

Does Development Aid Work? Improving Aid Effectiveness in International Development Cooperation Efforts

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Abstract: *While development aid has long been recognized as an important instrument for socio-economic development of the developing countries, there is a growing debate about its effectiveness in the academic world taking into account its contentious performance in international development cooperation efforts. Hence, the paper attempts to examine the role of development aid to achieve its intended development outcomes and look at present discourse on aid effectiveness. The paper also seeks to provide some policy implications as to how aid effectiveness can be improved. The study is mainly qualitative in nature involving document analysis method, and qualitative interviews with a total of 12 concerned officials from Korea and Bangladesh dealing with Korea's ODA programs. The paper suggests that whereas development aid has worldwide mixed development outcomes, it may work better, if both the partner countries – developed and developing – follow the core values of the partnership-based approach and exercise the practices of good governance in development cooperation. Moreover, building absorptive capacity and supportive government's policy to utilize TC programs are pivotal to improve aid effectiveness.*

Keywords: *Development Aid, ODA, Ownership, Alignment, Partnership-based Approach, Good Governance Practices, Absorptive Capacity*

Introduction

Foreign aid, often regarded as development aid, is an integral part of international development cooperation efforts. It encompasses all official grants and concessional loans, in currency or in kind, that are broadly aimed at transferring resources from developed to less developed nations on development grounds (Todaro and Smith, 2008). It has received enormous attention in the world since the implementation of European Recovery Program, the Marshall Plan, following the Second World War. Marshall Plan served as a keystone for development aids. Since the Marshall Plan has been regarded as a model of successful aid and development cooperation efforts, its success has helped to motivate the United States and other developed countries to provide LDCs with

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development aid. However, in course of time, there have been changes in the objectives and patterns of aid. Presently it has become an important area in the overall policy for global development. Today, the main objective of development aid is to promote economic and social development of the developing countries (Riddell, 2007). However, development aid provided by the Development Assistance Committee or DAC member-countries of the Organization for Economic Cooperation and Development (OECD) to the developing world is commonly known as official development assistance, namely ODA which has received growing attention from the international community so as to promote economic development and welfare of the developing countries. The OECD's DAC is the key forum in which the major bilateral donors work together to coordinate development cooperation and to increase the effectiveness of their efforts to support sustainable development. As Sengupta (2002) put forward that ODA becomes one of the most effective methods of promoting development in low income countries, because their financial institutions are weak, physical infrastructures are underdeveloped. Moreover, since market prices often fail to give the right signals, and resources are immobile, market failures are endemic in low income countries.

Thus, development aid is always targeted to contribute to the economic and social development, reduce human poverty, and mitigate human sufferings of the developing countries. It can take many forms, including financial and technical assistance as well as emergency aid. It involves an increasing variety of institutional actors such as governments, international organizations, non-governmental groups and private foundations (United Nations-NGLS, 2008). Development aid is usually provided by the developed or industrialized countries through their bilateral institutions such as USAID, JICA, KOICA, CIDA, DANIDA, NORAD, and so on. It is also channelled through several multilateral development organizations including IDA (World Bank), ADB, IMF, and such bodies of the United Nations as UNDP, UNICEF, UNESCO, ILO, WHO, and so on. Most of the forms of development aid come from the member-states of the DAC and European Union (EU). Hence, development aid is channelled through a number of bilateral and multilateral organizations and the UN bodies which are committed to promote economic development and welfare of the poor countries through their development interventions.

While various developed nations and multilateral organizations are playing a pivotal role to support the developing countries to achieve economic growth and sustainable development, there is a growing debate in the academic world as to the effectiveness of their aid in different issues of development (Boone, 1996; Burnside and Dollar, 1998; Kanbur, 2000; Alesina and Dollar 2000; Fukuda-Parr, Lopez and Malik, 2002; Nakamura and McPherson, 2005; Chirino and Melian, 2006; Herfkains and Bains, 2008; Kindornay and Morton, 2009; Siddiky, 2013, 2014). As such, the paper aims to illustrate the holistic picture as to the effectiveness of aid taking into account a variety of areas of development interventions so that proper policy could be formulated. Given the significance of the effectiveness of aid in international arena, this paper also attempts to examine how aid effectiveness could be improved. Therefore, the present paper seeks to investigate the following queries:

- a) What is the role or effectiveness of development aid in developing countries taking into consideration diverse issues of development interventions across the world?
- b) What is the present discourse on aid effectiveness in the world?
- c) What policies should be taken to improve aid effectiveness in the developing countries?

Methodology of the Study

The study is a qualitative study in nature. The study employed document analysis method as well as interview method. Both the secondary and primary types of data were used in the study. The secondary data for this study were generated through examining a variety of secondary sources such as relevant books, research papers, journal articles, and other related publications. However, to gather primary data, some qualitative interviews were carried out. The qualitative interviews involved face to face conversations with a total of 12 officials purposively selected from concerned government bodies of Korea and Bangladesh. Of a total of twelve respondents, six (06) officials were selected from the Korea International Cooperation Agency, namely KOICA, Ministry of Foreign Affairs and Trade (MOFAT), Korea and the rest six (06) were selected from the Economic Relations Division (ERD) of the Ministry of Finance, Bangladesh responsible for mobilizing external resources for socio-economic development of Bangladesh. The respondents were interviewed in-depth as to how development aid or ODA can be effective in the light of their experience to deal with Korea's ODA to Bangladesh. The primary data were analyzed and interpreted through deeper understanding of underlying concepts, contexts, and reasoning. Finally the study attempts to theorize aid effectiveness on the basis of finding connection among underlying concepts or themes derived from the interviews.

Characteristics and Forms of ODA

ODA consists of grants and concessional loans provided by the DAC member countries of the OECD for the socio-economic development of the countries and territories as listed by the DAC as ODA recipients. The transfers from the OECD donor countries to developing countries or multilateral institutions must meet three requirements to be considered as ODA are as follows:

- a) they are undertaken by the official sectors;
- b) the main objective is the promotion of economic development and welfare;
- c) they are provided on concessional financial terms (if a loan having a grant element of at least 25%. In addition to financial flows, technical cooperation is included in aid. Grants, loans and credits for military purposes are excluded (Degnbol-Martin and Engberg-Pederson, 2003; OECD, 2006a).

