

One Village One Product Movement

Success Story of Rural Development in Japan

and Learning Points for Bangladesh

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Japan- a highly industrialized nation is known to the outside world mostly for its affluence backed by its highly sophisticated manufacturing industries and most disciplined, industrious nature of its people. Although the country attained its status as the 'first world' country many decades earlier, like other developed countries, affluence here is also not equally distributed among the different regions of the country and still it is in its pursuit to develop its regions which are relatively underdeveloped in comparison to the national standard, by following some regional revitalization models. The objective of this paper is to discuss about one of such models used for the regional development in Oita, Japan, which can even be followed by the developing countries, although with some modifications, to revitalize their respective Rural Non-Farm Economy (RNFE). The factors revealed under this study to be the most important for rural economic revitalization are the active participation of local people in the development efforts pointed towards them and the emphasis on local resources while making development plans for a locality.

1 Introduction

Traditionally the rural development strategies for developing countries of Asia concentrate mainly on agricultural development specially the production of rice or cereal crops. But the concept of non-traditional rural development strategy became popular in some parts of Oita prefecture of then developing Japan, after the World War II, because of its geographical structure and historic and cultural heritages. Oita prefecture is located in the north east part of Kyushu island with the Suo sea in the north and the Iyo sea in the east, facing the Bungo channel. The total area is 6338 sq. km.¹⁾, 119km from east to

west and 106km from north to south²⁾. Only 27.9% of the land is inhabitable, the lowest percent in Kyushu next to Miyazaki prefecture and the population density became 692.2 by the year 1999. The prefecture has the largest number of hot springs compared to all over Japan, caused by the Kirishima volcanic zone that runs from its north to south and the Hakusan volcanic zone³⁾ situated in its northwest direction. This type of land scare structure actually initiated the idea of alternative development strategy in the mind of Mr. Yahata the then mayor of Oyama town (a town in Oita Prefecture) which can be considered as the breeding seed for the idea of the One Village One Product Movement introduced

later.

2 OVOP Movement in Oita

2.1 Background of the OVOP Movement⁴⁾

Although initiated formally at late 70s, the idea of the OVOP type movement was very much deep rooted in at least some parts of the prefecture, well before its formal initiation. After WWII war torn Japan faced a serious food shortage. That shortage started to be aggravated when because of the start of intensive industrialization, people in large number, specially the young begins to migrate from rural areas to the big urban centers and thereby creating a labor shortage for the rural farming. Facing this problem, the Ministry of Agriculture started a campaign to boost the agricultural production. The campaign was made all over Japan simultaneously, but it was not efficiently applicable for some regions because the rate of subsidy was the same for every region despite the production cost of rice in mountainous regions was almost double to that in plain regions. For example, in Oyama although they have sufficient water for irrigation, the availability of arable land is scare because of its hilly structure and the lands available are also not so fertile. So simple agriculture, concentrating only on rice cultivation was not able to generate sufficient income to the local people that could restrict them to migrate from these areas. Facing this kind of problem, Mr. yahata-

the then Mayor of Oyama town took a challenging initiative in 1961.

Mr. Yahata was a progressive minded person and knew about different economic structures, as he visited many parts of Japan and also many countries (12 countries in a five year period) before launching this movement. He realized that, since Oyama is not suitable for rice production, if they concentrate on the production of rice as inspired by the prefectural government, they would rather be impoverished. So, he decide to promote agricultural tree crops rather than simple rice production and advocated for the plantation of Ume-the Japanese plum, which he found to be very much applicable for the cultivation in hilly areas like Oyama. But the old generation people went against it because they were not accustomed with this type of cultivation and also feared from the risk of cultivating a new product. To convince them Mr. Yahata had to show the advantage of cultivating Ume instead of rice. Unlike rice production, the production of Ume does not require much intensive work. One can harvest after 5 years from planting the trees. So, they can save their time and can also earn some extra money that they can utilize otherwise. It does not also require much fertilizer and pesticides which were very scare at that time but required much in rice production. To minimize the risk or producing Ume, he introduced Kibutz- a community based initiative where the risks and gains are shared

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by the community- an approach that he learned from Israel and taken as a role model in his movement for planting Ume. Since the older generation was not so interested on this movement Mr. Yahata tried to convince the younger generation to it.

