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FY-1982 EVALUATION OF THE BANGLADESH
TITLE III FOOD FOR DEVELOPMENT
PROGRAM

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FY-1982 EVALUATION OF THE BANGLADESH
FOOD FOR DEVELOPMENT PROGRAM

(TITLE III OF PL-480)

Scope of Evaluation:

The Evaluation for FY-1982 covers the remaining period of the FY 1978-81 Agreement, and the period from the signing of the new FY 1982-84 Agreement in March 1982. The evaluation will analyse the annual progress made toward the achievement of program goals, and other factors affecting the operation of the Food For Development Program. The goals to be evaluated are:

- (a) The degree to which the BDG has been assisted in the effort to accelerate increases in agricultural production by maintaining incentive prices to farmers;
- (b) The degree to which food security has been maintained by the stratagem of holding (foodgrain) reserves;
- (c) Reduction in the food subsidy through the phase-down of the ration system;
- (d) Moderation of price increases with the open market sales program;
- (e) Provision of resources to support specific BDG agricultural and rural development programs;
- (f) The degree to which the development of the private sector cotton spinning industry has been encouraged;
- (g) Promotion of the private marketing and processing of foodgrain and vegetable oil; and
- (h) Improvement in development of food policy and the implications for FFDS.

Since the goals of the FY 1982-85 program have been expanded from those of the earlier program, the evaluation will cover the objectives pertaining to the current agreement.

Background:

Total shipments under the FY 1978-81 FFD Title III Agreement were 1,174,000 metric tons (MT) of wheat and 25,000 MT of oil, with an aggregate value of \$191.4 million. As of April 1982, total sales of 734,900 MT had been accounted for. The breakdown was as follows: 554,700 MT were utilized by the Modified Ration System (MR); 174,700 by Open Market Sales (OMS); and 5,500 MT of wheat equivalent of rice open market sales. From these sales, the Taka equivalent of \$117.4 million had been deposited in the special account; \$113.8 million of this amount had been disbursed, of which a total of \$99.0 million was certified for currency-use offset purposes.

There remains 439,100 MT of wheat, valued at \$74 million, to be accounted for. Since the FY 1978-81 Agreement specified that a maximum of 600,000 MT could be used by the Modified Ration System, a balance of only 45,300 MT remains for this use. This leaves 393,000 MT for application to Open Market Sales (See Table 1).

No FY-1981 shipments were eligible for commodity use offset under the foodgrain reserve provision.

Data on offtakes indicate that 37,233 tons of rice and 9,152 tons of wheat were used for OMS purposes during the BDG FY 1981-82. Since Title III rice was not available at the time of the OMS rice offtakes, the OMS rice sales may be credited as the utilization of Title III wheat. As indicated in Annex B, 2 tons of OMS rice will be credited as 3 tons of wheat provided to flour millers. Therefore, sales to flour millers of approximately 56,000 MT of wheat may be credited to OMS. This would then leave approximately 337,000 MT of wheat required for use in OMS sales from the FY 1978-81 Agreement.

For the FY 1982-84 FFD Title III Agreement signed in March 1982 (although the final figures for commodities are not yet available) the following table indicates the approximate quantity of commodities shipped:

<u>Commodity</u>	<u>Quantity (000 MT)</u>	<u>Value (Million \$)</u>
Wheat (MT)	172	25.90
Rice (MR)	54	15.40
Soybean Oil (MT)	24	13.52
Cotton (Bales)	27	9.18
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Total		64.00

As of the time this report was issued, there were no reports of any currency generations, under the new agreement.

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Table 1: Required Uses of Wheat Provided Under PL-480 Title III Agreement of August 2, 1975 as Finally Amended on June 26, 1981

(In Metric Tons)

	<u>M.R.</u>	<u>O.M.S.</u>	<u>Reserve</u>	<u>Total</u>
Provided	-	-	-	1,174,000
Authorized uses (up to)	600,000	1,174,000	200,000	
Actual use	554,700	180,000	-	734,900
Balance	45,300	393,000	-	439,100

Table 2 Required use of Foodgrains Provided Under PL-480 Title III Agreement of March 2, 1962 as Amended on July 14 and 24, 1962

(In Metric Tons)

	<u>M.P.</u>	<u>O.M.S.</u>	<u>Reserve</u>	<u>Total</u>
Wheat Provided	-	-	-	175,000
Authorized uses (up to)	175,000*	175,000	175,000	-
Actual use	-	-	-	-
Balance	175,000	175,000	175,000	-
Rice provided	-	-	-	55,000
Authorized Use	-	55,000	-	-
Actual Use	-	-	-	-
Balance	-	55,000	-	-

* May only be used for MR. If OMS occurred as required and conditions in Annex B, Item III, Para E 2 are met.

Open Market Sales (OMS):

The objective of the open market sales program is to moderate consumer price increases of foodgrains by increasing supplies through a market mechanism. Our evaluation of this objective will be based on the following criteria:

- (1) Whether OMS was used as required and in accordance with the provisions of the Agreement;
- (2) Whether OMS was successful in moderating prices.

The provisions of the Agreement call for foodgrains to be made available whenever market conditions warrant. OMS prices are to be adjusted as prices change according to an agreed-upon schedule.

Market conditions did not warrant OMS offtakes until fairly late in CY-1981 since market prices were generally lower than OMS prices. During the October-November period, however, the market price was above the OMS price in most of the Subdivisions (including the four district capitals of Dacca, Rajshahi, Khulna and Chittagong) for at least part of those months. OMS offtakes in 1981 were 2,494 long tons (LT) in September, followed by 3,918 LT in October and 2,142 LT in November. In the period preceding the November 15 presidential election, the BDG used other sales mechanisms, termed 'marketing operations' and 'free sales', to dispose of over 90,000 LT of grain, at prices below the OMS price. The BDG, and other more detached observers, justified these sales as a means of moving foodgrains with a short shelf life out of inventory and on to the market at a time when market conditions precluded the effective deployment of OMS. During this period, total offtakes increased from 88,000 MT in August to 245,000 MT in October, afterwards registering something of a decline through January. During the months of December 1981 - March 1982, the supply situation tightened due to the poor Aman crop, and prices began to rise. By December, 50% of the Subdivisions reported rice prices which exceeded the OMS price of Tk. 200/maund for at least 1/2 of the reporting days. This percentage increased to 75% in January and to 91% in February. The initial OMS prices were to have been revised to Tk. 220/maund in December when the procurement price was raised. For the most part, however, OMS prices remained below this level. OMS offtakes were limited to 341 LT in December, to 300 LT in January, and had fallen to zero in February; market conditions did not indicate a pressing need for OMS at the revised prices (had they been in effect) during most of this period.

