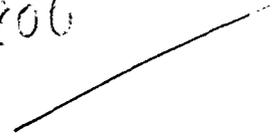


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USAID BANGLADESH FY 1989 ACTION PLAN

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ACTION PLAN

TABLE OF CONTENTS

	<u>PAGE</u>
I. OVERVIEW AND MAJOR LINES OF INQUIRY FOR NEW CDSS	1
(A) INTRODUCTION	1
(B) CHANGES IN COUNTRY ENVIRONMENT SINCE FY 1987 ACTION PLAN	7
(C) SUMMARY OF MAJOR LINES OF INQUIRY BY SECTOR	9
(D) OVERVIEW OF THE ANALYTICAL AGENDA	16
(E) STATUS OF CDSS PREPARATION	18
II. PERFORMANCE INDICATORS, IMPACT ASSESSMENT AND LINES OF INQUIRY	19
(A) POPULATION AND HEALTH SECTOR	20
(B) FOOD AND AGRICULTURE SECTOR	24
(C) EMPLOYMENT AND PRIVATE SECTOR	30
III. SPECIAL ISSUES PAPERS	38
(A) FLOOD RECONSTRUCTION AND FLOOD CONTROL: ITS IMPACT ON AID PROGRAMMING AND STRATEGY DEVELOPMENT	38
(B) NEW PROGRAM THEMES:	41
- EDUCATION	41
- PUBLIC INSTITUTIONAL EFFICIENCY	43
- NUTRITION	45
- URBAN DEVELOPMENT	47
(C) NGOS AND NON-BILATERAL PROGRAMMING	49
(D) DONOR COORDINATION: US-JAPAN COLLABORATION	51
(E) POPULATION	53
(F) MANAGEMENT	56
ANNEXES:	61
(A) AGRICULTURAL DEVELOPMENT AND PL 480	61
(B) DONOR COORDINATION	66
(C) WID IMPLEMENTATION PLAN	68
(D) ANALYTICAL FRAMEWORK	69

## I. OVERVIEW AND MAJOR LINES OF INQUIRY FOR NEW CDSS

### A. INTRODUCTION

The purpose of this Action Plan is to serve as the predecessor document to the FY 90-95 Country Development Strategy Statement due in Washington in December 1989. As a consequence, it is not a standard Action Plan. The Mission's objective in presenting this paper is to lay out the "lines of inquiry" for the new CDSS, and to gain AID/W concurrence in that agenda. It is our expectation that Program Week will be the forum for the Mission and AID/W to agree that the analytical agenda described in this Action Plan is an appropriate basis for proceeding with CDSS development. The lines of inquiry which the Mission has selected represent both the key strategy issues in our existing sectors of emphasis--- food production, family planning and health, and employment generation--- and provide the basis for exploring possible new initiatives in education, urban development, and nutrition.

This Action Plan provides the broadest possible description of those strategy issues and how we propose to explore them in the form of an analytical agenda comprised of assessments, evaluations, and project design work, as well as studies being undertaken by other donors. What this document does not do is suggest closure on major issues, or define our CDSS program directions and aid allocations. Rather it is a working paper that lays out where we think analytical work needs to be done and some of the assumptions we are using in proceeding with that work.

The Action Plan is divided into three parts. Part I provides a broad overview of the major programmatic and sectoral lines of inquiry that the Mission feels are essential to explore in order to prepare the CDSS. This section also discusses the major assessments to be undertaken and lays out the Mission's CDSS drafting schedule. Part II reviews performance in each of our sectors of emphasis over the CDSS period and discusses possible new approaches which will be explored as we move to redefine our sectoral objectives. Part III is a compendium of special issues papers keyed to the Bangladesh Action Plan Guidance Cable (State 41287) which should form the basis for discussion at Program Week side meetings or other ad hoc meetings that may occur. Finally, there are Annexes attached which provide status reports on our agricultural sector assessment, PL 480 Title III program, donor coordination, women in development, and a chart laying out a timeframe for completing essential assessments and studies, and drafting the CDSS itself.

In a prior cable (38 Dhaka 05012), the Mission laid out the strategic theme that we expect will guide our analytical work. That theme is enhancing the linkage between poverty alleviation and economic growth through increased employment opportunities. It represents an evolution in our program from an emphasis on increasing the role of the private sector in the economy and redressing the food/population balance, to focussing on how to sustain a pattern of economic growth that reduces poverty incidence. This theme complements the BDG's strong poverty alleviation orientation in its next five year plan (1990-1995) which is also tied to employment generation. The Mission is considering redefining employment generation from a sectoral objective in the current CDSS to the central strategic objective for the next CDSS period. Our

analytical work over the next 10 months will test the hypothesis that poverty in Bangladesh is linked to substantial unemployment/underemployment which in turn is due to lack of effective domestic demand that deters investment activity. In testing this hypothesis, we will examine both demand and supply side constraints facing the economy in its ability to increase the rate of investment that, in turn, creates opportunities for greater absorption of the growing labor force. We will explore whether the preferred growth path for Bangladesh is one that promotes productive rural and urban employment through labor intensive investments, and how that growth path impacts on equity issues.

Available data from both donor and BDG sources suggests that current trend growth rates may not be adequate to achieve the increased investment necessary to expand employment and real incomes for rural and urban worker populations. Moreover, the structure of the country's current growth masks a number of other problems: heavy dependence on foreign donor aid and worker remittances, depressed domestic resource mobilization, periodic contractions in development budgets for planned programs due to flood rehabilitation requirements, low levels of industrial investment and consequent low growth rates in the industrial sector, low wages especially in the rural sector, a stagnating agricultural sector that may not be keeping pace with population growth, a labor force that is growing faster than the overall population growth rate, and lack of incentives for structural transformation/diversification of the rural economy to provide more nonfarm employment. These constraints are not new; they formed the basis for strategic choices for the last CDSS. However, what the Mission is reviewing is whether our ongoing investments still represent the optimum use of development resources to address these constraints.

Thus, while focus (and rationale) may shift somewhat, the next CDSS is not likely to represent a major strategic break with the past. In a policy-based program such as ours, the idea of a full CDSS that represents a continuum and is based upon a learning process fed by evaluations and assessment of our and other donor activities, is the most sensible approach to revisiting strategy issues. The Mission is beginning its CDSS process with the hypothesis that the sectors we are now in represent ones appropriate to AID in Bangladesh. New activities are likely to be limited by manpower and funding constraints, having to be accommodated primarily within the framework of our existing project and food aid portfolio. However, the constraints analyses underlying the current strategy require reexamination; various trend indicators relating to poverty, demography, employment, trade and investment, and food production suggest some new approaches in these areas may be necessary. To attack the constraints listed in the previous paragraph, some shifts in ongoing investment may be required in current sectors of activity. In some cases, such as fertilizer distribution, our objectives may be close to achievement. In others, such as financial sector reform, our prior involvement in rural finance may suggest deepening our involvement in support of credit systems and capital markets as areas where sound policies are prerequisite to sustained economic growth. These, and other lines of inquiry, will be extensively reviewed in our CDSS.

Key issues in each of our sectors of involvement are discussed in Section (c) below; however, certain fundamental issues of a broad, programmatic nature are already apparent as we embark on our analytical work. They are based on an evolution of the current strategy and what we have learned from both policy dialogue and project work:

- \* Aid utilization is becoming an ever increasing problem. Pipelines for AID and other donors are growing steadily. The BDG seems capable of utilizing commodity aid expeditiously, but cumbersome bureaucratic procedures and lack of technical skills inhibit effective use of project aid. A 1988 Robert Nathan UNDP report on aid utilization identified a number of necessary reforms. Public sector institutional efficiency is a cross-cutting theme which motivates our increased emphasis on NGO and private sector programming, our continued push for privatization of public sector functions and helping markets to work more efficiently, and our efforts at improving public sector efficiency directly through studies and training.
- \* Policy execution is an area where promise and performance seriously diverge. This issue relates partly to the one above, but it also suggests that getting the "policies right" may not be enough. With a few important exceptions, e.g., interest rate regime and credit policies, current stated BDG policies are supportive of AID investments; however, the policy environment suffers because of insufficient follow-through in execution, and inadequate understanding of how policies will impact on a given sector or on the economy as a whole. Our inquiry for the next CDSS will review our policy agenda to determine where and how we can move from policy articulation to better execution with targeted investments.
- \* In two key sectors, agriculture and population, growth rates for key indicators have temporarily plateaued. In agriculture, recent BDG statements relating to foodgrain self-sufficiency seemed to be aimed at accelerating foodgrain production by re-introducing input subsidies which we have worked with Government over the past decade to remove. Our own agricultural assessment will explore what is a sensible growth pattern for agriculture that achieves food security, defined not just as adequate supply, but also as access to a food basket that meets minimal nutritional requirements for the Bangladeshi population. In population, more work needs to be done to investigate plateauing of contraceptive prevalence rates over the past several years and to pursue our hypothesis of increased field worker/recipient ratio as the most effective response to the problem. We will also explore further policy and policy implementation impediments to the program's effectiveness. (See sections I.c and III.e and f below.)
- \* In the area of private sector development the Mission has already developed a strategy statement to guide our further research and define appropriate project interventions. The Mission will closely examine the appropriate balance between policy and institutional reform and direct firm level interventions. We need to determine what interventions are most likely to stimulate

growth and market development. Basically, our belief is that private sector growth is constrained by lack of predictability of both the economic and political environment. The problem is capriciousness in application of laws and regulations, but also there is a gap in expectations between Government promises in terms of policy incentives and actual performance. How we bridge that gap and help nurture a more stable investment and operating climate for private industry is a key focus of our analytical work. Our private sector strategy incorporates our analysis of the trade and investment climate, and has led to our support of export promotion efforts with technical assistance resources. Still, we consider that a sensible trade and investment strategy for Bangladesh must rely primarily on expanding the domestic market and domestic demand.

- \* Several disturbing trends in basic social indicators are getting increasing donor attention. The quality of the education system is deteriorating and literacy rates are stagnating. The human resource base in Bangladesh is insufficient to support structural transformation of the economy. Current literacy levels may act as a severe constraint in the ability of both agriculture and industry to absorb increasing levels of technology. Landlessness is increasing, with 50-70% (estimates vary) of the rural population possessing insufficient land assets to provide basic household foodgrain requirements. The phenomenon of landlessness, or increasing rural pauperization, requires further examination due to its impact on real wages and its implication for nonfarm employment. Concomitant with increasing landlessness is the phenomenal urban population growth that Bangladesh has experienced since the late 1970s, the result of a dramatic growth in rural-urban migration. Growth rates for towns and cities are 3-4 times the national population growth rate, and urban sites and services are reaching the limit (and may in some circumstances such as housing have exceeded the limit) of their ability to absorb these numbers. Finally, Bangladesh experiences malnutrition rates expected of a country with the world's second lowest per capita income. More than half the population does not consume the recommended daily requirement of calories; the average household food basket is also severely deficient in fats and, to a lesser extent, proteins. Except for increases in per capita calorie intake in the early 80's, particularly among poorest groups, average per capita calorie consumption is still below the level of two decades ago, and, for most of the population, is below the FAO recommended standard of 2200. These aggregate estimates may, however, mask more serious nutritional problems for high risk groups such as young children and pregnant and lactating mothers. Inasmuch as Bangladesh is AID's largest Title III program and that food aid represents 60% of the resources we program here, we need to examine more closely the nutritional impact of those resources. There is also a link between increasing landlessness and nutrition which must be better understood. That interrelationship is further complicated by the lack of education and skills to permit higher wage nonfarm employment (which itself may stimulate demand for agricultural sector products and increase agricultural employment) and the use

of urban areas as the safety valve for low wage employment.

- \* How do natural disasters (specifically floods) alter how we think about the growth paradigm for Bangladesh? Are they constraints or opportunities? How should the Government and donors plan long-term investments given that a certain percentage of those investments may be destroyed on a recurring basis? Acknowledging that disasters will recur, what are the best strategies for living with them, and controlling and mitigating their effects? How do the impacts of disasters affect Government institutional commitment to implementing important economic reforms, particularly those involving major structural adjustments to the economy?
- \* Whither our emphasis on infrastructure development? There is compelling evidence from some evaluation work that basic infrastructure such as roads and electrification yield tremendous returns in terms of industrial and agricultural output, employment and incomes. However, the Mission needs to examine how the pace of infrastructure development, specifically maintenance, can be sustained in resource poor rural areas.
- \* In the context of laying out strategic objectives, the CDSS must come to grips with an AID program in Bangladesh that is currently stretched to the limit in terms of staff resources and overprogrammed in terms of financial resources. Assuming three planned FY 1989 starts, and one planned FY 1990 start, our program (except for population and health) is fully mortgaged to the end of FY 1995. At the same time we have a large and growing pipeline that represents about three and a half years of obligations. It is not a question of whether but how we restructure our mortgage and cease to feed blocked pipelines, so as to create flexibility for pursuing new strategic interests in the next CDSS. The Mission is analyzing both mortgage and pipeline and developing a number of options including "selling off" mortgages to other donors, substituting local currency for dollars where feasible, lowering unit costs and/or scaling back designs, and shifting pipelines from slow-moving components in a project to a faster moving component in the same project. Nonetheless, staff levels and program composition offer little promise for absorbing new initiatives without giving up activities in other areas and achieving substantial management efficiencies in the current program. Given the increasing labor intensity of our program, the product of both policy-based project designs and an increasing focus of our dollar assistance on technical assistance, are there new program modalities that can be employed to improve disbursement rates and lessen staff workload? Are there ways to more closely program local currency and dollar aid to reduce management units, focus our energies, and strengthen both channels in the process? What possibilities do performance-based disbursement and the new debt forgiveness authority in the FY 1989 FAA hold for future programming? Do parallel financing or "buy-ins" to other donor projects offer an opportunity to better leverage staff and financial resources?

What these lines of inquiry suggest is that our strategy work may benefit from a sharper focus on "demand" issues, primarily how to improve the ability of the poor to command resources and services through the market. We look to Program Week as an opportunity to examine these issues at some depth and solicit from our AID/W colleagues both reactions and guidance.

### B. CHANGES IN COUNTRY ENVIRONMENT SINCE FY 1987

The past two years have witnessed significant events in the economic, political and policy environments in Bangladesh. The most visible of these have been the two serious floods that occurred in 1987 and 1988. The cumulative effects of these two disasters was to reduce economic growth rates from 4% in 1986/87 to 3% in 1987/88 and less than 2% projected for 1988/89. However, severe labor unrest and nationwide strikes in 1987 related to a period of political instability may have had more impact on growth rates in 1987 than did floods. Also, in a number of sectors, such as foodgrain production and export performance, it appears that the recent "100 year" flood of 1988 may not have as serious an impact on the economy as first expected.

Although it is tempting to view the flood disasters as the major events in Bangladesh over the past two years, we would argue that the country's ability to respond and rebound is also a dramatic event deserving discussion. The economy's resiliency has been demonstrated not only in foodgrain production and exports, but also in the management of public food stocks and response of other emergency services that may have averted large numbers of deaths due to disease and starvation. However, continued high levels of malnutrition in the months following recession of last year's flood waters is testing the longer term coping capacity of the economy and public institutions to restore infrastructure and generate employment to replace incomes and assets lost. These issues, and the probability of recurring annual flooding, have brought both the BDG and donors to focus more closely on areas of disaster preparedness and management, and on water control issues. (See Part III. A. below).

In the political realm, 1987-88 was characterized by a wave of opposition hartals which demanded the resignation of President Ershad as the condition to any political negotiation. Ershad made it clear he had no intention of departing and declared a state of emergency in November 1987. A military coup seemed a possible outcome out of the political impasse. Local elections in February 1988 were unexpectedly violent and the March 1988 parliamentary elections were severely flawed.

Since the spring of 1988, however, opposition unity has come unravelled. Again, the flood of 1988 and subsequent cyclone may have contributed to the erosion of the opposition's united front. At present, the opposition, though still vocal and capable of organizing half-day hartals, remains weak and disorganized. President Ershad appears to be clearly in control of the country and may well remain so for a long time.

On the policy side, the last two years has seen a deepening of significant reforms taken by the Government in the early to mid-80's, particularly within the framework of its New Industrial Policy (1982) and the Revised Industrial Policy (1986). In 1988, President Ershad announced a major initiative to streamline procedures for investment through creation of a Board of Investments. The Government also opened up additional industries for private investment using the local stock exchange to offer shares to the public, with the result that many share subscriptions were oversubscribed. The BDG presently is considering

major reforms in the financial sector and has initiated a duty drawback and exemption scheme to encourage exports. The latter two initiatives also represent proposals for AID support with technical assistance for implementation.

In the area of agriculture, recent actions to remove tariffs and allow private sector import and distribution of shallow tubewell irrigation pumps and parts are seen as important steps to increasing irrigated acreage in Bangladesh. In fertilizer, the Government has moved to allow direct private sector lifting from factories and is developing a plan to restructure the fertilizer wing of the Bangladesh Agricultural Development Corporation (BADC). The most important development of the past two years related to privatization of fertilizer distribution is the deepening of support for this reform within the Ministry of Agriculture. Food pricing policies through the Public Food Distribution System (PFDS) have been maintained, with continued reduction of subsidies. The most obvious benefit of years of work in both pricing and food storage issues was evident just after the 1988 flood when Government stocks were used to blunt a very high spike in prices during the first week of the disaster.

A very important public policy debate developed over the past year within the BDG on the issue of "food self-sufficiency". Although formal written proposals have been developed to achieve self-sufficiency in foodgrain by 1992, and President Ershad has endorsed that objective, some observers view such a program as perhaps being technically unsound and a means to possibly reintroduce subsidies and public sector interventions which have been eliminated or reduced over the past decade. That proposal was developed at the same time a major UNDP study on agricultural development was being conducted. The latter study deflects the issue somewhat by suggesting that self-sufficiency may, indeed, be possible, but may not be the preferred policy objective for Bangladesh agriculture.

The Government also tackled a very difficult problem in the restructuring of its Modified Rationing System, one of its major channels to target food to lower income groups. A revised Rural Rationing (RR) program that would reduce leakage and have a higher incidence of reaching poor consumers was developed and proposed to AID for support. We intend to support it with Title III on a pilot basis for one year and evaluate its impact.

Finally, in the area of BDG/donor relations, the past two years have witnessed a continuing, more intense dialogue on issues of project aid utilization and technical assistance programming. Ancillary issues such as increasing direct private sector and NGO programming have also figured into discussions. Studies are being undertaken and working groups have been formed to make the issue of project aid utilization more visible. Donors are professing difficulty with long lead times to develop feasible projects, and with large pipelines because aid commitments move slowly through implementation.

### C. SUMMARY OF MAJOR LINES OF INQUIRY BY SECTOR

The Mission's investments in agriculture, population and health, the private sector and infrastructure development during the current CDSS period have provided a wealth of information on program and project level impact. Our evaluations of project activities in each of these sectors, as well as free-standing consultant studies (such as the recent water issues consultancy), enable the Mission to track the evolution of development issues in these sectors. The discussion below outlines broadly the major sector issues which will be the focus of further Mission analysis during the CDSS preparation period. It is also likely that this analysis will give rise to follow-up lines of inquiry in several areas which will represent a research agenda for the CDSS period. More detailed discussion of these lines of inquiry and how they relate to the development of new categories of performance indicators for the next CDSS period is discussed in Part II; a separate discussion of potential new program themes for AID in Bangladesh is in Part III. B.

Agriculture: The major issue governing our planning for future investments in agriculture rests with developing an appropriate growth paradigm for this sector into the next century. This will be the task of the current agricultural assessment. Underlying the development of that paradigm is exploring how AID and Bangladesh can intensify support for agriculture investments which emphasize alleviating chronic hunger. This suggests stronger attention be given to consumption and nutrition issues. Contained within this reorientation are issues involving the comparative advantage for various crops, particularly rice; distinguishing between the concepts of food self-sufficiency and food security (determining what we mean when we use these terms in the Bangladesh context); exploring the potential for agriculture to absorb an increasing rural labor pool as land resources per capita dwindle; and considering what types of linkages agriculture can develop with nonfarm sectors to increase demand for agricultural goods.

A key point of analysis will be to compare agricultural growth performance in the mid to late 1970's with that of the mid to late 1980's to determine the factors that account for decline in per capita foodgrain output in the latter time period. There is strong evidence that this decline is not structural; production technologies are adequate to support sustained increases in foodgrain production that can keep pace with population growth. The performance of Bangladesh agriculture in the wake of the 1988 floods to produce a record foodgrain crop for the 1988/89 growing season demonstrates that the small farm sector retains phenomenal resiliency; is immediately responsive to proper price signals (especially for the rabi crops such as boro rice); and can make efficient use of fertilizer, HYV seed and irrigation pumps. If the assessment confirms this view, then an important line of inquiry will be the potential for targeted investments in, say, shallow tube well irrigation (possibly using Title III local currency supported by limited dollar technical assistance) to establish a new growth track for expanded food production. In addition, there may be varying production mixes for non-foodgrain crops that can enhance farmer incomes, improve diets and possibly open up new opportunities for agro-processing and even exports.

The outcome of this assessment may also have implications for our agriculture research program. A key question is how far we can push the supply function to the right through increased investments in research. Can we strengthen research institutions by forging stronger linkages with the agricultural education system, food policy planning, and collateral investments in irrigation infrastructure and inputs distribution?

Annex A contains a fuller discussion of the key lines of inquiry included in the agricultural sector assessment, and the status of the assessment itself.

In the area of PL 480, the major issue is how to focus this massive investment on key policy issues affecting Bangladesh agriculture in the 1990's while linking local currency generations to investments that support those policies. The International Food Policy Research Institute (IFPRI) team that has begun work in Dhaka will be working on studies involving pricing, stock management, consumption/nutrition and the like to help answer this question.

Another important line of inquiry for the next generation of PL 480 issues will look at food security policies, i.e., how best to meet production and consumption objectives and still provide the essential "political" level of food security the Government needs. Alongside this issue will be a larger one of relating food aid programming to proper food stock management to avoid disincentives to farmers. Our own assessment is that the Title III program has achieved price stability for wheat. But wheat is primarily an imported commodity and there is some evidence that the production of indigenous wheat is plateauing in Bangladesh. Achieving price stability for rice has been a qualified success, but our experience a fuller examination of the overall PFDS and the operation of the Open Market Sales channel the Government uses to stabilize prices is necessary.

Finally, an extremely important line of inquiry addresses the distributional impact of the Title III program. The average per capita calorie consumption in Bangladesh rose considerably from 1982 after falling steadily since the mid 60's. This rise in calorie consumption mirrored a similar rise in real agricultural wages since 1982. However, the estimated consumption of approximately 2200 calories per day is still below the level of 2304 per capita per day in 1964-65, and it is probable that with a slippage in agricultural wages since 1985, aggravated further by the floods of 1987/88, food consumption may again be declining. We don't know to what extent the Government's increased use of nonmonetized channels contributed to increasing consumption in the early 80's, or if they are arresting another possible drop in the late 80's (although preliminary studies suggest these channels sustained and possibly improved consumption of the poorest groups throughout the decade). This is a particularly important question if data collection and analysis actually confirm declines in average agricultural wages and food consumption.

Some sort of consumption-based monitoring system may be important in any future Title III program; the "hows" of such an effort form the basis of an important IFPRI study. One key line of inquiry will need to answer whether or not we want to assist in building up national systems to generate and analyze food consumption and nutritional data. Do we want to get into nutritional monitoring and how will we use the data? (See Part III, New Program Themes: Nutrition). Annex A contains a fuller discussion of the key assumptions and major issues to be examined during design of a new Title III program.

Infrastructure: In the last Action Plan (FY 1987/88), the Mission discussed infrastructure investments as contributing to increased employment by improving resource management through production of public goods and services. Our experience with investments in roads, bridges and culverts, and electrification is forcing a new examination of these linkages. A recent IFPRI study on the impact of infrastructure, especially roads, on nonfarm economic activity and overall living standards suggests strong correlation, but further analysis is necessary. The intermediate objective of "resources management" has actually evolved into a concern over local resources mobilization to implement and maintain infrastructure investments. There is growing concern among the donor community in Dhaka that existing levels of road, irrigation and bridge investments may exceed the country's ability to maintain them unless more local resources are mobilized and donor funds are reallocated. Related to this issue is that of the appropriate locus for planning and executing such investments. The Mission has already commissioned assessments on these issues and will take an intensive look at the results in the context of both the Local Government and Infrastructure Services project design and the roads sector assessment to be undertaken later this year.

The Mission's experience thus far with infrastructure suggests that it remains a relevant and essential investment in Bangladesh. Its most potent justification is that it creates economic growth and employment, but we need to assess more precisely what those linkages are and the extent to which other variables influence the impact infrastructure has on economic activity. Infrastructure investment leads to increased farm and off-farm private sector investments and may be an important factor in technology choices by farmers and industrialists. Construction activities also provides an essential "safety net" of employment in the agricultural off-season for wage laborers who would otherwise be unemployed. Between now and the preparation of the CDSS, the Mission will test these contentions further and examine program implications.

Perhaps our most important line of inquiry in the infrastructure area will be to look at the locus for planning and decision-making in road, tubewell, and other rural works investments. The Government's decentralization policy represents an important opportunity to explore the relationship between infrastructure investments, recurring costs and local government decision-making. Clearly linked to this issue is that of resource mobilization at the local level, its potential, and the ability for instilling more accountable fiscal planning and management at lower levels of government. Central to the success of an infrastructure development approach that works with local governments is the incentive

structure built into the bureaucracy that encourages officials to use technical assistance and training to change the way resources are managed, e.g., for operations and maintenance. This issue is central to the future of much of AID's infrastructure work in Bangladesh.

A final issue is that of natural disasters and how they affect infrastructure investments. Natural disasters, despite their destructive impact on infrastructure, do not vitiate the rationale for supporting infrastructure development. They may, however, alter technical designs and choices of infrastructure over the longer term. Conversely, it is essential to investigate the decision-making process for siting infrastructure to determine if some categories of investments actually increase propensity for flooding. A key component of a UNDP-sponsored flood prevention project, due to start in FY 1989 with multi-donor (including AID) support, will be to explore how to better insulate infrastructure against flood destruction, and how to better plan infrastructure so as to minimize deleterious environmental effects. These issues will represent long-term lines of inquiry that will continue throughout the CDSS period.

