

Japan's Country Assistance Program
for Bangladesh

May 2006
Government of Japan

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Introduction

The People's Republic of Bangladesh is a least developed country (LDC) with consistent economic growth over the years. Approximately half of its population of over 140 million people lives below the poverty line, and its annual per capita national income is approximately US\$450. Nonetheless, Bangladesh has sustained an annual economic growth rate of approximately 5% in the past decade or so. This rate is a high level for a LDC. Consequently, the ratio of people living below the poverty line has been falling, and social development indicators have been visibly improving at the same time. Bangladesh is also known for creating a number of new development models such as microfinance. Although poverty reduction remains the most immediate challenge for Bangladesh, this country has a great potential that will spearhead a new vision of development in the world.

Bangladesh needs to make further headway in poverty reduction with a view to attaining the Millennium Development Goals (MDGs). For that purpose, Bangladesh must (1) expand and stabilize its basis of growth driven by the private sector, (2) expand social development, and (3) improve governance, including making progress regarding anticorruption and law and order. In particular, it is necessary to provide cooperation bearing in mind the perspective of human security while promoting social development.

Needless to say, it is the government, the leaders and the people of Bangladesh with strong determination to achieve development that would overcome those challenges. What is required to Japan is to provide assistance to ensure that the self-help efforts of Bangladesh and its people will bear fruit in the most effective and efficient manner. With this basic philosophy, Japan will assist the development efforts of Bangladesh and its people in accordance with the Poverty Reduction Strategy Paper (PRSP) issued by the Government of Bangladesh in October 2005.

This program outlines, in concrete terms, Japan's future policy for assistance to Bangladesh. The following part of this program is structured as follows. "Section I"

outlines Japan-Bangladesh relations to date and confirm the significance of Japan's assistance to Bangladesh. "Section II" summarizes Bangladesh's current political, economic and social situations and its challenges in development, and measures taken by the Government of Bangladesh and various donor countries and aid agencies including Japan to tackle those challenges. "Section III" describes in detail Japan's new aid policy, priority goals and priority sectors based on the understanding of the current situation. The details of the priority sectors are summarized in the Appendix.

I. Bangladesh and Japan

Since its independence in 1971, Bangladesh has consistently maintained good relations with Japan and the people of Bangladesh have a strong affinity towards Japan. While the bilateral relations appear to be described in such a common expression at first glance, the relations between Japan and Bangladesh deserve special meaning, especially compared to the relations between Bangladesh and other countries it deems important, namely India, the United States, Middle Eastern countries, European Union and China. The relations of Bangladesh with those countries and regions have changed dramatically depending on the international politics after Bangladesh's independence and the fluctuating economic relations which were closely linked to its politics. In contrast, Japan has consistently maintained stable friendly relations with the country and actively committed to the Bangladesh's efforts in development ever since Japan's approval of its independence at an early stage, despite of all changes in Bangladeshi domestic politics and diplomatic stance. This Japan's basic stance will be applied continuously in the future Japan-Bangladesh relations.

Standing on the above-mentioned basic stance, Japan considers the Japan-Bangladesh relations nowadays is of vital importance in the following three aspects, in view of the changes in the international community as the end of the Cold War, globalization, promotion of economic partnerships and growing interest in development issues, Bangladesh's role against this background and socioeconomic changes taking place in Bangladesh and Japan.

(1) Realizing poverty reduction and growth

Poverty reduction is a global issue as well as an exceedingly important challenge for Asia's future. Bangladesh is one of the largest LDCs in Asia, in which 49.8% of the

population lives below the poverty line set by the government and 36% of the population lives on less than one dollar a day. Many socio-development indicators including the maternal mortality ratio remain at a level where improvements are necessary. Bangladesh also has the largest population among LDCs. From the perspective of achieving the MDGs, Japan, as a major country in the world and in Asia, needs to vigorously assist Bangladesh's self-help efforts aimed at poverty reduction and growth.

(2) Building a foundation for international cooperation

Bangladesh has been engaged in vigorous diplomatic activities in the United Nations (UN) and other fora and has been contributing to peace and stability of the international community by proactively dispatching personnel to peacekeeping operations (PKO) and other means. Bangladesh also has a certain presence in the Organization of the Islamic Conference (OIC) and other bodies as a moderate Islamic country with a democratic government. Furthermore, Bangladesh is making an effort to strengthen cooperative relations among South Asian countries, such as proposing the establishment of the South Asian Association for Regional Cooperation (SAARC). Bangladesh is a vital country from the viewpoint of stability and development in the South Asian region as a whole. Japan's assistance for the development in Bangladesh is significant to the foundation for both Bangladesh and Japan to promote international cooperation on various global and regional challenges of importance.

(3) Strengthening ties as a trade and investment destination

In recent years, Bangladesh's economy has continued to grow at an annual rate of around 5%, and trade and investment with Japan are beginning to expand. As economies develop and economic partnerships strengthen in the whole of Asia, there is a great possibility that South Asia, following China and the Association of Southeast Asian Nations (ASEAN) countries, will develop into a major market and investment destination for Japan in the future. Not only is Bangladesh situated between Southeast Asia and India, it also has such advantages as deep ties with Japan and relatively low labor costs among countries in South Asia. The Government of Bangladesh has promoted a Look East Policy and is strengthening economic relations with Southeast Asia and East Asia. If the trade and investment climate improves in the future, it may be possible to further reinforce mutually beneficial economic relations between Japan and

Bangladesh in the medium to long term.

