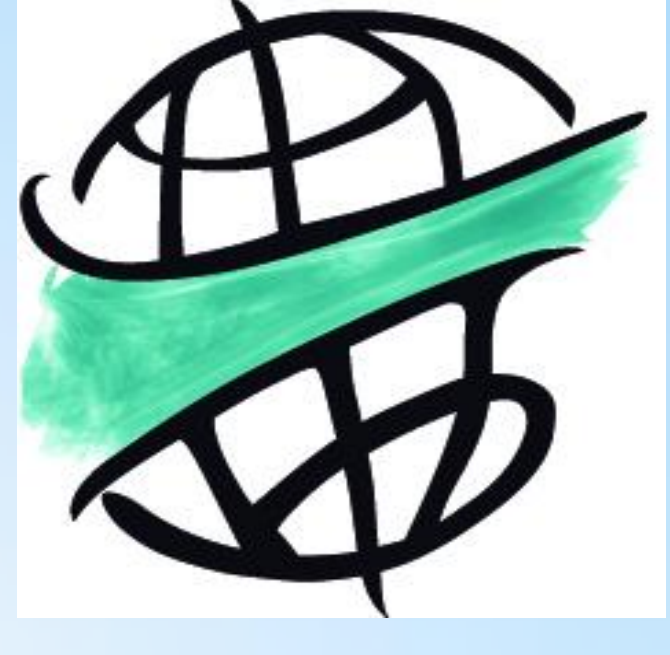




# Formal and Informal Interests of Donors to Allocate Development Funds: Evidence from Bangladesh Forest Development Project Aid



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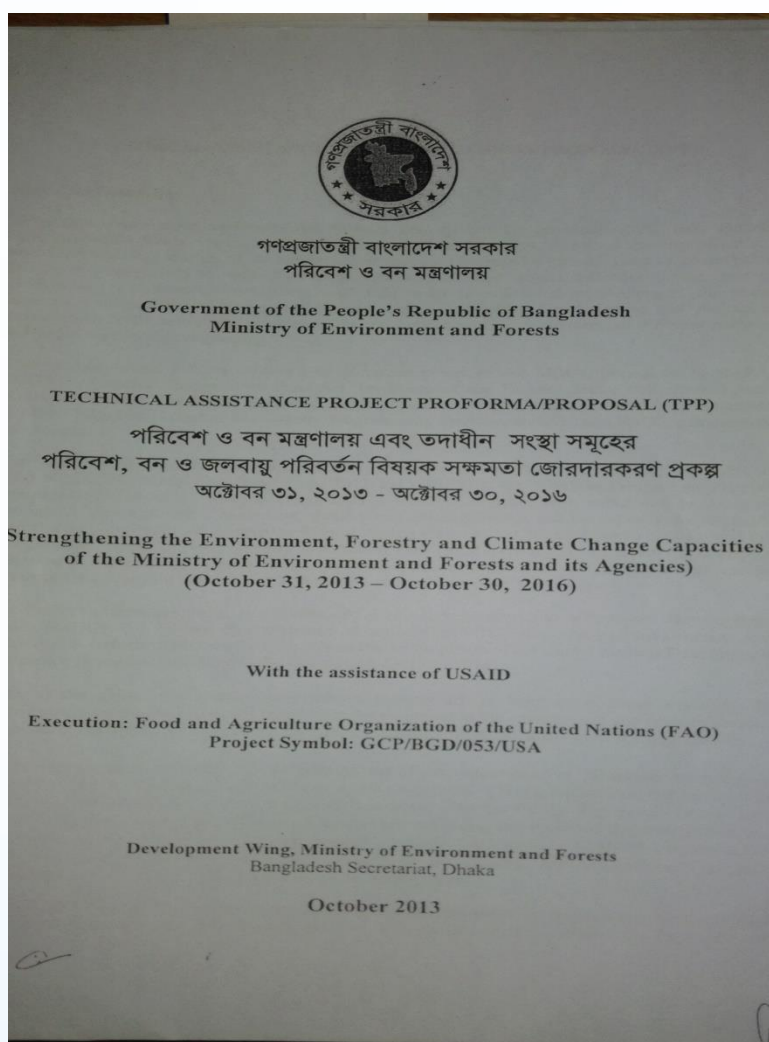
**Problem statement:** Influential donors' formal and informal interests through development project aid play a decisive role in framing problems and effecting socioeconomic changes.