Private Sector: This sector demands greater analytical definition both as we move toward CDSS preparation, and as a longer term area for research and investigation throughout the CDSS period. Our private sector strategy statement (December 1988) was built upon an employment and small scale enterprise strategy paper written in 1987. We now know a good deal about credit markets, formal and informal, and how private entrepreneurs make investment decisions. Some of this knowledge has been gained through private sector projects such as Fertilizer Distribution Improvement, MIDAS and WEDP. However, our knowledge is still deficient in understanding those factors which make for successful enterprises, credit behavior, and how the policy environment influences small enterprise investment decisions. These areas all represent important lines of inquiry, most of which will be pursued as a part of new or existing projects.

During CDSS preparation we also need to look at our current "two track" approach to private sector development--improving the policy environment by enhancing the BDG capacity to implement key policies, and direct firm-level interventions--to understand the relationships between these two tracks. In our MIDAS and WEDP programs, successful pilot efforts are taking root; a key line of inquiry is how to relate those successes to policy and regulatory changes and transmit them to the sector as a whole. In our policy-related activities, primarily Fertilizer Distribution, Rural Finance, the Financial Sector Credit, Export Development, and can we successfully create capacities to sustain implementation of policy change?

Based on our experience to date, we are exploring the degree to which we should focus on small scale industry versus industrial development as a whole. It may be that at the firm intervention level, small enterprises are an appropriate level of focus. However, our policy work may need to "snoot higher" because of the fundamental problems inherent in the financial sector and in regulations that influence industrial investment overall. A key question for us to examine is the proper balance between a focus on institutionalizing the type of policy analysis promoted

through AID support of the EEPA and the Industrial Promotion projects, and undertaking increased investments in firm level interventions along the MIDAS model. The institutionalization of policy analysis/policy implementation capacity with regard to industrial policies may provide an opportunity for parallel financing with the World Bank's industrial sector credit project scheduled for 1990.

Another key strategy issue is what priority to give privatization as an objective in our private sector strategy. This issue has been important in the agricultural sector, but as we expand support in the financial sector, privatization of banking functions looms as a key line of inquiry. Our hypothesis is that a financially viable system of banking is one that operates according to private sector forces and within a private sector framework. Attached to this question is a substantial research agenda. A key research item is evaluating the successes and failures of recent bank privatizations in Bangladesh. Also, the Financial Sector Credit project will have as its objective exposing the operations of nationalized commercial banks to market forces, as the first step to developing a means to privatize these institutions. The Bangladesh Prime Minister has already indicated to the AID Director his interest in privatization of the banking system as an ultimate objective. A clear implementation plan for pursuing bank privatization will not be place by the time the CDSS is drafted; rather, we should be in a position to address what level of support to the broader capital markets sector may be necessary to achieving privatization objectives and overall private sector growth.

Finally, there is a line of inquiry which is tangential to private sector development but critical to success in that area: resource mobilization. As donors have experienced increasing frustration with aid utilization and have worked with the BDG on structural adjustment issues, the need to raise domestic resources has become obvious. What isn't obvious is how to do that. Improving tax performance and reducing budget deficits and subsidies has been the focus of IMF/IBRD structural adjustment facilities. But targets related to these areas have been consistently missed.

An important dimension of resource mobilization is resource management and fiscal reform. As a result of the recent Price Waterhouse study of local currency generations under our PL 480 Title III program, several areas of fiscal management were identified that may merit technical assistance. These include cash flow management, monitoring of project and program performance, and the process of budget development, particularly for a development budget that is about 85% donor-financed.

In both the revenue generation and public sector resource management areas, the U.S. has considerable technical expertise to offer Bangladesh. Much of the analytical work on the problem--from the IMF, Price Waterhouse Title III work, the World Bank, and others--has already been completed. Over the next several months the Mission needs to explore whether targeted technical assistance in any of these areas is politically and managerially feasible. Even absent a fuller AID role in this area, our analytical work for the CDSS must nonetheless take resource mobilization issues into account.

Population and Health: There may be fewer questions regarding new lines of inquiry in this sector than in the rest of the Mission program. The Mission began implementing its current family planning and health effort in August 1987 based upon an extensive sector assessment, the results of which remain valid. That assessment led us to the hypothesis that to achieve significant reductions in overall population growth rates, it was essential to have impact on contraceptive prevalence rates (CPR). That hypothesis further suggested that an important way to increase the CPR is to address the substantial unmet demand which already exists, especially among women, by improving access to and quality of family planning services. By doing so, the program will also contribute to better spacing of births and thus have a favorable impact on maternal-child health. Another important objective of the current approach is to increase demand through the private sector's social marketing program and through expanding workers and communication and education in the Government program.

The experience of the past two years has not led us to question these fundamental program relationships and hypotheses, which are supported by a considerable body of operations research. The national program now appears to be recovering from a recent (1985-1988) period where CPR rates have not increased, the causes of which are being addressed programmatically. Moreover, it can be argued that the impact of family planning service delivery programs are best viewed over decades, not years, and that the national family planning program in Bangladesh has made great progress over the past decade, with a rise on CPR (all methods) from only 7% in 1975 to 29.8% in 1985 (last year for which data is available).

During the current CDSS period, the Mission has identified constraints in the population sector, field tested interventions on a pilot basis, identified workable interventions and designed a project to expand them nationwide. Coincidental with that process, two key changes in the policy environment occurred: greater involvement of NGOs in the delivery of services in rural as well as urban areas, and resolution of a field worker dispute related to the functional integration of health and family planning services at the field level. The appropriate focus for our efforts in family planning is moving from policy statements to actual execution. As examples, serious impediments will be removed by recruitment of additional female service delivery workers and establishment of various systems (e.g., management information, logistics, and IEC) to augment family planning operations. In fact, increasing delivery workers, implementing an effective IEC effort, and advertising through the Social Marketing Program are interventions that will increase demand for services.

Key lines of inquiry for the sector will center on how to better quantify current program performance, how to monitor the effectiveness of interventions to alleviate identified constraints, and how to enhance the involvement of NGOs in service delivery. The latter may represent a major policy issue and involve a multi-donor approach to the Government (See also Part III discussion on NGOs and nonbilateral programming). Current program performance will be measured by an IDA-supported fertility survey to be conducted in 1989 (results to be available in early 1991) and the USAID-supported 1989 Contraceptive Prevalence Survey.

In the area of health, our interventions are governed by the Mission's Child Survival Strategy submitted to AID/W in 1987. Investments in municipal immunization and ORT social marketing have only begun within the past year and it is impossible at this point to know the health impact against the targets listed in Part II below. However, an important line of inquiry for the next CDSS is to quantify the current baseline and to expand sectoral indicators to include qualitative as well as quantitative measures of progress and impact.

In addition, with the help of consultants from the Center for Disease Control (CDC) and IFPRI studies, we need to examine more closely the relationship between interventions in all sectors (including family planning and related maternal-child health interventions) on the nutritional status of mothers and children. This is an area where we will be able to discuss some preliminary ideas at the time of CDSS submission but which will also form the basis of a substantial research activity during most of the CDSS period.

#### D. OVERVIEW OF THE ANALYTICAL AGENDA

The content of our analytical agenda for completing the CDSS relates closely to both program level and sectoral level lines of inquiry. For the most part, studies and assessments have already begun, or are about to begin, and their results will be available when drafting of the constraints analysis section of the CDSS must begin in late summer. Not all of the studies and assessments will be generated by the Mission; other donors such as the World Bank and UNDP are undertaking major pieces of analytical work which are appropriate in both their focus and timing for use in our CDSS. In some of the AID assessment work, such as in population (contraceptive prevalence and fertility surveys, morbidity surveys), nutrition (IFPRI studies) and infrastructure and resource management, the results will be preliminary, or a full agenda of research will be identified to be carried out over the CDSS period.

The most essential assessments, evaluations, and project design work that USAID will undertake for CDSS purposes, and which should be completed by mid to late summer are listed below:

**Macro-economic assessment:** This assessment will have two parts: a review of the impact of flood disasters of the past two years on economic growth trends, and an analysis of how the economy has evolved over the past two CDSS periods including a discussion of major macro economic issues.

**Agricultural Sector Assessment:** Results of both the UNDP and the AID assessments will be fundamental to developing an agricultural strategy in the CDSS. A companion piece will be a separate ISPAN conducted water sector assessment.

**Roads Sector Assessment and Local Government Infrastructure Services Project Design:** these pieces will deal with essential issues of infrastructure maintenance, local government resource mobilization, and the nexus of decentralization and infrastructure development issues.

**Design of Phase III of the Employment and Enterprise Policy Analysis project:** This design work will evaluate the preliminary results of Phases I and II of this activity, i.e., data collections and analysis of policy options for the small/medium enterprise sector.

**Contraceptive Prevalence Survey:** to examine results of 1989 data gathering and analysis of impact of family planning programs on contraceptive prevalence rates.

**Family Planning clinical services needs assessment:** to identify constraints relating to client access to clinical services, and interventions to promote access and quality of care.

**Evaluation of effectiveness of NGOs in delivering family planning services, analyzing both quantitative and qualitative contributions to the national program.**

**Biological Diversity assessment.**

IBRD urban sector assessment team arrives in April with AID contract personnel as members. The Mission hopes to enlist REJDO/Bangkok TDY help to interact with the team in Dhaka and help the Mission think about impact of our program on urban environments.

**Education sector consultancies:** AID contractors will be in Dhaka in February overlapping with IDA education pre-appraisal mission.

Report of the SIFAD committee (Strengthening the Institutions for Food-Assisted Development) containing recommendations to improve the development impact of food aid. The recommendations are expected to emphasize restructuring of BDG administration of food aid programs.

**Public Administration Efficiency Study, UNDP Technical Assistance Utilization Study, and Robert Nathan project aid utilization study:** The Nathan study is completed; the other two are just getting underway, with preliminary results expected by late summer. A working group has been formed to study the project aid utilization recommendations and develop workable options for both BDG and donor implementation.

PL 480 Title III Evaluation and Price Waterhouse assessment of local currency program: Both have been completed and the Mission is developing an implementation plan based on recommendations of both.

**UNDP Flood studies and Disaster Management and Preparedness project:** These pieces will be essential to analyzing the future impact of disaster planning and policies on CDSS strategy choices.

In addition to the above assessments and project designs, the Mission will hold seminars and "brown bag" luncheons around special topics such as urban development, education, flood policy, and nutrition. Depending upon the topic, the Mission will invite representatives from NGOs, the academic community and other donor missions to participate.

Annex D contains a matrix depicting the CDSS planning framework and includes a complete listing of all studies and assessments which will contribute to CDSS drafting.

## E. STATUS OF CDSS PREPARATION

The drafting plan for the CDSS will basically follow four phases:

Phase I (December 1988-June 1989): Issue identification, planning and execution of assessments and evaluations to explore issues and test hypotheses. During this phase, internal Mission meetings are held (especially on new areas of inquiry such as urban development, education, and nutrition), brown bag seminars on special topics are conducted and a retreat is organized. An initial Mission retreat will be held in April to review the results of Program Week and review plans for completing our analytical work.

Phase II (July 1989-September 1989): Following completion of most assessment work in early July, actual drafting of the CDSS begins with the poverty analysis and constraints sections. A second strategy retreat will be held in August to agree on the major strategic theme for the document and define major sectoral objectives. At this stage, a hypothesis of the "development paradigm" in Bangladesh is articulated, using results of the retreat, inputs from full country team and other development professionals in Bangladesh (e.g, NGOs). This will serve as the guide for choices to be discussed in the strategy part of the document.

Phase III (September 1989-November 1989): By September, begin drafting of the strategy section of the CDSS where choices for development assistance and food resource investments are laid out; also begin drafting of management section discussing resource levels essential to carry out the strategy, and staff and program modalities essential to carrying out the program. Completion of these sections in draft by late November, following full internal review by USAID staff and country team.

Phase IV (October 1989-December 1989): Closely overlapping with Phase III, developing a proposed research agenda for CDSS period, with more definitiveness for the first two years. Completion of this section by late November, following full internal review by USAID staff.

This phasing will permit submission of a final CDSS document to AID/W by December 1989.

The Mission is already into Phase I. As this Action Plan makes clear, substantial issues identification has already occurred, lines of inquiry have been established, and assessments in agriculture, roads, urban development, education, population/health, public administration, and rural electrification have begun or are about to begin. In addition, work on private sector and decentralization strategies has been completed, and studies on food consumption and nutrition will be initiated in the next few months.

## PART II

### II. PERFORMANCE INDICATORS, IMPACT ASSESSMENT AND LINES OF INQUIRY

This part of the Action Plan updates the matrix which was presented in the 1987 Action Plan; presents in narrative fashion the Mission's assessment of the impact of our program for the current CDSS period (FY 1985 - FY 1989); and, finally, lays out lines of inquiry which the Mission will pursue during the next few months, as we develop a program strategy for the next several years.

**POPULATION AND HEALTH SECTOR**  
**PERFORMANCE INDICATORS FOR CURRENT CDBS PERIOD**

<u>CDBS Goals/Objectives</u>	<u>Baseline</u>	<u>Project Indicators (Targets)</u> for <u>End of CDBS Period</u> (End of FY 1989)	<u>Projected Status</u> at <u>End of CDBS Period</u> (End of FY 1989)
Goal: By 1991, achieve a population growth rate of 2.2% and infant mortality rate of 123 per 1,000	Population growth rate = 2.60 <sup>a</sup> (1984) Infant Mortality rate = 143 (1983)	Population growth rate of 2.40 Infant mortality rate of 124	Population growth rate of 2.50 Infant mortality rate of 120
<b>Intermediate Objectives</b>			
1. By 1991, a 4.0 total fertility rate	Total fertility rate = 6.2 (1983)	Total fertility rate of 5.2	Total fertility rate of 5.5 - 5.6
2. By 1991, a 33.00 modern method contraceptive prevalence rate CPR	CPR (modern methods) = 16.20 (1983)	Modern method CPR of 200	Modern method CPR of 20 - 250
3. By 1991, a reduction in unmet demand for contraception to 300	Unmet demand = 33.20 (limiters only) (1983)	Unmet demand (limiters) of 260	Unmet demand (limiters) of 300
4. By 1991, a 600 ORT treatment rate	ORT treatment rate = 200 (1984 estimate)	ORT treatment rate of 400	ORT treatment rate of 35 - 400
5. By 1991, a 650 urban infant immunisation coverage rate	Immunisation coverage = 50 (1986 estimate)	Urban infant immunisation coverage rate of 350	Urban infant immunisation coverage rate of 250
6. By 1991, a 600 urban maternal female immunisation coverage rate	Immunisation coverage = 30 (1986 estimate)	Urban maternal female immunisation coverage rate of 320	Urban maternal female immunisation coverage rate of 180

**\* NOTES:**

1) The CDBS cited the official BOP Planning Commission figure of 2.40 population growth as no other data was available at that time. Subsequent data has shown that this estimate was too low. We are now using the World Bank estimate of 2.60, calculated in 1984, as the baseline for the current CDBS period.

2) The CDBS Goals/Objectives column is taken from the Family Planning and Health Services Project (PPHSP) developed in 1984-1987 on the basis of performance data for 1983-1986. These goals and objectives update those in the 1984 CDBS which were based on 1981-1983 data.

(A) POPULATION AND HEALTH SECTOR

IMPACT ASSESSMENT (Current CDSS)

Population

During this CDSS period the national family planning program has achieved increases in Contraceptive Prevalence Rates (CPR) with a corresponding drop in fertility; however, it is expected that these achievements will fall short of objectives both as defined in the 1984 - 1989 CDSS and as subsequently developed by the Mission in its Family Planning and Health Services Project. The last available demographic data reflects conditions in 1985-86, and shows a continued steady rise in CPR and decrease in fertility. However, it is the Mission's perception that from 1985 to early 1988 little progress was made in the family planning program, and that CPR has probably remained at 1985 levels. Status projections for the end of the CDSS period, as they appear on the matrix, are made on the basis of this assumption, which will be tested during the CDSS planning period through the forthcoming 1989 Contraceptive Prevalence Survey (CPS) and Bangladesh Fertility Survey.

Demographic indicators are slow to change, and the program inputs which influence them involve years of effort at implementation. To be meaningful, demographic objectives and progress must be looked at in terms of decades, not years, and caution should be used in interpreting apparent changes over short time spans. Over the decade 1975-1985, CPR in Bangladesh rose from 7% to 29.2%, a comparatively rapid rise which compares favorably to progress made in other countries and regions in the South Asian subcontinent. It is not unusual for CPRs to enter a plateau phase after an initially rapid rise, and then to resume rising. In fact, in the Matlab experiment which is taken as a "model" for what is achievable in Bangladesh, this was exactly the pattern seen: CPR rose dramatically (from 5% to 32%) then stagnated for a three year period, followed by a slower but sustained rise up to its current level of over 50%.

With these caveats in mind, it is nonetheless appropriate to examine the gap between program expectations and estimated actual performance. It is the Mission's assessment that the prevalence objectives as shown on the attached matrix could have been met by 1990-91 but that actual performance will fall short, and that this is attributable to specific, identified programmatic issues. For example, in late 1985 a government work order to "integrate" health and family planning at the field level sparked a field worker "slow-down" which was not resolved until 1988. A number of other constraints to program implementation were identified during this CDSS period. These included: (a) lack of professional training in family planning among senior and mid-level Government decision-makers; (b) a high rate of vacancies at field and mid-levels within the MOHFP, and frequent turnover and rotation of key policy-makers and senior program managers; (c) an inadequate number and inappropriate use of female personnel at supervisory, technical and field levels (female field staff are essential to reach female clients in this cultural context); (d) inadequate attention to field worker support needs, including supplies, transportation, and supervision; and (e) persisting difficulty in ensuring access to clinic-based services in the face of physical, economic and cultural barriers.

## Health

The 1984-1989 CDSS did not explicitly address health. Bangladesh is, however, one of the Agency's child survival emphasis countries, and while it is recognized that family planning interventions contribute to child survival, it was deemed appropriate during this CDSS period to explore additional areas of intervention which directly address infant and child mortality in Bangladesh. A Mission child survival strategy was therefore developed in 1986, and the new Family Planning and Health Services Project (FPESP) was designed with both child survival and family planning interventions. This project was approved in late 1987, and began implementation in 1988.

The Mission's maternal/child health and child survival interventions in immunization and oral rehydration were developed in the latter stage of the current CDSS period. Indicators for the Mission's ORT initiatives were obtained through a comprehensive, nationwide Diarrheal Morbidity and Treatment Survey (DMTS) carried out in 1987. This data set is the baseline against which future program performance will be measured, as earlier figures were mere estimations. The DMTS will be repeated in 1990 and 1992. Based on national ORT program performance to date, the Mission believes that the previous Action Plan (1987) target of a 40% ORT treatment rate by end FY 1989 will be achieved or nearly achieved. ORT distribution through the NGOs, Government and the Social Marketing Project has been brisk, and widespread public awareness of, and demand for, ORT was evident during the recent flood emergency.

Implementation of the Mission's Municipal Immunization sub-project began only in September 1988, almost a year later than was envisioned when the previous Action Plan indicators were developed. Implementation was late due to delays in Government signature of the PIL and identification and selection of a technical assistance team mutually acceptable to the Mission and the Government. Good collaboration is now underway, however, and the Mission expects a measurable increase in immunization coverage in urban areas over the project's first full year of implementation. Nonetheless, as a result of the year delay in project start-up, the immunization objectives set for 1991 are more likely to be reached in 1990.

## LINES OF INQUIRY FOR NEW CDSS

### Population

The 1989 CPS and Fertility Survey will yield current indicators of population program performance. The constraints identified during this past CDSS period will need to be addressed, and our hypothesis concerning unmet demand and supply of quality services will be further tested. The Family Planning and Health Services Project (FPESP), which began implementation in 1988, is specifically designed to speak to many of the issues and constraints mentioned above. On the issue of access to clinical services, the Mission will need to identify new interventions (and attendant indicators) and reprogram funds originally earmarked for sterilization compensation payments, which have been discontinued. A needs assessment will be carried out during the CDSS planning period to identify other viable avenues and appropriate objectives for Mission

assistance in access to services and improving quality of care. The operations research component of the PPHSP will explore related interventions as well, such as satellite clinics and facilitating field worker transport. In addition, operational policy constraints and appropriate interventions will be brought to the attention of policy-makers and managers at senior levels of the national program by the Mission.

The Mission does not envision a major change in population strategy in the next CDSS, but rather a continued focus on improving the accessibility and quality of family planning services and on increasing demand through the private sector social marketing program and through governmental IEC efforts and additional field workers. The rationale for this approach is further elaborated in part III. With a continuing focus on reducing fertility through provision of family planning services, the CPR will undoubtedly remain the chief indicator of program performance. Additional indicators introduced during the current CDSS period will be further refined. Analytic work is underway to test the applicability of standard demographic models relating the Total Fertility Rate (TFR) to the CPR in Bangladesh. "Unmet need" for contraception, which until now has been measured solely in terms of non-contracepting women who state that they want no more children, will be expanded to include women who wish to space their next pregnancy, and a baseline for this will be obtained. The Mission will explore indicators which quantify unmet "need" as well as "demand", e.g., non-contracepting women who do not state a desire to limit or space pregnancies but by virtue of parity, age or other risk factors would benefit from birth spacing.

#### Health

In child survival, analytic work will be done to define and quantify ORT effective use as an indicator which, added to the ORT treatment rate, will enhance impact monitoring of USAID-funded ORT interventions. The DMTS will be repeated in 1990 and 1992, to track progress against both of these indicators. The 1989 CPS will provide information directly related to child survival, as will the forthcoming Bangladesh Fertility Survey, which measures birth intervals and infant/child deaths. These two surveys will yield new estimates of the infant and child mortality rates in Bangladesh. In addition, methodology for urban immunization coverage surveys will be developed and a periodic monitoring system established to track progress against infant and maternal urban immunization coverage goals.

The MCH-PP Extension sub-project, in addition to its operational research on family planning service delivery, will continue analytic work on the health impact of specific MCH-PP interventions, and causes of maternal and child mortality in Bangladesh. These studies are expected to shed light on the relative contribution of different interventions to actual reductions in infant and child deaths in Bangladesh.

The Urban Volunteers project, which during this current CDSS period has been developing and field testing an innovative model of health care delivery in the Dhaka slums, will begin a series of intervention-specific impact studies during the CDSS planning period. The results of these studies will be used to evaluate the success of the model and determine whether further work on replicability in other urban areas is warranted during the new CDSS period.

