

ARY

国際協力事業団

20757

JICA LIBRARY



1080341(9)

20757

This report is based on the discussions and findings of the Country Study Group for Development Assistance to the People's Republic of Bangladesh organized by the Japan International Cooperation Agency (JICA). The views expressed in the Report are those of the members of the Study Group and do not necessarily reflect those of JICA.

Additional copies of this report are available upon written request from the Institute for International Cooperation (IFIC), The Japan International Cooperation Agency (JICA), International Cooperation Center Bldg., No.10-5, Ichigaya Honmura-cho, Shinjuku-ku, Tokyo 162 Japan

THE UNIVERSITY OF CHICAGO
DIVISION OF THE PHYSICAL SCIENCES
DEPARTMENT OF PHYSICS
530 SOUTH EAST ASIAN AVENUE
CHICAGO, ILLINOIS 60607
TEL: 773-936-3700
WWW.PHYSICS.UCHICAGO.EDU

Foreword

From 1971, after making a great sacrifice of both economic and human resources in the war for its independence, Bangladesh has taken up the challenge of economic development while overcoming the negative legacy of its history and periodic damages inflicted on the nation by its harsh natural conditions. Yet as other countries such as NIES and ASEAN member states of the western Pacific region achieve rapid economic and social growth, as they shift from being aid-receiving nations to aid-giving nations of the near future, changes in the Bangladesh economy have been slow and the nation is directly confronted by numerous problems. Nevertheless, the winds of economic prosperity sweeping over the Asian continent are also blowing through Bangladesh and it is still possible for the nation to realize economic growth by taking full advantage of them.

Bangladesh is one of the foremost nations to receive development assistance from the government of Japan, and Japan has been the nation's largest source of aid since 1986. ODA from Japan accounts for 20% of total aid received by the nation and amounts to about 10% of the government's total expenditure. Under present conditions, great expectations have been put on the role of Japan's ODA in contributing to this nation, which could not hope to develop its economy or to improve the lives of its people without foreign assistance. Consequently, in considering the medium and long-term prospects for Bangladesh's economy, it is also extremely important to review the issues and fundamental

strategies for Japan's development assistance.

This study group was inaugurated in March 1989 under consignment from the Japan International Cooperation Agency (JICA) and since then, it has convened eight times, including one public discussion meeting. It has implemented on-site surveys, including interviews with concerned government officials of Bangladesh. It has examined the present state of economic and social development in the nation, and it has deliberated repeatedly on how Japan's development assistance to Bangladesh should be structured. In summarizing the results of studies, deliberations and reports by the Group, I want to extend a special note of appreciation not only to the distinguished members of the Group for their cooperation, but also to the staff members in relevant divisions of the Ministry of Foreign Affairs for their participation and to the task force members in each field, centering on the staff members of JICA, for their solid support.

This report comes as the result of joint efforts by everyone referred to above. In view of the importance of economic development for Bangladesh, I sincerely hope that this report will contribute meaningfully to dialogue and formulation of policy for assisting in the nation's development and that it will promote even stronger ties of friendship between Bangladesh and Japan.

On behalf of the Study Group, I also want to express deep appreciation to the late Tadahiko Hara for his untiring efforts over many years to investigate conditions in Bangladesh and

inform us of his many insightful observations. Dr. Hara passed away suddenly while working on a scientific study in Bangladesh and we all pray in sorrow for his eternal peace.

February 1990

Country Study Group for Development Assistance
to the People's Republic of Bangladesh
Chairman: Toshio Watanabe

CONTENTS

Foreword

I.	Framework for Considering Development Assistance to Bangladesh	1
II.	Issues and Constraints of Development in Bangladesh	4
III.	Priorities of Strategy for Development Assistance	10
IV.	Required Consideration in Implementing Development Assistance to Bangladesh	24
V.	Recommendations Concerning Japan's Aid System	28
VI.	Illustrative Table of Recommended Projects/Programs for Japanese Development Assistance	36
VII.	Summary of Situation Analyses	39
Annex 1	Japan's Official Development Assistance to Bangladesh	56
Annex 2	Japan's Grant Aid for Debt Relief to Bangladesh	57
Annex 3	The Members of the Country Study Group	58
Annex 4	The Members of the Task Force	59

ANNEXURE

1. The Government of Karnataka has decided to...

2. The Government of Karnataka has decided to...

3. The Government of Karnataka has decided to...

4. The Government of Karnataka has decided to...

5. The Government of Karnataka has decided to...

6. The Government of Karnataka has decided to...

7. The Government of Karnataka has decided to...

8. The Government of Karnataka has decided to...

9. The Government of Karnataka has decided to...

10. The Government of Karnataka has decided to...

11. The Government of Karnataka has decided to...

I. Framework for Considering Development Assistance to Bangladesh

With per capita GNP at 170 US dollars (1988)¹, an infant mortality rate of 120 (per 1,000 births)², and an adult literacy rate of 29%³, Bangladesh is one of the world's poorest nations in terms of both economic and social indices. Approximately 76% of all households have less than the minimum level of income needed to purchase sufficient food to meet the daily caloric requirement⁴. And in rural areas, there are approximately 6 million households without land (1986)⁵, about twice the number of landless households in 1960.

Agriculture in Bangladesh accounts for nearly 50% of the nation's gross domestic product⁶ and absorbs about 60% of the workforce⁷. Nevertheless, foodgrain production in Bangladesh has not reached a level sufficient to satisfy the demand of its people for food; at the same time, the population is increasing, so the nation is groping at present simply to maintain its current rate of self-sufficiency.

Since the nation was separated from Pakistan and became independent in 1971, it has been plagued by numerous problems including inadequacy of infrastructure, insufficient private capital, scarcity of entrepreneurs and technocrats, high population pressure on farmlands and natural calamities resulting from floods and cyclones. In spite of the aforementioned constraints, in addition to numerous factors of political instability, due to frequent coups, real growth in GDP reached

5.3% between FY1975 and 1979 and 3.6% between FY1980 and 1984.

During the same periods, however, the population grew at high rates of between 2.4 and 3.0% so the per capita rate of increase in GDP declined steadily from 2.9% in the FY1975-79 period to 0.6% in the FY1980-84 period. Economic conditions turned even worse in the FY1986-88 term with GDP growth rate in real terms remaining stagnant at an annual average of 3.3%⁸.

While other Asian nations, both NIEs and ASEAN member states, have been realizing phenomenal economic growth through increased agricultural productivity and rapid industrialization, Bangladesh, along with Nepal and Myanmar (Burma), has lagged behind in agricultural productivity and industrialization, and has suffered from a gap between investments and savings and a lack of foreign currency due to chronic current deficits; the nation must depend upon assistance from other nations to close these gaps. Foreign aid accounts for 7.2% of Bangladesh's GDP (1988)⁹. Foreign aid, as the percentages of total central government expenditure (excluding military costs) and of development expenditures (annual development programme, ADP) stood at roughly 45% and 90%, respectively, in FY1986. In comparison to 26% of the total expenditure in the same fiscal year for Sri Lanka and 37% for Nepal, the degree of dependence upon foreign aid by the national economy of Bangladesh is exceptionally high¹⁰.

Since 1986, Japan has ranked as the top nation in terms of bilateral aid to Bangladesh. Without foreign aid over a considerable long term, Bangladesh cannot hope to achieve

development in the future. Given the current conditions in the nation, in order to make sustainable development possible through its self-help efforts, development assistance from Japan should be substantially expanded both in quality and quantity to support extensive improvement of basic living conditions so as to not only strengthen the nation's economic base, but also to alleviate poverty.

II. Issues and Constraints of Development in Bangladesh

(1) Rural Poverty and scarcity of Employment opportunities

The greater part of the national land mass of Bangladesh is located in the low flood plain of the Ganges-Brahmaputra delta, almost all of which is rice paddy region blessed with fertile soil and abundant rainfall. In the rainy season, however, most of the country is deeply flooded by rainfall and overflowing rivers; this hydrologic environment in turn limits the rice planting period and rice variations, etc., and serious flood damages often result. In recent years, with the expansion of irrigation facilities, the planting periods have gradually been shifted to the more stable dry season, but the areas subject to irrigation still account for less than 25% of the total arable land¹¹. All potential arable land has already been put to use and there are no possibilities for expanding it extensively. Consequently, although further concentration of arable land use and increased yields per unit area hold the key to agricultural development, productivity has remained at markedly unsatisfactory levels because of severe hydrological conditions and inadequate quantitative input of production factors.

