

## Comprehensive foreign aid policy needed

Dhaka envoy to WTO says

Star Business Report

The Bangladesh Permanent Representative to the WTO and UN Offices in Geneva has voiced the necessity of a comprehensive foreign aid policy for the country.

"Due to lack of a comprehensive foreign aid policy, the country fails to prioritise its requirement and to keep international negotiations continuing," Debapriya Bhattacharya told a roundtable in Dhaka yesterday.

The United Nations Development Programme (UNDP) Bangladesh organised the roundtable on 'Real Trade and Phantom Aid-Bangladesh in Global Context' at a city hotel.

The newly appointed ambassador suggested that the government should frame projects like second Dhaka-Ctg Highway or second Jamuna Bridge to get external assistance under the banner of Aid for Trade of the WTO (World Trade Organization).

Debapriya said Bangladesh has already policies on industries and imports and exports, but does not have any foreign aid policy.

He suggested the government immediately formulate a foreign aid policy saying that 'the new or second edition PRSP of the country should be in the line of foreign aid policy.'

Akber Ali Khan, former adviser to the caretaker government, Farooq Sobhan, president, Bangladesh Enterprise Institute, Mahbubur Rahman, president, International Chamber of Commerce-Bangladesh (ICC-B), Sohel Ahmed Chowdhury, former commerce secretary, and Mustafizur Rahman, executive director, Centre for Policy Dialogue, spoke on the occasion.

## Bangladesh needs to increase access to LDCs' markets



STAFF REPORTER

"Over the last decade and half Bangladesh has become a trade dependent economy instead of an aid dependent one," said speakers at a roundtable titled "Real Trade and Phantom Aid- Bangladesh in Global Context" at Pan Pacific Sonargaon in the city yesterday.

They also opined that Bangladesh need to diversity its market and should increase its access to the markets of Least Developed Countries (LDCs).

The main aim of the roundtable intended to facilitate Bangladesh in the global context with regard to trade and aid and also how the nation could gain from 'Aid for Trade.'

Manoj Basnyat, Country Director, UNDP made welcome speech. Dr Debapriya Bahattacharya, permanent representative of Bangladesh to the World Trade Organisation (WTO) and UN offices in Geneva presented the keynote paper.

It was also attended, among others, by Dr Akbar Ali Khan, Chairman, Regulatory Reforms Commission, Farooq Sobhan, President, Bangladesh Enterprise Institute (BEI) and Mahbubur Rahman, President, International Chamber of Commerce and Industries, Bangladesh (ICC-B).

Dr Debapriya Bahattacharya said aid and trade both could have independent positive influence on economic growth. He said Bangladesh would have to look for synergy of both the stimuli, which is currently not addressed adequately.

"Bangladesh has not received incremental aid flow, while there has been an aggregate increase in global aid flow" he said adding that foreign aid and export amount was almost equal in 1991, but foreign aid flow was little above 13 percent of exports in 2007.

He said that the foreign aid in Growth Domestic Product (GDP) has halved and foreign aid and export amount was almost equal in 1999. He also said import coverage by merchandise exports has increased by 1.5 times.

"On the other hand, LDC's in varying degrees have increased its share in global exports, albeit marginally, with Bangladesh's share in LDC exports in manufacturers is falling," he mentioned.

Dr Akbar Ali Khan said without infrastructure development the country could not attained large scale of foreign aid.

He said the issue of 'Real Trade and Phantom Aid' within the context of Bangladesh need to be addressed properly.

## Donors urged to channel aid for trade infrastructure

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A roundtable here on Wednesday called upon donors to provide aid for trade-related infrastructure projects like power plants and road construction as traditional donors are likely to incrementally increase their aid for trade.

It also urged the government to immediately constitute a national committee on aid for trade to work on getting a better share of the aid-cake as well as adopt a foreign aid policy statement in consistent with the new PRSP to make donors clear about the priority areas of aid.

"Put up big-billing projects under the Aid for Trade projects," Bangladesh's permanent representative in Geneva Dr Debapriya Bhattacharya told the roundtable at Sonargaon Hotel.

Addressing as guest speaker, he said the second Dhaka-Chittagong highway could be one of the classic examples of Aid for Trade projects.

UNDP Bangladesh organised the roundtable titled "Real Trade and Phantom Aid: Bangladesh in Global Context" with UNDP country director Manoj Basnyat as moderator.

Former Finance Adviser Dr Akbar Ali Khan, Bangladesh Enterprise Institute (BEI) president Farooq Sobhan, economists, academics, trade experts and researchers took part in the discussion.

