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TITLE III: FOOD FOR DEVELOPMENT PROGRAM

FY-1985 EVALUATION OF THE BANGLADESH PROGRAM

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FY 1984-85 EVALUATION OF THE BANGLADESH PL-480 TITLE III FOOD FOR DEVELOPMENT PROGRAM

INTRODUCTION AND RECOMMENDATIONS

Overall Scope of Evaluation

The last full external evaluation of the March 8, 1982, PL-480 Title III agreement for Bangladesh, as amended, took place in September, 1983, covering BDG FY 1983 (July 1, 1982 - June 30, 1983). An extensive internal USAID/Dhaka evaluation of the program, covering BDG FY 1984, was conducted in July 1984, and reported in 84 Dhaka 5479, a copy of which is attached hereto.

This present evaluation will include the highlights of the program as carried out during BDG FY 1984, as reported in 84 Dhaka 5479, but will concentrate on the execution and effects of the program during BDG FY 1985. Due to the difficulty of collecting and collating recent data in Bangladesh, all data presented herein will be through March 31, 1985, unless otherwise stated. The primary reason for conducting this evaluation at this time is to meet the requirements of Annex B of the Title III Agreement, as amended, in a time frame that will permit early programming of the proposed FY 1986 amendment to the agreement. Since the 1986 amendment, if authorized, will extend the 1982 agreement to its statutory limit, and since extensive planning for the out years is currently being undertaken, the forward time horizon of this evaluation will be essentially limited to FY 1986.

An additional factor affecting the scope of this evaluation is the GAO report entitled: Financial And Management Improvements Needed In The Food For Development Program, which comments on various aspects of the execution of the Bangladesh Title III program during the period covered by this evaluation. While this evaluation cannot serve as the official AID reply to the GAO Report, nevertheless certain statements and recommendations in the Report have a direct bearing on the subject matter of this evaluation and will, accordingly, be commented on herein.

Another area of discussion that has assumed particular importance for this evaluation is the generation and programming of local currencies under the program, plus sale of the commodities that will be received if/when the FY 1986 amendment, allocating an additional $70 million to the program, is approved. As record local production has tended to keep market prices below Open Market Sales (OMS) trigger prices, OMS offtakes have declined sharply, slowing the generation of local currency. Similarly as a part of the price of success, most of the projects previously financed, in part, by taka generated under the program have now been successfully completed (plus a few dropped) and the overall rate of taka disbursement has therefore fallen sharply. The mission is in process of identifying both additional mechanisms for sale of Title III commodities and additional eligible projects and expects to be able to bring them all on line in time to avoid an excessive pipeline buildup.

Finally, the 1983 evaluation contained a total of 17 recommendations. Disposition of several of those has already been noted in 84 Dhaka 5479 and other documents, but they will all be treated here, as warranted.

Particular Aspects to be Evaluated

A) Progress in reducing the food subsidy through restructuring of the Public Food Distribution System (PFDS).

B) Maintenance of incentive prices to farmers through procurement.

C) Open Market Sales — and effectiveness in consumer price moderation.

D) Foodgrain Security through reserves management.

E) Role of the Food Planning and Monitoring Secretariat (FPMS) in policy planning.

F) Private sector participation in the foodgrain system.

G) Local currency generation and special account operation.

H) Prior utilization of taka generated by the program and plans for future utilization.

I) Impact of prior commodity mix and proposed commodities for FY 1986 amendment.

J) The GAO Report and the potential impact on the program of adopting its recommendations.

K) Early programming of FY 1986 amendment.

L) Statistical Summary.

Summary of Evaluation

In summary, the BDG's performance on the whole during the period July 1983 - September 1985 has been very good. Responsible management of the PFDS followiwing the 1984 flooding possibly averted a very serious situation. Consumer prices were constrained and supply was sufficient. However, unusual supply circumstances late in this period have created problems in procurement and storage and have resulted in a revival of Marketing Operations (MO) and a rather dormant OMS program. Progress toward restructuring of the PFDS to remove unwarranted subsidies has been incremental. Full elimination of such subsidies through removal of rice in the ration system is, in the final analysis, a political decision of the highest level. No such decision is likely to be made before presidential elections anticipated early in CY 1986.

Recommendations

1. Mission should ensure that the increase of the rice quota in the Statutory Rationing (SR) and Other Priorities-Government Employees Rationing (OP-GER) is truly just a temporary measure. In fact, Mission should continue to urge that subsidized rice be eliminated from these ration channels before the new multiyear Title III Agreement.

2. Mission should urge the BDG to develop a mechanism to deal effectively with oversupply of foodgrain stock without subsidizing the urban, higher-income consumers. This could include a program of improved storage conditions and drying

capability. It should also encompass a means to release excess stock to specific localities where severe economic conditions exist in order to avoid urban subsidies through M.O.

3. The BDG should reaffirm its commitment to and carry out its avowed purpose of maintaining producer prices at a sufficiently high level to promote production, even in times of relative foodgrain abundance.

4. The BDG should devise a system for developing more realistic target procurement levels.

5. The BDG should also improve its system of allocation of OMS foodgrain levels to make it more open and responsive to local market conditions so as to avoid shortages in OMS sales authority in districts experiencing rapidly escalating prices.

6. In conjunction with Recommendation (2), the Mission and the BDG should seek to develop sales mechanisms that will permit market clearance of the full amount of commodities allocated under the Title III program plus, to the degree possible, sufficient additional sales/uses to reduce the current gap between commodities shipped and local currency generated.

7. Mission and BDG should agree on a number of projects sufficient to utilize the amounts of local currency generated per recommendation (6).

8. Mission should study these GAO recommendations which would improve BDG accountability and Mission ability to monitor approved uses of local currency generations without seriously

compromising the pre-eminent policy dialogue aspects of the Title III program.

9. If rice is included in any future Title III Agreement or Amendment, Mission and BDG should agree on direct deposits of the local currency generated by its sale to the Special Account, rather than routing it through any general account.

10. Mission should take particular care to develop an adequate capability for monitoring those projects which are not being managed by a major donor such as IDA or ADB.

11. Mission should expect an increased workload as a result of the more intense activity and involved procedures recommended and should gear up accordingly.

12. The evaluation team recommends approval of early programming for the FY 86 Amendment once the Mission and BDG have reached Agreement on the relevant matters discussed in the text of this evaluation.

A. PROGRESS IN REDUCING THE FOOD SUBSIDY THROUGH RESTRUCTURING OF THE PFDS

1. "Phasedown" vs. "Restructuring"

Since the inception of the Title III program in Bangladesh, one of the objectives has been loosely described as the "phaseout" or "reduction" of the Public Food Distribution System (PFDS). In fact, the 1982 Title III Agreement states the following:

> "By providing adequate supplies of wheat, rice and paddy at reasonable prices through the Open Market Sales Program, the needs of the majority of the people can be met through normal market operations. The remainder of the Public Food Distribution System should be increasingly directed towards those with the greatest need who cannot afford market prices. When foodgrain self-sufficiency is reached, the only categories remaining--other than OMS--will be Food For Work, Vulnerable Group Feeding, Gratuitous Relief and Modified Rationing for those persons in Category A...."

It is important to emphasize that AID's purpose in providing Title III commodities is not actual elimination of the national structure for foodgrain security but rather an appropriate reorientation of the system to a more needy segment of society. It is crucial for the foreseeable future that the PFDS procurement structure provide financial incentives to food producers in the form of a "floor price"; there is little justification, however, for the significant benefits of subsidized food distribution to go to those whose livelihood doesn't depend on it. Thus, in examining the progress of reducing the food subsidy in the PFDS, this team is not looking for absolute contraction of

structure so much as the relative redistribution of benefits within the system.

2. Role of Statutory Rationing and Modified Rationing

In this regard, the two most important food distribution channels identified in past evaluations (out of the 10 or more ration channels) as needing "reform" are the Statutory Rationing (SR) and Modified Rationing (MR). The relative share of total off-takes from the PFDS through these two channels has continued to change gradually since the last evaluation:

	FY 82/83 Metric Tons/%	FY 83/84 Metric Tons/%	FY 84/85 Metric Tons/%
SR	302,758/16%	293,218/14%	275,810/11%
MR	361,722/19%	399,236/20%	464,373/18%

(Table A provides data on offtakes for all ten distribution channels.)

For SR, both the absolute quantity and the percentage of total PFDS offtakes are trending down. The quantity of MR offtakes is up while its relative share has varied (due, in part, to the large percentage increase in 1984/85 distribution following serious flooding.) To the extent that MR serves the rural poor, these trends indicate the Bangladesh Government is moving steadily in the direction intended by our Title III Agreement. (There is, however, some concern over the degree to which MR commodities actually reach the neediest rural people rather than rural elites. This seems to be a function of administrative efficiency rather than improper system design and is being actively studied by the BDG and the Mission.)

Other subsidized distribution channels that provide food to various groups of government employees, to employers of large labor forces, and to flour millers have all trended down in their offtake share of the PFDS in the last year.

3. Total Offtakes and Total Food Subsidy

Total PFDS offtakes in FY 83/84 were 2,050,853 MT and in FY 84/85 this jumped to 2,572,623 MT -- a significant increase of 25.4%. This is best explained by large infusions of relief and Food For Work commodities from external sources and increased commercial imports to ward off expected scarcity following the heavy monsoon in 1984. Thus, the 1977-82 trend of reduction in the total PFDS as a percentage of total food requirements has not continued. However, the fact that percentage increases in the offtake shares were registered only by the OMS and Relief channels mitigates somewhat the increasing PFDS role.

The BDG has continued its efforts to reduce the aggregate subsidy of the PFDS in the last two years, mostly through its narrowing of the margin between ration and market prices and through active use early in FY 84/85 of the virtually non-subsidized OMS program. Based on average international prices, the trend of subsidy per ton of foodgrain from 1980/81 to 1984/85 shows a gradual real decrease of 12% (from Taka 748/MT to Taka 920/MT with a 59% depreciation in the taka.) By 1983, ration system subsidization (or the loss on food trading) caused by SR and MR accounted for only 13% of the overall subsidy; this dropped to approximately 6% in 1984 and an estimated 4% in 1985. The total economic food subsidy as calculated by the World Bank has dropped

from a high of $190 million in FY 1980 to approximately $70 million (1.74 billion taka) last year (the Bank points out however, that the budget subsidy is likely to be considerably higher).

4. Measures to Restructure the Ration System

The 1982 Agreement also states the following:

> "...The ration system will be reduced by making it gradually less attractive by the end of the Second Five Year Plan period. Measures identified include: (a) the gradual upward adjustment of the ration price with the free market price; (b) reduction in the rice portion of the ration and the eventual withdrawal of rice from the ration system; (c) reduction in the ration quota for individual cardholders. This Agreement requires the implementation of these steps: first to reduce the subsidy element in the ration system, and second to eliminate major portions of the ration system itself."

a) Increasing Ration Prices:

The BDG has performed admirably in bringing ration prices closer to domestic free market prices. In March 1982, the ratios of ration shop to market prices were 88% for rice and 91% for wheat. These ratios moved in 1983/84 to 90% for rice and 96% for wheat. The latest figures for 1984/85 indicate that the rice ration price remained at 90% of its market price, while rationed wheat prices moved up to 97% of market.

Similarly, the BDG generally has maintained the ration prices sufficiently above procurement prices to avoid major budgetary

strains on the system. In 1983/84, the average procurement price for aman coarse rice was 220 taka per maund while it was rationed for 225 taka per maund. Wheat was procured in 1983/84 at an average price of 138 taka per maund and sold under ration at 150 taka per maund. In 1984/85, the average rice procurement price was raised to 247 taka per maund with a ration price of 251.5 taka per maund. The average wheat procurement price was 157 taka per maund and rationed at 160 taka/maund.

It is clear that the difference between ration prices and market prices represents a considerably smaller part of the food subsidy to consumers than it previously did. Operational costs of the PFDS such as transit, storage, and a current year estimate of 4.2% in food losses account in good part for the existing subsidy, if defined simply as budgetary costs. If opportunity cost considerations are used in the analysis, however, the magnitude of the subsidy problem appears greater. (An intensive study of subsidies in foodgrain distribution is underway at this time and should be completed by the end of this calendar year.)

b) Reduction of the Rice Portion of the Ration

As noted in the last evaluation, ration quotas under SR, MR, and other priorities were reduced in December, 1981, from a total quota of 2.5 seers per capita (of which wheat constituted 1.75 seers) to a total quota of 2.0 seers per capita (of which wheat constituted 1.5 seers or three-quarters of the quota.) These ration quota levels and commodity mixes remained in effect until May 20, 1985. At that time, the commodity mix was changed. In SR areas, the 2.0 seer quota was revised to consist of 1.0 seer

of rice and 1.0 seer of wheat (an increase for SR cardholders of 500 grams of rice). In MR and Other Priority areas, the ration continued to consist of 0.5 seer of rice and 1.5 seers of wheat. (There has been no change in the Large Employers quota of 35 seers of wheat/family/month, although some rice has been subsituted presently.)