In addition, the population of Bangladesh has increased approximately 50% over 15 years, rising from about 70 million people in 1970, immediately before the nation's independence, to about 100 million people in 1985¹². During this period the population growth rate has been upwards of 2.4% on average.

The population density is 699 people per square kilometer¹³,

the world's highest level exclusive of city states.

A dramatic increase in the rural population has elevated the population pressure on farm land, and as result of further land fractionation, the average land area owned per household has been rapidly diminishing. Farmers who can no longer earn a livelihood by farming their own land, due to land fractionation, have been forced to sell land and become partial tenant farmers, or sharecroppers, or even landless wage laborers. The percentage of household without land in rural communities exceeds 40%¹⁴, and their loss of bargaining power against landlords, together with the problem of poverty due to unemployment and underemployment, continues to worsen. It is estimated that the rates of unemployment and of underemployment in rural communities have climbed from 20% to 40% because of seasonal fluctuations in demand for agricultural manpower and the limited capacity of agriculture to absorb the workforce¹⁵.

The problem of unemployment and underemployment is a problem of the rural areas, since about 85% of the Bangladeshi people dwell in farm villages. At the same time, however, there has been an influx of farmers to local cities nearby and to large metropolises such as Dhaka or Chittagong in search of employment opportunities, and this has become a major factor behind urban poverty and unemployment. The working population is forecasted to increase at a rate of about 1 million people per annum¹⁶. The need to alleviate the unemployment problem, which has grown more severe as the workforce population increases, by creating new job opportunities, has become the all-important issue in resolving

the problem of poverty in Bangladesh.

(2) Deficiencies in Capital and Infrastructure

During the era of British colonial rule over India, Bangladesh was the site of jute and foodstuff production for export via the trading city of Calcutta. As a result of overtaxation under the Zamindari system introduced by the English, there was no accumulation of capital or investment as required for establishing a production base.

After the independence of Pakistan in 1947, jute exports from East Pakistan became the major pillar of Pakistan's economy. Foreign currency thus obtained was distributed by the central government and for the most part, it was invested for industrial development of West Pakistan, for building irrigation and other infrastructures and for training human resources. East Pakistan provided a protected market for industrial goods from West Pakistan, while it suffered conspicuous lags in the accumulation of private capital and in the build-up of infrastructure.

In the agricultural sector, the proportion of irrigated land was less than 25%, which posed a major obstacle to the improvement of agricultural productivity. Economic development was also held back by deficiencies of infrastructure in traffic and transportation to link up the national land mass, which is divided by numerous rivers.

From FY1982 to FY1986, the average domestic savings rate (percent of GDP) was under 3%¹⁷, an extremely low level in comparison to other Asian nations; and to close the gap between

savings and investments, capital from foreign countries is required.

(3) Lag in Development of Human Resources

The low rates of literacy and of school attendance among the Bangladeshi people have been major factors limiting improvement in the quality of the workforce, as well as a obstacle for the individual in securing employment or increasing income. The rate of enrollment in basic education has been slowly climbing but because of the high dropout rate, the percentage of the population that completes primary school education has not increased substantially.

The absolute deficiencies in basic social services (e.g., health care, drinking water supply) and the inefficiencies of the same have been a major factor behind the infant mortality rate, and the maternal mortality rates, which are at the highest levels among all Asian nations, and they have produced an adverse environment that perpetuates a high mortality rate among infants and children and a high rate of fertility.

In Islamic society, the opportunities for women in rural communities to obtain education and employment are severely limited, and the gap between men and women is wide with respect to rate of school enrollment, literacy rate or rate of utilization of health services, etc. The number of women working as hired employees is quite small. Women in rural communities perform the major activities relevant to improving the quality of life, such as enlarging foodstuff production for the family,

improving nutrition and preventing disease, etc. Expanding the opportunities for these women to attend school is of great importance for promoting self-help among the poor.

During the periods of British rule and of East Pakistan, no effective policies were introduced for education or human resources development and few technocrats or entrepreneurs were cultivated among the bengali people. And after its independence the government's policy of nationalizing major industrial sectors and restricting private investment also worked to obstruct the cultivation of entrepreneurs.

The lack of medium and high class engineers in the nation has been due in part to the educational system, which puts emphasis on cultural subjects and to the fact that the contents of education and training at the nation's technical universities and vocational training institutes do not adequately reflect the demands of the labor market.

(4) inefficiencies of development strategy and Policy implementation

The major industries which were nationalized by the government after independence yielded financial deficit because of inadequate management capabilities and an immature system of financing.

In 1982 and again in 1986, new industrial policies were launched; the traditional policy of government supervision was revised and a policy of leadership by private capital was adopted. Nevertheless, various related systems necessary for

concrete implementation of policy, such as the liberalization of trade and financing, were not introduced swiftly enough, so the results which should have appeared did not materialize.

To promote industry in the private sector, it is urgently necessary to ease restrictions and to grant preferential treatments with respect to financing and taxation, while attention must also be paid to improving the performance of national corporations. At the same time, efforts must be made to ameliorate administrative inefficiencies so that policies can be implemented more swiftly.

III. Priorities of Strategy for Development Assistance

In grappling with the problems of social and economic development, as mentioned above, and in pursuing the development of industry and human resources, Bangladesh has posted a number of targets in its Third Five-Year Plan (1985-90) including alleviation of poverty through reduction of the population growth and expansion of productive employment, development of human resources, self-sufficiency in food, and economic self-reliance. It is conjectured that the basic orientation of this policy will be continued in the Fourth Five-Year Plan (1990-95). In order to support the implementation of this development plan, Japan's ODA should ideally be directed at the following targets: creation of employment through industrialization and integrated rural development, improvement of the current account balance through the promotion of investments and exports, improvement of agricultural productivity and greater food production, and development of human resources through education, training and health services.

In planning and implementing assistance, in addition to the traditional approach by sector or project, target areas of development should be clarified and proposals for assistance in different fields should be integrated over entire areas so as to elevate the multiple effect of numerous projects and further benefit the inhabitants.

(1) Assistance to Foster a Living Environment and to Bolster the

Manufacturing Base in the Southeast Economic Zone Linking Dhaka, Comilla and Chittagong

Cities such as Dhaka, Narayanganj, Comilla and Chittagong and their outskirts have undergone rapid increases in population as immigrants and people from rural areas move to these areas to find work. Strengthening the industrial base of these areas and supporting the promotion of industry and commerce within them so as to include neighboring agricultural communities by interlinking these cities, should prove to be very effective in expanding employment opportunities.

In the past, national corporations and other enterprises have tended to concentrate in these areas so that a manufacturing base has been established within them to some extent. Consequently, short-term economic returns from additional investments can be most easily anticipated in these areas. Moreover, the population, which used to be evenly distributed throughout the nation, has shown a trend in recent years toward uneven concentration in small and medium-sized cities. Hence it has become necessary to consider development of an economic region which goes beyond the limits of a single city and includes small and medium-sized metropolises so as to ease the population pressure on the rural communities and prevent excessive concentration of people in the large cities.

In order to improve the living environments of the cities, which have deteriorated due to rapid population increases, immediate attention must be directed to the augmentation of social infrastructure, such as water supply and sewerage

facilities, and to health and medical services, including family planning, community-based health services and measures to control malaria, which has become most acute in the Chittagong hill tract. The key to cultivating a class of bureaucrats and engineers who can assume the tasks involved in planning and implementing development at government agencies and other institutions within the specific regions lies in expanding education at Dhaka University and Chittagong University, the core institutions for cultivating human resources in this region.

Assistance from Japan should, first of all, be directed to construction and renovation of the industrial base infrastructure and the basic social infrastructure in the target region, to the establishment of educational facilities at universities, and to health and medical services, including support for efforts to control malaria. In order to promote small and medium-sized enterprises, promising fields of business should be identified, basic surveys pertaining to finance, management, etc., and investigations into technical cooperation should be undertaken. In addition, support should be extended to long-term strategies and policies for development which deepen the interrelationships among large-scale industries and cover the commercialization of relevant subcontractor enterprises.

