted the influence of political interests in determining project priorities, which often compromises transparency. An ERD official remarked, “Political interference in project selection and implementation dilutes the effectiveness of governance frameworks” (Respondent ERD-2, 2024). To mitigate this, Bangladesh must institutionalize independent monitoring bodies equipped with the authority and resources to enforce compliance with governance standards.

The integration of technology can further strengthen governance frameworks by promoting transparency and efficiency. Digital platforms for tracking aid flows and monitoring project outcomes can reduce opportunities for corruption and ensure real-time accountability. However, these technological interventions must be supported by

capacity-building initiatives to ensure that government officials can effectively utilize these tools. As noted by a line ministry respondent, “Technology can transform governance, but its success depends on the technical proficiency of the implementing agencies” (Respondent LM-2, 2024).

6.3.4 Streamlining Administrative Processes

Donor alignment and flexibility, coupled with streamlined administrative processes, are critical for enhancing the efficiency and impact of foreign aid projects in Bangladesh. However, bureaucratic inefficiencies significantly hinder project implementation, leading to delays, cost overruns, and suboptimal outcomes. Rigid administrative structures, compounded by cumbersome approval processes and redundant workflows, create bottlenecks that stifle agility and responsiveness. As highlighted by respondents from line ministries, “Integrating technology into administrative processes can greatly improve efficiency and coordination” (Respondent LM-2, 2024). Digital platforms and policy reforms could play a transformative role in simplifying procedures, automating repetitive tasks, and ensuring real-time monitoring of project activities.

The inefficiencies are further exacerbated by a lack of clear accountability frameworks and coordination mechanisms among implementing agencies. Delayed decision-making, often attributed to inter-ministerial conflicts and unclear mandates, frequently derails project timelines. For instance, overlapping responsibilities between the Planning Commission and executing ministries lead to protracted approval processes and resource allocation disputes (Respondent PC-1, 2024). Streamlining these processes requires not only technological integration but also institutional reforms to clarify roles and foster collaboration. Moreover, the rigidity in donor-driven project designs limits the ability to adapt administrative workflows to evolving project needs. Respondents noted that donor-imposed conditions often undermine the flexibility required to address contextual challenges effectively. This rigidity is particularly problematic in disaster-prone sectors,

where delays in resource mobilization can have devastating consequences. As one IMED respondent observed, “Simplifying administrative processes and ensuring alignment with national systems are essential to mitigate unnecessary delays and improve project outcomes” (Respondent IMED-1, 2024).

The integration of technology into administrative systems offers a promising pathway to overcome these inefficiencies. Digital platforms can streamline communication between stakeholders, enable transparent tracking of project milestones, and facilitate timely decision-making. However, technology alone is insufficient without concurrent capacity-building efforts. Many government officials lack the technical expertise to leverage digital tools effectively, highlighting the need for comprehensive training programs to enhance their proficiency (Respondent ERD-1, 2024). Additionally, reducing redundancies in project workflows through policy reforms could save time and resources. For example, decentralizing decision-making to local offices could empower regional actors to address issues more quickly, bypassing bureaucratic layers at the national level. This approach requires donors to align their reporting and monitoring requirements with local systems to minimize administrative burdens. A line ministry official emphasized, “Policy reforms must focus on reducing redundancies and decentralizing authority to enable faster, context-specific responses” (Respondent LM-1, 2024).

6.3.5 Donor Alignment and Flexibility

Aligning donor assistance with Bangladesh’s national development priorities and Sustainable Development Goals (SDGs) is essential for optimizing aid effectiveness, yet the prevailing donor-government dynamics often hinder this alignment. Rigid funding structures imposed by donors frequently constrain projects, limiting their ability to adapt to local contexts and emerging challenges. This inflexibility exacerbates delays, resource misallocation, and diminished project relevance, particularly in sectors like healthcare and climate resilience, where dynamic responses are crucial. Moreover, donor priorities

are often shaped by geopolitical interests rather than Bangladesh's development needs, further misaligning aid objectives. As a respondent from the Planning Commission observed, "Many donor-driven projects lack the flexibility to adjust their objectives and activities when unforeseen challenges arise" (Respondent PC-1, 2024).

Addressing these misalignments requires flexible funding mechanisms to enable timely adjustments during emergencies like natural disasters, where rapid resource reallocation is critical. However, without embedded flexibility, aid risks becoming more of a liability than an asset. Strengthened partnerships between donors and the government, facilitated through regular consultations and participatory planning processes, are also vital. Such mechanisms not only bridge gaps in project design but also foster mutual understanding, ensuring greater synergy between donor-funded and nationally funded initiatives. As an IMED respondent highlighted, "Regular consultations between donors and government agencies are essential for ensuring that projects address real needs and remain relevant" (Respondent IMED-2, 2024).

