

UNCLASSIFIED

Annual Budget Submission

FY 1984

BANGLADESH



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Agency for International Development
Washington, D.C. 20523

Bangladesh
FY 1984 ANNUAL BUDGET SUBMISSION

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TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$ Thousands)

Country/Office BANGLADESH

DEVELOPMENT ASSISTANCE	FY 1982 EST	FY 1983 EST	FY 1984 REQUEST	PLANNING PERIOD		
				1985	1986	1987
<u>Agriculture, Rural Development & Nutrition</u>						
Grants	49,520	51,600	60,400 (81,400)	63,500 (80,500)	74,000 (81,000)	81,300
Loans	-	-	-	-	-	-
<u>Population</u>						
Grants	22,900	24,400	25,000	27,500	30,000	33,000
Loans	-	-	-	-	-	-
<u>Health</u>						
Grants	6,930	-	-	-	-	-
Loans	-	-	-	-	-	-
<u>Education</u>						
Grants	-	-	600	2,000	4,000	5,700
Loans	-	-	-	-	-	-
<u>Selected Dev. Activities</u>						
Grants	50	-	-	-	-	-
Loans	-	-	-	-	-	-
SUBTOTAL FUNCTIONAL ACCTS.						
Grants	79,400	76,000	86,000 (107,000)	93,000 (110,000)	108,000 (115,000)	120,000
Loans	-	-	-	-	-	-
TOTAL DA ACCTS.						
Grants	79,400	76,000	86,000 (107,000)	93,000 (110,000)	108,000 (115,000)	120,000
Loans	-	-	-	-	-	-
PL-480 (Non-Add)						
Title I (of which Title III)	55,000 (55,000)	60,000 (60,000)	70,000 (70,000)	75,000 (75,000)	78,000 (78,000)	80,000 (80,000)
Title II	17,907	20,600	22,700	25,000	27,500	30,250
TOTAL PERSONNEL						
USDH (work years)	37	37	35	37	37	37
FNDH (work years)	68	65	62	68	68	68
Part-Time (work years)	1	1	1	1	1	1

Note: Figures in parentheses include enhanced funding requested for the Policy Reform Grant.

TABLE I NARRATIVE

The program levels for FY 84 and the out years shown in Table I and project specific levels shown in Table IV are consistent with the Agency's forward funding guidance, so that no major mortgaging or pipeline problems are anticipated if the proposed levels can be maintained. Nevertheless, in light of the Mission's decision to begin in FY 83 a major new program of commodity assistance which will require 30 percent of the DA budget for that year, a word about the impact of this program on forward funding of other Mission projects is in order.

The Policy Reform Grant (PRG), described in the new project narrative section, as well as the PID, which will be reviewed in AID/Washington simultaneously with this submission, is a multi-year project designed to help alleviate the BDG's severe foreign exchange crisis by providing quick-disbursing commodity assistance. In order to accommodate this urgently needed program within existing budget levels, USAID has chosen to defer two new projects planned for FY 83 until FY 84 (Rural Energy Sector Project and Water Management Systems) and to reduce the incremental obligations for projects with pipelines large enough to maintain implementation on schedule through FY 83. In two cases, this reduction has resulted in reduced LOP totals for the projects. PVO Co-Financing has been reduced to a level which will allow for completion of ongoing projects but not for new project development. This is keeping with USAID's decision to incorporate new PVO activities directly into sector projects. FY 83 is the final year of funding planned for Fertilizer Distribution Improvement. Since the successor project will begin in FY 84, activities not funded under the old project will be picked up under the new project. For all other projects for which funding was deferred, however, the result has been an increase in the mortgage for FY 84 and beyond by \$17,000,000. (This is the total funding deferred from FY 83 for ongoing projects). Large as this additional mortgage may seem, it is manageable at the proposed budget levels for FY 84 through 87. USAID plans to reduce the resulting mortgage as much as possible in FY 84 by completing LOP funding for Rural Industries and the Technical Resources Grant, as had been planned prior to the PRG, and by increasing planned FY 84 funding for Agricultural Research II and Rural Electrification II. By doing this, USAID will still be able to provide adequate funding for the Fertilizer Distribution Improvement successor project as well as initial year funding to the two new projects delayed from FY 83.