II. Development Context and Issues

(1) Current situation and challenges

A. Political situation

After many years of military rule following the coup d'état in 1975, Bangladesh made the transition to a political system based on democratic processes through the general election in 1991. Nonetheless, problems of governance, such as discontinuity in government policy, prevailing corruption and worsening law and order, have become serious under a bipolar confrontation between the Bangladesh Nationalist Party (BNP), which constitutes the core of the current ruling party, and the Awami League, the biggest opposition party. As a result, Bangladesh can not maximize its potential for development and economic growth. A notable example is the recurrence of hartals (general strikes), which are carried out as means of a rebel campaign by the opposition parties. Hartals not only directly hit the lives of general citizens, especially those who live below the poverty line, but they also serve as an obstacle to investment and education. The continuing confrontation between the two main political parties even after three peaceful regime changes since 1991 is a major destabilizing factor for people's livelihood and social stability in Bangladesh.

B. Economic situation

With the exception of years when massive floods occurred, the Bangladesh economy has experienced relatively stable GDP growth at rates of approximately 4-5% every year since 1980. In particular, it has grown at an average annual rate of over 5% since FY1996/97. Factors underpinning such growth include robust exports of readymade garments, steady domestic demand buttressed by exports and remittances from overseas workers, and support from sustained growth in agriculture. Underlying developments behind these factors include economic reforms such as reform of state-owned enterprises and deregulation of trade and investment in which progress has been gradually made since the 1980s. Such economic growth, coupled with price stability, has been contributing to poverty reduction. In this process, overseas assistance including from Japan has also made substantial contribution to the technical transfer and

large-scale capital investment in various sectors, particularly agriculture.

Meanwhile, the annual per capita national income remains at a low level of approximately US\$450, and there is a tendency for the income gap to widen especially in the urban areas. PRSP recognizes that economic growth is essential to mitigate poverty and sets a goal to increase GDP growth rate to 7.0% by FY2007/08. Nonetheless, there are uncertainties surrounding future trends in exports of readymade garments and remittances from overseas workers, which currently shore up the growth. Regarding exports of readymade garments, there are still concerns about the future impacts of the expiry of the Multi Fibre Agreement (MFA) at the end of 2004. At any rate, the key is to diversify export industries so as to substitute and supplement exports of readymade garments in terms of production and to increase private investment including foreign direct investment (FDI) in terms of expenditure. In addition to development of physical infrastructure, improving the investment climate including governance problems is a challenge. Reforming inefficient state-owned enterprises and the financial sector which is unable to expand savings and investment and to allocate resources efficiently is a must in aiming to improve macroeconomic productivity and expand incomes. The effective use of natural gas, a valuable domestically produced natural resource, is indispensable for economic growth, and the key is the efficiency in terms of both production and consumption.

For the economy of Bangladesh, characterized by a large population and high population density, development of social sector such as education and health is important not only from the perspective of improving living standards but also in view of harnessing labor force, a vital resource, in achieving economic growth. On the other hand creating employment is essential in order to link economic growth to poverty reduction. What is important is to realize economic growth with an emphasis on employment creation including fostering small- and medium-sized enterprises through improving access to financing.

Moreover, a variety of changes are taking place in rural areas where approximately 70% of the total population lives. These changes resulted from: an expansion of dry season agricultural production brought about by the so-called Green Revolution characterized by the promotion of irrigation and high-yielding varieties of crops; the growth of the non-agricultural sector; and the spread of microfinance. Even with various changes, rural areas whose the ratio of people living below the poverty line exceeds 50% still lag

behind economically compared to urban areas (where the ratio of people living below the poverty line is 36.6%). The share of agriculture in GDP is declining every year and stands at approximately 20% at present, but over 50% of the population is engaged in agriculture. As indicated by the fact that the growth rate of the overall economy tends to decline in years when agricultural production falls, agriculture has a significant impact on Bangladesh's entire society and economy. Bangladesh has become almost self-sufficient in rice, but many uncertainties remain concerning climate conditions including floods. Furthermore, as for the expansion of dry season crops which drove increased food production, future prospects warrant no optimism because of diminishing arable land and declining irrigation efficiency. Agricultural and rural development is an urgent and vital challenge to tackle in order for Bangladesh to sustain balanced economic growth and poverty reduction.

C. Social development

Since independence, significant progress has been made in Bangladesh such as a decline in the infant mortality rate and an increase in the primary school enrollment rate with mitigating the gender gap. Bangladesh's social indicators are therefore favorable despite a relatively modest income level. The ratio of people living below the poverty line in Bangladesh in 2000 was 49.8% and remains high compared to 35.6%, the average for Southwest Asia (excluding the Republic of Maldives and Kingdom of Bhutan). The infant mortality rate (per 1000 live births) and under-five mortality rate (per 1000 live births) in Bangladesh were 51 and 77, respectively. The fact that these figures are lower than the averages for Southwest Asia, which are 56.8 and 77.4, respectively, proves that certain results have been attained regarding social development in Bangladesh.

Despite such progress, however, roughly half of the population is still living in chronic poverty, and is constantly faced with the threat of survival because of natural disasters and sudden hardship brought about by the deteriorating economy under fragile living conditions and living environment in the absence of economic stability. For instance, Bangladesh is struck with cyclones and flood damages almost every year due to its topography and climate zone. In recent years, although the direct death toll from cyclones and flood damages has declined, the number of victims and economic losses have instead increased. Thus this remains a grave issue for the government as well as those who live in disaster-prone regions.