**Research questions:** Does the allocation of development aid advance the formal development goals of recipient countries only? Or do they (also) serve the informal economic, political, as well as broader strategic interests of donor organizations?

**Table 1. Analytical framework for determining the utility of development project aid for donors' formal and informal interests**

Theory		Operationalized toward the allocation of development project aid
Development actors / donors' interests	Formal interests (open and declared in statement found in a formal strategic document)	<b>Mandate</b> <ul style="list-style-type: none"><li>✓ Accomplishing development goals</li><li>✓ Signatory to international conventions and protocols</li></ul>
		<b>Contribution to achieving policy goals</b> <ul style="list-style-type: none"><li>✓ Provide resources to achieve specific policy goals (e.g., conserve biodiversity)</li></ul>
	Informal interests (not stated publicly, but predictable and assessable)	<b>Economic interests</b> <ul style="list-style-type: none"><li>✓ Employing one's own consultant</li><li>✓ Purchasing goods and services from the donor's country</li><li>✓ Expanding the market</li></ul>
		<b>Political interests</b> <ul style="list-style-type: none"><li>✓ Maintaining geopolitical and political influence</li><li>✓ Branding one's own activities and increased networking</li><li>✓ Formulating policy and creating good governance</li><li>✓ Creating an independent information base</li></ul>
		<b>Strategic interests</b> <ul style="list-style-type: none"><li>✓ Good governance</li><li>✓ Focused interventions: poor countries, climate victims</li><li>✓ Good environmental quality</li></ul>

## Field access and data sources



## Empirical methods

Quantitative survey of all projects funded by bigovernmental donors

Analyzed (quantitatively) aid allocations by project activities

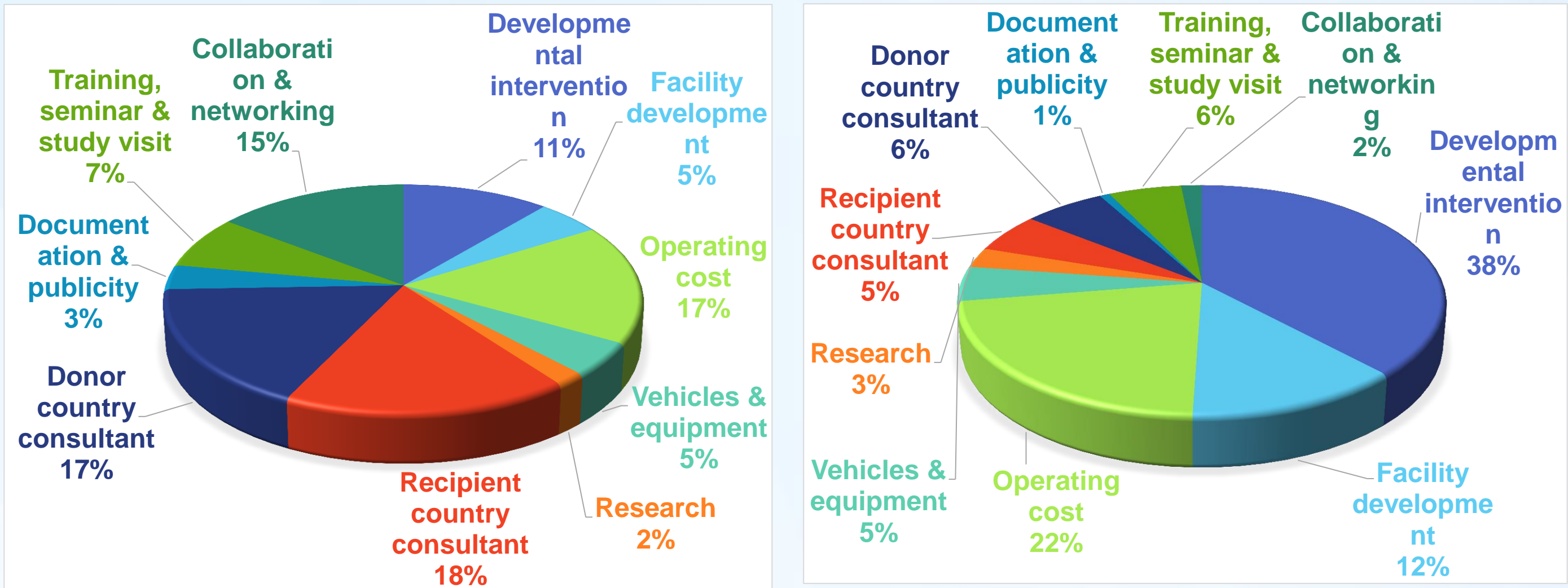
Data triangulation by qualitative expert interviews