The Government delayed issuance of the required instructions to revise the OMS price structure. This delay left the program in limbo until new instructions, issued on February 25, 1982, raised the OMS price from Tk. 200/maund to Tk. 220/maund. OMS offtakes then rose to their highest level of the year in March (13,616 LT) and April (21,373 LT), before falling precipitately to 2,405 LT in May, 516 LT in June, and 1,003 LT in July, as rice prices subsided. The relatively high level of OMS offtakes in April and May coincided with the highest rice prices of the year (with the monthly average coarse rice price peaking in April at Tk. 283/maund).

It is noteworthy that from September, 1981 through May, 1982 stocks registered a continuous decline from a zenith of 1,343,000 tons to only 487,000 tons, a level at which the Agreement permitted the suspension of OMS. During this period, the combination of paucity of imports and limited procurement resulted in the depletion of wheat stocks, which were drawn down to only 14,000 tons. Thus OMS sales in March and April were of necessity largely limited to rice and paddy, and constituted the only way for the BDG to move rice into the market without resorting to a corresponding increase in the ration.

OMS Performance:

A number of field trips to evaluate OMS performance were made by Mission staff in April and May and by the Evaluation Team in September. Implementation varied slightly among Subdivisions. Prices were generally correctly set as required by the Agreements, and there appeared to be a consensus among OMS dealers and grain traders that the OMS sales did have a positive impact on constraining prices. However, BDG officials imposed restrictions on the OMS program which conflicted with the requirements of the Title III Agreement. Restrictions were imposed on a number of dealers on lot size, on choice of commodity, and on resale quantities and prices. BDG local officials would typically select a limited number of dealers who were allowed to participate in the program. The restrictions imposed by local officials were an important factor in the low level of OMS offtakes, and there is no doubt that they reduced the program's impact on prices. An analysis of OMS offtakes (by Subdivision) in April and May indicated no observable relationship between offtake levels and Subdivision prices. As prices again increased in September, OMS was again activated, with an offtake of 25,627 MT. A reported level of 110,000 MT was allocated for OMS for October, resulting in an impressive OMS offtake of 73,688 MT for the month. These are the largest amounts ever to be used by the program. Visits to the markets in Dacca and surrounding areas confirmed that OMS was taking place but under the same constraints as previously observed. Local food officials, wholesalers and traders generally agreed that prices had stabilized and were in fact falling due to increased supplies. It appears that nationwide prices peaked in early October as a consequence of the OMS program. This is not typical of experience of previous years in which there were poor market prospects.

On October 14, 1982 the PL-480 Title III Agreement was amended. The new amendment required that all the Title III grain provided under the amendment had to be used for OMS, but at the same time it deleted the language which restricted the BDG from setting resale conditions on OMS dealers. This amendment was part of an initiative to make initial Title I/III commitments early in the new U.S. Fiscal Year. It provided Bangladesh with 100,000 MT of wheat and 10,000 MT of soybean oil valued at 21.6 million dollars, leaving an authorized balance of 38.4 million dollars for the fiscal year.

Progress in Reducing the Public Food Distribution System (PFDS):

Modified rationing (MR) offtakes far exceeded those of OMS throughout BDG FY 1981-82. Total MR offtakes for the year were 482,916 LT (or 24 percent of total offtakes of the Public Food Distribution System.) This compares with offtakes of 179,138 LT or 12 percent in FY-1980-81 and 16 percent in 1979/80. In this context it should be noted, however, that the BDG has made considerable progress in restructuring the ration system as required by the Title III Agreement. On December 12, 1981 the ration quota was reduced from 2.5 seers to 2.0 seers per week and the portion of the ration which can be drawn as rice was reduced from 30 to 25 percent. On that date, also, ration prices of rice were increased from Taka 155.2 per maund to Taka 175 per maund. The wheat price rose from Taka 116 per maund to Taka 124 per maund. The present government has maintained and even improved on this performance. On July 1, 1982, the ration price for rice was increased to Taka 195 per maund and that of wheat to Taka 134 per maund. At that time the existing procurement prices of rice and wheat were Taka 190 and Taka 124 per maund respectively, although since then procurement prices increased to Taka 210 per maund and Taka 135 per maund for aman rice and wheat, respectively. The ration price is expected to be increased to Taka 213 per maund by December 1, putting it again above the procurement price. This constitutes the first time in Bangladesh's history that the ration price has exceeded the procurement price. A milestone in food and agriculture policy, it represents the achievement of two major Title III program requirements: a price structure more conducive to production incentives, and a phasing down of the ration system. A comparison with the most recent comparable year shows the PFDS is being effectively reduced. In 1979-80, a year during which drought conditions were prevalent, overall PFDS offtakes were 2,401,000 LT. In 1981-82, however, they were 2,030,000 LT. SR offtakes fell from 491,000 LT in 1979-80 to 343,000 LT in 1980-81 and 307,000 LT in 1981-82. It is significant, also, that the present administration accomplished this during a period of worsening economic conditions. In general, it may be said of the government that it has demonstrated a laudable willingness to make politically unpopular decisions notwithstanding difficult economic conditions.