With respect to health, many people still suffer from preventable diseases and the more socially vulnerable they are, such as women, children, people with disabilities and minorities, the more they are likely to be unable to avoid health risks. As for education, although the adult literacy rate has rapidly improved, approximately 60% of the population still cannot read or write and approximately 70% of women cannot read or write. In addition, the net enrollment rate for primary education reached 90%, but the dropout rate is high. This is a major challenge, along with improving the quality of primary education. Furthermore, the net enrollment rate for secondary education is low at 44%. This is a sizeable challenge to address in aiming to further improve the level of education in the entire nation. In terms of environment, various urban environmental problems have arisen such as air and water pollution, waste management and so on, due to the expansion of urban areas and rapid population growth. The urban infrastructure development including water supply and sewage management lags behind and the arsenic pollution in the ground water is a serious issue.

Non-governmental organizations (NGOs) play a substantial role in social development. However, it is vital for the government and administration to play a role to ensure the effectiveness of efforts to address various challenges in social development and to sustain the results. Improving local administration systems and coordination between government and NGOs are challenges to this end.

D. Governance

Even though Bangladesh began nation-building under adverse conditions such as floods, famine and the destruction of infrastructure from the war of independence, it has made a certain level of progress in social indicators, economic growth and poverty reduction, especially in recent years. Nonetheless, issues including inefficient public administration systems and institutions, corruption, poor law and order situation and the weak judicial system impede efficient and effective implementation of assistance projects as well as FDI. Dealing with various issues of governance is a great challenge in realizing development including economic growth and improvements in social indicators.

At the central level, improvement of policy implementation capacity is an urgent task. Necessary efforts towards this end would include promotion of mutual coordination among ministries, divisions and implementing agencies; enhancement of the expertise

of civil servants; improvement of the recruitment system based on the required capacity and skills; and development of personnel systems that offer incentives. Low pay among public servants and employees of state-owned enterprises and public finances lacking in transparency also contribute to widely-observed inefficiency in administrative services. Other pressing challenges at the central level include protection by the police and law, improving access to justice and securing human rights. These issues often greatly affect peoples' lives and serve as obstacles to improvements in the quality of life.

At the sectoral level, there is a need for institution building and capacity development of implementing agencies. There are many issues regarding their efficiency in public works including construction, operation and maintenance of roads and power plants, among others, and in the provision of public services such as education and health. As is the case for power, communications and urban water supply sectors, excessive government intervention hinders the improvement of efficiency in sectors for which adopting an autonomous management system while maintaining its public nature would allow the effective provision of services.

At the local level, because neither the smooth provision of various public services nor the implementation of public works based on the rural residents' needs are carried out due to an overly centralized system, the enhancement of community's capacity and development of systems in which community's needs are reflected, along with promotion of decentralization, remain issues from the poverty reduction perspective. .

(2) Approaches to development

A. The Government of Bangladesh

The Bangladesh Government released the draft PRSP in January 2005, and finalized the PRSP in October 2005 after consultations with stakeholders. PRSP taking into account attainment of the MDGs identifies the following issues as the medium term strategic agenda in poverty reduction: (1) Employment, (2) Nutrition, (3) Quality Education, (4) Local Governance, (5) Maternal and Child Health, (6) Sanitation and Safe Water, (7) Criminal Justice, and (8) Monitoring. Based on the policy triangle, which is constituted of pro-poor economic growth, human development and governance, PRSP provides details of each of strategic blocks and supporting strategies and summarizes specific measures into a policy matrix. It also provides indicators and framework for the

monitoring & evaluation.

B. Japan

Up to now, Japan has used its knowledge and experience of having contributed to the socioeconomic development of developing countries preliminary in East Asian region, and vigorously provided assistance mainly in infrastructure development, social development and human resource development as one of the major donor countries. Since formulating the Country Assistance Program in March 2000, Japan has identified the following as priority areas: (1) agriculture, rural development and improvement of agricultural productivity, (2) improvement in the social sector (basic human needs, human resource development), (3) basic infrastructure for investment and export promotion, and (4) disaster management. Based on that priority, Japan has provided assistance for agricultural infrastructure development, participatory agricultural development, maternal and child health, polio eradication, science and mathematics education, bridge construction and cyclone shelter construction, among other things. One of the characteristics of Japan's record of assistance is that large-scale infrastructure projects through yen loans have been undertaken in the area of basic infrastructure development for investment, and assistance in this area accounts for approximately 60% of Japan's total amount of official development assistance (ODA) on a monetary basis. Meanwhile, Japan has provided assistance mainly through technical cooperation and grant aid in the area of social development. Bearing in mind international requests to reduce the debt burden of the poorest countries, Japan began providing grant aid for debt relief in 1978 and has been implementing debt cancellation in lieu of grant aid for debt relief since FY2003 (debt cancellation applies to assistance offered until FY1987; as for debt thereafter, repayments have been made properly).

C. Other donor countries, agencies and NGOs

The major donor countries and agencies in Bangladesh include the World Bank, Asian Development Bank (ADB), Japan, United Kingdom (UK), United States (US) and United Nations Development Programme (UNDP). EU, Canada, Australia and various other UN agencies also offer assistance.

