

An Assessment of Japan's ODA to Bangladesh: Changing to a New Height of Relations

Syed Al Atahar

Sangyo University, Japan.

Abstract

Overseas Development Assistance (ODA) has long played an important role in Japan's diplomacy, contributing significantly toward stability and economic development of less developed nations of Asia. This paper analyzes Japan's ODA to Bangladesh, focusing specifically on its transformation over the past three decades in response to the changing needs and priorities of the two countries. The paper highlights the uniqueness of Japanese ODA to Bangladesh and critically examines the gaps between policy and practice that occasionally hindered effective utilization of ODA. It suggests new directions that Japan's ODA may take in the future, more compatible and mutually beneficial to the goals and interests pursued by the two countries.

Keywords: Japan, ODA Policy, Bilateral Relations, Changing Trends, Bangladesh

Introduction

Japan now has more than fifty years of ODA history that evolved gradually in a comprehensive manner over a period marked by a mix of economic, political and humanitarian considerations. Starting with war reparation through its affiliation with the Colombo Plan¹ in 1954, Japan eventually became the number one ODA donor in the world in 1989. The amount of Japan's ODA peaked in 1997, and then started to decline beginning in 2000 (MOFA, 2005). In fact, Japan's ODA entered a new era with the announcement of five consecutive medium-term plans that covered the years 1977-1991. Under this program, Japan's ODA increased and diversified in many ways. Some salient features of Japan's ODA during that time were concentration on the environment and Basic Human Needs (BHN) as its Overseas Economic Cooperation Fund (OECF) set guidelines for the environment in 1989 and increased ODA for Basic Human Needs from 10% in 1977 to 23% in 1978. Cooperation with Non-Government Organizations (NGOs) also started in 1989 as grant assistance for grassroots projects expanded. Indeed, the movement toward the formulation of basic ODA philosophies was initiated during that period.

The Government of Japan revised the ODA Charter in August 2003 aiming to strengthen its efficiency and enhance strategic value while encouraging public participation and deepening understanding of ODA policy both within and outside of Japan. The main purpose of the new ODA charter as stated by the Ministry of Foreign Affairs (MOFA) was

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“to contribute to the peace and development of the international community and thereby to help ensure Japan’s own security and prosperity” (MOFA, 2003). It was from such motivation that Japan’s relations with South Asia took a new turn and started to develop in new significance and meaning.

Japan’s ODA relations with South Asia became more visible in the 1990s (Vishwanathan, 2000). However, Japan’s perceptions of the countries of South Asia are of poverty, high growth rate of population, sharp rural-urban divide, and poor infrastructure hindering economic growth. Simultaneously, Japan appreciates the efforts made by these countries to carry out democratic and economic reforms and self-help measures. Hence, the South Asian region assumed an important place in Japan’s ODA during the 1990s. The grassroots grant assistance in small-scale projects in the 1990s also showed an increasing number of NGOs, local governments and hospitals throughout South Asia. In fact, new relationships between Japan and South Asian countries started to boost cooperation within the South Asian Association for Regional Cooperation (SAARC) as well². Now ODA is playing a vital role representing Japan in this region. Considering ODA as a means of communication, from the very beginning, Japan’s ODA has been used as the country’s main way of entering the South Asian region (Gamini, 2006). As a result, development, environmental issues and poverty alleviation were given extra attention by Japan (Gamini, 2006:105).

However, the first phase of Japan’s ODA, in the 1970s, can be identified as a relief and rehabilitation period. The main priority of Japan’s ODA at that time was to rebuild Bangladesh – a severely damaged country in the aftermath of its traumatic war for independence. The second phase, in the 1980s, witnessed a rising flow of Japan’s ODA with consolidation of a relationship between the two countries. The third phase of Japan’s ODA is marked with basic policy changes in terms of democratization and development as priorities in Bangladesh as a South Asian nation. The fourth phase is recognized as a “new era” of Japan’s ODA in Bangladesh, when the two countries converged significantly in economic and political goals. In that phase, Japan set new ODA visions for Bangladesh through a country assistance plan. Japan’s ODA policy and priorities have recently become more focused and development-oriented, although there are daunting challenges in terms of performance in critical sectors, including poverty reduction, decentralization and political stability in Bangladesh.

Japan’s ODA to Bangladesh: A successful model

Historically Japan and Bangladesh have enjoyed a close bond of cultural, emotional and humanitarian relationships. In the aftermath of the Bangladesh War of Liberation, Japan became more interested in the country for political and humanitarian reasons. In fact, immediately after Bangladesh achieved independence, Japan made a grant of \$3 million to meet various development needs. Ever since, Japan has been giving economic support to Bangladesh through ODA and emerged eventually as the largest ODA donor. On average, annually almost US \$200 million in ODA from Japan has been disbursed over the past two

decades (1985-2005). The following factors have often been attributed to the increase in Japan's ODA to Bangladesh:

- 1) Both countries have enjoyed and maintained traditionally friendly relations. State level relations have been continuing in the fields of economics and technology despite disharmony in many other sectors between the two countries.
- 2) Bangladesh's larger demand for aid to cope with the burden of a huge population. Bangladesh has the largest population (roughly 150 million) among Least Developed Countries (LDC).
- 3) Bangladesh's serious vulnerability to natural disasters, such as recurrent floods, cyclones and river erosion and earthquakes
- 4) Bangladesh started fast and moved forward "with structural adjustments including democratization and liberalization since 1991" and did well among South Asian countries (MOFA, 1999. ODA Country Policy toward major recipients).

Moreover, Bangladesh was also regarded as "an important player in the United Nations" and other international forums, "a moderate Islamic country with a democratic government and a big contributor to the UN Peacekeeping operation" (Japanese Ambassador to Bangladesh, 2004). Bangladesh was also seen as a country that tried to play an effective role in SAARC and an active member of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Hence, Japan's relations with Bangladesh were seen to improve Japanese relations with other developing countries, which would contribute to the political stability in the South Asian region and beyond.

Types of Japan's ODA to Bangladesh

According to the official terminology, Japan's bilateral ODA in Bangladesh consists of three categories: Grant Aid, Technical Cooperation and Yen Credit.

Grant Aid: Grant aid is an important element of Japan's ODA to Bangladesh. Bangladesh is the highest recipient of grant aid from Japan (Akira & Yasutami, 1998:166). Up to July 2006, Bangladesh received 455.3 billion yen (Exchange of Notes –E/N based) (MOFA, 2006).