Furthermore, the power asymmetry in donor-recipient relationships perpetuates a top-down approach, leaving Bangladesh disadvantaged in negotiations due to limited expertise in global financial systems. Empowering local institutions with technical and legal expertise is imperative to rebalancing these partnerships. Transparency and accountability are equally crucial, as trust between donors and the government hinges on robust accountability frameworks. Mechanisms such as performance audits and public disclosure of project outcomes can mitigate mismanagement and corruption, as noted by a line ministry respondent: "Developing clear accountability frameworks can ensure that both donors and government agencies adhere to agreed-upon priorities" (Respondent LM-2, 2024). Overcoming these structural and operational barriers requires a concerted effort to recalibrate donor relationships, enabling aid to meaningfully contribute to Bangladesh's sustainable development.

6.4 Case Study: The Greater Dhaka Sustainable Urban Transport Project (BRT, Gazipur-Airport) Project.

The Greater Dhaka Sustainable Urban Transport Project (BRT, Gazipur-Airport), initiated by the Government of Bangladesh with financial support from the Asian Development Bank (ADB) and Agence Française de Développement (AFD), is a vital infrastructure initiative aimed at transforming urban mobility in one of the world's most congested cities. The project involves the construction of a 20.5 km Bus Rapid Transit (BRT) corridor from Gazipur to the Dhaka Hazrat Shahjalal International Airport, intended to alleviate some of the most pressing urban challenges in Dhaka, such as inadequate public transport, severe traffic congestion, road safety concerns, and growing environmental degradation. By introducing an efficient, environmentally friendly, and safer transport system, the BRT project seeks to improve the quality of life for millions of commuters and enhance the overall sustainability of the city's transport infrastructure.

Despite its ambitious goals and the potential benefits, it promises, the implementation of the BRT, Gazipur-Airport project has faced significant setbacks that have impeded its progress. Notably, the project has suffered from multiple delays and extensions of its timeline, which have severely impacted its ability to meet originally planned milestones. These delays, along with cost overruns, have prompted questions about the effectiveness of foreign aid and its utilization in such large-scale infrastructure projects.

Several critical factors have contributed to these challenges. These include coordination difficulties among the various stakeholders involved, including government agencies, donor organizations, and contractors, as well as bureaucratic inefficiencies and weak governance mechanisms within the project management framework. Despite the involvement of international donors, whose funding is intended to support the efficient delivery of the project, misaligned priorities, capacity constraints, and poor synchronization between different entities have hindered the project's implementation.

For instance, delays in decision-making, slow approval processes, and bureaucratic red tape have often stymied progress and led to cost escalations, further compounding the project's challenges.

This case study aims to explore the underlying reasons for the prolonged delays and to evaluate the broader implications of these challenges for the utilization of foreign aid in Bangladesh's infrastructure sector. Drawing on qualitative data obtained through interviews with key officials from the Economic Relations Division (ERD), the Implementation Monitoring and Evaluation Division (IMED), the Planning Commission (PC), the Roads and Highways Division (RHD), and the Project Office, this analysis employs thematic analysis to identify recurring themes and patterns related to the project's setbacks. These interviews reveal systemic issues such as coordination gaps, bureaucratic bottlenecks, governance weaknesses, and challenges in aligning donor expectations with local realities.

The findings from this case study will provide valuable insights into how these challenges can be addressed and offer recommendations for improving the effectiveness of foreign aid utilization in future infrastructure projects in Bangladesh. By analyzing the challenges faced in the BRT, Gazipur-Airport project, this case study seeks to contribute to a deeper understanding of the factors that affect foreign aid management and to suggest ways in which donor coordination, governance structures, and project management practices can be improved to achieve sustainable development goals more effectively. Ultimately, this study highlights the need for a more streamlined approach to project implementation, one that better integrates local and international stakeholders to ensure the successful delivery of essential infrastructure projects in Bangladesh.

6.4.1 Key Challenges

6.4.1.1 Lack of Coordination

A central challenge impacting the timely execution of the Greater Dhaka Sustainable Urban Transport Project (BRT, Gazipur-Airport) is the persistent lack of proper coordination among the diverse stakeholders involved. Key institutions such as the Roads and Highways Department (RHD), Bangladesh Bridge Authority (BBA), Local Government Engineering Department (LGED), Dhaka BRT Company Limited, as well as other governmental and non-governmental entities, have struggled to align their actions and collaborate effectively, resulting in significant delays and inefficiencies throughout the project's implementation process. This lack of synchronization is particularly problematic in large, complex projects where multiple agencies with overlapping responsibilities must work together to meet shared objectives.

The lack of coordination stems from several interconnected issues, including the absence of well-defined roles and responsibilities, weak communication channels, and institutional silos. One of the key issues identified through interviews is the absence of a clear and formal communication framework between critical stakeholders such as the Planning Commission (PC), the Economic Relations Division (ERD), and the various project offices. According to Respondent PC-1 (2025), the failure to establish a structured and transparent communication mechanism has led to prolonged decision-making delays, as important approvals and feedback often get stalled in the absence of effective coordination. When communication is ad-hoc and inconsistent, key decisions are either delayed or based on incomplete information, thus affecting the timely release of funds and the approval of project designs and timelines.