(This adjustment towards less rice and more wheat in non-SR areas reflects the BDG's desire to reduce its per unit subsidy costs, since rice is costlier than wheat. It has the fortunate additional effect of targetting lower cost commodities to the less affluent consumers.)

The increase of the rice ration in SR from 0.5 to 1.0 seers caused the Mission considerable consternation. In response to the Mission's objections to this move (August 1985), the BDG explained that the change was only temporary. They claimed that much rice was purchased in 1984 to head off consumer fears following heavy monsoons; this rice was in danger of deteriorating as of July 1985 and low market prices prevented sustained offtakes to ease the 60,000 MT oversupply in storage. The BDG has assured the Mission that this "interim option" of increased release through SR has been discontinued. From the Mission point of view, it would have been better for the BDG to absorb the losses by selling the rice at a reduced price, or giving it away, to the truly needy.

5. <u>Elimination of Rice from the Ration</u>

There is recognition by some key BDG officials that rice should be entirely eliminated from the subsidized ration channels. They

acknowledge that current circumstances are probably more propitious than ever before for doing so: rice stocks are in abundance following a year of liberal procurement and good crops; open market prices are rather low; and civil servants have recently received a 40% salary increase. The decision, however, resides at the highest government level and not solely in the Food Ministry. A high-level, National Food Policy Committee was formed on June 7, 1985, to review such questions (including the ration ststem, subsidy removal, and reorientation of the PFDS to the needy.) There can apparently be no movement to take advantage of the present circumstances to eliminate rice until all aspects of the question--not the least of which is political sensitivity--are reviewed by this Committee.

The Mission is considering ways to encourage the BDG to eliminate rice from the ration system altogether. One possibility which would help wean rationcard users off of rice might be to eliminate rice from SR and OP during certain times of the year, say the post-harvest flush times of June/July/August and November/December. Another ameliorating measure could be to leave rice in MR, but ensure that only atap, or non-parboiled rice, is distributed through this channel.

6. Implications of Ration System Restructuring

The ration system was born in times of scarcity and by definition operates best under conditions of finite resources. As ration subsidies are removed and market prices prevail, periods of relative abundance of foodgrains will continue to create difficulties in inventory management, resulting in lower off-

takes, insufficient stock turnover and food deterioration. These may even be somewhat exacerbated when and if the BDG diversifies out of rice and into less costly but more perishable foods that self-target on the poor (such as potatoes or certain vegetables) Efficiency of the system will certainly be tested to the extent that the BDG fulfills its commitment to maintain a floor price for farmers through sufficient procurement.

It is important that the Government develop a better mechanism for stock management in good times, whether it be through simple trading on the open market, auctions to the highest bidding private sector dealer or some other means. In the absence of such a mechanism, the Government will always be tempted to use existing channels of distribution inappropriately in order to minimize the budgetary burden.

B. MAINTAINANCE OF INCENTIVE PRICES TO FARMERS THROUGH PROCUREMENT

1. Procurement Prices

In 1983/84, the BDG complied fully with the terms of our Title III Agreement regarding procurement prices. Based on calculations done by the Ministry of Agriculture and the Food Planning and Monitoring Secretariat (FPMS) of the Ministry of Food regarding costs and returns of production, the BDG announced new procurement prices for paddy and rice on June 30, 1983 and June 30, 1984. The timing of these announcements well in advance of aman planting allowed farmers to plan their production levels. The percentage increases in that year certainly provided incentives to farmers to plant more:

Date Announced	Effective Date	Rice (Taka/Maund)	Paddy
June 30, 1983	November 15, 1983	210-235 (+12%)	135-144 (6%)
June 30, 1984	November 15, 1984	235-248 (+15%)	144-165 (+15%)
		Wheat	
June 30, 1983	March, 1984	135-144 (+6%)	
June 30, 1984	March, 1984	144-162 (+13%)	

Cereal crop production level in BDG FY 84 responded to these incentives (in conjunction with many other variables, of course) by a 2% increase in paddy (with a 4.4% increase in aman paddy) and an 11% increase in wheat production. These gains were registered despite a relatively dry year.

In 1984/85, procurement price increases were announced on June 30, 1984, as mentioned. Resulting gains were compromised by the seriously adverse climatic conditions. In spite of serious damage done to the crops by repeated flooding between July and September, aggregate foodgrain production in 1984/85 increased by 3% over the previous year. Substantial gain in wehat (21%) and boro (20%) production made it possible.

No procurement price increases werc announced in July 1985 as expected. New prices were subsequently announced, on October 9, 1985: paddy, Tk. 170/maund; wheat, Tk. 170/maund and rice, Tk. 255/maund.

The BDG found in the summer of 1985 that the combination of higher external food assistance levels, emergency commercial purchases and three successively strong crops resulted in excess foodgrain reserves, plentiful market availability with concommitant low prices, and (what they claimed to be) not significantly increased costs of production to the farmer. It

was not until early October 1985 that the Government finally announced a small increase (3%) in the procurement prices. Although three months late, this is still seen as somewhat useful in signalling support of farmers (and may, in fact, have some impact on yield, event though it is too late to provide incentives for greater aman acreage.)

2. Procurement Activities

The Bangladesh Government publicly acknowledges that the objective of the domestic procurement is to ensure maintenance of a floor price to farmers to encourage greater agricultural production (rather than adjusting grain reserves.) In practice, however, the BDG is operating at this time to affect reserve levels rather than producer prices because of the current excessive supply in stock. This excess supply was brought about by last year's climatic problems, the BDG's procurement response to them, and three successively good crops. We certainly hope this concern for reserve levels is temporary, until the BDG disposes of its most seriously deteriorating stocks. For the most part of 1984/85, though, producer prices were maintained high enough to act as an incentive to farmers. In fact, overall production was up 3% for the year, despite considerable regional and seasonal crop losses associated with summer flooding.

In 1983/84, the BDG procured 266,682 long tons of foodgrain from domestic sources. Though this is a 39% increase from 1982/83, it still represents a fairly low level of procurement when compared to procurement level trends since 1977/78:

		Long Tons of Rice Equivalent
1977/78	-	550,440
1978/79	-	355,163
1979/80	-	348,477
1980/81	-	1,016,733
1981/82	-	298,240
1982/83	-	192,080
1983/84	-	266,682
1984/85	-	348,930 (estimated)

This relatively lower level of procurement is not a function of procurement prices being too low in an absolute sense but rather because farmgate prices were consistently above the procurement price. Thus, farmers took their grains to the local market rather than to Government buyers.

The 1984/85 internal procurement of 348,930 LT (31% increase over 1983/84) brings the level back more in line with earlier years' levels. (It should be noted, however, that absolute quantities of procurement mean little without information on market conditions.)

Early in the 1984/85 season, significant wheat procurement was carried out in anticipation of scarcity following the serious flooding of September/October 1984. By April 1985, a strong wheat procurement drive was underway, with targets set on the previous year's achievement rather than being based on analysis of local needs and market conditions. (This represents a significant potential problem in setting procurement targets and in allocating offtake foodgrains if coordination and communication between the Food Directorate in Dhaka and field level food officials are not improved.)

By mid-to-late April, the rate of wheat procurement began to decline noticeably due to upward pressure on prices arising from increased ration prices and consequent stock-piling for better prices. This upward pressure was mitigated, however, by a good IRRI/boro crop and large-scale FFW and relief activities which maintained plenty of wheat in the market.

3. Current Conditions and BDG Response

Regarding rice procurement, the end of FY 1984/85 saw procurement levels far exceeding target levels in certain districts, indicating again that target levels may have been unrealistically set. Where procurement was moving relatively slowly, bad weather, high moisture content, non-availability of storage space and lack of bagging materials are cited as crucial factors. Nevertheless, mounting stocks of rice in six surplus rice districts of northern Bangladesh characterize the end-of-year status and the first few months of 1985/86. This is reflected in market prices for IRRI/boro lower than the procurement price in some areas. As a result, much of the BDG stock is now older, with a consequent short remaining shelf-life, causing a growing problem of deterioration, loss and difficulty in marketing through normal offtake channels. The BDG is reacting to this situation by trying to slow down the procurement rate through lowering of the acceptable moisture content in paddy to 13%; delaying the announcement of procurement prices; suspending millgate purchases; and tightening the allowable storage loss limit from 0.5% to 0.1%. At the same time, they are seeking to draw down reserves through temporarily increasing the rice element of the ration quota and renewing an old reliance on

Marketing Operations (MO). (See Table B for a graph plotting market and procurement prices, and the failure of the BDG to maintain the floor price beginning at the end of FY 84/85.) The Mission has formally objected to such measures and urged that more realistic target procurement levels be set to ensure a real floor price for farmers. They have also urged reconsideration of the godown loss limits and the speedy announcement of a new aman procurement price.

4. Other Activities Affecting Procurement:

The 1982 Agreement identified three means to improve foodgrain procurement:

1. Construction of access roads to connect villages, market places and procurement centers;
2. Increase BDG grain storage capacity and improvements in organizational and allocational efficiency; and
3. Expansion of private grain trading through liberalization of anti-hoarding laws and easier credit access.

a) Road Construction:

In addition to the continuation of the Zila Roads Improvement Project and the Title II Food For Work and (Section 202) Bridges and Culverts activities, dedication of Title III local currency proceeds to road construction occurred for the first time during this period. The taka proceeds from the September 1984 $17 million emergency supplemental will expended entirely on bridge and culvert construction in the FFW program.

b) Increased Storage Capacity/Efficiency:

The BDG continued expansion of its storage capacity through a program of godown construction, partly financed by IDA, ADB and the Government of Japan, as well as local Title III funds. Most

evaluations of warehouse capacity indicate that it is adequate overall, although some local shortage of capacity remains in particular areas. It also took steps to streamline its allocational process through installation of a telex capability between the central Food Directorate in Dhaka and its regional offices. Even though this was accompanied by some decentralization of decision-making, it wasn't sufficient to avoid allocational inefficiency, particularly in the OMS channels. The BDG must concentrate on correcting the district allocation process to avoid shortages in OMS sales authority.

C. OPEN MARKET SALES—USE AND EFFECTIVENESS IN CONSUMER PRICE MODERATION:

Open Market Sales as a percentage of total PFDS offtake increased from its 1983/84 level of 5% (106,539 MT) to 8% (201,193 MT) in 1984/85. During both these years, the BDG achieved its objective of restraint of consumer price fluctuation within a 20% band, limiting the variance in seasonal nationwide average high and low coarse rice prices in 1983/84 to no more than 16% and in 1984/85 to 18%.

For 1984/85, price fluctuations were as follows: From the April 1984 high (276.5 Tk/Md) to a June 1984 low (263 Tk/Md) saw only a 5% drop, from which prices climbed 9% to the October 1984 high (287 Tk/Md). A negligible drop occurred between October and January when prices increased to 291 Tk/Md (or 10.4% up from June.) The year's high of 295 Tk/Md was reached in April 1985, followed by a precipitous (but still only 18%) drop to 250 Tk/Md at the end of the fiscal year (June). Factors which contributed to the successful management of the OMS channel and resulting

moderation of market prices in 1983/84 and in the first half of 1984/85 include:

a) January 1984 recalculation of OMS prices to keep the OMS rice price 15% above the recently raised rice procurement price;

b) lifting of wheat by millers in certain rice-deficit districts to crush and sell as "atta" at a fixed price (which, though not able to lower the market price of coarse rice, was able to steady it); this was later followed by an

c) October 1984 Agreement to charge the OMS price for wheat sold to flour millers with increased access to wheat at that price; and a

d) recalculation and announcement of a set of OMS wheat prices maintaining a 15% spread between the wheat procurement price and the initial OMS price for wheat; and

e) December 1984 decision to set differential pricing for parboiled and non-parboiled rice (atap).

In the summer of 1984, problems began to arise with the OMS channel in a number of districts when strong upward pressure on coarse rice prices should have resulted in more OMS offtakes than actually occurred. The OMS initial price setting policy was to calculate OMS prices for rice, wheat and paddy based only on the procurement price of rice and adjust them with fluctuations of rice prices in the market. This resulted in higher than appropriate initial prices for wheat. Food For Work wheat was available in the market at lower than OMS prices and this detracted from OMS purchases. The BDG and the Mission resolved this in the ninth Amendment to the 1982 Agreement by institutionalizing the 15% spread between the procurement price

and the OMS initial price for wheat, using as a base the wheat procurment price rather than coarse rice procurement price. This effectively created three separate slabs or ranges of possible OMS prices for each commodity and better use of OMS.