Yen Credit: Yen credit is a direct loan by the Japanese government to Bangladesh, similar to other recipient countries. Bangladesh received 597.8 billion yen (E/ N based) up to July 2006 (MOFA, 2006).

Technical Cooperation: Up to July 2006, Bangladesh received 46.6 billion yen as technical support from Japan. Technical cooperation is implemented by the Japan International Cooperation Agency (JICA) based on the policy formulated by Japan's MOFA. Japan's technical cooperation is part of bilateral grants and composed of: 1) training projects, 2) dispatch of Japanese experts, 3) dispatch of Japan's Overseas Cooperation Volunteers (JOCV), 4) a materials and equipment supply program, 5) project-based technical cooperation, 6) a development survey program and 7) feasibility study projects, and other programs.

Grant Aid for Debt Relief

In response to a United Nations Conference on Trade and Development (UNCTAD) Declaration, Japan started providing by grant aid equivalent to the amount repaid as per rule of the repayment schedule agreed in the ODA agreement concluded between Japan and recipient countries before FY 1977. It was also decided that the new measures were to apply to Japan's ODA loans extended during the ten-year period after fiscal year 1987. Debt relief grants are usually untied grants, and the fund is used for economic and social development in the recipient country with effective consent of the Japanese government. According to MOFA (2006), "the cumulative amount of Japan's grant aid to Bangladesh (as of the year 2006) has reached 455.344 billion yen, out of which 256.866 billion yen was given in the form of grant aid for debt relief. Bangladesh is the largest country receiving Japan's grant aid in the form of debt relief (accounting for 55% of the total)."

Cultural Aid

Japanese cultural assistance to Bangladesh includes scholarship and fellowship programs; exchange of visits by scholars, scientists, artists, politicians and parliamentarians; Japanese language study; a Youth Invitation Program; and donation of books and educational materials. According to the Japanese Embassy in Bangladesh, every year more than 400 hundred Bangladeshi nationals go to Japan under various Japanese government scholarships and training programs. This number is one of the highest among South Asian countries and ninth largest in the world (Japanese Embassy E-bulletin). So far up to 2006, 2000 Bangladeshi students have been to Japan under the scholarships. In addition, Japan has extended assistance for the preservation of Bangladesh's cultural heritage through the UNESCO/ JAPAN trust fund.

Bangladeshi students received different Japanese government scholarships to study in Japan and the number is so far the highest among from South Asian countries (Japanese Embassy in Dhaka E-bulletin). Japan also funded several development projects that improved the infrastructure backbone of Bangladesh. In terms of technical support, Japan has provided basic support for human resource development in various sectors including reproductive health, pisciculture, poultry management, participatory rural development, arsenic mitigation, etc. During the past 40 years, exchange visits of academicians, intellectuals, parliamentarians, volunteers and heads of states from the two countries gave new spirit and dimension to the bilateral relationship of the two countries.

Magnitude of Japanese ODA to Bangladesh

Japan has been very generous in its giving of aid to Bangladesh. In April 2003, Japan announced the decision to write off loans of 158.09 billion yen made to Bangladesh up to FY 1987 (MOFA, 2006). Since the establishment of a diplomatic relationship in 1972, Japan has been providing aid to Bangladesh. In this sense, Bangladesh has experienced 40 years of the 58 years of Japan's ODA. Starting with a very meager amount of US \$15

million in 1972-73, Japanese assistance rose to US \$356 million in 1994-95. The ODA from Japan to Bangladesh peaked in 1995, but since then the amount of annual ODA received by Bangladesh has decreased somewhat. Also, Japan’s share in the total aid to Bangladesh showed a significant increase from a meager 2.7 percent in 1972 to 18.5 percent in 1990 (Moni , 2006). Based on cumulative disbursements up to fiscal year 2000-2001, Bangladesh was ranked sixth among the world’s top ten recipients of Japan’s ODA (Japanese Embassy of Bangladesh, 2004). Up to 2006, Bangladesh received a total amount of US \$6736.052 million in aid from Japan, disbursed as shown in the following table:

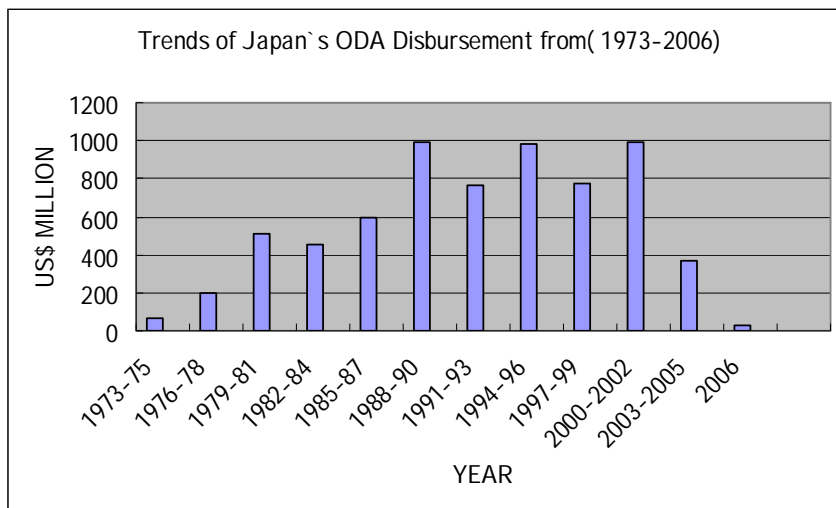
Table 1: Foreign Aid Disbursement by Japan to Bangladesh (1971/72-2006)

US\$ Million				
Type of Aid	Grant	Loan	Total	Share of each type in %
Food aid	245.265	163.210	408.475	6%
Project Aid	2268.220	1377.468	3645.688	40%
Commodity Aid	719.894	1961.995	2681.889	54%
Total	3233.379	3502.673	6736.052	100%

Source: ERD of Ministry of Finance of Bangladesh, 2006

Following figure shows trends of Japanese bilateral aid to Bangladesh in terms of Food, Project and Commodity aid.

Figure 1: Trends of Japan’s ODA Disbursement (1973-2006)



Source: ERD of Ministry of Finance of Bangladesh, 2006

Figure 1 shows the rise and fall of Japan’s ODA to Bangladesh. It shows clearly that there was continuity in the ODA amount from the late 1980s to 2002 but in fiscal year 2005-2006 there was a significant decline of Japan’s ODA to Bangladesh due to a huge cut in Japan’s national ODA budget.