The World Bank provides investment loans for projects, program loans and technical assistance. The World Bank, jointly with the International Monetary Fund (IMF), is

increasing assistance to the Ministry of Finance. The Bank, with other Development partners, is also supporting Health, Nutrition and Population Sector Programme . In response to the World Bank Headquarters' policy shift toward placing importance on assistance for infrastructure, the World Bank has been stepping up its efforts to shift toward putting greater emphasis on infrastructure in Bangladesh as well.

The ADB has been implementing various projects focusing mainly on infrastructure. The amount of loans provided is equivalent to that of the World Bank, and the ADB also offers a range of technical assistance. In the Second Primary Education Development Program (PEDP-II), moreover, the ADB manages a pool fund whereby major donor countries and agencies open a special government account in the recipient country, pool the funds once and then provide assistance from the account. The ADB also coordinates among Japan and other donor countries and agencies that provide parallel assistance.

In addition to coordinating among various UN agencies, the UNDP has been exhibiting its strengths in the provision of assistance in governance (promoting democracy, strengthening parliament, promoting human rights, enhancing decentralization and police reform) and in efforts centering on the monitoring of MDGs.

The UK Department for International Development (DFID) is strengthening assistance in core governance including public financial management, capacity building of civil servants, assistance for NGOs, and sector governance (i. e. road administration). The DFID also offers assistance for social sector programs (health and education). It is currently increasing the amount of assistance, making it a major donor country, on par with Japan in terms of bilateral assistance.

The US, through US Agency for International Development (USAID), continues to offer assistance through NGOs. With respect to governance, the US carries out assistance for promoting decentralization and measures against corruption.

In addition, NGOs are extremely active in Bangladesh. Many national NGOs, including large-scale NGOs, such as BRAC, operate with assistance from Western donor countries. The NGOs are collaborating, on the day to day basis, with the government, donors and development agencies. Japanese NGOs are also carrying out meaningful activity in this context. These NGOs play a significant role in providing social services and a social safety net so as to supplement the part of government functions. They also conduct vital

activities in regions where assistance from the government is inadequate, such as the Chittagong Hill Tracts.

D. Development partnership

Donor coordination among Development Partners has been vigorously promoted in Bangladesh. With the Local Consultative Group (LCG) and approximately 20 LCG sub-groups as the pivot, progress has been made in the collaborative efforts with regard to information sharing and coordination in program/project implementation. With respect to primary education and health, Development Partners have been supporting sector programs (program-based approaches) through the consortium comprised of the government and Development Partners. Expansion of program-based approaches to other sectors is also being explored.

Since the finalization of PRSP, joint efforts have been made to establish the new mechanism to implement and monitor PRSP. Furthermore, the Government, in collaboration with Development Partners, endeavors to promote ownership, alignment, harmonization, result-based management and mutual accountability, based on the Paris Declaration for aid effectiveness in 2005.

Japan is also providing positive contribution to these efforts. Japan has served as a member of the LCG Executive Committee (2003-2005) and has been actively contributing to the GoB-DP dialogue at the PRS Implementation Forum (formerly called Bangladesh Development Forum) and to the management of LCG and its sub-groups. Japan has also been instrumental in promoting aid effectiveness and harmonization in the country. In addition, collaboration/cooperation with individual donor countries and agencies has been further deepening, such as joint research with the ADB on poverty reduction and growth, joint visit with UNICFF to the project sites of joint activities, seminar jointly hosted with World Bank, high level joint visits to Bangladesh to promote cooperation with DFID, and Joint Strategy Partners (JSP) initiative with World Bank, the ADB, and DFID, to formulate a joint country assistant strategy to Bangladesh. .

III. Japan's Assistance Strategy

(1) Basic principles

A. Support for ownership and self-help efforts of Bangladesh

In Bangladesh, which has continued to receive assistance from numerous donors as the largest LDC in Asia, certain results are beginning to be achieved from the efforts that have been made over the long run. In the days to come, the challenge will be to enhance development effectiveness of projects and ensure sustainability through strengthened ownership and self-help efforts of Bangladesh. As supporting self-help efforts of developing countries forms the basis of Japan's assistance, Japan intends to continue respecting for Bangladesh's own initiatives to the greatest possible extent through close policy dialogues with Bangladesh, and providing support and cooperation for capacity development as a basis for enhanced ownership. In particular, as the Government of Bangladesh finalized PRSP in October 2005, Japan will back its prompt and effective implementation in coordination with other development partners. Japan hopes that by providing assistance for poverty reduction, which is the Bangladesh's major national goal, Japan can further deepen good relations with Bangladesh.

B. Promotion of development partnership

In implementing assistance, Japan will further strengthen partnerships with a wide range of stakeholders that includes not only the Government of Bangladesh but also other donor countries and agencies, the private sector, NGOs (Japanese NGOs, local NGOs and international NGOs) and research institutions to maximize synergistic and complementary effect. Through these efforts, Japan endeavors for more effective cooperation. Japan will continue to contribute to enhancing collaboration between the Government and Development Partners under PRSP framework, and strengthening LCG mechanism. As for the overall development assistance strategy including formulating and implementing the Country Assistance Program, Japan will closely coordinate in particular with the major donor countries and agencies, namely, the World Bank, ADB and DFID in order to maximize the development efforts through the synergetic effects . Furthermore, coordination/collaboration with the other donor countries and agencies will be further strengthened at a sector level, including promotion of sector policy dialogue and collaboration in implementation of project.