(2) Assistance for Expansion of Employment Through Integrated Rural Development

The objective of rural development is to support the expansion of employment opportunities for the rural population by

the following means: 1) promoting development at the "village" level through comprehensive implementation of such measures as establishment of infrastructure in farming villages, extension of agricultural technology and home life improvements, livestock health services, reinforcement of cooperative and rural credit, promotion of cottage industries, improvement of primary and secondary school education and provision of health services; 2) at the upazila (sub-district) level, establishment of distribution centers and vocational training facilities; and 3) at the district level, simultaneous and parallel implementation of measures to promote agriculture-related industries, for instance, at core regional cities, while also targeting development of strategic points centered on regional cities.

Although farming villages in Bangladesh are in such conditions that development and employment creation at the village unit independent of the larger towns or cities cannot be expected, they are still separated from the regional cities psychologically and economically. To eliminate these current conditions, attention should be directed not simply to development of rural communities within individual villages, but to stimulation of economic activities within whole regions, including neighboring regional cities, and to expansion of off-farm employment opportunities. In this sense, increased employment opportunities can also be expected from stimulation of greater economic and social interaction within a whole region through augmentation of traffic, transportation and communications infrastructure linking villages, towns and cities.

In attempting to provide short-term benefits, assistance should be directed to enhancement of infrastructure (i.e., roads, electricity, irrigation), to augmentation of facilities for drinking water and health services, etc. so that basic human needs (BHN) can be satisfied, and to relevant technical training extension training. In taking steps to enlarge incomes at the family level by such means as instructions covering the cultivation of vegetables, chickens and fish, assistance programs should be formulated with special attention paid to women in farming villages.

Assistance directed at the improvement of primary and secondary school education and of health services in rural communities must be undertaken from a long-term perspective. The reason is that, due to the vertical structure of administrative organizations in the rural areas, it is difficult to achieve coordination among the different sectors, and long preparatory periods are required before aid can be implemented. What is more, it must be assumed that the organization for aid implementation in this field in Japan has been fully established. Financial support for rural credit must be based on the assumption that the system of financing in Bangladesh will be reformed, and aid policy for the future should be formulated while paying close attention to the trend in this direction.

Ideally, the individual district should be taken up as the unit of rural development and various types of activities should be combined within this district. And by taking up a district within the target region of development in the Southeastern

economic sphere, as mentioned in (1) above, the multiple effects of creating employment outside the field of agriculture can be aimed at.

In order to implement a plural number of components under the overall category of integrated rural development, adjustment and coordination among the relevant agencies are imperative, yet as the number of relevant organizations increases, integral management has become extremely difficult. In implementing assistance despite these conditions, special attention must be paid to strategy for "regional unit development" and steps must be taken to integrate components which can be managed both by the donor side and by the organization or system of the recipient side.

(3) Assistance for Reinforcement of the Manufacturing Base in the Western Region and for Enhancement of Infrastructure Linking the Eastern and Western Economic Spheres

In the western region of Bangladesh are the industrial cities of Bogra and Khulna, and the port city of Chalna, whose port developed from exporting jute. The western region, however, is separated from the eastern region in terms of transport, and confronted by various restrictive conditions; the natural gas available in the eastern region, for instance, cannot be used in the western region. Hence the region requires a development strategy different from that for the southeastern region. In comparison to the southeastern economic sphere, moreover, longer time frame will be required to generate economic return from

investment on development of the western region.

As strategy for development of the western region, in addition to promoting the development of industry in the cities and in the rural areas and the build-up of an infrastructure for production, it is crucial to adopt measures for linking the economic spheres of the east and west through construction of traffic, communication and energy transport infrastructures and for stimulating economic interaction between them. Furthermore in cultivating leaders for development of the western region, support must be directed to the build-up of educational facilities such as Rajshahi university.

As a means of extending assistance, it is recommended that, in addition to technical cooperation in the form of human resources cultivation or joint research, steps be taken to clarify, through repeated dialogues at the government level, the priorities of the Government of Bangladesh respecting a long-term master plan for regional development, and to conduct surveys for formulating plans in key sectors.

(4) Assistance for Construction and Improvement of a Base for Promoting Investments and Exports

In order to improve the current account balance, a major issue in the Bangladesh economy, it is imperative that exports be expanded. For Bangladesh, which has few natural resources to serve as the raw materials of industry, export shares are being expanded for processed goods, such as textiles and frozen foods, instead of the traditional export items, such as jute products

and tea, as a means of acquiring foreign currency. The rises in personnel costs in NIEs and ASEAN member nations have given Bangladesh an opportunity to secure a market niche in the labor-intensive industries. To take full advantage of this opportunity, it is imperative that progress be made in augmenting facilities and infrastructure at export processing zones, in promoting investments and in achieving quality control.

In the course of providing assistance, Japan should consider not only technical cooperation in various programs to encourage investments and to establish an investment environment, and financial assistance for constructing facilities at export processing zones and other related infrastructure; it should also direct attention to trends in the export markets and conduct investigations pertaining to policy for improvements in technology such as shrimp cultivation techniques and processing of agricultural produce.

(5) Assistance in Investigation and Planning for Flood Prevention and for Effective Utilization of Energy and Natural Resources

The objectives of Bangladesh's long-term flood countermeasures are to reduce annual flood damages in both economic and human terms, to secure safe land areas for the nation's increasing population and to ameliorate land conditions which form the basis of economic development. It is forecasted that flood countermeasures will become a far reaching and massive scale operation; hence thorough investigations should be made before any steps are taken. Ideally, moreover, efforts should be

made to integrate investigation and project implementation while making adjustments with other donor nations in accordance with the "Five-Year Action Plan" drawn up centering on the world Bank.

Proposals for execution of assistance from Japan should be drawn up through a comprehensive approach integrating both structural and non-structural measures. They should be implemented with emphasis on projects of high immediate importance while requisite preparations are being made to carry out long-term flood countermeasures. More specific forms of aid include support for relief activities through emergency aid, augmentation of warning system facilities, training of human resources, construction of water drainage facilities at Dhaka, regional studies for flood control planning, water drainage, and irrigation establishment of geodetic standards and joint research.

The cost of carrying out requisite operations for flood control by structural measures is immensely large, and much time is required before they can be completed. With respect to improvement of existing embankments, construction of new embankments, seawalls, dredging, and river training, the impact on the environment (e.g., ecological system, soil, underground water cultivation, health) must be investigated beforehand and measures must be implemented in a stage by stage manner. Prior socio-economic studies must also be undertaken with respect to alterations in the morphology of agriculture and fishery, residential patterns, land utilization and the impact on traffic.

To facilitate effective use of the precious natural

resources in Bangladesh so as to contribute to development, basic surveys must be made of underground water, ground level water, electric power, gas, coal, etc.; a master plan must be formulated for effective and sustainable utilization of these resources, and support from Japan for development studies, etc., should be provided.

(6) Assistance in Basic Research for Improving Agricultural Productivity

Although the percentage of agriculture in the gross national product of Bangladesh in recent years has been gradually declining, agriculture is the nation's major industry, and the fact that production of foodstuff is rising at a rate no less than that of the population growth has become the nation's most important issue; it is crucial that steps be taken to improve productivity by introducing technology most appropriate to the unique characteristics of each region. And for this purpose, agricultural research institutions and activities must be fortified so as not only to disseminate existing technology more extensively, but also to develop appropriate technology on a continuous basis as necessary for dissemination.

Fortunately, research centers and higher educational facilities already exist in Bangladesh for this purpose, and by strengthening the functions of these institutions, it will be possible to work for long-term improvement of agricultural productivity by educating people to take up the task of research.

It is from this perspective that the Institute of

Postgraduate Studies in Agriculture (IPSA) project, currently being implemented by JICA, has been directed to elevate agricultural productivity in Bangladesh since 1985; and it should pursue this goal on a continuous, long-term basis in the future. What is more, the various institutions located in the vicinity of the Joydebpur-Salna area in the suburbs of Dhaka, including IPSA, the Bangladesh Agricultural Research Institute (BARI), and the Bangladesh Rice Research Institute (BRRI), can be regarded as an agricultural research complex. Ideally, therefore, technical and financial cooperation should be extended with due consideration paid to the potential for cooperation and distribution of responsibilities among these various institutions.

Moreover, in order to bring the fruits of basic research at these institutions to the rural communities, research into practical application will also have to be pursued from a long-term perspective. For example, long-term evaluation and investigation of the effects in terms of agricultural productivity by stratum provided by the projects for establishing infrastructure in agricultural communities through assistance from Japan, as carried out thus far, and joint research for the purpose of establishing even more expedient methods will prove effective in further elevating the quality of assistance for rural development.