Japan's Position as a Donor to Bangladesh

Japan is recognized as the main bilateral donor to Bangladesh, and from 1972-2002 the total amount of Japan's ODA placed first among DAC countries and other multilateral organizations that provided aid to Bangladesh. Table 2 shows Japan's position as a bilateral donor to Bangladesh.

Table 2: Net Disbursements of ODA of DAC Countries/Multilateral Organizations To Bangladesh (1972–2002)
(Figures in US\$ Million)

DAC Countries/ Multilateral Organizations	Position	Net ODA
Japan	1	6,049
ADB (Asian Development Bank)	2	4,665
USA	3	3,395
UN system (incl. World Bank)	4	2,438
Canada	5	1,860
Germany	6	1,444
UK	7	1,274
EU	8	1,162
Netherlands	9	1,039
Saudi Arabia	10	888
Sweden	11	652
Denmark	12	586

Source: Weekly Market Review. No. 166 Dhaka: Asset and Investment Management services of Bangladesh

Japan was responsible for 39.2 % of total bilateral aid to Bangladesh and 18% of total ODA disbursement to Bangladesh from 1994 to 2005. The breakdown is as follows:

Table 3: Japan's Share in Total ODA to Bangladesh (1994/95-2005) US\$ Million

Year	Disbursed bilateral aid from Japan (1)	Total Bilateral Aid Disbursed (2)	Total Aid Disbursed	(1) as a % of (2)	(1) as a % of (3)
1994-95	356.5	918.0	1739.1	38.8	20.5
1995-96	331.1	756.7	1443.8	43.8	22.9
1996-97	368.2	712.2	1481.2	51.7	24.9
1997-98	171.9	488.6	1251.4	35.2	13.7
1998-99	235.0	654.2	1536.1	35.9	15.3
1999-2000	390.7	795.2	1588.0	49.1	24.6
2000- 01	316.2	696.5	1368.8	45.4	23.1
2001- 02	287.4	708.7	1442.2	40.6	19.9
2002- 03	243.4	677.5	1585.0	35.9	15.4
2003- 04	79.4	506.1	1033.5	15.7	7.7
2004 - 05	45.0		1491.5		3.0

Source: Flow of External Resources to Bangladesh. Ministry of Finance

However, if we look at the composition of Japanese aid received by Bangladesh up to 2001, 48% of the total amount is grant assistance as opposed to a loan part of 52%. Though it is seen that the loan component is the highest in Japan's aid, the debt liabilities against loans that were taken from Japan before JFY1987 have been converted into Default Reduction Grants (DRG), which make this assistance favorable to Bangladesh. In addition, Japan has been considering a policy of concession in terms of interest and maturity of the loans. More importantly, "the interest rate for loans to Bangladesh is around 1 percent with a repayment period of 10 years" (Embassy of Japan, 2003).

Phases of Japan’s ODA to Bangladesh

It is true that Bangladesh does not quite fit Japan’s goals for ODA, but Bangladesh got attention by making efforts for promoting reliable relationships between the two countries and sharing promotion of peace and stability in South Asia as well as in the world arena. Japan extended its hand to Bangladesh in 1972 with a \$3 million grant, and within two decades became the largest single ODA donor to Bangladesh. The aid has continued with major changes in amount and policy priorities. Japan’s ODA to Bangladesh has developed and diversified over the years. The aid can be divided into four phases:

First Phase (1972-1985): Relief, Rehabilitation and Self Sufficiency in Food and Country Building

This is the initial stage of Japan’s ODA to Bangladesh. For the first three years (1972-75) Japan’s ODA was based on relief and rehabilitation assistance, and after that “food and commodity aid” in order to overcome the war-torn country’s food shortage. Self-sufficiency in food and country building was the main priority in this phase. From 1976, project aid picked up and until the 1980’s disbursement was made side by side, and ODA went to set up import substitution industries and special attention was paid to agricultural development to meet the huge food deficit. The commitment and net disbursement of Japan’s ODA during this phase was as follows:

Table 4: Commitment and Disbursement of Japan’s Aid to Bangladesh (1972 – 85) US\$ million

Source: Economic Relations Division (ERD), Bangladesh, 2005/06

Year	Commitment						Disbursement						Disbursement Total
	Food		Commodity		Project		Food		Commodity		Project		
	Grant (Loan)	Grant	Loan	Grant	Loan	Total	Grant (Loan)	Grant	Loan	Grant	Loan		
1971/72	-	10,600	-	-	-	10,600	-	-	-	-	-	-	0,000
1972/73	1,924	1,400	-	-	-	3,324	1,924	12,000	-	-	-	-	14,924
1973/74	28,000 L	-	-	31,901	-	31,901	0,000 L	-	-	-	-	-	23,539
1974/75	9,500	6,400	40,081	-	-	55,981	3,410	1,110	22,210	-	-	-	30,291
1975/76	1,300	-	43,333	2,333	-	46,966	7,390	5,290	31,846	-	-	-	44,526
1976/77	6,700	-	43,333	14,307	17,648	81,988	6,700	-	20,729	1,765	0,000	-	39,094
1977/78	4,000	-	75,900	6,590	41,678	127,638	4,000	-	90,132	17,475	1,866	-	113,063
1978/79	5,000	16,750	71,000	9,470	67,632	210,752	5,000	14,500	80,412	8,670	20,000	-	128,642
1979/80	40,000 L	7,900	18,206	63,382	18,860	134,118	7,900	15,006	62,475	14,296	74,034	-	229,611
1980/81	15,000 L	8,772	20,402	77,300	28,500	161,362	55,908 L	6,332	57,336	16,909	32,973	-	153,822
1981/82	31,500 L	9,000	3,680	78,000	17,560	42,100	31,500 L	21,690	97,728	20,807	43,638	-	192,857
1982/83	34,400 L	13,000	19,760	72,000	9,190	22,608	9,000	4,000	74,28	10,003	15,112	-	190,795
1983/84	21,684	22,440	74,765	35,380	42,720	210,389	34,400 L	18,888	45,395	19,825	4,59	-	114,588
1984/85	13,410 L	17,347	65,502	27,911	69,367	186,073	12,084	20,558	58,102	23,471	15,117	-	132,250
Total	94,616	138,983	7	130,481	978,513	1,680,302	136,111 L	119,371	669,012	132,223	208,287	-	1,361,902