ECOSOC (2008, 2009) put forward that the types of flows classified as being ODA include program and project assistance, humanitarian assistance, debt relief, costs of education provided to developing country nationals, in the donor country, administrative costs of ODA programs, subsidies to NGOs, and so on. ODA can also include technical assistance (TA) or technical cooperation (TC) programs in the form of transfer of knowledge, skills and advice to the developing countries. However, ODA involves two kinds of assistance in terms of its channel – bilateral aid and multilateral aid. If aid

is given directly by the DAC member-countries through their official aid agencies, it is said to be bilateral aid or bilateral assistances. As Riddell (2007) states that ODA is said to be bilateral when it is provided directly by governments, through their official aid agencies, to an aid recipient country. About three-quarters of ODA consist of bilateral aid. In contrast, if aid is given by multilateral or international agencies active in development, it is called multilateral aid or multilateral assistance.

Table 1: The DAC's Allocation of ODA and ODA/GNI Ratio in 2015

SL #	Country	ODA USD (in Millions)	ODA/GNI Ratio (%)
01	Iceland	39	0.24
02	Slovenia	62	0.15
03	Slovak Republic	86	0.10
04	Czech Republic	202	0.12
05	Greece	282	0.14
06	Portugal	306	0.16
07	Luxemburg	361	0.93
08	Poland	442	0.10
09	New Zealand	438	0.27
10	Ireland	718	0.36
11	Austria	1207	0.32
12	Finland	1292	0.56
13	Spain	1604	0.13
14	Belgium	1894	0.42
15	Korea	1911	0.14
16	Denmark	2566	0.85
17	Switzerland	3538	0.52
18	Italy	3844	0.21
19	Canada	4287	0.28
20	Australia	3222	0.27
21	Norway	4278	1.05
22	Netherlands	5813	0.76
23	Sweden	7092	1.40
24	Japan	9320	0.22
25	France	9226	0.37
26	Germany	17779	0.52
27	United Kingdom (UK)	18700	0.71
28	United States	31076	0.17

Source: <https://www.oecd.org/dac/stats/ODA-2015-detailed-summary.pdf>

The **Table 1** illustrated above shows the allocation of ODA from the OECD's DAC member-countries in 2015, which is expressed in terms of USD in millions and ODI/GNI ratio. As can be noticed from the table that the United States allocated the highest amount of ODA of USD 31076 million with ODA/GNI

ratio of 0.17%, followed by United Kingdom (USD 18700 million with GNI/ODA ratio of 0.71%), Germany (USD 17779 million with ODA/GNI of 0.52%), Japan (USD 9320 million with ODA/GNI ratio of 0.22%), and France (USD 9226 million with ODA/GNI ratio of 0.37%). However, out of world's top five ODA donor countries, four could not meet the UN target of 0.7% of ODA/GNI ratio including USA and Japan. The table shows that only 6 member countries of the OCED's DAC met the UN target of 0.7% of GNI. These countries were: Sweden, Norway, Netherlands, Luxembourg, UK, and Denmark. It is noteworthy to state that most of the countries that met the UN target of 0.7% of GNI were Scandinavian countries. In 2015, the DAC member countries allocated a total of USD 131586 million ODA with an average ODA/GNI ratio of 0.41% which lags behind the UN target of 0.7% of GNI.

Aid Effectiveness Literature

Development is a broad and multidimensional concept as it takes into account a wide range of areas or issues to be addressed. As noted earlier, a number of bilateral and multilateral organizations are providing their development aid to the developing countries to support them in their economic and social progress. They are also striving for building human, institutional and governance capacities in the developing countries where the LDCs have been given special attention. However, there are shortages of literature that can reflect the holistic picture on aid effectiveness. As such, the paper attempts to examine carefully various aid effectiveness literatures involving a variety of issues. Aid effectiveness literature can be presented briefly in terms of following notions:

Economic growth and aid effectiveness

A number of economists, scholars and researchers have devoted themselves to look into the effectiveness of aid, especially to investigate the effect of aid on raising economic growth of the developing countries. However, they have differed from each other in terms of their findings. Boone (1996) held that aid has not significantly contributed to economic growth in the developing countries. According to the World Bank (1998), aid works best when local governments practice 'good management' of social, political and economic institutions. World Bank (1998) also suggested that aid can be effective in raising growth but only in a good policy environment. Burnside and Dollar (2000) reported that aid has a positive impact on growth in developing countries with good fiscal, monetary, and trade policies but has little effect in the presence of poor policies. Good policies are ones that are themselves important for growth. The quality of policy has only a small impact on the allocation of aid. They suggested that aid would be more effective if it were more systematically conditioned on good policy. Gunning (2000) also proposed that aid is effective only in good policy environments.

However, Hansen and Tarp (2000) observed that aid has significant effect on growth. They examined the relationship between foreign aid and growth in real GDP per capita. They found that aid in all likelihood increases growth and this result is not conditional on 'good' policy. In the context of some developing countries, Alesina and Dollar (2000) found that aid has been partially successful in promoting growth and reducing poverty. One reason for this is the poor performance of the bureaucracies of receiving countries. The allocation of bilateral aid across recipient countries provides evidence as to why it is not more effective in promoting growth and poverty reduction. Ovaska (2003),

on the other hand, put forward that there is negative correlation between development aid and economic growth. He found that a 1 percent increase in aid as a percentage of GDP decreased annual real GDP per capita growth by 3.65 percent. Moreover, Ovaska (2003) pointed out that aid given to countries with a better quality of governance was not found to improve the effectiveness of aid, in contrast to the statement made by Burnside and Dollar (2000). Degnbol-Martin and Engberg-Pederson (2003, p. 239) pointed out that aid has not promoted economic growth and development in recipient countries. Aid has replaced or reduced domestic savings and investments instead of supplementing and promoting them. Rajan and Subramanian (2005) suggested that aid inflows do have systematic adverse effects on growth, wages, and employment in labor intensive and export sectors.