Another problem involved the quality of rice. Non-parboiled or atap rice, procured primarily from the U.S. and other external sources, is considered inferior in taste and digestibility to parboiled rice. Mission field trip reports from June and August of 1984 indicated the unwillingness of consumers to purchase atap, resulting in an OMS rice offtake slowdown. This issue was addressed by the BDG when they established (as documented in the eighth Amendment to the Agreement) a discount of 5-10% for non-parboiled rice sold through OMS. This resulted in resumed higher offtakes and a self-targetting of less costly foodgrain to the poorer rural consumers.

A corollary issue was the BDG's mode of dealing with this and other low quality or deteriorating rice--i.e., selling it through the Marketing Operations channel. This is a mechanism the Mission had urged the BDG to phase out because of its untargetted sales at subsidized prices to Dhaka consumers. In FY 1982/83 only 200 MT of rice was sold through MO, while 51,000 MT (2% of the PFDS offtakes) were sold in FY 1983/84. The Mission objected to the use of this offtake channel and was told the low quality -- i.e., atap -- grain could not command the higher-than-ration OMS price. Due to the Mission's vehement objections to this undermining of the OMS price management structure, the FY 1984/ 5 MO sales level was only 7,751 MT.

Recently, the Mission has learned that the BDG is again using MO to dispose of deteriorating stocks and has suggested the alternative of sales through an open bidding procedure. (The BDG's response was to cite the very low share of the PFDS--.3%--in 1984/85 represented by MO sales.) Unless the Mission and the BDG are willing to consider lowering the OMS trigger price to allow some release of stock build-up, the Food Directorate will most likely continue to make use of MO sales to prevent potentially significant financial losses. Given the current situation of relative oversupply, projections of a strong 1985/86 aman crop, and lower-than-normal relief offtakes, this problem will get worse before it gets better.

Finally, a problem with the OMS allocation system which contributed to lower than expected OMS offtakes throughout 1984/85 was brought to the Government's attention. Field reports of June/August/October 1984 indicated that in a number of North Bengal districts, District Controllers of Food were allotted a fixed quantity of rice and wheat for OMS beyond which they could not sell without an additional allotment from Dhaka headquarters. This takes time during which the OMS mechanism cannot operate to alleviate upward price pressures. In some cases, the absolute quantity of stocks was insufficient even given additional allotments. In order for OMS to have its expected impact on prices, an open-ended allotment must be made, and calculations of expected required reserves must be based on market-sensitive information.

1. <u>The OMS Function</u>

Though management of OMS in the 1984/85 period has been

complicated by inefficiency and regional allocation differences, it nonetheless is a well-conceived mechanism for moderating price fluctuations. It must be understood, however, that it is a mechanism designed for scarcity and upward price pressures. It serves little purpose during periods of relative abundance and depressed prices (such as the Bangladesh economy is now experiencing.) It is the incentive function of government procurement that maintains appropriate producer prices in times of plenty and this function must complement the OMS function.

The BDG is currently undergoing a highly unexpected oversupply situation and is looking for ways to relieve storage and loss pressures. Marketing Operations are being used selectively, much to the consternation of Mission officials. There is some talk by BDG officials of the need to ratchet down the OMS initial prices so they will have greater flexibility in dealing with deteriorating stock.

This could be deflationary for rice prices. It would serve the BDG's logistical and budgetary purposes but not the producer, whose prices might be affected adversely. Rather than retool the OMS mechanism to achieve reserve objectives, the BDG should be willing in the short (and possibly medium term) to hold the line--i.e., absorb the losses associated with deteriorated stocks and keep up the procurement momentum to maintain the prices to the producers. Rather than lose all value of the excess stocks, they should consider a program to release this food to the poorest consumers at whatever subsidy is necessary to keep them from going hungry while publicly-owned food rots.

D. FOODGRAIN SECURITY THROUGH RESERVES MANAGEMENT

Bangladesh distinguished itself in 1984 for its ability to anticipate and prepare for the potential crisis in food requuirements resulting from the previous year's drought and the 1984 summer floods. Their response may have avoided 1984 famine in areas, but ironically now forms the base of the excessive supply in 1985.

The Government entered FY 1984/85 in a difficult situation of a modest 1984 aman harvest, rising foodgrain prices and low level of public stocks (July 1984: 754,000 MT). As the BDG began to see the extent of flood damage occurring, they responded quickly by contracting in early June for commercial purchase of 465,000 MT of rice using their own resources. As the floods continued, high offtakes from the PFDS were anticipated. The Government, acting to prevent famine, called for emergency food aid and commercially purchased another 665,000 MT of foodgrain. (Of total imports of 2.6 million MT, about 50% were donated.) The BDG distributed about 2.6 million MT of foodgrains, matching offtakes to import arrivals, and running down its monthly stock level to bare minimums (for example, 550,000 MT in September 1984). Success of the foodgrain distribution (40% relief) was reflected in relatively modest food price increases despite severe crop losses (1.5 million MT).

The significant factors in this success include: (a) additions to public storage capacity in LSDs over the last few years; (b) local transport improvements; (c) improvements in the Food Ministry management and logistical capacity; (d) effective coordination of interministerial relief activities; and (e)

targetting of relief operations using a quantitative index of flood damage.

The public food stocks were replenished throughout the rest of FY 1984/85 as food shipments arrived and strong aman, wheat and boro crops were harvested. By June 1985, the stocks had been restored to a level of 1,008,000 MT--a comfortable but not optimum position. (The World Bank estimates a year-end ideal target of 1.25 million MT with 500-525,000 MT of minimum operational stocks and 700-725,000 MT for emergency purposes.)

Given the remarkable ability of the BDG to handle the turnaround in climatic and supply conditions from 1984/85 to the present, it seems the 1.25 million MT target may be an overstatement of need. The World Food Program now estimates for FY 1985/86 that starting with a stock-on-hand of 1.008 million MT, domestic procurement will reach 322,000 MT and imports will total 1.656 million MT for a total of 2.986 million MT. Projected offtake is 1.897 million MT (not including a 152,000 MT loss) for an estimated final stock of 937,000 MT.

E. ROLE OF THE FOOD PLANNING AND MONITORING SECRETARIAT (FPMS) IN POLICY PLANNING

As reported in the last evaluation, this organization shifted in June 1983 from the Planning Commission to the Ministry of Food. This signalled something of a change in mandate from broader policy and cross-sectoral concerns to a more operational focus on how the Ministry should carry out its function of providing food security. The final definition of its role is yet to be made resulting in organizational uncertainty.

Nonetheless, this unit performs an important function of acting as secretariat to the Food Ministry and the National Food Policy Committee, carrying out special studies related to food policy issues, and preparing reviews of information on the short-term food situation.

At this time, the FPMS is sponsoring (with AID financing) three important policy studies which will be crucial to the appropriate formation of a new multi-year Title III Agreement in FY 1987. These studies are:

a) "Present System of the PFDS and a Proposal for its Restructuring" (due February 1986);

b) "Subsidy in Foodgrain Distribution" (due December 1985)

c) "Study of Output Price Supports vs. Input Subsidies" (due March 1986).

In addition to financing policy studies of the FPMS, AID has also financed a one year consultancy of an agro-climatologist to the FPMS, designed to reactivate the earlier-developed but never functional early warning model for agro-climatic forecasting of crop yields. Problems of computer non-availability and breakdown have plagueud his tenure with FPMS. Months were spent in developing a data base from scratch to replace an earlier set. There could be extremely important use of this mathematical model in forecasting crop yields and planning national food requirements if it can be finalized and the technology maintained. At this point, however, prospects look fairly slim that the model will be operational before his departure and in the absence of further technical assistance.

F. PRIVATE SECTOR PARTICIPATION IN THE FOODGRAIN SYSTEM

The 1983 Evaluation discussed two areas in which private sector participation in food marketing might intersect with aspects of the Title III program: Private Foodgrain Imports and Expansion of Private Grain Trading.

1. Private Foodgrain Imports

As discussed at some length in the 1983 Evaluation, this is a subject of rather limited potential impact on the food supply or on food prices, but it was at least considered worth trying and became recommendation 9 of that evaluation.

Pursuant to discussion with USAID, the BDG authorized in 1984 the private importation of up to 200,000 tons of grain under the Wage Earner Remittance Scheme. The financial conditions of import were quite restrictive, however, with a 100% advance deposit being required and a requirement that the Letter of Credit be liquidated within 60 days. Whether because of the restrictive conditions or, perhaps, the general disinterest of the private traders in such imports, the quantity actually imported was only about 20,000 tons of rice. There have been no further moves in this direction.

While the terms under which the trial importation took place were not completely fair, nevertheless there seems to be no pressing reason or clamoring demand to keep the subject on the Title III agenda. This evaluation, therefore, recommends dropping it.

2. Expansion of Private Grain Trading

Even without AID intervention under the Title III program, the private sector would continue to handle the bulk of

the Bangladesh internal grain trade, with the BDG coming in only at the margins through the PFDS and to prevent possible abuses of a temporary situation that might give some or all traders undue advantage over either their suppliers or their customers. Moreover, the liberalization of anti-hoarding laws cited in the 1983 Evaluation indicates a BDG understanding of the importance of vigorous private sector involvement in the area of grain marketing.

However, as also indicated in the 1983 Evaluation, there remained both particular restrictions of questionable merit concerning private sector grain trading, and a more generalized lack of public sector programs to assist the private sector in the fulfilment of its legitimate marketing functions. At the time of the 1983 Evaluation, the BDG was preparing proposals for a brace of studies of the subject.

These were later consolidated into one major study which has just been released. The study show via transaction cost analyses that while middlemen's profits were generally not excessive, there were unnecessary costs and areas of inefficiency in the system pushing up the producer-to-consumer price spread. In keeping with AID experience worldwide, which has shown that problems in the marketing system frequently serve as a drag on the entire agriculture/food/nutrition sector, the evaluation team recommends thorough Mission review of the study, and consideration of possible interventions in the marketing sector, whether through Title III local currencies or some other means. The example of India, as cited in the study, might be well worth looking into.

The study also looks into the actual farmgate price support effort of the BDG procurement system. In this area, however, the study displays considerable conceptual ambivalence and should be treated with caution.

G. LOCAL CURRENCY GENERATION AND SPECIAL ACCOUNT OPERATION

It is apparent from a glance at the Financial Summary Section M, or the detailed financial breakdown (Table C) that there has been a lag in the generation of local currencies under the two Title III agreements. This lag has existed since the beginning of the program in 1978 and is, to a considerable degree, inherent in its nature. In view of the GAO Report, however, as well as the continual growth of the gap, it behooves the Mission to examine this lag to insure it does not become excessive. (See Table I below.) Omitting the shipments under the FY 85 amendment, all of which arrived less than 10 months ago, the value of commodities shipped through FY 84 is $383 million. The amount of local currency generated to date is the taka equivalent of $260 million, leaving a $125 million gap, or somewhat less than two years normal allocations.

The basic reason for this growing gap lies in the use of the local currency generation mechanism by the Mission to reinforce the policy thrusts of the overall program. Thus, eligibility of the modified ration program as an outlet for Title III commodities under the first program was eliminated under the second as part of the policy of restructuring the PFDS. By concentrating permissable local currency generation in the OMS program, the Mission sought to encourage its use as the primary BDG marketing outlet.

However, the growing success of OMS in inducing private traders to keep their prices below the OMS trigger price, coupled with the recent high levels of indigenous production, have kept OMS sales well below Title III wheat shipments, thus causing the recent increases in the shipment-generation gap (rice, cotton and vegoil are more nearly up to date on generations).

The Mission has addressed this problem by opening up OMS sales to flower millers and proposing to open them up to rural atta crushers as well. They are also examining additional potential outlets, but always with an eye to using sales as a reinforcer of policy dialogue rather than a neutral or negative factor. Permitting sales through S.R., for example, would conflict with the policy provision seeking to discourage S.R.).

TABLE I

COMMODITY SHIPMENTS VERSUS LOCAL CURRENCY GENERATIONS

YEAR	CUMULATIVE SHIPMENTS*	CUMULATIVE GENERATIONS	CUMULATIVE GAP
1979	25.1	12.2	12.9
1980	80.2	67.2	13.0
1981	148.1	81.8	66.3
1982	191.4	118.9	72.5
1983	255.3	183.8	71.5
1984	315.0	214.3	100.7
1985	383.0	260.1	123.1

* The cumulative shipment level omits the current year's shipment.

H) LOCAL CURRENCY USES: PAST AND PLANNED

In the two years since the 1983 evaluation, there has been a great deal of movement in the area of utilization of the local currency not yet expended as of the time of that evaluation and those generations that should have since taken place. Unfortunately, however, while the movement has been more or less satisfactory qualitatively, it has fallen rather short on the quantitative side, leaving a pipeline larger than either the mission or the evaluators consider desirable. The mission is working closely with the BDG to select mutually satisfactory projects for future implementation.

