

Development Overview

Bangladesh is one of the poorest countries of the world. Its per capita Gross National Product (GNP) is estimated at \$130 and a Bangladeshi's physical quality of life ranks among the lowest in the world. Nearly 14 percent of infants die before the age of one year, life expectancy is 50 years, and literacy is estimated at only 29 percent. Malnutrition is endemic, especially in chronic food deficit districts.

Bangladesh is the world's most densely populated agrarian country, with over 1,700 people per square mile. A population growing at about 2.7 percent per year (doubling every 26 years) vitiates recent gains in agricultural production and postpones the Bangladesh Government's (BDG's) goal of food self-sufficiency. Intense population pressure on the country's fertile but finite land base is driving many Bangladeshis off the farm. While Bangladesh is still a predominantly rural, agricultural society, pressures on the land base have resulted in a rapid urban growth rate of about 5.6 percent per year. Overcrowding in rural areas has increased the number of rural households that are landless, now estimated at over 50 percent. Estimates of unemployment range from 23 to 42 percent, with annual labor force growth rates projected to rise from 2.8 percent in 1985 to 3.5 percent in the year 2000. Each year about one million people enter the labor force. The agricultural sector cannot absorb significant additional labor, and non-agricultural employment opportunities are also extremely limited. An unskilled human resource base, limited physical infrastructure, lack of natural resources, and inadequate capital combine to retard industrial growth rates. The country suffers from recurrent climatic disasters, ranging from excessive flooding to drought, which impedes development.

Still, there have been some encouraging signs in recent years. A rapid expansion in irrigation has led to increased cropping intensity and adoption of higher yielding crop varieties and improved agricultural technology packages. In addition, sound pricing policies have somewhat mitigated the damaging effects of weather on agricultural production. The superior performance of non-governmental organizations in delivering family planning services is setting a good example for the Bangladesh Government's population program which has also shown significant improvement in recent years. The BDG is thoroughly aware of the magnitude of the unemployment problem. In its Third Five-Year Plan, government places highest priority on the need to generate massive numbers of new productive off-farm employment opportunities. In addition, the continued willingness of the government to make sound macro-economic policy decisions has increased the country's capability to utilize both domestic and external financial resources more efficiently. However, given the low base from which the country is starting, Bangladesh will continue to be heavily aid-dependent for the foreseeable future.

U.S. Interests and Objectives

Bangladesh ranks as the world's eighth most populous country. Its extreme poverty, rapid population growth rate and geographic location in an historically troubled area command U.S. interest in the country's future.

Economic assistance to Bangladesh is the U.S. Government's (USC) principal means of supporting the inter-related objectives of orderly economic growth and stability. Stability is a necessary condition for continuing equitable development and contributes to the important U.S. goal of regional stability in South and Southeast Asia. Conversely, political turmoil and economic distress could once again, as in 1971, introduce severe strains into South Asian regional relationships.

America's historic humanitarian concern requires our involvement in meeting the most basic needs of Bangladesh. But beyond the humanitarian aspect the United States has an interest in demonstrating that it is prepared to work effectively with those poor countries that are adopting sound economic policies in pursuit of development.

The present government is well disposed toward the United States and continues to implement a far-reaching economic reform program including realistic budgets, reduced subsidies, and greater reliance on market mechanisms. The government is making significant reforms in administration and local government, looking toward a return to representative political institutions. National elections are tentatively scheduled for the first quarter of 1986. Sustained U.S. assistance is a critical element in supporting the government's pragmatic development policies and its efforts to move in an orderly fashion toward representative democracy.

A.I.D. Development Strategy

Recognizing that rapid population growth compounds the difficulties in meeting agricultural production and employment needs, A.I.D. continues to give highest priority in Bangladesh to the goal of reducing human fertility. The goal will be addressed by increasing the use of modern family planning methods delivered by governmental and non-governmental programs. A.I.D. will also focus on ways to stimulate additional demand for family planning and maternal child health services. Secondly, agricultural productivity must be increased to raise rural incomes and reduce the need for imported foodgrains. A.I.D. approaches this goal through the development and dissemination of improved agricultural technologies; by improving the supply and distribution of inputs; through development of key infrastructure; and through development of human resources. An additional and increasingly critical objective is the expansion of employment opportunities, through the development of small private enterprises, dissemination of appropriately labor-intensive agricultural technologies, a Food For Work public works program, improvements in financial markets, and development of selected infrastructure. A.I.D. will assist the BDG create and sustain a policy and institutional environment that encourages the development of labor-intensive enterprises.