The operation of the PFDS however has had a problem in relation to wheat, which itself is not consumed directly but must first be converted to Atta (coarsely ground whole grain flour) or flour before use. For example, under the BDG FY 1981-82 system, purchasers of OMS wheat had to decide between taking their purchase to the Atta crusher for grinding and selling the wheat for the purpose of buying atta or their desired commodity with the proceeds. The process of distributing the grain in small lots and then assembling these lots into large enough quantities for crushing/milling added unnecessary costs to the production of Atta. In Dacca, for example, Atta millers who had to depend on the market (e.g. resales from ration distributions) for wheat supplies were paying Taka 200 per maund. (Taka 5.0 per seer) and selling Atta at Taka 220 per maund (Taka 5.50 per seer). Thus the evaluators recommended that sales to atta millers be increased and that rations be issued

in either wheat or atta. Subsequent to the departure of the Title III evaluators, it was ascertained during field trips by Mission personnel that the BDG had indeed instituted a system of issuing OMS wheat to atta dealers and millers, who were authorized to sell the commodity to consumers once it had been crushed. This OMS atta system appeared to be working well in Mymensingh and Comilla, the areas visited.

Incentive Prices for Farmers:

In maintaining incentive prices to farmers, the objective is to provide farmers with a sufficient return to encourage increased output through the investment in the HYV technologies inputs. The Title III Agreement requires the setting of procurement prices at realistic levels, and the purchase by BDG of sufficient quantities of grain whenever necessary to maintain farm prices. Performance in this areas has been good. Procurement prices for the coming Aman crop were announced on June 30 as was required under the Agreement signed March 8. In its analysis, the BDG estimated an 11.3 percent increase in the cost of production over last year for HYV production. After taking into account world price trends, domestic price considerations, and other factors, the BDG set new procurement prices at Taka 210 per maund for rice and Taka 135 per maund for paddy. A new wheat procurement price of Taka 135 per maund was subsequently announced.

There has been some concern that the increases in the price of fertilizer and other inputs have exceeded increases in output prices, leading to a decreased use of fertilizer. When its fertilizer rice price ratios are compared with those of other South Asian countries, it is evident that Bangladesh's is one of the most favorable. This would indicate that the decline in fertilizer use is due to other factors. Discussions with competent authorities and resource persons reveal that the lack of availability of irrigation and poor water control together constitute the major constraints to increased agricultural production. The pattern of the monsoons in FY 1981-82 resulted in delayed planting and uncertain prospects for the transplanted Aman crop. Farmers were even reluctant to risk increased fertilizer applications under these conditions.

Procurement in support of prices was very limited this year, since the price of both paddy and rice, as well as that of wheat, exceeded procurement prices most of the time. (See Table 4). A few procurement centers reported a decline in the price of grain to below the procurement price for part of the season. Procurement, which had been projected at 760,000 tons for the BDG's Fiscal Year, was only 298,000 tons for the 1981-82 July-June. (See Table 5.)

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Table 3. OFFICIAL PADDY PROCUREMENT AND UREA RETAIL PRICES IN BANGLADESH, PAKISTAN AND INDIA.

	Bangladesh			Pakistan			India		
	Paddy ^{a/} (Tk/md)	Urea (Tk/md)	Ratio	Paddy (Rs/md)	Urea (Rs/md)	Ratio	Paddy (Rs/md)	Urea (Rs/md)	Ratio
FY73	33.00	20.00	1.65	13.86	28.55	0.49	..	31.73	..
FY74	45.00	32.50	1.38	17.82	40.41	0.44	..	25.36	..
FY75	77.00	50.00	1.54	26.40	60.98	0.43	..	45.35	..
FY76	78.00	50.00	1.56	26.40	49.96	0.53	..	50.95	..
FY77	78.00	60.00	1.30	30.00	47.02	0.64	27.62	52.25	0.53
FY78	84.00	60.00	1.40	30.36	47.02	0.65	28.74	52.25	0.55
FY79	84.00	70.00	1.20	32.34	47.02	0.69	31.73	48.93	0.65
FY80	110.00	90.00	1.22	32.34	69.95	0.46	35.46	48.93	0.52
FY81	115.00	110.00	1.05	38.78	69.95	0.55	39.19	74.65	0.52
FY82	124.00	132.00	0.94	42.93	74.65p	0.58

.. = not available.

p = projection.

a/ Procurement price including transport bonus.

Source: World Bank Pakistan: Economic Developments and Prospects (IBRD Report No. 3328-PAK, dated April 10, 1981), Table 7.10, p. 181, and Table 7.11, p. 182; Economic Situation and Prospects of India (IBRD Report No. 3401-IN, dated April 15, 1981), Table 4.2, p.3, and Table 4.5, p.89, and mission estimates.

Table 4. PROCUREMENT PRICE & MARKET PRICE OF FOOD GRAIN
(1980-81 & 1981-82)

PADDY & WHEAT

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MONTH	(TK./MD.)															
	1980-81								1981-82							
	Procurement Price				Market Price				Procurement Price				Market Price			
	Aus	Aman	Boro	Wheat	Aus	Aman	Boro	Wheat	Aus	Aman	Boro	Wheat	Aus	Aman	Boro	Wheat
July	110	110	110	110	87	120	105	109	115	115	115	115	96	123	106	108
Aug.	110	110	110	110	88	117	105	108	115	115	115	115	97	122	103	110
Sept.	110	110	110	110	95	119	105	112	115	115	115	115	106	123	109	117
Oct.	110	110	110	110	98	116	-	115	115	115	115	115	120	130	124	123
Nov.	115	115	115	115	99	97	-	112	115	115	115	115	129	122	-	124
Dec.	115	115	115	115	-	101	-	110	115	124	124	124	-	123	-	124
Jan.	115	115	115	115	-	105	-	113	115	124	124	124	-	139	-	131
Feb.	115	115	115	115	-	112	-	118	115	124	124	124	-	166	-	166
March	115	115	115	115	-	117	-	105	115	124	124	124	-	176	-	157
Apr.	115	115	115	115	-	124	-	105	115	124	124	124	-	193	153	159
May	115	115	115	115	-	127	105	108	115	124	124	124	-	170		155
June	115	115	115	115	-	123	105	107	-	124	124	124	-	167	135	147

RICE

MONTH	(TK./MD.)											
	1980-81						1981-82					
	Procurement Price			Market Price			Procurement Price			Market Price		
	Aus	Aman	Boro	Aus	Aman	Boro	Aus	Aman	Boro	Aus	Aman	Boro
July	170	170	170	160	186	173	175	175	175	171	196	178
Aug.	170	170	170	154	181	169	175	175	175	169	196	172
Sept.	170	170	170	158	189	174	175	175	175	181	207	178
Oct.	170	170	170	161	183	-	175	175	175	204	213	208
Nov.	175	175	175	-	160	-	175	175	175	209	211	-
Dec.	175	175	175	-	158	-	175	190	190	-	205	-
Jan.	175	175	175	-	161	-	175	190	190	-	220	-
Feb.	175	175	175	-	170	-	175	190	190	-	256	-
March	175	175	175	-	177	-	175	190	190	-	271	-
Apr.	175	175	175	-	190	-	175	190	190	-	296	276
May	175	175	175	-	198	178	175	190	190	-	262	233
June	175	175	175	-	194	173	175	190	190	-	248	228

SOURCE: Ministry of Food, Directorate of Agricultural Marketing.