1. Past and Ongoing Projects

The list of projects under the Medium Term Food Production Program (MTFPP) being supported in part by Title III local currency generations has shrunk considerably since 1983, primarily because of reasonably successful completion of projects that were being funded 2 years ago, but also because of projects dropped or closed down due to implementation problems. In FY 1983, 11 projects were being supported; 5 have been completed or dropped and only 1 new one has been added, leaving the mission with a portfolio of 6 - barely more than half the size of that two years ago.

A list of the 5 completed or dropped projects and their final financial figures is set forth in Table D below. The evaluation team has examined the available completion reports for completed projects that are available and concludes that, although in no cases were the stated project objectives fully met, the percentages of completion and stated reasons for

shortfalls appeared on the whole to be in overall compliance with the generally accepted standards for project success in countries at the Bangladesh stage of development. One exception was the IDA Low Lift Pump Project, which was cancelled by IDA for BADC refusal to comply with project requirements for support of private sector efforts related to the supply and maintenance of Low Lift Pumps. The other was the Foodgrain Warehouses Construction Project, the dropping of which had been recommended in the 1983 evaluation. Funding was continued in FY 84 despite the recommendation and further field examinations showed modest improvement at best. The mission's stated reason for continuing project support was: The Mission determined that continued funding of the Foodgrain Warehouse Construction Projects were necessary as most of the them were at different stages of implementation and the Bangladesh Government was contemplating to complete the projects by the end of Bangladesh Government FY 1984. A sudden decision to stop funding of these projects could have forced the Bangladesh Government to suspend execution of the projects blocking a substantial amount of fund including $367,000 of Title III local proceeds already invested in these projects. This would have frustrated the Mission's intention behind providing Title III funds for timely implementation of the Foodgrain Warehouse Construction Projects.

As presaged in the 1983 evaluation, the Karnafuli Irrigation Project appeared in its completion report to have been largely successful despite its size and complexity, and to have resulted in an internal rate of return of over 14%, which the major donor, IDA, considered satisfactory and within the planned parameters.

Similarly, the completion report for the IDA Shallow Tubewells Project showed successful if often delayed - implementation and will end up with an IDA-projected 46% economic rate of return once the ancillary activities have come fully on stream in 1988-89.

A list of the 11 projects being funded in BDG FY 84 (July 1, 1983 - June 30, 1984) and their financial status during that period is set-forth in Table D below.

A list of the 6 ongoing projects, and their financial status through June 30, 1985 is set forth in Table E below.

It should be noted that in virtually all cases during both Fiscal Years, overall BDG funding of each project is considerably larger than the title III component. The 2 extremely minor exceptions (less than $35,000 in taka equivalent for the pair) will be audited by the Mission.

2. <u>Evaluation of Ongoing Projects</u>

The mission continues to employ the well qualified FSN referred to in the 1983 evaluation to monitor and report on project implementation. His monitoring reports and data presentations have been of great value to the evaluation team and he is doing a good job of keeping the mission currently informed of project progress.

The available data and field trip reports on the 6 ongoing projects indicates that they are, in general, doing a satisfactory job of moving Bangladesh in the direction of food self-sufficiency. One of the successful projects under implementation during Bangladesh Government FY 1985 was the

Intensive Agricultural Production Program for North-West Region of Bangladesh. Under this project 5,130 units of Deep Tubewells were procured, drilled and installed providing irrigation facility to about an additional 308,000 acres of cultivable land. The target of procuring 25,000 units of Shallow Tubewells under this project has already been achieved. Of the procured tubewells 14,247 units have been installed and put into operation. This is providing irrigation facility to an additional area of about 171,000 acres of cropped area. Moderate to encouraging level of success was also achieved in the implementation of Deep Tubewell (local), Deep Tubewell (IDA) and the Shallow Tubewell Irrigation Projects during FY 1985. The two Low Lift Pump Projects were relatively worse off in terms of implementation progress due to change in Bangladesh Government policies toward privatization of Low Lift Pump Irrigation.

3. Slowdown in Project Disbursements

Partly as a result of the fact that local currency generations for the last three BDG Fiscal Years have been highly erratic ($64.9 million equivalent in FY 83; $30.4 in FY 84; and $42.1 in FY 85). the course of approved project expenditures has been on a declining trend from Tk.1,370,705,000 in FY 1983, to Tk.1,104,326,000 in FY 1984, down to only Tk.546,343,000 for the first 3 quarters of FY 1985. (That would extrapolate to only about Tk.720,000,000 for the full year). Given the decrease in the number of projects from 11 to 10 to 6, the regression in expenditures is understandable, but it nevertheless slights one of the two main aspects of a Title III program.

4. Planning For Accelerated Disbursements

The mission is acutely aware of the growing pipeline, and is actively moving both to step up the rate of local currency generation and to secure BDG agreement for the selection of additional projects to be assisted with Title III local currency financing. A preliminary list of projects and estimated annual Title III funding will be transmitted by the Mission along with the agreed self-help provisions for the FY 86 Amendment. The project selection process will strive for a balance between the immediate need for local currency financing and the longer term expectations of a possible new Title III agreement running from FY 87 through 90 or 91.

I) THE COMMODITY PICTURE

The extensive commodity analysis contained in the 1983 evaluation will not be repeated here, although comments thereon will be made as appropriate. The primary reason for such brevity of treatment is that this evaluation is limited in its forward time horizon by the ongoing preparation of studies for the proposed new FY 87 Title III Agreement, permitting us to limit ourselves to a review of 1984-85 and the outlook for 1986.

1. Rice

The salient feature of BDG performance inFY's 1984 and 85 was the continued movement of Bangladesh - despite a minor drought and several major floods - toward good-year rice self-sufficiency. Rice production and consumption figures for the last 5 BDG Fiscal Years are shown in Table [illegible] below: Although the longer term meaning of this upward production trend must also take into consideration nutrition levels, cropping alternatives,

etc., the implication for the FY 86 amendment is that the inclusion of rice (as indicated in the allocation of September 30, 1985) could push the country into at least temporary surplus and, perhaps also serve as a disincentive to indigenous rice production through its depressing effect on prices. The evaluation team is sensitive to the political-economic need to preserve export markets, concessional as well as commercial, for American rice growers and millers, but an RLDC such as Bangladesh should not be put at risk of curtailing domestic rice production for that purpose.

2. Wheat

The other major foodgrain, wheat, remains in a very different position. While production trends have been heartening (see Table 6 below), consumption has remained so far ahead of production that it is clear the country will remain a wheat importer for years to come. In FY 1985, the BDG felt compelled to make large commercial cash and short-term credit purchases to avoid the risk of famine resulting from the severe flooding of CY 1984 when adequate concessional aid was in doubt because of donor preoccupation with Africa. Thus, the upcoming BDG debt picture is sufficiently grim that the consultative group has urged donors to keep their concessional food aid at the highest possible levels for the next few years. Therefore, in FY 86, Bangladesh will be best aided by the largest amount of Title III wheat consonant with USG political realities.

3. Cotton

In the case of cotton, BDG compliance with the AID-given mandate to disinvest has advanced - if rather slowly - from the level reported in the last evaluation. BTMC reports that 27 mills, with 50% of the country's spinning capacity, have now been returned to the private sector, up from 21 and 40% two years ago. More important, the industry as a whole, whether as a benefit of competition or as a result of some other factors not yet analyzed, appears to have broken out of the stagnation that had gripped it for a decade. Although accurate data is hard to come by, due to the confidentiality of private industry financial and production data here, it appears from BTMC figures that yarn production has currently increased to the level of 120-130 million pounds per year, up from its 102 million pound maximum level during the last decade. BTMC's financial picture has also improved from 1982's horrendous loss of Tk.652 million to profits of Tk. 58 million in '83 and 120 million in '84.

Three other aspects of the cotton yarn industry in Bangladesh deserve mention in connection with prospective PL-480 allocations. First, as discussed in the 1983 evaluation, BTMC is likely to be the only major user of U.S. cotton at current world price levels,until and unless some sort of price equalization scheme is instituted. Second, BTMC serves a social marketing function in selling 80% of its yarn at controlled prices to rural handweavers. Third, the prospect of any significant level of indigenous cotton production in the forseeable future is dim. The claimed 54,000 bale production year reported with skepticism in the 1983 evaluation turned out to be a mere 14,000 tons

instead and subsequent years have been lower. Therefore U.S. cotton, even though rather pricey and sold to and through a Bangladesh state corporation, remains a legitimate component of future Title III programs at the $10-15 million per year level.

4. Vegoil

With vegoil, as with cotton, there has been a small shift toward private sector processing capacity since the 1983 evaluation, with their level up from 34,000 to 50,000 MT/yr. By contrast, the capacity of BSFIC (the Bangladesh government sugar monopoly which deals in vegoil and vegetable ghee as a sideline) is down from 22,000 to 15,000. However, the private sector is placed in a difficult position by the lower price of refined Malaysian palm oil - an acknowledged inferior product but all that most people can afford. So the private refiners must purchase very carefully,when Brazil or some other low cost producer is offering bargains, and ship in the cheapest bottoms available.

Meanwhile, BSFIC is upgrading some of its facilities and plans to reach 20,000 tons capacity by the end of CY 1985. They have sought to hold the upscale market through careful quality control, product integrity and a relatively fixed price, disregarding minor market fluctuations. The way BSFIC can do this and remain competitive in the market place is through a de facto raw material price equalization arrangement with the BDG, which only requires BSFIC to pay 70% of the FOB value of the Title III CDSO into the special account, with the BDG making up the difference.

The long term implications of this arrangement are being examined by the mission and Food Policy Study team, but for FY 86 purposes, the key fact is that BSFIC would like to purchase ASAP 20,000 MT of CDSO in order to permit both full capacity operation of their refurbished facilities and the shipping economies of two 10,000 ton shipments. Although the Bangladesh market is and always will be extremely price conscious, this would seem to provide the best likely opportunity for U.S. vegoil market development.

As noted in the 1983 Evaluation, domestic oilseeds are crudely processed and consumed in the localities produced, and compete only with the low-price-low-quality Malaysian Palm oil, not the better and more costly soyoil products. Title III vegoil, therefore, does not serve as a disincentive to indigenous production.

5. Maize

Although maize has not, up to now, been a major food crop in Bangladesh, at least in urban areas, the fact that it can be grown at low cost on marginal land gives it some potential as a self-targetting food for the rural poor. The mission is currently discussing the possibility of requesting a small amount of maize under the FY 86 amendment for the purpose of undertaking market development activities. The evaluation team would support a mission decision to proceed with such a program.

J) GAO REPORT

In August, 1985, the GAO issued a report entitled: FINANCIAL AND MANAGEMENT IMPROVEMENTS NEEDED IN THE FOOD FOR DEVELOPMENT PROGRAM. This report critiqued the Title III programs in

Bangladesh, Bolivia and Senegal. The Bangladesh portion was based largely on a field trip in May, 1984, plus background reading and requests for information in Washington. This evaluation is not intended to constitute the AID reply to the GAO Report; however, as an expression of the findings of the evaluation team, it may be used in preparation of the official reply. Our examination of the GAO Report can be broken down into 4 categories:

1. Factual Error in Report

The GAO Report says: "Bangladesh ... had not established a special account as stipulated in its agreements." (Report P. ii). This is incorrect. The mission has provided documentation to demonstrate, and the BDG Ministry of Finance has confirmed, that there is and was in May,1984, a special account into which all local currency Title III sales proceeds are deposited and from which disbursements can only be made for authorized uses. All sales proceeds for wheat, cotton and vegoil are made directly into the special account immediately upon their generation. Sales proceeds for rice presently follow a less direct path, but the mission has agreed that if rice is included in a subsequent agreement or amendment, the same procedures will be required as for the other commodities.

2. Matters of Judgement

a. Policy Dialogue

The GAO Report admits: "A recipient government's domestic policies can inhibit expanding production, result in inequitable food distribution, or artificially influence consumer costs."

(Report p. iii). Yet, the tenor of the Report clearly treats the Title III program in Bangladesh as if policy dialogue should be subordinate to particular local currency uses and proper accounting procedures.

Numerous skilled and experienced development professionals from AID, the World Bank and other development agencies have concluded that the importance of policy dialogue, however imprecise and non-quantifiable it may sometimes be, can in many instances be paramount over such discreet matters as how many miles of canal are built here, or what number of pumps have been placed in operation there, or was the accounting on that activity up to developed country standards? It is the opinion of the evaluation team that the judgement of the development professionals should be upheld and the primacy of policy dialogue be sustained - provided that the local currency utilization and accounting standards attain realistic levels of adequacy, as will be discussed below. As a matter of sovereign pride, developing country governments feel they can accept only so much "guidance" in return for a given level of assistance, so it follows that increased USG intervention in their affairs in areas of minor objective importance may result in our diminished ability to influence them in areas that are truly critical. In such a complex area, again, it is the opinion of the evaluation team that the judgement of the development professionals deserves the greatest weight.

b. Accepting other agency management

The GAO Report concedes: "The lack of experienced personnel with developed administrative capabilities, however, is

particularly severe in low-income countries." (Report, p. iii), Yet, they then turn around and criticize the AID/Bangladesh practice of supporting other donor - and some exclusively BDG - projects on the basis of implementing agency management and reporting, with AID monitoring in a secondary role. Again, this calls into question the judgement of the development professionals that scarce BDG and AID human resources are better used giving single coverage to a wide range of activities, rather than duplicating ongoing other donor and/or BDG mangement of a few.