(7) Assistance for Improvement and Augmentation of Education and Training

Augmentation of basic education is an essential precondition

of long-term social and economic development; it must also be pursued in order to realize social justice. Investigations must be made to expand facilities such as schools for the growing population of school age children, to improve educational contents (e.g., curriculum, qualification of instructors), to provide educational materials, and to introduce supporting measures (e.g., school feeding programs, day-care facilities of pre-school children) for elevating the rate of school attendance among the poor. In addition, the question of how basic education should be approached within the framework of assistance from Japan must be investigated so as to include solutions to such problems as the requests of government projects in the recipient nation, which put emphasis on high-level education, and the scarcity of human resources to engage in developmental works for basic education in Japan.

Hitherto, Japan has put emphasis on improving education and augmenting facilities covering education and training at the intermediate and advanced levels; examples include medical training institutes such as the Institute of Cardiovascular Diseases (ICVD), science and engineering departments at universities, and graduate schools in agriculture. In the future, support should be given to development of industry and to improvement of life for the people of Bangladesh by directing continued assistance to high-level education in agriculture, to training of skill laborers as part of the drive to promote small and medium-size enterprises, and to education training and training of personnel who can effectively carry out social

services in such areas as health, medicine and waterworks.

Bolstering high-level education in the fields of social science has become absolutely essential for training the bureaucrats who will assume responsibility for government administration in the future, as well as for contributing to the elevation of administrative efficiency. It is also necessary for training responsible personnel who, as project counterparts, will take over the tasks of management upon termination of aid. Leaders in development should also be cultivated by conducting joint research with major institutions such as the Bangladesh Institute of Development Studies (BIDS) and Dhaka university on developmental issues and by providing assistance for the construction of libraries, etc.

Technical cooperation through dispatch of experts and acceptance of counterpart training participants, together with more extensive acceptance of foreign students in Japan, are effective means of cultivating human resources in the aforementioned fields. The dispatch of Japanese experts is ideally suited for training human resources to make effective use of financial cooperation and for developing education and training facilities suited to the specific conditions of individual locations. The governments of recipient countries must understand the importance of dispatching experts, and the systems for securing human resources inside Japan must be strengthened. In cultivating leaders of development, an investigation must also be made of the small number of technical trainees in proportion to the scope of grant aid amounts and of

the increase in the number of foreign students accepted at the expense of the Japanese government.

An illustrative table of projects/programs under recommended strategies is shown in the page 36.

IV. Required Consideration in Implementing Development Assistance

Ample precaution must be exercised with respect to planning and execution of assistance so that development assistance from Japan to Bangladesh is carried out effectively and the objectives posted under the strategic priorities are reached.

(1) Emphasis on Regional Characteristics

In planning and implementing assistance, it is important to consider the unique characteristics of special regions and to adopt methods which make full use of these characteristics. Regional characteristics in Bangladesh encompass not only differences in natural conditions, such as climate, soil, hydrology or vegetation, but also differences in social structure, including varied configurations in land distribution and gaps in income levels. For this reason, it is not always effective to simply devise a single model covering methodology for rural development or other regional development. Such an approach can not only fail to achieve targeted results; it can also lead to further widening of the gap in income levels and to adverse effects on the environment.

For example, a model of an agricultural producer's cooperative which is effective in the farming villages of Comilla District, where there are numerous small-scale landed and tenant farmers, is inappropriate for eliminating poverty in the farming villages of the western region, where the gap between the large landowner class and the landless class is extensive, since it

most likely would only benefit the landowners.

(2) Consideration of Living, Economic and Traffic Domains for Target Population

In determining the unit of development, the scope of territory corresponding to development objectives must be clarified and planning must be executed. The sources of income other than agriculture for people dwelling in rural communities extend over a considerably wide range beyond just the village, and employment in regional cities and the national capital district continues to increase. In order to magnify employment opportunities for such people, we must think in terms of comprehensive development covering a broad regional unit that includes cities as well as small farming communities.

On the other hand, in taking steps to improve health, educational and income benefits specifically for women in rural areas who have highly restricted ranges of activity, if facilities are established on the assumption that users can travel long distances from their residences, access to the services of such facilities cannot be guaranteed. The effectiveness of such measures can be enhanced by moving to distribute services through such means as home visits and the establishment of satellite stations.

Such economic or living domains do not necessarily coincide with territories covered by public administrative bodies, so thorough investigations will have to be made at the planning stages and special measures will have to be taken to insure that

benefits accrue to the target populations.

(3) Demarcation of Roles for Public Service Sector and Private Sector

The policy of privatization currently being advanced by the government of Bangladesh attempts to elevate efficiency and to encourage private investment through privatization of a portion of the services hitherto provided exclusively by the public sector. Out of consideration for such a policy, in granting assistance for profit-generating programs, if the assistance is limited to public sectors, for instance, special measures must be taken to ensure that it does not promote competition with small private enterprises or family businesses, thereby obstructing the development of these enterprises and the expansion of employment opportunities; at the same time, assistance must be given for lateral support of activities by the private sector.

(4) Limitations in Aid Absorption Capacity and Administrative Capacity

Although there is great need for aid in Bangladesh, the nation faces the problem that aid sums agreed upon in advance cannot be disbursed according to predetermined time schedules because of the limitations in its administrative capacity. Although Japanese assistance to Bangladesh is unique in its high rate of disbursement, as compared to other nations, efficiency in the implementation of aid is still obstructed by delays in the

execution of procedures in government offices and by late decision making.

For the Japanese side, it is important to carry out the following measures: to simplify aid procedures, to conduct flexible administration according to the specific organizational structures in local areas, to investigate ways of reducing the burden of the recipient nation by establishing uniformity in procedures within donor community, to support improved efficiency in systems for receiving aid by such means as providing information to government officials responsible for accepting aid and sponsoring seminars, and to request improvements in the administrative systems of the recipient nation.

V. Recommendations Concerning Japan's Aid System

(1) Policy Dialogue and Establishment of Aid Policy Based on Medium-term Outlook

In consideration of the future outlook of economic growth in Bangladesh, the point of emphasis in policy and the bottlenecks to development, dialogues should be held concerning policy for medium and long-term development, and a framework for aid policy on a broader scope should be provided for annual consultation meeting held between the governments of Bangladesh and Japan. Moreover, by having the results of such dialogue reflected in the project requests of the recipient nation, program aid in the form of policy support and sectoral assistance program can be implemented in a coordinated fashion.

Furthermore, it is worthwhile to consider the possibility of Japan providing assistance through an offer format in which proposals are made from the Japan side for highly feasible programs or projects of cooperation based on dialogue and on analysis of development forecasts as referred to above.

(2) Consideration for Debt Relief

In response to a resolution of the third meeting of the ninth Trade and Development Board of the United Nation's Conference on Trade and Development (UNCTAD), held in 1978, the Japanese government, upon confirmation of reimbursement of the principal and interest on loans extended to the least developed countries (LLDC) , including Bangladesh, prior to fiscal 1977,

returned the equivalent amounts as debt relief grant aid. Moreover, at the Toronto Summit of 1988, it was agreed among the participating nations that the debt accumulated from 1978 to 1987 also be subject to the same relief measure.

Each year, grant aid for debt relief takes up a greater share of total aid given by Japan to Bangladesh, and in fiscal 1988, the amount given was more than 5.2 billion yen, about 9% of total Japanese ODA to Bangladesh and about 40% of the total grant aid. This amount, which is forecasted to rapidly increase from fiscal 1989, exceeded 50% of grant aid in 1989; in several years, this amount is forecasted to exceed the amount of grant aid given to Bangladesh in recent years (13.6 billion yen in FY1988)¹⁸. Grant aid for debt relief is implemented in a manner similar to that of debt cancellation, but it is extended within the overall framework of ODA. Consequently, it must be remembered that unless the total amount of grant aid to Bangladesh equals or exceeds the amount of grant aid for debt relief, the amount of money that can be appropriated for grant aid in the form of projects for agricultural development and basic human needs (BHN), as proposed thus far, becomes limited.

Also with respect to grant aid for debt relief, which has been increasing annually, it is crucial to have close dialogues between the governments of both nations and to monitor implementation procedures so that the aid will be used effectively for development in Bangladesh.