Box 1 : Local government initiatives for community revitalization

Over a period of three years (1961-64) the town spent 70% of its budget to introduce and cultivate plum and chestnut trees and provide the necessary *infrastructure, technologies* and *materials*. In addition to that the town paid *salaries* to the farmers who decided to grow plum and chestnuts because the first profit was expected only after four years. The farmers did not have to pay back any of these funds. The resistance especially from the group of older farmers towards this agricultural restructuring was immense. At the time of the first harvest the plum farmers recognized that, because a wrong and un-delicious kind of plum was chosen, no consumer demand developed. Under this condition, with almost the end of the Plum and Chestnut Movement, the then-mayor decided to cut the branches of the trees and to plant plum seedlings of a different kind on them. Although these measures were taken, some plum farmers decided to skip the cultivation and sell their trees to farmers in the neighboring Fukuoka prefecture because they intended to move to the big cities in order to earn easier money. Because of the high involvement of the towns budget the construction of social facilities, public roads etc. had to be suspended for four years. The town especially wanted to convince farmers who owned land in plain areas to transform their farmland, because these areas were already equipped with the necessary infrastructure and was therefore favorable for the cultivation of plum and chestnuts. The town paid 100% of the seedling costs. For mountainous areas only 2/3 of the costs were paid.

The town also paid 100% of the costs for fertilizers and pesticides. In case the construction on new roads to the plum and chestnut fields became necessary, the farmers only had to pay the gasoline for construction machines and vehicles.

Source : A Look Into Oyama, Oita International Center

At that time people especially the young were very fascinated to go to USA. So, he introduced a new slogan "Plant plum and go to Hawaii". That slogan really works to bind young people in this type of plum planting activities. Some young people visited Hawaii after accumulating enough money from these activities. Young people also visited Israel and some other countries to know about modern agriculture technology. People, who came back from abroad and gathered money by farming, helped the young people who would like to go abroad for learning modern agricultural technologies. So, this was the first organized community movement in Oita and the root of the OVOP type movement because it stimulated the community members to divert there production base from the generalized rice production to the production of a more specialized product suitable for their locality.

2.2 Formal Initiation of the OVOP Movement

The OVOP movement was formally introduced in the prefectural level by Governor Hiramatsu. Before elected as a governor of Oita, Mr. Hiramatsu worked in

the Ministry of International Trade and Industries (MITI) and so had a chance to gather a global concept of the demand for different goods those might be produced with some regional expertise⁵⁾. After joining his position in 1979, he toured all over the prefecture to learn the opinions of the local people and what he heard almost everywhere was just requests and complaints⁶⁾. Some requested for bridge and culvers where others may urge for local doctor etc. But as he perceived, the main reason for regional backwardness and lack of the presence of trained human resources in local areas is the lower income potentials there.

Since he also knew about the success stories of Oyama town i.e. how young people could be encouraged to be engaged in higher income activities and therefore to keep them stay in their home towns, he thought, perhaps, he could encourage and stimulate competition in a positive manner among the people⁷⁾ in different districts rather than just improving roads or building bridges. Stimulating specialized products in different localities seemed plausible because Oita has a history to be divided into different Hans⁸⁾ (feudal clans) and because of that Oita people has developed their diverse history and culture supportive for the production of different specialized commodities in different locations⁹⁾. Moreover because of its diverse topographical and climatic conditions crop diversification was also seems to be very feasible in this

region¹⁰⁾.

Consequently he proposed a 'One Village, One Product' Movement through which each local community would strive to create and market one product that could be a source of pride for the people living there. The movement's aim was not simply to make souvenirs for tourists, but to create local specialty products that will be popular not only in some big local markets such as Tokyo and Osaka but also in the international markets¹¹⁾. Unlike Oyama city, this time the idea was introduced by the prefectural govt. and despite its name OVOP, the villagers were given option to choose up to two or three items for one village or one item to be produced jointly by two villages, in which they have some specialty in production¹²⁾. The prefectural govt. concentrated their effort in promoting the production and marketing of those specialty products while the choice of the products and the ultimate production and marketing responsibilities rest upon the local community. He just tried to make his people understand that "if you only grieve and take no measures, your village won't prosper; unless you emerge from 'yodaki-ism' ('yodaki' is an Oita dialect meaning that you do not have any drive), your prefecture won't have a rosy future."¹³⁾

For example, in Kitsuki City people used to produce mandarin oranges in open fields but because of higher production in the season, farmer did not get enough price

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for their produce. Although several farmers in the locality started to produce mandarin under green houses, their effort was very limited because of higher cost of production caused by the higher price of kerosene required to maintain temperature in the green houses. After this product has been introduced as a OVOP product, govt. provided assistance to the local farmers for producing mandarin under controlled environment in the green houses¹⁴⁾. Now these mandarins could be harvested and marketized as much as 6 month earlier than the other open field mandarins could be harvested. So, it ensures the stability of price in the market and at the same time ensures the quality of products produced under controlled environment¹⁵⁾.