The evaluation team would like to suggest a compromise position. In the case of projects in which the major funding comes from a "hands-on" agency (e.g. World Bank, ADB, EEC, etc) the USG should accept the fact that they are fully as competent to run the project as we are, and limit our oversight to the present level. However, when the principal funding is from a "check-writing" donor (e.g. Kuwait Fund) or the project is "local", or BDG, then before agreeing to assist the project with Title III local currencies, AID should study the project management system and establish a monitoring capability adequate to protect the primary legitimate interests of the USG without imposing an undue burden on limited BDG human resources.

3. <u>Areas for Improvement</u>

All of the above having been said, however, there remain substantial areas where improved mission and BDG performance can reasonably be expected.

The major area, of course, is the diminution in the amount of local currency being generated under the program, along with the smaller number of projects being supported by Title III local currency and the attendant decline in disbursement levels. The mission and BDG are in the process of selecting more productive methods for generating local currency as well as additional projects, but a greater sense of urgency appears desirable.

Other aspects of macro-project planning should also be emphasized. Under the present system, the USAID does not have any advance budgetary information - how much Title III local currency is to be expended on what project, and when, is a mystery to us until well after it has occurred. Sound management practice would require this kind of budgeting on the part of the implementing agency, and the importance of AID's contribution makes it reasonable for such agency to inform us.

A somewhat more delicate issue arises when it comes to possible AID participation in the actual planning process, as distinct from merely being kept informed in a timely fashion. Again, the evaluation team would suggest a compromise: there are many aspects of planning which are important, but into which we should not insert ourselves - e.g. whether irrigation pumps should be installed in District X ahead of District Y. This would rule out acceptance of the GAO suggestion that we carve out distinct sub-projects for our very own. However, there are uses of AID-generated funds which are either prohibited by U.S. Law (e.g. payment of bribes) or discouraged by AID policy (e.g. payment of salaries for host country general administrative personnel in non-institution building situations). Since funds

are fungible and AID rarely pays more than half the local currency cost of a project, the substantive burden of keeping AID currency out of undesirable areas should not be too great, while a modest improvement in accounting systems should make it administratively feasible as well.

4. Possible impact on Mission

Meeting even the reasonable requirements for planning and monitoring recommended by the evaluation team (let alone the GAO Report), will require an increase in mission workload. While the internal mechanisms for meeting this increase are, of course, a matter for mission management, the evaluation team would offer its observation that virtually all the mission input into the Title III program in its various aspects is currently being made by the Agriculture/Food For Peace Office, with minimal input from the Controller's Office. To the degree that this observation is accurate, it might be feasible to handle the increased load by transferring the strictly accounting/financial monitoring functions to the controller's office, while freeing up A/FFP resources to go more deeply into the substantive planning/budgeting issues, as well as perhaps increasing the level of monitoring of physical activities under the projects being financed.

K) DISPOSITION OF 1983 RECOMMENDATIONS

A summary review of the recommendations made in the FY 1983 Evaluation indicates a satisfactory disposal of the great majority, whether through USAID/BDG compliance or being overtaken by events.

Recommendation	Disposition
1.	Compliance.
2.	Compliance
3.	Partial Compliance
4.	Partial compliance. BDG selectively using Marketing Operations but no significant concern for problem until very recent oversupply conditions developed.
5.	Inadequate compliance; there is still a tendency to buy only up to a quota and then stop.
6.	Negative compliance. The BDG has appeared to use more stringent moisture requirements to help limit procurement.
7.	Compliance.
8.	Compliance.
9.	Partial compliance
10.	Compliance. Follow-up achieved, but functioning model questionable.
11.	Questionable compliance. The godown project was funded through to completion; there was some improvement, but the project still had considerable problems.
12.	Compliance.
13.	Overtaken by events. The high production figure was incorrect and domestic cotton production remains minimal.
14.	Compliance.
15.	This subject is presently being considered by the Food Policy Study team.
16.	-Ditto-
17.	Compliance.

L) EARLY PROGRAMMING OF FY 1986 AMENDMENT

The evaluation team has conducted the present evaluation in light of both the mission request for early programming of the proposed $70 million FY 1986 amendment and the planning being

undertaken for a possible new Title III program commencing in FY 1987. We have found that past performance by both the mission and BDG has been, on the whole, satisfactory and that the major queustions still in need of resolution are essentially subject to the longer term analyses being made by the Food Policy Study team and others. These questions do not seem likely to impact adversely upon the probability of success of the FY 86 program. We have found that the reasonable expectation of FY 86 early programming has become part of the BDG food security planning process - especially for BSFIC, which needs 10,000 MT CDSO by the first of next CY - and that their storage, handling and marketing procedures are sound. The Evaluation team therefore supports the FY 1986 Early Programming request.

M) FINANCIAL SUMMARY

The first PL-480 Title III Food For Development Program in Bangladesh ran from FY's 1978-81. Under that agreement, $191.4 million in commodities were shipped, $187.2 million equivalent in taka generated and deposited in the special account, $177.2 million equivalent in taka disbursed from the special account for approved projects, and $156.6 million certified for currency use Offset (CUO).

The current Title III agreement was signed March 8, 1982, and has been amended ten times. To date, $286.1 million in commodities have been shipped, $72.9 million equivalent in taka generated, of which $56.2 million equivalent in taka have been disbursed from the Special Account for approved projects, and $45.6 million certified for CUO.

As can be seen from the above figures, some accounting problems remain from the first Agreement. These should be resolved; four years is enough. More important, the local currency generation and project disbursement shortfall under the second Agreement require corrective action by both the Mission and BDG. As shown in the discussions in Sections G and H above, the Evaluation Team has received Mission assurance that such action is being undertaken.

Table A

Offtakes of Rice and Wheat Under Public Food Distribution System FY 84-85(MTs)

Category	Jan	Feb	March	April	May	June	Six Months Total	FY Total
1. STATUTORY RATIONING								
Rice	6842	3491	3662	3908	3360	1857	23120	65987
Wheat	17791	19827	18779	17422	13850	9261	96930	209823
Subtotal	24633	23318	22441	21330	17210	11118	120050	275810
Percentage	10	10	11	14	14	14	12	11
2. MODIFIED RATIONING								
Rice	10264	4024	3567	2499	2625	2002	24981	124604
Wheat	25882	18106	12073	3481	1637	1705	62884	339769
Subtotal	36146	22130	15640	5980	4262	3707	87865	464373
Percentage	14	10	8	4	4	5	9	18
3. ESSENTIAL PRIORITIES								
Rice	4935	6116	6159	5331	6143	5034	33718	68612
Wheat	3873	4572	3719	3819	3273	3024	22280	43715
Subtotal	8808	10688	9878	9150	9416	8058	55998	112327
Percentage	4	5	5	6	8	10	5	4
4. OTHER PRIORITIES								
Rice	8737	6228	5721	4454	2576	2059	29775	92105
Wheat	31628	31364	23224	11376	6932	5098	109622	296244
Subtotal	40365	37592	28945	15830	9508	7157	139397	388349
Percentage	16	17	15	10	8	9	14	15
5. LARGE EMPLOYERS								
Rice	0	0	3	0	549	453	1005	1023
Wheat	7664	7034	5777	2893	747	769	24884	62351
Subtotal	7664	7034	5780	2893	1296	1222	25889	63374
Percentage	3	3	3	2	1	2	3	2
6. MARKETING OPERATION								
Rice	0	0	0	0	0	0	0	1117
Wheat	0	0	0	0	0	0	0	6634
Subtotal	0	0	0	0	0	0	0	7751
Percentage	0	0	0	0	0	0	0	0
7. OMS								
Rice	2008	489	951	854	725	539	5566	43750
Wheat	15614	2777	3088	3	1	0	21483	157443
Subtotal	17622	3266	4039	857	726	539	27049	201193
Percentage	7	1	2	1	1	1	3	8
8. FLOUR MILLS								
Wheat	21463	13336	7767	7215	5296	3139	58216	147721
Percentage	9	6	4	5	4	4	6	6
9. FOOD FOR WORKS								
Rice	904	902	594	509	338	241	3488	4112
Wheat	74905	88901	87278	75041	61093	25087	412305	567166
Subtotal	75809	89803	87872	75550	61431	25328	415793	571278
Percentage	30	40	45	50	50	33	41	22
10. CANAL DIGGING								
Rice	0	0	0	0	0	0	0	0
Wheat	0	0	0	0	0	0	0	713
Subtotal	0	0	0	0	0	0	0	713
Percentage	0	0	0	0	0	0	0	0
11. RELIEF								
Rice	6	114	25	59	359	1082	1645	1906
Wheat	18639	15043	13144	13317	12245	15599	87987	337828
Subtotal	18645	15157	13169	13376	12604	16681	89632	339734
Percentage	7	7	7	9	10	22	9	13
Total Rice	33696	21364	20602	17614	16675	13267	123298	403216
Total Wheat	217459	200960	174049	134567	105074	63682	896591	2169407
G. Total	251155	222324	195531	152181	121749	76949	1019889	2572623
Percentage	100	100	100	100	100	100	100	100

Source: Directorate of Food, Dhaka

Compiled by: Mir Mohammed Ershadullah, PAACP/USAID, Dhaka
SuperCalc (July 5, 1985)

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Table A (Contd.)

Offtakes of Rice and Wheat Under Public Food Distribution System FY 84-85(MTs)

Category	July	August	Sept	Oct	Nov	Dec	Six Months Total
1. STATUTORY RATIONING							
Rice	7784	8707	6209	6528	6383	7256	42867
Wheat	22745	17078	18522	18147	17066	19335	112093
Subtotal	30529	25785	24731	24675	23449	26591	155760
Percentage	14	10	9	10	9	11	10
2. MODIFIED RATIONING							
Rice	13943	22851	26994	9452	13334	13049	99623
Wheat	47733	54641	56954	65763	30655	21139	276885
Subtotal	61676	77492	83948	75215	43989	34188	376508
Percentage	28	30	29	26	17	15	24
3. ESSENTIAL PRIORITIES							
Rice	5601	6437	5525	6084	5354	5093	34594
Wheat	3603	3573	3226	3323	3801	3909	21435
Subtotal	9204	10010	8751	9407	9155	9802	56329
Percentage	4	4	3	3	3	4	4
4. OTHER PRIORITIES							
Rice	9820	10123	10791	10624	10513	10459	62330
Wheat	30837	33134	31270	31318	29992	30071	186622
Subtotal	40657	43257	42061	41942	40505	40530	248952
Percentage	18	17	15	15	16	17	16
5. LARGE EMPLOYERS							
Rice	18	0	0	0	0	0	18
Wheat	4234	6194	4366	7279	8030	7364	37467
Subtotal	4252	6194	4366	7279	8030	7364	37485
Percentage	2	2	1	2	3	3	2
6. MARKETING OPERATION							
Rice	769	3	343	2	0	0	1117
Wheat	2923	2	3709	0	0	0	6634
Subtotal	3692	5	4052	2	0	0	7751
Percentage	2	0	1	0	0	0	1
7. OMS							
Rice	3177	4858	11847	12027	5195	1080	38184
Wheat	26436	24570	18612	29351	24427	12564	135960
Subtotal	29613	29428	30459	41378	29622	13644	174144
Percentage	13	12	11	14	11	6	11
8. FLOUR MILLS							
Wheat	13660	11818	11031	13341	12872	26763	89505
Percentage	6	5	4	5	5	11	6
9. FOOD FOR WORKS							
Rice	37	10	55	13	55	454	624
Wheat	14869	15458	22162	22391	42674	37307	154861
Subtotal	14906	15468	22217	22404	42729	37761	155485
Percentage	7	6	8	8	16	16	10
10. CANAL DIGGING							
Rice	0	0	0	0	0	0	0
Wheat	30	0	36	647	0	0	713
Subtotal	30	0	36	647	0	0	713
Percentage	0	0	0	0	0	0	0
11. RELIEF							
Rice	62	60	29	62	40	0	261
Wheat	15444	38978	54416	49863	51365	39775	249841
Subtotal	15506	39038	54445	49925	51405	39783	250102
Percentage	7	14	19	17	20	17	16
Total Rice	41711	53040	61793	44792	40674	38199	279918
Total Wheat	182534	205446	224304	241423	220882	198227	1272816
G. Total	223745	258485	286097	286215	261556	236426	1552734
Percentage	100	100	100	100	100	100	100

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Table A (Contd.)

