



# Foreign donors driving policy change in recipient countries: Three decades of development aid towards community-based forest policy in Bangladesh☆



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## ABSTRACT

The influence of foreign actors on domestic policy change is a major question in political and development studies, involving issues of sovereignty as well as major methodological challenges in its analysis. This study analyses the influence of donor aid for development projects on domestic policy change, particularly on community-based forest development policy in Bangladesh. With our analytical framework, we combine concepts from *development policy analysis*, the international relations theorem of *direct access*, and the *adapted correlation of variable approach* to policy change analysis. We build on own, existing, and longitudinal findings on forest policy changes in Bangladesh over three decades. We contrast this data with data on forest Development Project Aid from 1980 to 2014. First, we identify multiple links between the two parallel data sets. We subsequently corroborate selected links through qualitative in-depth analyses. The results indicate a link between donor funding and domestic policy changes towards community-based forest policy. This link is further specified by different temporal relations, as policy changes are being observed prior to, in response to, or simultaneously with donor funding. We conclude that donor funding for forestry projects has a strong influence on the recipient country's forest policy.

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## 1. Introduction

The motivations for donor countries and organisations to engage in developmental aid have been questioned for a long time, and such questions have consistently been on the development policy research agenda (Aurenhammer, 2013, 2016; Brukas and Hjortso, 2004; Harriss-White, 2002; Khan, 2009; Ojha et al., 2014). One assumed motivation is to gain influence in the recipient countries over their policy changes and formulations, or that at least this would be a welcome side effect of their financial engagements (Bernstein and Cashore, 2012; McEwan and Mawdsley, 2012).

Donor organisations are non-domestic actors that operate with and within sovereign recipient countries. As such, they have limited formal options to influence decisions on domestic policies. Nonetheless, given their financial, technical, and expertise-related means, they may be expected to have a considerable degree of informal influence over domestic policy change through what Bernstein and Cashore (2012) refer to as 'direct access' to domestic policy making. In international relations

theory, demonstrating a clear causal relationship between international influences and domestic consequences is methodologically very difficult to establish (Aurenhammer, 2013; Lindstad and Solberg, 2010). Hence, we developed a very different approach. We used a visual contrasting technique to approximate possible causal links between the flow of donor funding, and domestic policy changes in a recipient country over a period longer than 30 years. There has been extensive research (especially donor-driven research) on development in Bangladesh, particularly concerning induced decentralisation and empowerment policies (Mahmud et al., 2012; Uddin, 2005). However, the influence of donors on domestic policy change in Bangladesh as a sovereign country has rarely been explored. We therefore chose Bangladesh as our case study, and particularly scrutinised the forest policy changes, as this development sector has received various levels of substantial development aid in the form of projects. Furthermore, forest policy here has changed over time with community-based forest management and climate change becoming more important over time.

In general, the strategic role of institutions, communities, and socio-economic factors in resource use and management has become a prominent research topic in the past two decades (Agrawal and Chhatre, 2006). However, in the majority of developing countries, lower-level community actors have not been empowered appropriately for forest management (Krott et al., 2014; Ribot et al., 2006), and Bangladesh is no exception (Chowdhury et al., 2009; Islam and Sato, 2012; Jashimuddin and Inoue,

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2012; Rashid et al., 2013). Moreover, a majority of policy changes that took place during the last three decades have been related to community-based forestry. Consequently, substantial amounts of development aid have been invested in this issue, and these have included other forest elements as well, such as biodiversity, or sustainable forest management. Hence, it is important to investigate what community-based forest development policies affect the development and socio-economic changes of the community actors.

Therefore, this study aimed to analyse the influence of donor aid for development projects on domestic policy changes in Bangladesh. More specifically, this relationship was investigated for community-based forest development policy, by approximating the causal links between the policy changes and donor aid. To achieve this, we combined concepts of development policy analysis with the theorem of direct access, from international relations, and with the concept of correlation of variables in policy change analysis. We based the analysis on existing longitudinal data from the past three decades on forest policy change in Bangladesh, combined with detailed data on developmental project aid to Bangladesh's forestry sector and its political consequences between 1980 and 2014. The following chapter introduces our analytical concepts and methods. The results on possible links between donor funding and domestic policy changes are presented in Chapter 4 by means of a simple visualisation technique. We also qualitatively substantiate the observed links in this chapter, whereas the result-based discussion and conclusions are presented in Chapter 5 and Chapter 6.