To share his idea to the chief of municipalities the governor held a meeting directly with them although customarily it involved a three tier process to reach the message of the governor to the respective chiefs of the municipalities¹⁶⁾. Moreover to inform the people about the movement a series of meetings called "Get together with Governor on Regional Development" were held on different districts of the prefecture in which the Governor shared his view directly with the local people. To make the people understand about this movement more clearly, interested municipalities produced their own TV programs and the prefectural government allocated free airtime for the municipalities to broadcast about their products and specialties

through these programs under a series named "Let's create our own hometown". Localities having some specialty products identified by that time started to broadcast these programs first. For example, while Oyama advertised about their products based on Ume, Yufuin advertised about their tourism spots and hot springs etc. These programs helped the people in other localities to get a more concrete idea about the movement¹⁷⁾, come up with their own idea for specialized local products and thereby turned the initiative into a movement for the revitalization of local economy.

In July 1980 the first shipment of OVOP product was sent to Tokyo¹⁸⁾. In January 1981 a private company sympathetic to this movement donate ¥100 million and with that on March 16, 1981 the 'Oita One Village, One Product Movement Promotion Foundation' was enacted¹⁹⁾ to promote One Village, One Product movement and stimulate local communities²⁰⁾. After that the movement had never to look back again and has made continuous progress to put the prefecture on a strong economic base. Before discussing about the success of the OVOP movement itself in more detail the basic principles followed under the movement those actually brought this success would be briefed as follows.

2.3 Basic Principles and Strategies Followed

In the One Village One Product move-

ment government followed three basic principles which can be considered as the core reasons hidden for the success of this type of movement. Although the government tried to promote local specialties, its ultimate objective was to attain world standard and make the progress sustainable by promoting self dependent entrepreneurs not bank on subsidy and providing them with adequate trainings for developing their human resources. To tell in detail, the major strategies followed are—

2.3.1 Think Globally, Act Locally

With distinct local flavors and cultures, local people create products that can be marketed throughout Japan and the rest of the world. Make sure that the goods are of high quality- as ensured while going through the quality control mechanism, and also have competitive price. To make the products acceptable in the global market, research has been done to improve its quality up to the mark and also maintain the competitive price. Being local is important to have a competitive edge in the production of those commodities because local people usually have vast specialized knowledge on their specialty products and sufficient raw materials are also available in the local area, both of which ensures higher value addition and lower competition from the outsiders or ensures comparative advantage if we express it on standard economic term.

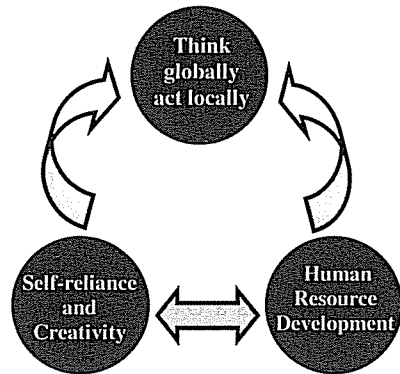


Figure 1 Three Basic Principles of the One Village One Product Movement²¹⁾

2.3.2 Independence and Creativity

Through this movement, Govt. is trying to make the local people self-dependent and self-motivated by enhancing the market for their creative products. Local citizens decide by themselves what their 'One Village, One Product' commodity would be. A village could choose up to 3 products, or 2 villages could combine to produce a single product. Local government provides assistance in activities not directly related to production such as technical support, training and marketing facilities etc. If any individual or group fails, it is that individual or group who has to take the responsibility and bear the burden. Govt. does not provide any direct subsidy to make good of this type of losses.

If the prefectural government ordered each locality to make a certain product, the benefits would be short lived because local people might not be interested to produce the products instructed by the govt. On the

other hand if the prefectural government subsidized a product and it failed to sell, the local people would ask the government to buy it back. In such a case also the local people might not have enough incentive to improve their quality and competitiveness because their products are guaranteed to be sold.

The Prefectural government doesn't make any municipality bound to introduce the movement but supports those municipalities that organize the movement on their own initiatives. For example, when they want to build a cold insulated warehouse for shiitake-mushroom, the government provides them with a subsidy. When they want to have higher skills, the government offers with technical guidance and training etc.

2.3.3 Human Resource Development

No success can be made and sustained without visionary local leaders. It is important to develop a local community that responds creatively under this leadership when challenged with difficult times. So, promoting local leadership is another objective of this movement. Residents in small villages and towns usually can not determine their way of action by themselves, rather receive instructions from prefectural govt. about what to do and how. This movement is thus trying to develop leadership from the local people so that they can decide about their own way of action by themselves.

To attain this objective a special type of 2 year schooling named 'Toyo no Kuni Zukuri Juku'—Land of abundance training school has been introduced by the government. Now the number of this type of school is 12 and more than 2000 people has already been graduated from these schools. People from different background and varying ages can participate because the main objective of these schools is to develop local leaders but young are specially encouraged. In the first year, participants study about the movement in general and have a look at different cases of success and failure. In the second year each school provides some practical training related to some specific industries.