Rice and Wheat Offtakes Under
Public Food Distribution System(PFDS)
FY 1983-84(MTs)

Category	Jan '84	Feb	March	April	May	June	Year Total
1. Statutory Rationing							
Rice	5096	6109	6462	7393	8814	12716	81375
Wheat	18082	12096	18143	18664	18779	11192	211843
Sub-total	23178	18135	24605	26057	27593	23908	293218
Percentage	14%	8%	10%	12%	14%	18%	14%
2. Modified Rationing							
Rice	11143	13097	19594	22092	21295	14274	162736
Wheat	17309	27913	18560	17190	18645	23166	236500
Sub-total	28452	41010	38154	39282	39940	37440	399236
Percentage	18%	19%	17%	17%	20%	28%	20%
3. Essential Priorities							
Rice	5382	5701	5751	5908	5800	5785	66152
Wheat	3883	3595	3567	3682	3691	3404	41668
Sub-total	9265	9296	9318	9590	9491	9189	107820
Percentage	6%	4%	4%	4%	8%	7%	5%
4. Other Priorities							
Rice	7905	7174	8872	9793	8606	8170	102025
Wheat	26639	25147	18709	16430	18209	16181	242340
Sub-total	34544	32321	27581	26223	26815	24351	344365
Percentage	21%	15%	12%	12%	13%	18%	17%
5. Large Employers							
Rice	39	-	41	84	26	10	2555
Wheat	6638	5644	3145	6330	3767	1849	57776
Sub-total	6677	5644	3186	6414	3793	1859	60331
Percentage	4%	3%	2%	3%	2%	1%	3%
6. Marketing Operation							
Rice	-	-	-	20232	7987	77	30669
Wheat	5423	4034	-	92	1712	80	20441
Sub-total	5423	4034	-	20324	9699	157	51110
Percentage	3%	2%	-	9%	5%	0%	2%
7. Open Market Sales							
Rice	390	343	3531	12163	3946	19	25578
Wheat	6335	9060	3525	4013	4519	5354	80961
Sub-total	6725	9403	7056	16176	8456	5373	106539
Percentage	4%	4%	3%	7%	4%	4%	5%
8. Flour Mills							
Wheat	11735	9159	10295	8984	10454	7324	128158
Percentage	7%	4%	4%	4%	5%	5%	6%
9. Food For Works							
Rice	135	770	1877	142	345	51	27625
Wheat	28108	79909	99740	61963	55220	13804	412742
Sub-total	28243	80679	101617	62105	55565	13855	440367
Percentage	18%	37%	44%	27%	27%	10%	22%
10. Canal Digging							
Rice	-	-	-	-	-	3	3
Wheat	61	33	-	-	-	-	172
Sub-total	61	33	-	-	-	3	175
Percentage	0%	0%	-	-	-	0%	0%
11. Relief							
Rice	7	103	99	72	247	115	4859
Wheat	7883	7933	9718	11471	10430	11654	114675
Sub-total	7890	8036	9817	11543	10677	11769	119534
Percentage	5%	4%	4%	5%	5%	9%	6%
Total Rice	30097	33297	46227	77079	57066	41220	503577
Total Wheat	132096	184453	185402	148819	145426	94008	1547276
Grand Total:	162193	217750	231629	226698	202492	135228	2050853
Percentage	100%	100%	100%	100%	100%	100%	100%

Table A (Contd.)

Rice and Wheat Offtakes Under
Public Food Distribution System (PFDS)
FY 1983-84 (MTs)

Category	July'83	August	Sept.	Oct.	Nov.	Dec.	Six Months Total
1. Statutory Rationing							
Rice	8495	4216	5127	5437	6122	5388	34785
Wheat	14297	18152	17397	24298	19297	21516	114957
Sub-total	22792	22368	22524	29735	25419	26904	149742
Percentage	26%	23%	13%	14%	14%	21%	17%
2. Modified Rationing							
Rice	4690	4522	16872	21937	8796	4424	61241
Wheat	6467	9289	21665	37396	27667	11233	113717
Sub-total	11157	13811	38537	59333	36463	15657	174958
Percentage	13%	14%	22%	28%	21%	12%	20%
3. Essential Priorities							
Rice	5017	4760	4972	5981	5516	5579	31825
Wheat	2851	3615	2965	3542	3407	3466	19846
Sub-total	7868	8375	7937	9523	8923	9045	51671
Percentage	9%	8%	5%	4%	5%	7%	6%
4. Other Priorities							
Rice	5125	6113	13583	13647	5774	7263	51505
Wheat	15046	19038	21900	21913	21615	21513	121025
Sub-total	20171	25151	35483	35560	27389	28776	172530
Percentage	23%	25%	21%	17%	16%	22%	20%
5. Large Employees							
Rice	19	391	1528	381	19	17	2355
Wheat	5734	4125	6594	5252	4020	4678	30403
Sub-total	5753	4516	8122	5633	4039	4695	32758
Percentage	7%	5%	5%	3%	2%	4%	4%
6. Marketing Operation							
Rice	-	-	1238	1135	-	-	2373
Wheat	-	-	5735	2805	537	23	9100
Sub-total	-	-	6973	3940	537	23	11473
Percentage	-	-	4%	2%	0%	0%	1%
7. Open Market Sales							
Rice	167	383	2811	1622	38	165	5186
Wheat	148	705	15885	21923	6123	3371	48155
Sub-total	315	1088	18696	23545	6161	3536	53341
Percentage	0%	1%	11%	11%	4%	3%	6%
8. Flour Mills							
Wheat	8200	11744	13359	15161	11871	9872	70207
Percentage	10%	12%	8%	7%	7%	7%	8%
9. Food for Works							
Rice	193	125	4461	14486	4737	303	24305
Wheat	3179	2768	3338	5631	38441	21641	73998
Sub-total	3372	2893	7799	20117	43178	21944	98303
Percentage	4%	2%	4%	9%	25%	17%	11%
10. Canal Digging							
Rice	-	-	-	-	-	-	-
Wheat	-	-	-	-	-30	-48	78
Sub-total	-	-	-	-	30	48	78
Percentage	-	-	-	-	0%	0%	0%
11. Relief							
Rice	1	3	1663	2167	353	11	4216
Wheat	6653	9984	9693	9532	10760	8964	55586
Sub-total	6654	9985	11376	11699	11113	8975	59802
Percentage	8%	10%	7%	5%	6%	7%	7%
Total Rice	23707	20511	52275	66793	31335	23150	217791
Total Wheat	62575	78420	118531	147453	143768	106325	657072
G. Total	86282	98931	170806	214246	175123	129475	874863
Percentage	100%	100%	100%	100%	100%	100%	100%

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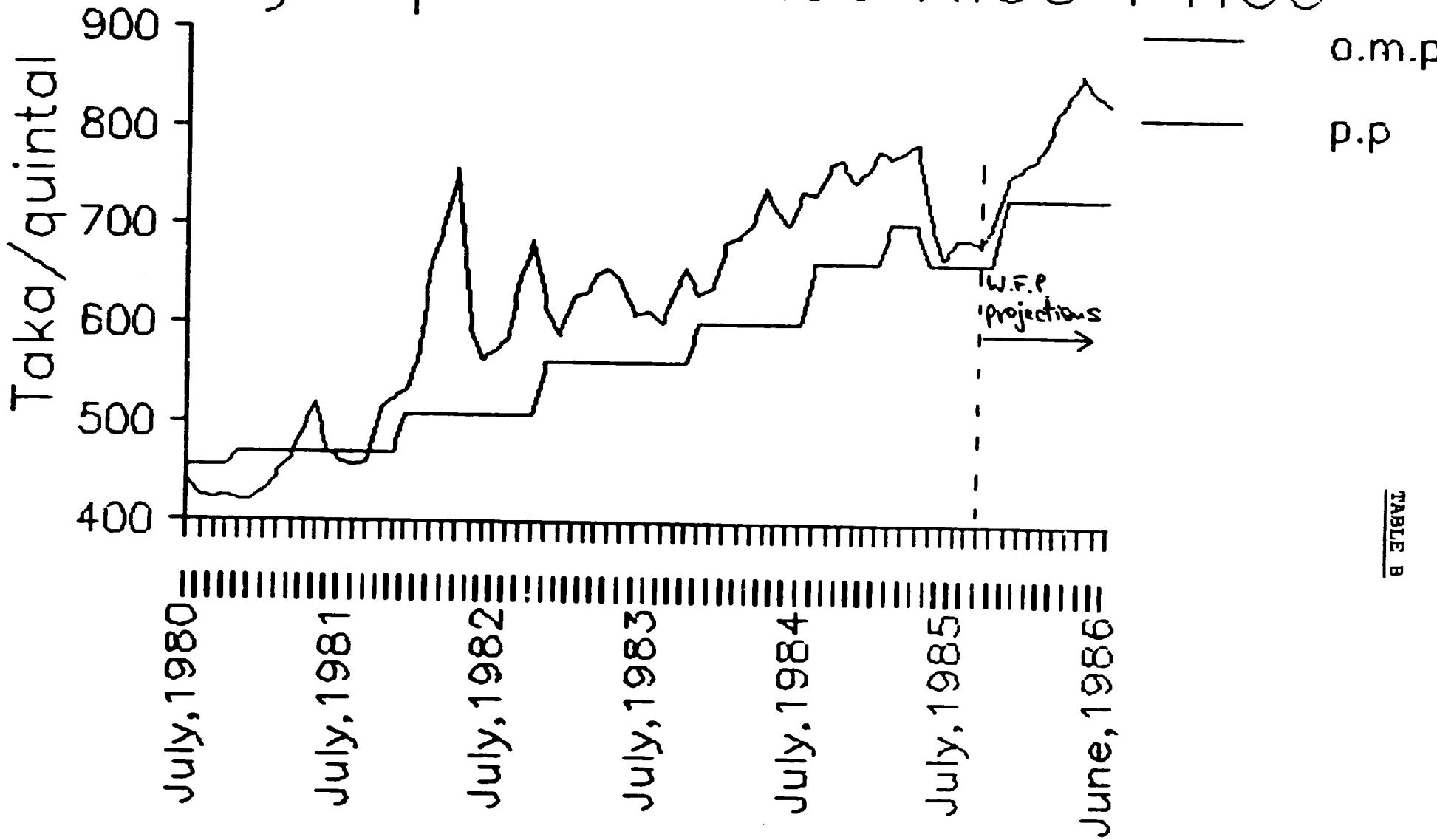
Monthly Open Market Rice Price



July 1980–June 1986

TABLE 8

TABLE C

PL-480 TITLE III COMMODITIES/FINANCIAL STATUS

Authorized:

a) Authorized for USFY-1978 to 1981 (Per first Title III Agreement signed on August 2, 1978 as finally amended on June 26, 1981)

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

b) Authorized for USFY 1982 to 1985 (Per second Title III Agreement signed on March 8, 1982 as amended)

$286.5 million

Shipment of Commodities

a) First Program (by Calendar Year)

Calendar Year	Quantity (In 000 MT) Wheat	Rice	Soybean Oil	Cotton (In '000 bales)	Value (In Million $)
1978	193.5	-	-	-	25.1
1979	347.1	-	-	-	55.1
1980	426.0	-	-	-	67.9
1981	207.4	-	25.0	-	43.3
TOTAL (a)	1174.0	-	25.0	-	191.4

b) Second Program (by U.S. Fiscal Year)

1982	171.7	54.6	24.5	27.3	63.9
1983	227.6	35.4	23.9	27.9	59.7
1984 1/	220.5	67.1	14.3	27.7	68.0
1985 1/	395.2	75.2	14.3	33.2	94.5
TOTAL (b)	1015.0	232.3	77.0	116.1	286.1
GRAND TOTAL(a+b)	2189.0	232.3	102.0	116.1	477.5

1/ The figures may vary slightly with the availability of all the shipping documents.