FOOD AND AGRICULTURE SECTOR

PERFORMANCE INDICATORS FOR CURRENT CDSB PERIOD

<u>CDSB Goals/Objectives</u>	<u>Baseline</u>	<u>Project Indicators (Targets)</u>		<u>Projected Status</u>
		<u>for</u>	<u>at</u>	<u>at</u>
		<u>End of CDSB Period</u>	<u>End of CDSB Period</u>	<u>End of CDSB Period</u>
		<u>(End of FY 1989)</u>		<u>(End of FY 1989)</u>
<b>Goal: Improved food security through increased production, more appropriate pricing and more equitable distribution.</b>				
<b>Intermediate Objectives</b>				
<b>1. Increased agricultural growth on a sustained basis with reduced variability</b>	<b>Average annual agricultural growth rate over the last five years has been 2.7% (1986)</b>	<b>Agricultural growth rate 3.0%</b>		<b>FY 1984-89 annual agricultural growth rate of 1% (Real GDP basis)</b>
<b>a. Increased foodgrain production</b>	<b>Foodgrain production 16 MMT (1986)</b>	<b>Foodgrain production 18.2 MMT</b>		<b>Foodgrain projection 16.61 MMT</b>
<b>b. Increased crop yields and cropping intensity</b>	<b>HYV rice 28% of total rice acreage (1986)</b>	<b>HYV rice 30% of total rice acreage</b>		<b>HYV rice 35% of total rice acreage</b>
	<b>Cropping intensity of 144 (1986)</b>	<b>Cropping intensity of 150</b>		<b>Cropping intensity of 140</b>
<b>c. Greater Crop Diversification</b>	<b>695,000 acres of legumes planted (1986)</b>	<b>800,000 acres of legumes planted</b>		<b>979,000 acres of legumes planted</b>
<b>d. More efficient distribution of fertiliser through establishment of a private system of wholesale distributors</b>	<b>Private national distributors market share of fertiliser wholesale distribution 0% (1986)</b>	<b>Private large distributors market share of fertiliser wholesale distribution 40%</b>		<b>Private large distributors market share of fertiliser wholesale distribution 40%</b>

FOOD AND AGRICULTURE SECTOR

PERFORMANCE INDICATORS FOR CURRENT CDSS PERIOD

<u>CDSS Goals/Objectives</u>	<u>Baseline</u>	<u>Project Indicators (Targets)</u> <u>for</u> <u>End of CDSS Period</u> <u>(End of FY 1989)</u>	<u>Projected Status</u> <u>at</u> <u>End of CDSS Period</u> <u>(End of FY 1989)</u>
e. By 1991, a functional, sustainable agricultural research system in place generating a steady stream of improved technologies	12 improved foodgrain varieties released (1986)  200 new or revised recommended practices released by extension service at 23 farming systems research (FSR) sites and at 82 multilocation testing (MLT) sites (1986)	Total of 15 improved foodgrain varieties released  250 new or revised recommended practices released by extension service at 29 FSRs and 103 MLTs	15 improved foodgrain varieties released  250 new or revised recommended practices released but there will not be an increase in FSR or MLT sites
2. Price stabilisation in domestic grain market			
a. By 1990, subsidisation of the Public Food Distribution System (PFDS) will be eliminated, except for food distribution to the needy	Ration prices for wheat and rice never fell below 93% of market prices; ration prices were well above market prices for most of the year (1986)  Statutory Rationing (SR) & Other Priorities (OP) prices for rice and wheat negotiated at 109% & 107% of procurement prices (1986)	Ration prices for wheat and rice at or above 90% of market prices for a substantial part of the year  Subsidies from SR & OP channels further reduced by raising the prices of rice and wheat distributed from 109% and 107% of procurement prices to 111% and 110% of procurement prices respectively	Ration prices for wheat and rice not below 90% of market prices for most of year  SR & OP channels selling at the Open Market Sales (OMS) price.
b. By 1989, foodgrain price stability	Average national prices of foodgrains never dropped to more than 14% below the procurement price and never rose to more than 13% above the initial OMS price (1986)	Market price of grain not to fluctuate by more than 10% above the OMS price or 15% below the procurement price	Market price not to fluctuate by more than 10% above the OMS price or 10% below the procurement price

FOOD AND AGRICULTURE SECTOR

PERFORMANCE INDICATORS FOR CURRENT CDSS PERIOD

<u>CDSS Goals/Objectives</u>	<u>Baseline</u>	<u>Project Indicators (Targets)</u> for <u>End of CDSS Period</u> <u>(End of FY 1989)</u>	<u>Projected Status</u> at <u>End of CDSS Period</u> <u>(End of FY 1989)</u>
<p>3. Improved food consumption, particularly nutritional intake of the at-risk population</p> <p>a. Improved distribution of public food rations to the needy</p>	<p>310 of urban and 660 rural consume less than 1805 calories per person per day (1986)</p> <p>Offtakes in non-monetized channels constituted 32% of PPDS offtakes (1986)</p> <p>Offtake in SR was 42% less than in FY 1985, OP was 46% less and Large Employers (LE) was 46% less (1986)</p> <p>Modified rationing (MR) benefiting approximately 3.5 million poor people in rural areas and providing about 40 of their total cereal intake</p>	<p>290 urban and 520 rural consume less than 1805 calories per person per day</p> <p>Offtakes in non-monetized channels (Modified Rationing (MR), Food For Work (FFW) and Relief) that target the needy constitute at least 30% of total offtake</p> <p>Continued decreases in % of SR, OP and LE offtakes</p> <p>MR providing about 80 of the total cereal intake of the rural poor</p>	<p>Unable to measure this at time</p> <p>Offtakes in non-monetized channels that target the needy constitute at least 40% of PPDS offtakes</p> <p>SR decreased 35% from 85 level, OP decreased 70 from 85 level and LE decreased 35% from 85 level. Overall decline in all 3 channels 23%</p> <p>MR replaced by the Rural Rationing Program which will provide 400,000 MT of cereals to the rural poor</p>

(B) FOOD AND AGRICULTURE SECTOR

IMPACT ASSESSMENT (Current CDSS)

The Mission has focussed its efforts during the current CDSS period on "improved food security through increased production, more appropriate pricing, and more equitable distribution". This goal may have been too expensive and less focussed than appropriate, given limited AID staff, limited AID and BDG financial resources, and inadequate Government infrastructure. Even some of our intermediate objectives - such as that of increased agricultural growth on a sustained basis with reduced variability - could not be fully achieved, given the complex constraints to agricultural development and complicated causal relationships at play in the sector. Nonetheless, our program has made some significant contributions in the sector.

The Mission's agriculture program during the current CDSS period has been production oriented, but focussed more on institutional research, inputs and policy than on output per se. Increases in production are the result of many positive factors acting in concert. A single donor's program can and should only seek to affect a portion of the total equation.

As the performance indicators for agricultural growth rate and foodgrain production attest, Bangladesh is not where it could be in these crucial areas. The growth in foodgrain production during the seventies (3.8% during the 1972-80 period) took place as a result of increased land and labor productivity brought about by an infusion of the new "seed-fertilizer-water" technology. However, overall progress in this sector has been due primarily to the growth in wheat and irrigated boro (winter) rice, supported by large public investments in water control and increased offtakes of agricultural inputs. In recent years, the production of wheat has begun to stagnate and irrigation equipment sales are slackening. A significant breakthrough in the diffusion of rainfed modern rice varieties during the monsoon season (i.e., for aman rice) and more efficient irrigation investments are among the options that offer promise for reversing declines in foodgrain growth rates.

The centerpieces of our program have been research, fertilizer, and Title III. Our research program has been aimed at the institutional strengthening of the Bangladesh Agricultural Research Council (BARC) and at the development of the two food crop research institutes - the Bangladesh Rice Research Institute (BRRI) and the Bangladesh Agricultural Research Institute (BARI). As a result of our interventions, the research system is now producing a stream of technology relevant to the needs of Bangladesh's small farmers. Similarly, our direct assistance to BRRI and BARI, through TA from IRRI and Winrock, respectively, has helped develop and introduce a number of excellent rice and wheat varieties which have contributed to the increases in grain production that have occurred.

Growth in fertilizer offtakes continues to rise at very respectable rates, due, we believe, to AID efforts in fertilizer distribution privatization. Recent policy reforms in this subsector involving reorganization of BADC's fertilizer wing, direct private sector procurement of fertilizer from domestic factories at the same price paid by BADC, expanded role of TDPs and reduction in TSP subsidies will result in expanded private sector involvement in marketing, outreach and extension to farmers and private bank involvement in loans to fertilizer distributors. Most of these reforms have been achieved only within the last year, and should result in expanded sales and improved use efficiency. This should, in turn, result in crop production increases—particularly when coupled with unrestricted private sector imports of shallow tubewell technologies.

Expansion of HYV rice acreage over the CDSS period, from 29% to 35% of total area and a significant increase in cropping intensity are good indicators of the success of our research and fertilizer programs. In the area of crop diversification, our modest target for grain legume (pulses) acreage expansion has been exceeded — largely, however, due to collateral investments of other donors. The promise of crop diversification has yet to be realized, however; during the 1980's Bangladesh has not succeeded in achieving stable growth in non-foodgrain crop production. We do foresee, though, that there can be a marked expansion in pulse, oilseed and vegetable cultivation now that the importation of low lift pumps and shallow tubewells have been opened up to the private sector. As water becomes cheaper, much more land will be opened up to irrigated secondary crop cultivation.

We have also had a marked success in stabilizing prices in the domestic grain market. The Public Food Distribution System (PFDS) has accounted for between 11-15% of the cereal availability in the post-liberation years. PFDS prices are being progressively pushed closer to market regimes. This has been accomplished by raising ration prices in monetized channels (except EP), paring down entitlements of priority recipients, and by instituting Open Market Sales (OMS) — a price stabilization arrangement. The PFDS has contributed to a reduction of inter-annual price instability. In Bangladesh, purely seasonal spreads in the prices of poor people's grains (coarse rice and wheat) have tended to fall. PFDS also has contributed to food security through the Food for Work Program and the Vulnerable Group Development program, with almost 40% of food from Government stocks moving through these two channels as compared with one-third in 1986. The increasing roles of non-monetized channels in the PFDS with the reduced importance of priority channels, most of which benefit the relatively better-off, indicate that the PFDS has become more equitable in its impact.

Success in meeting our third objective, improved food consumption, particularly nutritional intake of the at risk population, has been mixed. The effect of the pattern of agricultural growth on nutritional intake of the at-risk population is somewhat unclear. Per capita calorie and protein intake declined between 1964 and 1982. However, several household expenditure surveys have shown increases in energy and protein intake since 1982 in both rural and urban areas. For rural areas, the average per capita daily intake of calories increased from 1905 in 1981-82 to 2113 in 1983-84 and 2204 in 1985-86. The proportion of rural

population consuming less than 2200 calories (FAO's adjusted bundle of calories which defines poverty line) dropped from 74% in 1981-82 to 62% in 1983-84, and further to 55% in 1985-86. The real wage rate for agricultural labor had a consistent upward trend since 1982-83, although the present rate is still below the pre-independence level. Per capita calorie intake since 1985 may again be declining due to impact of floods and declining agricultural growth rates; however, limited evidence suggests that nonmonetized food channels may be sustaining consumption levels of the poorest groups.

Average per capita calorie intake may mask consumption habits by the poorest segments of the society. Household expenditure surveys of 1973-74, 1981-82 and 1983-84 showed that the per capita intake of rice and wheat (including wheat flour) of the two poorest groups rose consistently mainly due to growth in per capita income combined with a propensity for these groups to consume wheat and coarse grains which are less expensive than finer grades of rice. This increased demand has been met by diffusion of HYV rice and wheat supported by our research program, and the emphasis of the PFDS on distributing coarse grains and wheat against a background of reducing food grain subsidies across the board. Despite these trends, it is still unclear what impact this increased consumption has had on nutritional status.

#### LINES OF INQUIRY FOR NEW ODSS

Based on the foregoing desktop analysis of the success/failure of our program in meeting targets -- and on lessons learned -- the Mission has formulated lines of inquiry to be addressed in the upcoming Agricultural Sector Assessment and the related Water Sector and Biodiversity assessments. These assessments will evaluate the efficacy of our past investments, explore promising alternatives, and build a policy agenda and indicators for the targets suggested.

The assessments will seek to develop a growth paradigm with a series of permutations - illustrating the future structure of the agricultural economy and its impacts on the economy, employment, poverty and other aspects of national welfare. From these assessments we will be able to develop new, broad categories of indicators to better measure the consumption/nutritional impact of our program, and relate research efforts and the provision of essential inputs to food production.

A fuller discussion of the lines of inquiry to be explored in these assessments is in Annex A.

EMPLOYMENT AND PRIVATE SECTOR

PERFORMANCE INDICATORS FOR CURRENT CDSS PERIOD

CDSS Goals/Objectives	Baseline	Project Indicators (Targets)	Projected Status
		for End of CDSS Period (End of FY 1989)	at End of CDSS Period (End of FY 1989)
Goal: Expansion of employment opportunities	Labor force participation rate 8% for women and overall rate of underemployment 40% (1984)	A 10% increase in female labor force participation and a 10% decline in the rate of underemployment (1989)	Not available
<b>Intermediate Objectives</b>			
1. Seasonal short-term relief to the needy to assure accessibility to food during months of high unemployment	17.9 million person days of FFW employment provided (74.8% of program capacity) (1984)	Seasonal person days of employment 19.2 million (82% of program capacity)	Seasonal person days of employment 18.52 million (79% of program capacity)
2. Development of policy and institutional environment supporting employment creation in productive enterprises	unable to fix baseline due ongoing delay in completion of economic census	Not available	Not available
A. Major shifts in government policies fostering expansion of small and medium scale enterprises	Nationwide economic census conducted to provide data and sample frames for surveys and studies	20 studies conducted that identify policies to expand the growth of SMEs	20 studies completed
B. Technical and financial support available for growth and development of small and medium scale enterprises (SMEs)	NIDAS directly assisted establishment of 35 businesses and facilitated establishment of 100 businesses; average number of employees per business was 30. NIDAS worked with 3 entrepreneurial women (1987)	NIDAS assisted in establishment of 75 businesses; these businesses will average 30 employees each; 15 assisted businesses will be in subsectors dominated by female producers	NIDAS directly assisted the establishment of 60 businesses, representing over \$3.0 million in total investment and 4800 new jobs. 6 assisted businesses run by female entrepreneurs. Over 40% of operational expenses financed by non-AID resources and 4 other donors working with NIDAS
	8,276 rural village women received 10,276 loans thru NIDAS (1988)	Rural village women received 10,260 loans	11,079 loans disbursed

EMPLOYMENT AND PRIVATE SECTOR

PERFORMANCE INDICATORS FOR CURRENT CDSS PERIOD

<u>Sectoral Goals/Objectives</u>	<u>Baseline</u>	<u>Project Indicators (Targets)</u>	<u>Projected Status</u>
		<u>for</u> <u>End of CDSS Period</u> <u>(End of FY 1989)</u>	<u>at</u> <u>End of CDSS Period</u> <u>(End of FY 1989)</u>
<b>C. Accessibility to credit supported by a financially viable system of banking</b>	Total recoveries to amount due averaged 27% of year ending 6/86 (agricultural credit)  28% deposit base to total assets	Total recoveries to amount due will average 33% for year ending 6/88 (agricultural credit)  10% growth in deposit base to total assets per annum by 6/88	Total recoveries to amount due averaged 25% for year ending 6/86  14% growth in deposit base to total assets per annum
<b>D. Improved resource management at local levels to support employment creation through the production of public goods and services</b>			
- Rural electrical cooperatives	8 rural electrical cooperative achieving a positive cash flow after termination of start up subsidy and grace period (1987)	3 additional rural electrical cooperatives achieving positive cash flow after termination of start-up subsidy and grace period	Total of 15 rural electric cooperatives achieving positive cash flow after termination of start up subsidy and grace period
- Sub-district local government	315 sub-districts averaged 75% completion of planned earthworks and constructed 631 bridges and culverts of 745 planned (1987)	315 sub-districts average 80% completion of earthworks planned and complete 728 of 809 bridges and culverts planned.	315 sub-districts average 82% completion of earthworks planned and 785 bridges and culverts out of 850 planned completed
- District local government	3 out of 14 targeted districts implementing routine feeder road maintenance programs (1987)	14 out of 14 targeted districts conducting routine feeder road maintenance programs	8 out of 14 districts conducting routine annual feeder road maintenance. Some districts carrying out periodic maintenance repair work
<b>J. Physical infrastructure development to facilitate employment generation in rural areas</b>	4,000 rural towns and villages receiving basic road and electricity services (1987)	5,200 rural towns and villages receiving basic road and electricity services	4,445 rural towns and villages receiving basic road and electricity services
<b>A. Reliable access to electricity provided to large and small-scale rural-based industries, farms and agro-businesses</b>	39,900 productive users of which 740 commercial and 260 irrigation and industrial (1987)	46,800 productive users (commercial, irrigation and industrial)	55,590 productive users (750 commercial and 250 irrigation and industrial)
<b>B. Year round road access to regional highways and growth centers provided to larger rural communities</b>	36 miles of feeder roads receiving routing maintenance (1987)	108 miles of feeder roads receiving routing maintenance	Actual mileage of feeder roads routinely maintained unknown but figure believed to be low
<b>C. Farms and villages provided dirt road access to local markets and towns for at least six months each dry season</b>	6,750 miles of rural roads reconstructed of 6,317 planned (1986)	6,000+ miles of rural roads reconstructed	7,200 miles of rural roads reconstructed

## EMPLOYMENT AND PRIVATE SECTOR

### IMPACT ASSESSMENT (Current CDSS)

#### Macro-Economic Policy

The Mission's macro-economic policy agenda -- which was developed late in the current CDSS period -- focuses on policy and institutional reforms aimed at improving the operation of market forces in Bangladesh's economy.

Specifically, reforms in the rural banking system have been supported through the Rural Finance Project (RFP). The project encourages interest rate changes to make the banking system economically viable and administrative improvements to upgrade the efficiency of banking operations. The experiences of the RFP have highlighted the need for improved accounting, realistic loan provisions, and increased recovery rates and to undertake structural reforms in the banking sector. The project has also created the framework for a proposed World Bank Financial Sector Credit project.

Through the Employment Enterprise Policy Analysis project (EEPA) the Mission undertook surveys of small and medium enterprises and also used existing data to create five time-series which are being analyzed to identify dynamic sectors and the impact of policies on them. In addition, by the middle of 1989, several studies which examine the impact of the 1982 New Industrial Policy package will be finalized. Research on the relative effectiveness of different policies and incentives is also ongoing. Based on a total of twenty such studies -- all small enterprise-related -- the Mission will have a preliminary package of policy reforms affecting small-scale industries to pursue during the new CDSS period.

The Enterprise Policy Reform project is helping the Bangladesh Bureau of Statistics to conduct and process a national economic census and enable it to undertake annual economic surveys. Data, which will start becoming available during the new CDSS period, will inform all activities which support policy and institutional analysis.

#### Employment Creation in Productive Enterprises (Firm Level)

The purpose of Mission-funded activities at the enterprise or firm level is to test hypotheses related to alternative (non-public sector) lending at market rates for small businesses, including women's enterprises. However, the indicators established for these firm level interventions were probably inappropriate, given that they measured the actual number of firms established and jobs created -- which, in fact, were relatively few -- rather than measuring success in term of the number of replicable models created. Workable models could, of course, have considerable longer-term employment impact, and ways to measure project success in these terms will be pursued in the new CDSS period (see below).

Under the Enterprise Development and Rural Industries projects, the capacity of MIDAS (Micro-Industries Development Assistance Society) to continue its efforts to finance the formation and expansion of small enterprises has been strengthened. At the end of FY 1989, MIDAS will have financed 60 projects representing over \$3.0 million in total investment and 4800 new jobs. Credit has been provided at the market rate of interest to such diverse projects as shrimp culture and vegetable seed production, textiles and printing, and electronic components and waste plastic recycling projects. The project enjoys an 85% rate of recovery of loan funds -- excellent by Bangladeshi standards -- and over 40% of MIDAS's operational costs are financed by non-USAID resources. MIDAS has established a reputation for professional competence and integrity and has created a credible management information system, planning cycle, and recruitment process that has attracted the attention of several other major donors.

Another Mission-supported employment creation activity -- also under the Rural Industries project -- is the Women's Entrepreneurship Development Program (WEDP). During the current CDSS period, over 10,000 loans have been disbursed to about 9,000 women in income-generating and entrepreneurial activities; and the project itself employs about 132 individuals, approximately 82% of whom are women, including females in decision-making positions. Compared to existing credit programs in the country, this is among the more successful, since it lends at market rates of interest, the rate of recovery is high and it has succeeded in the development of several women entrepreneurs.

Based on our experience with these firm level activities, we believe that emphasis during the new CDSS period will need to be on helping to assure -- through creation of a conducive regulatory environment -- the replicability of such activities.

#### Rural Infrastructure

Rural infrastructure indicators in the 1987 Action Plan were not sufficient to measure either employment impact or explain the linkages between infrastructure and employment generation; nevertheless, some evaluative work has demonstrated strong correlative relationships. For example, a Rural Electrification Board (REB) study estimated that newly electrified irrigation pumps added an estimated 110,000 metric tons of extra food grains in 1986-1987. Other REB evidence indicates that 831,414 new jobs have been created in the agriculture sector alone in electrified areas since inception of the Rural Electrification (RE) program (1978). The rate of school enrollment among children of 6-15 years has also been shown to be much higher among electrified households, with the most dramatic effect in households with a yearly income of Taka 10,000 or less. It has also been demonstrated that fertility rates are lower in areas with electricity. The RE program can take at least partial credit for progress in these areas. The program has also benefited the local economy in that wire, poles, anchor logs, cross arms, insulators, distribution transformers, conductors, etc. are now manufactured locally. Local contractors and technicians provide most of the services required by consumers.

Policy interests in the RE program have focussed on financial viability, and the appropriate measure of success should be a target number of local cooperatives becoming self-sustaining -- since self-sustainability is an essential step toward the type of employment and economic growth impact we expect of the program. The appropriateness of this policy focus -- and this measure of success -- has been confirmed by an in-depth assessment of the RE program which indicates that as the program expands into areas which do not already have a strong industrial base, there is considerable doubt that any new cooperative can ever be self-sustaining, unless wide-ranging financial policies and reforms including cross subsidies are implemented.

USAID also supported the Feeder Roads Maintenance and Improvement project as an infrastructure investment essential to stimulate rural employment. Again, as with rural electrification, it was clear that other, correlative objectives needed to be achieved in order to maximize impact on employment generation -- in this case the main one being to institutionalize maintenance. When it was clear that this objective would not be accomplished, a decision was made to terminate the project early and deobligate remaining funds. Despite the lack of success in achieving the specific Action Plan indicator, the Mission's decision to terminate the project has had a significant impact on the Government's and other donors' attitudes and approach to road maintenance. Specifically, the World Bank and Asian Development Bank have now tied disbursement of road improvement funds on major new projects to Government action on maintenance. The GOB has recently organized a national seminar on the issue of maintenance at which the Planning Commission agreed to consider revising investment policies which are currently heavily skewed towards road construction and which ignore maintenance. The USAID-financed Rural Roads Sector Assessment will be used to advise the GOB on needed policy changes and will result in preparation of a draft policy statement. By these measures, significant progress in this critical area has been achieved, despite termination of a bilateral project.

#### Short-Term Relief

During the current CDSS period, the Title II Food for Work (FFW) program had two project goals bearing on employment: (a) short-term direct employment through the project itself and (b) longer-term permanent employment promoting agricultural and non-farm commercial development in rural areas through the construction of a rural road network. While direct project employment during the CDSS period has shown a rise from 62% to 79% of capacity, program impact on longer-term employment through agricultural and commercial development is a secondary phenomenon not measurable through normal project monitoring data. However, the program's economic impact was assessed in 1984 and 1986 and plans are to make another assessment in 1990. The two studies so far undertaken found that completed roads had definite impact on the use of new farm technology, lower agricultural transport costs, and increased commercial activity. Although it is not possible to quantify this impact on employment, it is reasonable to assume the effect is positive and lasting.

## LINES OF INQUIRY FOR NEW CDSS PERIOD

An important agenda item for the Mission in the new CDSS period is how to develop an information system that tracks our progress in achieving private sector objectives. Currently, activities which impact on private sector growth are spread among the Mission's four technical offices making coordination difficult. Work undertaken to design a private sector management information system with help from ANE/DP must be followed up with consultant help to put such a system in place. That work may also suggest organizational changes within the Mission to facilitate better monitoring of objectives laid out in the Mission's private sector strategy. Setting up such a system should be viewed as an essential element to carrying out the examinations discussed below

### Macro-Economic Policy

In the World Bank's proposed Financial Sector Credit project (FSC) -- the framework for which was created under AID's Rural Finance project and for which AID will provide technical assistance -- the key policy issues to be pursued during the new CDSS period are the following: liberalization of monetary policy including interest rates and improving the efficiency of the nationalized commercial banks as an initial step towards privatization; improving the macro-economic analysis capability of Bangladesh Bank; pursuit of more flexible and closer-to-the-real-cost interest rate policies; reforms with respect to loan reclassification and provisions for non-performing loans; loan recovery measures by sectors; introduction of such ratios as net worth/deposit ratio, provision/gross advance, etc. for better financial management; changes in reference rates and reserve requirements; implementation of recapitalization of NCBs and interest rate subsidies to NCBs and commercial banks; etc. All these reforms are intended to make banks more efficient and competitive and to increase their viability as profit making entities.

Based on EEPA policy analysis, the Mission also hopes during the new CDSS period to engage the BDG in a dialogue to effect changes in industrial and employment policies and incentives, especially those faced by small entrepreneurs. Specific actions include: dialogue to modify the New Industrial Policy Order of 1989/90; assist the BDG to further deregulate the trade regime through the import and export policy orders of 1989/90; and help the BDG to prioritize allocation of budgetary resources to more dynamic sectors in the budget of 1989/90; . The results of the EEPA policy analysis will also assist the World Bank in their design of their Industrial Sector Credit project, in terms of supporting measures which promote economic growth in the private sector.

### Employment Creation in Productive Enterprises (Firm Level)

The Enterprise Development project is a principal expression of USAID's strategy to create job opportunities by focussing resources on innovative, labor-intensive small-scale enterprises. We need to examine whether this focus is appropriate and, if so, whether project success can best be expressed in terms of employment impact or other variables. While the sustainability of MIDAS is reasonably assured, its true impact on employment and enterprises has yet to be quantified by an independent

evaluation. The upcoming impact evaluation will measure benefits at the enterprise level, in terms of profitability, sustainability and productivity; at the macro-economic level in terms of direct and indirect employment gains, and multiplier and/or displacement effects; and on other institutions in terms of its demonstration effects. Project impact on women, both as direct and indirect beneficiaries will also be quantified.

### Rural Infrastructure

A major study has recently been completed by IFPRI which demonstrates that rural infrastructure can have a major positive effect on a broad range of socio-economic indicators including crop production, income, and employment. Moreover, the study found infrastructure to be strongly associated with poverty alleviation. Because of this study and other indications of the importance of rural infrastructure, USAID plans to continue developing and improving infrastructure programming. Given our past and on-going efforts, we will continue to focus on rural electrification and roads.

As we look toward redefining our infrastructure objectives, experience in current activities strongly suggests that improving resource mobilization and management in local-based institutions is essential. A strong institutional base -- whether cooperative, NGO, or governmental -- is essential to sustained growth and maintenance of infrastructure. Infrastructure's contribution to rural economic growth will be as strong, or as weak, as its institutional base.

The rural electrification policy agenda for the new CDSS period will likely continue to focus on financial viability issues of local cooperatives. We will ensure that the actionable recommendations that came out of the financial assessment are acted upon. Progress toward meeting financial objectives will, in large part, dictate whether or not AID continues its involvement with the rural electrification program and on what basis. The financial assessment has just been completed and the Government has not had sufficient time to act on the recommendations. The existing project will continue for another three years; prior to its expiration the Mission will make a determination about our future involvement.

The major constraint to realizing the potential benefits of roads investments is institutionalizing maintenance. The Rural Roads Sector Assessment will analyze the institutional, financial and technical constraints to maintenance and to propose specific policy and programmatic interventions to more effectively address these constraints. We believe that part of the solution may be found in a closer integration of Titles II and III food aid resources with dollar DA resources and in devolving financial responsibility to local governments (see Decentralization Strategy submitted in July 1988). A special task force has been convened by the GOB to identify ways of increasing the development impact of food aid, and the recommendations of this task force are also expected to have a strong influence on future USAID programming approaches related to development of sustainable road networks in rural Bangladesh.