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Table 5. FOODGRAIN PROCUREMENT BY CROP, 1977/78-1981/82^{a/}
(IN THOUSAND LONG TONS OF RICE EQUIVALENT)

	BDG FISCAL YEARS ENDING JUNE 30				
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Aus	1.6	18.6	-0-	86.9	20.0
Aman	500.8	199.0	176.1	501.3	117.0
Boro	<u>37.0</u>	<u>80.8</u>	<u>49.8</u>	<u>252.8</u>	<u>148.0</u>
Sub Total Rice :	539.4	298.4	225.9	841.0	285.0
Wheat	11.0	52.9	123.3	175.8	13.0
Total Foodgrains:	550.4	351.3	349.2	1,016.8	298.0

Note: a/ Table shows procurement during the crop years indicated regardless of when the grain itself was grown. The data covering boro, in particular, includes rice procured from the previous as well as current year's crop.

Source: Directorate and Ministry of Food.

Despite the fact that heavy procurement of grain was not necessary, The BDG continued to expand its foodgrain storage capacity, which had increased from 1,668,000 tons in June of 1981 to 1,878,000 tons in June of 1982. The food godowns, which have been strategically located throughout the entire country, should be sufficient to store grains procured in a year of normal imports and good crop production.

Development of the Private Cotton Spinning Industry:

As required under Part II, Item V6 of the PL-480 Title III Agreement and Para 29 of the Agreed Minutes, the Ministry of Industries issued a letter on June 26, 1982 to all private investors who had received licenses to build cotton spinning mills, indicating there would henceforth be no limitation of 12,500 spindles in textile mills in the private sector. Entrepreneurs may now install any number of spindles, according to the economic viability of projects.

No new private sector cotton spinning plants were completed or were under construction during the past year. However, the number of licenses issued to potential investors for construction of cotton spinning mills increased to 41. It should also be noted that in June 1982, a decree was issued which allowed expansion of spinning capacity in both private and public sector mills. The absence of any new construction during the year can be ascribed to foreign exchange shortages and the prevailing poor economic climate, rather than to any failure on the part of the BDG with respect to the Agreement.

After a period of extensive discussion with former textile mill owners, the Government formally announced in September 1982 the terms and conditions for divestiture of 22 cotton spinning and combination mills. The Government's intention at present is to return approximately 60 percent of power-loom weaving capacity and 40 percent of cotton spinning capacity to the private sector.

Comments on Performance:

The terms and conditions of the Title III Agreement pertaining to the removal of the 12,500 limit on the number of spindles in private sector mills have been met. Beyond removing the limit on the number of spindles, the Government has encouraged private sector growth in a most direct manner by aggressively pursuing disinvestment of a substantial segment of the spindle and power loom capacity.

Operational Concerns:

In discussion with the Chairman of the Bangladesh Textile Mills Corporation the concern was voiced that purchase under the green card system increased the cost and provided the corporation with a more closely graded product than was needed for its given Bangladesh spinning requirements. In general, BTMC's principal thrust is to produce as much as possible at the least cost; the organization has only limited concern for quality. BTMC ordinarily does not purchase U.S. cotton on a green card basis, and its management enquired whether purchase on such a basis was possible under PL-480.

The Use of Title III Soybean Oil:

It was expected that the BDG would ship mainly Crude Degummed Soybean Oil (CDSO) under the Title III program in order to provide for the needs of public and privately owned refiners in Bangladesh. Refined soybean oil has a much higher price not just because the refining is done in the U.S., but also because it is shipped in drums rather than in bulk. The refined oil, therefore, is much less desirable than CDSO and may have to be sold at a loss given the low imported oil prices in Bangladesh. The constraint on shipping CDSO is the Chittagong Port's receiving capacity for bulk oil. This capacity is limited to 10,000 MT every three months. Unfortunately, in FY-82, by the time the Title III Agreement was signed (March 6, 1982) half of the shipping period (the U.S. Fiscal Year) was over. Largely as a result of the receiving constraint, the BDG shipped only 14,000 MT of CDSO in FY-82. 10,000 MT of refined oil was however shipped.

There were some operational and communication problems which further hampered the operation of the soybean oil program. The Chairman of the Bangladesh Sugar and Food Industries Corporation (BSFIC) which is handling the program has indicated he planned for only 5,000 MT of refined oil in drums. BSFIC was told by the Bangladesh Embassy that 10,000 MT was needed in order to reduce shipping costs. It is true that bulk shipments reduce cost for CDSO but it is not the case for refined soybean oil which is shipped in drums. Prior to tendering for the refined oil, the USDA Asia Area Manager discussed with the BDG Embassy the quantity of high priced refined and degummed soybean oil requested, and pointed out that if 10,000 MT of refined was purchased instead of 5,000 MT then the BDG would not be able to purchase the additional 10,000 MT of CDSO which was needed. The Bangladesh Embassy indicated that no change in instructions had been received.

A second problem was the question of the acceptance by the EDG of a U.S. flag carrier on the final shipment of CDSO. USDA declined to pay the ocean freight differential, as the minimum 50 percent requirement for U.S. flag shipment had already been reached and a foreign flag vessel was available. The U.S. flag vessel was accepted due to a disagreement on the first freight tender between the Bangladesh Embassy and the shipper. The Bangladesh Embassy confiscated the latter's bid bond and the shipper refused to post a second bid bond on the retender, on the grounds that it was illegal. Thus the Bangladesh Embassy rejected the shipper's offers and accepted instead the U.S. flag vessel. This raised the freight cost from \$70/MT to \$105/MT and the C&F cost to \$516 and compared unfavorably with a commercial purchase by the private trade of \$450/MT C&F from Brazil.