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

a) **First Program**

Fiscal Year	Modified Ration	Open Market Sales (OMS) Wheat	Equivalent Wheat For Rice/Paddy	Flour Mills	Total
1979	53.6	53.6	-	-	107.2
1980	213.4	112.7	-	-	326.1
1981	87.8	0.1	-	-	87.9
1982	223.6	9.3	56.8	-	289.7
1983	21.6	80.8	0.2	-	102.6
1984	-	81.0	-	-	81.0
1985	-	157.4	-	-	157.4
TOTAL (a)	600.0	494.9	57.0	-	1151.9

b) **Second Program**

1983	136.3	-	-	-	136.3
1984	35.4	-	-	-	35.4
1985	-	-	-	85.0	85.0
TOTAL (b)	171.7	-	-	85.0	256.7
GRAND TOTAL (a + b)	771.7	494.9	57.0	85.0	1408.6

Sales of Rice by BDG Fiscal Year (In 000 MT):

Second Program (OMS)

Fiscal Year	Quantity
1983	37.1
1984	25.6
1985	43.7
TOTAL	106.4

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

a) **First Program**

Fiscal Year	Quantity
1982	24.0
1983	1.0
TOTAL (a)	25.0

b) **Second Program**

1983	29.7
1984	20.0
1985	12.4
TOTAL (b)	62.1
GRAND TOTAL (a+b)	87.1

Estimated Sale of Cotton by BDG Fiscal Year (In 000 Bales):

Second Program

Fiscal Year	Quantity
1983	27.3
1984	27.9
1985	27.7
TOTAL	82.9

Special Account Operation by BDG Fiscal Year (In Million Dollars): 1/

a) **First Program**

Fiscal Year	Sales Proceeds Deposited into Special Account	Amounts Disbursed to Projects from Special Account	Amounts Certified for CUO 2/
1979	12.2	12.2	-
1980	55.0	55.0	12.2
1981	14.6	14.6	34.3
1982	37.1	31.1	45.6
1983	35.1	41.1	47.5
1984	10.5	2.6	14.4
1985	20.1	20.6 3/	2.6
1986	2.6	-	-
TOTAL (a)	187.2	177.2	156.6

b) **Second Program**

1983	29.8	14.9	0.2
1984	19.9	41.3 3/	14.7
1985	22.1	-	30.7
1986	1.1	-	-
TOTAL (b)	72.9	56.2	45.6
GRAND TOTAL(a+b)	260.1	233.4	202.2

1/ Only covers deposits and disbursements certified by the External Resources Division, Ministry of Finance. Certain discrepancies have been noticed in the rates at which deposits have been made for sale of wheat and rice through OMS. This is expected to be corrected in the current year and as such, deposit in FY1986 will be much higher relative to FY1985.

2/ CUO = Cuurency Use Offset.

3/ Includes around $31.2 million disbursed for expenditures made in the last quarter of BDG FY1984 and the first three quarters of FY1985 (through March 1985). This is yet to be certified to Washington.

TABLE C (Contd.)

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

Name of the Project	FY-1979	FY-1980	FY-1981	FY-1982	FY-1983	FY-1984	FY-1985	Total
1. Procurement & Distribution of Chemical Fertilizer	12,153	55,012	-	-	-	-	-	67,165
2. Deep Tubewell Irrigation	-	-	7,281	8,684	15,172	16,073	7,192	54,402
3. Shallow Tubewell Irrigation (all over Bangladesh)	-	-	7,281	1,699	7,829	6,145	1,694	24,648
4. Shallow Tubewell Irrigation (IDA)	-	-	-	711	409	-	-	1,120
5. Karnafuli Irrigation & Flood Control	-	-	-	1,517	1,017	290	-	2,824
6. Barisal Irrigation (Phase II)	-	-	-	529	707	298	-	1,534
7. Muhuri Irrigation Project	-	-	-	782	1,957	2,181	-	4,920
8. Manu River Project	-	-	-	2,792	3,059	370	-	6,221
9. Ashuganj Shabuj Prakalpa	-	-	-	66	-	-	-	66
10. IDA Low Lift Pump	-	-	-	693	411	183	282	1,569
11. Support to Locally Developed Small Pumps & Other Agricultural Implements	-	-	-	32	-	-	-	32
12. Intensive Agricultural Production Program for North-West Region of Bangladesh	-	-	-	5,753	6,605	7,902	4,828	25,088
13. Supply of Low Lift Pumps under Canal Digging Program thru Voluntary Mass Participation	-	-	-	13	-	-	-	13
14. Low Lift Pump Irrigation	-	-	-	7,843	18,469	9,366	6,620	42,298
15. Command Area Development	-	-	-	3	-	-	-	3
16. Establishment of Workshop Complex in Private Sector	-	-	-	3	-	-	-	3
17. Foodgrain Warehouse Construction	-	-	-	-	367	1,122	-	1,489
	12,153	55,012	14,562	31,120	56,002	43,930	20,616	233,395

TABLE C (Contd.)

PROJECTWISE DISBURSEMENT OF TITLE III FUNDS BY BDG FISCAL YEAR (IN 000 TAKA)

NAME OF THE PROJECT	FY 1979 & 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985X	GRAND TOTAL
1. Procurement & Distribution of Chemical Fertilizer@	1,004,126.4 +	-	-	-	-	-	1,004,126.4
2. Deep Tubewell Irrigation	-	125,574.1	190,620.0	372,890.0	404,068.0	190,528.0	1,293,680.1
3. Shallow Tubewell Irrigation all over Bangladesh.@	-	125,574.1	34,986.0	192,100.0	154,471.0	45,000.0	552,131.1
4. Shallow Tubewell Irrigation(IDA)@	-	-	14,245.0	10,000.0	-	-	24,245.0
5. Karnafuli Irrigation & Flood Control Projects	-	-	29,684.0	25,000.0	7,293.0	-	61,977.0
6. Barisal Irrigation Project	-	-	10,000.0	17,500.0	7,500.0	-	35,000.0
7. Muhuri Irrigation Project@	-	-	15,209.0	29,050.0	54,817.0	-	99,084.0
8. Manu River Project@	-	-	57,479.0	75,728.0	9,292.0	-	142,499.0
9. Ashuganj Sabuj Prokalpa*	-	-	1,250.0	-	-	-	1,250.0
10. Low Lift Pump Irrigation(IDA)@	-	-	14,245.0	10,000.0	4,590.0	7,500.0	36,335.0
11. Support to Locally Developed Small Pumps & Ag. Implements*	-	-	600.0	-	-	-	600.0
12. Intensive Ag.Production Program for North West Region of Bangladesh.	-	-	126,798.0	179,960.0	198,645.0	127,883.0	633,286.0
13. Supply of Low Lift Pump under Canal Digging Program*	-	-	270.0	-	-	-	270.0
14. Low Lift Pump Irrigation(Local)	-	-	162,239.7	449,474.0	235,442.0	175,432.0	1,022,587.7
15. Command Area Development*	-	-	58.0	-	-	-	58.0
16. Establishment of Workshop Complex in Private Sector*	-	-	57.0	-	-	-	57.0
17. Foodgrain Warehouse Construction	-	-	-	8,995.0	28,208.0	-	37,203.0
TOTAL	1,004,126.4	251,148.2	657,741.7	1,370,705.0	1,104,326.0	546,343.0	4,934,389.3

@ Project Completed;
* Project dropped in FY 1983 for inadequate performance;
+ Of the toal amount of Tk.1,004,126,400, Tk.184,914,000 was disbursed during FY 1979 & Tk.819,212,400 during FY 1980 for the Procurement and Distribution of Chemical Fertilizer Project.

X Thru 3rd quarter ending March 1985.

(October 1, 1985)

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

Amount Certified for CUO	Amount Applied 2/ for Repayment		Balance to be Applied
	Title I	Title III	
202.2	41.1	26.2	134.9

1/ The amounts may vary with the receipt of up-to-date repayment/interest schedules from CCC, USDA.

2/ Includes Title I repayments due through December 1983 (excepting $54,423.45 due on 12/26/83) and estimated Title III repayments due through USFY1985. Applications for using CUO provision for the remaining Title I installments that were due in USFY1984 ($3,254,574.31) and all the Title I installments that were due in USFY1985 ($12,504,323.13) are yet to be made by the BDG.

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

Date: October 16, 1985

TABLE D

PROJECTWISE-DISBURSEMENT OF TITLE III FUNDS BY BDG
(In 000 Taka)

	FY 83-84 BDG Expenditure			Title III Funds Total Expenditure For FY 1984
	LC	FX	Total	
1. Deep Tubewell Irrigation (Local)	513,268	–	513,268	334,153
2. Shallow Tubewell Irrigation all over Bangladesh	428,996	–	428,996	154,471
3. Deep Tubewell Irrigation (IDA)	71,119	13,294	84,413	69,915
4. Low Lift Pump (IDA)	17,525	4,849	22,374	4,590
5. Intensive Agricultural Production Program for North-West Region of Bangladesh	391,530	73,328	464,858	198,645
6. Low Lift Pump Irrigation (Local)	336,479	9,095	345,574	235,442
*7. Karnafuli Irrigation and Flood Control Project (IDA)	8,015	114,147	122,162.0	7,293
*8. Barisal Irrigation Project (IDA)	6,953	46,805	5,358	7,500
*9. Muhuri Irrigation Project (IDA)	55,920	56,183	112,103	54,817
10. Manu River Project	15,478	225,771	241,249	9,292
11. Foodgrain Warehouse Construction: (IDA, ADB, CIDA & Japan)	37,250	296,368	333,618	28,208
TOTAL:	1882,533	839,840	2673,973	1,104,326

*Projects dropped after FY 1984

TABLE D (Contd.)

FY 83-84 BDG EXPENDITURE
(In 000 Taka)

Foodgrain Warehouse Construction under:

	Local Currency	Foreign Exchange	Total	Title III Funds Total Expenditure For FY 83
IDA	15,358	106,368	121,726	13,300
ADB	436	60,000	60,436	500
CIDA	25	40,000	40,025	8
Japan	21,431	90,000	111,431	14,400
Total:	37,250	296,368	333,618	28,208

Source: Mr. Fakrul Ahsan, Assistant Chief, Planning & Implementation Cell, Ministry of Food.

TABLE E

PROJECTWISE-DISBURSEMENT OF TITLE III FUNDS BY BDG

	FY 84-85 BDG Expenditure (000 Taka) LC	FX	TOTAL	Title III Funds Total Expenditure For FY 1985 (000 Taka)
1. Deep Tubewell Irrigation (local)	267,400	-	267,400	191,617
2. Shallow Tubewell Irrigation all over Bangladesh	193,235	-	193,235	45,000
3. Deep Tubewell Irrigation (IDA)	95,435	195,872	291,307	42,554
4. Low Lift Pump (IDA)	7,051	11,927	18,978	7,500
5. Intensive Agricultural Production Program for North-West Region of Bangladesh	247,608	228,407	476,015	127,883
6. Low Lift Pump Irrigation (Local)	335,016	-	335,016	175,432
TOTAL:	1,145,745	436,206	1,581,951	589,986

TABLE F

RICE: SUPPLY AND CONSUMPTION FOR 1980-81 - 1984-85
(IN THOUSAND MT)

July/ June	Beg. Stocks	Prod.	Imports	Exports	Seed/ Waste	Food	Ending Stock
1980/81	320	13,682	84	-	1,390	12,200	69
1981/82	696	13,631	144	20	1,360	12,753	33
1982/83	338	14,216	317	-	1,422	13,149	30
1983/84	300	14,500	180	-	1,450	13,440	9
1984/85 1/	90	14,622	690	-	1,462	13,474	46

1/ Revised

TABLE 6

WHEAT: SUPPLY AND CONSUMPTION FOR 1980/81 - 1984/85
(IN THOUSAND MT)

July/ June	Beg. Stocks	Prod.	Imports	Exports	Seed/ Waste	Food	Ending Stocks
1980/81	467	1,093	993	-	100	1,910	543
1981/82	543	967	1,111	-	90	2,254	277
1982/83	277	1,095	1,527	-	110	2,463	326
1983/84	326	1,210	1,876	-	120	2,582	710
1984/85 1/							

1/ Revised

ANNEX 1

ESTIMATED GOVERNMENT FOODGRAIN STOCKS (END OF MONTH), 1972/73 - 1984/85
('000 LONG TONS)

Month	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
July	456	218	349	661	768	415	584	383	1,026	1,235	721	761	754
August	342	199	386	635	714	558	577	601	1,225	1,198	820	819	671
September	332	223	206	601	644	626	559	818	1,268	1,388	804	811	541
October	214	330	162	649	547	547	674	709	1,274	1,343	695	679	600
November	219	267	130	707	437	522	823	677	1,236	1,062	705	506	750
December	136	267	181	902	420	714	848	726	1,344	987	866	455	801
January	214	189	319	949	503	756	767	642	1,388	907	904	585	845
February	535	171	224	990	509	688	688	502	1,324	685	818	521	945
March	493	138	252	931	407	627	502	558	1,255	610	684	567	942
April	374	182	282	822	304	557	424	470	1,252	568	640	554	1,111
May	298	210	438	802	296	611	289	582	1,169	514	623	775	1,040
June	297	214	729	823	376	591	209	779	1,229	615	630	784	1,008
Average	327	217	305	789	494	601	579	621	1,248	926	743	651	834
High	535	330	729	990	768	756	848	816	1,388	1,388	904	819	1,111
Low	136	138	130	601	296	415	209	383	1,026	514	623	455	541

Source: Ministry of Food

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FOODGRAIN PROCUREMENT PRICES, 1969 - 1985
(In Taka per maund)