### Short-Term Relief

Experience during the current CDSS period has shown a need for greater projectization and diversification of PFW. The assessments of 1984 and 1986 confirmed that maximum development impact, and therefore maximum longer-term employment, is achieved when roads are well maintained and all gaps are bridged. However, to date, local level administrations have been given free rein in the site selection of PFW roads, bridges, and maintenance programs -- and their decision-making has tended to be on political grounds, resulting in unfocussed program interventions. For the coming CDSS period, increased program effectiveness, i.e., miles of road annually maintained and with all gaps bridged, will require both tighter guidelines under which the sub-districts operate as well as the introduction of planning, technical support and improved supervision. Exploring ways of helping the BDG to obtain these resources and skills will be a major agenda during preparation of the new CDSS. If successfully implemented, the rural roads network built by the program should have a much higher capacity to deliver the agents of development to rural Bangladesh. This, in turn, should engender a commensurate rise in longer-term employment opportunities in agriculture and commerce in these areas.

While exploring ways of improving the rural roads program, the Mission will also be examining, during the CDSS preparation period, other possible uses for PFW. Such possibilities include water control, inland fisheries, cyclone shelters, reforestation, and possibly other activities. The challenge will be to find productive, focussed activities that can absorb large numbers of workers, since many small, scattered activities would require high overhead costs -- to monitor and control -- which neither AID nor the BDG can afford.

### III. SPECIAL ISSUES PAPERS

#### A. FLOOD RECONSTRUCTION AND FLOOD CONTROL: ITS IMPACT ON STRATEGY DEVELOPMENT

Issue: The flood disaster of 1988 caused dislocations in the economy, government operations, and implementation of development programs: overall economic growth will be reduced; agricultural and industrial output will decline (although less so than previously thought); the national investment budget may be reduced by 35% due to lower revenues and reduced foreign aid disbursement, with consequent delays in implementing development projects; and Government execution of key policy reforms for structural adjustment has been slowed due to difficulty in making hard decisions in the wake of economic stress caused by natural calamities. How can a strategy be developed that takes the ubiquitous nature of disasters into account? Are our investments in long-term policy change, infrastructure and institutional services rational given the ease with which progress in these areas can be set back by floods and other calamities?

Discussion: The flood of 1988 has had negative but not disastrous impact on Bangladesh's economic performance. These effects have shown up in reduced GDP growth (1-2% this year vs. 3-4% average growth over the past several years), reduced growth in the agricultural and industrial sectors, reduced export performance against targets, lower revenue performance (2-4% loss of tax revenues) and higher budget deficits, and slowed implementation of important development projects. Inflation will likely remain at about last year's 11% level, but private investment will decline (extent not yet fully known) and the overall balance of payments will move from an \$80 million surplus to a deficit of \$105 million. What is still unknown is the longer term impact of the floods on the standard of living of rural dwellers, most of whom live below the poverty line. There is some evidence that in some respects the economic impact may not be as severe as first thought in October 1988 when the BDG/UN Task Force Report on 1988 flood damage was being prepared. For example, latest Mission crop estimates developed in January 1989 after the November 1988 cyclone indicate Bangladesh may produce a record rice and wheat crop during 1988/89 (16.61 million metric tons). Also, BDG data reveal that exports during the first five months of the BDG fiscal year (July-November) showed a 17% growth over the previous year. A full study of the economic impact of the floods by the Mission is already underway.

In the area of infrastructure, major rail links, trunk roads and ferries were restored and carrying essential cargo by late October 1988. However, considerable work on national highways, rural and feeder road networks, and inland waterways are necessary to restore the country's full carrying capacity for cargo and passengers. Assessments recently completed by the IBRD and ADB suggest about a \$180 million road rehabilitation effort alone. The BDG/UN report of October 1988 estimated a total reconstruction requirement of about \$1.13 billion, excluding housing, over the next two years. Follow-up assessments in each sector are refining these estimates; preliminary indications from the World Bank/Dhaka office are that final needs may be approximately half the original figure.

Beyond the immediate economic impact, these disasters have also served to dissipate the scarce energies of BDG institutions. Greater attention has had to be given relief and rehabilitation work, diverting attention from institutionalizing and executing important reforms and programs needed to pursue long-term structural adjustment in the economy. While we see no direct evidence that reconstruction needs have fundamentally changed longer term BDG development priorities we will get a better sense of that as the BDG moves forward with its Fourth Five Year Plan over the next year. In the near term, however, the disasters have been used in some quarters in the BDG to argue for reinstating input subsidies, subsidized credit, and deferring difficult decisions in key areas such as banking reform. Thus far, these ideas have not been advocated as more than temporary flood measures, although we believe the pace of reform and policy execution may be slowed further as the BDG worries about short-term economic impact and the simultaneous pressure to implement reconstruction programs. In the short run, increased attention to reconstruction programs will likely divert both technical and financial resources away from the regular investment budget, delaying completion of these activities and ultimately increasing their cost.

Clearly, a rational development strategy for Bangladesh cannot ignore the impact which flood disasters have on physical facilities, and the economic losses to agriculture and industry which in turn affect employment, reduce incomes and increase poverty incidence. However, the issue cannot be usefully defined in terms of whether longer term investments in services, physical infrastructure and institutional development make sense, given that they will likely be destroyed or disrupted on a frequent, regular basis. This contention begs for no solution. The floods of 1988 were a "100 year" occurrence and there is no evidence the flood disasters of 1987 and 1988 represent a worsening trend.

We believe a useful line of inquiry is to assess the coping capacity of Bangladeshi institutions in the face of natural disasters, and identify ways to build on that capacity and expand it. Our development investments, as they are currently conceived, likely represent the best alternative we have to improving the resiliency of the Bangladesh economy to cope with disasters, and to better control their occurrence and effects. Two examples illustrate this point: the food security and management program AID and the BDG have developed over the past decade using Title III resources played a major role in mitigating sharp price increases in wheat and rice in the immediate flood period, and helped insure that adequate food was positioned at godowns throughout the country to relieve regional shortages; the projected record foodgrain crop for 1988/89 benefitted from ready access to fertilizer inputs and high yielding varieties of seed, both of which are directly supported by AID investments.

To shorten our investment horizons to annual or biannual timeframes because of threat of disasters obviates the ability to think strategically and plan, and places programming on a constant disaster or

"reactive" footing. This approach automatically restricts our attention from needed investments in areas such as agricultural research, population control, and private sector development; it also moves us away from our appropriate focus on key policy issues. Simply put, the disasters of the past two years do not suggest a strategic redirection of our program toward emphasis on relief and reconstruction.

However, the past two years of floods do suggest two key areas for CDSS consideration which we will study: how to institutionalize disaster preparedness and response so as to limit the damage, both physical and institutional, that occurs when disasters hit; and greater emphasis on water control and use as a key issue (rather than flood control, per se) to enhance water's contribution to overall agricultural production. We will endeavor to increase collaboration between AID's Eastern Waters Working Group and other research efforts being carried out by UNDP, the French, Japanese, and others to forge an international consensus about both problem definition and long-term response. We will also investigate how we can increase our involvement in the water sector in our agricultural sector analysis. Finally, we will work with the UNDP over the next year as a contributing donor to help shape a multi-donor disaster preparedness program using additional OYB funds in FY 1989.

In terms of our own programming and management, we will investigate the potential for building in disaster prevention considerations into the infrastructure and services we support. We will look at how we can modify our management information and monitoring systems to collect relevant data on a regional basis in order to measure impacts of flood disasters both in the immediate term and over time in our regular program. Within the Mission we will institutionalize disaster management procedures which facilitate easier response to post-disaster aid requests and utilize or, where appropriate, expand existing Mission surveillance capabilities in the agricultural, industrial, and health/nutrition areas to inform an appropriate AID response. A post 1988 flood lessons learned report will provide to AID/W and OPDA with specific recommendations.

Recommendations:

1. The CDSS should review the impact of disasters over time on our goals and determine whether any changes in strategic thinking are needed. The CDSS should also present options for addressing both medium term disaster preparedness and management problems. The CDSS should also examine longer term flood policy and control interventions (Eastern Waters) and discuss their relationship to and impact on our planned sectors of involvement.
2. The Mission should proceed with a water resources analysis within the framework of the agriculture sector analysis and discuss in the CDSS policy dialogue and programming options in this sector. The mission should consider use of both DA and local currency support (e.g, Title III) for water sector activities, within the context of our agriculture portfolio.

## B. NEW PROGRAM THEMES

### EDUCATION

Issue: There is growing evidence of decay in the Bangladesh education system and insufficient BDG or donor support for programs to address the underlying cause of low levels of attendance, retention and literacy. Given the critical link between levels of education and other socio-economic indicators, can the Mission expect to make serious progress toward poverty alleviation without significant investment in the education sector?

Discussion: The USAID CDSS, drafted in 1984, recognized that "the ultimate end of any country's development program is to improve its human resource base." A weak human resource base, evidenced by extremely low levels of education, was perceived as a serious constraint to increased productivity and incomes.

This perception has only grown stronger over the last five years, as the Mission has learned more about the state of the education system in Bangladesh. For example, the present literacy rate in Bangladesh is 29%. Yet, over the next few years, only an estimated 25% of the expected growth in the labor force can be absorbed productively by the agricultural sector. The ability of new industries and service organizations to absorb excess labor into non-traditional jobs will be constrained to a large extent by the level of literacy and numeracy among the potential labor force. Likewise, the level of literacy and numeracy is a limiting factor in Bangladesh's efforts to establish food security and a better quality of life for all its people through agricultural and health extension activities.

The Mission's education strategy, described in the the 1987 Action Plan, consisted of a three-pronged approach: expanding the pilot Female Secondary Scholarship program, funding promising non-governmental education initiatives through the Private Rural Initiatives project (PRI) and offering Technical Resources project (TRP) funds to provide technical assistance to the Bangladesh Government to undertake studies relevant to long-term education sector reform and planning. Since the last Action Plan, we have evaluated the Female Secondary Scholarship program and have determined that further expansion after this year should seek other donor financing. Also, in June 1987, a fourth activity, the Development and Management Training (DMT) project, was added to improve the management and analytic skills of the Mission's public and private sector counterparts.

In light of its increasing interest in employment generation, over the next few months the Mission will be investigating the potential for redefining AID's role in the education sector in Bangladesh. As a first step in this investigation process, the Mission has prepared and reviewed an education threshold paper. The threshold paper highlighted the extensive sector assessments recently completed by other donors (the World Bank and the Asian Development Bank, for example) and the difficulties inherent in necessary education policy and administrative reform in Bangladesh. Preliminary discussion highlighted two main themes:

- The most promising potential roles for AID in the education sector (as identified by the threshold paper) all appear to be well-suited for funding under ongoing projects or with Title III resources.
- We prefer to rationalize strategic investments in education in the context of other program objectives. We recognize however, that we do not yet have a full appreciation of the impact of general education levels and human resource constraints in any of our program sectors.

Two education consultants have been brought to Bangladesh to help the Mission think through some of the implications and analytical gaps in the current threshold paper. Some of the key issues to be raised during this consultancy included the staff-intensive nature of policy and administrative reform in Bangladesh, the level of BDG commitment to the education sector, the absorptive capacity of the BDG for additional technical assistance in the education sector, and Mission staffing patterns.

The World Bank is presently the largest donor in the education sector; over the last 10 years, the Bank has funded primary education classroom construction and curriculum reform efforts totalling over \$100 million. The IEES consultancy has been timed to coincide with the Bank's Pre-Appraisal Mission for a follow-on basic education project. The education sector investigation plan which the Mission is currently finalizing will be carefully coordinated with the new Bank project, with emphasis on opportunities for co-financing technical assistance components.

Recommendations:

1. The Mission's need for additional assessment work will be based upon the results of the IEES consultancy, the results of other donor assessment work, and internal Mission discussions. That work, if undertaken, will combine analyses from ongoing assessments in other sectors with limited additional studies which cannot be easily incorporated into those assessments.
2. In light of current Mission staffing constraints and concerns about project proliferation, the Mission is not looking to education as a new program sector. The Mission, however, should use the results of ongoing assessments prior to developing plans for further investments in the education system. The Mission will need to consider the level of involvement necessary, together with the BDG and other donors, that will make a significant difference.

## PUBLIC INSTITUTIONAL EFFICIENCY

Issue: The slow disbursement rate of foreign donor funds, long delays in project implementation, and large project pipelines have led donors to fund several recent studies on aid utilization. These studies point to significant procedural and policy constraints in the current public administration system in Bangladesh. Public institutional efficiency promises to be a major issue at the Paris CG meeting in Paris. How should AID address this issue both in Paris and in the upcoming CDSS?

Discussion: Many factors, both internal and external, have combined to contribute to a steady deterioration in the quality of public administration in Bangladesh over the last 40 years. These factors include:

- administrative policies and procedures which have remained essentially unchanged since the 1940s;
- the dominance of the West Pakistanis in the erstwhile Civil Service of Pakistan and the location of all major public sector training and higher education institutions in West Pakistan;
- the decentralization of the BDG in 1983 which overnight doubled the sanctioned size of the Bangladesh Civil Service without increasing the capacity of the recently consolidated public sector management training institutions;
- inadequate staffing and ongoing political disruptions at Bangladesh's institutions of secondary and higher education, resulting in lower quality, pre-entry level professionals; and
- a deterioration in the quality and availability of English language training, leading to less access to overseas training opportunities and to advanced texts and journals written in English available in country.

During this same period, the financial and social responsibilities of the government have increased exponentially, due to rapid population growth; the rise of Bangladesh as a major recipient of international relief and development assistance; and the increasing role of the government in the economy.

In 1987, the BDG and USAID signed the Development and Management Training (DMT) Project Agreement, committing \$15 million over an eight year period for: (a) academic and short-term overseas management training for actual and potential Bangladeshi counterparts and management trainers in the public and private sectors and (b) in-country support to management training institutions, the BDG's administrative offices for international training and the human resource development/manpower planning policy formulation process.

In anticipation of the DMT project and to help the BDG fulfill conditions for a recent multi-year IBRD credit, the USAID is currently funding a technical assistance team to help the BDG produce an action plan for improving public administration efficiency. That action plan will draw on recent UNDP-funded commodity and technical assistance utilization studies and will work with a high level BDG steering committee to develop

a consensus for central government reform. Recommendations generated by the Public Administration Efficiency Study (PAES) can be supported by DMT, TRP, or other donor public administration projects.

Public administration efficiency does not represent a new sector for the Mission but rather summarizes a cross-cutting theme that has developed as the Mission has attempted to design and implement projects in its current program sectors. The Mission does not anticipate undertaking any activities to strengthen public institutional efficiency which cannot be logically subsumed under ongoing projects.

Recommendation: The Mission should make completion of the PAES and the development of an implementation plan to address the study's recommendations a high priority in FY 1989-90. That plan should represent a series of objectives for improving public sector institutional efficiency over the CDSS period. The CDSS should discuss opportunities to link that plan to other major donor activities as well as tapping ongoing funding opportunities in our own program, such as DMT and TRP.

## NUTRITION

Issue: The Mission has a substantial investment in activities which explicitly or implicitly are expected to effect a favorable nutritional impact on the people of Bangladesh, but it does not on a regular basis monitor changes in nutritional status. What implications does this have in regard to the targeting of food aid, both in a development and a disaster relief context? Should nutritional considerations be included among indicators of food and agricultural sector interventions? Do nutritional indicators have a wider potential in assessing the impact of other sectoral interventions which do not directly address nutrition but which are intended to improve the quality of life and well-being of vulnerable groups?

Discussion: The need to monitor nutritional status in conjunction with interventions specifically aimed at improving nutritional status and/or averting a deterioration in same (eg, Title II Programs; post-disaster emergency food aid) is clear. Without such monitoring there is no way to know what, if any, impact these interventions are having. There are numerous examples in the literature of food aid projects which for various reasons failed to improve - or even worsened - the nutritional status of the intended target group. Nutritional monitoring is also critical for the effective targeting of food aid, in that it identifies those most in need. In the wake of the 1988 flood it was particularly evident that the information base and surveillance systems needed for targeting and prioritization of food aid were not in place.

The nutritional status of Bangladeshi children is low enough that there should be a direct relationship between household income and nutritional status of children; over time increases in household income should be reflected in children's height or weight. An ongoing, institutionalized nutritional surveillance system could thus serve as a supplemental indicator of national (or regional, if the sample is large enough) economic development, a "Dow Jones" index that can be compared to the usually accepted GNP type measures. Differences in direction or dimension of these measures signal: (1) a potential problem in the estimation or calculation of the more traditional GNP-type measures or (2) unequal distribution of income. Either of these situations is important information in monitoring the attainment of BDG and donor goals.

Recommendation: During the upcoming CDSS period, the Mission should explore the incorporation of nutrition into its strategy, not as a stand-alone sector, but as: a) an impact measure for agricultural, employment, and food aid interventions and tool for their more effective targeting; and b) a cross-cutting indicator of program impact in multiple sectors.

In the course of this assessment, consultancies in nutritional surveillance and food aid should be asked to address the following:

1. Given the Bangladesh context and constraints, what measures would enable the BDG, USAID and the broader donor community to more systematically and accurately assess, in real time, the impact of catastrophic events on the nutritional status of affected populations and incorporate these in food aid policy and programs to improve targeting?

2. How can nutrition surveillance activities be incorporated into USAID/Bangladesh strategic planning to improve program design, implementation and evaluation? How would the Mission go about using nutritional status measures as indicators of general economic progress at the macro and micro (household and individual) levels? What are the dollar costs and staff impact of doing these things?

3. How and where (institutional locus; methodology) can a nutritional surveillance system best be developed and institutionalized in Bangladesh, given the existing constraints and comparative advantages of various public and private sector institutions? Are other donors (e.g., UNICEF) engaged in useful work that can be supported or expanded?

## URBAN DEVELOPMENT

By the year 2000, Bangladesh will have an estimated 80 urban areas with populations greater than 50,000. Dhaka, with a 1988 population estimated at 5 million, will have between 9.2 and 11 million people by the turn of the century. In general, urban areas in Bangladesh are growing at a rate three to four times the rate countrywide.

Issue: What role, if any, should USAID have in the urban sector other than those related activities already contained in our on-going program?

Discussion: Migration from rural to urban areas has played a significant role in Bangladesh's urban growth. From 1961-1974, about 200,000 persons per year migrated to urban areas. This has been due, in part, to the fact that manufacturing and other industrial development has not located outside the major cities of Dhaka and Chittagong. Rural labor has migrated to urban areas seeking employment opportunities, which unfortunately, frequently do not exist. Negative "push" factors are as important to urban growth as are "pull factors". The ratio of arable land to population is about .34 acres per person. Landlessness and near landlessness (owning less than one half acre) has been increasing since 1976 and comprises about 50-70 percent of the population, depending upon the definition used.

Urbanization is often indicative of a comparative advantage in towns and cities of being able to provide a relatively developed infrastructure, services (housing, financial) and employment. However, this dynamic can also be associated with considerable visible poverty and other urban problems (political unrest, strikes, labor issues, etc.) particularly among unskilled workers as they become displaced from traditional rural occupations.

Urban poverty alleviation in Bangladesh is closely tied to the overall improvement in the country's economic, physical and social condition. Efficient cities require efficient infrastructure and include service systems affordable to all strata of the population. Even if there are improvements, other constraints continue such as a lack of employment, infrastructure, arable land and other, less tangible elements, which will make it difficult for rural areas to absorb the large growing Bangladeshi population. Getting economic activity located in the right place along an urban-rural spectrum is important to the national growth and development of Bangladesh. Thus, urban growth trends are destined to continue.

Bilateral and multilateral donors have been providing assistance to urban sector related projects and programs in Bangladesh since before liberation. The World Bank, for example, has been working in the water/sanitation sector since the 1960's. UNICEF, UNDP, ADB, CIDA, Japan, Netherlands, as well as USAID, have been providing assistance to the Bangladesh government in diverse sectors relating to urbanization. Interestingly, donors report they find the same types of problems in the urban sector such as inefficient use of fiscal and regulatory instruments of public policy, neglected maintenance of infrastructure resulting in premature loss of asset value and excessive reliance on direct intervention by the public sector.

Donors are "all over the map" in Bangladesh in their support of urban sector projects. They, like their Bangladeshi counterparts, have not developed a coherent approach to programming in this area. The donors share, however, a growing sense that urbanization is an issue that must be addressed more fully. UNDP and the World Bank are undertaking, in 1989, an extensive study on the urban sector, the process of urbanization, urban poverty and urban growth. Once completed, the recommendations from the study should provide valuable suggestions for the donor community to review as a prelude to a potentially large-scale effort addressing urban issues.

USAID has not directly addressed urbanization and urban poverty as a sectoral focus, although some of our investments especially in health and family planning is sited in towns and cities.. The sector is and remains well subscribed through other donor support, both in financial terms and in terms of defining policy issues and conducting dialogue on those issues with the BDG. There are activities the Mission is and has been undertaking that deal with urban issues in indirect ways. The Public Administration Efficiency Study seeks to address governmental inefficiencies and disparate governmental functions; the Development and Management Training Project provides short and long-term training opportunities to both private and public managers to again address effectiveness and other efficiency issues; the Rural Electrification III Project provides new electrical service to increase industrial electrical capacity in municipalities; the Urban Volunteer Project provides a variety of population and health services to urban slum-dwellers through the employment of some 1500 urban poor women in Dhaka; direct interventions at the firm level through the MIDAS and Women's Entrepreneur Development Program are located primarily in or close to urban areas; and efforts at reforming the financial sector may stimulate urban-based industrial investment to increase job opportunities for urban dwellers.

Recommendation: The urban sector does not at this time represent a discrete sector of investment for DA or local currency resources. The Mission also does not plan to design a separate urban sector project. However, USAID supports AID/W or RHUDO/Bangkok assistance to provide an expert to participate on the World Bank fact-finding team arriving in Bangladesh March 1989 to look at urban sector issues. The Mission will remain attentive to the results of that Bank Mission study and the current UNDP study on urban poverty already underway to determine if there are opportunities to strengthen the urban focus of our project portfolio.

### C. NGOS AND NON-BILATERAL PROGRAMMING

Issue: Support to and through NGOs is key to the Mission's development assistance strategy in Bangladesh. Recent trends suggest approvals for NGO projects have become more difficult to obtain. What steps might the Mission take to reinforce the importance of AID programming through NGOs?

Discussion: The Mission is presently programming about one-third of its annual development assistance through non-governmental organizations (NGOs). In addition, the PL480 Title II Food for Work program depends almost exclusively on monitoring provided by an NGO. During disasters, such as the recent floods, the Mission disburses considerable aid to NGOs. In the 1988 flood this amounted to more than \$8 million in assistance through various international and local NGOs.

The extensive use of NGOs in almost every sector of the Mission's portfolio is attributed to several factors. First, the weakness of Bangladesh government staff and support systems below the upazila (i.e., county) level originally prompted the Mission to look at NGOs already working at the grassroots level to implement relief and poverty alleviation programs. For example, the Mission developed relationships with NGOs to improve delivery of essential family planning and health services. CARE, with its long history of implementing food-for-work programs, was recruited to manage what has turned into the largest food-for-work program in the world. Second, the Mission's goal of expanding employment opportunities has been linked to the development of small-scale, off-farm private enterprises. As a result, the Mission is looking for more ways to support private organizations which foster entrepreneurship and provide appropriate credit facilities. This has led the Mission into dialogue with and support to non-profit and for-profit organizations that have learned through trial and error--many of them in welfare-oriented NGO income-generating programs--how to provide appropriate credit, training, and technical assistance.

The Mission has several methods for funding non-governmental organizations. Several of its bilateral project agreements contain provisions for channeling a portion of project funds and/or commodities directly to the private sector. This is the method used, for instance, for the Food-for-Work and Family Planning and Health Services Projects. For other projects, such as the Private Rural Initiatives Project, the Mission informs the BDG of its intention to provide funds directly to an NGO then leaves it up to the NGO itself to get BDG clearance for individual project activities.

BDG clearance for foreign-funded NGO activities has become a t orny issue in recent years and an increasing number of clearances have been delayed for progressively longer periods. New BDG clearance procedures issued last year promised initially to expedite the approval process but seem to have made the situation worse. Many USAID and other donor sub-grantees have been waiting over nine months for annual clearance of previously approved multi-year projects. It is unclear whether these delays are the result of "debugging" the new procedures, bureaucratic antipathy to NGOs in general, or both. The problems have occurred as donors are raising with the BDG serious problems over public sector aid utilization.

Two issues appear to be at the heart of the problem. First, BDG public policy continues to struggle with defining the appropriate role for the private and NGO sectors in national development. Second, the Government resists the idea of donors or the Government itself providing large amounts of support to NGOs, perceiving such support as a potential statement about the BDG's own capacities to implement programs. Those officials who have accepted a large role for the private sector in theory still, for the most part, hold the view that the BDG should coordinate all governmental and non-governmental activities.

As a result, the BDG resists approving NGO projects which government officials feel should be more properly carried out by government and especially those projects which are more than modest in their scope. In addition, in areas where it agrees NGO activity is legitimate, the BDG requires prior approval for all foreign-funded NGO activities. Finally, the BDG scrutinizes all foreign-funded NGO activities to ascertain whether or not they are using money from the "country frame", i.e., funds pledged by donors in Paris which the Government interprets as resources for commitment to its programs.

USAID has thus far argued successfully with the BDG that the funds pledged each year in Paris are tentative and will depend on final allocations determined in Washington. At the same time USAID has pointed out that we have a mandate from Congress to provide support directly to both the private and government sectors and that the allocation between the two sectors is left to a large extent to the discretion of the Mission.

Donors are becoming increasingly concerned about BDG clearance problems for NGOs. Those, like USAID, whose disbursements cannot be made until clearance is formally secured by NGOs for their activities are now facing large amounts of undisbursed funds. In response, the Local Consultative Group on NGOs has been reconstituted and before the next Paris meeting will be developing recommendations for easing the current log-jam.

Recommendation: The Mission should continue to work with NGOs and with the Local Consultative Group (LCG) on NGOs on the best approach to these issues with the BDG, and to develop a consolidated position on the issue for the April CG in Paris.