(3) Donor Cooperation at the Stage of Aid Planning and

Implementation

At the Arche Summit, cooperative assistance by the participating nations for flood countermeasures in Bangladesh was called for, and in the future as well, participating nations will have to consider active means of enhancing the effectiveness of aid implementation through bi-multi cooperation.

In addition, it will be worthwhile to promote cooperation with other donors in a format similar to that of the Institute of Postgraduate Studies in Agriculture (IPSA) project currently being implemented jointly with USAID, in which the fields of specialization by the respective donors are integrated for aid implementation. Cooperation in the field of population and family planning could be realized through internationally coordinated co-financing involving the World Bank and other donor nations.

The World Bank chairs a Bangladesh Consultative Group (CG) convened to monitor the status of economic development in Bangladesh and to coordinate the activities of each donor nation and organization, and Local Consultative Groups are convened for coordinating activities and exchanging information among each donor nation and international aid organization at the local level. It is strongly urged that Japan extend still further participation and cooperation to these groups.

(4) Cooperation and Information Exchange with NGOs

Concerning aid targeted directly at the poverty level, international NGOs and local NGOs have accumulated diverse modes

of experience, so there is much that can be learned from these institutions. It is not enough to simply give financial assistance to these institutions; positive steps should be taken to assimilate what ought to be learned about their methods of activity; and as for points which cannot be resolved by direct ODA, policies of cooperation with these institutions should be examined.

Examples from the past include construction of the Agricultural Women's Training Center through official grant aid and implementation of management and training at facilities by OISCA, a Japanese NGO. Moreover, under JICA's training scheme, five trainees in agricultural development from OISCA are accepted in Japan each year. What is more, planning and implementation based on the knowledge and experience of NGOs would be most effective for activities at the village level pertaining to agricultural development (e.g., adult literacy education, women's education, rural credit)

(5) Flexible Administration of Assistance

Concerning the burden of local costs and recurrent costs in the fiscal budget system, the principle of calling for self-help efforts by the recipient government should continue to be respected and assistance should be administered flexibly so as not to infringe upon this principle.

For each type of aid, the following relief measures have been amplified thus far respecting the burdens of the recipient nation and the implementation time limits. Under the loan aid

system, measures such as the following were adopted: 1) the time period of disbursement was made extendible to within five years (two years for commodity loans); 2) up to 85% of total project costs, inclusive of local currency, became the subject of financing through introduction of a financing rate formula; 3) upon completion of a facility, financing was made available for operation and maintenance costs (e.g., spare parts) for two to three years after completion of facilities, as part of project cost.

In regard to technical cooperation, improvements were made respecting part of the burden of training costs for cultivating middle-level personnel and respecting local costs, such as that for establishing model infrastructure. For the world's poorest nations, like Bangladesh, however, further considerations must be made so that the benefits of aid can be magnified. As one specific measure, the Japanese side should increase its percentage of the cost burden in the local currency portion, including the cost of hiring and training personnel to work in projects, the cost of research, the cost of operation and maintenance of facilities and machinery (O&M), and the cost of overland transport of equipment and materials.

Flexible administration is also desirable in the realm of grant aid. For example, with respect to the construction of lodgings for personnel, which has been the responsibility of the recipient nation, if the project is located in an area where commuting is impossible, such construction should also be acknowledged as a subject of aid allocations.

What is more, in order to formulate assistance programs which will directly benefit the poor, a different approach must be employed. Instead of the "blueprint" approach in which detailed plans are drawn up in advance by central government agencies and aid institutions and operations are carried out accordingly, a "learning process" approach will have to be used which involves participation by the local society. (knowledge acquired from mutual interaction of aid institutions and benefactors is reflected in planning and implementation.) In order to make possible the conduct of such planning, considerations will have to be made for allowance of greater flexibility in temporal restrictions in current aid implementation; for example, preliminary survey periods could be lengthened and monitoring results could be reflected in changes made during the course of planning and implementation.

(6) Detailed Planning, Implementation and Evaluation With More Personnel Responsible for Assistance in Local Offices

After the United States, Japan accounts for the largest share of bilateral assistance to Bangladesh, but in comparison to the magnitude of such aid, which continues to increase, there is a drastic shortage in the number of local personnel to administer it. What is more, the workload for those who handle aid continues to increase because of complex administrative procedures and inefficient clerical processing in the government offices in Bangladesh.

In order to implement the approaches to aid proposed thus

far, it is imperative that a foundation for administration of aid from Japan be improved; in particular, there must be an increase in the number of resident staff members at local sites. In the case of the United States (USAID), which is second only to Japan in terms of aid quantity, there are about 90 people serving as professional staff members (33 Americans and 57 Bangladeshis), not including project specialists and consultants. In the case of Japan, there are no more than 10 equivalent personnel even when the Japanese Embassy, JICA and OECF are taken into account.

So that aid programs and projects can be formulated in consideration of local political and economic trends and local cultural and social systems, there must be ongoing dialogue with officials of the Bangladeshi governments with academics and with residents. A substantial increase in the number of local resident representatives responsible for aid administration has become a pressing issue for the support of activities by technical cooperation experts, Japan Overseas Cooperation Volunteers (JOCV) and survey teams, and for realization of the corresponding benefits, as well as for monitoring and evaluations based on highly reliable data.

The importance of recruiting and training technical cooperation experts and country specialists equipped with knowledge and experience for engaging in aid activities is beyond dispute, and programs for recruiting and training such personnel should be carried out on the basis of a long-term vision.

Notes

1. World Bank Atlas 1989
2. UNICEF, "The State of World's Children 1989"
3. World Bank, "Bangladesh: Public Expenditure Review: Public Resource, Management During the Fourth Five-Year Plan 1991-95"
4. Planning Commission, "The Third Five Year Plan 1985-90"
5. World Bank, "Report of the Poverty Task Force on Poverty Alleviation", Volume II, June 1988
6. same as 3.
7. Bureau of Statistics, "1989 Statistical Yearbook of Bangladesh"
8. Bureau of Statistics, Economic Survey (each year)
9. same as 3.
10. IMF, "Government Finance Statistic Year Book"
11. Bureau of Statistics, "1984-85 Yearbook of Agricultural Statistics of Bangladesh"
12. same as 7.
13. same as 3.
14. same as 11
15. USAID
16. same as 4
17. International Development Center, "Report of the Basic Survey for Formulation of Economic Cooperation Planning (Bangladesh), March 1989"
18. Economic Cooperation Bureau, Ministry of Foreign Affairs (edition), "Japan's ODA 1989"

VI. Illustrative Table of Recommended Projects/Programs for Japanese Development Assistance

Priority	Sector	Agriculture, Forestry and Fisheries	Industries	Infrastructure, Natural Resources, Energy	Social Infrastructure, BRR, Human Resources
Development of Southeastern Economic Sphere			<p>Survey of development planning for small and medium-scale industries</p> <p>Guidance in management of financing systems for small and medium-sized corporations</p> <p>Rehabilitation of existing factories</p> <p>Preparation of small-scale industry complexes</p>	<p>Construction/improvement of roads and bridges</p> <p>Road maintenance</p> <p>Improvement of Chittagong harbor</p> <p>Improvement of Chittagong airport</p> <p>Construction/improvement of communications facilities</p>	<p>Malaria control</p> <p>Cardiovascular diseases control</p> <p>Improvement of teaching materials and facilities at Dhaka and Chittagong Universities</p> <p>Construction/improvement of waterworks facilities</p> <p>Construction/improvement of residential housing</p> <p>Improvement of radio broadcasting network</p>
Integrated Rural Development		<p>Extension of agricultural technology</p> <p>Extension of terminal irrigation technology</p> <p>Fresh-water fishery, aquaculture</p> <p>Animal health</p> <p>Training in poultry farming</p> <p>Extension of suburban agriculture</p> <p>Irrigation, water drainage</p> <p>Augmentation of rural financing</p>	<p>Promotion of cottage industries</p> <p>Manufacture and servicing of wells</p>	<p>Construction/improvement of roads</p> <p>Rural electrification</p> <p>Distribution centers, warehouses</p>	<p>Construction/improvement of rural health facilities</p> <p>Maternal and child Health</p> <p>Support of Expanded Program on Immunization</p> <p>Extension of home life improvements</p> <p>Drinking water supply in rural communities (wells)</p> <p>construction of sanitation facilities in rural communities (toilets)</p> <p>Support for NGO activities</p>
Development of Western Region			<p>Survey of development planning for small and medium-sized industries</p> <p>Guidance in management of financing systems for small and medium-sized corporations</p> <p>Rehabilitation of existing factories</p> <p>Preparation of small-scale industry complexes</p>	<p>Construction/improvement of roads and bridges</p> <p>Improvement of Chalna harbor facilities</p> <p>Eastern/Western communications facilities</p> <p>Gas pipe lines</p> <p>Construction/improvement of agricultural infrastructure (irrigation, drainage)</p>	<p>Improvement of teaching materials and educational facilities at Rajshahi University</p> <p>Construction/improvement of waterworks facilities</p> <p>Construction/improvement of residential housing</p> <p>Improvement of radio broadcasting network</p>