C. Attention to gender and the environment

When formulating and implementing its assistance, Japan will give full consideration to crosscutting issues such as gender and the environment, and in the long run make an

effort to comprehensively introduce a gender perspective into each program and project and ensure that it contributes to environmental conservation. Japan will also give due consideration to make certain that its assistance does not give rise to further economic, social and regional disparities, and provide assistance with a view to eliminating disparities, in the medium to long term, that have resulted from the past process of development and social transformation.

(2) Direction of Japan's assistance, priority goals and sectors

A. Prioritized assistance for poverty reduction, Bangladesh's most pressing challenge

Japan will strategically concentrate on and strive to provide assistance for poverty reduction, which is the Bangladesh's most pressing challenge, and is being tackled through the PRSP.

To use the limited resources in the most effective way, it is advisable to focus on and invest in priority sectors taking Japan's advantages. At the same time, it should be born in mind that achievement of Japan's aid to date could be rooted or expanded and that larger impact could be obtained with a small amount of additional resources through mutual supplementation and division of labor with other donor countries or organizations. From this viewpoint, care should be taken that too much restriction of priority sectors, which are described in the following Section B in this Program, would not result in dilution of aid effect.

B. Priority goals and sectors

Based on the direction outlined above, Japan identifies the following as priority goals for assistance to poverty reduction in Bangladesh. To achieve these priority goals in the most effective and efficient possible way, the sectors referred to in the following goals are deemed as the priority sectors (details of these priority sectors are described in the Appendix).

a. Economic growth

Sustained economic growth is a prerequisite to poverty reduction, and Japan will provide assistance for poverty reduction through economic growth as one of its goals. More specifically, Japan will assist Bangladesh's efforts to accelerate economic growth

(In PRSP, GDP growth rate target to be accelerated from the rate of 6.5% in FY2005/06 to 7.0% in FY2007/08). Furthermore, Japan will confirm various types of social indicators to monitor whether economic growth actually contributes to poverty reduction.

With respect to specific assistance, priority will be placed on private sector development (including information and communication technology (ICT) and tourism), transport, electric power, agriculture and rural development. To develop the private sector, which is expected to drive economic growth leading to poverty reduction, it is essential to improve investment climate regarding both regulatory framework and physical infrastructure. ICT is expected to have a rapid growth in the course of industrial diversification and also has a vital area role as infrastructure for industrial development. As for tourism, the advantage is that it helps enhance Bangladesh's external image, in addition to contributing to foreign currency earnings, regional development and employment creation. Provision of infrastructure such as transport and electric power is important for improving an investment climate, and it also has a direct effect on poverty reduction. Moreover, Japan will provide assistance for agriculture and rural development, which buttress economic growth, and are important from the perspective of securing employment for the people living below the poverty line.

Given that approximately 80% of the population living in poverty resides in the rural areas and disparities exist between rural and urban areas, Japan will comprehensively tackle this issue in advancing rural development, while incorporating the perspective of social development in the following section b.

b. Social development with human security

It is also vital to strive improving the various social indicators through assistance to the social development, in order for poverty reduction with the view of promoting human security.. To this end, Japan will implement monitoring these indicators utilizing studies and analyses conducted by the Government of Bangladesh during formulation of the new PRSP as well as studies on MDG-related indicators of the World Bank and UNDP, among others. Japan will also gather and analyze information and data on poverty in regions where it has implemented assistance to be used for evaluation.

In Bangladesh in particular, it is important to ensure that the results of development are

appropriately allocated and are delivered, without fail, to the socially vulnerable including those living below the poverty line, women, children and the handicapped. Japan will give full consideration in this respect.

In specific sectors, education and health are essential. Education is a basic method of enhancing one's capacity to act for oneself or for the people around him or her. Acquiring the ability to read, write and do arithmetic through basic education will lead to the improvement in the quality of life, safety and avoidance of danger and loss. In particular, basic education for girls is extremely important from the standpoint of improving the health level of family members. In Bangladesh society, improving the level of education of women contributes greatly to the family planning, prevention and treatment of diseases and improving the nutritional status of family members. At the same time, basic education for girls opens up possibilities for women's participation in economic and social activities and contributes to redressing the gender disparity. Finally, the secondary and tertiary educations are vital in a way that they give people an advantage in terms of employment opportunities and enable them to find work with higher pay.

Assistance for the health sector is crucial since it relates directly to the life and death of human beings in addition to accidents and sickness that threaten daily life. The MDGs include targets for the infant mortality rate, maternal mortality ratio and infection rates of major infectious diseases. With respect to Bangladesh's development, two urgent challenges that must be tackled are preventing avoidable deaths among those who are at high risk, namely infants and pregnant and parturient women, and protecting people from infectious diseases that severely impair their life and health.

Environmental issues (including countermeasures for arsenic mitigation) and disaster management are also important. Improving the environment is essential to avoid such grave situations as water shortages among the urban poor and deterioration in sanitation conditions. In Bangladesh in particular, it is difficult to serve safe water due to arsenic pollution. Disaster management is also extremely important in order to reduce the number of lives that are lost every year because of natural disasters as well as the extensive damages to property and the economy.

The issue of the Chittagong Hill Tracts also poses a great challenge to Bangladesh from the perspective of human security. Even after the peace agreement was signed in 1997,

ethnic minorities face various issues including oppression and hardship. What is required is effective assistance, offered in combination with public protection and administration and capacity building for ethnic minorities.

c. Governance

Improving governance is indispensable for effective and efficient promotion of poverty reduction through economic growth and social development. In addition, improvements in human rights, democracy, law and order and the judicial system will form the foundation of peace and stability of the society.