Conversely, in the contexts of six countries, Botswana, Ethiopia, India, Sri-Lanka, Kenya and Tanzania, Hatemi-J and Irandoust (2005) reported that Swedish aid had a positive significant impact on their the economic activity (real economic growth). Reddy and Minoiu (2006) found that official development assistance promoted economic growth in the long run. In a study carried out by Togo and Wada (2008), ODA was found to be effective on economic growth in the perspective of Botswana. Inanga and Mandah (2008) pointed out that aid could generate economic growth if it is effectively utilized in stable macroeconomic environment. Khan (2008) found that financially aid works in a good policy environment. Minoiu and Reddy (2009) found that development aid promotes long-run growth. The effect is significant, large and robust to different specifications and estimation techniques.

Poverty reduction, human development and aid effectiveness

Poverty reduction and human development have long been recognized as the key concerns for development interventions in most of the developing countries. These issues have received increasing attention from the developed countries, in particular, the OECD's DAC member countries, a number of multilateral organizations and the UN bodies and thus have been central to their aid allocations to the developing countries. Given their significance in socio-economic development, these issues are regarded as the core objectives of development aid on the part of both donors and recipient countries. However, there is no consensus among the researchers regarding the effectiveness of development aid on poverty reduction and human development.

Boone (1996) argued that aid has not benefited the poor as measured by improvements in human development indicators. Burnside and Dollar (1998) argued that in developing countries with weak economic management, there is no relationship between aid and the change in infant mortality while there is a relationship between aid and the change in infant mortality in the cases where a recipient country exercises good economic management. Thus, aid could reduce infant mortality under good economic management. However, Collier and Dollar (1999) pointed out that aid is effective in lifting around 30 million people annually sustainably out of absolute poverty. With a poverty-efficient allocation, this would increase to around 80 million people. The role of ODA had been investigated by

the DANIDA whether it was playing an effective role in reducing poverty or not. The DANIDA conducted an evaluation study in 1995-96 in some developing countries with regard to the effects of its bilateral development assistance in reducing poverty. The DANIDA found that there is a positive relation between Danish bilateral development assistance's contribution to improving poor people's access to resources, services, employment and other development opportunities, as well as their knowledge and ability to improve their livelihoods while it has pointed out that aid has not been sufficiently goal oriented in relation to poverty reduction (as cited in Degnbol-Martin and Engberg-Pederson, 2003, p. 261). In the context of Papua New Guinea, Feeny (2003) found that the allocation of foreign aid by sector has positive impact on reducing poverty and increasing human well-being.

World Vision (2006) suggested that aid has been often effective in reducing suffering and assisting development. Aid has played an important role in improving the health of children and adults in the poorer countries and has contributed to improved education, literacy and the advancement of human rights, peace and better governance in many developing nations. However, based on their panel study of 49 developing countries including Sub-Saharan Africa, Nakamura and McPherson (2005) proposed that aid has no significant effect in reducing poverty. Chirino and Melian (2006) found that ODA is not effective in reducing poverty, on the ground that it does not enable developing countries to overcome their poverty. They observed that the rate of school attendance does not rise and that of infant mortality does not fall. With regard to the role of ODA in human development in Sub-Saharan Africa, Akinkugbe and Yinusa (2009), on the other hand, pointed out that ODA has resulted in sustained increased in human development in Sub-Saharan Africa. Hence, aid has mixed impacts to reduce poverty and promote human development worldwide.

Dependence, governance and the role of aid

Aid has been criticized to create a situation of dependence in developing countries. The more a country receives aid, the more it is likely to be dependent on aid. Aid dependence has been defined as a situation in which a country cannot perform many of the core functions of government, such as operation and maintenance, or the delivery of basic public services, without foreign aid funding and expertise (Brautigam, 2000). Azam, Devarajan and O'Connell (1999) pointed out that if foreign aid undermines institutional development, aid recipients can experience the symptoms of "dependence" – a short run benefit from aid while increasing the need for aid that will damage in the long run. Most of the developing countries are more or less affected by aid dependence and they cannot come out of it. As Brautigam (2000) pointed out that the growing amount of official debt in poor countries creates the need for continued aid. When aid intensity continues over a long period of time, it can create aid dependence in the developing countries and thereby impact their governance and economy. Aid can distort political accountability, weakens government ownership of reforms. The way in which international aid system operates tends to reinforce the lack of ownership by aid dependent countries. When local institutions are weak, donors tend to take over. Mali is a classic example from African countries where aid dependence reduced the incentives for bureaucrats to cooperate with efforts to reform weak and corrupt governments (Brautigam, 2000). Azam, Devarajan and Connel (1999)

argued that where institutions are already weak, institutional capacity collapses, and foreign aid eventually finances the entire public budget. When they are initially stronger, the result can close to institutions-sensitive equilibrium.

Aid and corruption

Aid has been criticized to be associated with raising corruption in developing countries while there is a disagreement regarding the notion. The countries that are aid dependent generally tend to have worse rankings on corruption and institutional quality indices than developing countries that are not (as cited in Brautigam, 2000, p. 41). Considering the case of Mozambique, Hanlon (2004) put forward that the donors promote corruption as donors are more likely to give aid to corrupt governments.

Tavares (2002) estimated the impact of foreign aid on corruption using geographical and cultural distance to the donor countries as instrumental variables to assess causality. Tavares (2002), however, found that aid decreases corruption. He claimed that his results are statistically and economically significant and robust to different controls. He argued that foreign aid may be associated with rules and conditions that limit the discretion of the recipient country's officials, thus decreasing corruption—a conditionality effect. In the context of some African countries, Lerrick (2005) pointed out that corruption prevented aid from benefiting or even reaching the poor. Transparency International (2006), however, demonstrated that humanitarian aid tends to be corrupted. There are three particular reasons why humanitarian aid is at risk from corruption: conditions inherent in humanitarian emergencies; characteristics of the 'humanitarian aid system'; and levels of transparency and accountability in recipient countries.