All of the CDSO supplied under the PL-480 Title III Agreements was refined by BSFIC. Because the quantity of CDSO which was shipped was inadequate, the entire FY-1982 CDSO shipment was easily handled by BSFIC whose refining capacity (when its refineries are operated three shifts per day) is 24,000 MT per year. On the other hand, private refiners, which normally run only one shift per day, often have to shut down their refineries when the world CDSO price is so high that it is impossible

for them to compete with low-cost imported refined palm oil. Since private refiners only buy CDSO when prices are low, BSFIC claims it cannot act as an importer and resell Title III CDSO to private refiners, who do not find the CIF value of Title III CDSO competitive. Since the departure of Title III evaluation team, USAID has also learned from BSFIC that it will denationalize its soybean oil refineries. While this will place refining squarely in the private sector, it may also mean that it will be very difficult to arrange a means of providing soybean oil to Bangladesh under Title III. Presumably, refineries sold to the private sector by BSFIC will have *the* same difficulties that other private refiners are experiencing today in using Title III oil.

Use of Proceeds Generated From the Sale of Title III Foodgrains:

Total proceeds generated under the project through June 1982 were the Taka equivalent of \$117.4 million. Of this amount, \$113.8 million has been disbursed to approved development projects. The amount of \$99.8 million has been certified to Washington for application to Title I and III loan obligations.

FY-1982 Proceeds and Disbursement:

During the BDG FY-1982, estimated local currency generations attributable to the project were \$35.7 million.

Disbursements during FY-82 were the Taka equivalent of \$32.0 million. The disbursements were spread among fifteen projects included in Annex B, Item III.H. of the Title III Agreement. The amounts disbursed ranged from \$.003 million for the Establishment of Workshops Complex in Private Sector project to \$9.2 million for the Deep Tubewell Irrigation project.

Table 6 shows estimated total local currency FY-82 expenditures by the Government for the projects and the disbursement of Title III local currency proceeds to them. For one project, Support to Locally Developed Small Pumps and Other Agricultural Implements, the total estimated local currency expenditure given by BADC was Taka 407,000 (approximately \$18,000) less than the Title III local currency disbursements to the project. Muhuri Irrigation shows a larger discrepancy.

Comments on Proceeds and Disbursements:

The apparent disbursement of local currency from the Title III account in excess of the BADC estimated expenditures during FY-82 on the project 'Support to Locally Developed Small Pumps and Other Agricultural Implements' raises questions about accounting procedures. Moreover, a decision was made by the Government not to allocate any more budgetary resources to this project in FY-83 and subsequent years. The question is, if local currency disbursed from the Title III account is not expended before the project terminates, will the Taka be returned to the Title III account? As a general question, where projects are terminated (and several have already been dropped from the FY-83 budget) can Title III Taka be distinguished from Taka from other sources in the reallocation of undisbursed Taka from the project account to other activities? Discussions with

TABLE 6

PROJECTWISE DISBURSEMENT OF TITLE III FUNDS BY BDG

<u>Serial Number</u>	<u>Name of Projects</u>	<u>Estimated^{2/} FY-82 BDG Local Currency Expenditure (Taka 000)</u>	<u>Title III Funds^{1/} Disbursements (Taka 000)</u>
1.	Manu River Project	149,275	57,574
2.	Karnafuli Irrigation and Flood Control	78,018	29,684
3.	Barisal Irrigation II	26,831	10,000
4.	Muhuri Irrigation	4,055	15,209
5.	Shallow Tubewell (IDA)	59,277	14,245
6.	Intensive Agricultural Program for North-West	317,092	126,798
7.	Supply of Low Lift Pump under Canal Digging Program	83,376	270
8.	Ashuganj Sabuj Prokolpa	1,759	1,250
9.	Low Lift Pump Irrigation	926,099	162,240
10.	Low Lift Pump (IDA)	22,652	14,245
11.	Deep Tubewell Irrigation	576,714	190,620
12.	Shallow Tubewell Irrigation all over Bangladesh	398,062	34,986
13.	Command Area Development	3,890	58
14.	Establishment of Workshops in Private Sector	962	57
15.	Support to Locally Developed Small Pump and other Agricul- tural Implements	193	600

1/ Source: Compiled from certificates of disbursement (G.O's.) sent by the Government to USAID.

2/ Source: WDB/BADC.

implementing agency staff indicated that Taka disbursed to a project account are not identifiable by source once they are deposited in the account. USAID and the BDG may want to develop a procedure for handling those financial questions during the next year.

Performance:

Provisional data on physical performance for FY-82 was made available from BADC for the projects to which local currency generated by Title III was disbursed.

As might be expected with any project portfolio, performance varied widely. For example, on the Low Lift Irrigation Pump project, the objectives were to put into operation 44,000 low lift pumps, and to irrigate 1.956 million acres of land. The percentage achievement of targets was 86% and 84% respectively. By contrast, the project for Establishment of Workshop Complex in Private Sector performed poorly. The target was to establish 70 workshops in the private sector, to train 9,000 persons and to procure 40 machines. The physical performance record was no workshops set up, no persons trained, and 37 machines purchased.

Corrective action was taken by the Government for several projects (on the list of approved projects for Title III funding) that did not perform well during FY-82. The Establishment of Workshop Complex in Private Sector has been dropped from the BADC program and was shifted to other implementing agencies. The Ashuganj Sabuj Prokolpa project has proven to be more complex and more difficult to complete than anticipated by BADC. The project has been abandoned. The Command Area Development Project will be funded at a minimal level during FY-83 and will be dropped from the BADC's FY-84 budget. The support to the project for Locally Developed Small Pumps and other Agricultural Implements will be terminated in FY-83 because it duplicated another project and did not receive support from the intended beneficiaries. The above information on change in project status was obtained from discussions with implementing agency officials.