#### D. DONOR COORDINATION: US-JAPAN COLLABORATION

Donor coordination is an essential feature of AID programming in Bangladesh. Its importance transcends the normal preparations for Consultative Group meetings in Paris to being a mechanism for sharing of analytical information, providing a local forum for airing key policy and programming issues to Government, and acting as a means to identify and carry out parallel financing of priority development activities. This paper discusses an important dimension of donor coordination that will significantly affect strategy development for the CDSS: U.S.-Japan collaboration, and the U.S. role in local donor coordination. Annex B contains a more general discussion of the present state of donor coordination in Bangladesh.

Issue: USAID/Dhaka has been discussing with the Japanese Embassy means to establish closer collaboration in developing country strategies for our respective programs. No means has yet been identified to operationalize that collaboration at the strategic level, and neither side yet has a clear vision of where the collaboration may ultimately lead in terms of specific sectors or projects.

Discussion: Following the May 1988 meeting between the GOJ and AA/ANE Julia Bloch, USAID/Dhaka initiated contacts with the Japanese Embassy to discuss means to collaborate in developing country program strategies. Our contact was initiated with the knowledge that the Japanese would be preparing a country study during the same timeframe that USAID/Dhaka will be developing its CDSS. Since then, USAID has conducted two extensive program briefings, one for a preliminary Japanese fact-finding Mission in August and a second for a disaster study team in October (the latter headed by Director Oshima). (The Mission has reported to AID/W on our perceptions of the outcome of both meetings.) The Mission also used the visit of ANE/DP Peter Benedict to reiterate to Japanese officials here our desire to involve them in key meetings to review AID-sponsored assessments in agriculture, roads, electrification, and population and health, and to provide copies of those assessments. We will make sure that consultants visiting the Mission in February and March on education and urban sector development, respectively, touch base with key persons in the Japanese Embassy and JICA. Finally, we propose to share a copy of this Action Plan with the Japanese Embassy and, as appropriate, any guidance cable that flows from AID/W Program Week. However, this interaction has been ad hoc in nature, and, unfortunately, unguided in terms of a mutually agreed upon framework for promoting collaboration. According to the information available to the Mission, we expect the country study team to visit Dhaka in June 1989 after they complete their analytical work. Since the study will be primarily a review of secondary source materials in Tokyo, it will not be possible for the Mission to collaborate with the team prior to its expected June visit; we do expect to interact extensively with the team while they are in Dhaka. Given respective staff constraints here in Dhaka--which tend to limit collaborative strategy planning at the field level--it may be most practical to proceed with specific proposals for project level collaboration. Our sense is that where we can present such specific proposals, the Japanese are more likely to be responsive.

Recommendations:

1. USAID review its pipeline and mortgage and, in the context of various sector assessments being undertaken, develop two or three promising sectors/projects where Japanese assistance may advance or supplant U.S. support. Complete this process and initiate discussions with the Japanese prior to arrival of their country study team; have firm options to present to the study team when it arrives.

2. AID/W to continue--in tandem with Mission efforts at the sector/project level--to develop with the Japanese a framework for longer-term collaborative efforts.

## E. POPULATION

Issue: Since the Family Planning and Health Services Project (FPHSP) was designed in 1987, general changes in the project, and in the country, have occurred: AID made a decision to cease reimbursements to the BDG for voluntary sterilization compensation payments, and severe floods in 1987 and 1988 have had a disruptive effect on development efforts in all sectors. The Mission feels that the contraceptive prevalence rate (CPR) may have "plateaued" since the last contraceptive prevalence survey (CPS) in 1986, although this cannot be confirmed until the results of the forthcoming 1989 CPS become available.

The following questions therefore logically arise: Have these circumstances significantly changed the development environment for population activities? Is the gap between prior expectations and current program results significant enough to make us question the structure and magnitude/of our current investment in population? Are there collateral activities which hold equal promise for reducing fertility in the long run? Are there major demand and policy constraints which inhibit our ability to achieve major breakthroughs in prevalence rates and reductions in population growth rates, and do these suggest changes in our basic family planning hypothesis?

Discussion: While the above changes have influenced the early implementation of the FPHSP, they do not in themselves explain the gap between objectives as originally set forth in the FPHSP and current program performance as it relates to overall program objectives. Client compensation payments have been continued thus far by the BDG (although it is unclear how long the BDG will be able to sustain this without donor assistance). Flood-related disruptions of transportation, communications, etc. were short-term, and appear not to have had a significant effect on the family planning program. (In fact, family planning service delivery systems were not severely disrupted during the floods, and served to facilitate delivery of emergency health services.)

A number of other constraints to program implementation, however, were identified in 1987 in the FPHSP and in subsequent research. These are discussed below. Nonetheless, both national population program implementation overall, and the results of extensive operations research, demonstrate that the Mission's basic hypothesis about effective fertility control is still valid --- there is substantial expressed and latent demand in rural and urban Bangladesh, particularly among women, to limit and/or space births, and the means to meet that need is to improve the supply, accessibility and quality of family planning services. Our project monitoring systems are set up to test this hypothesis, and data analyses to date, examining areas where strong service delivery is in place (e.g., urban areas, many rural NGO areas), verify it.

The overall policy environment is not antipathetic to this objective. Public policy in Bangladesh, as articulated in the Third Five Year Plan, is clear on the high priority given to family planning, and we expect this will remain a priority in the Fourth Five Year Plan. Larger capital and operating budgets to support the high costs characteristic of a services-intensive approach have been approved by the Government and

donors. While funding has increased, operational policies and administrative procedures constrain its effective use. For example, clearances for long and short-term training abroad and for new NGO projects are routinely delayed, and unrealistic travel allowance provisions inhibit the mobility of field workers. Effective use of available resources is more of a policy issue than whether these resources are targeted on appropriate interventions and activities.

This view suggests several areas of policy implementation to be worked on during the new CDSS period. These include:

- \* more realistic establishment of program objectives with more intensive donor overview of how objectives are set and translated into budgetary allocations, and program planning;

- \* increase in the capacity for policy analysis and formulation, and administrative management at senior and middle levels (the field level cannot hope to improve efficiency without leadership from above that understands the linkages between fertility control and service delivery issues);

- \* personnel stability at middle and senior level positions in the bureaucracy, and rationalization of the personnel system and recruitment practices at the staff level. This includes developing career patterns for family planning and health professionals at all levels that are clear and predictable, and involve gender-appropriate job descriptions and performance standards;

- \* stronger commitment to applying the results of operations research to improve service delivery;

- \* research to determine the causes of the decline in voluntary sterilization (which preceded AID's termination of reimbursements);

- \* measures to streamline processes for approving NGO projects, and strategies to increase private sector involvement in providing and marketing both contraceptives and services, combined with improved evaluation and monitoring of NGO/private sector efforts;

- \* clarification of the role of local governments in family planning within the context of the BDG policy of political and administrative decentralization.

USAID believes that growth in the CPR from the 1986 level of 29.8% (1985 Contraceptive Prevalence Survey estimate) to 41.6% by 1995 is a realistic target. It will, however, require substantial attention to the policy implementation areas discussed above. This target also assumes that resources available for population/family planning from AID, the BDG and other donors are not reduced due to growing investments in education, infrastructure, and agriculture/rural development on the premise that these represent more effective fertility interventions. These investments are very important development initiatives, but available data in Bangladesh strongly suggest that if undertaken at the expense of improving service delivery in the family planning program itself, CPR rates will decline and fertility will remain high.

Recommendations:

1. The Mission's hypothesis governing design of the current FPHSP remains valid, and should continue to be the basis for program implementation.
2. The policy implementation issues laid out above represent a necessary agenda to achieve renewed growth in CPR and decline in fertility.
3. A key line of inquiry for the CDSS is to examine revised Mission CPR targets against resource requirements to achieve them over the planning period. The Mission should examine in the CDSS the need to maintain its current budget allocation for family planning and related maternal-child health interventions, even assuming no increase in DA levels, while at the same time pursuing other donor participation in meeting costly contraceptive requirements.

## F. MANAGEMENT

Strategy development does not proceed in a vacuum. The Mission must plan within a framework of likely resource availabilities and staff size and composition. This means analyzing both pipeline and mortgage for the current program to assess programming flexibility for new initiatives, and determine whether there may be areas to reduce AID involvement or exit a sector or subsector entirely. As critical is analyzing staff size and composition to determine absorptive capacity of the Mission to undertake new initiatives and, if new skills are needed, what modalities we use to recruit those. These two analytical exercises are iterative in nature; that is, diagnosing pipeline and mortgage problems may tell us something about staff needs and vice versa.

The issues and discussion below frame what the Mission sees as its major problems as we attempt to link our strategy process to resource and staff planning. They cover three areas: mortgage and pipeline; technical assistance programming; and discussion of new program modalities.

Issue: The Mission is facing a severe resource crunch in both the programming and implementation sides of its portfolio. Assuming four new project starts in FY 1989, and one new start in FY 1990 as currently outlined in the ABS, and retaining the current list of ongoing projects, the Mission's budget is fully mortgaged into 1996. On the other hand, the Mission has a growing pipeline which represents close to three years of obligations at the FY 89 OYB level. Can the Mission develop a plan to alleviate both mortgage and pipeline constraints?

Discussion: Assuming the Mission retains its current portfolio of ongoing projects, and obligates the Higher Education in Agriculture project, the Financial Sector Credit, The Asia Foundation Institutional Strengthening for Civic Participation project, and the Industrial Promotion Project in FY 1989, and the Local Government and Infrastructure Services project in FY 1990, the Mission's portfolio will be fully mortgaged through the COSS period. USAID/Dhaka needs levels exceeding \$71 million per year in FYs 91 and 92 and a level exceeding \$61 million in FY 93 just to finance the program currently active or planned to be authorized through the beginning of FY 90.

The problem is most severe in the ARDN account, where it will not even be possible to meet mortgage funding requirements for at least half a dozen projects in the FY 1991-1993 timeframe, given projected funding levels. This means funding for projects such as Fertilizer Distribution II, Rural Electrification III, Technical Resources II, Higher Agricultural Education, Financial Sector Credit and Industrial Promotion may not be completed to meet PACD dates. In the population and health accounts, the assumption is that funding will be held constant at about \$31 million per year based on commodity and local cost requirements. The Mission has no basis for reducing this allocation unless the necessity of funding contraceptives can be shared to a greater extent with other donors over the next three to four years..

On the other hand, our pipeline continues to grow, having increased to about \$202.4 million by the end of FY 88. Much of the pipeline is in projects that should be moving faster (e.g., Fertilizer, RE III, and

Population), but BDG local currency shortfalls, and difficulties in start-up of new project components--such as BDG clearance of essential TA requirements or delays in implementing essential policy changes--have delayed disbursements. These points have been covered in Mission quarterly implementation reviews and have been discussed at the individual project level during PIR reviews in AID/W.

USAID has been reviewing a number of options to deal with this problem. However, as expected, solutions cannot be achieved by the Mission alone. Both the BDG and AID/W are essential actors in helping us resolve this funding problem. We believe the most promising options are as follows:

1. Reducing involvement in a sector or subsector we are currently involved in. This is the most difficult choice to make at the moment without having worked through our CDSS strategy for the early 1990's. However, on a project-by-project basis, we will assess whether project and subsector objectives may be achieved with fewer resources.
2. "Sell off" parts of our mortgage to another donor. This is also difficult to speculate on, short of having completed our strategy development. However, we may be able to remain a major player in a sector or subsector but reduce our financial exposure by exploring parallel financing on current and future projects with another donor. Possibilities include fertilizer, rural electrification, female secondary education, private sector and population activities.
3. Substitute local currency for dollars in projects where a substantial portion of the project budget finances local costs. Portfolio wide, approximately 50% of our mortgage from FY 1989 represents local cost financing. There may be an opportunity, beginning next year, to reduce the number of projects supported by the Title III program and devote those taka resources to AID projects with high local cost components. In addition, the proposed debt forgiveness facility may provide additional local currency resources to be programmed in like fashion. Again, fertilizer, population activities, Food for Work monitoring, and some private sector activities may be implemented by reducing dollar budgets in favor of programmed local currency.
4. Restructure project pipelines. There may be some room to shift funds from slow-moving components to faster moving components within projects. Our initial reading is that projects with the largest pipelines are having problems across most or all of their components, or have few options (e.g., RE III) for substantial reprogramming within the project itself. However, it is a possibility we will explore.
5. Deobligation from slower moving projects and reobligating to reduce mortgages in other projects, or to finance new starts. There is considerable room to exercise this option, but the Mission is currently blocked from developing a major deob/reob plan due to limited deob/reob authority from Congress. Lifting that authority would give the Mission a potent tool to resolve the

mortgage crunch and provide programming flexibility for the CDSS period. This discussion does not apply to Section 517 recoveries of FY 1987 funds which in our program amount to about \$ million and do not fall under deob/reob restrictions discussed above.

The Mission will be exploring all these options with specific attention to individual projects during our March/April quarterly implementation reviews. The outcome of those reviews will be a game plan for resolving our mortgage problem and proposals for reducing our pipeline over the next 12-18 months. The Mission's goal is to have a plan in place by the time of CDSS submission to reduce the mortgage by at least one year's worth of new obligations (approximately \$50-60 million) and to have actually reduced the pipeline by about \$40 million net. In order to accomplish this, the Mission seeks AID/W guidance and approval for a debt forgiveness program for Bangladesh, and as well as assistance in seeking debt-reob authority for Bangladesh above the Congressional cap.

Recommendation: The Mission will make mortgage and pipeline issues the central focus of its Q-sheet reviews in March/April. AID/W spring PIR reviews will do likewise. AID/W will provide Mission early guidance on developing a debt forgiveness program under new FY 1989 authority, and will discuss with Hill staff and OMB the possibility for increased debt/reob authority for Bangladesh.

Concern: There has been a distinct hardening of BDG attitude toward programming expatriate technical assistance in Bangladesh.

Discussion: During the current CDSS period the Bangladesh Government has attempted to restrict use of project funds for expatriate technical assistance. The Government's claim is that only a small proportion of what donors call technical assistance actually transfers technology; the remainder is used for project monitoring and implementation functions which carry little or no technical expertise. The Government further claims that donors use the technical assistance justification to augment regular donor staffing with foreign aid committed for the benefit of Bangladesh.

As a result, the BDG has tightened up considerably on programming of technical assistance using project aid. All bilateral project funds proposing technical experts must be covered by a Technical Assistance Project Proforma (TAPP). The TAPP is separate from project papers or project agreements that the Government may clear or sign. This TAPP document must be prepared by a line ministry and be reviewed and approved by an interministerial committee under the guidance of the Ministry of Planning. Once that approval is received, the Minister of Planning (and in some cases, even the President) must confirm approval. The document, although relatively short can take up to a year to be approved, with the norm being 4-6 months.

Donors (including USAID) feel that project monitoring and coordination are legitimate technical assistance functions. Donors (including USAID) also point out that design and evaluation costs are appropriate charges to the country program since they help to assure that foreign aid commitments are maintained, and projects meet their objectives.

While making these arguments, a number of donors are at the same time finding ways to increase their "mission-based" funds to bring in short-term TA to avoid the APP process. Such funds (e.g., PDS for the USAID Mission) are considered outside the country bilateral framework and therefore do not require prior Government approval. Such funding mechanisms are very tight and long-term resident TA cannot usually be funded in this manner. Moreover, "basket projects" like Technical Resources I and II do not solve the problem since there is no way to secure a blanket TAPP to cover estimated TA needs over the life of such a project.

The BDG has asked the UNDP to conduct a study on the use of technical assistance in Bangladesh. This study was to have begun in August, but the TAPP was approved only in December. In actuality, the study began before the TAPP was approved, but the process of approving the study's own TA requirements serve as a mini-case study of the problem. Results of the study will be ready by late summer 1989.

USAID/Dhaka's program has been evolving increasingly toward provision of training and technical assistance. Projects which have been designed since FY 1987 (Ag Research supplement, DMT, TRP II, PRIP,) and ones currently under design (Financial Sector Credit, Industrial Promotion, Higher Agricultural Education, and Local Government and Infrastructure Services) have substantial, or even the majority of, funding devoted to offshore TA and training. Expatriates to monitor and coordinate various project components are a necessity, since it is impractical to utilize U.S. direct hire personnel for these purposes. If the Mission elects to pursue additional parallel financing opportunities, as it is currently doing with the World Bank on Financial Sector and Export Development Credits, the BDG procedures to deal with TA under bilateral donor assistance will have to be streamlined.

This is not simply an AID issue, but represents a constraint experienced by most donors and there is consultation taking place within the donor community on the best ways to approach this problem. It is also likely to be an issue at the April CG in Paris.

Concern: Are there options for increasing the efficiency of staff resources and accelerating pipeline movement through use of other program modalities?

Discussion: There may be some leeway to reduce staff intensity and accelerate pipeline movement by exploring assistance modalities other than standard Mission-administered projects. The Mission is already pursuing parallel financing with other donors and increasing the use of grants mechanisms. In the former case, the Mission can rely upon appraisal reports of other major donors (e.g., IBRD) for technical, economic and financial feasibility analyses, thereby reducing our design load. Whether this approach reduces our responsibility for implementation oversight is doubtful, although AID and its donor partner could team up to share monitoring duties and responsibilities for dialogue with the Government. On the grants side, our preliminary reading of the PRIP and TAF projects suggest that this modality may be an efficient way to "wholesale" activities for the benefit of NGOs and small organizations to an intermediary, with minimal monitoring requirements by the Mission.

Other modalities include nonproject assistance and some form of policy-based performance disbursement. While we have not extensively explored the former option for DA funds, it should certainly be explored for use of PL 480 Title III local currencies. There may be approaches where disbursements of blocks of local currency could be tied to the Government meeting key performance targets in implementing already announced policies. In the latter case, we may be interested in exploring in, say, the agriculture or water sectors some form of generalized support for infrastructure for a priority "block" of projects upon evidence that policy execution targets are met. Our ability to do this, however, must take into account Government accountability mechanisms to assure that minimal financial and monitoring standards can be met. Such an approach might work best as joint or co-financing with another donor on a sectoral or structural adjustment grant.

All these options will be explored in the "resources" discussion of the CDSS, from the standpoint of "stretching" or augmenting the capacity of existing staff resources. However, it is possible that, depending upon the direction the latter two options take, additional staff (either DA or contract) and/or a different skill mix will be necessary to provide adequate coverage. Staff resources may be the ultimate constraint on our program and will be carefully factored into the strategic choices we make in the CDSS.

## ANNEX A

### AGRICULTURAL DEVELOPMENT AND PL 480

#### I. Sectoral Strategy

Stagnating growth of agricultural output and income on a per capita basis in the mid-80's raises the question whether current areas of USAID investment in the sector address key constraints and are relevant to the growth pattern agriculture must sustain to increase rural employment and incomes. In order to evaluate the efficacy of ongoing investments and explore promising alternatives, the Mission, preparatory to developing its CDSS, is conducting a full assessment of the sector. A five-person expatriate team supported by local expertise will work over a four month period to consolidate available data and recommend strategic directions to the Mission. In addition, a separate but integrated irrigation and water control assessment has been added to the overall Agricultural Sector Assessment.

The Agricultural Sector Assessment (ASA) will draw on a wealth of reports and other secondary data---including the recently completed UNDP review of the agricultural sector. The ASA will also have benefit of a Mission-based data set which was developed for the 1983 USAID ASA and has been updated. Because of the richness of the background material, and the Mission's ability to devote two agricultural economists to the task, the projected slippage of six weeks in the start of the assessment should not be a problem. The ASA will primarily analyze secondary source materials and use existing appraisals and data to explore several lines of inquiry:

1. Is the quality of trained manpower in agricultural and related social sciences likely to be a major constraint to increasing levels of production and employment in the sector in the 90's and beyond?
2. Will continued concentration on the development of new rice technology serve the needs of the sector in terms of employment, income growth, and nutrition through the 1990's or should research be refocused to pursue other, potentially more promising areas? For example, the current UNDP draft agricultural assessment report cited Boro (rabi) rice as a crop in which Bangladesh may have a strong comparative advantage that is accessible in the short and medium term; however, it also identified pulses and oilseeds as equally promising areas but ones which are constrained by low yields. Research on increasing yields of these crops holds great potential and will fit into an overall strategy of improved food security defined as increased access to nutritionally adequate diets. This is particularly important in Bangladesh where diets are seriously deficient in fats and proteins. Maize production may also hold real promise as a partial replacement for low yielding aus rice (spring traditional varieties) and as a substitute for boro rice where water supplies are insufficient to support that crop.

3. Is a major investment in credit system reform necessary to increase agricultural output? There is a body of evidence that suggests the current rural banking system practices, combined with the fragile health of the financial system, limits that system's potential to finance agricultural growth. Our assessment will test that contention and examine whether informal credit markets and indirect sources can meet most of the financing needs of the agricultural sector along its various growth paths, or if there is a stronger role for institutional credit and how AID might support it.

4. Does AID have a comparative advantage in the water sector relative to other donors already in the sector, and should the Mission prepare itself to engage, with DA and/or local currency, in irrigation and water control issues? Irrigation and water projects dominate our PL 480 local currency portfolio, but the Mission has not linked these investments to a policy agenda in collaboration with other donors, monitored their impact, or examined how to integrate them with our DA program.

As a result of recent policy reforms, the UNDP study identified shallow tube well (STW) expansion as a high cost-effective investment to promote the maximum potential in Boro rice; it may hold potential for other crops as well. There may be other significant organizational and policy issues involved with pursuing a more aggressive minor irrigation program, as well as possibilities for increased private sector production and marketing of equipment and spare parts, and establishment of a servicing network. A promising technical and commercial area of investigation is converting existing pump systems to electricity with the assistance of our rural electrification program.

A decision to assess irrigation and water issues was made after the ASA scope of work was forwarded to AID/W in December. That decision followed a review of post-flood rehabilitation needs and our Title III support to irrigation programs.

5. While food production and related employment/consumption issues are the main thrust of the ASA, agro processing and input supply and servicing will have a major role to play in supporting agricultural growth. An agribusiness specialist on the ASA team will explore the policy and technical aspects of these forward and backward linkages in the sector.

6. Mission efforts in reforming fertilizer distribution in Bangladesh have been substantial. With the BDG well into permitting direct lifting of fertilizer at factories and ports, private wholesalers have been more or less placed on an equal footing with BADC (the government parastatal). What role, if any, should the Mission continue to play in this subsector in the CDSS period?

7. The UNDP study properly asserts "getting prices right" is a necessary but insufficient condition for accelerated growth in agricultural production. How does an efficient pricing mechanism relate to improving food access and adequate nutrition for Bangladesh's rural poor households? How can AID address consumption issues and maintain support for efficient foodgrain marketing and pricing policies?

The agricultural sector assessment got underway with arrival of the team on February 10. We estimate it will take four months to produce a complete draft report for Mission review.

## II. PL 480 Programming

For the past eighteen months our PL480 Title III program has faced major operational and policy issues.

The Mission has devoted considerable effort to addressing management problems of the 1982 and 1987 Title III programs. Although we have successfully resolved most of these, implementing the necessary actions will consume considerable staff energy at a time when we must also think about redesign of the program for 1991. During the first three months of CY 1989 the Mission is obligated to:

- facilitate completion of an independent review of BDG local currency management practices by Price Waterhouse/India;
- develop and submit a local currency use plan (LCUP) for DCC review and approval;
- develop and institute a system to certify the technical, administrative and financial feasibility of all local currency funded activities;
- develop and institute a system for monitoring all local currency funded activities as part of the LCUP;
- determine the precise balances of local currency outstanding against the 1982 Title III agreement and facilitate creation of a second special account to receive this balance;
- amend the list of projects eligible for Title III local currency support, deleting all project that are BDG-only financed, and adding 34 new projects to spend the balances remaining in the 1982 agreement;
- complete the first audit of a local currency funded activity;
- complete design of and implement commodity use offset procedures under the 1987 agreement;
- negotiate program amendments adding \$60 million to the program for FY 89.

A formidable set of substantive concerns have also appeared over the past 18 months. These are:

---citing the impact of severe flooding in late 1987 and 1988, the BDG has repeatedly requested modification of the price adjustment schedule for OMS, SR and OT prices stipulated in the Title III agreement to avoid being thrown into noncompliance;

---the BDG has repeatedly been late in announcing government floor prices for domestically produced foodgrain as called for in the Title III agreement;

---the effectiveness of the Open Market Sales (OMS) system is being questioned by many knowledgeable parties including the 1988 evaluation team;

---in response to Title III program provisions, the BDG has succeeded in increasing the flow of foodgrain through nonmonetized channels (such as Food for Work). Knowledgeable parties (including the 1988 evaluation team) are beginning to ask what the optimal level of programming should be through these channels.

---in response to Title III program provisions, the BDG has proposed significant reform in the principal monetized channel providing public foodgrain to relatively poorer rural consumers, but the notion that these reforms will improve the program's targeting efficiency is untested and must be closely monitored.

---institutionalizing food policy analysis capabilities in a Food Planning Monitoring Unit;

---effective management of a food aid program of the magnitude supported by AID in Bangladesh requires accurate and timely information--particularly in the realms of crop forecasting and nutrition surveillance--to assess the impact of program decisions on domestic producers and consumers. Such information is not regularly produced and analyzed in Bangladesh.

As the Mission begins to think about its new Title III program for the next CDSS period, several design hypotheses have already emerged:

---More direct use can be made of local currency generated through the sale of Title III commodities to support the core, policy based Title III program;

---Objectives of greater food availability at affordable prices to consumers while providing greater returns to private sector producers and grain traders are mutually supportive and achievable. These objective can be pursued through a strategy focussing on promoting efficiencies in food grain markets through decreasing market uncertainties and rationalizing the role of the public sector in food grain distribution.

---There is an appropriate set of interventions to build public sector capacities in several key areas:

improving crop forecasting capacities (information as public good);

improving the administration of the floor price support procurement program through devolution of operational responsibilities and authorities within the Ministry of Food

improving the administration of the OMS/wholesaling system to moderate price spikes during natural calamities and food crises through the devolution of operational responsibilities and authorities within the Ministry of Food.