Priority	Sector	Agriculture, Forestry and Fisheries	Industries	Infrastructure, Natural Resources, Energy	Social Infrastructure, BHN, Human Resources
Promotion of Exports and Investments		Improvement of shrimp cultivation technology Processing of foodstuffs and other agricultural products	Promotion of investments, provision of information	Improvement of export processing zone (Dhaka, Chittagong) Improvement of harbors Improvement of airports	Training in production, processing and quality control
Flood Control and Survey of Natural resources Utilization				Improvement of flood warning system Construction/improvement of urban rain water drainage facilities Establishment of geodetic reference points Investigation for flood control master plan National water resources study	Training of flood warning agency personnel Joint research on flood control Strengthening of relief and evacuation activities
Agricultural Basic Research		Reinforcement of agricultural research facilities and functions Institute of Postgraduate Studies in Agriculture (IPSA) Agricultural Research Institute (BARI) Rice Research Institute (BRRI) Agriculture University (BAU) Academy for Rural Development (ARD, in Comilla, and Bogra) Joint evaluation and research Survey and research on marine resources			

Priority	Sector	Agriculture, Forestry and Fisheries	Industries	Infrastructure, Natural Resources, Energy	Social Infrastructure, BHN, Human Resources
Education and Training		<p>Reinforcement of high-level education in agriculture</p> <p>Institute of Postgraduate study in Agriculture (IPSA)</p>			<p>Construction of primary schools</p> <p>Training in all categories of health manpower</p> <p>vocational training at the middle-level</p> <p>Training of marine vessel crewmembers</p> <p>support for legal consultations, employment promotion, education and training activities at Women's Affairs Directorate</p> <p>Improvement of libraries at the Bangladesh Institute of Development Studies (BIDS), Dhaka University and Chittagong University</p> <p>Joint research with BIDS</p>

- Note: (1) This table presents examples of the contents of aid conceivable under each of the major items recommended; it is not an exhaustive list, however.
- (2) This table does not signify that aid implementation has been decided. Decisions regarding the proposal and implementation of specific projects are made after investigations and analyses have been made by both the government of Bangladesh and relevant agencies in Japan.
- (3) The examples presented in this table cover both types of cooperation, namely financial cooperation (grant aid, loan aid) and technical cooperation (dispatch of experts, acceptance of trainees, provision of equipment, development surveys, Japan overseas cooperation volunteers, etc.), but these types are not specified in the table.

VII. Summary of Situation Analyses

1. Macroeconomic Trends

Bangladesh is at a very low level of progress in economic development, and it is confronted by numerous factors obstructing development, including dense population and frequent flooding.

The status of economic development in Bangladesh can be categorized into three distinct periods with reference to 1971, the year of the nation's independence. Prior to independence, there was a period of relative stability in economic growth (1960 to 70), followed by a period of chaos immediately after independence (1970 to 75), then a period of economic recovery (1975 to present).

Looking at the overall economic trend in the 1980s, the annual growth rate in GDP remained depressed, and the share of GDP held by agriculture remained high, but the growth rate for this sector also was stagnant. On the other hand, although the industrial sector continued to expand, its share of total GDP was still low and industrialization was slow to advance. The trade and current account balances both stayed in the red. As total exports continued to rise, the value of exports of jute products and other traditional items remained the same while the value of non-traditional export items such as shrimp and other fishery products or textiles increased. The rate of dependency upon imports of foodgrain was about 10%.

As for the fiscal deficit and gap between investments and savings, while there was a chronic fiscal deficit, numerous

measures were introduced to rebuild it, including a system of independent accounting by public corporations, reduced financial assistance to public enterprises, reduced subsidy for foodgrain-related operations and measures to improve their efficiency, to improve loan recoveries of financial institutions, and to bolster or expand tax collection.

Although domestic borrowing was used as a means of bolstering public finances, the extent of borrowing tended to diminish each year. The domestic savings rate remained low at under 3% and loans from overseas were relied upon for nearly half of total domestic investments.

In the period from 1974 to 1983/84, employment climbed at an annual average rate of 2.7%, which was markedly high in comparison to the 1960s.

Concerning the number of employees by sector, the share in the agricultural sector dropped sharply while the percentage of workers in rural communities not engaged in agriculture continued to rise. This in turn motivated numerous people to migrate from the rural communities into the national capital region and the major regional cities. Rapid increases in the populations of these cities, together with the low capacity of farming communities to absorb manpower, gave rise to diverse social and economic problems in connection with unemployment and poverty.

2. Development Planning

(1) First Five-Year Economic Development Plan (1973/74-77/78)

The objective of the First Five-Year Plan was to promote

economic reconstruction and development by establishing a socialistic economic system based on unification and nationalization of production, financing, distribution and trade. Nevertheless administration of the economy became chaotic not only because of external factors (namely, the oil crisis of 1973, and two successive years of drought and flooding), but also because of failure on the part of the government's nationalization policy to resolve internal factors: that is, incomplete development of infrastructure and inadequate management capacity at the administrative and corporate levels.

(2) Two-Year Economic development Plan (1978/79/1980)

Upon termination of the First Five-Year Plan, which yielded insufficient results, a two-year plan was implemented to guide the economy until inauguration of the next Five-Year Plan. With emphasis on integrated rural development and cultivation of private capital, this two-year plan called for the realization of economic independence through elevation of productivity and expansion of employment opportunities.

Among the measures introduced to attract private capital were the sale of public enterprises to the private sector, establishment of systems of public finance and credit as necessary for promoting private investments, and liberalization of trade.

(3) Second Five-Year Economic Development Plan (1980/81-84/85)

Following efforts under the two-year plan to build up

private capital, emphasis was put upon private enterprises in the Second Five-Year Plan and these orientations were further clarified. The objective of this plan was to promote the growth of income and employment, thereby alleviating poverty, through a development strategy comprised mainly of rural development, expansion of agricultural production, establishment of systems or organizations for formulating production schedules at the regional level, and promotion of industrialization in rural communities.

(4) Third Five-Year Plan (1985/86-89/90)

The sundry targets of the Third Five-Year Plan were not very distinct from those of the previous plans. These targets included reduction of population growth, expansion of productive employment, universal primary education, development of human resources, realization of technological foundations bringing long-term structural changes, fulfillment of basic human needs, acceleration of economic growth, and economic independence.

Under the Ershad administration from 1982, a "New Industry policy" was formulated on two occasions. These policies encompassed a broad range, including not only privatization and deregulations in the industrial sector, but in the agricultural sector, privatization of inputs distribution, reduction of subsidy and higher prices for crops purchased by the government, liberalization of trade and currency exchange, and privatization of financial institutions.

3. Agriculture

Agriculture accounts for roughly 50% of GDP in Bangladesh, but the average annual growth rate in production by this sector in the 1980s was about 2.6%, only slightly greater than the rate of increase in population. With production of food crops at around 17 million tons, about 10% of domestic demand is met by imports and food aid from overseas.

Irrigation has spread to cover no more than upwards of 20% of total arable land, and nearly half of this irrigation is realized by traditional methods such as drawing up water by dhoon and swing basket. The greater part of modern irrigation technology is by low-lift pump (LLP) and tube well; the extent of land irrigated by water channels is small. It is forecasted that expansion of the irrigation area would make it possible to secure stable harvest volumes from high-yielding varieties (HYV) by employing modern resource inputs such as petrochemical fertilizers and pesticides on irrigated land. Nevertheless, the introduction of High-yielding varieties has not contributed to the expansion of employment in the agricultural sector.

The stagnation in agricultural production in Bangladesh in the 1980s was due in part to damages brought by floods and other natural disasters and to cutbacks in government expenditures for development of agriculture-related items. In addition, it can also be ascribed to the gradual increasing trend in the marginal costs, in terms of requisite natural resources per unit of incremented production.