Total disbursements from local currency generated under Title III to the projects mentioned in the preceding paragraph were quite small relative to total disbursements, i.e. \$104,000 out of a total \$32,000,000 for all projects.

Comment on Performance:

The approved list of projects is subject to continuous change as projects are completed, while others are dropped and new projects are proposed for inclusion. Until now, the procedure for changes in the approved list of projects has been ad hoc. The Title III program is now at a stage where consideration should be given to a systematic approach to modifications in the list of approved projects.

USAID and the Government should undertake an annual review of the projects approved for disbursement of Title III local currency funding. The purpose of this approach would be to ensure that local currency generated under Title III is allocated in a way that takes into account the performance and priority of projects ranked against one another. Before the review occurs, Government and donor evaluations, that include analysis as well as numerical indicators of programs, would be made available to USAID to assist it to reach a determination on projects to be included in the approved list of projects.

Policy Formulation and Planning For Production
and Consumption: The Food and Fertilizer Plan-
ning and Monitoring Secretariat (FFPMS)

The FFPMS is a little more than two years old. The purpose of the organization is to provide top leaders of the Government with data and analyses to assist in food policy formulation and planning.

Organization and Structure:

The FFPMS is a relatively small and compact organization. It is headed by the Project Director, who is also a member of the Planning Commission. Reporting to the Project Director are Section Chiefs for Food and Fertilizer respectively. An Economics Section, which was included in the initial organizational chart of the FFPMS, is not yet operational. The staffing pattern of FFPMS can be seen in Chart 1.

The full-time professional staff of the FFPMS, which at present numbers nine, have all earned degrees from universities in Bangladesh. Four have M.A. degrees in economics; one, an M. Com.; one, an M.S. in agronomics; one, an M.S. in geography; and two have M.S. degrees in soil science.

Two of the staff have earned degrees abroad--the Project Director has a Ph.D. in economics from Harvard, and one of the Section Chiefs has a Diploma in economics from Manchester University. One member of the staff is now in the Philippines on long-term training. Altogether, four members of the staff have participated in training programs outside Bangladesh.

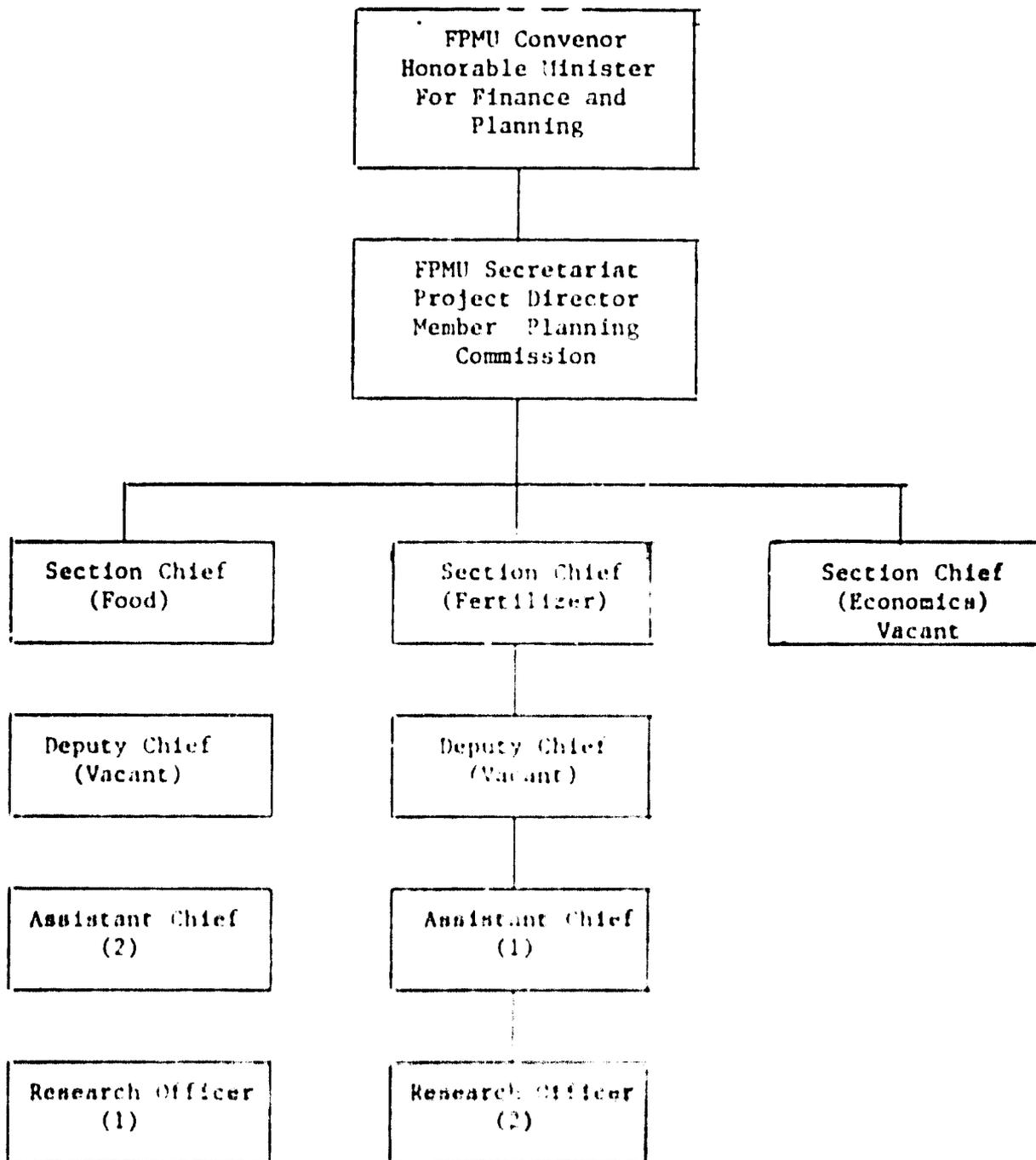
Turnover of staff has been minimal; only one of the professional staff has left FFPMS in its two and a half years of existence. Five of the nine staff, including the Project Director, have been with the FFPMS since it started in the spring of 1980. Three staff joined FFPMS during 1981 and one new person will join at the end of September 1982. In addition, the first long-term expatriate adviser, an economist funded by USAID, recently began work at the FFPMS.