The governor of the prefecture becomes the headmaster of all these schools. One leader is chosen from every class. The participants decide about the leader by themselves. Classes held in the evening and they determine by themselves about how many times in a week, they would get together. Prefectural govt. sometimes invites lecturer from other prefectures of Japan and provides expenses for their visits. Prefectural govt. also bear 50% of the expenses if someone is interested to go abroad to have a look at some successful cases there.

After completing this school some group may come with new idea and sought for some generalized credit facilities provided by the government to promote entrepreneurship. New entrepreneurs can take

loan at an interest rate as low as 50% of the customary bank rate for commercial lending and can enjoy a gestation period up to three years. The idea might not be related to some tangible product. This might be related to some tourist spot, music festival such as in Yufin or any other income generating activities.

2.4 Strategies Followed for the Development of OVOP Movement

Govt. strategy for the promotion of OVOP movement involved several activities one of the most important of those was the human resource development and promotion of local leadership as discussed on the basic principle of this movement. Besides this prefectural govt. also conducted different research activities for the improvement of the quality of OVOP products or minimizing production cost by inventing cost efficient technologies etc.

Since average people do not have knowledge about marketing the prefectural govt. gives marketing advice so that the producers do not have to go through middle men. Govt. helps in new product development and marketing of the products in different national and international markets. To facilitate the marketing and distribution of One Village, One Product items a company named 'One Village One Product Company' has been established at Tokyo. Before accepting any commodity for sale the company considers about its quality and marketability. If some com-

modity doesn't pass the quality control test or not so demanded in the market, the company provides advice to the producers about how to improve quality and marketability of those products.

In Japan, the rules and regulations for the sale of commodities vary from prefecture to prefecture. The state governments have also their own rules. Depending on all these things the producers decide by themselves about where to sell their goods and instruct the company likewise²²⁾. Although no direct subsidy is given, the govt. provides loans at cheaper rate. For example, if producers need refrigerator to improve their storage space, he/she can access cheap credit from the government although these facilities are not only limited to this OVOP movement, rather applicable to all equally²³⁾.

Another initiative taken by the govt. was to develop necessary infrastructure or help the local people to build it. For example when some municipalities took initiative to build cold insulated warehouses to preserve Shitake, the govt. provided them with subsidy²⁴⁾.

2.5 Government Facilities at a Glance

Research and Guidance Facilities

- Agriculture and Fishery Products Processing Guidance Center
- Hot Spring Floriculture Research and Guidance Center
- Mushroom Research and Guidance Center

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- Institute of Marine and Fisheries Science
- Agriculture Technology Center
- Citrus Fruits Experimental Station
- Livestock Experimental Station
- Manufacturing Technology Experimental Center

Human Resource Development

- Land of Abundance Training School
- Multipurpose Public Use Facility
- One Village, One Product Presentation and Exchange Meeting
- Overseas Training Program
- One Village, One Product Management Displays Effort Awards-Merit Awards

Marketing Facilities

- One Village, One Product Bazaar—Interaction Market
- One Village, One Product Inc.
- One Village, One Product Movement Product Exhibition
- One Village, One Product Festival
- One Village, One Product Hometown Tea Shop

Financial Services

- Cheap Credit
- Subsidy to Municipalities in building infrastructure

So, by analyzing the govt. facilities provided for the development of OVOP movement, it can be perceived that the govt. is trying to stimulate the pull fac-

tors²⁵⁾ by providing necessary training and credit facilities to the entrepreneurs those improves their capability to participate in the movement and at the same time develop infrastructure, conducting and disseminating research knowledge, and providing marketing facilities to increase profitability of their activities.

2.6 Achievements of the OVOP Movement

The movement has clearly increased the sense of attachment local people feel towards their hometowns, and even stimulated a healthy competitiveness among them. Of the 11 villages, 36 towns, and 11 cities in Oita, the number of products and total sales revenue generated through the OVOP Movement (excluding local events and activities) increased from 143 products and ¥36 billion in 1980 to 320 products and ¥137 billion in 1999. Oita now has its own brands of Shiitake Mushroom, Bungo Beef, Mikan (mandarin oranges), and other quality products which are recognized and revered around the country

2.7 Products with sales over One Billion Yen

By now some products of the OVOP movement becomes so popular that their total sales volume exceeded One Billion Yen per year. These very popular products are-

- White Onions (Bungo Takada City)
- Fresh Fish (Tsurumi Town)
- Enoki Mushrooms (Oyama Town)