It may be seen from table 4 that between 1972-1985, Bangladesh received US \$1361.902 million, of which food aid was US \$252.39 million (18.53%), commodity aid was US \$769.003 million (56.46%) and project aid was US \$340.51 million (25.01%) against the commitment of US \$1680.302 million. The disbursement rate was 81.05%. Some notable features of Japan’s ODA during this phase (1972- 1985) were the absence of project aid before 1977, and a gap between food aid and commodity aid, which were US \$40.724 million and US \$72.456 million respectively (see table 4).Phase one was dominated by loan aid, amounting to US \$994.029 million and 73.98% of total ODA, whereas grant aid was US \$367.874 million accounting for 27.01% of net ODA disbursement to Bangladesh. It can be observed from table 4 that grants comprised the

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dominant position until the late 1970s and reversal occurred thereafter, with loans coming to the forefront until the mid-1980s except for 1984-85. Project aid started in 1976/77 and increased substantially because of the growth of the loan component (61.34%) as compared to the grant component (38.3%). The disbursement rates of grant aid remained static compared to the overall disbursement rate of 81.05% despite a significant increase of commitment, particularly from the beginning of the 1980s.

It may be pointed out that in 1979/1980 Bangladesh received \$229.61 million, which constituted 11 percent of Japan's total ODA disbursement and half of Japanese ODA to the SAARC countries. However, in 1985 Bangladesh's position went down to 7th position worldwide. Again in 1986, Bangladesh got the highest ODA priority from Japan (Bakht & Bhattacharya, 1992). There was no specific cause for such a trend, but specially from 1972-85 there was increase in food aid that may have been due to unsettled socio-political conditions in Bangladesh as the then-newly independent country was facing serious food shortages and many parts of the country were suffering from famine. As a result, food aid dominated the aid volume from Japan (84% food aid) during the time, with an interest rate of 2% , a service charge of 3%, and a repayment term of 20 years including a grace period of 10 years (Bakht & Bhattacharya, 1992) (commodity aid included a 37.1 % grant element), a greater portion in comparison to food aid. However, during the early 1970s, Japan's contribution was relatively marginal and it was only 3.6% of total external flows to Bangladesh. The global scenario of Japan's ODA was different during that time. After 1976, there was a sharp increase of Japan's ODA in both absolute and relative terms, and 1976 to 1985 was the consolidation period of aid relationship between the two countries.

According to the above-mentioned data and analysis, the following assessments can be made regarding Japan's ODA in Bangladesh during this phase.

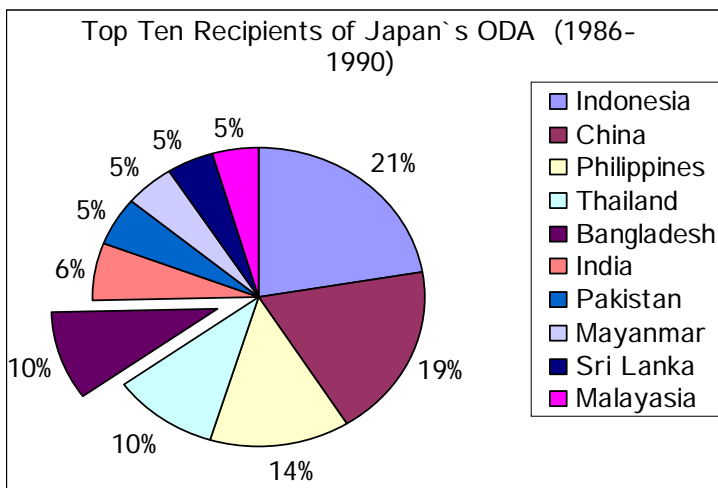
- 1) There was no basic policy or specific priorities during the period except general future economic interest and looking for resources;
- 2) Until 1976 Japan's ODA to Bangladesh was dominated by food and commodity aid; and
- 3) Until 1980, this volume was greater than project aid.

"Economic interest" is an undeniable factor of Japan's ODA, and Bangladesh was not an exceptional case during this initial period. Although the primary purpose of Japanese ODA to Bangladesh can be considered "relief and rehabilitation" (Bakht & Bhattacharya, 1992), there was economic interest too. We saw especially after the oil shock of 1973 that Japan started to look for new sources of energy. A high-powered Japanese trade delegation met with the representatives of the Bangladesh government in January 1974 and demanded to explore offshore for oil and to build two very important bridges over the Jamuna and Buriganga rivers, and also demanded absolute trade rights to liquefy natural gas, that Bangladesh had in considerable amount, and to ship it to Japan for a period of at least ten years in return for aid both technical and monetary (The Bangladesh Observer, January 25, 1974 in Khan, 1976). Finally, both countries failed to reach a compromise, as it was very difficult for Bangladesh to come up with a concrete decision due to various internal factors. However, this resulted in the return of future Japanese investments amounting to \$533.3 million proposed unofficially before the above-mentioned deal (Ibid).

Second Phase (1986-1990): Basic Change in Amount of ODA Disbursement and Special Focus on Infrastructure Development

The second phase (1986-1990) was the time when Japanese ODA increased remarkably. It can be called one of the boom times of Japan’s ODA to Bangladesh. Table 5 shows the steady rise of Japan’s ODA to Bangladesh. During this time, Japan became a leading donor to Bangladesh as well as to the world. Bangladesh became the 5th largest recipient country of Japan’s bilateral ODA.

Figure2: Top ten recipients of Japan’s ODA (1986-1990)



Source: Compiled by Author based on the data provided by Hossain, 1993

It can be seen from figure 2 that during that time, Bangladesh received 10% of the total Japan ODA disbursement to the world. It should be pointed out that during the years 1986-1990 Bangladesh was the number one ODA receiving country among South Asian countries. Moreover, Bangladesh also left behind Myanmar and Malaysia in this regard. Table 5 shows the huge increase in Japan’s ODA volume to Bangladesh

Table 5: Commitment and Disbursement of Japan’s Aid to Bangladesh

Year	Commitment						Disbursement					Disbursement Total	
	Food		Commodity		Project		Total	Food		Commodity			Project
	Grant	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant	Loan			
1985/86	16.064	42.220	-	4.588	-	62.872	6.288	16.822	59.459	22.869	34.119	139.547	
1986/87	12.408	30.476	105.601	84.119	100.930	333.534	18.359	39.396	143.885	22.475	108.739	332.854	
1987/88	17.015	37.690	107.739	27.168	55.605	245.217	25.676	30.415	135.922	54.607	67.975	314.595	
1988/89	14.993	48.669	163.405	25.281	210.793	463.141	12.578	40.978	136.701	6.998	142.888	340.143	
1989/90	9.138	65.983	60.480	48.251	129.352	313.564	8.061	20.114	86.315	91.170	129.637	335.297	
Total	69.618	225.038	437.225	189.407	496.68	1418.328	70.962	147.725	562.282	198.119	483.358	1462.436	