There are several lines of inquiry we will pursue to test these hypotheses. These include:

---To what degree do we stay with market pricing issues and rationalization of PFDS channels? Is there a need to use Title III for "policy maintenance" to consolidate and sustain gains already achieved? Our design approach to a new Title III agreement should take on the pricing formula and assess its efficacy in achieving proper incentive prices for farmers and affordable food for consumers. Is pricing the proper tool to meet the program's production and consumption objectives or are there other approaches/tools to use?

---What is an optimum foodstock policy and how do food stock policies affect donor food aid programming?

---Is further elimination of subsidies doable? Should we attempt to eliminate the Essential Priorities Channel and move those costs to the military budget? Are retention of unsubsidized SR and OP channels important as a buffer to potential famine conditions?

---Does programming of local currency on a non-project basis, and commodity use offset represent effective tools to promote elements of a new Title III program?

The above issues represent a formidable analytical agenda to work through by the time a new FY 91-93 Title III proposal is due in December 1989. Although work under the International Food Policy Research Institute contract will commence soon, it will not be possible to have firm answers to these questions or to have tested fully the hypotheses listed above by that time.

The 1988 evaluation team has recommended a one year extension of the current three year 1987 agreement. The Mission is awaiting DCC approval to extend the current 1987 Title III agreement one-year through 1990 to provide the time required to resolve the financial management issues and ensure that the follow-on Title III program addresses at least the major issues discussed above. At this point, the Mission should submit to Washington in December 1989 a proposal for a new Title III program covering the period FY 1991 through FY 1993.

## ANNEX B

### DONOR COORDINATION

In Bangladesh, the World Bank is the leader in donor coordination. The Bank chairs the meetings of the annual Consultative Group (CG) and the Local Consultative Group (LCG). For donors, the World Bank's Country Economic Memorandum (CEM) is the main point of reference with respect to economic analysis. The Policy Framework Paper (PFP) reflects the policy focus of the BDG and donors, and serves as the overall policy guidance document to all donors.

Coordination between donors in Dhaka is excellent and essential. There are 21 countries and individual donor agencies with aid missions in Bangladesh all seeking investment opportunities for their programs and conducting a wide array of studies and assessments. The velocity and volume of information is high. One of the major problems is developing new, promising areas of investment. It has become apparent over the past few years that identifying new opportunities is complicated by pipeline problems in existing projects, thus raising questions about the ability to program increasing amounts in some sectors. Donors are comparing notes on this phenomenon and the problem has become the focus of several seminal study efforts: the Robert Nathan study on project and commodity aid utilization (1988); the UNDP study on technical assistance utilization (expected to be completed by late 1989); and the Public Administration Efficiency Study (start delayed by 6 months, but also due to be completed by August 1989). Aid utilization will likely be a major issue at this year's Paris CG meeting.

As a result of the commonality of problems faced and close sharing of information, the working relationship and rapport among the donor community is strong. Coordination occurs at the earliest of stages of major project designs and donors discuss among themselves results of major assessments they have undertaken.

The views of the USAID Mission in Dhaka weigh strongly in sector coordination and we are heavily involved in donor coordination efforts in the areas of family planning and health, infrastructure, agriculture, financial sector policy and public administration issues. Most of the sector coordination is conducted through the LCG Group mechanism. In response to donor needs for more informal coordination mechanisms to discuss in detail sector or sub-sector issues or particular implementation problems, the LCG has formed sub-groups, chaired by a bilateral or multilateral donor and usually composed of donors only. The sub-groups have served as a basis for donor dialogue with the government and in some cases have led to specific proposals to the Government. Some of the sub-groups where USAID has participated are in the area of commodity and project aid utilization, the national family planning program, health, road infrastructure, agriculture sector assessment and post flood rehabilitation efforts. This strong field coordination has resulted in USAID participation in several IDA funded project appraisals. In some of the areas, USAID will be directly involved in providing parallel funding for TA related to the sector credits. In particular, the Mission is proposing parallel financing the IDA-Financial Sector Credit and Export Development Projects.

In the important area of food aid, USAID is the lead agency with regard to the policy thrust of food aid assessments of food aid needs and related logistics are coordinated by the UN World Food Program which convenes monthly meetings of Food Aid Donors and concerned Government Agencies.

As Bangladesh prepares its Fourth Five-Year Plan over the next year, donor coordination will become critical to assure that the Plan takes into account the resources available to finance proposed programs. The donors have spent considerable time and resources evaluating and assessing the country's performance and potential in virtually all sectors and should position themselves to speak in coordinated fashion about those findings and what they are willing to support. The LCG should be the appropriate mechanism for having this dialogue.

## ANNEX C

### WID IMPLEMENTATION PLAN STATUS

Over the past several years the Mission has taken an activist role in keeping WID issues in the forefront along with other policy dialogue issues.

In 1986 USAID produced two comprehensive volumes entitled "Survey of Development Projects and Activities for Women in Bangladesh" and "Profile of Women in Bangladesh". Both volumes were well received among the donor community and now provide a ready reference for TDYers and others. More recently (July 1987), the International Center for Research on Women completed a comprehensive assessment of the Mission's project portfolio, assessing what WID interventions were being taken and what additional interventions, if any, could be included in on-going projects. The ICRW Implementation plan sought to promote the objectives of the Mission's WID Strategy (still current) within the Mission's overall program by developing concrete goals and targets for relevant projects and organizing them into a coherent plan. In large measure, ICRW's recommendations have proven useful in promoting WID objectives within existing projects. All new program documents now include gender-disaggregated data, WID targets/benchmarks are calendar-driven, and evaluation SOWs contain WID assessment components. The Mission has an active WID Committee, and WID issues continue to be reviewed at every quarterly project portfolio review. WID progress reports are cabled to AID/W on a routine basis.

USAID hired a outside consultant in late January 1989 to review progress to date in implementing the ICRW-developed WID Implementation Plan. The review is looking at each sector in which the Mission currently has projects to determine the extent to which WID issues are being addressed and to recommend appropriate AID follow-up. The assessment will also review BDG commitment to WID and what actions the Government is taking to increase the role of women in development. A matrix which outlines WID concerns, calendar-driven WID activities and benchmarks, progress to date, progress remaining to achieve targets, and other data will be presented. This matrix will serve as a working document and reference for Project Officers, the WID Officer and Mission management to ensure that WID issues and concerns are readily identified, that targets are set within the context of projects, and that progress is indeed achieved.

	AUGUST	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
<b>1. STUDIES ASSESSMENTS EVALUATIONS</b>																	
AG. SECTOR STUDY ASSESSMENT																	
ROADS SECTOR ASSESSMENT																	
FE EVALUATION																	
C.L. STUDY																	
CONTRACEPTIVE PREVALENCE/																	
MORBIDITY SURVEYS (1985 & 1989)																	
FF COMMUNITY DISTRIBUTION & USE																	
O.R. ON FERTILITY/CPR LINKAGES																	
FERTILIZER EVALUATION																	
IFPRI RURAL INFRASTRUCTURE PAPERS																	
FEMALE SCHOLARSHIPS EVALUATION																	
PRIVATE SECTOR P.E. SYSTEM DESIGN																	
I ACTION PLAN																	
PRIVATE SECTOR STRATEGY																	
PAES																	
PROJECT AID UTILIZATION -																	
STUDY (RMA) WORKING GROUP																	
MACRO ECONOMIC ASSESSMENT																	
UNDP AG. STUDY																	
EDUCATION SECTOR ASSESSMENTS																	
URBAN SECTOR PAPER																	
DECENTRALIZATION POLICY PAPER																	
TITLE III EVALUATION & PRICE																	
WATER HOUSE ASSESSMENT																	
IFPRI/IFNU STUDIES ON CONSUMPTION																	
CDC NUTRITION TA																	
SOCIAL INSTITUTIONAL PROFILE																	
EEPA PHASE III CONCEPT PAPER -																	
PHASE II STUDIES RESULTS																	
BIOLOGICAL DIVERSITY																	
JAPAN COUNTRY STUDY																	
PRIVATIZING FERTILIZER IMPORTS																	
IFPRI STUDY ON AG.																	
COMPARATIVE ADV.																	
BANGLADESH FERTILITY SURVEY (IBFC)																	
URBAN POVERTY ASSESSMENT (UN/IBRD)																	
WATER SECTOR ASSESSMENT (AID)																	
DISASTER PREPAREDNESS/MGMT.																	
(UNCF, FLOOD STUDIES)																	
FF CLINICAL SERVICES NEEDS																	
ASSESSMENT																	
EVALUATION OF NGO FP PROGRAMS																	
CROP DIVERSIFICATION (MUKHERJEE)																	
BEACON STUDY/PFCS (DONE)																	
UNDP TA STUDY																	
AG. RESEARCH (EVALUATION) DONE																	
WOMEN'S MARKETS (DONE)																	
MIDAS EVALUATION (DONE)																	

## CDS PLANNING FRAMEWORK

JULY AUGUST SEPT. OCT. NOV. DEC. JAN. FEB. MARCH APRIL MAY JUNE JULY AUG. SEPT. OCT. NOV. DEC.

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## II. PROJECT DESIGN WORK

EXPORT DEVELOPMENT CREDIT (IBRD) -----  
 FINANCIAL SECTOR CREDIT (IBRD) -----  
 AG. SECTOR CREDIT (IBRD) [-----]  
 IFC ASSISTANCE ON DFI (IFCI) [-----]  
 IPP (AIC) [-----]  
 BAO DESIGN [-----]  
 IBRD LEAD SECTOR TEAM [-----]

## III. CONFERENCES/RETREATS/MISC.

DONOR TAG-FOURCE ON FOOD AID - -----  
 UTILIZATION  
 LDC ON AIC UTILIZATION -----  
 MISSION RETREAT -----  
 BROWN BAG SESSIONS ON:  
 - LANDLESS LABOR -----  
 - POLICY DIALOGUE & "DDNDP" - [-----]  
 FATHSLE  
 - EDUCATION [-----]  
 - URBAN STRATEGY [-----]  
 - FLOOD CONTROL [-----]  
 FEMALE CREDIT CONFERENCE (IFAD) [-----]

## IV. DOCUMENT DRAFTING

- ACTION PLAN -----  
 - CDS:  
 - CONSTRAINTS TO SFC [-----]  
 - ECONOMIC TRENDS [-----]  
 - POLICY ANALYSIS [-----]  
 - GROWTH FRAMEWORK [-----]  
 - STRATEGIC LOGICAL MATRIX/ACOR [-----]  
 - DESIGN THEMES/PROGRAM TARGETS [-----]  
 - RESOURCES [-----]  
 - RESEARCH AGENDA [-----]

## V. FIELD TRIPS

- SILKOT - JETGANG  
 - SIKHIL - CHITTABONG  
 - BGR-

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PROGRAM OFFICE: FJYOUNG:KAJAL:LOTUS FILE:CDSS-02-08 1995

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PAGE 01 OF 04 STATE 369165  
ORIGIN AID-00

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STATE 369165

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INFO ANEA-02 ANSA-03 PPDC-01 ANAA-01 AMMS-01 APPG-02 PPPB-02  
GC-01 GCAN-02 GCCM-02 ANNE-03 ANPD-05 ANEG-02 ANTR-05  
ES-01 AAPF-01 FPA-02 RELO-01 /041 A1 KL12

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AID/ANE/EE:RBROWN (DRAFT) AID/ANE/SA:JPIELEMEIER (DRAFT)  
AID/ANE/TR:STURNER (DRAFT) AID/ANE/PD:RVENEZIA (DRAFT)  
AID/ANE/EMS:JJORDAN (DRAFT)  
AID/ANE/MENA:GKAMENS (DRAFT)

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FM SECSTATE WASHDC  
TO USAID MISSIONS IN ASIA AND THE NEAR EAST IMMEDIATE

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AIDAC

E.O. 12356: N/A

SUBJECT: ACTION PLAN/ PROGRAM WEEK GUIDANCE FY 89

REFERENCE: (A) STATE 314272 (10/8/87), (B) STATE 128941  
(4/23/88), (C) STATE 346923 (11/6/87), (D) STATE 301307  
(3/14/88)

THIS CABLE IS AN UPDATE OF THE ANE BUREAU ACTION PLAN GUIDANCE ISSUED IN OCTOBER 1987 (REFTEL). HOWEVER, IN SECTION III BELOW SEVERAL COMPONENTS SPECIFIC TO FY89 REQUIREMENTS HAVE BEEN ADDED. THE CABLE PROVIDES GUIDANCE FOR THE PREPARATION OF ACTION PLANS, DESCRIBES THE REVIEW PROCESS, AND LAYS OUT THE PROCEDURES FOR MANAGING THE PROGRAM WEEK PROCESS -- WHICH INCLUDES THE ACTION PLAN REVIEW, SIDE MEETINGS, AND CONSULTATIONS.

GENERALLY, THE PROGRAM WEEK IS MANAGED BY ANE/DP/PA IN CONSULTATION WITH COUNTRY WORKING GROUPS CO-CHAIRLED BY ANE/DP/PA AND THE DESKS.

1. GENERAL CONSIDERATIONS:

1. STRATEGIC FOCUS

THE FOCUS OF THE ACTION PLAN SHOULD BE STRATEGIC IN CHARACTER AND IS "DERIVATIVE" FROM THE CDSS. THAT IS, WE ARE CONCERNED WITH WHETHER PROGRESS IS BEING MADE IN IMPLEMENTING THE APPROVED STRATEGY AND GOALS. THE PURPOSE IS TO ASSESS PROGRESS AND TO UNDERSTAND IMPLEMENTATION PROBLEMS, TO PROVIDE AID/W INFORMATION REQUIRED TO DEFEND BUDGETS AND PROGRAMS, TO PROVIDE POLICY AND STRATEGY GUIDANCE TO THE MISSION, AND TO ASSURE COMMON UNDERSTANDING BY MISSION AND AID/W OF THE MISSION PROGRAM. IN THIS CONNECTION, THE ACTION PLAN SHOULD FOCUS ON THE FOLLOWING ISSUES:

A. HAVE CHANGES IN CIRCUMSTANCES OCCURRED WHICH NECESSITATE THAT THE CDSS, OR A PORTION OF THE CDSS, NEEDS TO BE REEXAMINED? THIS COULD BE DUE TO POLITICAL OR ECONOMIC EVENTS WITHIN THE COUNTRY, CHANGING AID RESOURCE LEVELS, CONSTRAINTS ON IMPLEMENTATION, OR NEW EVIDENCE ABOUT THE VALIDITY OF THE ASSUMPTIONS INTERNAL TO THE STRATEGY.

B. WHAT EVIDENCE DO WE HAVE OF THE OVERALL IMPACT OF THE MISSION PROGRAM WHICH CONFIRMS THAT THE STRATEGY AND ITS IMPLEMENTATION ARE, INDEED, VALID AND WORKING? WHAT ARE THE MAJOR SYSTEMIC IMPEDIMENTS DELAYING OR THREATENING IMPLEMENTATION OF THE STRATEGY?

C. ARE THERE MAJOR EVENTS WHICH HAVE BEEN COMPLETED SINCE THE LAST ACTION PLAN OR ARE PLANNED FOR THE CURRENT YEAR WHICH HAVE A SIGNIFICANT IMPACT ON THE ACHIEVEMENT OF SING GOALS? IN PARTICULAR, WHERE CONSTRAINTS OR PROBLEMS HAVE BEEN ENCOUNTERED IN CDSS IMPLEMENTATION, WHAT ACTIONS ARE PROPOSED FOR DEALING WITH THEM?

D. SPECIAL TOPICS, EITHER SPECIFIC TO THE COUNTRY PROGRAM OR BUREAU OR AGENCY-WIDE CONCERNS WHICH REQUIRE ATTENTION, MAY BE ADDRESSED.

2. THE DECISION TO REQUIRE AN ACTION PLAN

THE DECISION TO REQUIRE AN ACTION PLAN WILL BE AN ANNUAL DECISION. IN A GENERAL SENSE THIS DECISION WILL BE BASED ON WHETHER THERE ARE SIGNIFICANT STRATEGIC, PROGRAM OR MANAGEMENT ISSUES WHICH REQUIRE JOINT AID/W -- USAID REVIEW. IF SO, THE ACTION PLAN WILL BE THE REFERENCE POINT FOR CONSULTATIONS DURING PROGRAM WEEK. THE PRESUMPTION IS THAT THE CDSS IS VALID; BUT WHERE EVENTS APPEAR TO RAISE QUESTIONS ABOUT THE SUCCESSFUL IMPLEMENTATION OF THE CDSS OR ABOUT ITS CONTINUED

VALIDITY, AID/W AND USAIDS SHOULD ASSURE THAT THEY SHARE AN UNDERSTANDING OF THE EVENTS AND ABOUT APPROPRIATE RESPONSES. EXAMPLES OF SUCH EVENTS MIGHT BE A SIGNIFICANT SHIFT IN AID FUNDING LEVELS, MAJOR POLICY CHANGES IN THE HOST COUNTRY, A DRAMATICALLY CHANGING ECONOMIC SITUATION IN THE HOST COUNTRY, MAJOR MANAGEMENT/IMPLEMENTATION ISSUES (E.G. EXCESSIVE GROWTH IN PIPELINE), OR A SIGNIFICANT RETINKING OF THE USAID STRATEGY IN AN IMPORTANT SECTOR. IN THE ABSENCE OF SUCH ISSUES, AN ACTION PLAN WOULD NOT BE REQUIRED. HOWEVER, IT IS ASSURED THAT MISSION DIRECTORS WILL SCHEDULE AID/W CONSULTATIONS ON AT LEAST AN ANNUAL BASIS.

SINCE THIS GUIDANCE WAS ISSUED IN OCTOBER 1987, WE HAVE HAD INSTANCES OF TWO TYPES OF HIGHLY FOCUSED ACTION PLANS WITH SPECIALIZED PURPOSES. THE FIRST IS ACTION PLANS DESIGNED TO LAY THE FOUNDATIONS FOR A SUBSEQUENT CDSS. IN THIS CASE THE PROGRAM WEEK REVIEW SERVES TO REACH AGREEMENT ON GENERAL GUIDANCE FOR THE CDSS, DEAL WITH PROGRAM DECISIONS WHICH ANTICIPATE THE CDSS REVIEW BUT NEED TO BE MADE, AND TO PLAN THE STEPS NEEDED FOR CDSS DEVELOPMENT. IN FY88, THE INDIA ACTION PLAN WAS OF THIS NATURE. IN FY88, BANGLADESH, TUNISIA, AND PHILIPPINES WILL IN WHOLE OR IN PART FOCUS ON THESE ISSUES. THE SECOND IS ACTION PLANS DEVOTED TO MANAGEMENT ISSUES -- THIS MAY MEAN ISSUES RELATED TO THE INTERNAL MANAGEMENT OF THE MISSION OR TO THE MANAGEMENT OF THE PROGRAM OR BOTH. IN FY89 WE EXPECT NEPAL AND INDONESIA ACTION PLANS TO FOCUS EXCLUSIVELY ON MANAGEMENT ISSUES.

3. SCHEDULING OF ACTION PLANS

IT IS NOT ESSENTIAL THAT ACTION PLANS BE SCHEDULED IN THE FEBRUARY - MAY PERIOD. IN PRINCIPLE, ACTION PLANS MAY BE SCHEDULED AT ANY MUTUALLY AGREED UPON TIME THROUGHOUT THE YEAR. NO ACTION PLANS WOULD BE REQUIRED IN CDSS YEARS. HOWEVER, BECAUSE OF THE PRESS OF CP AND AID PREPARATION, AID/W WILL TRY TO AVOID SCHEDULING PROGRAM

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PAGE 02 OF 04 STATE 369165

1785 064871 A106762

STATE 369165

1785 064871 A106762

WEEKS FROM MID-OCTOBER TO MID-NOVEMBER (2P) AND IN THE  
JUNE - AUGUST PERIOD BECAUSE OF THE PRESSURE OF  
PREPARATION OF THE ABS AND THE SUBSEQUENT INTEGRATED  
BUDGET.

4. "CUSTOMIZED" ACTION PLANS AND PROGRAM WEEKS

ACTION PLANS WILL BE STRUCTURED AROUND A SET OF ISSUES,  
SPECIFIC TO THE COUNTRY AND MISSION PROGRAM, WHICH  
JUSTIFIED THE DECISION TO REQUIRE THE ACTION PLAN. IN

CONSEQUENCE, THE CONTENT OF THE ACTION PLAN AND TO SOME  
EXTENT THE FORMAT WILL DEPEND UPON THE ISSUES  
IDENTIFIED. IF THE ISSUES IDENTIFIED ARE MANAGEMENT AND  
BUDGET ISSUES, THEN THAT WILL BE THE FOCUS. IF THE  
ISSUES DEAL WITH EVALUATION AND IMPACT, THAT WILL BE THE  
FOCUS, ETC.

SIMILARLY, THE PROGRAM WEEK WILL BE STRUCTURED AROUND  
THE ISSUES. ALTHOUGH THERE WILL BE SOME COMMON  
ELEMENTS, THE FORMAT WILL BE EXTREMELY FLEXIBLE. FOR  
EXAMPLE, IF THE ISSUES ARE PREDOMINATELY SECTORAL OR  
TECHNICAL, PROGRAM WEEK MAY CENTER ON A SERIES OF  
MEETINGS WITH ANE/TR OR ANE/PO. IF THE ISSUES ARE MORE  
STRATEGIC IN NATURE, THEN A REVIEW BY BUREAU SENIOR  
STAFF, CHAIRED BY THE AA OR DAA, MAY BE HELD. THE  
INTENT IS TO HOLD SMALLER, MORE FOCUSED (AND  
SPECIALIZED) MEETINGS. MANY OF THE "CONCERNS" AND  
PROJECT LEVEL ISSUES WHICH HAVE TAKEN UP TIME IN  
PREVIOUS YEARS CAN BE HANDLED IN SIDE MEETINGS DURING  
PROGRAM WEEK.

5. SIDE MEETINGS: SIDE MEETINGS HAVE BECOME INCREASINGLY  
IMPORTANT DURING PROGRAM WEEK OVER THE PAST YEAR OF  
EXPERIMENTATION. THEY ARE BEING WIDELY USED TO DISCUSS  
TECHNICAL ISSUES, FOR MEETINGS WITH OTHER BUREAUS AND  
AGENCIES, AND FOR SMALLER MEETINGS ON SENSITIVE ISSUES.  
ANE/DP IN COOPERATION WITH THE COUNTRY WORKING GROUPS  
WILL ATTEMPT TO IDENTIFY IN ADVANCE AND CABLE TO THE  
MISSIONS SUGGESTED SIDE MEETINGS. MISSION SUGGESTIONS  
ARE IMPORTANT. THE FINAL SCHEDULING OF SIDE MEETINGS  
WILL BE MADE AT THE PROGRAM WEEK ISSUES MEETING.

6. MANAGEMENT OF PROCESS: MANAGEMENT OF THE ACTION  
PLAN/ PROGRAM WEEK PROCESS RESTS WITH ANE/DP/PA. THIS  
INCLUDES THE FOLLOWING STEPS:

- PRELIMINARY IDENTIFICATION OF ISSUES AND THE  
PREPARATION OF RECOMMENDATIONS TO THE DAA ON WHICH  
ACTION PLANS TO HOLD AND ON THE SCHEDULING.
- PREPARATION OF THE GENERIC GUIDANCE CABLE AND  
SPECIFIC COUNTRY GUIDANCE CABLES.
- MANAGEMENT OF PROGRAM WEEK -- INCLUDING THE  
PREPARATION OF THE ISSUE'S PAPER FOR THE REVIEW,  
SCHEDULING THE ACTION PLAN MEETINGS, COORDINATING THE  
SIDE MEETINGS AND REPORTING FROM THOSE MEETINGS, AND  
PREPARATION OF THE FINAL REPORTING CABLE.

- FOLLOW-UP MONITORING OF PROGRAM WEEK DECISIONS.

3. RECOMMENDATIONS TO THE DAA: IN THIS PROCESS, ANE/DP/PA IS ADVISED BY A COUNTRY  
WORKING GROUP FOR EACH COUNTRY, JOINTLY CHAIRED BY  
ANE/DP/PA AND THE RESPECTIVE DESKS.

7. CONTENT OF ACTION PLANS: WE HAVE TRIED TO ELIMINATE MUCH OF THE DETAILED, ROUTINE  
REPORTING WHICH IN PREVIOUS YEARS BURDENED THE ACTION

PLAN. IN SECTION II, BELOW, WE WILL INDICATE HOW WE  
INTEND TO DEAL WITH THIS DETAIL. SOME WILL BE LINKED TO  
THE PIR REVIEW PROCESS. OTHER INFORMATION WILL BE  
MERGED WITH THE ABS. HOWEVER, SOME REPORTING WILL  
REMAIN IN THE ACTION PLAN -- I.E. THAT WHICH IS NOT  
ESSENTIAL ON AN ANNUAL BASIS, AND THAT WHICH IS VALUABLE  
IN EXAMINING THE PERFORMANCE OF THE PROGRAM. EXAMPLES  
OF SUCH REPORTING ACTION PLAN REQUIREMENTS WOULD BE AN  
ANALYSIS OF PERFORMANCE INDICATORS, PROGRESS OF THE  
POLICY DIALOGUE, DISCUSSION ON THE IMPACT OF THE PL 488  
PROGRAM AND ITS INTEGRATION WITH THE OVERALL MISSION  
PROGRAM. THESE TOPICS MIGHT NOT NECESSARILY PROVIDE  
ISSUES SUFFICIENT TO JUSTIFY REQUIRING AN ACTION PLAN,  
BUT IF AN ACTION PLAN WERE TO BE REQUIRED, WE WOULD  
EXPECT TO SEE THESE TOPICS ADDRESSED SO THAT AID/V COULD  
BE BROUGHT UP TO DATE.