Infusing the basic strategy is an active multi-faceted policy dialogue with particular emphasis on strengthening the role of markets and increasing the scope of private sector participation in the economy. Significant levels of assistance, combined with policy analysis and quality technical assistance, have created an atmosphere of mutual confidence that permits A.I.D. to advise and consult with the government in many of the most critical economic policy issues it faces. The broad impact of A.I.D.'s programs in Bangladesh can be measured best by the important and effective policy changes, described below, obtained in exchange for substantial U.S. assistance.

A.I.D. Program (FYs 1985-1986)

The current A.I.D. program advances the mission strategy in the following ways:

A. Reducing Fertility

The Family Planning Services project (388-0050) addresses the Mission's priority program through grants to governmental and non-governmental population activities. A.I.D. financing for the government program continues to include commodities (contraceptives, surgical supplies and equipment), demographic research, maternal and child health training materials, contraceptive prevalence surveys, community-based family planning projects, participant training, and the local-cost financing of the voluntary sterilization program. A.I.D.'s participation helps meet the increasing demand for family planning services. A.I.D.'s active monitoring of voluntary sterilization services has helped ensure that both the quality of services and voluntary nature of the government's program are maintained. A.I.D.'s assistance to non-governmental organizations enables them to finance family planning projects. These include community-based distribution programs and voluntary sterilization clinics, maternal and child health/family planning clinics, and subsidized private sector marketing of contraceptives.

Higher contraceptive prevalence rates will eventually be contingent on measures to stimulate and sustain greater demand for fertility reduction. A.I.D. will continue to explore new social measures to enhance acceptance of the small family norm, as well as ways to broaden the market for family planning services.

The Social Marketing project's (SMP) increased distribution of pills and condoms to retailers has increased access by the population to family planning services. The SMP is considered a prototype for other social marketing endeavors. Contraceptive sales through this retail sales program are, by definition, voluntary and based on consumer demand. Financing from the Child Survival Fund is used to initiate a national oral rehydration solution marketing program. A.I.D. funding will continue to the BDC, non-governmental organizations and retail sales programs. In addition, A.I.D. will collaborate with NGOs to provide maternal and child health services.

B. Increasing Agricultural Productivity

The Agricultural Research II project (388-0051), begun in FY 1981, is an integral part of A.I.D.'s long-term commitment to developing agricultural research capabilities in Bangladesh. The project supports efforts to develop more productive crop varieties and cultivation practices by strengthening the institutional capacity necessary for technological advances and by decentralizing research to regional substations and farmers' fields. The objective is to diversify crop production and improve the efficiency of fertilizer use. In FY 1985, the Mission conducted an external evaluation of the Agriculture Research Program. This evaluation resulted in a revised Mission proposal for a project supplement to extend the Agricultural Research II project until 1991, focussing on a farming systems research approach. The evaluation team found that, while most of the project's objectives were being met, A.I.D.'s commitment to institutionalizing the national agricultural research capability requires sustained support over a longer period than originally envisaged.

In an effort to improve the quality of advanced agricultural training, funding from the Technical Resources project (388-0027) will be provided for technical assistance in curriculum design and agricultural extension from a Title XII university to the Bangladesh Institute of Post-Graduate Studies in Agriculture (IPSA). This program is jointly funded with the Japan International Cooperation Agency (J.I.C.A.).

The deforestation rate in Bangladesh is estimated to be significantly higher than the average for the Asia region. The Homestead Agro-Forestry Development project (388-0062), to begin in FY 1986, addresses the critical problem of rapidly depleting fuelwood supplies, especially for the rural poor. The project aims to develop the BDG's capability to provide the assistance needed to significantly increase small farmers' production of trees, shrubs, bamboo and other ground cover. Bangladesh's forestry efforts have, until recently, focussed on the protection of reserve forests. The A.I.D. project emphasizes homestead forestry, which provides 90 percent of all fuelwood used, and will introduce an agro-forestry component at existing cropping systems sites.

The Fertilizer Distribution Improvement II project (388-0060), initiated in FY 1984, continues the process begun by its predecessor project to increase fertilizer use through improvements in the marketing system, provision of adequate fertilizer supplies, and increased national storage capacity. A.I.D. has successfully negotiated the removal of government constraints on the operations of private-sector fertilizer retailers, the elimination of officially administered retail prices, and the closure of a large number of government fertilizer sales centers. The project focusses on the entry of private sector wholesalers into large-scale fertilizer distribution and marketing, elimination of fertilizer subsidies, and fertilizer dealer development and sales promotion. Where the phase one project accomplished that transfer at the local level, the current project extends the private sector's role to the national level. As a result of a current BDG-A.I.D. policy dialogue, private distributors will for the first time be allowed to procure fertilizer from ports and factories, and compete with the government for national distribution. A.I.D. is supporting the new distribution system by financing fertilizer imports, credit for private distributors, technical assistance in distribution and marketing, and minor infrastructural improvements to increase access to ports, factories, and warehouses.