This communication gap between agencies has also led to repeated misalignments in project expectations and priorities. Respondent ERD-2 (2024) emphasizes how the lack of clear communication between the ERD and the RHD has often resulted in last-minute

changes to the project design. These design modifications, which are frequently introduced without sufficient prior consultation or analysis, complicate the approval process and delay work schedules. These sudden changes not only disrupt the project's timeline but also create a ripple effect, requiring re-evaluations and additional rounds of approvals from various stakeholders. For instance, design revisions related to the construction of road segments, station placements, and infrastructure integration have frequently caused significant delays in the construction process.

The delays resulting from these coordination challenges reflect broader systemic issues, including inefficiencies in the project management framework and a lack of accountability among stakeholders. This issue is exacerbated by the fact that each agency involved in the BRT project operates under different mandates, timelines, and institutional cultures, making it difficult to achieve consensus or align objectives across the board. For example, the RHD, which is primarily responsible for the construction of roads and highways, often focuses on technical and engineering aspects, while the Planning Commission and ERD are more concerned with budgetary allocations, donor relations, and policy frameworks. These differing priorities have, at times, led to friction and delays in decision-making, as one agency's progress is often contingent on the approval or action of another.

The inefficiencies resulting from poor coordination ultimately contribute to project delays and cost overruns, undermining the effective utilization of both domestic and foreign aid. As the Respondent PC-1 (2025) highlights, the failure to synchronize efforts has meant that the project is often delayed by bureaucratic bottlenecks and unaligned schedules between different stakeholders, leading to unnecessary extensions of the project timeline.

6.4.1.2 Bureaucratic Inefficiency

Bureaucratic inefficiencies within the administrative processes have significantly exacerbated the delays in approvals, clearance of funds, and the execution of key

components of the Greater Dhaka Sustainable Urban Transport Project (BRT, Gazipur-Airport). These inefficiencies are often cited as a central reason for the extended project timelines, leading to significant setbacks in the project's delivery. Bureaucratic red tape and slow-moving paperwork have been persistent obstacles in the project's implementation, resulting in frequent delays that undermine the timely utilization of foreign aid and ultimately burden the project with unnecessary extensions. The slow pace of bureaucratic processes has created an environment where critical decisions are stalled, even when immediate action is needed. According to Respondent IMED-1 (2025), the movement of paperwork within government offices is often sluggish, particularly when it comes to approvals for adjustments in project plans, procurement, and reallocating budgets. The Respondent highlighted that the multiple layers of bureaucracy involved in approving necessary changes or clearing financial allocations can take an unreasonable amount of time, often leading to unnecessary delays that add months to the overall timeline of the project. This slow-moving process is further compounded by the reluctance of bureaucratic officials to make timely decisions, particularly when those decisions may involve adjustments to long-standing plans or additional funding requests.

Such delays in the decision-making process create a ripple effect throughout the project, preventing the project office and implementing agencies from moving forward on time. For instance, construction and procurement activities often rely on fast approvals, but these are consistently delayed due to lengthy administrative procedures. As Respondent PO-1 (2024) further elucidates, this bureaucratic inefficiency is not confined solely to internal project operations; it also significantly hampers external processes like land acquisition and addressing environmental concerns. Securing land for construction and addressing environmental assessments are fundamental for the project's success. However, bureaucratic hurdles, including land ownership disputes, lack of clarity in land compensation procedures, and slow environmental clearance processes, have further delayed critical actions that are vital for project advancement. The consequences of these inefficiencies are not limited to delays alone but extend to the excessive extension of

project timelines without substantial progress. The lack of timely approvals means that the project cannot proceed as planned, resulting in extensions that often come with additional costs. These extensions burden both the project budget and the efficient utilization of the foreign aid allocated for its execution. The bureaucratic inefficiency also raises questions about the long-term sustainability and accountability of foreign-aid-funded projects in Bangladesh, as delays driven by bureaucratic inertia can erode the confidence of international donors and partners.

6.4.1.3 Weak Monitoring and Evaluation Systems

Another significant challenge that has impeded the effective execution of the BRT, Gazipur-Airport project is the lack of a robust Monitoring and Evaluation (M&E) system. The absence of a comprehensive M&E framework has led to inefficient tracking of project progress and has hindered the early identification of potential issues during the project lifecycle. As a result, corrective actions are often delayed, leading to reactive solutions rather than proactive management of risks and challenges. This issue is particularly problematic in large-scale infrastructure projects, where tracking milestones and evaluating performance are critical for maintaining momentum and ensuring that projects stay on course. The weak M&E systems have created a scenario where project milestones are often not assessed against the original timelines and targets. As highlighted by Respondent LM-1 (2025), the lack of a detailed and systematic framework for monitoring project performance means that delays are only identified when they have already had a substantial impact on the timeline and budget. This reactive approach to project management has led to extended timelines as the default solution to address delays, rather than addressing the root causes of the issues early on.