After FY 83, obligations for the Policy Reform Grant would not compete with USAID's other projects for scarce funding. Rather, USAID is requesting additional funding for this project beyond the lower-track budget levels provided in the instructions. Excluding the PRG from future

year calculations, then, and using the lower track total budget levels, the proposed program for FY 84 results in a mortgage of \$71,770,000 in FY 85, or 84% of the total DA budget, and \$69,700,000 in FY 86, or 77% of the total. Over \$50,000,000 of the mortgage for each of these two years is attributable to three major sector-type projects: Family Planning Services, Rural Energy Sector Project, and Fertilizer Distribution Improvement. For large sectoral projects of this nature, which involve several components each with its own set of implementation problems, and for which annual incremental funding is frequently tied to policy conditions, USAID frankly prefers to be mortgaged heavily than to run excessive pipelines.

Thus, even with the introduction of the PRG in FY 83, USAID is comfortable with the mortgaging implications of the proposed program, as long as the levels projected for the out-years can be maintained.

From the standpoint of pipelines, delaying incremental obligations from FY 83 to FY 84 in order to make way for the PRG will have the salutary effect of drawing down the large pipelines which exist for the projects-- Rural Electrification in particular. The net result will be a reduction in the total DA pipeline (including the PRG) from an estimated \$175,082,000 at end FY 82 to an estimated \$107,510,000 at the end FY 83.

This represents a ratio of total pipeline to total obligations of 19.1% at end FY 83, an excellent ratio, and certainly responsive to the BDG's foreign exchange needs.

Although the tables throughout this submission show the workforce levels provided in the ABS guidance cable, State 023374, USAID believes that the reductions in staff levels programmed for FY 84 may have a harmful effect on our ability to implement our programs, particularly if the additional funding proposed for the Policy Reform Grant during FY 84 through 86 is approved. Effective implementation of this project will require the full-time assistance of an experienced capital development officer, large inputs from the controller's office staff, and a significant percentage of time from an agricultural economist. In addition, a full-time US logistics manager supported by an adequate FN staff will be required. The proposed decrease in FN levels can be offset by hiring secretaries on a contract basis. The operating expense budget (Table VIII) reflects an increase in contracts to compensate for this reduction in FN staff. For US staff, however, the levels for FY 84 provide little flexibility for accommodating the demands of the program. The budget does provide for two IDIs in FYs 83 and 84, but what the program needs most is experienced project officers.

USAID has traditionally been thinly staffed compared to other Asia Missions. Thirty-seven USDH personnel are managing a program totalling \$152,307,000 in FY 82, an average of over \$4 million per person at times when we are fully staffed. Now, with AID's emphasis on macroeconomic concerns, on redirecting programs to ensure greater private sector participation, and on conditioning assistance on policy changes, the demands on staff are increasing. USAID's ability to design, negotiate and implement its programs with adequate consideration to these areas will undoubtedly be hampered by the staff reductions.

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TABLE IV PROJECT BUDGET DATA