A.I.D. will continue to fund the Zila Roads Maintenance & Improvement Project (388-0056). Serving as the link between farm-to-market (food for work) roads and the national highway system, these district level roads facilitate farmers' access to production inputs, credit and markets, as well as provide immediate employment benefits. The project will train an additional 150 engineers in road maintenance techniques. Most importantly, the project is demonstrating the benefits of a road maintenance system that can be replicated throughout the country.

PL 480

PL 480 programs in Bangladesh provide essential support to A.I.D.'s strategy to increase agricultural production and provide rural employment. The Food for Work (FFW) III project (388-0061), initiated in FY 1985, will continue a successful program of upgrading local foot paths and seasonal roads into farm-to-market roads that are accessible throughout the year. The FFW activity is an excellent example of how food commodities can be fully integrated into A.I.D.'s

development program. The sales proceeds of supplemental PL 480 shipments finance a program of bridge and culvert construction on FFW roads, increasing their utility and development impact. Bridge and culvert construction will continue in both current and requested year programs.

The PL 480 Title III program for FY 1985, an extension of the multi-year agreement begun in FY 1982, finances wheat, rice and other agricultural commodities. The on-going program is providing support for key policy reforms that are designed to improve the efficiency of public food distribution system, reduce food subsidies and encourage domestic food production. Under the Title III agreement, the BDG has increased significantly the price of rationed foodgrains above the procurement price, adopted a procurement program that supports producer prices and acquires domestic commodities for the reserve system, and strengthened the use of open market sales to moderate retail price changes. An evaluation performed in the fall of 1985 concluded that the government has performed well in meeting the goals of the program.

Local currency generated from Title III sales are used to finance agricultural research, irrigation, and other projects that move Bangladesh closer to the goal of food self-sufficiency.

In addition, during the course of FY 1986, a comprehensive Food and Agricultural Policy Study is examining the policy impact of the current Title III program that began in FY 1982. The study team will explore possibilities for new food and agricultural policy initiatives and make recommendations that may form the basis for the new multi-year agreement that will begin in FY 1987.

C. Expanding Employment Opportunities

An extremely high rate of unemployment and underemployment, fueled by a high population growth rate and stagnant per-capita agricultural productivity, is one of the most critical problems confronting Bangladesh. A.I.D. will continue to fund projects, as well as begin new initiatives, that seek to address the unemployment problem.

Enterprise Policy Reform (388-0067), initiated in FY 1985, is designed to provide both A.I.D. and the BDG with a better understanding of policy and institutional constraints that may hinder the development of labor-intensive small and medium size off-farm enterprises. The project constitutes the initial phase of a long-term A.I.D. commitment to enterprise development in Bangladesh, and is providing A.I.D. with information required to engage the BDG in a policy dialogue to remove those constraints. A.I.D. is financing an economic census performed by the Bangladesh Bureau of Statistics, with the support of the U.S. Bureau of the Census. The census will generate benchmark and other data that can be used for further surveys of labor-intensive enterprises. Technical assistance funded under the Technical Resources project (388-0027) will be provided to the Bangladesh Planning Commission to conduct studies and recommend policies that will encourage the expansion of small enterprises. One example is a study of the potential of subcontracting systems in Bangladesh as facilitators for small scale enterprise development. The project will help define the parameters for A.I.D. involvement in the promotion of off-farm employment.

Enterprise Development (388-0066), beginning in FY 1986, will significantly expand the pilot activities of the non-governmental organization MIDAS, begun under the Rural Industries project (388-0042). A.I.D. believes that prospects for small enterprise development have greatly improved over the past few years as the BDG has moved toward greater reliance on private sector production and free markets. The new project will extend technical assistance and credit to establish and expand small labor-intensive enterprises, many with backward linkages to agriculture or forward linkages to export markets. Evaluations of the predecessor project clearly demonstrated the effectiveness of MIDAS as a business consulting and credit vehicle and its exceptional loan repayment performance. Funds will be used to establish new MIDAS branch offices, as well as create two new divisions within MIDAS: (1) a Business Innovation Division, to identify new product lines, technologies, and marketing strategies; and (2) a Subcontracting Division to encourage commercial relationships between parent firms and small-scale subcontracting firms.