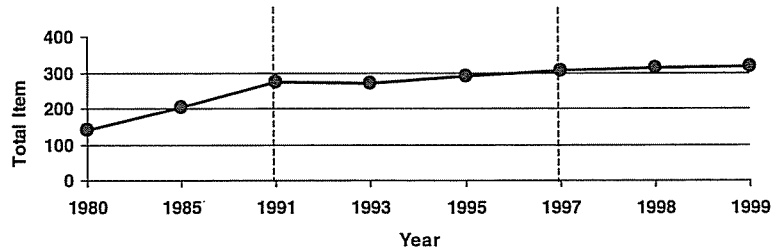


Figure 2 Incorporated items under the OVOP movement
Source: same as figure 1

- Cultivated Yellowtail Fish (Yonoozu Village)
- Bungo Beef (Bungo Takada City)
- Dried Whole Fish (Yonoozu Village): the village is very famous for OVOP movement. Previously they produced dried fish by using sunlight but that was very risky, depends on the vagary of the nature. Now they produce indoor which ensures constant output. The production process requires manual labor force. So, it provides sufficient employment to the local people. They usually employ elderly people in this activities. It releases the young labor force for more arduous activities and also provides an opportunity even to the elderly people to become active in income generating activities. People working here can determine by themselves about how much they will work and when.
- Bungo Beppu Bay Chirimen Fish (Hiji Town)
- Bungo Beef (Kusu Town)
- Bamboo Works (Beppu City): Oita is the number 1 producer of these Bam-
- boo works, all over Japan. These include some baskets for every day use and also many expensive masterpiece bamboo works.
- Cultivated Yellowtail Fish (Kamae Town)
- Prawns (Himeshima Village)
- Mandarin Oranges (Kitsuki City): These Mandarin Oranges are produced in green houses by maintaining steady temperature using sophisticated technology. Prefectural Govt. helps in developing, acquiring and using these technologies. As these are produced by maintaining temperature artificially, these can be marketed in early May while other naturally produced Mandarins are not yet marketable. So, it fetches higher price in the market.
- Tobacco Leaves (Notsu Town)
- Barley Shochu—Distilled Alcohol (Usa City)
- Ohba Herbal Leaf (Oita City)
- Milk (Hita City)
- Nikaido Oita Barley Shochu (Hiji Town): Before picking up as a commodity for One Village, One Product

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movement, the quality or test was not so good. But after picking up as a product, through intensive quality control and research, the taste has been made much better than before. The governor himself took initiative to promote the Barley Schchu of Hiji Town and Usa City by carrying some bottles with him when he visited some places for example, Tokyo, Osaka etc. and by offering others to test those when he joined in some party²⁶⁾.

- Yufin Town—an exception: Under the One Village, One Product movement, it is not necessary that local people have to produce some tangible commodity, the local specialty products may be some kind of service as well. For example Yufin had only some hot springs. So, to attract more visitors they are organizing some Film and Music Festival. On the last Film Festival which lasted for a week, different artists and producers visited Yufin. People went there at that time could meet and talk to all those artists and directors. The films shown there

are not recent movies rather some rare art films, which are not usually shown in commercial movie theatres.

In Music Festival, they organize outdoor concert in summer, that is also very popular. Another famous event is the beef eating and screaming contest where people compete in eating beef in a barbeque and also in shouting as loudly as possible. This beef eating contest was first introduced by the cattle owners but now it becomes a well established festival. Because of all these events, Yufin an area with a population of a little more than 10,000 people receives more than 3 million visitors every year²⁷⁾.

This type of festival also increased the demand for fresh vegetables and other food items supplied by the local producers to the hotels and restaurants entertaining the tourists. So, it has some linkage effect in boosting demand for agricultural commodities. As Mr. Yoneda Seiji, Chief Official of Yufin Hot-Springs Touring Association said "... we always think about how tourism can be connected with local agriculture"²⁸⁾.

Box 2 : Examples of some One Village One Product Agricultural Cooperatives		
Group Name	Marchen Rose	Greenhouse Mikan Kitsuki City Agriculture Cooperative
Product	Rose	Orange
Member Farms	8	200
Date of Establishment	1990	1982
Area	2.1 ha. (greenhouse area	—
Total Sales	220 Million Yen	3.21 Billion Yen

Source : Brochure 'One Village One Product Movement', Oita Prefectural Government, Japan

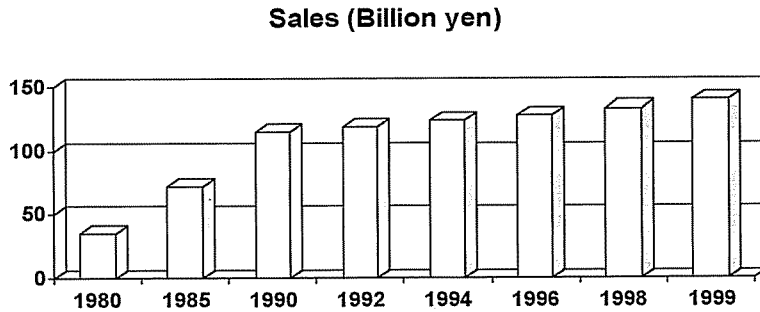


Figure 3 Total sales of OVOP products

Source: same as Box 2

From the upper figure it can be seen that during its first ten year period the OVOP movement has attained a accelerated growth in its sales volume and after that sales volume under the movement becomes stabilize but keep pace with a modes growth.