External influence, conditionality and the role of aid

In the light of dependency theory, development aid can be seen as a means of maintaining external influence, control and domination over developing countries (Degnbol-Martin and Engberg-Pederson, 2003). By providing development aid, the developed countries are likely to interfere in the domestic affairs and policy making of the developing countries and thereby can distort their indigenous way of development. Aid conditionality usually is a situation where aid is given by the donors on the basis of certain imposed conditions to fulfill. Tied aid can be an example of aid conditionality in which aid is provided on the condition that recipient countries have to procure goods and services from the donor countries. However, excepting the case of tied aid, donors can impose some other sorts of conditions on the recipient countries to restructure or reform their existing policies. There are some studies relating to aid conditionality, that is, conditional aid works or not. Kanbur (2000) argued that aid conditionality has been failed in Africa. Aid conditionality on policy does not work due mainly to different views held by donors and recipients about the program (Quibria and Ahmad, 2008; Quibria, 2010). However, Svensson (2002) reported that aid has a positive impact on growth under certain conditions, but that foreign aid has not been systematically channeled to countries where those conditions prevail. He argued that this finding is partly driven by a common feature in the donor agencies' incentive system: the low opportunity costs of committed funds. However, Montinola (2010) argues that conditional aid is effective but its efficacy depends on recipient countries' level of

democracy. So, there have been mixed experiences worldwide whether aid conditionality works or not.

Human and institutional capacity building and the role of TC

A substantial share of development assistance is provided in the form of TC programs. The logic for this type of cooperation is that developing countries lack the capacity and expertise for development. Hence, TC comprises activities designed to increase the capacity of developing countries and includes the elements like study assistance through scholarship and traineeships, supply of personnel, including experts, teachers and volunteers from the donor country to a developing country (OECD, 2006b). As such, TC is directly concerned with building human and institutional capacities in the developing countries. In view of nature and purpose of TC, it may be argued that TC is of great significance in the context of LDCs to address their poor or weak human, institutional and governance capacities. Hilderbrand (2002, p. 20) reported that support for scholarship and universities in Uganda helped to create a base of well-educated professionals, many of whom are now leaders in government, the private sector and institutions of higher education in the country. Hilderbrand (2002) further reported that TC largely contributed to strengthen Bolivia's national capacity in some areas including education.

Nevertheless, the role of TC has been controversial and criticized for being less effective in order to promote human and institutional capacities in developing countries. Arndt (2000) argues that TC can undermine institutional capacity in the LDCs where administrative capacity is weakest and aid flows most important in relative terms. Fukuda-Parr, Lopez and Malik (2002) argued that TC undermines local capacity rather than assist to build sustainable institutions and other capabilities. TC also ignores local wishes, that is, the donors pay little attention to communities who are supposed to benefit from the development activities.

Korea's TC has been found to have mixed results to facilitate human and institutional capacity building in Bangladesh. Siddiky (2013) propounded that KOICA's TC in the form of invitational trainings are effective to enhance the management and technical capacity of the government officials. He reported that the government officials of Bangladesh have developed many skills and management capacities such as analytical ability, policy analysis skills, negotiation skills, planning and policy making skills, policy formulation and implementation skills, decision-making skills, project assessment skills, especially assessment of the projects from the environmental point of view, and so on from participating in various training programs offered by the KOICA.

However, they are moderately effective to benefit the government organizations for institutional capacity building since there are little scopes or opportunities to apply acquired expertise in line with service due to lack of proper policy, and frequent transition or rotation of the government officials from one organization to another. Siddiky also (2014) found that while Korea provided advanced technology and sufficient other technical supports to Bangladesh, to enhance vocational and

institutional training capacity of the Bangladesh-Korea Technical Training Centre (BKTTC), it has been moderate effective to generate skilled manpower and technicians in Bangladesh due mainly to lack of proper policy, and lack of absorptive capacity of the training institute, and lack of proper alignment between beneficiaries' wishes or desires and TC program.

Present Discourse on Aid Effectiveness

"All too often, aid is driven more by politics than by need, undermining its effectiveness"
- Ban Ki-Moon, the UN Secretary General

Over the last couple of decades, developed countries and international development organizations have been working to facilitate the effectiveness of aid to achieve development goals in developing countries. While aid allocation may be driven by good intentions, a significant amount of aid fails to achieve its intended purpose. Utilization of aid is often hampered by unrealistic targets, budget constraints, divergent political interests and a lack of coordination among development partners and recipient organization. While the volume of aid is important, there is growing recognition that the quality of aid also matters and is critical to maximizing the development impact of aid. Hence, over the past few decades, aid effectiveness has been a matter of debate or a centre of discussion around the world. Aid policy makers have increasingly debated on whether aid fosters development and what should be done to improve aid effectiveness (Herfkains and Bains, 2008; Kindornay and Morton, 2009; Brookings, 2010; Booth, 2011; KPMG International, 2011).

Aid effectiveness may be defined as the effectiveness of development aid in achieving development goals: economic or social or human development. According to the World Bank (2011), "aid effectiveness is the impact that aid has in reducing poverty and inequality, increasing growth, building capacity, and accelerating achievement of the MDGs set by the international community (as cited in KPMG International, 2011, p. 2). The OECD (2007) says that it is bolstered by enhancing partner country's ownership, reducing aid delivery transaction costs, avoiding overlapping and contradictory interventions and increasing the accountability of both sets of partners to their sources of finance (as cited in KPMG International, 2011, p. 2) Put another way, aid effectiveness can be defined as the arrangement for the planning, management and deployment of aid that is efficient, reduces transaction costs and is targeted towards development outcomes including poverty reduction (Kindornay and Morton, 2009).

In 2000, world leaders made a series of historic commitments in the United Nations Millennium Summit. They pledged to work together to address a number of global issues to support global development taking into consideration the needs of the developing world. Their wide ranging commitments – known as MDGs – includes efforts to address extreme poverty, environmental degradation, gender inequality and HIV/AIDS as well as improve access to education, health care and clean water for the world's poorest. When countries agreed that the MDGs should be achieved by 2015, a negotiation was made, that is, whereas developing countries have primary responsibility for achieving the Goals, donor countries would have a particularly important role to play in supporting a

global partnership for development. This includes commitments to increase both the quantity of aid to developing countries, and to improve its quality—in other words, **to increase aid effectiveness**. Increasing the effectiveness of aid means ensuring that aid helps developing countries to improve the welfare of their poorest populations (Herfkains and Bains, 2008).