The absence of real-time tracking and transparent reporting mechanisms means that the project office is unable to adjust strategies or resources in a timely manner. The inability to assess whether the project is adhering to its planned schedules, or to quickly identify underperformance in certain areas, means that corrective actions are often postponed

until delays have become too severe to ignore. As a result, the project has had to rely on extensions as a means to address accumulated delays, which in turn leads to additional financial strain and inefficiencies in the use of foreign aid.

Furthermore, weak M&E systems undermine accountability within the project's implementation. If milestones are not effectively tracked, it becomes difficult to determine whether the project is delivering the intended outcomes within the allocated resources. This lack of accountability not only affects the project's success but also limits the transparency that is necessary for ensuring the effective utilization of foreign aid. As Respondent LM-1 (2025) points out, without a robust M&E system, the project lacks the early-warning mechanisms that are essential for timely intervention and for ensuring that corrective measures are applied before delays escalate further.

6.4.1.4 Limited Technical and Managerial Capacity

One of the significant challenges impacting the successful implementation of foreign-aided projects in Bangladesh, including the Greater Dhaka Sustainable Urban Transport Project (BRT, Gazipur-Airport), is the limited technical and managerial capacity within local agencies. While agencies such as the Roads and Highways Division (RHD) and the Dhaka BRT Company Limited (DBCL) play crucial roles in project execution, they often face constraints in terms of specialized expertise and the technical knowledge required to manage and oversee large-scale, complex infrastructure projects. These limitations in human resource capacity result in delays and inefficiencies, significantly affecting project timelines and overall execution.

Technical constraints are particularly evident in project components that require highly specialized skills, such as the procurement of articulated buses and the construction of elevated lanes. As noted by Respondent from IMED-2 (2024), these components are integral to the project but cannot be executed effectively without the required expertise in advanced transportation systems and civil engineering. The procurement process for

articulated buses, for instance, involves intricate logistics, international coordination, and compliance with both technical specifications and budget constraints. Similarly, the construction of elevated lanes demands expertise in designing and building complex structural elements, including safety measures and integration with existing infrastructure. The lack of experience and familiarity with such advanced tasks within local agencies has led to procurement delays, design revisions, and even the failure to meet technical standards, all of which contribute to project slowdowns.

These technical limitations are further compounded by the absence of a comprehensive training framework for local project teams. Respondent LM-2 (2025) highlights that local project teams often face delays in decision-making processes due to insufficient training in specialized project management tools and modern construction techniques. Without the appropriate technical training, staff members struggle to keep pace with evolving industry practices and international standards, making it more challenging to make informed, timely decisions. Furthermore, when technical expertise is lacking at key points in the project lifecycle, it can lead to inefficiencies in managing contractors, addressing design flaws, or responding to unforeseen issues during implementation.

The limited technical capacity within local agencies, therefore, not only hinders the timely execution of project components but also undermines the effective use of foreign aid. Inadequate expertise results in delays that stretch project timelines and lead to cost overruns, making it difficult for stakeholders to meet expected outcomes. Addressing these capacity constraints is crucial for the successful completion of such large-scale infrastructure projects. A potential solution would involve providing targeted capacity-building programs for local agencies, focusing on areas like advanced procurement management, technical design, and project oversight. Collaborations with international technical experts or consultancy firms could also help bridge the knowledge gap and ensure the project benefits from the best practices in the field.

6.4.1.5 Inadequate Research and Analysis Capabilities

Effective implementation of infrastructure projects, particularly those involving foreign aid, requires rigorous pre-implementation research, comprehensive feasibility studies, and thorough risk assessments. However, the BRT, Gazipur-Airport project suffered from several challenges stemming from inadequate research and analysis during the initial stages of the project. Issues such as unforeseen land acquisition challenges, traffic congestion in construction zones, and inaccurate environmental impact assessments were not fully anticipated, all of which have significantly contributed to project delays and complications during the execution phase.

One of the key shortcomings identified through the interviews is the insufficient foresight during the planning stages of the project. Respondent PO-2 (2024) points to the fact that the initial research did not adequately address critical issues such as land acquisition challenges and the impact of traffic congestion in construction zones. Land acquisition, which involves securing plots of land for construction, has been one of the most contentious aspects of the BRT project. The lack of a thorough pre-project study on land ownership disputes, compensation frameworks, and the socioeconomic impact on local communities has caused delays in acquiring necessary land and has required multiple rounds of negotiation and legal interventions. These delays in land acquisition not only disrupt construction schedules but also lead to cost overruns as additional resources and time are spent on resolving legal and compensation issues.