The PRSP identifies major challenges in the area of governance such as improving implementation capacity, promoting local governance, tackling corruption, strengthening measures against crime and the rule of law, improving access to justice for the poor and enhancing sectoral governance. Together with the Government of Bangladesh, Japan will aim to improve governance at the central, sectoral and local levels, respectively, with a focus on the above-mentioned challenges. In particular, Japan, in cooperation with other development partners, will focus on the following areas: (i) at the central level, reform of the civil service system and police reform and development of PRSP implementation and monitoring system, (ii) at the sectoral level, independence and transparency in management of implementing agencies through Japan supported specific projects, and sector reform including developing regulatory frameworks, and (iii) at the local level, establishment of effective local administration systems through promotion of decentralization and capacity building of the community, with a view to improving service provision methods.

(3) Implementation mechanism

Japan's local ODA Taskforce is actively working in Bangladesh with the cooperation of development parties such as the Embassy of Japan, Japan International Cooperation Agency (JICA), Japan Bank for International Cooperation (JBIC) and Japan External Trade Organization (JETRO). During the period of this program, the hub function of this Taskforce will be strengthened and the collaboration will be enhanced among ODA-related bodies including the relevant ministries, agencies and institutions in Japan as well as representative offices and directors' offices of international organizations.

In accordance with the goals and sectors (and sub-sectors as necessary) identified in the program, each sector team will be formulated and sector leaders will be appointed for each team. The sector (or sub-sector) teams will discuss with the Government of Bangladesh and other donor countries and agencies in Dhaka, and also play a leading role in formulating concrete aid policies. (It will be possible to provisionally set new goals, sectors and teams if it becomes necessary to alter the goals and sectors identified in this program, due to changes in the policies or guidelines, or political, economic or social circumstances of the recipient government or other donor countries or agencies by the time of the next revision of the Country Assistance Program. In that cases, those new settings will be reviewed at the time of the next revision of the Country Assistance Program.)

Moreover, Japan's local ODA Taskforce will collaborate with a wide range of relevant parties in Bangladesh including the private sector and NGOs, and reflect their information, experiences, technologies and knowledge in policymaking and implementation both as a whole and for each sector.

With respect to the results of Japan's assistance, Japan will monitor various indicators related to MDGs and PRSP, among others (including both quantitative and qualitative indicators), in collaboration with the Government of Bangladesh and other donor countries and agencies. At the same time, by reviewing the impact of its assistance, Japan will maximize the use of this review to improve its subsequent assistance policies.

Priority Areas and Sectors for Japan's Assistance to Bangladesh

A. Economic growth

- Private sector development

The following challenges exist for private sector development: (1) removing business impediments in relation to government policy, regulations and procedures, among others, (2) developing business infrastructure in both capacity building and physical infrastructure and (3) increasing the competitiveness of private sector companies. To address these challenges, Japan will (1) improve the trade and investment climate by working with the government to eliminate business impediments, (2) provide assistance for economic infrastructure, which is one of Japan's comparative advantages, and (3) offer assistance for human resource development for private sector companies. In so doing, Japan will pay particular attention to three points: (1) implementing assistance in collaboration with the private sector (reflecting the needs of Japanese private sector companies and promoting investment and trade between the two countries), (2) coordinating with other donor countries and agencies, and (3) developing the Chittagong region (including special economic zones and its surroundings). Fostering small- and medium-sized enterprises is especially important from the viewpoint of poverty reduction through employment creation. At present, the UK DFID and the World Bank are playing a central role in designing a comprehensive private sector development assistance program through donor coordination, and Japan will participate in this program and coordinate with other donors.

Information and communication technology (ICT) is an area in which private sector growth is expected in the course of industrial diversification. ICT is also essential as infrastructure for supporting private sector development. Japan will focus its assistance on infrastructure development regarding both capacity building and physical infrastructure, human resource development which will contribute to ICT-related industrial promotion and sector reform and capacity building of relevant governmental institutions to ensure synergistic effects in resolving the aforementioned challenges. The World Bank supports administrative reform in the ICT-related governmental

organizations (including the Bangladesh Telegraph and Telephone Board) and UNDP offers assistance for promoting the use of ICT in the government and governmental institutions. Japan will make an effort to collaborate effectively with such technical assistance.

As for the tourism industry, it will contribute to diversifying the sources of foreign currency earnings, which tend to depend solely on readymade garment industry and from migrant workers overseas. The growth of the tourism industry may lead to employment creation and regional development from the ripple effect on related industries. If the tourism industry is fostered while giving thorough consideration to nature conservation and traditional culture, this sector will enhance Bangladesh's external image and raise people's awareness of environmental conservation and traditional culture. Bangladesh has many potential tourism resources, i.e. the Sundarbans which is the largest mangrove forest of the world and Paharpur which is, the largest Buddhist seat of the learning. In these contexts, Japan will actively engage in assistance aimed at strengthening collaboration among the relevant ministries and agencies concerning the planning and implementation of Bangladesh's tourism policy.

