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U.S. BILATERAL ECONOMIC ASSISTANCE TO 91283

BANGLADESH

ALL YEARS SUMMARY

1953 Through September 30, 1993



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Dhaka, Bangladesh

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**USAID/Dhaka Staff
Reference Library**

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I. Overview

The United States, through the Agency for International Development (A.I.D.) assisted Bangladesh substantially since its independence in 1971, and prior to that, from 1953 to 1971, when it was known as East Pakistan. Immediately following independence, in 1972 the U.S. provided emergency food aid to cope with the post-war famine. Project assistance began in 1973 with a major program of reconstruction and rehabilitation of basic infrastructure. As peace time conditions returned to Bangladesh, agricultural production stabilized and basic infrastructure needs were met, U.S. assistance evolved from relief and rehabilitation to economic development.

The goal of the current U.S. assistance to Bangladesh is to effect a sustainable increase in the proportion of Bangladeshis living above the poverty line through encouraging a pattern of sustainable economic growth based on efficient use of resources,

The goal of U.S. assistance is to increase the proportion of Bangladeshis living above the poverty line.

improving and protecting the human capital base and enhancing popular access to institutions of democratic governance..

The strategy for the current Country Development Strategy Statement (CDSS) period (1991-95) has objections: 1) Increased Productivity and Competitiveness in Agriculture, Finance and Industry; 2) Increased Availability of Basic Human Services for the Poor; 3) Reduced Fertility and In fact, Child and Material Mortality; and 4) Increased Accountability of A Democratic Government.

The first two sections below describe total U.S. bilateral assistance to Bangladesh since independence. The final section briefly reviews U.S. assistance to what is now Bangladesh during "Pakistan times".

II. Assistance to Bangladesh 1972 through September, 1993

A. Food/PL 480 Assistance: Bangladesh is one of the poorest and traditionally most chronically food deficit countries in the world. As such, it is a major PL 480 program recipient.

(1) Title I - Loans (with highly concessional terms) amounting to \$517,056,000 have been provided for procurement of 1,516,556 metric tons of wheat, 646,308 metric tons of rice, 108,051 metric tons of edible oil and 49,096 bales of cotton. There is no current Title I program. All food aid is now provided as a grant.

(2) Title II - Since the program began in 1972, the U.S. has provided a total of \$458,192,000 in support. This includes 2,535,356 metric tons of wheat valued at \$375,808,000, 154,440 metric tons rice valued at \$28,005,000, 87,477 metric tons of edible oil valued at \$23,943,000 and 108,631 metric tons of other commodities valued at \$30,436,000. A.I.D. distributed these commodities through a nongovernmental organization, CARE, for Food for Work, a relief and development program for the rural poor.

(3) Title III - A.I.D. provided \$992,420,000 in the form of 4,765,291 metric tons of wheat, 180,653 metric tons of soybean oil, 438,428 metric tons of rice and 307,985 bales

The U.S. has provided over 11 million tons of foodstuffs through the P.L. 480 program.

of cotton. The program has supported the creation of an open market system of food distribution and market pricing of foodgrains. As a result, Bangladesh became self-sufficient in rice in 1993 while food grain prices have stabilized and food stocks are more abundant, even following natural disasters. The local currency generated through the commodity sales has financed development projects mostly in the Government's Annual Development Programs.

B. Development Assistance - Priority Sectors

(1) Population/Health - Bangladesh is the most densely populated rural economy in the world with an estimated 1900 people per

square mile. Support for family planning is intended not only to sustain economic growth. In a country where poor families cannot support additional children, family planning is the most important child survival intervention which reaches the most vulnerable of the poor-women and children.

In the past 18 years, as a result of A.I.D.'s leadership in this sector, a nationwide network of private voluntary organizations, the private sector, and Bangladesh Government agencies have brought the contraceptive prevalence rate up from 7% to 41%. Population growth will decrease as the prevalence rate steadily increases.

(a) Family Planning and Related MCH Programs

- The U.S. has contributed a total of \$407,499,000 for projects related to reducing Bangladesh's population growth rate. Funds have been provided for contraceptives, training of Bangladeshi officials, immunization

The U.S. has provided over \$400 million in family planning/MCH assistance, contributing to an increase in the contraceptive prevalence rate from 7% to 41%.

programs, oral rehydration solution, reimbursement to the BDG for the voluntary sterilization program and selected population research activities. This also includes support to programs of private and inter-

national organizations such as the Pathfinder Fund, Association for Voluntary Surgical Contraception (AVSC), Population Services International (PSI), Cooperatives for American Relief Everywhere (CARE), The Family Planning Association of Bangladesh (FPAB), The Asia Foundation (TAF), and the International Center for Diarrheal Diseases Research, Bangladesh (ICDDR,B). A.I.D.-funded NGOs provide family planning services to more than 25% of all modern method users in Bangladesh.