In March 2005, senior officials from over one hundred aid receiving countries and donor agencies met in Paris to take concrete steps to increase the aid effectiveness. The concrete steps they agreed on are set out in the **Paris Declaration on Aid Effectiveness**. The Paris Declaration has laid out a practical, action-orientated roadmap to improve the quality of aid and its impact on development. It has introduced a series of specific measures for implementation and establishes performance indicators that assess progress. It also called for an international monitoring system to ensure that donors and recipients hold each other accountable – a feature that is unique among international agreements. The Paris Declaration contains 56 partnership commitments organized around five principles for making aid more effective. These five principles are **ownership**, that is, developing countries play an active role in setting their own development strategies; **alignment**, that is, donor countries and organizations bring their support in keeping with the development strategies of the developing countries; **harmonization**, donor countries and organizations coordinate their actions and simplify procedures; **managing for results**, that is, developing countries and donors focus on producing – and measuring– results; and finally **mutual accountability**, that is, donors and developing countries are accountable for development results (OECD, 2005).

Some development experts suggest that a donor-driven aid program diminishes the accountability of developing governments to citizens and their elected representatives. The only way that donors can ensure that their funding is well used is if governments and donors work together to monitor implementation of a country's development strategy and national budget, making decisions based on the whole picture, rather than a small part of the picture (Herfkains and Bains, 2008). The Brookings Institution as part of the 'Catalyzing Development' project had assessed the experience of Korea, Vietnam, Indonesia and Cambodia to find out whether there is any link between the Paris principles and development outcomes. The findings showed that ownership, alignment, predictability, and capacity development have positive impacts on development outcomes (as cited in Killen, 2011).

'Tying' aid practices force poor recipient countries to purchase goods or services which are usually more expensive than if they were sourced locally, to pay shipping costs, and deal with extra administration. All of this substantially reduces the value of the aid provided for the recipient country. The OECD estimates that tied aid raises the cost of many goods and services by between 15 and 30%, and for food aid by 35%. In addition, the goods and services provided with tied aid often do not conform to the needs of the recipient country. This type of aid tends to favor capital-intensive, high-technology projects, which require expensive upkeep and donor-country based experts. As such, aid to be effective, untying aid practices should be encouraged (Herfkains and Bains, 2008, p. 16).

In Accra, Ghana, on 4 September 2008, developed and developing countries came together and endorsed **the Accra Agenda for Action (AAA)** to strengthen and deepen implementation of the Paris Declaration on Aid Effectiveness. In addition to ownership and delivering results, the **AAA** put emphasis on **inclusive partnership** in which all partners – not only DAC donors and developing countries but also new donors, foundations and civil society – participate fully. The AAA also proposed that donors should focus on untying aid, and civil society should help to ensure that donor and developing countries fulfill their commitments for aid to be effective (OECD, 2008a).

The Fourth High Level Forum on Aid Effectiveness, namely **HLF4** – which took place in Busan, the Republic of Korea from 29 November to 1 December 2011 – aimed both to evaluate progress already made towards achieving more effective aid, and to define an agenda for the future. At the HLF4, the Busan Partnership for Effective Development Cooperation was endorsed. It not only stressed prioritizing the specific needs of the developing countries that shifted a paradigm from a donor-led or a supply-driven approach to a developing country-led or demand-driven approach but also focused on building global partnership for effective development taking into account the role of all partners in development including DAC-member countries, middle-income countries that are acting as both donors and recipients (South-South cooperation), multilateral organizations, international financial institutions, and non-governmental bodies such as the private sector and civil society organizations. It also stressed the needs for making effective institutions and policies, minimizing corruptions, strengthening developing countries' capacities in order to promote aid effectiveness, in particular development cooperation effectiveness. To improve aid effectiveness, development partners are advised to review how - and for what purpose - aid is invested, ensuring that it is in line with the commitments towards human rights, decent work, gender equality, environmental sustainability and disability. Since the endorsement of Busan Partnership for Effective Development Cooperation, a notion has come into being in the policy discussion on aid effectiveness. As mentioned earlier, this new notion is viewed as development cooperation effectiveness, simply known as development effectiveness¹ that has received much importance in the OECD's policy level too in recent years in contrast to aid effectiveness recognizing the fact that aid is only part of solution to development and is a complement to other sources to development financing. Hence, aid alone cannot the break the poverty cycle (OECD and MOFAT, 2011; OECD and MOFAT, 2012). The aid effectiveness program is criticized to be a highly technical process with insufficient attention and resources to assess and monitor actual impacts in terms of achieving development goals such as poverty reduction, pro-poor growth and the elimination of all social discrimination and disparities, including gender inequality.

¹ While both the terms- aid effectiveness and development effectiveness- are used interchangeably by the aid agencies, the use of development effectiveness in aid literature is more likely to be used by the multilateral institutions and UN organizations including the World Bank, UNDP, IFAD, and so on understanding the fact that aid effectiveness is too narrow to describe results of the overall development process (Kindornay and Morton, 2009). However, since development effectiveness is an emerging concept and has not been still widespread, the authors intentionally have used the term 'aid effectiveness' rather than development effectiveness.

As such, the BetterAid, the platform of Civil Society Organizations (CSOs), calls for a new approach to development cooperation focusing on development effectiveness rather than aid effectiveness. Development effectiveness has been understood as about the impact of development actors' actions on the lives of poor and marginalized populations. Development effectiveness promotes sustainable change that addresses the root causes as well as the symptoms of poverty, inequality, marginalization and injustice. This should be pursued through a new international development architecture that is inclusive, nationally-owned, rights-based and democratic. The new framework should promote environmental sustainability, elimination of tied aid, elimination of donor-imposed policy conditionality, increased aid transparency and predictability, multi-stakeholder participation, sovereignty and coherence (BetterAid, 2010).

Analyzing Qualitative Interviews

Question: *How can development aid/ODA be effective in the light of your experience to implement Korea's ODA programs in Bangladesh?*

To investigate the aforesaid question, the six (06) officials from the ERD of the Ministry of Finance, Bangladesh were first interviewed as to how aid could be effective. In their interviews, they put some personal views or comments that are presented in the following table. Moreover, based on their views, the study identified some concepts or factors that are necessary for making aid effective.