Similarly, the issue of traffic congestion in construction zones was not fully considered during the feasibility study. As highlighted by Respondent PO-2 (2024), traffic management during construction has become a major bottleneck. Since the BRT project is taking place in densely populated areas of Dhaka, the construction sites have exacerbated existing traffic congestion, leading to disruptions in the daily commute of thousands of residents. The inadequate planning for traffic flow and alternative transportation routes has had a cascading effect on the overall project schedule, as work

in certain areas has been slowed or halted due to traffic-related challenges.

The failure to conduct thorough and detailed risk assessments and environmental and social impact analyses before the commencement of the project has also led to unforeseen issues in the construction and operational phases. For example, environmental clearance processes were delayed due to insufficient baseline studies on local ecosystems, which resulted in additional environmental mitigation measures that were not originally planned for. Similarly, the social impact of the project on local communities, including displacement and changes to local economies, was not fully explored, leading to resistance and delays in implementing compensation and relocation schemes.

6.4.1.6 Weak Governance and Accountability Weak Governance and Accountability

Weak governance structures and the lack of effective accountability mechanisms are central to the delays and inefficiencies that plague the implementation of large-scale infrastructure projects in Bangladesh, including the Greater Dhaka Sustainable Urban Transport Project (BRT, Gazipur-Airport). In many cases, the absence of clear responsibility for meeting project deadlines and ensuring the completion of key project phases has led to significant bottlenecks in decision-making and execution. When milestones are missed, there is often no clear accountability for those responsible, which further exacerbates delays and undermines the project's progress.

The lack of oversight and accountability is a recurring theme in the interviews, with officials noting that governance mechanisms are often circumvented, and there are few consequences for failing to meet project deadlines. Respondent ERD-1 (2025) pointed out that there is a tendency for stakeholders to bypass oversight mechanisms, particularly in instances where deadlines are approaching. This lack of enforcement in holding stakeholders accountable allows delays to persist without serious repercussions, and contributes to a culture where project milestones are frequently missed without

meaningful consequences. Without a strong mechanism for monitoring and addressing delays, there is little incentive for agencies to prioritize and meet project deadlines, which results in continued inefficiencies.

The absence of clear accountability structures leads to a situation where certain officials fail to take ownership of the project's progress. According to Respondent PC-2 (2024), inadequate accountability leads to a lack of ownership, with officials not prioritizing the BRT project as much as they should. This lack of prioritization is particularly evident in areas where timely decisions or approvals are required for the project to move forward. When officials are not held accountable for delays or failures, they are less likely to take proactive steps to resolve issues, often pushing the responsibility to others, thereby allowing delays to accumulate over time.

This issue of weak governance and accountability has broader implications for the use of foreign aid. When stakeholders within the project's management structure are not held accountable, foreign aid resources are not used efficiently, and the project faces avoidable delays and cost overruns. The absence of a clear and enforceable accountability framework also affects the project's transparency, as stakeholders may lack the incentives to properly report on progress or challenges. This lack of transparency makes it difficult for both domestic and international stakeholders to monitor the project's success, further exacerbating issues related to donor coordination and project alignment.

6.4.1.7 Development Partners' Agendas and Lack of Synchronization

Another significant challenge in the BRT project's implementation has been the differing agendas of the development partners, particularly the Asian Development Bank (ADB) and Agence Française de Développement (AFD). These development partners often have conflicting priorities, which have resulted in disagreements over project timelines and deliverables. Moreover, a misalignment between donor goals and local needs has made it difficult to meet project milestones within the initially agreed timelines. The lack of

synchronization between these agendas has led to friction, delays, and compromises on key aspects of the project.

The differing agendas of international donors and local priorities have created tension and hindered the project's progress. Respondent PO-2 (2024) explains that while ADB has placed significant emphasis on achieving environmental and sustainability goals, local authorities have often prioritized the immediate infrastructure needs of the city. This discrepancy in priorities has resulted in conflicting objectives, particularly in the selection of project deliverables. For example, the ADB's focus on promoting eco-friendly solutions, such as reducing carbon emissions and implementing green infrastructure, has at times clashed with the local government's immediate need for operational and functional infrastructure to address Dhaka's severe traffic congestion and public transport deficits. As a result, decisions have been delayed or compromised, as local authorities prioritize short-term infrastructure fixes over long-term sustainability measures.

The environmental and social sustainability goals championed by the ADB are undoubtedly important, especially for a city like Dhaka, which faces significant air pollution and environmental degradation. However, as Respondent PO-2 (2024) points out, this focus has at times stalled crucial infrastructure components due to the extensive planning and assessments required to meet these sustainability targets. On the other hand, local authorities, dealing with pressing urban transportation challenges, often feel compelled to implement more immediate solutions that do not necessarily align with the ADB's vision for a long-term, sustainable transport system. This misalignment has caused delays in project components such as the development of green spaces, environmental impact assessments, and the adoption of more sustainable construction methods, all of which are essential for the project's success.