(b) International Center for Diarrheal Diseases Research, Bangladesh (ICDDR,B) - A.I.D. led the effort to establish the former Cholera Research Laboratory, now the ICDDR,B. A.I.D. provided \$19,197,000 in support of pioneering research programs on cholera

prevention and treatment, including the development of life-saving oral rehydration therapy. The same funding also supported two long term studies to examine the demographic impact of family planning programs, and the on-going pilot immunization program in urban areas using volunteers.

(2) Agriculture - The Bangladesh Government established the goal of foodgrain self-sufficiency. With U.S. Government support, to and through the private sector, Bangladesh became self sufficient in rice at the end of 1993.

(a) Fertilizer Imports & Production - Fertilizer use in Bangladesh has increased by more than 80% since 1985, urea fertilizer has become relatively cheaper, and the Government is now saving approximately Tk.5.5 billion every year which was needed earlier for fertilizer subsidy. This is one of A.I.D.'s major success stories in Bangladesh.

In FYs 1978-92, \$296,752,000 was provided for importing approximately 507,000 tons of fertilizer, technical assistance to develop an improved fertilizer marketing system, for initiating an in-kind credit program and construction of warehouses to store 210,000 metric tons of fertilizer. A current emphasis is privatization of fertilizer distribution, first in-country and now import channels as well. Simultaneously, the Government is being encouraged to remove remaining subsidies from fertilizer and redefine the role of the Bangladesh Agricultural Development Corporation (BADC).

The total U.S. contribution for fertilizer is \$436,949,000. Of this amount, \$54,743,000 was allocated in FY 74 and FY 75 for the importation of 217,695 metric tons of fertilizer,

Bangladesh became self-sufficient in rice in 1993 as a result, in part, of over \$500 million in U.S. agricultural assistance.

and \$52,704,000 for a share of the construction costs for a Urea Plant at Ashuganj (re-named Zia Fertilizer Plant). The fertilizer plant support included a \$30.0

million loan in FY 1975 and a \$22.7 million loan in FY 1978. In FY 76, \$5,250,000 was provided for the construction of storage space for 27,000 tons of fertilizer. The Agricultural Inputs III grant of \$27,500,000 financed the importation of approximately 150,000 metric tons of fertilizer in FY 77.

(b) **Agricultural Research I & II (\$35,678,000)** - These projects, the first of which started in 1976, reflect A.I.D.'s long involvement in the development of agricultural research capabilities. Over the past 15 years ARP I and II has trained hundreds of scientists to develop more productive crop varieties and cultivation practices.

ARP II has trained near-landless men and women to raise fish in abandoned ponds, and is training agricultural extension workers and even family planning workers in homestead gardening techniques. These workers have transferred this technology to landless women. Though the ARP II ended in June 1993, research activities in fish and vegetable production are continuing with technical services from ICLARM and AVRDC, under U.S. assistance program in agricultural research.

(c) **Rural Finance and Financial Sector Reform (\$90,829,000)** - Through the experimental phase of the Rural Finance project, funded at \$6,313,000, nine Bangladesh credit institutions tested models for extending credit to the rural poor. The follow-on project began in 1983 and funded at \$75,000,000, emphasizes policy reforms aimed at savings mobilization, changes in the interest rate structure, loan administration reform including an effective system to encourage prompt repayment of loans, and institutional strengthening of participating banks. Project funds were used by the Bangladesh Bank to reimburse the Bangladesh Krishi Bank and other banks based on their disbursements of credit to the rural population. The new project - Financial Sector Reform Technical Assistance - was initiated in 1990 with an initial obligation of \$5,700,000. It aims at improving the sustainability of the banking sector through adoption market interest rates, improved credit assessment and loan monitoring, and modernization of bank supervision, organization and operation. The technical assis-

tance is a companion to a World Bank credit of \$175 million.

(d) **Other Agricultural Production Activities - \$54,340,000** has financed a variety of activities including irrigation pumps, feasibility studies, training, rural roads construction and agro-climatic monitoring. The major ones include:

(i) **Project Development (\$17,275,000)** - These funds have been used for feasibility studies, and design of projects which are directed toward expanded agricultural production.