2.8 OYAMA Town—A Town That Has Completed the Cycle

Oyama town is the area in which the movement for revitalizing the local area has been started well before the initiation of the OVOP movement. In fact it is the hinterland for the idea of the movement²⁹⁾ and has already completed the cycle of regional revitalization through this type of movement. At first they named this movement as the NPC movement, although currently they are also incorporated with the OVOP movement. The NPC movement runs through three stages³⁰⁾.

Stage One (New Plum and Chestnut movement): The initial goal of the NPC movement was to increase the incomes of

the town's farmers through crop diversification. new crops were plums and chestnuts. Later several varieties of mushrooms were introduced. Now the program has expanded to the point that nearly hundred agricultural products are grown and processed in, and shipped directly from Oyama.

Stage Two (Neo Personality Combination movement): Once incomes were stabilized, it was decided the next goal should be to improve the lifestyles of the town people. This has been accomplished through the sponsorship of cultural and athletic events. One major part of this program has been to travel in abroad. In fact one of the initial goals during the early stages of the program was to make enough money to be able to go to Hawaii, a very ambitious goal at that time. Today over one fourth of the town's population has passports, as each year groups of all ages visit many countries in search of ways to improve themselves and their community.

Stage Three (New Paradise Community movement)

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The third goal of the NPC movement has been to build the physical facilities necessary to provide a comfortable life-style. This has included a cultural, as well as several community centers. The town has also been working to provide many of the conveniences usually found only in large cities³¹⁾.

2.9 Overseas One Village One Product Movement

The success of OVOP movement is not limited in Japan but is spreaded in different other developing countries of the world, specially the Asiatic countries.

In other countries also the OVOP movement is trying to promote the local specialty those have international attraction. For example in OVOP movement on Kingdom of Cambodia they are trying to promote "Cambodian Silk" as their specialized product and "Angkor Wat" the world famous historic tourist site as the tourist site like Yufuin in Oita, Japan³²⁾. The Japanese government through JETRO is

providing initial assistance in developing quality products³³⁾ and developing strategies for promoting the marketing of those OVOP products in different other countries³⁴⁾.

Among the other countries in the world, China is the first to introduce this kind of movement but now a days Thailand is probably the most advanced in promoting this kind of movement. They have the highest number of commodities listed under this movement. In case of Japan, other prefecture except Oita had initiated this type of movement although sometimes in different names. For example, in Hokkaido they are still continuing with the promotion of Ikeda wine, in the same way as it is in case of One Village, One Product movement in Oita.

Box 3 : Overseas one village one product type movement

One Factory, One Product Shanghai, China	One Kampung, One Product Malaysia
One City, One Product Shanghai, China	One Barangay, One Product
One Village, One Product Jiang Su, China	One Region, One Vision Philippines
One District, One Scenic View Shanghai, China	Back to Village East-Java, Indonesia
One Village, One Treasure Uhan, China	One Sub-District, One Product Thailand
One Parish, One Product Louisiana, USA	One District, One Product Songkhla, Thailand
	One Village, One Product Cambodia

3 RNFE Development in Bangladesh

3.1 Need for RNFE development in Bangladesh

Like most other developing countries, in Bangladesh also poverty is predominately a rural phenomenon. According to the UN, 77%³⁵⁾ people of the country lives in rural areas where the incidence of poverty is twice as high as it is in urban areas³⁶⁾.

From table 1 it can be seen that, rural areas are relatively poorer not only in terms of the number of the poor, but also in terms of the degree of poverty. One reason for higher rural poverty is the relatively lower human resources they posses in comparison to their urban counterparts. Rate of adult illiteracy is much higher among rural inhabitants and so most of them are engaged in the low productivity traditional agricultural sector requiring less human

resources. Moreover, most of the rural households are landless or own only a very small amount of land not sufficient to supply the dietary need for their families. So, exclusively agro-centered development efforts could be inequality increasing by giving most of the benefits to medium and large farmers, and accommodating landless and marginal farmers only as agricultural laborer with a lower real wage.

Besides, in a land poor country with a large population burden, predominantly rural inhabitanace, widespread dependency on agriculture by illiterate rural poor, and with a less developed urban formal sector, growing importance of RNF sector as a complement to agricultural income is inevitable. This importance is intensified when we take a more in-depth view of rural poverty in Bangladesh, taking consideration of wide spread under employment, gender disparity etc. and also consider the

Table 1: Trends of poverty in Bangladesh (consumption expenditure data) (%)