Evaluations of A.I.D.'s Rural Electrification I & II projects demonstrate a significant immediate increase in economic activity when rural areas gain access to electricity, as well as the expansion of irrigation. Seventy percent of power distributed in the Rural Electrification II project (388-0054) is consumed by rural industries and commercial businesses. The Rural Electrification III project (388-0070) will extend the successful program. Technical assistance provided under the project will focus on improving the financial viability of the rural electrification cooperatives by reducing price subsidies, increasing the density of service, and improving management capability.

Building unpaved feeder roads through the Food for Work program linking previously isolated areas with the district road system provides substantial short-term employment. In the Zila Roads Maintenance & Improvement project (388-0056), discussed above, A.I.D. has begun to assist the BDG institutionalize a routine road maintenance program. This program will ensure that rural assets are maintained and a reliable transportation system is developed.

D. Human Resources

Acknowledging that policy and institution-building efforts can only be effective if supported by a strong human resource base, A.I.D. uses the Technical Resources project (388-0027), to finance a limited amount of U.S. and third country training in areas that are not included in our bilateral projects.

The Development & Management Training (388-0068), beginning in FY 1986, greatly expands A.I.D.'s ability to provide quality in-country and U.S. education in public administration, management, business administration, and economics. Training will be focussed at the entry and middle levels of both public and private sector organizations. The project will also strengthen local management and public administration training institutions.

Requested Year Program (FY 1987)

Development Assistance grant funds are requested to fund increments of on-going projects as well as three new projects, two of which are follow-on activities.

A. Reducing Fertility

The Population & Family Planning project (388-0071) will continue the activities begun under the predecessor project (388-0050) providing support to governmental and non-governmental programs delivering a wide range of family planning and health services. A comprehensive evaluation of the current project performed in FY 1986 will assist A.I.D. in the refinement of service delivery activities. It will also explore ways to increase the demand for fertility reduction including expansion of female education and employment opportunities.

B. Increasing Agricultural Productivity

FY 1986 funding will be provided for such on-going activities as Fertilizer Distribution Improvement II (388-0060), Homestead Agro-Forestry (388-0062), Rural Electrification III (388-0070), and Zila Roads Maintenance & Improvement (388-0056). Additional funding is requested for a multi-year amendment beginning in FY 1987 to Agricultural Research II (388-0051) to strengthen the Bangladesh Agricultural Research Council's capability to manage effectively the nation's research system. This project will continue existing programs in grain production and improved irrigation techniques, as well as strengthen efforts recently begun in horticulture, livestock feed and tillage practices. Farming systems research field trials, currently being tested, will be more closely linked to the national extension system. Curricula at the agricultural university and training institutes will be updated to incorporate farming systems research as a research and extension methodology.

In FY 1987, A.I.D. plans to initiate a PVO Co-Financing project (388-0072). The project will fund activities of both indigenous and U.S. private organizations that provide a broad range of services directly to the most economically and socially disadvantaged. The large PVO community in Bangladesh has worked effectively with the poor, and direct grants will be made to support a number of PVO activities. A.I.D. will also provide funds and technical assistance to the Association of Development Agencies in Bangladesh (ADAB), a consortium of all PVOs working in Bangladesh, to permit ADAB to assist PVOs improve their project design, implementation and evaluation capabilities as well as management and accounting skills. While agriculture, rural development and nutrition will be emphasized, education and selected development activities funds will also be used.

The PL 480 Title II Food for Work project (388-0061), managed by the U.S. PVO CARE will continue to finance such small rural infrastructure projects as feeder roads and bridges which are currently providing seasonal employment to over 800,000 landless rural poor.

A.I.D. also requests funds to initiate a new multi-year Title III program. While the program will continue to sustain the current foodgrain pricing and marketing policy initiatives, the new agreement will focus on additional policies designed to stimulate food production and agricultural productivity.

C. Expanding Rural Employment

Incremental funding is requested for the on-going Rural Electrification, Enterprise Development, and Food for Work III projects that will continue to stimulate off-farm employment opportunities. Additional funding under the Technical Resources project (388-0027) is requested to continue technical

assistance to the Planning Commission. Consultants will conduct studies and make specific policy recommendations designed to facilitate the expansion of small enterprises.

D. Human Resources

Continued funding is requested for the Development and Management Training project (388-0068).

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