(ii) **Small Scale Irrigation (\$12,465,000)** - This FY 76 loan financed production and distribution of 180,000 handpumps for sale to small farmers.

(iii) **Feeder Roads Maintenance and Improvement (\$14,200,000)** - By institutionalizing an effective program of development and annual/seasonal maintenance of the roads under jurisdiction of four Zilla Parishads (District Councils), the project is intended to improve access to rural areas and thereby contribute to the overall socio-economic improvement of those areas.

(iv) **Agro-Climatic/Environmental Monitoring (\$10,400,000)** - The project is aimed at improving the management of soil, water and sylvan resources in Bangladesh by upgrading Bangladesh's capability to obtain, analyze

The U.S. has made significant contributions in the energy and employment sectors to improve the lives of the rural poor.

and disseminate data on the local environment relating to agriculture, meteorology, forestry, fisheries and eco-systems. Additionally, the infrastructure created by this project (SPARRSO) has proven itself a key asset for predicting and tracking cyclones and other weather hazards. In spite of deficiencies in cyclone preparedness, Bangladesh's ability to warn the population in the Chittagong area (a capability it lacked in 1970) saved the lives of thousands who were able to find shelters.

(3) Rural Industries/Employment - In Bangladesh rural unemployment/ underemployment stands at about 30 percent and is increasing. Expansion of off-farm employment through rural industries is a key way of solving this problem.

(a) Rural Industries (\$4,985,000) - The project provided technical assistance, credit, training and other inputs to various agencies engaged in promotion and development of rural industries.

(b) Enterprise Promotion (\$9,775,000) - This includes the Enterprise Development project, initiated in 1986 to assist the Micro-Industries Development Assistance Society (MIDAS) in providing small loans to private entrepreneurs for setting up innovative and export-oriented industrial enterprises, and the recently initiated Women's Enterprise Development project. MIDAS, initially a project of the Asia Foundation, is developing into a development finance institution with its own resources as well as support from other donors.

(c) Industrial Promotion Project (\$3,336,000) - The project initiated in FY 89 is intended to support and expand efforts to develop the Bangladesh private sector and increase employment by expanding the size and number of private enterprises, especially those employing labor-intensive technologies.

(4) Energy - New requirements brought on by Bangladesh's population expansion are gradually depleting traditional energy sources and damaging the environment. A.I.D is assisting the Bangladesh Government in developing new energy sources and improving the management of existing activities. U.S. assistance to date is \$188,619,000 for improvement in the generation and distribution of electricity, research on energy policy and maintenance studies on existing generating units.

(a) Karnaphuli Third Unit (\$10,200,000) - During the 1970s, the loan financed the installation of a 50 MW generating unit at the Karnaphuli Power Station at Kaptai in the Chittagong Hill Tracts. No additional USAID involvement is contemplated.

(b) Rural Electrification I, II & III (\$176,779,000) - Since 1976, when only 3% of the rural areas of Bangladesh had electricity, A.I.D. made a long term \$34.0 million loan and \$142.779 million grant available for the Rural Electrification Board (REB) to provide electrification at reasonable rates in rural Bangladesh. Under the program, approximately 610,000 domestic connections have been provided and 8775 irrigation pumps and 29,000 small commercial and industrial units have been electrified in the 17 Palli Bidyut Samityas (PBSs), now reaching 40% of the rural population. By the year 2000, most of rural Bangladesh will have access to electricity. Several other donors are now involved in Rural Electrification and AID has shifted its focus from construction to providing technical assistance for the entire REB effort.

(c) Energy Research (\$1,640,000) - \$310,000 has been provided to the Center for Policy Research, Dhaka University to conduct a study on energy policy and \$40,000 has been provided for a study on the rehabilitation/upgrading of the existing Karnaphuli 1 and 2 units. \$1,290,000 has been provided in FY 83 to engage a U.S. firm; Bechtel Inc. to assist Petrobangla in setting up a Data Center for Petrobangla and to provide other related Technical Assistance.

C. Other Program Support

(1) Disaster Relief - \$272,818,000 was provided for relief and rehabilitation efforts, primarily during the post-war recovery period, after the 1974 floods, in support of the Arakanese Refugees Relief efforts, for the

The U.S. has been a leader in disaster preparedness and providing assistance in the time of disasters.