II. DETAILED REPORTING REQUIREMENTS:

IN PREVIOUS YEARS, A NUMBER OF REPORTING REQUIREMENTS  
HAVE BEEN ASSOCIATED WITH THE ACTION PLAN. WE WILL LIST  
THESE BELOW AND SUGGEST HOW WE PROPOSE TO DEAL WITH THEM  
IN THE FUTURE. THERE ARE SOME CHANGES SINCE THIS  
GUIDANCE WAS FIRST ISSUED IN OCTOBER 1987. IF THERE ARE  
MAJOR PROGRAM ISSUES ASSOCIATED WITH ANY OF THESE  
ROUTINE ITEMS, THOSE ISSUES CAN STILL BE RAISED IN THE  
CONTEXT OF THE ACTION PLAN. THE INTENT HERE IS TO  
REDUCE THE AMOUNT OF ROUTINE REPORTING ASSOCIATED WITH  
THE ACTION PLAN AND PROGRAM WEEK PROCESS.

A. MERGED WITH SPRING PIR REVIEW PROCESS

- 1. GRAY AMENDMENT
- 2. PL 488 (A NEW REPORTING FORMAT FOR ANE HAS BEEN  
REVISED AND WAS CABLED IN REFTEL B)
- 3. PIPELINE AND MORTGAGE (NARRATIVE ANALYSIS ONLY)

B. LINKED WITH FALL PIR REVIEW PROCESS

- 1. WORK PLAN

IN THE PAST, A WORK PLAN HAS BEEN ASSOCIATED WITH THE  
ACTION PLAN AND HAS TYPICALLY CONTAINED A LONG AND  
DETAILED LIST OF ACTIONS THE MISSION PROPOSED TO TAKE IN  
THE FORTHCOMING YEAR. THIS YEAR, THE WORK PLAN WILL BE  
TREATED AS A WORK SCHEDULING DOCUMENT FOR THOSE ACTIONS  
WHICH INVOLVE MISSION - AID/V COLLABORATION: E.G.,  
PROJECT DESIGN, PROJECT EVALUATION, DE-OR/RE-OR, MISSION  
ADJUSTMENTS, ETC. THE PURPOSE IS TO ASSIST AID/V IN  
PLANNING ITS SUPPORT TO THE MISSION AND TO PROVIDE EARLY  
WARNING OF ACTIONS WHICH WILL REQUIRE AID/V ATTENTION.  
ACTIONS WHICH ARE SOLELY MISSION RESPONSIBILITY AND ARE  
FOR INTERNAL PLANNING AND MANAGEMENT SHOULD NOT BE  
REPORTED.

2. EVALUATION PLAN (REFTEL C)

3. PIPELINE AND MORTGAGE ANALYSIS: FINANCIAL DATA  
AND NARRATIVE) (REFTEL D)

4. MERGED WITH ABS

- 1. WPS: GENERALLY IT IS PREFERRED THAT WPS BE  
SUBMITTED WITH THE ACTION PLAN, BUT THE FINAL DEADLINE  
IS THE ABS SO THAT THE PROJECTS CAN BE INCLUDED IN THE  
BUDGET PRESENTATION).
- 2. CHILD SURVIVAL
- 3. BIOLOGICAL DIVERSITY
- 4. PRIVATIZATION PLAN
- 5. WIS

UNCLASSIFIED

72

UNCLASSIFIED  
Department of State

OUTGOING  
TELEGRAM

PAGE 03 OF 04 STATE 369165

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B. WOULD REMAIN IN ACTION PLAN:

ITEMS LISTED BELOW WOULD REMAIN IN THE ACTION PLAN AND WOULD BE SUBMITTED WHENEVER AN ACTION PLAN IS CALLED FOR. SOME ARE OF A ROUTINE NATURE, BUT SERVE TO INFORM A DISCUSSION OF CDSS IMPLEMENTATION. OTHERS FOCUS ON STRATEGIC ISSUES.

1. POLICY DIALOGUE (AGENDA AND PERFORMANCE)
2. MAJOR CHANGES IN COUNTRY ENVIRONMENT
3. DONOR COORDINATION
4. PRIVATE SECTOR (STRATEGY AND PROGRESS)
5. RESOURCE REQUIREMENTS (AND INTEGRATION OF RESOURCES -- E.G. PL 480, ESF, NIGS, ETC.)
6. PERFORMANCE INDICATORS AND EVALUATION (I.E. ANALYSIS OF IMPACT AND PROGRESS)

THIS HAS TWO SECTIONS--THE FIRST DEALS WITH THE REPORTING OF INDICATORS; THE SECOND PROVIDES AN ANALYSIS OF PROGRESS TOWARDS CDSS GOALS.

- PERFORMANCE INDICATORS: (REFTEL C)

THIS SHOULD BE A BRIEF STATEMENT OF ACCOMPLISHMENTS AND MEASURABLE IMPACT. FOR QUANTIFIABLE INDICATORS, A SIMPLE CHART SHOWING PROGRESS OVER THE BASELINE ESTABLISHED IN THE CDSS AND TOWARD TARGETS ESTABLISHED IN THE CDSS SHOULD SUFFICE. A BRIEF NARRATIVE COULD BE INCLUDED IF NECESSARY TO EXPLAIN THE NUMBERS. FOR NON-QUANTIFIABLE INDICATORS, A BRIEF, BULLETED, LISTING BY SECTOR WITH A SHORT EXPLANATION SHOULD BE SATISFACTORY. IT IS IMPORTANT TO DISTINGUISH IMPACT FROM PROJECT INPUTS AND OUTPUTS. THE IMPACT, WHICH WE WISH TO HAVE REPORTED HERE, REFERS TO CHANGES IN THE HOST COUNTRY ENVIRONMENT (INSTITUTIONAL, ECONOMIC, POLICY, ETC.) WHICH CAN BE ATTRIBUTED TO AID PROGRAMS. IT DOES NOT REFER TO THE ACTIVITIES OF AID PROJECTS PER SE.

- ANALYSIS OF PERFORMANCE:

THE INTENTION HERE IS TO PROVIDE A BRIEF ANALYSIS OF THE IMPACT OF THE MISSION PROGRAM, SECTOR BY SECTOR. IN DOING SO, THE MISSION MIGHT DRAW UPON RECENT EVALUATIONS, PERFORMANCE INDICATORS, RECENTLY COMPLETED RESEARCH WORK, ETC. THIS NARRATIVE SHOULD ALSO INDICATE HOW THE EVALUATION PLAN OF THE MISSION WILL PROVIDE PURPOSE, GOAL, AND IMPACT DATA TO VERIFY PROGRESS TOWARD CDSS OBJECTIVES.

7. NEW PROGRAM THRUSTS

8. MAJOR MANAGEMENT/IMPLEMENTATION ISSUES

9. AGENCY/BUREAU THEMES AND EARMARKS:

WE WOULD GENERALLY ELIMINATED MOST ROUTINE REPORTING ON SPECIAL CONCERNS, OR EARMARKS, BUREAU THEMES, ETC. IN THE ACTION PLANS. HOWEVER, CERTAIN MISSIONS ARE PARTICULARLY IMPORTANT FOR SPECIFIC CONCERNS -- E.G., PRIMARY EDUCATION, MICRO-ENTERPRISE, ENVIRONMENT, MID,

ADVANCED DEVELOPING COUNTRIES, ETC. FOR THESE COUNTRIES

MISSIONS SPECIFIC ISSUES WILL BE RAISED IN THE INDIVIDUAL MISSION GUIDANCE CABLES.

III. SPECIAL FY88 REQUIREMENTS:

BECAUSE 1988 IS A TRANSITION YEAR BETWEEN ADMINISTRATIONS, WE WOULD LIKE TO SEE THE NEED FOR SEVERAL ADDITIONAL REQUIREMENTS IN THIS YEAR'S PROGRAM WEEKS.

1. GENERAL REVIEW OF PROGRAM:

THE ACTION PLAN TYPICALLY CONTAINS A BRIEF OVERVIEW OF DEVELOPMENTS IN THE PROGRAM. THE MISSION REPRESENTATIVE IS THEN USUALLY ASKED TO TAKE FIFTEEN MINUTES AT THE BEGINNING OF THE REVIEW TO HIT THE HIGHLIGHTS. ALL MISSIONS WHICH ARE SUBMITTING ACTION PLANS OR CDSS THIS YEAR SHOULD ASSUME THAT WE WILL SCHEDULE A 1-2 HOUR BRIEFING ON THE PROGRAM FOR THE NEW AA. THIS INCLUDES THOSE FOR WHICH THE ACTION PLAN WILL BE LIMITED TO MANAGEMENT ISSUES (NEPAL AND INDONESIA). MISSIONS WHICH ARE NOT SUBMITTING ACTION PLANS SHOULD EXPECT TO PROVIDE SUCH A BRIEFING DURING CONSULTATIONS IN WASHINGTON. WE DO NOT SUGGEST THAT ADDITIONAL DOCUMENTATION BE PROVIDED FOR THIS PURPOSE, ALTHOUGH MISSIONS MAY WISH TO PROVIDE ADDITIONAL GRAPHIC MATERIAL, OUTLINE, ETC. TO SUPPORT THE VERBAL PRESENTATION.

2. MANAGEMENT, STAFFING AND OE:

GROWING CONCERNS OVER OPERATING EXPENSES SUGGEST THE DESIRABILITY OF FOCUSING ON MANAGEMENT ISSUES IN THIS YEAR'S PROGRAM WEEK REVIEWS. MANAGEMENT ISSUES ARE A STANDARD COMPONENT OF ACTION PLANS, BUT MISSIONS SHOULD ANTICIPATE A SEPARATE SIDE MEETING FOCUSED ON: (A) FOLLOW-UP ON MISSION ASSESSMENTS (WHERE RELEVANT), (B) RELATIONSHIP BETWEEN FUTURE DIRECTIONS OF THE PROGRAM AND STAFFING PATTERNS, (C) EFFORTS UNDER WAY TO ECONOMIZE ON OE AND IMPROVE MANAGEMENT EFFICIENCY.

IV. PROCESS:

FOR FY 88, THE ACTION PLAN PROCESS WILL PROCEED AS FOLLOWS.

SEPTEMBER/OCTOBER/NOVEMBER:

AME/DP, IN COLLABORATION WITH COUNTRY WORKING GROUPS, PREPARES AN ISSU'S PAPER FOR EACH COUNTRY PROGRAM.

THESE ISSUES PAPERS WILL IDENTIFY THE MAJOR OUTSTANDING ISSUES OF A STRATEGIC NATURE (E.G. CDSS PROGRESS, VALIDITY, IMPACT) ON WHICH AID/V - ORCID CONSULTATION WOULD BE VALUABLE. ON THE BASIS OF THESE ISSUES, AME/DP WILL PREPARE AN ACTION MEMO FOR AA/AME RECOMMENDING WHETHER TO REQUIRE OR NOT TO REQUIRE AN ACTION PLAN.

BY MID-OCTOBER AA/AME WILL MAKE A PRELIMINARY DECISION ON WHICH MISSIONS WILL REQUIRE ACTION PLANS. THESE DECISIONS AND RELEVANT ISSUES IDENTIFIED WILL BE CABLED TO USAID BY NOVEMBER 15.

AS WAS THE CASE LAST YEAR, MISSIONS, AFTER REVIEWING THE GUIDANCE CABLES, MAY WISH TO SUGGEST ADDITIONAL ISSUES FOR DISCUSSION.

PROGRAM WEEK:

THE ACTION PLAN IS DUE IN AID/V AT LEAST FOUR WEEKS PRIOR TO PROGRAM WEEK.

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OUTGOING  
TELEGRAM

Department of State

PAGE 04 OF 04 STATE 368165

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- PREVIOUS WEEK: DP, IN CONSULTATION WITH COUNTRY MORNING GROUPS AND THE DDAAS, WILL PREPARE DRAFT ISSUES PAPER FOR PROGRAM WEEK AND SET UP PROGRAM WEEK SCHEDULE DURING THE WEEK PREVIOUS TO PROGRAM WEEK.

- PROGRAM WEEK -- MONDAY: ISSUES MEETING WITH ONE/DP CHAIRING TO FINALIZE ISSUES AND THE SCHEDULE OF SIDE MEETINGS.

- PROGRAM WEEK -- WEDNESDAY: MORNING OVERVIEW SESSION FOR AA. AFTERNOON SESSION FOR REVIEW -- AA OR DAA IN CHAIR.

- PROGRAM WEEK -- FRIDAY: WRAP-UP SESSION WITH AA OR DAA CHAIRING TO REVIEW REPORTING CABLE AND TO CLARIFY DECISIONS AND FOLLOW-UP STEPS (RESTRICTED TO MISSION REPRESENTATIVES, OFFICE DIRECTORS AND PPC)

- PROGRAM WEEK -- SIDE MEETINGS: MAY BE HELD AT ANY TIME THROUGHOUT THE WEEK BUT AN EFFORT WILL BE MADE TO SCHEDULE THE MORE IMPORTANT MEETINGS PRIOR TO THE REVIEW ON WEDNESDAY TO PERMIT THE INCLUSION OF OUTPUT FROM THE SIDE MEETINGS INTO THE REVIEW, WHERE NECESSARY. ALTERNATIVELY, RECOMMENDATIONS OF THE SIDE MEETINGS MAY BE INCLUDED IN THE FINAL REPORTING CABLE AND REVIEWED IN THE FRIDAY WRAP-UP SESSION. DETAILED AND TECHNICAL REPORTING FROM SIDE MEETINGS MAY BE TRANSMITTED TO THE FIELD IN SPETELS, FOLLOWING PROGRAM WEEK.

- IT HAS BEEN FOUND EXTREMELY HELPFUL FOR A MISSION REPRESENTATIVE TO ARRIVE IN WASHINGTON IN THE WEEK PRIOR TO PROGRAM WEEK TO PARTICIPATE IN THE FINAL DISCUSSIONS OF ISSUES, SCHEDULING, ETC. SIMILARLY, WHERE ISSUES ARE COMPLEX, IT IS ALSO USEFUL FOR A MISSION REPRESENTATIVE TO STAY OVER THE WEEKEND FOLLOWING THE PROGRAM WEEK TO ASSIST IN FINALIZING THE REPORTING CABLE. THIS IS NOT, HOWEVER, REQUIRED. WHITENHEAD

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74-

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OUTGOING  
TELEGRAM

PAGE #1 OF #2 STATE 371287  
ORIGIN AID-08

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STATE 371287

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ORIGIN OFFICE ANDP-03  
INFO ANSA-03 PPDC-01 ANAA-01 ANMS-01 PPPB-02 GC-01 GCAN-02  
ANPD-05 ANTR-06 ES-01 RELO-01 /027 A4 KL15

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APPROVED BY: AID/ANE/DAA:TRCESE

AID/ANE/DP:PBENEDICT

AID/ANE/DP:CHERMANN (DRAFT)

AID/ANE/SA:ASHAPLEIGH (DRAFT)

AID/ANE/EMS:GOVERTON (DRAFT)

AID/ANE/DP:GWEIN (DRAFT)

AID/ANE/DP:MSCOVILL (DRAFT)

AID/PPC/PB:LLEUDC (DRAFT)

AID/CG/ANE:HMORRIS (DRAFT)

AID/ANE/TR:ANLONG (DRAFT)

AID/ANE/DP:MNICHOLSON

AID/ANE/SA:JPIELEMEIER (DRAFT)

AID/ANE/PD:TRISHDI (DRAFT)

AID/ANE/TR:RCOBB (DRAFT)

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SUBJECT: BANGLADESH. ACTION PLAN GUIDANCE

REF: (A) 87 STATE 166579, (B) DHAKA 05012; (C) DHAKA 08312, (D) YOUNG/BENEDICT TELCON, 10/25/88

1. BUREAU CONCURS WITH ACTION PLAN AGENDA DISCUSSED WITH DAA REESE DURING HIS RECENT TDY AND OUTLINED IN REFTEL C. THIS YEAR'S AP SHOULD BE SEEN AS A PROLOGUE TO THE UPCOMING CDSS AND SHOULD OUTLINE THE ANALYTIC AGENDA WHICH THE MISSION IS UNDERTAKING OR IS PLANNING TO UNDERTAKE IN ORDER TO ARRIVE AT A NEW COUNTRY STRATEGY EMPHASIS OF AP AND PROGRAM WEEK DISCUSSIONS WILL, AS AGREED, BE ON OUTLINING GENERAL PLANS FOR PREPARATION OF A NEW CDSS FOR SUBMISSION IN DECEMBER 1989 (REVIEW IN JANUARY 1990). HOWEVER, WHILE PREPARING AN ISSUES-FOCUSED DOCUMENT, USAID/BANGLADESH SHOULD FOLLOW GENERIC ACTION PLAN GUIDANCE CABLE (TO BE SENT SEPTEL). A SPECIAL EFFORT SHOULD BE MADE TO DISCUSS IN AP SPECIFIC POINTS NOTED BELOW.

(A) FLOOD RECONSTRUCTION. WHAT IS THE IMPACT OF THE 1988 FLOOD ON THE BANGLADESH ECONOMY AND HOW IS THIS LIKELY TO AFFECT THE MISSION'S PORTFOLIO? SPECIFICALLY,

HOW WILL THE MISSION INCORPORATE A STRATEGY AND IMPLEMENTATION PLAN FOR A MEDIUM-TERM RECONSTRUCTION/DISASTER PREPAREDNESS RESPONSE TO FLOODS? HAS RECENT FLOOD DAMAGE TO TRANSPORT AND OTHER INFRASTRUCTURE CHANGED NATIONAL PRIORITIES AND, IF SO, WHAT ARE THE MEDIUM-TERM IMPLICATIONS FOR OUR PROGRAM LIKELY TO BE? (IN THIS CONTEXT, AN ASSESSMENT OF THE DAMAGE AND IMPLICATIONS FOR MOVEMENT OF FOODGRAINS, FERTILIZER, AND OTHER COMMODITIES WOULD BE USEFUL.) IN THE LONGER-TERM, WHAT IS MISSION'S THINKING ON POSSIBLE BILATERAL MEASURES TO MITIGATE FUTURE DAMAGES FROM RECURRENT FLOODS?

(B) POPULATION. THE MISSION IS NOW INTO THE SECOND YEAR OF ITS LARGE SIX-YEAR POPULATION ASSISTANCE PROJECT. CONDITIONS HAVE CHANGED SINCE THE PROJECT WAS PREPARED

AND APPROVED. A.I.D. HAS TERMINATED SUPPORT FOR CLIENT AND PROVIDER PAYMENTS FOR VOLUNTARY STERILIZATION AND SOCIAL SERVICES HAVE BEEN DISRUPTED FOLLOWING THE RECENT FLOODS. CONTRACEPTIVE PREVALENCE HAS BEEN RISING STEADILY IN RECENT YEARS, BUT REMAINS FAR BELOW A LEVEL AT WHICH ONE COULD EXPECT TO SEE SIGNIFICANT DECLINES IN FERTILITY. ARE THERE OTHER ACTIVITIES IN THE POPULATION SECTOR OR SUPPORTIVE ACTIVITIES, SUCH AS IMPROVING EDUCATIONAL AND WORK OPPORTUNITIES FOR WOMEN) WHERE USAID MIGHT FOCUS RESOURCES IN ORDER TO ACHIEVE BOTH POPULATION AND OTHER PRIORITY DEVELOPMENT GOALS? THE ACTION PLAN SHOULD IDENTIFY AN ANALYTIC AGENDA AND PRELIMINARY MISSION THINKING ON HOW WE CAN ASSESS POTENTIAL IMPACT OF FAMILY PLANNING EFFORTS AND WHETHER WE SHOULD EXPLORE OTHER DEMAND DRIVEN APPROACHES TO POPULATION. THE BUREAU RECOGNIZES THAT THE FAMILY PLANNING AND HEALTH SERVICES PROJECT APPROVED IN FY 87 UNDERTOOK A FAIRLY THOROUGH SECTOR REVIEW AT THAT TIME AND WE ARE NOT LOOKING FOR A NEW ANALYSIS OF THE SERVICE DELIVERY ISSUES, BUT WISH TO FOCUS AT THE POLICY AND DEMAND LEVEL.

(C) COORDINATION WITH THE JAPANESE. HOW IS COORDINATION WITH THE JAPANESE PROCEEDING? WHAT SPECIFIC STEPS HAVE BEEN LAID OUT FOR COOPERATION AND WHAT ARE LIKELY TO BE THE BASIC DIMENSIONS OF THAT COOPERATION? WHAT ADVANTAGES/DISADVANTAGES DOES THE MISSION FORESEE IN A USG/GOJ COORDINATED DEVELOPMENT STRATEGY? HOW CAN OUR COLLABORATIVE EFFORTS WITH THE JAPANESE DURING THE UPCOMING CDSS PERIOD BE GEARED TO THE WATER RESOURCES ("EASTERN WATERS") AND POVERTY ISSUES?

(D) PL 488. OVER THE PAST YEAR THE MISSION HAS DEVOTED

CONSIDERABLE EFFORT TO IMPROVING THE MANAGEMENT OF ITS LARGE TITLE III PROGRAM. THE AP SHOULD BRIEFLY SUMMARIZE THE STEPS IT HAS TAKEN AND THE PROGRESS IT HAS ACHIEVED AND INDICATE WHETHER FURTHER ACTION IS REQUIRED.

THE MISSION IS UTILIZING IFPRI TO FURTHER ITS WORK IN THE AREA OF FOOD SECURITY POLICY. IS THIS WORK SUGGESTING NEW AREAS FOR THE POLICY REFORM AGENDA WHICH WILL BE INCORPORATED INTO FUTURE TITLE III AGREEMENTS OR OTHER POLICY-ORIENTED PROGRAMS DURING THE NEW CDSS PERIOD. WHAT ARE THESE AREAS?

(E) NON-GOVERNMENTAL ORGANIZATIONS. THE MISSION CHANNELS ABOUT ONE-HALF OF ITS ANNUAL OYB THROUGH NGOS. THE MODALITY FOR MANAGING PROJECT ACTIVITIES IMPLEMENTED BY NGOS HAS BEEN TO OBLIGATE FUNDS DIRECTLY WITH THE NGOS RATHER THAN TO OBLIGATE FUNDS BILATERALLY WITH THE BCG FOR SUBSEQUENT COMMITMENTS TO NGOS VIA PILS. IS THIS MODALITY WORKING SMOOTHLY? IS THE MISSION THINKING IN TERMS OF NGO INVOLVEMENT OF ABOUT THIS SAME MAGNITUDE (AND MODALITY) FOR THE NEW CDSS PERIOD? WHAT ARE THE PROS AND CONS OF CONTINUING WITH THIS LEVEL AND MODE OF SUPPORT?

(F) NEW SECTORS FOR POSSIBLE INCLUSION IN CDSS. (1) URBANIZATION: GIVEN THE INEVITABILITY OF INCREASING URBANIZATION IN ASIA, SEVERAL MISSIONS ARE BEING ASKED TO ADDRESS THE PROBLEMS AND OPPORTUNITIES IN URBAN/PERI-URBAN AREAS, AND THE RELATIONSHIP OF URBANIZATION TO BALANCED NATIONAL DEVELOPMENT IN THEIR UPCOMING CDSS. GIVEN LIKELY FUNDING LEVELS, MISSION MANAGEMENT CONCERNS (E.G., PORTFOLIO PROLIFERATION), AND OTHER DONOR INVOLVEMENT -- WHAT ARE THE PROS AND CONS OF CONSIDERING THIS AS A POSSIBLE AREA FOR A.I.D. INVOLVEMENT IN BANGLADESH? IF MISSION INITIAL THINKING IS THAT INVOLVEMENT IN THIS SECTOR SHOULD BE CONSIDERED,

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Department of State

OUTGOING  
TELEGRAM

PAGE 02 OF 02 STATE 371287

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STATE 371287

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THEN THE AP WILL NEED TO OUTLINE THE FRAMEWORK AND ANALYTICAL BASIS FOR ADDRESSING URBAN DEVELOPMENT ISSUES IN THE CDSS. PRE-CDSS ANALYSES WOULD IDEALLY ADDRESS THE POSITIVE AND NEGATIVE FACTORS OF URBANIZATION IN BANGLADESH, INCLUDING ASPECTS OF URBAN POVERTY, FORMAL/INFORMAL EMPLOYMENT POTENTIAL, RELATIONSHIPS OF URBAN AREAS TO AGRICULTURAL/RURAL DEVELOPMENT (E.G., SERVICE CENTER, MARKET FOR OUTPUT), AND MUNICIPAL EFFICIENCIES (INFRASTRUCTURAL, INSTITUTIONAL, AND FINANCIAL). ACTION PLAN SHOULD CONSIDER THE UTILITY OF SOME OR ALL OF THESE -- OR ALTERNATIVE -- STUDIES, INDICATING RESOURCE NEEDS TO CARRY THEM OUT.

(II) BASIC EDUCATION: BUREAU LOOKS FORWARD TO MISSION'S THINKING ON DEVELOPMENT OF AN EDUCATION SECTOR STRATEGY.

(G) MANAGEMENT. KEEPING IN MIND THE CONTINUING PRESSURE ON FTE LEVELS AND THE OE BUDGET -- WHAT IS THE MISSION'S THINKING ON MODES OF ASSISTANCE, NUMBER OF SECTORS IN WHICH A.I.D. WILL BE INVOLVED, STAFFING LEVELS AND SKILL MIX FOR THE NEW CDSS PERIOD?