In addition, Respondent IMED-2 (2024) sheds light on another key issue: the donors' expectations regarding governance reforms and technology adoption. Both the ADB and

AFD have pushed for ambitious governance reforms and the adoption of advanced technologies in the project, including digital systems for monitoring and evaluation and the use of state-of-the-art public transport technologies. While these goals are admirable, IMED-2 (2024) argues that they have sometimes been too ambitious given the local capacity and resources available. For example, the adoption of advanced technologies such as intelligent traffic management systems and electric buses has been slow due to both the high cost and the lack of local technical expertise to maintain these systems. The local agencies, including the Roads and Highways Division (RHD) and Dhaka BRT Company Limited, have struggled to implement these sophisticated systems effectively, leading to further delays and tensions with donors.

This disconnect between donor expectations and local realities is symptomatic of the challenges faced by many foreign-aid-funded projects in Bangladesh. In cases where donor priorities do not align with local needs and capacities, projects risk facing delays, cost overruns, and ineffective implementation. To mitigate this, future projects could benefit from closer alignment between donor objectives and local capabilities through more flexible frameworks that allow for gradual implementation of governance reforms and technology upgrades. A collaborative approach, where both the donors and local agencies discuss and agree on realistic timelines, project objectives, and capacity-building strategies, could help alleviate these tensions and ensure that the project meets its long-term sustainability goals while also addressing immediate urban transport needs.

6.4.2 Recommendations to Overcome the Challenges

The Greater Dhaka Sustainable Urban Transport Project (BRT, Gazipur-Airport) has faced significant delays, cost overruns, and inefficiencies due to poor stakeholder coordination, bureaucratic inefficiencies, weak governance, and limited local capacity. Challenges such as unclear communication among stakeholders, slow approval processes, and lack of effective monitoring have hindered project progress. To address these issues, it is

recommended to establish formal coordination mechanisms, streamline bureaucratic processes with digital solutions, and set up a dedicated monitoring and evaluation unit to track progress. Furthermore, enhancing local capacity through targeted training, conducting comprehensive research and risk assessments before project initiation, and strengthening governance and accountability mechanisms are essential for improving project execution. Additionally, aligning donor agendas with local priorities is crucial for minimizing friction and ensuring that both immediate infrastructure needs and long-term sustainability goals are met. These measures aim to improve the efficiency and success of future infrastructure projects in Bangladesh.

6.5 Conclusion

Addressing the challenges in foreign aid management in Bangladesh requires a comprehensive, multi-pronged approach that emphasizes systemic reform, strategic alignment, and capacity building. The findings from the Greater Dhaka Sustainable Urban Transport Project (BRT, Gazipur-Airport) case study, alongside primary and secondary data, strengthen this understanding by underscoring the systemic issues that plague foreign-aided infrastructure projects, such as poor stakeholder coordination, bureaucratic inefficiencies, weak monitoring and evaluation (M&E) systems, and insufficient pre-project research. These challenges resonate across the board, revealing broader institutional weaknesses that hinder the effective utilization of foreign aid.

The case study highlights the urgent need for better coordination among stakeholders. The lack of structured communication, unclear roles, and irregular meetings among key agencies have contributed to delays and inefficiencies. Strengthening coordination through formal mechanisms, such as a joint task force, would align stakeholders and ensure timely decision-making, thereby reducing confusion and missed deadlines. Similarly, bureaucratic inefficiencies, including slow approvals, excessive paperwork, and unclear timelines, have been key barriers to the BRT project's progress. Streamlining

these processes through digital platforms, clear approval timelines, and automation would reduce bottlenecks, speed up decision-making, and improve overall project execution.

The findings also emphasize the importance of robust M&E systems. Without a dedicated M&E unit, project deviations have gone unnoticed until they caused significant delays. A real-time monitoring framework would allow for early identification of challenges, prompt corrective actions, and improved accountability, ultimately enhancing the project's efficiency. In addition, the limited technical and managerial capacity within local agencies has contributed to delays. The study confirms the need for targeted training and international collaboration to build local capacity, ensuring agencies are equipped to handle complex infrastructure projects and effectively manage foreign aid.

Moreover, the misalignment between donor priorities and local realities has exacerbated delays, as the BRT project illustrates. To overcome this, aligning donor goals with national priorities and establishing mutually agreed-upon timelines and deliverables will create a more cohesive project environment. Flexibility in accommodating local realities while meeting donor expectations is crucial to minimizing friction and ensuring the project's success.

In conclusion, the analysis of the BRT project and the broader findings of the study highlight that addressing the systemic challenges in foreign aid management—through improved coordination, streamlined bureaucratic processes, stronger M&E frameworks, capacity building, and better alignment of donor and national priorities—will significantly enhance the effectiveness of foreign aid in infrastructure development in Bangladesh. By implementing these reforms, Bangladesh can improve the execution of future projects, ensuring timely and successful outcomes. These lessons, drawn from both the case study and the broader analysis, offer a roadmap to maximize the impact of foreign aid and drive sustainable development, positioning it as a powerful catalyst for achieving Bangladesh's Sustainable Development Goals (SDGs).