Dr Bhattachariya floated a new idea to mutually reinforce exports and ODA (Official Development Assistance) as a strategy to accelerate the country's economic growth.

Though the idea drew widespread skepticism from the participants, he argued that the trade and aid did not go hand in hand in the past but that does not mean that it will not go in the future.

Dr Akbar Ali Khan, also a former finance secretary, termed the idea as a "terrible recommendation" as he posed a question whether the donors will be willing to provide aid for infrastructure like power plants and road construction.

He told the Ambassador to tell the donors "please give us aid to develop infrastructure as we cannot export and import without the infrastructure."

Dr Debapriya pointed out that Bangladesh greatly improved its external sector performance by moving away from aid dependence through greater exports of goods and services.

He said the country has not received incremental aid flow while there has been an aggregate increase in global aid flow. On the other hand, LDCs in varying degrees have increased its share in global exports, albeit marginally, with Bangladesh's share in LDC exports in manufacturers falling.

"As both aid and trade can have independent positive influence on economic growth, Bangladesh will have to look for synergy of both the stimuli which is currently not addressed adequately," he added.

He said areas under trade facilitation and aid for trade need to be identified for accruing maximum benefit and becoming internationally competitive.

The Bangladesh Envoy to Geneva also pointed out that the next 3-4 months would be very crucial for Bangladesh in negotiating market access issues, including the US bill titled "The New Partnership Development Act of 2007" (NPDA) to be placed in the US Congress.

"We'll have to wait for 1-2 years unless we can negotiate the issues in next 3-4 months," he said, adding that the US authorities would work for their domestic trade protection ahead of their November elections.

Replying to a question whether it is possible to get the NPDA bill passed, He said: "Our main task is to put our best efforts... but the passage of the bill depends on the USA."

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## Formulation of foreign aid policy vital: Debapriya

Staff Correspondent

The government should formulate a foreign aid policy to stipulate how assistance can be best used for expediting growth, said Debapriya Bhattacharya, permanent representative of Bangladesh to the WTO and UN offices in Geneva, on Wednesday.

The policy should identify the areas in which aid is most needed, how it can be used properly and how it can be utilised to stimulate trade and trade development activities, he said at a roundtable on 'Real Trade and Phantom Aid — Bangladesh in Global Context' organised by the UNDP at the Sheraton hotel.

Debapriya stressed the need for the formation of a national committee to formulate the policy.

'The policy should be demand-driven and the government should plan big infrastructure projects including construction of highways and bridges and expansion of the ports under the Aid-for-Trade caption and send them to the donors,' he said.

Aid-for-Trade projects are those which contribute to the development of trade.

The donors will fast-track the project if the Aid-for-Trade label is tagged to them, he added.

'So far, the government has not submitted any project with the Aid-for-Trade label,' he said.

Bangladesh did well in the trade sector in the last one and a half decade but could not use foreign aid properly, he pointed out.

'Had Bangladesh used the aid properly, the country would have achieved a higher growth,' he said.

Aid and trade have a positive influence on growth, he said. 'Bangladesh will have to look for synergy of both the stimuli which is currently not addressed adequately.'

It is a major challenge for the policy-makers to exploit both aid and trade for the benefit of the country. Foreign aid is needed to help finance the budget deficit as the tax-GDP ratio is stagnating, said Debapriya.

In the last 15 years, Bangladesh received less aid compared with other least developed countries due to 'phantom aid', he said in his presentation.

Phantom aid is paper aid like debt cancellation or repatriation of aid by the donors through consultancy and other services.

The aid is distributed in a 'skewed' manner to the LDCs but there is no significant change in real terms, he added.

There was a persistent discrepancy between committed and disbursed aid over the year as only Bangladesh had undisbursed commitments of more than \$6 billion in 2006, he said.

Regarding debt cancellation, he said the government should analyse carefully the impact of such cancellation. 'If there is debt cancellation, our rating will be decreased in the international financial market and investors will charge more interest rate for loans,' he said.

Bangladesh is not taking any loans from the private investors in the international market now, but in the future the country will have to resort to the international market when aid dries up, he predicted.

The programme was attended by Manoj Basnyat, country director of UNDP Bangladesh, Farooq Sobhan, president of the Bangladesh Enterprise Institute, Ali Akbar Khan, chairman of the Regulatory Reform Commission, Mahbubur Rahman, president of the International Chamber of Commerce Bangladesh, Suhel Rahman, former commerce secretary, government officials, chamber leaders and NGO representatives.