Comments on Organization and Structure:

The development of the FFPMS organization and staffing has progressed adequately. This said, it is probable that the loss of one or two key persons, who provide dynamism to the FFPMS, would have a major impact on the organization's ability to carry out its program of work. Filling of the two vacant Deputy Chief positions and short term training programs for staff at the Assistant Chief and Research Officer levels could help to promote institutional stability and to improve the staff capability of FFPMS.

CHART-1

ORGANIZATION CHART OF FOOD AND FERTILIZER
PLANNING & MONITORING SECRETARIAT FFPMS



Performance:

Since its inception the FFPMS has engaged in primarily three types of activities: (a) secretariat functions such as preparation of working papers for Ministerial level meetings on food policy issues, and also preparation of the minutes of these meetings; (b) regular dissemination and reviews of information on the short-term food situation to different Ministries and the donor community, and (c) special studies.

The review of Working Papers and Minutes of Meetings suggests that the FFPMS has played a useful role in framing policy issues for the leadership of Bangladesh, and in recording the decisions of Ministerial and Sub-Ministerial level meetings. The issues cover a wide range of topics such as progress on food godown construction, establishment of a Bangladesh Food Corporation, procurement price fixation, physical verification of food stocks, and export of fine rice.

Among its publications the FFPMS issues a monthly food and inputs situation report, a periodic fertilizer review, an annual report on fertilizer, and an annual food situation review.

The research program of the FFPMS has taken shape in the past year. The first major study, a report on foodgrain budgetary and accounting procedures, has been completed. The study points out important weaknesses in the existing system of accounting for food stocks and recommends ways to improve the accountability for food resources by the Ministry of Food. Other studies at different stages of development include an early warning system for foodgrain shortfalls, an agricultural model for Bangladesh being developed in collaboration with the Center For World Food Studies, and an exploration of foodstock management under conditions of uncertainty similar to those that prevail in Bangladesh.

Comment on Performance:

The FFPMS has made good progress in developing its program of work over the past year. In particular, noteworthy progress in tackling medium and long-term food policy problems has been recorded.

The Medium Term Foodgrain Production Plan (MTFPP)

Overview:

In the Bangladesh 1981-82 budget, the percentage share of agriculture was 32 percent of the Annual Development Program (ADP). This was a significant increase from the first year allocation of 28 percent in 1980.

The growth in the proportion of budgetary resources allocated to agriculture has occurred in the context of overall ADP budget reductions. Thus, despite the proportional increase, the FY 1982 ADP budget allocation for MTFPP, a group of high priority agricultural projects, is about

35 percent less than the target allocation at FY 1980 prices. Accordingly, the inputs that were estimated to be necessary to meet the target of food self-sufficiency by 1985 will not be available within the time frame of the MTFPP implementation plan.

Water Sector Projects:

The MTFPP's 57 projects that are linked to foodgrain production, processing and distribution, were meant to be a "core program" for agricultural development under the Second Five Year Plan. As was the case with the MTFPP projects, the donor community and the Government agreed in 1979 that the highest priority would be given to water control projects. The local currency generated under the Title III program was disbursed in FY 1982 to these high priority water sector projects.

Disbursements of local currency from the Title III account in FY 1982 to the water control projects amounted to the Taka equivalent of \$32.0 million. The major disbursements in FY 1982 were for one deep tubewell irrigation project (\$9.2 million); two shallow tubewell irrigation projects (\$2.4 million); two low lift pump irrigation projects (\$8.5 million); one irrigation project that involved deep tubewells, shallow tubewells, low lift pumps and hand pumps (\$6.1 million); and four surface irrigation projects (\$5.7 million).

The local currency provided to the foregoing water sector projects complemented foreign exchange resources made available by other donors such as IDA, EEC, and Kuwait. One can speculate that the local currency budget allocations in the ADP for these key projects might have shrunk even further below the original MTFPP 1980 projections, had the Title III local currency allocated for them not been available.

Research and Extension:

The Research and Extension component of MTFPP comprises 12 projects. These projects provide the necessary back-up for more efficient utilization of the physical infrastructure in water control and for the maximum utilization of HYV-fertilizer technology. Included among the 12 projects are a project to strengthen the Bangladesh Agricultural Research Institute (BARI), a Phase II of the Training and Visit Extension Project, and an Agricultural Information Service Project. One Research and Extension project was completed in FY 1982.

Local currency generated under Title III is not allocated to the Research and Extension component of the MTFPP.

Recommendations:

- No additional sales of Title III grains should be allowed for the Modified Ration System as now constituted. Sales of Title III grains should be restricted to OMS. Atta mills should be encouraged to lift OMS wheat. In addition, ration purchasers should have a choice of buying either wheat or atta. The BDC should consider

giving flour millers and Atta crushers the option of commercial import purchases and direct imports where their own needs are concerned. Allowing private sector's importation of foodgrains would help meet domestic consumption demands and ease the financial and logistical burden on the BDG.

- Revised OMS schedules must be sent to the field prior to the date on which the Aman procurement prices become effective.
- The BDG should also be encouraged to increase the ration price prior to the effective date of the Aman procurement price, in order to keep ration prices above the procurement price.
- The wheat procurement prices, together with the adjustment of OMS and ration prices for wheat, should be announced before the planting season.
- Since all Title III foodgrains should be used for OMS, seminars and training courses should be held at the Subdivision level to explain the program to local Food and administration officials. These could be patterned after the courses given in the fertilizer project.
- There should be continued encouragement of the private sector, with some portion of the PL-480 cotton provided. Allocation of some of the proceeds might be considered, should a viable project be found.
- Only crude soybean oil should be provided. PL-480 vegetable oil should go to the private sector once price difficulties have been worked out. In addition the USDA representative on the evaluation felt that the BDG should be encouraged to purchase soybean oil from the U.S., since commercial purchases are being made.
- A systematic approach needs to be developed for the review and any required modification of the approved project list. A joint annual review by the U.S. and BDG of the projects should be undertaken, to ensure that local currencies generated under Title III are allocated in ways that take into account performance and priority of projects.
- The establishment of a depository account in a commercial bank should be considered. This would not only allow for better tracking of disbursements but would make additional funds available to the private sector from monies not yet disbursed.
- The development of the food policy and planning capability should continue to be monitored to ensure the state of progress.
- The Bangladesh Government should develop timely and accurate forecasts of production. There is no reason that a preliminary forecast for the Aman crop should not be available on November 15 and a final estimate by January 15. Timely reporting dates for other crops can be easily established.
- Green card procurement of Title III cotton costs more and should be eliminated, if possible.