Chapter 7: Conclusion

This study assesses Bangladesh's institutional frameworks for managing foreign aid, identifying key strengths and limitations in allocation, execution, and oversight. To improve efficiency and effectiveness, targeted reforms and capacity-building initiatives are crucial, ensuring that aid utilization aligns with national development goals and international best practices. This research has critically examined the role of foreign aid in shaping Bangladesh's development trajectory, highlighting both its potential benefits and inherent limitations. While foreign aid has undeniably supported economic recovery, infrastructure development, and poverty reduction, its long-term effectiveness remains constrained by deep-seated institutional inefficiencies, governance deficits, and donor-driven priorities that do not always align with national objectives. The findings underscore how bureaucratic inertia, lack of transparency, and poor coordination among government agencies and donors significantly hinder aid utilization, leading to project delays, cost overruns, and diminished developmental impact.

At a broader level, this study raises fundamental concerns regarding the structural dependency that foreign aid perpetuates. Bangladesh's reliance on aid not only affects its fiscal sovereignty but also influences its policy decisions in ways that may not always align with long-term national interests. The persistence of donor influence in development agenda-setting suggests that Bangladesh's trajectory is often externally dictated, limiting its ability to craft independent, context-specific strategies. Moreover, the prioritization of short-term, donor-driven outputs over long-term, transformative development reinforces a cycle where Bangladesh remains heavily reliant on external financing rather than cultivating sustainable domestic economic mechanisms. This dynamic necessitates a critical reassessment: is Bangladesh genuinely leveraging aid as a tool for national development, or has it become entrapped in a cycle of perpetual dependency?

The theoretical framework of this study, built upon Institutional Theory and Contingency Theory, has played a pivotal role in shaping the research's analytical approach.

Institutional Theory helps explain how deeply embedded governance structures, bureaucratic inefficiencies, and political interests shape the aid management framework in Bangladesh. It highlights the persistence of institutional inertia, where inefficient practices continue due to established norms and vested interests, making meaningful reform difficult. Contingency Theory, on the other hand, underscores the need for aid strategies to be adaptable and contextually relevant rather than externally imposed. This perspective reveals the misalignment between donor-driven priorities and local governance realities, explaining why aid programs often fail to produce sustainable outcomes.

These theoretical lenses guided the qualitative research methodology employed in this study. The research is based on expert interviews with key stakeholders, including policymakers, government officials, development practitioners, and academics, providing in-depth insights into the complexities of aid management. Additionally, the study conducts a rigorous analysis of secondary data derived from government reports, journal articles, and newspaper reports, allowing for a comprehensive understanding of the challenges surrounding aid effectiveness. By triangulating these data sources, the study presents a robust examination of the intricate political economy of foreign aid in Bangladesh.

A significant contribution of this research is its case study analysis of the Greater Dhaka Sustainable Urban Transport Project (BRT, Gazipur–Airport), funded by the Asian Development Bank (ADB). This case study serves as an empirical demonstration of the systemic challenges within Bangladesh’s aid management framework. The project, initially envisioned as a critical infrastructure initiative to enhance urban mobility, has been marred by bureaucratic delays, cost overruns, and coordination failures between government agencies and donor institutions. The case study illustrates how institutional weaknesses, coupled with rigid donor conditionalities, have led to inefficiencies in project implementation, reinforcing the broader arguments made throughout this thesis.

Moreover, the contradictions embedded within Bangladesh's governance structures further complicate aid effectiveness. While the government persistently advocates for increased financial assistance to meet its developmental goals, there is little demonstrable commitment to comprehensive institutional reforms that would ensure aid is efficiently utilized. This paradox underscores not only bureaucratic stagnation but also the political economy of aid, where both domestic and international actors have vested interests in maintaining the status quo. Domestically, aid flows often serve as instruments of political patronage, allowing ruling elites to consolidate power without necessarily addressing structural inefficiencies. Internationally, donor agencies and lending institutions continue to push aid programs that often come with conditionalities favoring their own strategic and economic interests rather than Bangladesh's long-term development needs.

Given these complexities, this study argues that Bangladesh must adopt a fundamentally different approach to aid management that shifts the focus from dependency to strategic self-reliance. Without such a paradigm shift, Bangladesh risks perpetuating a model of externally driven, fiscally unsustainable, and structurally flawed development. The critical question, therefore, is not merely whether foreign aid is necessary, but rather how Bangladesh can reclaim agency over its development agenda while remaining an active participant in the global aid architecture. Achieving this balance will be crucial in determining whether aid serves as a genuine catalyst for economic resilience and self-sufficiency or remains a mechanism that reinforces chronic dependence. Ultimately, this research highlights the urgency of breaking away from the entrenched patterns of foreign aid management and moving towards a development strategy that is both self-determined and institutionally robust. To optimize Bangladesh's aid management, this study recommends strengthening institutional capacity, enhancing transparency and accountability, and improving stakeholder coordination. Policy reforms, locally driven development, and technology adoption are crucial for efficiency. Additionally, diversifying aid sources will ensure sustainable financing, aligning foreign assistance with national development priorities.