PROJECT NUMBER	PROJECT TITLE	OBLIGATION DATE		LIFE OF PROJECT COST		COM PIPELINE AS OF 9/30/81	FY 1982		FY 1983		1984 AAPL TO MO/YR	FY OBLIGATIONS			ITEM #
		INITIAL PLAN		AUTH			OBL	EXP	OBL	EXP		1986	1987	FUTURE YEAR	
		G/L	PLAN	PLAN	AUTH										
388-0003	Agriculture, Rural Development & Nutrition	G	FY 76	FY 80	4,224	1,246	-	-	-	-	-	-	-	-	611
388-0016	Zia Fertilizer	L	FY 76	FY 76	4,000	338	-	-	-	-	-	-	-	-	1104
388-0017	Food For Work	L	FY 75	FY 78	53,000	6,180	-	-	-	-	-	-	-	-	619
388-0019	Small Scale Irrigation	G	FY 76	FY 80	2,373	106	-	-	-	-	-	-	-	-	621
388-0021	Rural Electrification	L	FY 76	FY 76	14,000	5,076	-	-	-	-	-	-	-	-	624
		L	FY 78	FY 80	35,300	9,232	-	-	-	-	-	-	-	-	625
		L	FY 78	FY 80	34,000	18,191	-	-	-	-	-	-	-	-	626
388-0024	Fertilizer Distribution	G	FY 78	FY 83	203,000	54,602	36,000	14,900	16,300	36,000	-	-	-	-	628
		L	FY 80	FY 80	32,000	32,000	-	-	-	15,000	-	-	-	-	629
388-0025	Rural Fin. Exp. Project	G	FY 77	FY 77	7,000	2,961	-	2,961	-	-	-	-	-	-	630
388-0027	Technical Resources	C	FY 79	FY 85	9,650	3,035	1,500	1,460	-	2,200	2,500	2,905	1,000	-	632
388-0031	Project Development Grant	G	FY 76	FY 76	3,000	97	-	6	-	-	-	-	-	-	635
388-0037	Rural Finance	G	FY 82	FY 87	14,735	-	2,770	100	-	900	-	-	-	-	1098
388-0042	Rural Industries (OPG/I/N)	G	FY 81	FY 84	5,000	2,000	800	530	400	1,200	2,965	3,886	3,000	3,000	639
388-0045	PVO Co-Financing II (PVO/U/R)	G	FY 80	FY 84	2,050	526	350	400	400	1,500	395	11,885	-	-	641
388-0046	Agro-Climat. Env. Monit. Proj.	G	FY 81	FY 81	5,900	5,865	-	774	-	3,000	-	-	-	-	644
388-0051	Agricultural Research II	G	FY 81	FY 86	17,500	2,273	4,400	1,076	4,200	7,500	6,700	3,885	5,200	2,700	647
388-0052	Food For Work II (OPG/U/R)	G	FY 81	FY 84	2,650	327	600	511	700	650	710	3,885	-	-	648
388-0054	Rural Electrification II	G	FY 81	FY 85	50,000	20,000	20,000	1,500	5,000	18,100	20,000	12,886	5,000	-	649
388-0056	Zilla Roads Maint. & Imp.	G	FY 81	FY 84	9,200	3,100	3,100	450	-	3,000	3,000	12,885	-	-	651
388-0057	Rural Energy Sector Project	G	FY 84	FY 88	55,000	-	-	-	-	-	4,930	6,885	12,070	15,000	13000
388-0058	Water Management Systems	G	FY 84	FY 87	15,000	-	-	-	-	-	2,000	6,885	5,000	4,000	4000
388-0059	Policy Reform Grant	G	FY 83	FY 87	80,000	-	-	-	25,000	20,000	4,000	3,885	8,000	18,000	25000
388-0059	Policy Reform Grant (Enhanced)	G	FY 83	FY 87	(45,000)	-	-	-	-	-	(21,000)	-	(17,000)	(7,000)	-
388-0060	Fertilizer Dist. Impr. II	G	FY 84	FY 88	70,000	-	-	-	-	-	11,000	6,885	13,000	15,000	15000
	Appropriation Total				493,847	167,155	49,520	63,550	51,600	122,950	60,400		52,270	57,700	60000
	Grant				(777,367)	(777,367)	-	-	-	-	(81,400)		(69,270)	(64,700)	-
	Loan				596,492	105,370	49,520	49,790	51,600	93,050	60,400		52,270	57,700	60000
					(341,492)	(341,492)	-	-	-	-	(81,400)		(69,270)	(64,700)	-
					137,000	135,875	-	13,760	-	29,900	-		-	-	-

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TABLE IV PROJECT BUDGET DATA

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NUMBER	PROJECT TITLE	OBLIGATION DATE	LIFE OF PROJECT COST		ESTIMATED U.S. DOLLAR COST (\$000)										ITEM #			
			G/L	INITIAL PLAN	AUTH	PLAN	FY 1982		FY 1983		1984 AAPL	FY OBLIGATIONS				FUTURE YEAR		
							OBL	EXP	OBL	EXP		1985	1986	1987				
388-0001	Population																	
388-0010	Population/Family Planning	FY 73		39,376	31,059													609
388-0010	PVO Co-Financing (PVO)	FY 79		500	500													614
388-0050	Fam. Planning Services(OPG/U&I/R&N)	FY 81		64,866	140,800													646
	Appropriation Total			104,742	172,359													
	Grant Loan			104,742	172,359													
	Health																	
388-0045	PVO Co-Financing II(PVO/U/R)	FY 80		950	500													642
388-0055	Palli Chikitsak	FY 81		6,900	6,900													650
388-0050	Fam. Planning Services (OPG/U/R)	FY 82		1,530	1,530													1137
	Appropriation Total			9,380	8,930													
	Grant Loan			9,380	8,930													
	Education/Human Resources																	
388-0027	Technical Resources	FY 79		1,350	1,350													631
388-0028	National Women's Dev. Academy	FY 77		300	264													633
	Appropriation Total			1,650	1,614													
	Grant Loan			1,650	1,614													