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PL-480 TITLE III COMMODITIES/FINANCIAL STATUS

1. Authorized for USFY-1978 to 1981 (per agreement of August 2, 1978 as amended from time to time):

1,169,000 MT of wheat valued at	:	\$ 185.5 million
26,000 MT of soybean/cottonseed oil		
valued at	:	\$ 15.0 million
		\$ 200.5 million

Shipment of Commodities by Calendar Year:

<u>Calendar Year</u>	<u>Quantity (In 000 MT)</u>		<u>Value (In Million \$)</u>
	<u>Wheat</u>	<u>Soybean Oil</u>	
1978	193.5	-	25.1
1979	347.1	-	55.1
1980	426.0	-	67.9
1981	207.4	25	43.3
	<u>1174.0</u>	<u>25</u>	<u>191.4</u>

Sales of Wheat By BDG Fiscal Year (In 000 MT):

<u>Fiscal Year</u>	<u>Modified Ration</u>	<u>Open Market Sales (OMS)</u>		<u>Total</u>
		<u>Wheat</u>	<u>Equivalent Wheat For Rice/Paddy</u>	
1979	53.6	53.6	-	107.2
1980	213.4	112.7	-	326.1
1981 ^{1/}	87.6	0.1	-	87.9
1982 (Upto April, 1982)	199.9	8.3	5.5	213.7
	<u>554.7</u>	<u>174.7</u>	<u>5.5</u>	<u>734.9</u>

Sale of Soybean Oil by BDG Fiscal Year (In 000 MT):

<u>Fiscal Year</u>	<u>Quantity</u>
1982 (Upto April, 1982)	16.6

^{1/} The figures are based on official reports received to date from ERD. Actual levels may rise when a complete report for the period is received.

Special Account Operation by BDG Fiscal Year (In Million Dollars):

<u>Fiscal Year</u>	<u>Sales Proceeds Deposited into Special Account</u>	<u>Amount Disbursed to Projects from Special Account</u>	<u>Amount Certified For CUO 1/</u>
1979	12.2	12.2	-
1980	55.0	55.0	12.2
1981	14.5	14.5	34.3
1982 (Upto June 30, 1982)	35.7 ^{2/}	32.1	53.3
	<u>117.4</u>	<u>113.8</u>	<u>99.8</u>

Projectwise Disbursement of Title III Funds by BDG Fiscal Year (In 000 \$):

<u>Name of the Project</u>	<u>FY-1979</u>	<u>FY-1980</u>	<u>FY-1981</u>	<u>FY-1982</u>	<u>TOTAL</u>
1. Procurement & Distribution of Chemical Fertilizer	12,153	55,012	-	-	67,165
2. Deep Tubewell Irrigation	-	-	7,281	9,220	16,501
3. Shallow Tubewell Irrigation (all over Bangladesh)	-	-	7,281	1,699	8,980
4. Shallow Tubewell Irrigation (IDA)	-	-	-	711	711
5. Karnafuli Irrigation and Flood Control	-	-	-	1,517	1,517
6. Barisal Irrigation (Phase II)	-	-	-	529	529
7. Muhuri Irrigation	-	-	-	782	782
8. Manu River Project	-	-	-	2,792	2,792
9. Ashuganj Shabuj Prakaipa	-	-	-	66	66
10. IDA Low Lift Pump	-	-	-	693	693
11. Support to Locally Developed Small Pumps & other Agricultural Implements	-	-	-	32	32
12. Intensive Agricultural Production Program for North-West Region of Bangladesh	-	-	-	6,131	6,131
13. Supply of Low Lift Pumps under Canal Digging Program through Voluntary Mass Participation	-	-	-	13	13
14. Low Lift Pump Irrigation	-	-	-	7,843	7,843
15. Command Area Development	-	-	-	3	3
16. Establishment of Workshop Complex in Private Sector	-	-	-	3	3
	<u>12,153</u>	<u>55,012</u>	<u>14,562</u>	<u>32,034</u>	<u>113,761</u>

1/ CUO = Currency Use Offset

2/ The amount may increase when a complete report is received from the ERD.

Application Position of the Certified Amount to Date (In Million Dollars):^{1/}

<u>Amount Certified for CUO</u>	<u>Interest Earned</u>	<u>Total Amount Available For CUO</u>	<u>Amount Applied For Repayment</u>		<u>Balance to be Applied</u>
			<u>Title I</u>	<u>Title III</u>	
99.8	1.5	101.3	22.5	6.3	72.5

2. Authorized for USFY-1982 to 1984 (per new Title III Agreement of March 8, 1982 as amended on July 14 and August 24, 1982):

Value = \$174.0 million

Of which for USFY-1982:

175,000 MT of wheat valued at	:	\$25.90 million
55,000 MT of rice valued at	:	\$15.40 million
30,000 MT of soybean/cottonseed oil		
valued at	:	\$13.52 million
28,300 bales of cotton valued at	:	\$ 9.18 million
		<u>\$64.00 million</u>

Purchase/Shipment of Commodities for CY-1982:^{2/}

<u>Commodity</u>	<u>Quantity Purchased</u>	<u>Quantity Shipped</u>
Wheat	172,256 MT	172,256 MT
Rice	54,555 MT	22,632 MT
Soybean Oil	29,000 MT	25,000 MT
Cotton	27,327 Bales	27,327 Bales

^{1/} The amounts may vary with the receipt of up-to-date repayment/interest schedules from CCC - USA.

^{2/} The exact quantity of commodities purchased, and the value of the purchases, will be known when all the notifications of payments are received.

Source: Ministry of Food, ERD and CCC Repayment/Interest Schedules.