1985 cyclone victims and 1987 and 1988 flood victims. Most recently, for the 1991 Cyclone, A.I.D. provided \$4,662,000 for disaster grants to NGOs and the purchase of ORS and water purification tablets. It also facilitated the U.S. military's humanitarian Joint Task Force "Operational Sea Angel."

(2) **Private Voluntary Organizations (PVOs)** - \$34,173,000 for grants to PVOs to implement rural development, health, women in development activities has been provided. Assistance through PVOs started in FY 72 with the relief and reconstruction phase of U.S. assistance and has been expanding since then. Apart from the relief and reconstruction program, funds were provided under the PVO Co-Financing projects I and II and the on-going Private Rural Initiatives Project (PRIP). PRIP is aimed at supporting U.S. and Bangladeshi PVOs to improve their management and strategic planning capacity by obtaining technical assistance, funding support organizations and networks, funding training and research. (Assistance through PVOs/NGOs in the Family Planning and Health sectors, accounting for more than fifty percent of the total resources in those sectors, has been included under the Family Planning and Related MCH Programs section).

(3) **Miscellaneous Assistance** - \$65,409,000 has been made available for a variety of activities including; training, project development, seminars/workshops, pilot projects, research studies, grants to CARE to administer the Food For Work Program, support for the National Women's Development Academy, assistance to the Flood and Cyclone Warning System, assisting the Bangladesh Bureau of Statistics in conducting a nation-wide census of small enterprises, funds to NGOs for promotion of democratic institutions in Bangladesh, and additional funding for the ongoing U.S. participation in the Flood Action Plan.

III. Assistance to East Pakistan (1953-71)

Between 1953 and 1971 an estimated \$644.5 million dollars was provided to East Pakistan. This support included Karnaphuli Hydro-electric project units 1 and 2, \$67.1 million for coastal embankment projects valued at \$81.5 million and support for Agricultural and Engineering Universities in the amount of \$9.1 million. In addition, large amounts of foodgrains, fertilizer, and vegetable oil were made available. Various projects, such as malaria eradication and

family planning, covered both East and West Pakistan. As a result, it is often difficult to differentiate which area received what funding.

An estimate of total funding for East Pakistan is given below (1953-71):

	(\$Million)
Agriculture & Natural Resources	355.0
Health & Sanitation	40.5
Education	55.1
Industry	0.4
Roads, Railways, Waterways & Ports	59.0
Power Sector	86.6
Miscellaneous Support	24.8
Relief & Rehabilitation	23.1
Total	\$644.5

IV. Tables

U.S. BILATERAL ASSISTANCE	
ALL YEARS SUMMARY	
(DECEMBER 1971 - SEPTEMBER 1993)	
1. Food Assistance	1,854,941,000
Food for Work	315,742,000
PL 480 Title I	500,705,000
PL 480 Title II	142,450,000
PL 480 Title III	896,044,000
2. Population and Health	426,696,000
Family Planning and Related MCH Programs	407,499,000
Cholera Research Laboratory and ICDDR/B	19,197,000
3. Agricultural Production	637,850,000
Fertilizer Import, Production and Storage	436,949,000
Research and Rural Credit	146,507,000
Project Development, Feasibility Studies	
Irrigation pumps, Rural Roads and	
Agroclimatic Monitoring	54,340,000
4. Rural Industries/Employment	18,096,000
5. Energy	188,619,000
6. Other Program Support:	
Disaster Relief	272,818,000
Private Voluntary Organizations	34,173,000
Miscellaneous	65,409,000
Cotton Import	112,727,000
Total U.S. Assistance	3,611,275,000

*Excludes assistance through Family Planning projects

PL 480 TITLE I
(Actual Receipts)

	WHEAT		RICE		EDIBLE OIL		COTTON		TOTAL (\$000)
	MT	(\$000)	MT	(\$000)	MT	(\$000)	BALES	(\$000)	
FY 74	145,086	24,627	-	-	10,023	8,407	-	-	33,034
FY 75	526,147	84,596	350,497	136,776	7,465	4,185	-	-	225,557
FY 76	391,454	58,153	213,430	55,826	40,180	21,488	-	-	135,467
FY 77	280,869	27,866	82,381	20,413	18,785	11,207	-	-	59,486
FY 78	173,000	25,204	-	-	22,547	15,899	34,067	9,969	51,072
FY 79	-	-	-	-	9,051	6,058	-	-	6,058
FY 80	-	-	-	-	-	-	15,029	6,382	6,382
FY 81	-	-	-	-	-	-	-	-	0
FY 82	-	-	-	-	-	-	-	-	0
FY 83	-	-	-	-	-	-	-	-	0
FY 84	-	-	-	-	-	-	-	-	0
FY 85	-	-	-	-	-	-	-	-	0
FY 86	-	-	-	-	-	-	-	-	0
FY 87	-	-	-	-	-	-	-	-	0
FY 88	-	-	-	-	-	-	-	-	0
FY 89	-	-	-	-	-	-	-	-	0
FY 90	-	-	-	-	-	-	-	-	0
FY 91	-	-	-	-	-	-	-	-	0
FY 92	-	-	-	-	-	-	-	-	0
FY 93	-	-	-	-	-	-	-	-	0
Total	1,516,556	220,446	646,308	213,015	108,051	67,244	49,096	16,351	517,056