- Transport

Bangladesh is a country where the land is divided by many rivers, and the government has for a long time worked to develop a network of roads and bridges. Nonetheless, the situation is that assistance is still required to strengthen a network of roads and bridges that will effectively connect the entire country. Another major challenge is to appropriately maintain and operate existing roads and bridges. The underlying factors behind these challenges include an inefficient administrative system and lack of skills. It is also necessary to consider issues of traffic safety and more active private sector participation in building, maintaining and operating roads and bridges. In addition, development of ports (especially Chittagong Port), which is the key to promoting overseas trade and investment, is an extremely vital challenge together with improvement in efficiency of operation. The situation concerning the development of other means of transportation such as railway and inland water transportation is not favorable, either.

To tackle those challenges, Japan will focus on roads & bridges sub-sector in which it has accumulated its experiences and achievements: particularly (1) development and

maintenance of a network of main roads and bridges having a large impact on economic growth; (2) development and maintenance of a network of rural roads and bridges contributing to poverty reduction; and (3) capacity development of relevant governmental institutions. Japan will study its assistance to other transport sub-sectors if appropriate considering its priority in transport sector as a whole.

Japan will ensure full coordination with major development partners, such as ADB, the World Bank and DFID, in this sector for infrastructure development and capacity development.

- Power

The power sector is faced with issues of insufficient electric supply to meet demand and lower level of electrification. Factors behind these issues include inadequate capital investment, inefficient management of relevant governmental entities, inappropriate level of electricity tariff, outstanding arrears of electricity charges and low technical capabilities.

Japan will harness its past experience of providing assistance for Bangladesh's power sector and address the challenges mentioned above by offering assistance (1) to improve policy, management, operation and financial situation in the entire power sector, (2) to increase power generation facilities to narrow the supply and demand gap, and (3) to support reforms in the transmission and distribution sub-sectors.

ADB and the World Bank are supporting reforms in the power sector. Japan will continue to tackle the challenges coordinating with these agencies.

- Agriculture and rural development

Approximately 70% of the population in Bangladesh lives in rural areas, where the ratio of people living below the poverty line remains high. Meanwhile, rural areas account for approximately 60% of GDP of the overall economy. Consequently, a major challenge in the future is how to revitalize the entire rural economy with agriculture at the center. However, a fragile agricultural infrastructure, low agricultural productivity and lack of local governance among other factors are impeding the revitalization.

Within the policy framework of the Government of Bangladesh, Japan provides following assistance as priority areas to achieve the tangible results:

- 1) Agriculture and rural infrastructure development which is indispensable for comprehensive rural development,
- 2) Improvement of agricultural productivity, diversification and value addition of products, and contribution to employment creation by fostering agro-based industries in rural areas, and
- 3) Empowerment of local community through participatory rural development

Since many donor countries and agencies are involved in this sector, Japan aims to maximize the impact of assistance through the cooperation with other organizations.

B. Social development with human security

- Education

Bangladesh has set its goal to achieve "Education for All (EFA)" by 2015. In the 1990s, it rapidly expanded educational opportunities primarily in primary education. Meanwhile, there is an urgent need to improve quality in terms of teaching methods, teacher training and an insufficient number of teachers, among other aspects.

With the technical assistance "Strengthening Primary Teacher Training on Science and Mathematics under component 2 of PEDP II" as the pivot, Japan's main objective is to enhance the quality of primary education through steps to improve the quality of classes and teacher training. However, to ensure that these efforts contribute to comprehensive educational development in the medium-to long-term perspective, Japan will continue existing cooperation projects in secondary and tertiary education within the minimum requirement and implement new assistance when the improvement of the quality of primary education becomes well underway.

The Government of Bangladesh, along with developing partners, has been implementing a sub-sector program for primary education (Primary Education Development Program: PEDPII: 2003-2009). In this field, government and developing partners have been intensifying their coordination and cooperation, including the creation of a Program Liaison Unit (PLU). Japan will strive to improve the quality of

classes and teacher training using a technical assistance approach under the framework of the aforementioned PEDPII, and aim to scale up to the nationwide through collaboration with other developing partners.

- Health

The Health, Nutrition, Population Sector Programme (HNPSP) of the Government of Bangladesh considers that making improvements in MDG-related indicators are issues of priority, which include reducing the maternal mortality ratio, total fertility rate and under- five mortality rate, improving the nutritional status and alleviating the burden of tuberculosis and other diseases. The Strategic Investment Plan (SIP), which was formulated to address medium- to long-term challenges in the area of health, explains that the challenges to be tackled are enhancing the quality of health services and promoting their use, and improving governance.

To provide assistance for these policies of the Government of Bangladesh, Japan will make use of the knowledge it has gained from past experience, and continue to offer assistance primarily in maternal and child health and infectious diseases control with the aim of providing assistance to achieve the MDGs. Japan will also contribute to tackle the issue of sector governance, including the government financial system and human resource issues, which is one of the fundamental causes for ineffective service provision.

In the health sector, there is a LCG Sub-Group on Health, Nutrition and Population (HNP Consortium). This is a consultative body composed of pool fund participants (World Bank, EU, DFID, Netherlands etc) that provide financial assistance to the Government of Bangladesh through a common account and development partners that implement assistance through other ways than pooling fund (Japan, Canada, UNICEF, WHO etc). Coordination and information sharing has been undertaken for each type of assistance in the HNP Consortium, and it is expected that harmonization of development partners will further intensify in the future. In the past, Japan has extended cooperation for a number of projects through UNICEF regarding maternal and child health and through UNICEF and WHO with respect to infectious diseases control. Japan actively participates in this consultative body and cooperates broadly and closely with other development partners that have an interest in maternal and child health as well as infectious diseases control.