(1985/86 – 1990) US\$ million Source: Economic Relations Division (ERD), Bangladesh, 2005/06

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Table 5 shows that during this period (1986-1990) Japan's ODA commitment to Bangladesh was US \$1418.328 million, and Bangladesh received a total amount of US\$ 1462.436 million, of which food aid was US \$70.962 million (4.85%), commodity aid was US \$710.007 million (48.55%) and project aid was US \$681.477 million (46.6%). The net disbursement rate during this phase was more than 100% of the commitment, which is significantly different from the first phase. Although there was no loan for food aid, like the first phase, the second phase was also dominated by loans. The total amount of loans was US \$1045.64 million, accounting for 71.5% of total ODA, whereas grant aid totaled US \$416.806 million, accounting for 28.5%. The total amount for project aid and commodity aid remained almost the same. ODA exceeded US \$300 million every year except for 1985/86. In this period, the noticeable feature of Japan's ODA to Bangladesh was that loans accounted for more than 70% of the total volume. The percentages of grant and technical cooperation were low, with technical cooperation accounting for only 12.3% of total ODA to Bangladesh (Bakht, & Bhattacharya, 1992).

Based on the data and information, like in the first phase there was no basic policy or specific goals of Japan's ODA to Bangladesh during this phase, but the main priority of this stage was to promote comprehensive development in infrastructure and the social sector; and special emphasis was given to the country's infrastructure development. This is the time when Japan emerged as a major donor to Bangladesh, and total aid more than doubled from \$139.55 million to \$332.85 million over a period of one year (1985/86-1986/87). During this time, Japan emerged as the single largest donor by contributing on average one-fifth of Bangladesh's total foreign aid (Bakht & Bhattacharya, 1992). It may be pointed out that the overflow of Japanese aid during this time was defined as "strategic aid", as Japan gave importance to her western alliance and gave a conceptual orientation of aid of "comprehensive security" which considered Bangladesh as a major recipient of Japanese ODA (Kalam, 1996).

Many reasons were active in the dramatic increase of Japan's ODA during the mid 1980s. One of the major events was the Plaza Accord in September 1985 that gave Japan a new will to constitute herself as an economic superpower and forced her to search for a new global role. Ultimately, Japan set a policy of increasing ODA worldwide. After introducing its first Medium-Term Policy in 1978, Japan increased its aid by almost double every year, forcing the country to find new areas for increased ODA. Meanwhile, international politics influenced Japan to expand its aid horizon: in particular "peer pressure" from the US (Katada, 2005), and part of Japanese aid was used to support American geo-strategic and ideological interests (Orr, 1990). US-Bangladesh relations were comparatively good among South Asian countries (Kalam, 96), which may have made Bangladesh more attractive for Japan's ODA. Furthermore, some positive signs were shown by the country such as that the GDP was above 4% for the first time after independence (JICA Report 1990). Bangladesh also took an active leadership role for the establishment of the SAARC, giving new importance to Bangladesh in the South Asian region as well as in world politics. These points were considered relevant in changing the amount of Japanese ODA given to Bangladesh.

Third Phase (1991-1997): Basic Change in ODA Policies and Priorities, Focus on Basic Human Needs, Rural Development, Gender and Reproductive Health

The third phase of Japan's ODA to Bangladesh consisted of numerous policy changes that started in the 1990's and showed a significant increase in amount. In fact, the end of the Cold War and disintegration of the Soviet Union presented a new world where many countries showed a growing movement toward political democratization and economic liberalization (Kalam, 1996) that opened a new avenue to Japan for making economic relations with more countries, and inspired Japan to play a meaningful role in world politics. As ODA was the only tool to represent Japan in the world arena, Japan felt the importance of ODA in the new world order. Japan started to set ODA philosophy for the first time, which is reflected in the ODA Charter of 1992 (Varma, 2000). The following table shows the net disbursement of Japan's ODA to Bangladesh during this period:

Table 6: Commitment and Disbursement Japan's Aid to Bangladesh (1990/91 – 1996/97) US\$ million

Source: Economic Relations Division (ERD), Bangladesh, 2005/06

Year	Commitment						Disbursement					Disbursement Total
	Food		Commodity		Project		Food		Commodity		Project	
	Grant	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant	
1990/91	19.802	78.142	55.176	12.211	160.294	325.625	11.449	155.753	29.171	22.047	126.693	345.113
1991/92	-	88.031	94.196	59.617	-	241.826	10.818	101.711	-	19.92	20.493	153.002
1992/93	11.22	177.426	-	54.243	-	242.889	8.668	110.268	58.781	64.083	22.203	264.003
1993/94	11.456	66.24	-	34.609	448.519	560.824	12.441	137.641	46.646	52.931	44.053	293.712
1994/95	8.664	264.211	-	71.641	246.106	590.662	9.621	172.744	-	31.759	142.419	356.533
1995/96	8.339	153.404	-	8.382	-	170.125	9.687	169.026	10.491	33.491	108.419	331.114
1996/97	7.622	159.574	-	10.838	133.883	311.917	7.911	238.251	11.428	29.034	81.571	368.195
Total	67.103	987.028	149.372	251.541	988.802	2443.868	70.595	1085.394	156.517	253.265	545.851	2111.672

It may be observed from table 6 that during this period Bangladesh received a total amount of US \$2111.672 million against the commitments of US\$ 2443.868 million. The received amount was composed of food aid of US \$70.595 million (3.34%), commodity aid of US \$1241.911 million dollars (58.81%) and project aid of US \$799.116 million (37.84%). Here we can see the lower trends of disbursement rate (86.48%) compared to the second phase. The important feature of Japan's ODA during this period was the noticeable increase of grant aid. It was US \$1409.254 million dollars (66.73%) as compared to a total loan aid of US \$702.368 million (33.26%). The previous phases were dominated by loan aid. However, the significant increase of grant aid was marked as a qualitative improvement of Japanese aid to Bangladesh. It is also seen (table 6) that disbursement of food aid remained almost the same compared with the second phase, and there were no loans for food aid. This phase was also dominated by commodity aid that accounted for 58.81% of total net disbursement of Japan's ODA. It is also observed that the annual average

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disbursement trends of ODA remained unchanged, and were above the approximately US \$300 million amount in the second phase. (See tables 5 and 6).