PL 480 TITLE II
(Actual Receipts)

	WHEAT		RICE		EDIBLE OIL		OTHER		TOTAL
	MT	(\$000)	MT	(\$000)	MT	(\$000)	MT	(\$000)	
FYs 72-76	911,934	64,100	154,440	28,005	87,477	23,943	88,642	26,402	142,450
FY 77 (FFW)	99,973	15,645	-	-	-	-	-	-	15,645
FY 78 (FFW)	66,365	12,483	-	-	-	-	9,991	2,088	14,571
FY 79 (FFW)	192,441	36,597	-	-	-	-	9,998	1,946	38,543
FY 80 (FFW)	60,000	12,804	-	-	-	-	-	-	12,804
FY 81 (FFW)	113,502	25,035	-	-	-	-	-	-	25,035
FY 82 (FFW)	149,804	32,863	-	-	-	-	-	-	32,863
FY 83 (FFW)	150,260	30,836	-	-	-	-	-	-	30,836
FY 84 (FFW)	90,785	17,637	-	-	-	-	-	-	17,637
FY 85 (FFW)	70,000	13,742	-	-	-	-	-	-	13,742
FY 86 (FFW)	102,659	16,404	-	-	-	-	-	-	16,404
FY 87 (FFW)	71,322	9,383	-	-	-	-	-	-	9,383
FY 88 (FFW)	92,110	14,598	-	-	-	-	-	-	14,598
FY 89 (FFW)	90,000	19,521	-	-	-	-	-	-	19,521
FY 90 (FFW)	94,470	17,951	-	-	-	-	-	-	17,951
FY 91 (FFW)	76,727	13,953	-	-	-	-	-	-	13,953
FY 92 (FFW)	64,999	15,268	-	-	-	-	-	-	15,268
*FY 93 (FFW)	38,005	6,988	-	-	-	-	-	-	6,988
Total	2,535,356	375,808	154,440	28,005	87,477	23,943	108,631	30,436	458,192

*Shipment levels.

PL 480 TITLE III
(Actual Receipts)

	WHEAT		RICE		EDIBLE OIL		COTTON		TOTAL (\$000)
	MT	(\$000)	MT	(\$000)	MT	(\$000)	BALES	(\$000)	
FY78	184,063	23,841	-	-	-	-	-	-	23,841
FY79	356,547	56,334	-	-	-	-	-	-	56,334
FY80	406,003	64,738	-	-	-	-	-	-	64,738
FY81	227,318	31,895	-	-	24,995	14,935	-	-	46,830
FY82	171,700	25,900	54,554	15,400	24,496	13,392	27,327	9,176	63,868
FY83	227,500	28,668	35,400	10,000	23,900	10,841	28,500	10,200	59,709
FY84	220,500	31,000	67,000	18,000	14,350	9,000	28,500	10,000	68,000
FY85	395,000	54,500	75,000	20,000	14,352	10,000	33,200	10,000	94,500
FY86	483,991	52,000	63,000	10,000	24,965	10,000	58,322	10,000	82,000
FY87	347,155	37,000	51,566	10,000	27,664	10,000	27,000	10,000	67,000
FY88	170,504	25,000	62,941	15,000	17,240	10,000	33,086	10,000	60,000
FY89	352,916	58,000	28,967	10,000	-	-	32,409	12,000	80,000
FY90	334,093	40,000	-	-	8,691	5,000	39,641	15,000	60,000
FY91	378,534	69,600	-	-	-	-	-	-	69,600
FY92	300,942	58,000	-	-	-	-	-	-	58,000
Total	4,556,766	656,476	438,428	108,400	180,653	93,168	307,985	96,376	954,420