2. PER REF C, BUREAU AGREES THAT A SERIES OF SIDE MEETINGS IS APPROPRIATE TO DEAL WITH A NUMBER OF ISSUES AND, GENERALLY, TO BRING AID/W UP-TO-DATE WITH THE USAID/BANGLADESH PROGRAM AND ONGOING ANALYSIS WHICH IS LEADING TO A NEW CDSS. BUREAU AGREES THAT SIDE MEETINGS SHOULD INCLUDE: (I) PRIVATE SECTOR/EMPLOYMENT STRATEGY DEVELOPMENT, INCLUDING TRADE AND INVESTMENT (THE MEETING SHOULD INCLUDE DISCUSSION OF FERTILIZER POLICY AND FURTHER PRIVATIZATION OF THE FERTILIZER DISTRIBUTION SYSTEM, REFINEMENT OF THE OMS AND PRIVATE GRAIN MARKETING, ELECTRICITY RATE POLICY, APPLIED RESEARCH ON POLICY AND INSTITUTIONAL CONSTRAINTS TO PRIVATE SECTOR DEVELOPMENT, PROVISION OF TECHNICAL ASSISTANCE FOR IDA ACTIVITIES -- EXPORT DEVELOPMENT AND FINANCIAL SECTOR -- AND POSSIBLE FUTURE DIRECTION OF THE MISSION'S SUPPORT FOR PRIVATE ENTERPRISE DEVELOPMENT IN IMPLEMENTING ITS PRIVATE SECTOR STRATEGY. CHERMANN, ANE/DP/E, WILL BE AVAILABLE TO DISCUSS THE PRIVATE SECTOR INFORMATION SYSTEM WHICH WAS RECENTLY SET UP); (II) AGRICULTURE SECTOR ANALYSIS/STRATEGY (WHILE APPRECIATING THAT THE ANALYSIS ISN'T YET COMPLETE, WHAT IS MISSION'S THINKING ON THE DIRECTION OF THE AGRICULTURE PORTFOLIO FOR THE NEW CDSS PERIOD?); (III) POPULATION; AND (IV) POSSIBLE NEW AREAS FOR A.I.D. INVOLVEMENT (URBANIZATION AND BASIC EDUCATION). MISSION IS REMINDED THAT AS A CROSS-CUTTING ISSUE, STRATEGIES TO CONSIDER WOMEN'S PARTICIPATION IN AND BENEFITS FROM A.I.D. DEVELOPMENT ASSISTANCE SHOULD BE A PART OF THE AGENDA AT SIDE MEETINGS (I) TO (IV) ABOVE. A MANAGEMENT-FOCUSSED SIDE MEETING WILL ALSO BE ARRANGED.

3. REMINDER ON BENCHMARKS. THE GENERIC ACTION PLAN GUIDANCE REQUESTS THAT PROGRESS ON BENCHMARKS BE INCLUDED IN THE ACTION PLAN (BENCHMARKS TO BE DISAGGREGATED TO THE EXTENT POSSIBLE BY GENDER). MISSION IS REMINDED AGAIN OF THE IMPORTANCE OF THIS, SO THAT PROGRAM WEEK REVIEW OF THE USAID/BANGLADESH PROGRAM AND DISCUSSION OF PLANS FOR THE NEW CDSS PERIOD CAN BE AS THOROUGH AS POSSIBLE.

4. PER REF D, BENEDICT AND PIELEMEIER LOOK FORWARD TO PARTICIPATING IN PLANNED DECEMBER MISSION STAFF RETREAT WHICH WILL FOCUS ON AP AND CDSS ISSUES.

5. USAID/BANGLADESH PROGRAM WEEK HAS BEEN SCHEDULED FOR MARCH 6-10, 1989. THUS, ACTION PLAN SHOULD BE SUBMITTED TO AID/W MLT FEBRUARY 10, 1989. SWUL:Z

UNCLASSIFIED

76

UNCLASSIFIED  
Department of State

OUTGOING  
TELEGRAM

PAGE #1 OF #3 STATE 166379  
ORIGIN AID-88

0130 073621 A10648

STATE 166379

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ORIGIN OFFICE ANDP-83  
INFO SEOP-81 FPA-82 ANPD-85 GCAN-82 SERP-81 FVA-81 ANAD-81  
SETH-81 PPCE-81 PDPR-81 PPPB-82 GC-81 ANMS-81 STRO-81  
PPMF-81 PSC-83 GCCM-82 ANTR-86 STAG-82 STRE-82 STPO-81  
PPR-81 SAST-81 FFP-89 POP-84 HNS-89 PVC-82 FVPP-81  
ES-81 LAB-85 OMB-82 RELO-81 PRE-86 ANAA-81 ANSA-82  
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INFO LOG-88 SEA-87 /887 R

DRAFTED BY: AID/ANE/DP:PGOLDING;JAT: 0036R

APPROVED BY: AID/ANE/DP:JGLOCH

AID/ANE/DP:BSIDMAN

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AID/ANE/SA:LUTLER (DRAFT)

AID/ANE/SA:PROUGHTON (DRAFT)

AID/ANE/PD:RVENEZIA (DRAFT)

AID/ANE/TR:HFREEMAN (DRAFT)

AID/ANE/EMS:JJORDAN (DRAFT)

PPC/PB:FKENEFICK (DRAFT)

FVA/FFP:PMENGER (DRAFT)

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SUBJECT: BANGLADESH ACTION PLAN REVIEW

ANE BUREAU REVIEWED BANGLADESH ACTION PLAN DURING THE WEEK OF APRIL 27, 1987, WITH DAA MORRIS CHAIRING AND THE MISSION REPRESENTED BY MISSION DIRECTOR JOHN WESTLEY AND PROGRAM OFFICER ROBERT KRAMER. THE ACTION PLAN WAS APPROVED SUBJECT TO THE DECISIONS BELOW. THE TWO MPDS WERE ALSO REVIEWED AND ARE THE SUBJECT OF SEPTEL.

INTRODUCTION: IN HIS INTRODUCTORY STATEMENT, THE DIRECTOR NOTED THAT THE USAID/BANGLADESH PROGRAM HAD EXPERIENCED CONSIDERABLE STABILITY OVER THE PAST DECADE. THE KEY STRATEGIC SECTORS AND MANY OF THE MAIN PROJECTS HAVE STAYED ESSENTIALLY FOCUSED ON THE SAME PROBLEMS SINCE THE LATE 1970S. WHILE STABILITY AND THE RELATIVE RECEPTIVITY OF THE BDG TO THE USAID PROGRAM WERE IMPORTANT, THE DIRECTOR NOTED THAT IN THE PRESENT TIME OF BUDGET REDUCTIONS, ITS MORTGAGE MAKES IT DIFFICULT TO CHANGE QUICKLY TO MEET NEW OPPORTUNITIES. CONSEQUENTLY, THE MISSION'S PROGRAM UNTIL 1992 IS ESSENTIALLY ALREADY SET.

THE DIRECTOR EXAMINED THE VARIOUS SPECIAL ADVANTAGES OF

USAID IN BANGLADESH. THE LARGE RESIDENT TECHNICAL STAFF IS A PARTICULARLY VALUABLE ASSET THAT PERMITS THE MISSION TO PLAY A UNIQUELY STRONG ROLE IN THE DONOR COMMUNITY. FURTHERMORE, USAID'S FLEXIBLE FUNDING VEHICLES FOR TA SUCH AS ITS TECHNICAL RESOURCES PROJECT, ENHANCE ITS INFLUENCE WITH OTHER DONORS--PRINCIPALLY THE MDS--FOR WHOM SUCH FLEXIBILITY DOES NOT EXIST. CONSEQUENTLY USAID IS ABLE TO SUPPORT THE POLICY THUSTS OF THE MDS WITH TA, WHILE THE MDS, THROUGH THEIR STRUCTURAL ADJUSTMENT LENDING, SUPPORT THE POLICY DIALOGUE AREAS OF GREATEST INTEREST TO USAID: FOODGRAIN SUBSIDIES, ENERGY PRICING, RURAL FINANCE, AND FERTILIZER DISTRIBUTION.

THE MISSION WAS COMMEDED FOR ITS INNOVATIVE EVALUATION

PROGRAM WHICH INCLUDES THE DEVELOPMENT AND IMPLEMENTATION OF MONITORING AND EVALUATION PLANS FOR NINE PROJECTS OVER THE NEXT TWO YEARS. OF PARTICULAR INTEREST WAS THE MISSION'S USE OF LOCAL AND DIRECT HIRE TEAMS TO CONDUCT RAPID APPRAISALS FOR BOTH EVALUATION AND DESIGN WORK.

ISSUE 1: WHAT ARE THE PROSPECTS FOR CARRYING USAID'S POLICY DIALOGUE FORWARD? *Pohney*

DISCUSSION: THE MISSION REPORTED THAT IT HAS MADE CONSIDERABLE PROGRESS WITH THE POLICY DIALOGUE OVER THE PAST YEAR, AND ESPECIALLY IN THE PERIOD SINCE THE ENDING OF SHORTIAL LON OVER A HALF A YEAR AGO. SUCH A SIGNIFICANT POLITICAL CHANGE COULD HAVE LED TO A SITUATION WHERE THE BDG WAS LESS RECEPTIVE TO MAJOR POLICY CHANGES, AND THE MISSION WAS PLEASED THAT, IN FACT, THE BDG WAS RESPONDING POSITIVELY ON MOST ITEMS OF THE POLICY DIALOGUE. FURTHERMORE, WHILE CHANGE HAS BEEN SLOW AND THE POLICY DIALOGUE AGENDA HAS NOT ALWAYS HAD UNANIMOUS SUPPORT IN THE HIGHER LEVELS OF GOVERNMENT, THE MISSION WAS CONFIDENT THAT THE MOMENTUM OF POLICY REFORM WILL BE SUSTAINED. IN RURAL ELECTRIFICATION, FOR EXAMPLE, THE MISSION NOTED THAT THE BDG HAD RECENTLY COMMITTED ITSELF TO THE WORLD BANK TO EVENTUALLY RAISE POWER PRICES TO THE LEVEL OF THE LONG RUN MARGINAL COST. SIMILARLY, IN THE AREA OF REDUCING FOOD SUBSIDIES, THE MISSION POINTED TO THE RECENT SUCCESSFUL TITLE III NEGOTIATIONS TO ELIMINATE FOOD SUBSIDIES FOR THE NON-NEEDY WITHIN THREE YEARS THROUGH ALL CIVILIAN RATIONING CHANNELS. THE MISSION NOTED THE FUNDAMENTAL SUCCESS OF THE RURAL FINANCE PROJECT IN RAISING AGRICULTURAL LENDING RATES FROM 12 PERCENT TO 16 PERCENT. THE USE OF THE IMF'S STRUCTURAL ADJUSTMENT

FACILITY AND FURTHER WORLD BANK LENDING TO RAISE RECOVERY RATES WILL LIKELY CONTINUE TO SHOW PROMISING RESULTS.

THE CONTINUED DIFFICULTIES IN MOVING FORWARD WITH THE FERTILIZER DISTRIBUTION IMPROVEMENT PROJECT II ARE PRIMARILY THE RESULT OF OPPOSITION FROM THE BANGLADESH AGRICULTURAL DEVELOPMENT CORPORATION WORKERS WHO FEEL THEIR LIVELIHOODS ARE THREATENED BY THE PRIVATIZATION EFFORT. THE MISSION FEELS THAT PATIENCE IS IMPORTANT AT THIS JUNCTURE AND THAT SEVERAL STUDIES CURRENTLY BEING UNDERTAKEN BY THE WORLD BANK AND THE IFDC WILL BUTTRESS ITS POSITION.

DECISION: THE MISSION'S POLICY DIALOGUE APPEARS TO BE MOVING FORWARD SATISFACTORILY IN ALL AREAS WITH THE EXCEPTION OF ITS FERTILIZER SUBSIDY ELIMINATION/PRIVATIZATION EFFORTS. REGARDING THE FERTILIZER PROBLEMS, THE MISSION WILL EXPLORE FURTHER THE POSSIBILITIES AVAILABLE FOR WORKER ADJUSTMENT (E.G., THROUGH SEVERANCE PAY), THEREBY REDUCING THE UNION'S OPPOSITION TO THE EFFORT. THE BDG HAS INDICATED THAT IT EXPECTS TO REOPEN THE TOPS BY JULY. EARLY NEXT FISCAL YEAR, IF THIS HAS NOT HAPPENED THE MISSION WILL PROCEED TO DEBILITATE FUNDS.

ISSUE 2: DOES THE MISSION SEE "AID UTILIZATION" ISSUES AS AN INCREASING PROBLEM IN BANGLADESH? *And. W. H. H. H.*

DISCUSSION: THE BDG HAS RECENTLY IMPOSED TWO POTENTIALLY SIGNIFICANT POLICY IMPEDIMENTS THAT COULD AFFECT THE USAID PROGRAM. ONE ATTEMPTS TO MINIMIZE DONOR FUNDING OF EXPATRIATE TA BY REQUIRING EXCLUSIVE GRANT FUNDING FOR TA AND LIMITING THE SHARE OF TA IN OVERALL PROJECT FUNDING. THE OTHER REQUIRES THAT ODA

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Department of State

OUTGOING  
TELEGRAM

PAGE 02 OF 03 STATE 106370

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STATE 106370

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COMMITMENTS BE OBLIGATED DIRECTLY TO THE BDC AND FUNDING OF NGOs AND THE PRIVATE SECTOR ACTIVITIES BE "ADDITIONAL" TO ODA PLEDGES.

AT PRESENT, THESE POLICIES DO NOT SEEM TO AFFECT THE USAID PROGRAM BECAUSE OF VERBAL COMMITMENTS BY BDC OFFICIALS TO EXEMPT USAID FAMILY PLANNING AND FOOD FOR WORK ACTIVITIES FROM THE REQUIREMENTS. ~~NONETHELESS~~, THE MISSION IS CONCERNED THAT THE BDC'S INCREASINGLY RESTRICTIVE POLICIES AND ITS QUESTIONING OF THE LONG TERM BENEFITS OF RESEARCH PROGRAMS THAT DO NOT SHOW IMMEDIATE RESULTS COULD RESULT IN PRESSURES TO REDUCE THE QUALITY OF USAID PROJECTS. THE DELAYED BDC APPROVAL OF THE HONEYSTEAD AGRICULTURE PROJECT AND THE POTENTIAL DELAY

IN APPROVING THE AGRICULTURE RESEARCH II PROJECT HEIGHTEN THE MISSION'S CONCERNS.

THE MISSION ALSO NOTED THAT THIS RELATIVELY FAVORABLE TREATMENT (COMPARED TO OTHER DONORS AND ESPECIALLY THE NGOs) MAY FACILITATE THE MISSION'S PLAN TO PROVIDE TA TO CERTAIN PROJECTS OF OTHER DONORS.

DECISION: THE AID UTILIZATION PROBLEMS ARE NOT YET FUNDAMENTALLY AFFECTING THE QUALITY OR CHARACTER OF THE PROGRAM. IF THEY SHOULD BECOME REAL IMPEDIMENTS, ALTERNATIVE STRATEGIES, SUCH AS MODESTLY REDUCING THE OYB LEVEL TO ESTABLISH A MECHANISM FOR TA FUNDING IN WASHINGTON, SHOULD BE CONSIDERED FOR UNUSUAL CASES.

ISSUE 3: IN ITS DECENTRALIZATION EFFORT, IS THE BDC PREPARED TO PROVIDE SUFFICIENT FINANCIAL AND HUMAN RESOURCES TO CARRY THE PROCESS THROUGH?

DISCUSSION: THE MISSION NOTED THE DECENTRALIZATION PROGRAM WAS A MAJOR INITIATIVE OF THE BDC TO WHICH THE GOVERNMENT WAS STRONGLY COMMITTED. THE MISSION WAS LONG PARTICIPATED IN THE PROMOTION OF LOCAL GOVERNMENT PROJECTS THROUGH FEEDER ROADS, TITLE II FFW PROJECTS, AND OTHER SIMILAR EFFORTS. HOWEVER, BECAUSE OF THE IMPORTANCE THE BDC ATTACHES TO THIS INITIATIVE AND ALSO BECAUSE OF THE POOR STATE OF RURAL INFRASTRUCTURE DEVELOPMENT IN BANGLADESH, THE MISSION FEELS THAT THE TIME IS RIGHT TO PULL ITS MANY RURAL INFRASTRUCTURE DEVELOPMENT EFFORTS INTO A COHERENT STRATEGY. THE MISSION NOTED THAT THE EMPHASIS IN THIS EFFORT DOES NOT REPRESENT A SET OF NEW PROJECTS BUT RATHER A RE-ORIENTATION OF WHAT USAID IS ALREADY DOING. NONETHELESS, THE MISSION DID NOTE THAT TWO NEW PROJECTS--DEVELOPMENT AND MANAGEMENT TRAINING AND PVO CO-FINANCING--WILL BE FOCUSED IN THIS AREA.

DECISION: BECAUSE THE DECENTRALIZATION EFFORT IS AN IMPORTANT THEME IN THE BANGLADESH CONTEXT, THE MISSION SHOULD DEVELOP A COHERENT STRATEGY STATEMENT FOCUSING ON HOW TO SUPPORT DECENTRALIZATION THROUGH PROJECTS AND POLICY DIALOGUE. SUCH A STATEMENT SHOULD BE COMPLETED AND SUBMITTED TO AID/W BY JANUARY 1989.

ISSUE 4: DOES THE MISSION FORESEE INCREASING THE PROPORTION OF BDC FINANCIAL PARTICIPATION IN AID PROJECTS?

DISCUSSION: THE MISSION DESCRIBED THE BDC AS COHESIVE

OF THE NEED TO CONTRIBUTE MORE FUNDS BOTH FOR COUNTERPART CONTRIBUTIONS TO USAID PROJECTS AND MORE GENERALLY FOR O&M EXPENSES ON EXISTING INFRASTRUCTURE PROJECTS. HOWEVER, BANGLADESH IS A POOR COUNTRY AND OPPORTUNITIES FOR RAISING REVENUES ARE NOT LIKELY TO

SERIALIZED UNICL.

DECISION: BECAUSE OF THE DEVELOPMENT CONTEXT OF BANGLADESH, THE MISSION WILL NEED TO CONTINUE PROVIDING LOCAL CURRENCY FUNDING FOR AID PROJECTS. NONETHELESS, THE MISSION SHOULD CONTINUE TO LOOK FOR WAYS TO INCREASE THE CONTRIBUTION OF LOCAL RESOURCES, PARTICULARLY THROUGH COST RECOVERY AND LOCAL RESOURCE MOBILIZATION. ~~ON THE LATTER ISSUE OF THE BDC'S PROVIDING INSUFFICIENT TA FUNDING~~, THE MISSION SHOULD CONTINUE TO PRESS FOR MORE OFFICIAL ATTENTION TO THIS PROBLEM ESPECIALLY WITH RESPECT TO FEEDER ROADS, CULVERTS AND BRIDGES CONSTRUCTED AS PART OF THE RURAL INFRASTRUCTURE PROGRAM.

ISSUE 5: THERE IS A PRESUMPTION THAT A NEW COSS WILL BE PREPARED IN 1988. ARE THESE REASONS WHY A FULL COSS IS NOT NEEDED?

DISCUSSION: THE MISSION FELT THAT WITHOUT SIGNIFICANT GRANTES IN ITS PROGRAMS, A COSS WAS NOT NEEDED NEXT YEAR. FURTHERMORE, THE MORTGAGE SITUATION WILL NOT ALLOW FOR FLEXIBILITY IN PROGRAMMING UNTIL 1992.

THE MISSION ALSO INDICATED THAT THE CURRENT THINKING WITH REGARD FUTURE INITIATIVES THAT MIGHT BE FEATURED IN THE COSS IS TO EXPAND ITS POLICY DIALOGUE TO THE AREA OF RURAL EMPLOYMENT. THE PRELIMINARY WORK TO DEVELOP PROJECTS AND THE MAIN AREAS OF THE POLICY DIALOGUE WOULD BE CARRIED OUT BY THE MISSION OVER THE NEXT TWO YEARS.

*Decentraliz*

THE POSSIBILITY OF EXPANDING THE MISSION'S WORK INTO EDUCATION WAS ALSO DISCUSSED. THE MISSION NOTED THAT TRADITIONALLY EDUCATION IS NOT A HIGH PRIORITY OF THE BDC AND ALSO THAT SEVERAL OTHER DONORS HAD BEEN ACTIVE IN THE SECTOR. THE OTHER DONORS WERE FINDING THEIR EXPERIENCE UNSATISFACTORY AND WERE REDUCING THEIR EFFORTS. THE MISSION ALSO QUESTIONED THE WISDOM OF ENTERING INTO TRADITIONAL PRIMARY OR SECONDARY EDUCATION RATHER THAN DEEPENING THE COMMITMENT IN WHICH USAID HAD ALREADY DEVELOPED CONSIDERABLE EXPERTISE, I.E. RURAL EMPLOYMENT. HOWEVER THE MISSION DID EXPRESS SOME INTEREST IN POSSIBLY PROVIDING ASSISTANCE IN HIGHER AGRICULTURAL EDUCATION, AND MIGHT CONSIDER A SHELF PROJECT IN THAT AREA.

DECISION: THE MISSION SHOULD PREPARE A NEW COSS IN 1989 FOR FY 1991. IF FUNDING IN THE OYB SHOULD BECOME AVAILABLE OVER THE NEXT YEAR PERMITTING A MAJOR INITIATIVE NOT PREVIOUSLY CONTEMPLATED THE QUESTION OF THE COSS SHOULD BE REEXAMINED.

ISSUE 6: ARE THE MISSION'S NEW FAMILY PLANNING AND HEALTH ACTIVITIES CREATING A MORTGAGE WHICH REDUCES ITS FLEXIBILITY TO RESPOND TO NEW OPPORTUNITIES?

DISCUSSION: THE BAA NOTED THAT IT WAS UNDESIRABLE TO HAVE OVER HALF OF THE PLANNED OYB ANNUALLY ATTRIBUTABLE TO FAMILY PLANNING. IF THE PROJECT LIFE WERE 6 YEARS, FAMILY PLANNING AND HEALTH TOGETHER WOULD NOT CONSTITUTE MORE THAN HALF THE PROGRAM. AT THE SAME TIME, OPPORTUNITIES TO OBTAIN SUPPLEMENTAL FUNDING (E.G. FROM REOBLIGATIONS OF THE INDIA CMO PROJECT) SHOULD BE PURSUED IN ORDER TO BUY DOWN THE FAMILY PLANNING AND HEALTH MORTGAGE, PROVIDING GREATER PROGRAMMING FLEXIBILITY IN OTHER AREAS.

THE MISSION NOTED THAT THE FAMILY PLANNING PROJECT WAS ALREADY REDUCED SIGNIFICANTLY FROM THE ORIGINAL ESTIMATES AND THE MISSION BELIEVES THE PROJECT IS ALREADY UNDERFUNDED.

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TELEGRAM

PAGE 03 OF 03 STATE 106373

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DECISION: THE FAMILY PLANNING PROJECT LOP WILL BE FOR SIX YEARS. TO THE EXTENT FALL OUT BECOMES AVAILABLE FROM OTHER PROGRAMS THIS WILL HELP TO MEET PROJECT NEEDS AND MAY RESULT IN FREEING UP RESOURCES FOR OTHER PROJECTS AS WELL AS ACCELERATING PROJECT ACTIVITIES.

CONCERN 1: DONOR COORDINATION. THE MISSION INDICATED THAT DONOR COORDINATION HAS BECOME LESS OF A PROBLEM. THE LIKE MINDED DONORS' SUPPORT FOR SUBSIDIES SEEMS TO BE WANING. ALSO, THE RECENT COMMENT BY THE REPRESENTATIVE FROM JAPAN AT THE LOCAL DONOR CONSULTATIVE MEETING DOES NOT SEEM TO SIGNIFY A PERMANENT CHANGE IN JAPAN'S POSITION ON SUBSIDIES.

CONCERN 2: ASSISTANCE TO THE DHAKA STOCK EXCHANGE. THE MISSION MAY DECIDE TO PROVIDE A SMALL AMOUNT OF FUNDING--LESS THAN DOLS 200,000--THROUGH THE ASIA FOUNDATION TO ASSIST THE STOCK EXCHANGE. THE FUNDS MAY BE USED TO PROVIDE TECHNICAL ASSISTANCE FROM OTHER NEARBY ASIAN STOCK EXCHANGES. THE MISSION IS FREE TO DO SO IF IN ITS JUDGEMENT THE ASSISTANCE MAKES SENSE, GIVEN THE RANGE OF PROBLEMS AFFECTING FINANCIAL MARKETS, OTHER INTERVENTIONS, ETC.

CONCERN 3: GRAY AMENDMENT. THE MISSION ANNOUNCED THAT DOLS 4.7 MILLION OF ITS FUNDING WILL BE TO ELIGIBLE MINORITY CONTRACTORS. ALSO THE ALREADY OBLIGATED DOLS 8 MILLION FP/IA COOPERATIVE AGREEMENT QUALIFIES UNDER THIS HEADING, IMPROVING THE MISSION'S GRAY AMENDMENT PROFILE. SEVERAL OTHER OPPORTUNITIES FOR MINORITY HIRING SHOULD BECOME AVAILABLE DURING THE COMING YEAR INCLUDING REBIDDING FOR THE FEEDER ROADS PROJECT AND POSSIBLY USING HBCU'S IN CONNECTION WITH THE POSSIBLE BANGLADESH AGRICULTURAL UNIVERSITY PROJECT.

CONCERN 4: MISSION STAFFING. TO HELP IN THE MISSION'S CURRENT DIALOGUE WITH THE WORLD BANK AND THE EDG, THE MISSION INTENDS TO SAGE THE SERVICES OF A PSC ENERGY ECONOMIST. ANE/TR . ASSISTING THE MISSION IN THIS EFFORT. SHULTZ

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# PPC CALENDAR FOR ANE CDSS/AP REVIEWS

MONTH FEBRUARY YEAR 1989

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
12	13	14	15 Rec'd/Distr'd Bangladesh Action Plan	16	17	18
19	20	21 PPC Working Group 2-3pm Bangladesh 4440-A NS	22	23	24	25
26	27	28				

# PPC CALENDAR FOR ANG CDSS/AP REVIEWS

MONTH MARCH YEAR 1989

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1	2	3 Tunisia Action Plan due	4
5	6 ANG Issues Mtg London - Bangladesh 4440A-NS	7	8 Inter-Agency Rev. ? - Bangladesh	9	10 Wrap-up ? - Bangladesh	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27 ANG Issues Mtg ? Tunisia	28	29 Inter-Agency Rev. ? Tunisia	30	31	

**USAID BANGLADESH FY 1989 ACTION PLAN**

**PD-ABA-473**

**1 OF 1 (24X)**

**BANGLADESH  
ACTION PLAN**

**1989**