However, from 1992 Japan's ODA took new shape under the ODA Charter, which introduced a basic philosophy for Japan's ODA, including environmental preservation, recognition of interdependency, humanitarian considerations and self-help efforts. In light of the new principles, Japan recognized Bangladesh's successful transition to democracy in 1991. Bangladesh also showed great strides in liberalizing its economy, including opening the telecommunication and electric power systems to the private sector. Finally there was a smooth interface between Japan's new ODA principles and Bangladesh's priorities that resulted in the huge ODA disbursement to Bangladesh. During the period of 1992-1997, Japan's total ODA to Bangladesh reached about US \$2 billion and the total amount of ODA disbursement up to 1997 was \$5.161 billion. Out of that, grant aid reached US \$2.2 billion and loans US \$2.926 billion (MOFA). During this time, Japan turned its eyes from narrow economic goals and set new priorities for Bangladesh to cope with the new development trends of the world.

During this phase Japan set specific ODA policy and priorities for Bangladesh, which were: 1) agriculture and rural development and productivity improvement; 2) basic infrastructure development for investment and export promotion; 3) improvement of the social sector (human resource development, and promotion of basic human needs (BHN); and 4) disaster control and management (MOFA, ODA Country Policy toward Major Recipients: 1999). According to the analysis, some assessments which can be made about Japan's ODA during this phase are: having a basic ODA policy for the first time ever in the Japan's ODA history; a basic change in policies and priorities; a focus on basic human needs and rural development; and cross cutting issues (gender, reproductive health, etc.). This period showed significant changes in policy priorities of Japan's ODA in Bangladesh.

The first country study was conducted by JICA in 1990. The report considered the following priority areas for future Japanese assistance for the development of Bangladesh:

- 1) Foster living environment and link Dhaka, Comilla and Chittagong ;
- 2) Expansion of employment through integrated rural development;
- 3) Infrastructure development for linking manufacturing based in the eastern and western regions;
- 4) Construction and improvement of a base for promoting investment and export; and
- 5) Basic improvement of agricultural productivity and education.

Although those priority areas were selected very comprehensively, they were the first recommendations from the JICA Country Study Group headed by Toshio Watanabe. Later on, MOFA set priorities for major ODA recipient countries and prioritized four sectors: rural development, agriculture, infrastructure development and disaster control. Under the four main priorities they considered several new targets for development, such as income generation in improving local living standards by empowering women through microfinance (Moni, 2006). At this time, Japan moved her priority from construction of infrastructure to social areas including basic human needs, health care, and social

infrastructure development, such as small scale irrigation systems and agricultural roads (Ibid).

According to the data it is clear that Japan changed its policies and priorities during this period. The following events were relevant to the changes of Japan's ODA in Bangladesh during this period: 1) a new political environment, especially after the end of the Cold War; 2) formulation of the ODA Charter; 3) the peak period for Japan's ODA; 4) a successful democratic transition in Bangladesh after long military rule; and 5) the fact that in the 1990's Bangladesh became the fastest growing importer country in South and Southeast Asia (Japanese Embassy in Bangladesh, 2004).

The end of the Cold War opened a new opportunity to development agencies to focus more on development than before, and aid became a means of political goals (Kevin Morrison, 2005). In line with this new trend, Japan changed her aid philosophy. Like other donors, Japan also provided aid for non-development purposes. After the end of the Cold War, Japan felt it should organize its huge aid budget more formally, and also introduced its ODA Charter in 1992. After that, the Tokyo Conference on the DAC's New Strategy in June 1998 and the Tokyo Conference on African Development in October 1998 and finally the ODA medium-term policy in 1999 indicated the significant changes of Japan's ODA throughout the world. As a major recipient of Japan's ODA for several years, Bangladesh saw its aid policy from Japan being changed. Although Japan always emphasized reciprocity and self-help efforts as a main aid policy, after the Cold War, Japan increased its efforts for peace and stability in developing countries. While East Asia always got first priority from Japan from the very beginning of its inception as an ODA donor, from the 1980s Japan increased its interest in South Asia. Furthermore, Japan increased its interest in South Asian Countries, especially after the end of the Cold War, since most of the countries there started to move toward democratization and economic liberalization. In particular, Bangladesh assumed an important position in fostering peace and stability in South Asia against the nuclear rivals: India and Pakistan. Another important reason for changing the amount of Japan's ODA to Bangladesh was the rapid growth of its ODA budget after 1989. The peak year of Japan's ODA was 1996-97, which resulted in a large amount of Japanese ODA disbursement to Bangladesh.

Fourth Phase (1998-2005): New ODA goals for Bangladesh and Addressing Poverty Reduction

The fourth phase can be characterized as a period of strengthening the partnerships between development agencies, partners and stakeholders. It was also a period of introducing a field-oriented development approach as per Bangladesh's perspectives. Though both countries had maintained a strong bilateral relationship over the last decades, and Bangladesh had enjoyed the generous support of Japan through ODA, during this time aid flows showed noticeable fluctuations, especially after 2003. Table 7 shows the commitment and net disbursement of ODA from Japan to Bangladesh.

Table 7: Commitment and Disbursement Japan's Aid to Bangladesh (1997/98 –2005/06) US\$ million

Year	Commitment						Disbursement						Total	
	Food		Commodity		Project		Total	Food		Commodity		Project		
	Grant	Loan	Grant	Loan	Grant	Loan		Grant	Loan	Grant	Loan	Grant		Loan
1997/98	6.601	-	140.430	-	57.290	-	204.321	-	73.187	3.247	11.512	83.964	171.910	
1998/99	-	-	152.736	-	2.925	-	155.661	6.601	116.029	2.775	37.759	71.869	235.033	
1999/00	7.927	-	174.273	-	17.203	136.303	335.443	-	278.586	3.016	24.997	84.088	390.687	
2000/01	-	-	184.369	-	8.002	147.444	339.815	7.927	144.522	-	10.247	153.415	316.151	
2001/02	-	-	143.660	-	8.072	-	151.732	-	142.030	-	16.758	128.646	287.434	
2002/03	-	-	123.291	-	7.379	76.876	207.546	-	161.361	-	15.640	66.406	243.362	
2003/04	-	-	-	-	12.565	-	12.565	-	-	-	6.444	72.937	79.381	
2004/05	-	-	-	-	7.986	103.140	111.126	-	-	-	5.357	39.682	45.039	
2005/06	-	-	-	-	24.105	221.088	245.193	-	-	-	7.553	23.492	31.045	
Total	14.528	-	918.759	-	145.527	684.851	1763.402	14.528	915.715	9.038	136.267	724.499	1800.042	