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Annexure



NORTH SOUTH UNIVERSITY
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(IRB/ERC)

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Memorandum
2024/OR-NSU/IRB/1013

Date: 24 October 2024

To: Afrina Islam
Student
Department of SIPG

Dr. Rizwan Khair [Supervisor]
Associate Professor
Department of SIPG

From: Dr. Dipak Kumar Mitra
Chairman
NSU Institutional Review Board/ Ethics Review Committee

Subject: Approval of Research Protocol #2024/OR-NSU/IRB/1013


27 OCT 2024
Chairman
NSU Institutional Review Board/
Ethics Review Committee (IRB/ERC)

Dear Afrina Islam,

Thank you for your application requesting for approval of your research protocol #2024/OR-NSU/IRB/1013, titled "Challenges and Successes in Foreign Aid Utilization: A Comparative Study of Project Implementation in Bangladesh". I am glad to inform you that the committee has approved your research protocol. You will be required to observe the following terms and conditions in implementing the research protocol:

1. As principal investigator, the ultimate responsibility for scientific and ethical conduct including the protection of the rights and welfare of study participants vest upon you. You shall also be responsible for ensuring competence, integrity, and ethical conduct of other investigators and staff directly involved in the research protocol.
2. You shall conduct the activity in accordance with the IRB-approved protocol and shall fully comply with any subsequent determinations by IRB.
3. You shall obtain prior approval from the IRB for any modification in the approved research protocol and/or approved consent form(s), except in case of emergency to safeguard/eliminate apparent immediate hazards to study participants. Such changes must immediately be reported to the IRB Chairman.
4. You shall recruit/enroll participants for the study strictly adhering to the criteria mentioned in the approved research protocol.
5. You shall obtain legally effective informed consent (i.e. consent should be free from coercion or undue influence) from the selected study participants or their legally responsible representative, as approved in the protocol, using the approved consent forms prior to their enrollment in the study. Before obtaining consent, all prospective study participants must be adequately informed about the purpose(s) of the study, its methods and procedures, and also what would be done if they agree and



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also if they do not agree to participate in the study. They must be informed that their participation in the study is voluntary and that they can withdraw their participation any time without prejudice. Used consent form should be preserved for a period of at least three years following official termination of the study.

6. You shall promptly report the occurrence of any Adverse Event or Serious Adverse Event or unanticipated problems of potential risk to the study participants or others to the ERC in writing within 24 hours of such occurrences.
7. Any significant new findings, developing during the course of this study that might affect the risks and benefits and thus influence either participation in the study or continuation of participation should be reported in writing to the participants and the IRB.
8. Data and/or samples should be collected, as specified in the IRB-approved protocol, and confidentiality must be maintained. Data/samples must be protected by reasonable security, safeguarding against risks as their loss or unauthorized access, destruction, used by others, and modification or disclosure of data. Data/samples should not be disclosed, made available to or use for purposes other than those specified in the protocol, and shall be preserved for a period, as specified under NSU policy/practices.
9. You shall promptly and fully comply with the decision of IRB to suspend or withdraw its approval for the research protocol.
10. You shall report progress of research to the IRB on annual basis.

I wish you success in running the above-mentioned study.

cc: 1. Recording Secretary, NSU IRB/ERC

Questionnaire for Government Official

(Only for Academic Purpose)

Name:

Mobile/Email:

Designation:

Organization:

Thesis Title: Challenges and Successes in Foreign Aid Utilization: A Comparative Study of Project Implementation in Bangladesh.

Interview Questions:

1. What are the major challenges faced by your organization or other key institutions to manage foreign aid?
2. From your perspective, what are the key success factors that determine whether a foreign aid project in Bangladesh is successful?
3. In your opinion, do the key government institutions have adequate capacity (technical, administrative, financial) to effectively implement foreign aid projects?
4. How important is project design and pre-implementation planning in ensuring the success of aid projects?
5. To what extent do governance issues (e.g., corruption, lack of accountability) impede the effective utilization of foreign aid in Bangladesh?
6. What are the key bureaucratic inefficiencies that hinder the efficient execution of foreign aid projects?
7. How effective is the coordination among government ministries, agencies, and donors in the management of foreign aid? What are the primary challenges in this regard?

8. How well do administrative structures facilitate or create problems in coordination between donor-funded initiatives and national agencies? What are the areas for improvement?
9. What specific improvements can be made to governance structures to ensure better management and transparency of foreign aid projects?
10. How can administrative capacities of government institutions be strengthened to better implement foreign aid initiatives?
11. What suggestions would you provide to international donors to help improve the effectiveness of aid projects in Bangladesh?
12. Is there anything else you would like to add on how to ensure effective utilization of foreign aid in Bangladesh?