In the field of fisheries, the volume of production from

shrimp cultivation has been expanding in recent years; it accounts for an ever increasing share of exports both in quantitative and monetary terms. In the supply of fisheries to the domestic market, fresh-water marine products from ponds and rivers account for a large share, and the extension of aquaculture is being implemented as part of developmental activities in rural communities.

4. Rural Development

Over 80% of the people in Bangladesh dwell in rural communities, and it is estimated that 70 to 80% of rural population are below the poverty line. The scarcity of arable land and of employment opportunities is a major factor behind poverty in Bangladesh. Up to 40% of all households are landless and the per household areas of owned arable land and of arable land under tenancy are diminishing.

In 1983, upazila parishad, or sub-district councils, inaugurated in accordance with the national government's policy of decentralization of authority to upazilas, were given the right to supervise and oversee administrative mechanisms and to draw up proposals covering sundry operations for rural development.

Under the rural development program, the IRDP (integrated rural development program), which was extended over the entire nation on the basis of activities by the agricultural cooperative society in Kotwali Thana, Comilla District, carried out its activities with emphasis on four major points: 1) a double-stage

agricultural cooperative organization ; 2) Thana training and development center; 3) a Thana irrigation program; and 4) rural work program for generating employment during slack farming seasons through construction and maintenance of infrastructure. However, activities by the cooperative society turned stagnant and detailed items could not be implemented because of overly rapid expansion of the program and overswelling of the relevant organizations. Strategies by the IRDP were integrated under the Bangladesh Rural Development Board (BRDB), which was newly established in 1982, and have remained under the Bureau up to the present.

In an attempt to introduce systematic financing directed at the poverty level in rural areas, the Grameen Bank, inaugurated in 1976, loaned out capital to rural population for business endeavors such as livestock rearing, poultry farming, processing of food products and petty trades, thereby contributing to the creation of employment opportunities. The Grameen Bank did not require submission of collateral or mediation by local elites, as is essential for public financing. It was unique in that it directed its financing services mainly to women, for whom other avenues to social participation in the rural communities are tightly closed.

In formulating a strategy for rural development, it is crucial to fully employ microeconomic data obtained by close observation of the communities themselves, encompassing, for example, the economy of farming households, the economy of farming villages, social structure, political structures, and the

psychology of rural people.

5. Industry

In the 1960s, before the nation's independence industry in Bangladesh grew centering around the manufacture of textiles such as cotton and jute. In the later half of the 1970s, import substitute industries and industries processing domestic raw materials such as chemical fertilizers and cement industries began to develop. Once into the 1980s, however, as compared with the 1970s, growth turned stagnant.

With the introduction of its policy of nationalizing production immediately after independence almost 90% of all fixed capital in the industrial sector of Bangladesh was nationalized but as a result of bottlenecks due to the inefficiencies of industrialization under government supervision, policy was eventually shifted toward privatization. The "New Industry policy" announced in 1982 and again in 1986 clarified the orientation of industry development through privatization, etc., but numerous problems remained because a financial institutions were not fully established and powerful bureaucracies continued to exercise control.

From the 1970s, there was a shift from an export structure centering on primary goods and products processed from them, to non-traditional items, such as textile products, frozen food (shrimp) and leather goods, and in the 1980's, the share of these products continued to rise, eventually surpassing the volumes of traditional export items. In the future, promotion of

labor-intensive export-processing industries could be looked upon as the principal means of boosting exports and of expanding job opportunities.

Small-scale and cottage industries account for 40% of added value and 78% of employment in the industrial sector. They play such a vital role in providing job opportunities in rural communities and regional cities that the government established the Bangladesh Small and Cottage Industries Corporation (BSCIC) to promote their activities.

6. Natural Resources & Energy

The energy sector in Bangladesh has four distinctive characteristics: 1) high contribution of traditional energy; 2) high rate of dependency upon imported energy, beginning with petroleum; 3) regional disparities in the supply of energy arising from the topographically uneven distribution of energy; and 4) low rates of consumption benefit and supply efficiency.

Up to 85% of capacity from electric power generating facilities lies in the eastern part of the nation, where there are indigenous reserves of natural gas. The cost of power generation in the west, which depends upon petroleum, is 1.5 times the cost in the east. The growth in sale of electric power on a per-contract basis averages about 3% annually. This rate falls below the rate of economic growth and the reason can be ascribed to the fact that nearly 40% of electric power is lost during distribution.

In addition to natural gas, which accounts for roughly 70%

of the supply of commercial energy, rising expectations are being put upon the development of domestic oil resources and of coal and lignite in the western region.

Among the problems in the energy sector are a lack of consistency between production and consumption planning, inefficient management of government executing agencies and inadequate planning covering energy for the general public.

7. Infrastructure

(1) Traffic and Transportation

The national land mass of Bangladesh is divided by three large rivers and this natural geographic condition makes it extremely difficult to establish a traffic system in the nation. In addition, the traffic network is obstructed by floods and these conditions also restrict economic growth. A traffic network should be established by preparing trunk roads linking the major cities, namely, Dhaka, Chittagong, Sylhet, Khulna, and Mongla.

In general, demand for transport by railroad has been declining, but it centers on transport of imported freight by rail between Dhaka and Chittagong. Since competition between railroad and road transport is severe, the railroad industry should explore the market for long-distance transport of bulk cargo.

Of the two major ports in Bangladesh, the Chittagong port has grown for importing food provided as aid while the Mongla (Chalna) port has developed through exports of jute and jute

products. The problem of siltation and the lack of stevedoring capacity at the Chittagong port will exacerbate the rise of congestion there resulting from stepped up exporting and importing.

(2) Waterworks

The distribution of waterworks reaches about 70% of the population in Dhaka, about 40% in Chittagong and about 20 to 30% in the municipal cities. The rural communities depend upon shallow wells with manual pumps, ringwells or natural springs.

Among the problems faced by waterworks authorities in the cities are the fact that systems of fee collection have not been working properly, operations are being conducted in the red, accordingly, sufficient funds are not available for operation and maintenance costs, and training of employees is inadequate.

(3) Communications, broadcasting

The total number of telephone lines in Bangladesh amounts to 200,000 circuits, 85% of which are concentrated in the Dhaka region. Radio broadcasting was inaugurated from 1939 and television broadcasting was introduced in 1964 television reception. In the future, it will be crucial to establish and augment regional broadcasting facilities.

8. Floods and Environment

(1) Floods

The greater part of the land mass of Bangladesh can be

defined as delta formed by the Ganges, Brahmaputra and Meghna Rivers, and about half the land less than eight meters above sea level. The discharge of three main rivers at Bengal estuary varies drastically according to season, ranging from maximum of 100,000 m³/s to a minimum of 7,000 m³/s. Annual precipitation varies by district but more than 80% of it comes during the period of June to September.

As the water level of the rivers rises, about 20% of the land mass is flooded over even in an ordinary year; the flooding in 1987 and 1988 covered the maximum area thus far on record. Floods originating from the overflow of water from the large rivers are unique in that the water remains stagnant for long periods of time. In addition, there are areas of the nation where flash floods occur due to localized torrential rains.

Countermeasures against flooding include structural measures such as embankment, river training, river diversification and non-structural measures involving early warning, evacuation and relief, and restoration of agriculture and transportation. In response to the floods in 1988, dialogues and coordination have been pursued among each of the aid organizations through the initiative of the World Bank.

(2) Environment

With the rapid migration of the population to the cities, especially the capital of Dhaka, slums have been forming in the low, swamp areas, which are unsuited for dwelling. There has been a lag in the establishment of infrastructure, including

facilities for water supply and sewage disposal, for rain water drainage and for waste treatment, etc., to accommodate the rapid increases in population, and this invites further deterioration of living environments in the cities.

Waste water from the cluster of factories built in the industrial section in the vicinity of Dhaka has also become a serious problem. In 1977, an environmental pollution control ordinance was promulgated and an environment pollution control board was established.

The natural forest area, which accounts for 14% of the national land mass, has been shrinking, and the overcutting of mangrove trees in particular has contributed to the elimination of natural habitats for wild animals and to devastation and erosion of the soil. In the coastal areas, mangrove forests serve as shore embankments, protecting the inland areas from high tides brought by cyclones. Reducing these forests can result in damages on a much greater scale.