Source: Economic Relations Division (ERD), Bangladesh, 2005/06

It may be seen from table 7 that during this time Bangladesh received US \$1800.042 million, more than the commitments of US \$1763.402 million. A remarkable change can be observed in terms of a large decrease in food aid, which amounted to only US \$14.528 million, or 0.80% of total ODA disbursement. Commodity and project aid accounted for US \$924.753 million (51.37%) and US \$860.766 million (47.81%), respectively. Here we can see the increase of project aid from 37.84% (table 6) to 47.81% as we see the opposite tendency with commodity aid, decreasing from 58.81% (table 6) to 51.37% during this period. As in the third phase, during this fourth period, the component of grant aid was also higher, accounting for US \$1050.982 million (58.38%) in contrast to loan aid of US \$733.537 million (40.75%). It can also be seen that the amount of loans for commodity aid decreased sharply while the amount of grant aid increased significantly. However, the declining trends of loans starting from the third phase may be due to actions for debt relief. It should be pointed out that from 2003, Japan did not provide any amount for either food or commodity aid, causing the sudden reduction of ODA flow starting in 2003 (table 7). In interviews with JICA officials working in Bangladesh, they suggested that reduction may have been due to declining trends of Japan's national ODA. Moreover, they added that the Economic Relations Division (ERD) data did not include the debt relief grant provided to Bangladesh during this period.

However, this the time when Japan gradually shifted its ODA policies and priorities in line with changing demands of the world which has been reflected on the new ODA charter of 2003. Based on the charter, Japan established a new country assistance program for Bangladesh to start in 2006. According to the country assistance paper, the following areas were taken as a new priority for Japan's ODA to Bangladesh. Taking the ultimate priority of poverty reduction, the new country assistance program set three priority goals: 1) poverty reduction through economic growth; 2) social development with human security; and 3) governance (central, sectoral and local level). To meet those goals, Country Assistance Program 2006 marked - 12 priority sectors, that includes: private sector development;

information and communication technology (ICT); tourism; transport; power; agriculture and rural development; health; education; environment; disaster prevention and management, arsenic mitigation and various sectors of governance. It also gave importance to partnership among donors in Bangladesh.

The following assessments can be made of this phase of Japan's ODA:

1) major changes in policies and priorities; 2) changes in the volume of ODA disbursement; 3) poverty reduction as a key for development; 4) human security; and 5) partnership among development stakeholders. According to the country assistance program, Japan changed ODA policy and priorities in light of the new ODA Charter of 2003. If we look at the second phase and third phase of Japan's ODA to Bangladesh (Tables 6 and 7), there are noticeable changes in priorities and in amounts of aid. Although after 2002 the declining trend in amount of Japan's ODA may appear a negative sign, Japan was giving more care on qualitative improvement of Japan's ODA in Bangladesh (Japanese Embassy in Bangladesh, 2004). In addition, every year the huge cut of the ODA budget reflected the net ODA disbursement to Bangladesh. On the other hand, Japan changed its ODA priorities from Japan's own economic interests to Bangladesh's own development, as Japan is taking a share of responsibility for meeting the Millennium Development Goals (MDGs) in developing countries. Since human security is taken as a comprehensive ODA policy by Japan under the revised ODA Charter and poverty is the main threat to human security, Japan's new ODA priorities in Bangladesh are based on poverty reduction. Furthermore, to cope with the world development trends, Japan took the initiative to promote coordination and partnership among development partners in Bangladesh (Country Assistance Plan: May, 2006). It is clear from the above-mentioned data that there were remarkable changes in policy and priorities of Japan's ODA to Bangladesh from the third phase to the fourth phase. The following reasons can be considered as causes of the changes: 1) the new ODA charter of 2003; 2) the changing trend of Japanese ODA from economic interest to development perspectives; 3) a change in the idea of development and 4) Japan's initiative to coordinate development partners in combating poverty.

It should be pointed out that though Japan used to set different policies and priorities for different recipients of Japan's ODA, all are seen in the new ODA Charter. According to the new ODA charter, Japan focuses on poverty reduction through economic growth in Bangladesh as well as in other developing countries. Japan's "Mid-Term policy for ODA also calls for greater emphasis on poverty alleviation programs and various aspects of social development, human resources development, and policy related assistance and other 'soft' type of aid" (MOFA, 1999). From this point of view, Japan changed her ODA priorities and policies toward Bangladesh. There was also a change in the initiative from the Bangladesh side regarding development, which was considered by Japan's government in setting up new ODA policy and priorities during the period (Horiguchi, 2004).

Concluding Remarks: New Phase of ODA

Japan reached its 50th year of ODA history in 2005, and during those fifty years the ODA trends of Japan made significant shifts in line with world events. The initial stage,

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especially 1954-1976, was known as the time of groundwork. During this time Japan's ODA was fully concentrated in Asia, especially South East Asia. From the very beginning, Japan's ODA policy was based on its economic interests, as Japan post-war reconstruction and economic development required raw materials, markets and future investment. In this regard it can be said that for collecting resources, trade was inevitable, and to do trade, communication was important; as a result Japan's ODA always focused on infrastructure development of developing countries.

We can find that from the 1950s to the 1990s Japan's ODA trends were changing by the currents of national and international events, like oil shocks, the Fukuda doctrine, gift-giving diplomacy (*omiyageaikō*), the idea of "comprehensive security", the Cold War, and Japan's own expectation to become a world power by using its economic power. After the 1990s, the ODA policy of Japan was influenced by the demands of the communities inside and outside of Japan. In recent years, Japan's ODA has been criticized for lack of transparency and avoidance of basic human needs. As a result, reform of Japan's ODA is going on and more attention is being paid to "software" aspects of development, such as education, health, gender and other social sectors. It was evident from our analysis that Japan has been enthusiastic to give ODA to Bangladesh. In fact, Japan was the largest bilateral ODA donor to Bangladesh for several decades. As of 2005-2006, Bangladesh has received a total amount of US \$6736.052 million in foreign assistance from Japan. Moreover, a major part of this was used for construction, agriculture, and power generation so desperately needed by Bangladesh.