Year	Effective Date/a	Aus Paddy	Aus Rice	Aman Paddy	Aman Coarse Rice	Aman Medium Rice	Boro/IRRI Paddy	Boro/IRRI Rice	Wheat
1969/70	Jan. 1, 1970/b	—	—	18.0 R 19.0 B	29.41 R 30.96 B	29.79 R 31.37 B	—	—	—
1970/71	Jan. 1, 1971	—	—	•	•		—	—	—
1971/72	Jan. 15, 1972/c	—	—	23.0	37.40	37.85	—	—	—
1972/73	Dec. 14, 1972	—	—	33.0	53.00	54.00	—	—	—
1973/74	Nov. 15, 1973 Jan. 2, 1974/d	— —	— —	45.0 45.0+ T	71.69 71.69+ T	72.63 72.63+ T	— —	— —	— —
1974/75	Nov. 15, 1974/e Apr. 21, 1975	— —	— —	74.0+3.0 •	118.0+3.0 •	120.0+3.0 •	— —	— —	— —
1975/76	Aug. 1, 1975 Apr. 1, 1976	74.0+3.0 •	118.0+3.0 •	• •	• •	• •	74.0+3.0 •	118.0+3.0 •	— —
1976/77	Sept. 14, 1976 Feb. 19, 1977/f Apr. 1, 1977 May 1, 1977	70.0+3.0 • • •	112.0+3.0 • • •	• 74.0+4.0 • •	• 118.0+4.0 • •	• 120.0+4.0 • •	• • • •	• • • •	— 72.0+3.0 • •
1977/78	Aug. 1, 1977 Nov. 15, 1977 May 1, 1978	78.0+4.0 • •	112.0+4.0 • •	• 80.0+4.0 •	• 128.0+4.0 •	• 130.0+4.0 •	78.0+4.0 • •	112.0+4.0 • •	74.0+4.0 • •
1978/79	Aug. 1, 1978 Apr. 5, 1979 May 2, 1979	80.0+4.0 • 85.0+4.0	128.0+4.0 • 128.0+4.0	• • •	• • •	• • •	80.0+4.0 • 85.0+4.0	128.0+4.0 • 136.0+4.0	80.0+4.0 • 85.0+4.0
1979/80	Nov. 15, 1979 Nov. 15, 1979/g	• 165.0+5.0	• 165.0+5.0	96.0+4.0 165.0+5.0	154.0+4.0 165.0+5.0	... ...	• 165.0+5.0	• 165.0+5.0	• 165.0+5.0
1980/81	Nov. 4, 1980	110.0+5.0	170.0+5.0	110.0+5.0	170.0+5.0	...	110.0+5.0	170.0+5.0	110.0+5.0
1981/82	Dec. 7, 1981	119.0+5.0	185.0+5.0	119.0+5.0	185.0+5.0	...	119.0+5.0	185.0+5.0	119.0+5.0
1982/83	Nov. 7, 1982 May 1, 1983	• 138.0+5.0	• 205.0+5.0	• 138.0+5.0	• 205.0+5.0	... ...	• 138.0+5.0	• 205.0+5.0	• 138.0+5.0
1983/84	Nov. 15, 1983	•	•	139.0+5.0	220.0+5.0	...	139.0+5.0	220.0+5.0	139.0+5.0
1984/85	Nov. 15, 1984	168.0+5.0	243.0+5.0	160+5	243+5		168.0+5.0	243.0+5.0	157.0+5.0
~~1985/86~~	~~Nov. 15, '85~~			165+5	250+5				

— = no procurement.
... = no longer applicable.
• = no price change.

R = Regular.
B = 5-mile border belt.
T = Transport Bonus (variable; see footnote d).

a The announcement of procurement prices is usually (although not always) made prior to sowing/planting, while the effective date generally denotes the date when government purchases at the announced prices will commence.
b Different procurement prices were set for the 5-mile border belt than for the rest of the country in order to encourage procurement and discourage smuggling into India.
c The procurement price differential for the border belt was eliminated effective Jan. 15, 1972.
d Effective Jan. 2, 1974, a "transport bonus" was paid to farmers and traders delivering grains to the purchasing centers. The amount of the bonus depended on the distance travelled to reach the center: Paise 50 for up to 5 miles, Paise 75 for 5-10 miles, and Taka 1 for over 10 miles.
e The variable transport bonus was abolished and replaced by a single uniform transport bonus of Taka 3, effective with the procurement price increase of Nov. 15, 1974.
f Effective Feb. 19, 1977, the transport bonus was increased to Taka 4.
g The higher price quotation for medium quality rice was abolished effective Nov. 15, 1979.
h The Government changed the previously announced procurement prices on Nov. 11, i.e., before they became effective. At the same time the transport bonus was increased to Taka 5.

Source: Ministry of Food.

Ration and Domestic Market Prices Of
Foodgrain, Bangladesh 1973-1985

Fiscal Year	Rice Price: Ration	Rice Price: Open Market	Rice Price: Ration Price as Percentage of Market Price	Wheat Price: Ration	Wheat Price: Domestic Market	Wheat Price: Ration Price as Percentage of Market Price
	Tk/Maund			Tk/Maund		
1972-73	30.00*	84.80**	35	-**	-***	-
1973-74	41.67	112.40	37	-	-	-
1974-75	60.00	230.80	26	-	-	-
1975-76	47.98	136.00	35	58.62	90.4	65
1976-77	90.00	124.00	73	70.00	78.0	90
1977-78	95.00	156.80	61	75.00	94.8	79
1978-79	100.00	170.80	59	80.00	96.8	83
1979-80	123.33	225.60	55	93.33	131.6	71
1980-81	143.38	192.00	75	111.34	124.0	90
1981-82	166.10	211.30	79	120.40	131.9	91
1982-83	205.00	233.71	88	139.50	152.68	91
1983/84	225.00	250.00	90	150.00	156.24	96
1984/85	251.50	280.00	90	159.50	165.00	97

Source:

* Bangladesh: Current Economic Position and Short-Term Outlook. World Bank Report No. 3768, March 3, 1982

** Monthly Statistical Bulletin of Bangladesh, December 1981.

*** Economic Indicator of Bangladesh, January 1982, p.71.

PFDS OFFTAKE OF FOODGRAIN BY CATEGORY SINCE BDG FY 1977/78
(IN METRIC TONS)

	FY[1]1977/78	FY[1]1978/79	FY[1]1979/80	FY[1]1980/81	FY[1]1981/82	FY[1]1982/83	FY[1]1983/84	FY[1]1984/85
1. Statutory Rationing Percentage	458,252 24.4%	423,848 23.2%	499,295 20.5%	348,417 22.5%	312,449 15.8%	302,758 16%	293,218 14%	275,810 11%
2. Modified Rationing Percentage	358,396 19.1%	316,586 17.3%	390,744 16.0%	182,015 11.8%	490,671 24.9%	361,722 19%	399,236 20%	464,373 18%
3. Essential Priorities Percentage	123,733 6.6%	96,477 5.3%	85,419 3.5%	89,059 5.8%	102,402 5.2%	96,713 5%	107,820 5%	112,327 4%
4. Other Priorities Percentage	332,516 17.7%	398,927 21.9%	547,385 22.4%	362,929 23.5%	381,744 19.4%	337,845 18%	344,365 17%	388,349 15%
5. Large Employers Percentage	90,496 4.8%	76,624 4.2%	107,696 4.4%	31,262 2.0%	56,792 2.9%	75,936 4%	60,331 3%	63,374 2%
6. Flour Mills Percentage	218,376 11.7%	185,870 10.2%	181,232 7.4%	126,860 8.2%	125,355 6.4%	126,467 7%	128,158 6%	147,721 6%
7. Marketing Operation Percentage	5,619 0.3%	9,075 0.5%	10,230 0.4%	19 0%	11,401 0.6%	Nil*	51,110 2%	7,751 0%
8. Open Market Sales Percentage	* *	53,659 2.9%	112,664 4.6%	126 0%	47,130 2.4%	116,040 6%	106,539 5%	201,193 8%
9. Food for Work Percentage	258,759 13.8%	219,359 12.0%	447,503 18.4%	354,914 22.9%	371,694 18.8%	403,413 21%	440,542 22%	571,991 22%
10. Relief Percentage	30,644 1.6%	45,265 2.5%	58,007 2.4%	50,738 3.3%	73,074 3.7%	82,448 4%	119,534 6%	339,734 13%
Total Percentage	1,876,791 100%	1,825,690 100%	2,440,175 100%	1,546,338 100%	1,972,712 100%	1,903,342 100%	2,050,853 100%	2,572,623 100%

ANNEX 4

FOODGRAIN QUOTA FOR DIFFERENT CATEGORIES OF RATION SYSTEM 1973-1985
(SEER PER CAPITA EXCEPT AS OTHERWISE NOTED)

PERIOD		TYPE PROGRAM: Statutory* Ration	Modified** Ration	Other# Priority	Large## Employers
Pre-Liberation to March 18, 1973	Rice	1.5	1.5	1.5	-
	Wheat	1.5	1.5	1.5	3 to 3.5
	Total	3.0	3.0	3.0	3 to 3.5
March 19, 1973 to February 23, 1975	Rice	0.75	1.0	-	-
	Wheat	2.25	2.0	3.0	3 to 3.5
	Total	3.0	3.0	3.0	3 to 3.5
February 24, 1975 to September 5, 1975	Rice	1.25	1.25	1.5	-
	Wheat	1.25	1.25	1.5	35/family/month
	Total	2.5	2.5	3.0	35/family/month
September 6, 1975 to August 31, 1976	Rice	1.5	1.25	1.25	-
	Wheat	1.0	1.25	1.25	35/family/month
	Total	2.5	2.5	2.5	35/family/month
September 1, 1976 to October 15, 1976	Rice	2.0	1.5	1.0	-
	Wheat	1.0	1.5	2.0	35/family/month
	Total	3.0	3.0	3.0	35/family/month
October 16, 1976 March 4, 1977	Rice	2.5	2.5	1.0	-
	Wheat	1.5	1.5	2.0	35/family/month
	Total	4.0	4.0	3.0	35/family/month
March 5, 1977 to December 2, 1977	Rice	2.0	2.0	1.0	-
	Wheat	1.0	1.0	2.0	35/family/month
	Total	3.0	3.0	3.0	35/family/month
December 3, 1977 to May 2, 1980 b/	Rice	1.5	1.5	1.0	-
	Wheat	1.5	1.5	2.0	35/family/month
	Total	3.0	3.0	3.0	35/family/month
May 3, 1980 to January 2, 1981	Rice	1.0	1.0	1.0	-
	Wheat	2.0	2.0	2.0	35/family/month
	Total	3.0	3.0	3.0	35/family/month
January 3, 1981 to December 11, 1981	Rice	0.75	0.75	0.75	-
	Wheat	1.75	1.75	1.75	35/family/month
	Total	2.5	2.5	2.5	35/family/month
December 12, 1981 to May 19, 1985	Rice	0.5	0.5	0.5	-
	Wheat	1.5	1.5	1.5	35/family/month
	Total	2.0	2.0	2.0	35/family/month
May 20, 1985 to till date	Rice	1.0 kg	0.5	0.5	-
	Wheat	1.0 "	1.5	1.5	35/family/month
	Total	2.0 "	2.0	2.0	35/family/month

Foot Notes:

* Deliver to the cardholders through ration dealers ever week in six Statutory Ration areas of the country. Children upto 8 years of age are entitled to half the adult quota.

** Delivered to the cardholders through ration dealers once in every fortnight or month. Allotment varies according to requirement and availability of commodities and the maximum limit is maintained within the aggregate of weekly quota. Children quota is same as SR.

\# The quota is effective for Government Emloyees and School Teachers only who draw their ration from the appointed dealers. The amount of ration to be drawn by the remaining other priority categories (Orphanages, University/College/School, Hostels) is based on their demand and is drawn directly or through agents.

\#\# Those qualify by empolyment in factories, employing 50 or more employees. Ration is drawn either directly or through agents.

a/ There is no fixed quota for other categories of the rationing system.

b/ From early October to early December 1979, for the statutory rationing area of Dhaka only, the cereal quota was changed to 2 seers of rice and 1 seer of wheat to help lower rice prices in the free market.

Note: 1 seer = 2.057 lbs.

Source: Collected and compiled by: The Office of Food & Agriculture, USAID/Dhaka

Initial OMS Prices

(In Taka Per Maund)

A. Rice	Non-SR Areas	SR Areas
July 1, 1983 to January 8, 1984	240.0	250.0
January 9, 1984 to October 16, 1984	257.5	268.7
October 17, 1984 to date		
Parboiled	285.5	296.6
Non-parboiled	270.5	280.0

B. Wheat		
July 1, 1983 to January 8, 1984	144.0	150.0
January 9, 1984 to December 1, 1984	154.9	160.5
December 2, 1984 to March 30, 1985	166.0	171.6
March 31, 1985 to date	186.6	194.0