9. Health and Population

Over the last 25 years, health indices for the people of Bangladesh have been improving. Nevertheless, the nation still confronts such problems as a high infant mortality rate, a high maternal mortality rate, and disease or death arising from malnutrition. The life expectancy at birth is low at 51 years, reflecting the high infant mortality rate. The life expectancy of women is lower than that of men.

The government of Bangladesh has put great emphasis on the

establishment of health facilities in rural communities under its Third Five-Year Plan (1985-90), but there still remain numerous problems to resolve before augmented facilities can be utilized effectively for health services, including the need to strengthen personnel and provide medical supplies.

Targeted at lowering the high population growth rate in Bangladesh, which exceeds 2.4% annually, family planning program has been undertaken with support from the World Bank, the United States and numerous donor organizations. Attempts have been made recently to achieve functional integration of the health services sector and the family planning sector in the rural health facilities, but this objective has still not been reached. The lack of unity and coordination between these two sectors has been a major obstacle to the improvement of services, especially in the field of maternal and child health, and it has been a factor behind persistent failure to stimulate more wide-spread family planning.

10. Human Resources

It has been reported that the rate of school enrollment at the level of primary education reaches about 70% but the dropout rate is high, and the percentage who complete five years of primary school education is only about 20%. The literacy rate for the entire nation averages 29% but the disparities between urban and rural areas, and between men and women, are extensive. The literacy rate for rural population and for women are both less than 20%.

Beginning with the Second Five-Year Plan (1980-85), the government has been moving to achieve universal primary education (UPE) as one of the major goals of the education sector, but the problems to be resolved are enormous, including establishment of facilities, qualitative and quantitative augmentation of teachers, and development of curriculums which match the needs of society.

Activities in the realm of non-formal education are targeted mainly at illiterate adults (especially women) and children who have dropped out from the public school system. The NGOs play a large role in this field.

With respect to higher education and vocational training, the major problems center around the gap between curriculum contents and the needs of the industrial competence.

11. Assistance From Japan To Bangladesh

Aid from Japan was extended to Bangladesh while it still existed as East Pakistan, and beginning with food assistance in 1971, after the nation's independence, Japanese aid to Bangladesh has been increasing yearly so that Japan ranked second after the United States in terms of the total value of its aid to Bangladesh up to 1987. Every year since 1986, Japan has ranked first in terms of the value of aid given during the year. Moreover, with respect to the gross value of ODA from Japan, Bangladesh ranks as the fifth largest recipient nation; it ranks first in terms of grant aid; eighth in terms of loan aid

received; and 20th in terms of technical cooperation (through JICA only) (FY1988).

The distinguishing feature of aid from Japan to Bangladesh is that loans account for over half the total value. The percentage of grant is low; the percentage of technical cooperation, in particular, is low at only 12.3% of the total official development assistance.

In the realm of technical cooperation, the major fields of cooperation have been technical education and training in the field of agriculture and medical education, including clinical techniques. Expansion of technical cooperation has been limited by such factors as problems with the budget allowance within the recipient government for implementation of projects, inefficiencies in the administrative and management systems, and difficulties in recruiting and training experts inside Japan.

In the extension of ODA from Japan to Bangladesh, the dispatch of Japan Overseas Cooperation Volunteers (JOCV) also plays an important role. About 90 volunteers were being dispatched throughout the various regions of the nation in 1989. The fields of endeavor covered by these volunteers span a broad range, from agriculture and fisheries, to industry, sports and handicrafts aimed at women.

Grant aid has been extended with emphasis on development of agriculture, provision of health and medical services, and establishment of infrastructure.

In addition to general, project-type grant aid, grant aid for fisheries and for cultural activities, food aid, aid for

increased food production, and grant aid for debt relief have been granted. In recent years, the amount of grant aid for debt relief has been rising sharply, causing the amount of funds for other forms of aid, especially project-type aid, to steadily diminish.

Loan aid is being provided primarily in the form of loans for the energy sector, for industrial plant rehabilitation projects, and for commodity import. Commodity loans account for about 60% of the total amount of loan. They are indispensable for closing the balance of payments gaps most likely to continue in the future. In the future, attention should also be directed to non-project aid as a means of supporting long-term economic structural reforms.

Annex 1

Japan's Official Development Assistance to Bangladesh

(Net Disbursement in Million Dollars)

Year	Grants*	Technical Cooperation	Loan Aid	Total
7 1	-	-	-	-
7 2	10.2	0.1	7.2	17.4
7 3	16.7	0.9	12.3	29.0
7 4	4.0	2.2	17.3	21.3
7 5	17.6	2.2	29.4	47.0
7 1 ~ 7 5	48.5	5.4	66.2	114.7
7 6	4.8	1.8	26.7	31.5
7 7	20.2	2.9	45.7	65.9
7 8	23.8	5.3	95.9	119.6
7 9	45.0	5.3	161.3	206.3
8 0	42.8	6.3	172.3	215.1
7 6 ~ 8 0	136.6	21.6	501.9	638.4
8 1	55.1	6.8	89.9	145.0
8 2	48.7	6.2	167.1	215.8
8 3	42.8	6.1	61.4	104.2
8 4	48.2	5.2	75.1	123.3
8 5	62.2	6.3	59.3	121.5
8 1 ~ 8 5	257.0	30.6	452.8	709.8
8 6	58.7	9.3	189.8	248.5
8 7	135.9	11.3	198.3	334.2
8 8	133.7	15.0	208.2	342.0
7 1 ~ 8 8	770.4	93.2	1,617.2	2,387.6

* : Including technical cooperation

Source: OECD, Geographical Distribution of Financial Flows to Developing Countries.

Economic Cooperation Bureau, Ministry of foreign Affairs
(edition), "Japan's ODA 1989"

Annex 2

Japan's Grant Aid for Debt Relief to Bangladesh

Year ※	Amount (in million yen)
1979	1,026.034
1980	1,393.050
1981	1,591.564
1982	847.450
1983	1,747.569
1984	1,758.124
1985	2,372.372
1986	2,809.669
1987	3,384.817
1988	4,217.789
1988	5,232.250
Total	26,380.688

※ : Calender year of official commitment, which is not necessarily corresponding to Japanese fiscal year (April - March)

Source : Economic Cooperation Bureau,
Ministry of Foreign Affairs

ANNEX 3

THE MEMBER OF THE COUNTRY STUDY GROUP
FOR DEVELOPMENT ASSISTANCE
TO THE PEOPLE'S REPUBLIC OF BANGLADESH

Dr. Toshio Watanabe
(Chairman)

Professor,
Tokyo Institute of Technology

Dr. Tadahiko Hara

Professor,
National Institute for the Study of
Languages and Cultures of Asia and
Africa,
Tokyo University of Foreign Affairs

Dr. Yoshihiro Kaida

Professor,
The Center for Southeast Asian
Studies,
Kyoto University

Ms. Mitsue Osada

Senior Research Officer,
Current Affairs Department,
Institute of Developing Economies

Mr. Yasutami Shimomura

Managing Director,
Economic Analysis Department,
Overseas Economic Cooperation Fund
(OECF)

ANNEX 4

MEMBER OF THE TASK FORCE
COUNTRY STUDY FOR DEVELOPMENT ASSISTANCE
TO THE PEOPLE'S REPUBLIC OF BANGLADESH

Dr.Yuji Maruo (Chief)	Development Specialist JICA
Mr.Bunkichi Kuramoto	First Regional Division, Planning Department, JICA
Mr.Mitsuru Suemori	Second Development Survey Division, Social Development Study Department, JICA
Mr.Yukio Ishida	Disaster Relief Division, Medical Cooperation Department, JICA
Mr.Keizo Egawa	Livestock Development Division, Agricultural Development Cooperation Department, JICA
Mr.Hidetaka Nishiwaki	Industry Division, Mining and Industrial Planning and Survey Department, JICA
Mr.Sumio Aoki	First Project Management Division, Grant Aid Project Management Department, JICA
Mr.Akira Matsumoto	Researcher, International Cooperation Service Center
Dr.Le Thanh Nghiep Kuriki	Senior Economist, International Development Center of Japan
Mr.Kenji Domoto	Economist, International Development Center of Japan
Mr.Masumi Ishida	Economist, International Development Center of Japan
Ms.Harumi Kitabayashi (Coordinator)	Research and Development Division, Institute for International Cooperation, JICA