Table 2: Qualitative interviews with the ERD officials of Bangladesh

Respondents' Identity No.	Respondents' Personal Views	Derived Concepts/Factors
1.	<i>"ODA to be effective, KOICA should provide adequate monitoring and supervision along with its Bangladesh counterpart during the implementation of a project so that problems can be identified, and can be addressed accordingly".</i>	-joint supervision and monitoring
2.	<i>"To maximize the effectiveness of ODA, in particular, TC, it should be fully directed to addressing the development needs of Bangladesh such as education, ICT, good governance and so on".</i>	-need based or demand driven TC
3.	<i>"There should be a joint responsibility and mutual efforts between the Government of Korea and the Government of Bangladesh to identify training needs or the areas of development interventions for Bangladesh so that TC can be effective".</i>	-joint responsibility -prioritizing needs of the developing countries
4.	<i>"Bangladesh Government along with its counterpart should identify or determine what type of technology and what type of training Bangladesh needs and then place the needs</i>	-joint responsibility - need based TC - demand driven

	<i>accordingly to KOICA”.</i>	TC
5.	<i>“To get efficacy out of development cooperation, building institutional capacity is very important”</i>	- institutional capacity building
6.	<i>“Development aid to be effective, it must be aligned with national development strategy of Bangladesh and it should be demand driven and untied”.</i>	-demand-driven aid
		-alignment
		-ownership
		-untied aid

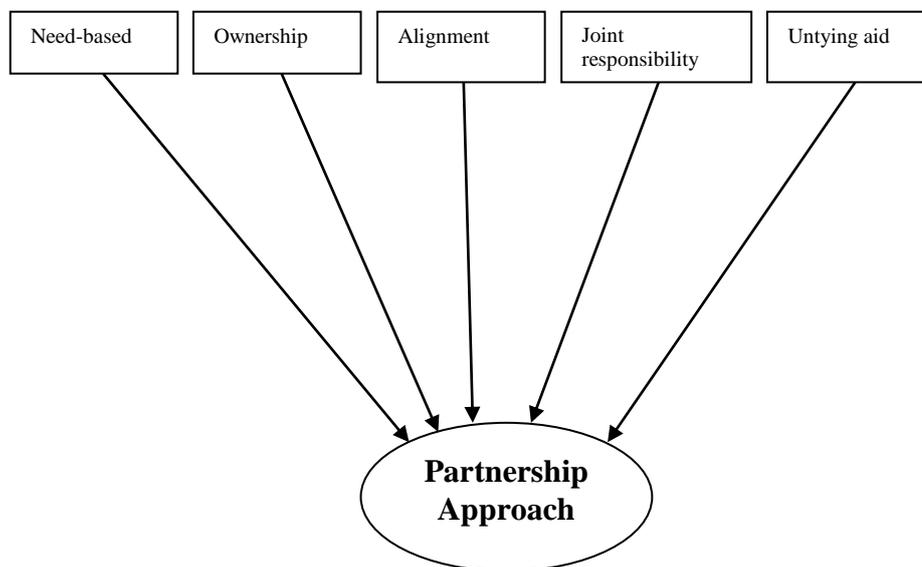


Figure 1: Development of the Key Concept-I from the Derived Concepts

Figure 1 focuses on the development of the key concept-I from the concepts or factors rooted in the qualitative interviews with the ERD officials of Bangladesh. The derived concepts are need-based, ownership, alignment, mutual responsibility, and untying aid. These are the common practices or core values of the **Partnership-based Approach** in development cooperation. Development partner countries must design their aid to fit the national development strategies of recipient partner countries. As AIDLINK (2010) suggested that Partnership-based Approach involves a shared vision and a commitment to work together to bring real and sustainable benefits to the poor and marginalized. It requires a long term promise, clearly defined expectations and shared responsibility for goal achievements. It values the unique contribution and strengths of all partners, and is based on partners working in an open, accountable and transparent manner. Biondo (2014), on the other hand, proposed that partnership-based model in development cooperation founded on a relationship between development partner countries and their developing partner countries that involves recipients’ need-based or demand driven, mutual trust and joint responsibility, untied aid, budget support, alignment, and ownership, the idea that the developing countries take the lead in the

formulation of development strategies. We find that each of the derived concepts may have a positive effect on aid effectiveness. Hence, it may be argued that aid effectiveness can be maximized if both the partner countries exercise partnership-based approach in international development cooperation.

The six (06) officials from the KOICA and MOFAT were also asked the aforesaid question. Their personal views are presented in the following table. Based on their views, the study identified some concepts so as to improve aid effectiveness.

Table 3: Qualitative interviews with the KOICA officials

Respondents' Identity No.	Respondents' Personal Views	Derived Concepts/Factors
1.	<i>"Korea's ODA to be effective in Bangladesh, Bangladesh should ensure transparency, accountability or responsibility while implementing aid programs. Bangladesh government should be prompt in decision making while undertaking any action".</i>	- transparency and accountability - prompt in decision making action
2.	<i>"Development aid to be effective, Bangladesh Government should strengthen bureaucracy through civil service reforms and minimize the bureaucratic complexity in the process of decision making".</i>	- bureaucratic competence - minimizing complexity in decision making
3.	<i>"To get efficacy out of Korea's development cooperation, Bangladesh Government must ensure transparency, accountability and eliminating corruption".</i>	-transparency -accountability - eliminating corruption
4.	<i>"TC to be effective in Bangladesh, Government should minimize corruption, reduce frequent transition or rotation of govt. officials, and build on intuitional capacities".</i>	-minimizing corruption - reducing frequent transition of govt. officials -institutional capacity building
5.	<i>"ODA to be effective, it is necessary to ensure efficient bureaucracy and build up the joint responsibility to implement and monitor development projects successfully"</i>	- bureaucratic competence - building joint responsibility
6.	<i>"Development cooperation to be effective, it is very necessary to identify the priority areas or needs for development interventions in Bangladesh together with the counterpart. As such, Country Partnership Strategy (CPS) will be instrumental</i>	- need-based -ownership -setting Country Partnership

to set out ODA for each partner country”.