		1983-84	1988-89	1991-92	2000
Rural	Head Count	53.8	49.7	52.9	43.6
	Poverty Gap	15.0	13.1	14.6	11.3
	Squared Poverty Gap	5.9	4.8	5.6	4.0
Urban	Head Count	40.9	35.9	33.6	26.4
	Poverty Gap	11.4	8.7	8.4	6.7
	Squared Poverty Gap	4.4	2.8	2.8	2.3
National	Head Count	52.3	48.8	49.7	39.8
	Poverty Gap	14.5	12.5	13.6	10.3
	Squared Poverty Gap	5.7	4.6	5.1	3.6

Source: Drivers of Escape and Descent: Changing Household Fortunes in Rural Bangladesh, Binayak Sen

possible ways in which development of RNF sector could create a virtuous cycle of development in both agriculture and urban industrial sector of the economy. Creation of alternative jobs for the rural poor through non-farm sector is also very important for reducing rural-urban migration and urban congestion. Development of RNFE on the other hand can reduce inequality by giving better income potentials to the land poor and can also contribute to reduce in-home gender disparity in rural areas, by creating modest income potentials for the women.

3.2 Factors necessary for smooth RNFE development, and constraints remaining for Bangladesh

Two most important factors identified for the smooth development of RNFE economy are

- 1) *Increased Household Capability and*
- 2) *Increased profitability in the RNF sector*

3.2.1 Increased Household Capability

This factor is very important for the development of RNFE because if the people are not capable enough i.e. if they do not have sufficient physical and human capital to be engaged in RNFE then even if they loose there jobs in agriculture and switch to other pity jobs in the RNF sector, those would be only for their mere subsistence and not contribute much for the

development of the RNFE.

- **Stock of physical capital:** one of the most important factors that determines the access to the RNFE, in the absence of credit or other specialized skill, is the stock of physical capital especially land. As mentioned earlier, although poor people are more inclined to enter into RNFE and get remedy from their lower-vulnerable income, they can not do so because of some resource constraints. On the other hand rich farmers although feel less urge to diversify their income in the RNF sector, can do so more easily and therefore tap the higher income potential there because of their initial wealth holdings. Some times land redistribution is suggested to give the poor households access to physical assets. But in Bangladesh, this would not be an effective option because more than half of the rural households are landless and average land size have already fallen to a level that can supply at best 50% of the typical households' consumption needs³⁷.
- **Stock of human capital:** One substitute for the stock of physical capital could be the accumulation of human capital in terms of general education and other skill trainings etc³⁸. Various studies confirmed the importance of education on determining the type of RNF activities in which people will get

involved and also their income potential from those activities³⁹⁾. Although the engagement in and income potential from RNFE increase with the increase in the level of education, highly educated persons after a certain level are interested to join more on formal salaried jobs rather on RNF employment. Only people with a 'moderate level of education' are more interested to be self-employed in the RNF sector⁴⁰⁾

In recent years because of the influx of primary and secondary education many people especially the young are becoming increasingly moderately educated and in the absence of profitable income opportunities at their level of education, these people are just trying to get more higher education in anticipation to secure formal salaried jobs. But formal jobs are not much available now a days. So, following this trend, youth unemployment in Bangladesh is increasing and constituting a major portion of total people unemployed in the economy. Depending on the burgeoning number of moderately educated-unemployed youth labor force; there exists a favorable condition for necessity of initiating various skill training those could engage these unemployed youth to various potential RNF sectors.

- **Access to credit:** lack of access to credit, especially for the poor house-

holds, becomes one of the major hindrances to enter in to the RNF sector⁴¹⁾. With the absence of sufficient stock of physical capital, this access to credit can help the poor to startup new venture or scale up their existing non-farm activities from mere subsistence to a profitable one. Although developing country governments sometimes try to fill up this gap by instructing the formal financial sector to channel more fund in this sector, ironically the benefit of these subsidized, targeted credits are usually captured mostly by the wealthy household because of various reasons.

Formal financial institutions are generally reluctant to serve the bottom section of the market because of '*screening problem*' caused by insufficient information about these borrowers, very much volatile and risky income flow from their ventures, and the '*small and uneconomic*' amount of borrowing they would like to make. '*Enforcement problem*' arising out of insufficient collateral for the loans, weak legal system to enforce foreclosure options, and insurance against any unidiosyncratic risks such as flood, draught, cyclone, and etc⁴²⁾ also stimulate this reluctance.

3.2.2 Increased profitability in the RNF sector

While household skill and wealth are

sometimes acting as a necessary condition for entering into the RNFE, profitability in this sector works as a sufficient factor for such involvement. Profitability from activities on RNFE is a function of many factors. Among those some of the most important ones are-

- **Growth in Agriculture:** As agriculture is one of the most important factors affecting RNFE development especially at the initial stage, promotion of agriculture will also promote RNFE by means of various forward, backward, consumption linkages. A very large effect of the growth in agriculture on RNFE development has been confirmed by various studies conducted in different developing countries of the world⁴³. In Bangladesh also agricultural growth can contribute to the creation of large number of non-farm employment in the rural areas⁴⁴.