- Environment

Environmental issues in Bangladesh are conspicuous in the urban areas, where the population is rapidly concentrating. As such, there is a need to address challenges including ensuring a safe and stable water supply developing a sewage system, solid waste management, dealing with air pollution and improving unsanitary living environments. Japan will offer assistance based on the following two approaches as its basic policy. First, urban infrastructure will be developed, and to supplement this, efforts will be made to improve the systems and strengthen human resource development in administration. Secondly, steps will be taken to raise the general public awareness of environmental issues bearing in mind Japan's experience of dealing with environmental pollution, and private companies and administration will be urged to respond appropriately in cooperation with NGOs and others. In providing assistance, Japan will have a thorough grasp of the trends in assistance offered by other donor countries and agencies, for instance, pollution countermeasures taken by the World Bank and ADB and environmental management capacity building carried out by CIDA, and coordinate to ensure the synergistic effects with them.

In many part of Bangladesh, access to safe water is an issue due to arsenic pollution. Arsenic mitigation is therefore an especially important challenge amongst environmental issues. Since arsenic was detected in well water in 1993, the gravity of the arsenic issue in Bangladesh has become clear. As of 2005, it is said that approximately 30 million people are drinking arsenic-polluted water. The Government of Bangladesh approved the National Policy for Arsenic Mitigation in March 2004 and arsenic mitigation is currently underway based on this policy. However, there are various obstacles to the implementation of this policy namely limited implementation capacity, technical difficulties surrounding alternative water resources and undetermined arsenic pollution mechanisms. Japan will provide assistance for arsenic mitigation from an aspect of ensuring human security against a backdrop of a fragile implementation system and weak administrative capacity on the part of the Government of Bangladesh. Specifically, Japan will continue to provide its cooperation for the Government of Bangladesh's efforts including policymaking concerning arsenic mitigation and strengthening water quality monitoring systems. At the same time, Japan will extend cooperation in the field including alternative safe water supply and management arsenicosis patients, while ensuring ownership of local communities and involvement of local government institutions. With respect to other developing partners, DFID and

Danish International Development Agency (DANIDA) are providing policy support, and the World Bank and UNICEF are providing alternative safe water resources. Japan will proactively share the knowledge it has gained from implementing previous projects while ensuring collaboration with other development partners.

- Disaster management

Given that floods, cyclones and other disasters regularly occur in Bangladesh, the challenges to be tackled are to (1) prevent and reduce damages from disasters (both capacity building and physical infrastructure), (2) strengthen the disaster management system, (3) enhance emergency measures in times of disaster, and (4) reinforce measures for post-disaster reconstruction. In particular, it is necessary to promote measures that will bring about beneficial effects for poverty reduction.

Japan intends to draw on its past experience of disaster measures and implement assistance that incorporates the perspective of preventing and reducing damages from disasters. More specifically, Japan will provide assistance to strengthen disaster monitoring, warning and evacuation system and to build infrastructure which is urgently needed. Japan will also coordinate among other donor countries and agencies to strengthen the disaster management system. Furthermore, it will contribute to emergency measures as well as medium- to long-term reconstruction when large-scale disasters strike.

Because disaster measures in Bangladesh cover a wide range of areas and are large in scale, Japan will engage in assistance in full collaboration with the major donor agencies including the UNDP, UNICEF, World Food Programme (WFP), World Bank and ADB as well as the International Federation of Red Cross and Red Crescent Societies and NGOs.

- Governance

Efforts to improve governance can be broadly divided into three levels: central, sectoral and local levels. At the central level, the challenges are administrative and financial reform as well as law and order. Important issues at the sectoral level include improving the policy implementation capacity in ministries and implementing agencies. At the local level, the critical challenge is enhancing the provision of public services that will

contribute to poverty reduction.

At the central level, Japan will assist the initiatives of the government and provide assistance in cooperation with other development partners to address urgent challenges such as civil service reform, police assistance and development of a PRSP implementation and monitoring system. Assistance in such areas as the judicial system and cooperation for elections will be treated as future agendas to consider, taking into account Japan's advantages in these areas. Japan will also extend its support to improve governance at the sectoral level through implementation of various projects in each sector. Areas to be dealt with include strengthening independence and transparency in management of implementing agencies and developing regulatory frameworks. It is very important to address sector governance in order to produce tangible results in a short period of time. In implementing various projects, Japan will strive to develop capacity in the technical and management aspects of implementing agencies in combination with other assistance tools such as group training annually conducted in Japan. As for health, nutrition, family planning and primary education, steps are being taken to improve governance and the provision of services through sector programs, and Japan, as a major donor country, will vigorously contribute to these collaborative efforts. At the local level, Japan will continue its involvement in the government's policy development collectively with other development partners drawing upon the lessons learned from our projects such as rural development and arsenic mitigation projects with a view to improving service delivery methods. Enhancement of capacity of the people and establishment of an effective local administration system will also be pursued.

Because governance is a priority area for many other development partners, division of responsibility for Japan and cooperation with them is necessary. For instance, the ADB and USAID provide assistance for the anti-corruption committee which deals with measures against corruption. Promoting aid coordination with major partners in the governance arena, such as the World Bank, ADB, UNDP and DFID, is of paramount importance.

Japan's Country Assistance Program for Bangladesh