Strategy (CPS)
-alignment

In view of the aforesaid derived concepts from qualitative interviews with the KOICA officials, we can develop the following central theme or key concept so as to find out relationship with aid effectiveness:

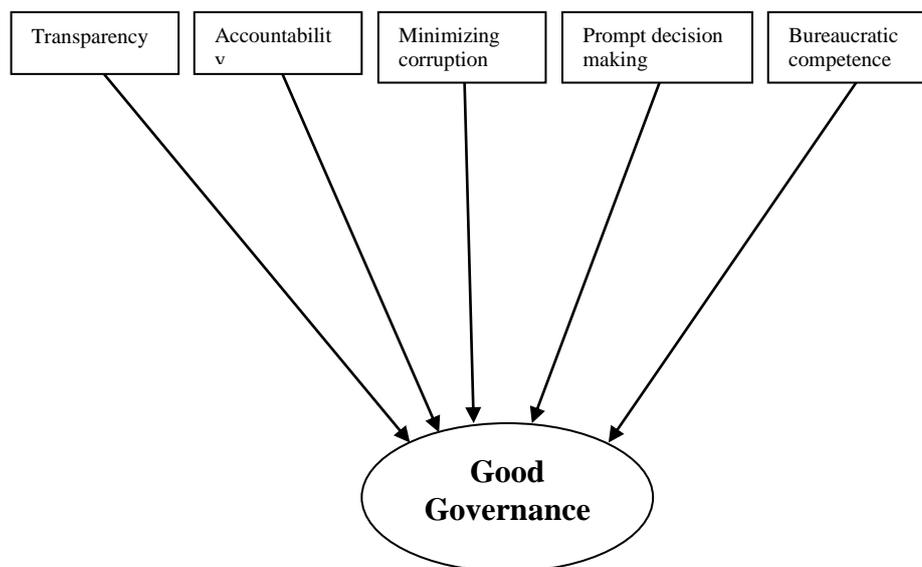


Figure 2: Development of the Key Concept-II from the Derived Concepts

As depicted in **Figure-2**, transparency, accountability, minimizing corruption, prompt decision making and bureaucratic competence are the derived concepts from the qualitative interviews with the KOICA officials. These are the common practices of good governance. So, we can develop **Good Governance** as another central concept to find out relationship with aid effectiveness. Brautigam (2000) put forward that good governance involves improvements in political accountability, bureaucratic competence and fiscal management. Herfkains and Bains (2008) suggested that donors and developing countries need to ensure that their governments are accountable for their commitments. Lack of accountability is one reason why donors and developing country governments have fallen short on development. Donors and developing countries must not only be mutually responsible for development results, they must be accountable to the people they represent. KPMG International (2011) on the other hand, argued that aid effectiveness requires greater accountability in both donor and recipient countries, to ensure that both taxpayers and beneficiaries achieve the targeted development results. If corruption occurs in the delivery and in the management of aid, development aid may not achieve its expected development outcomes.

As Carlsson (2009) argued that the greatest threat to effective aid is the prevalence of corruption in environments where aid operates ((as cited in OECD, 2010, P. 88). Aid recipient governments must acquire the skills, institutional capabilities, resources and operating space to more directly drive the development process. Development aid works well when there are supportive institutional capacities and proper government's policy to manage aid (UNDP, 2007; OECD, 2008b). The Advisory Board for Irish Aid (2008) suggested that the effectiveness of aid depends heavily on conditions in the recipient country, and fundamentally on its governance and politics. A Transparency International's empirical study suggested that there is a direct link among the quality of governance, lower levels of petty bribery and positive development outcomes in partner countries (Transparency International, 2011). Since each of the derived concepts may contribute to the aid effectiveness, it may be argued that aid may be effective in the developing countries in the presence of good governance practices.

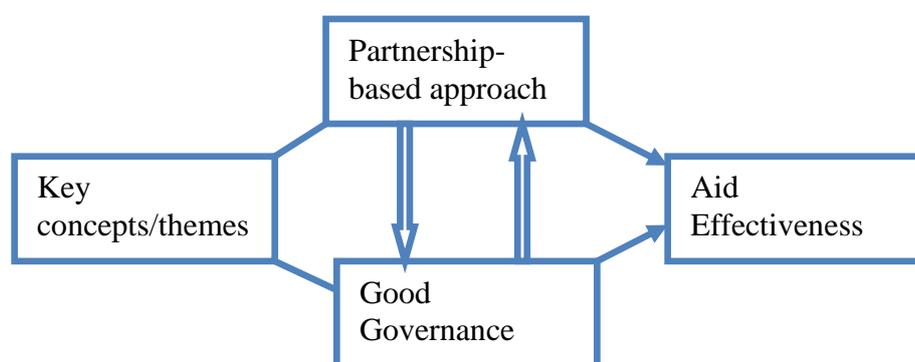


Figure 3: Theorizing aid effectiveness

The **Figure-3** describes the theorizing aid effectiveness. As discussed earlier, we have developed two central key concepts/ themes (partnership-based approach and good governance) from our qualitative interviews containing a number of factors that can contribute to aid effectiveness. Hence, we can theorize that partnership-based approach in development cooperation and the good governance practices may have positive impact on improving aid effectiveness. In other words, it can be argued that if both the partners – the developed and developing – follow core values of the partnership-based approach and exercises the practices of good governance, development aid may work better or achieve its intended development results. Moreover, it can be said that both partnership-based approach and good governance practices may reinforce each other since they can create an enabling environment for each other.

Policy Implications for Improving Aid Effectiveness

The aid effectiveness literature, present discourse on aid effectiveness and our qualitative interviews put forward several implications that should be taken into consideration to improve aid effectiveness or get expected development outcomes out of international development cooperation. **First**, to improve aid effectiveness, it is very necessary on the part of both partner countries – developed and developing – to conform to the principles of Paris Declaration for Aid Effectiveness and Accra Agenda

for Action. As such, it is imperative to make sure that aid is aligned with recipient partner countries' national development strategies and that country systems are used for the delivery of aid. Donors must design their aid to fit the national development strategies of recipient partner countries. This ensures that they are responding to genuine local needs and priorities, and that recipient countries are exercising genuine leadership over development policies and aid.