## Results:

**Table 2. Bilateral donor's formal development interests in the forestry sector of Bangladesh**

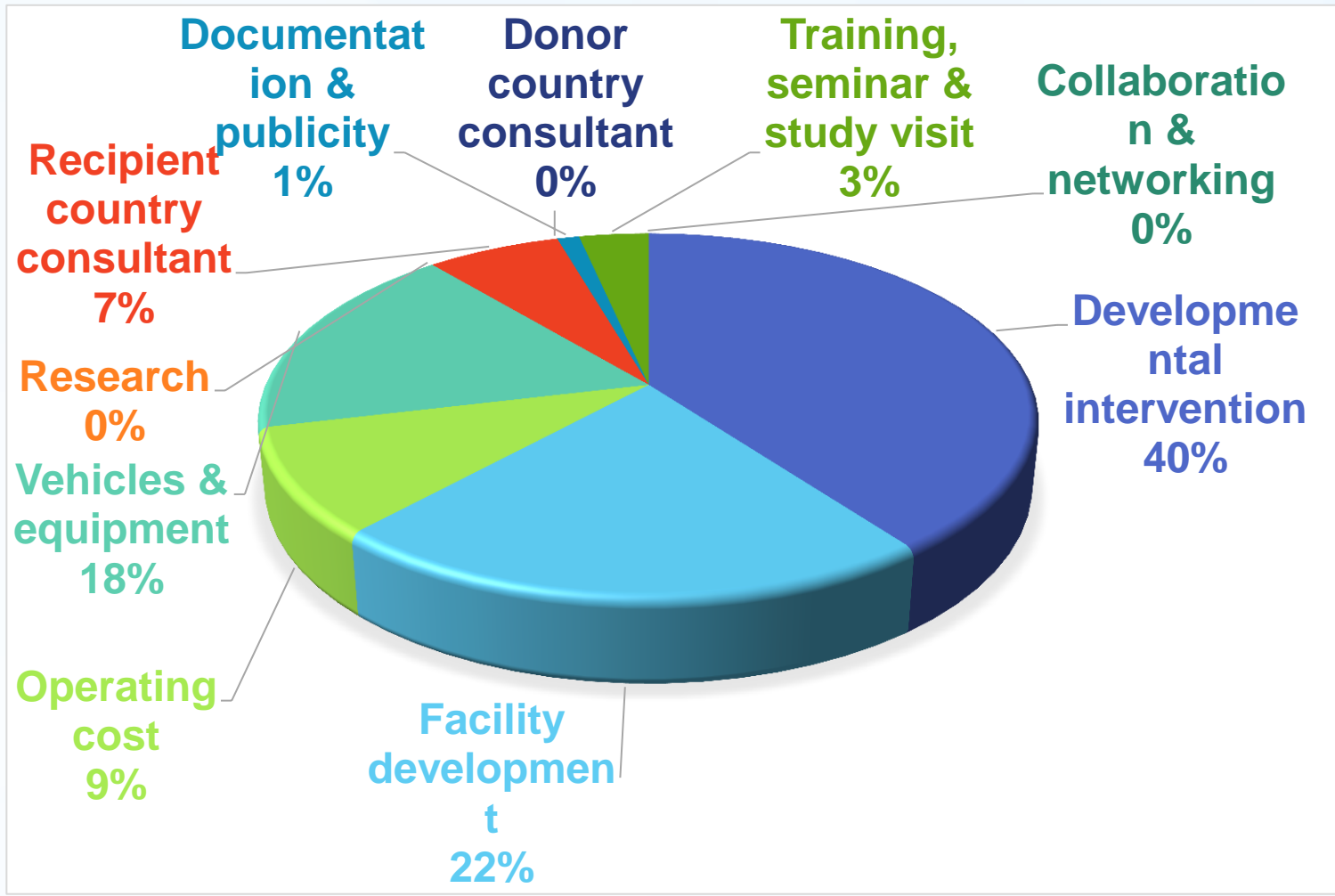
United States Agency for International Development (USAID)	German Federal Enterprise for International Cooperation (GIZ)	European Union (EU)
<ul style="list-style-type: none"><li>➢ Enhanced capacity for key stakeholders</li><li>➢ Strengthened resource management systems</li><li>➢ Strengthened legal and policy framework</li></ul>	<ul style="list-style-type: none"><li>✓ Adaptation to climate change in urban areas.</li><li>✓ Good governance</li><li>✓ Supporting capacities and access to green climate funds</li></ul>	<ul style="list-style-type: none"><li>• Protection of the environment</li><li>• Sustainable use of natural resources</li><li>• Good governance</li><li>• Climate change and disaster management</li></ul>