Development of agriculture especially that using modern green revolution technologies can create employment of those engaged in the trade or transportation of agricultural raw materials, providing irrigation facilities to small farmers, processing, storage and marketing of agricultural commodities, providing repairing and maintenance services to agro machineries, post harvest services through mechanical husking & boiling of rice etc⁴⁵. Another

very important linkage between agriculture and RNFE is the consumption linkage that creates extra demand for RNFE commodities as agricultural income increases.

Although Bangladesh has recently attained self sufficiency in cereal production⁴⁶, the main problem remaining on agro-centered RNFE growth in Bangladesh is that, still now agriculture commodities are not diversified to many high value agricultural products⁴⁷, rather most of the farms produce rice to carry on their mere subsistence. Again, agro-centered growth can not escape the income volatility caused by the volatility in agricultural income⁴⁸.

- **Supportive Physical Infrastructure:** It includes roads, bridges, access to electricity etc. Physical infrastructures play an important role in the development of RNFE by reducing the cost of production, increasing productivity, improving access to market etc., as most of the enterprise support activities such as 'bank, marketing facilities, training centers' and other facilities follow the availability of better infrastructure⁴⁹. As shown by the experiences of other East Asian countries, Bangladesh can also promote its RNFE by providing infrastructure along with other factors necessary for its development. The most important among the physical infrastructures are

roads and electricity. But providing these facilities to rural areas are still very much lacking of their requirements. With its limited resource the government is not always in a position to provide the necessary services while the major two problems remaining with the providence of physical infrastructure by private sector is higher par capita cost for providing rural infrastructure and lower par capita income of rural households to access these services⁵⁰⁾.

- **Improved access to market:** To extract the ultimate benefit from the development of RNFE, products produced in rural habitats must be given adequate market access. Without widespread marketing facilities, the sector could stagnate to a mere subsistence level and bounded only by the very limited demand from the local market. One strategy for increasing income potential from RNF activities and lowering its risk by delinking it sufficiently from agriculture could be the creation of appropriate urban and export market linkages to the products produced by RNFE. Providing information to the rural entrepreneurs about new products and market demand, supplying prototypes for improved-quality products, helping to establish rural-urban linkage through sub contracting, facilitating standardization, transport to the market, preser-

vation etc. are very important for better marketing of RNF products to urban and export markets. But the problem here is how to provide cost efficient marketing services to the very small enterprises engaged in the RNF sector of Bangladesh.

- **Facilitative environment:** This can be ensured by the government through the formulation of accommodating policies for the development of RNFE and removing policy biases against it. Since agricultural development is linked with the development of RNFE, policies for agriculture should also be taken considering RNFE in mind. Some other thing very important to ensure facilitative environment for the promotion of RNFE is the establishment of better law and order situation, preserving property rights, and enforcing contracts etc. The main problem of RNFE relating to this area is the absence of any national policy regarding the development of RNFE in the country. Over the years it is considered only as a periphery of the agricultural sector and no ministry or division of the government is looking after it, either jointly with or separately from other sectors of production⁵¹⁾. Moreover, one major complicity in formulating policy for RNFE is that because of their peculiar nature, no centralized policy may be sufficient to cover the largely diversified categories

of products produced under RNF sector in different localities of the country.

3.3 Lessons Learned for Bangladesh

From state and requirements of, and constraints to RNFE development in Bangladesh along with the analysis of the history of and initiatives taken for the development of OVOP movement, we can derive the following lessons, which could be beneficial for the development of RNFE in Bangladesh.

- (1) Visionary local leaders are important for regional revitalization
- (2) Local specialty should be promoted
- (3) Younger generation are better to chose for any new movement
- (4) Initiatives should come from the local people and the local authority should act as a facilitator in their pursuit rather as a dictator to direct what the people should do
- (5) Subsidy should better not to be given at the individual level rather at the local govt. level to develop different infrastructural facilities necessary for increased productivity at the local areas and should be demand driven
- (6) Well dissemination of success stories in one locality is an effective way to make people in other localities enthusiastic about any positive movement
- (7) Training for prospective entrepreneurs are better to be performed based on success and failure stories of the

existing enterprises rather on the basis of some standard text or lectured by learned academicians

- (8) Providence of infrastructure, marketing facilities, and dissemination of research knowledge to improve product quality and minimize cost is very important from the part of the government to stimulate this type of movement
- (9) Availability of credit should be ensured
- (10) Quality and price of the products should be competitive in the national and in the end to the broader international market.
- (11) Agricultural diversification is a very important initial step to be taken
- (12) Local products can address the external competition if products are chosen on the basis of local specialty and if concentration is made on products with lower return to scale such as food processing, handicrafts etc
- (13) Promotion of effective producers' organization could bring better results

Notes

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経済科学第 52 巻第 4 号 (2005 年)

(Chittagong University, Bangladesh)