Second, there should be **proper alignment** or consistency between the objectives and nature of the TC programs and the needs or desires of the targeted groups or beneficiaries. If a TC program cannot meet the needs and expectations of the beneficiaries, it will fail to achieve its development outcomes. Hence, before undertaking any development project in a developing country, the official aid agency of the development partner country (e.g. JICA, KOICA etc.) has to determine in consultation with its counterpart whether or not the project would be consistent with the needs and desires of actual beneficiaries, and whether the project could produce long-term benefits or not. To determine these issues, the concerned agency should carry out a pilot survey or a feasibility test along with its counterpart of the developing partner country;

Third, building **partnership-based approach** has been considered as a key element in Paris and Accra agendas for effective aid. OECD and many development thinkers and practitioners suggest that development aid to be more effective, partnership-based approach in development cooperation involving mutual trust and responsibility, accountability, ownership, alignment, untying aid, budget support, and so on is imperative. In this approach to development, both the partner countries will work together on the basis of mutual trust and shared responsibility to identify development needs or the areas of development interventions in line with recipient or developing partner country's development strategies. In this respect, Biondo (2014) suggested that a partnership-based agenda does not only mean that donors work closely with recipient governments, but also that they do this mainly to satisfy recipient needs rather than to defend their own interest. Hence, Country Partnership Strategy (CPS) should be formulated putting emphasis on developing partner's needs and national priorities. By doing so, development aid or TC program will be need-based or demand-driven rather than supply-driven. In a partnership approach, developing country takes the lead in setting their development goals and managing their own development works on the ground;

Fourth, many evidences suggest that development aid works better in the presence of **good governance practices** including political accountability, transparency, responsibility, rule of law, absence of corruption, good economic management and policy, building institutional capacities, bureaucratic competence, prompt decision making and so on. Both the partner governments must be accountable and responsible to each other and to their respective national legislative bodies or the parliaments on the spending and management of aid. If there is accountability and transparency in the delivery and management of aid, corruption or mismanagement of aid can be checked and proper measures can be undertaken accordingly and thereby aid effectiveness can be improved. Hence, efficient, accountable and responsive bureaucracy is required to formulate supportive policy in line

with country's development strategies and changing needs so as to achieve potential outputs out of development cooperation;

Fifth, the associated personnel of the TC recipient organizations must have necessary knowledge and skills to deal with the management of TC programs or to execute development projects. Hence, building **absorptive capacity** has much broader implications to utilize external resources (knowledge, skills & tools) and thereby maximize the effectiveness of development cooperation in a least developed country like Bangladesh; Therefore, this is recommended that the Government of Bangladesh should focus on advanced and continuous skill development trainings for the personnel dealing with external knowledge and skills;

Sixth, development cooperation to be effective, especially in the case of project-type cooperation, continuous sound supervision and monitoring is necessary from both concerned agencies of development partner (e.g. KOICA, JICA) and its developing partner not only during implementation of the project but also after implementation of the project;

Seventh, in a true partnership-based approach, now-a-days, budget support has become an important instrument of development aid. It has received growing attention from bilateral donors and international financial institutions in the context of a partnership-based approach to development cooperation. Donors and recipient countries have been gaining experience with this aid modality, which promises greater scope for scaling up development assistance, reduced transaction costs, greater country ownership and potentially greater development effectiveness than traditional modes of aid delivery. Hence, budget support as an aid modality should be incorporated into partnership-based approach in order to improve aid effectiveness;

Eighth, TC to be effective, selection of government officials for overseas invitational training should be based on their needs and merits corresponding to their jobs while their motivation and dedication throughout the service should also be taken into consideration. Some evidences suggest that frequent transition or transfer of the government officials from one organization to another interrupts the process of institutional capacity building in the public sector of a developing country like Bangladesh. Thus, it is highly recommended that the public officials holding overseas trainings should be allowed to serve for a certain period of time in such organizations where they could apply their acquired knowledge and expertise developed from overseas trainings. Supportive policy should also be undertaken so that concerned officials could apply their expertise in their respective organizations in order to support in policy-making and implementation. By doing so, TC could be effective since overseas invitational training would support in the institutional capacity building in the public sector of the developing countries. Moreover, job satisfaction in terms of salary, promotion or any sort of incentive is necessary for the personnel dealing with any development project since it may minimize the chances of corruption and apathy;

Ninth, while bilateral aid has been allocated for preserving national security and economic interests, multilateral aid through the UN bodies has been founded on moral, humanitarian and global security perspectives. Moreover, multilateral development agencies are more technocratic and specialized than most bilateral aid agencies. Nevertheless, they do not receive full support from their members. As such, development aid to be effective, it should be channeled through multilateral development organizations, in particular the UN bodies.

Tenth, the Busan Partnership for Effective Development Cooperation **focuses on building global partnership** that would serve as an important instrument for making development cooperation effective. Global partnership is based on the joint responsibility of all actors in development including DAC-member countries and their partners, middle income countries acting as both – donors and recipients, multilateral development organizations, international financial institutions and civil society organizations to work together to address a number of global issues like poverty, corruption, climate change, gender equality, women's empowerment etc that hinder the socio-economic and sustainable development of the developing countries. It encourages some complementary forms of development cooperation like south-south cooperation, triangular cooperation, public-private partnership. For example, south-south cooperation is a form of development cooperation which is based on horizontal interaction, mutual trust and altruistic perspective where developing countries or southern countries benefit from themselves by their sharing knowledge and skills. Hence, it is recommended that the development countries should engage in south-south cooperation to get mutual benefit out of their cooperation.

Conclusion

In view of the aforesaid discussion, it may be argued that development aid may work and can be a powerful catalyst to eradicate poverty, support in human and institutional capacity building and achieve sustainable development and economic growth in the devolving countries like Bangladesh while its effectiveness mostly depends on prioritizing the needs of the developing partner countries and actual beneficiaries or targeted groups, absorptive capacity of the recipient organizations, and supportive government's policy as well. Moreover, mutual trust, shared responsibilities and mutual accountability of both parties – developed country and its developing partner, good governance practices are instrumental to make development cooperation more effective. As such, Accra Agenda for Action along with Busan Partnership for Effective Development Cooperation has much broader implications. Finally, it may be argued that to improve aid effectiveness or development effectiveness, developed countries have to focus their development cooperation programs in keeping with their developing partner countries' needs and national priorities on the basis of partnership-based approach involving joint efforts and shared responsibility to realize development goals or maximize development results.

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