## Donor's formal & informal interests by project activity



USAID (total fund US\$ 45.59 Million)

GIZ (total fund US\$ 9.4 Million)



EU (total fund US\$ 14.55 Million)

**Fig.1. Project-based flow of fund by activity**

USAID: aid allocated for purposes of informal self-interest is greater than that formal developmental interventions

GIZ and EU: allocated major aid to recipient development intervention, but advanced self-interest to a small extent

**Table 3. Sum of informal interests of bilateral donors (USAID; GIZ; EU)**

Interest	Details of interest	Bilateral donors enjoy the interest		
		USA ID	GI Z	EU
Economic	1. Donors engage foreign consultants to perform project activities	✓	✓	✓
	2. Donors impose conditions to procure goods and technologies from their home countries	✓	✓	✓
	3. Donors expand markets by creating a larger consumer base	✓	✓	✓
Political	1. Donors advance their interests geopolitically	✓	✓	✓
	2. Strengthen non-state capacity outside the government through coalition	✓	✓	✓
	3. Donors enhance their reputations through branding	✓	✓	✓
	4. Donors are interested in policy changes	✓	-	-
	5. Donors influence and control the recipient country's governance system	✓	✓	✓
	6. Donors gather government-independent information	✓	-	-
Strategic	1. Promotion of good governance as means to secure investments	✓	✓	✓
	2. Maintaining a quality environment as a means to secure investments	✓	✓	✓
	3. Interventions on specific priorities (e.g. poverty and climate change) as part of their political commitments and mandate	✓	✓	✓

## Conclusion

- Development aid is sometimes used to advance donors' informal interests (i.e., self-interests) more effectively than their formal interests.
- Some interests area were not substantiated by project aid data, although expert supported that hypothesis
- The political intentions accompanying donors' development interventions, however, may vary from donor to donor
- Its findings have relevance for a re-evaluation of the premises that underpin international aid

## Future research interest

- The politics of donor-recipient countries' relationships over aid allocation decisions and aid effectiveness in a country
- The role, or interests of multilateral donors as well as domestic bureaucracies in other sectors of a country

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