The changing trends of Japan's ODA were also compatible with Bangladesh's development needs and political stability. In fact, Japan's ODA to Bangladesh went through marked shifts over the years depending on this convergence of priorities. The beginning of Japan's ODA to Bangladesh was characterized as a relief and rehabilitation period, as there were no visible goals from Japan's side except to help the war-ravaged country. But behind the mission it found that there were some interests, too. First was Japan's desire to spread its image as a philanthropist country. Second, the geographical advantage of Bangladesh was positive for better cooperation with the South Asian region against the rivalry of India and Pakistan. Third, Japan was looking for energy sources, especially after the oil shocks, and had a plan to negotiate for natural gas, which Bangladesh has in considerable amount (Khan, 1975). Finally, Japan wanted to stop Soviet influence to then newly independent Bangladesh (Rahman, 2000).

The second period of Japan's ODA is defined as a "rapidly increasing period" (Bakth and Bhattacharya, 1992), and this period was also defined as the consolidation period of Japan's ODA to Bangladesh. In 1986, Japan emerged as the single largest ODA donor to Bangladesh. In fact, it was also a rapid expansion period of Japanese ODA all over the world. It was found that between 1979 and 1985, ODA emerged as an increasingly flexible multipurpose and multi-dimensional pillar of Japan's foreign policy and it was fully used as a useful, convenient and successful diplomatic tool from a Japanese perspective (Yasutomo, 1990:491). ODA was also a way to contribute to the world community through nonmilitary means, which offers a glimpse of a desired hope for Japan's future global role. In May of 1988, Prime Minister Takeshita announced an "international cooperation initiative" through

which the increase of ODA would serve as a pillar of Japan's current and future foreign policy. So, the rising trends of Japan's ODA to Bangladesh, particularly in the 80s and 90s, can be considered as a part of Japan's increased ODA all over the world, reflecting her intention to become an "aid great power," which became a reality by the 1990s.

The third phase of Japan's ODA to Bangladesh is marked by numerous policy changes guided by the ODA Charter of 1992. During this period Japan set four basic priorities for ODA activities in Bangladesh. In fact, it was the first time Japan stated its ODA priorities clearly since its inception as a donor to Bangladesh. Moreover, Japan sent a parliamentary group to observe the general election of Bangladesh in 1991. The initiative was observed as a sign of Japan's political and strategic engagement in Bangladesh. In fact, Japan's political and strategic entry into South Asia was an integral part of the overall adjustment of Japanese foreign policy after 1990. During this period, other events were also relevant to Japan's aid to Bangladesh, such as Bangladesh's transition to a democratic government after long military rule and introduction of an open market economy as the country's economic policy.

However, the fourth phase of Japan's ODA to Bangladesh has presented a different scenario from previous phases. In line with the revised ODA Charter of 2003, Japan has set new ODA priorities for Bangladesh. Japan's new ODA policy to Bangladesh is considering poverty reduction as an ultimate way to development. In this connection, it can be pointed out that not only Japan, but also other donors are giving ODA to Bangladesh, mainly in response to its huge poverty. In spite of that, the number of poor people increased from 51.6 million in 1991 to 56 million in 2005 (Bangladesh Bureau of Statistics, 2005). Japan is still providing substantial ODA to Bangladesh by taking into consideration the latter's need to address poverty and continued improvements in the critical sectors of the economy. After decades of experience with ODA, it is now apparent that serious challenges are being faced in Bangladesh, particularly in terms of discrepancy between policy and practice. A number of studies indicate that there is a sense of despair that Japan's ODA has not been able to make the desired impact on poverty reduction and sustainable development. On the contrary, it has created a dependency syndrome. However, currently there is no Japanese ODA project directly aimed at poverty reduction. On the other hand, aid from other donors mainly concentrates on a 'pro-poor policy' and 'self-help grass-roots assistance program' in Bangladesh, which are directly related to poverty reduction (Moni, 2006: 420). Furthermore, during my interviews, it was revealed that Japan's ODA is very much government-to-government cooperation. Interviewees said that from the 'request'-making process to 'evaluation' of the projects (after completion) by the JICA team, the entire process was done without participation or input of people at the grass-roots level. As a result, many projects did not work properly after their completion. For example, the JBIC Country Review Report (2003) found that out of 21 big projects, eight were abandoned due to lack of knowledge of maintenance and lack of technical support. The project evaluation process was also criticized by interviewees as being limited to being performed immediately after completion of the projects and often ignoring future output and sustainability of the projects. In addition, they mentioned lack of transparency in handling of aid.

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Regarding poverty reduction, Japan's ODA in the future, should focus more on the poor directly, particularly the landless farmers, widows and handicapped. They are always ignored; even micro-credit programs do not always include them. More attention should be paid to income generation activities by creating jobs in rural areas, home to 80 percent of Bangladeshi people. In fact, in 1995 Japan supported the poor more directly through 'housing-for-the-poor' loans from the Grameen Bank (a micro-finance organization and community development bank). However there are problems in addressing how Japan's new ODA focus on poverty and sustainable development will reach Bangladesh's poor and resolve their plight. It is heartening to note that Japan welcomed the peaceful transition of democracy in Bangladesh at the end of 2008, and is pursuing its ODA policy again more vigorously to address not only reduction of poverty, but also the promotion of a better business and investment climate in Bangladesh that may rebound to the benefit of both donor and recipient countries.

Notes

1. The Colombo Plan is regional organization that holds the concept of collective intergovernmental effort to strengthen economic and social development of member countries in the Asia Pacific region. The main focus of all Colombo Plan activities devoted for human resource development. The organization was born in January 1950 in Colombo through a Conference by Foreign Ministers of Commonwealth countries.
2. The South Asian Association for Regional Cooperation (SAARC) was established when its Charter was formerly adopted on December 8, 1985 by the heads of states of seven South Asian countries. SAARC provides platform for the peoples of South Asia to work together in spirit of friendship, trust and understanding. It aims to accelerate the process of economic and social development in Member states.

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Biographical Note

Syed Al Atahar is PhD candidate, Graduate School of Environmental Management, Nagoya Sangyo University, 3255-5 Araicho yamanota Owariasahi, Aichi Prefecture 〒488-8711, Japan.