## 2. Concepts and analytical framework

### 2.1. Forest development cooperation policy

Development policy operates as a subsystem of foreign policy (Aurenhammer, 2013, 2016; more generally Brukas and Hjortso, 2004; Rayner et al., 2001). This subsystem entails a number of subsystems itself: development cooperation policy, foreign trade policy, foreign culture policy, and foreign security policy (Aurenhammer, 2013, p. 2). Development cooperation policy includes all bi-governmental, bilateral, and through international organisations, multilaterally implemented aid measures, especially those of a technical and financial nature. Such policies are executed based on concrete project support programmes, or financial contributions (Aurenhammer, 2013, p. 2). Considering the development cooperation, forest policy represents a separate policy sector (see Giessen and Krott, 2009; Giessen et al., 2013). However, forest development policy is defined as a subset of a donor's development cooperation policy, where a donor government (co-)finances forest-related aid measures, implemented on a bi-governmental, bilateral or bi-multilateral basis (Aurenhammer, 2013; similar, Brukas and Hjortso, 2004; Ojha et al., 2005; Shackleton and Pandey, 2014). This study covered both bi-governmental and bi-multilateral development cooperation. 'Bilateral cooperation' exists when actors from two countries, the donor (e.g. United States Agency for International Development [USAID]) and the recipient (i.e. Bangladesh), participate in the developmental process. The cooperation is bi-governmental when only government institutions are involved (Aurenhammer, 2013, p. 2). 'Bi-multilateral cooperation' is a distinct form of bilateral cooperation, which is implemented through an international organisation (e.g. the World Bank or United Nations Development Programme [UNDP]), with the cooperation still being attached to a certain donor and a recipient government (Aurenhammer, 2013; Economic Relations Division [ERD], 2014). In this study, 'donor' refers to a foreign state and/or non-state bureaucracy that has the assigned task of implementing developmental cooperation. Donors supply resources (especially of a financial and technical kind) to a recipient government's bureaucracy in the form of external assistance. Financial resources may be provided through loans or grants (ERD, 2014).

### 2.2. Theorem of direct access to domestic policy making

Following globalisation and internationalisation, the influence of non-domestic actors on domestic policy processes has been rising, and diverse actors and institutions have started to extend their influence beyond state borders (Arts et al., 2010; Bernstein and Cashore, 2010; Howlett and Ramesh, 2002; Lemos and Agrawal, 2006). As stated by Bernstein and Cashore (2010, p. 111), 'the ultimate goal of many international and transnational attempts to address global problems is to influence domestic policy making processes rather than simply to constrain or modify the external behaviour of states'. The same authors developed a framework of four pathways<sup>1</sup> of international influence along which international actors and institutions may influence domestic policy change. In this study, the pathway of 'direct access' is employed as an analytical concept to illustrate how non-domestic donors strive to influence policies in the recipient countries through funding, capacity building efforts, and technical assistance (Bernstein and Cashore, 2012; similar Arts et al., 2013; Burns and Giessen, 2015). According to the theorem of direct access developed by Bernstein and Cashore (2012), domestic policy change may be influenced by direct funding, education, training, assistance, and capacity building, and probably even by the formation, through 'co-governance', of partnerships between authorities and public or private actors, both domestic and international.

### 2.3. Project-based development aid

Generally, Bangladesh receives development assistance in several forms, such as food aid, commodity aid, project aid, programme support, and technical assistance (Dorosh and Haggblade, 1997; ERD, 2014a). According to the ERD (2014b, 2014c), the mode of foreign assistance has substantially shifted its focus from commodity/food to project assistance. Furthermore, the share of Development Project Aid (DPA)<sup>2</sup> in the whole sector is at its highest, having increased over years. For example, from the year of Bangladeshi independence, 1971, to mid-2013, a total of US\$ 6.76 billion in food, US\$ 10.91 billion in commodities, US\$ 38.38 billion in project aid, and US\$ 3.26 billion in budget support were disbursed (ERD, 2014b) (Fig. 1). This assistance has contributed significantly to the development of socio-economic sectors such as education, health, agriculture, power and energy, and infrastructure (ERD, 2014c). The donors provide DPA in the form of loans and grants, primarily to implement development projects that are included in the Annual Development Programme (ADP)<sup>3</sup> (ERD, 2014b). It also includes commodity imports necessary for the project implementation (ERD, 2014). Moreover, a technical assistance programme, mainly in the format of project aid, is provided for the services of experts, institutional strengthening, and capacity building programmes. Feasibility studies and preparatory project work are also carried out through this assistance (ERD, 2014a). Generally, in Bangladesh, project-based financial assistance is implemented in the form of an 'investment' category<sup>4</sup> and a 'technical' assistance category (Government of Bangladesh [GOB], 2010). For the former, a DPP<sup>5</sup> (Development Project Proposal)

<sup>1</sup> The pathway consists of: markets, international binding rules (for an overview see Giessen, 2013), norms and discourse (e.g. Sadath et al., 2013), and direct access to domestic policy processes (e.g. Burns and Giessen, 2015).

<sup>2</sup> DPA (Development Project Aid): This refers to an arrangement of foreign assistance in a project-based format through which development activities are performed in diverse sectors.

<sup>3</sup> The Annual Development Programme (ADP) is the government planning document prepared for a single fiscal year which lists an array of development projects for different sectors together with brief funding arrangement.

<sup>4</sup> Investment project—projects that are investments, for example, infrastructure development, institution building and providing basic services.

<sup>5</sup> DPP (Development Project Proposal): This is the government-prescribed format, comprising elements necessary to execute an investment project successfully (e.g. objectives, activities, budget, timeframe, funding & implementation modalities etc.).

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