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			G/L	INITIAL PLAN		AUTH	PLAN	CYM PIPELINE AS OF 9/30/81	FY 1982			FY 1983		1984 AACL TO MO/YR	1985	1986	1987	FUTURE YEAR	
									OBL	EXP		OBL	EXP						
388-0018	Selected Development Activities (106)	FY76	L	9,500	9,500	646	-	-	-	-	-	-	-	-	-	-	-	623	
	Karnaphuli Third Unit	FY81	G	700	700	690	-	-	-	-	-	-	-	-	-	-	-	-	622
388-0045	PW Co-Financing II (PWO/OPG)	FY82	G	2,000	949	378	50	206	150	-	-	-	-	-	-	-	-	-	643
	Appropriation Total			12,200	11,149	1,714	50	1,542	150	-	-	-	-	-	-	-	-	-	
	Grant Loan			2,700	1,649	1,068	50	896	150	-	-	-	-	-	-	-	-	-	
				9,500	9,500	646	-	646	-	-	-	-	-	-	-	-	-	-	
	TOTAL			621,819	926,419	182,319	79,400	86,637	76,000	143,572	86,000	79,770	87,700	60,000	60,000	26,000	-	-	
	GRANT			(971,419)	(971,419)	-	-	-	-	-	(107,000)	(96,770)	94,700	-	-	-	-	-	
	LOAN			475,319	781,044	119,888	79,400	72,231	76,000	113,672	86,000	79,770	87,700	60,000	60,000	26,000	-	-	
				(826,044)	(826,044)	-	-	-	-	-	(107,000)	(96,770)	94,700	-	-	-	-	-	
				146,500	145,375	62,431	-	14,406	-	29,900	-	-	-	-	-	-	-	-	

* Final obligation years changed from FY 1983 CP.

Note: Figures in parentheses include enhanced funding for Policy Reform Grant.

Family Planning Service Project (388-0050)

Project Funding: Grant; Population Account

FY 83 \$24,400 FY 84 \$25,000 LOP \$142,330 *

The project purpose is to increase the prevalence of contraceptive use by fertile couples. The project directly supports the Mission's primary goal of reducing fertility, and it is for this reason the Mission's top priority project.

The project will support policy changes by the BDG needed to improve the quality and quantity of services and to generate demand for family planning. Such policy changes may include measures to increase private sector participation in service delivery and in distribution of contraceptive commodities, measures to decentralize the administration of family planning services to make them more responsive to local communities, and legal or administrative measures as well as other initiatives aimed at increasing women's status and encouraging low fertility.

There is compelling evidence to indicate a latent or unmet demand for contraceptive use by about 33 to 36 percent of fertile couples. This contraceptive prevalence rate (CPR) could be achieved by making high quality and reliable family planning services available. To exceed this level, however, it will be necessary to increase the demand for family planning. This will require the introduction of measures that will alter the social and economic factors affecting fertility.

The ongoing Family Planning Services project was designed to meet the existing unmet demand by providing support to the BDG National Family Planning program and by assisting Private Voluntary Organizations (PVOs) to deliver services in areas not reached by the Government system. This project set a goal of reaching a national CPR of 25 percent by FY 84; however, progress towards this goal has been slow, primarily due to inability of the BDG family planning system to deliver reliable services. The system is fraught with problems caused by an inadequate logistics system; poorly trained, unsupervised, and poorly motivated field-workers; and an overly centralized administrative system.

Early this year, USAID commissioned an assessment to examine the potential for increasing demand for contraceptive services; it will be completed in July. The purpose of this study is to take a broad look at the factors affecting fertility in Bangladesh, identify the most important constraints to achieving fertility reduction, select those most amenable to change through specific interventions, and recommend the appropriate policy changes, project activities, or areas for further study as warranted.

* Includes \$1,530,000 from Health Account in FY 82.

USAID plans a mid-term evaluation of the Family Planning Services project in August, 1982. The findings and recommendations of the demand assessment will feed directly into the evaluation. Based on the evaluation report, the Mission will prepare a project amendment providing an additional three years of funding, revising the project purpose with an increased CPR rate, and changing project inputs to reflect the recommendations of the evaluation.

The amended project beginning in FY 84 will most likely continue to utilize present strategies but will add at least two new components. These will focus on institutional development of the BDG family planning delivery program to increase quality and availability of services; and introduction of community incentives to increase demand for contraceptive use.

Commodities

USAID will continue to provide oral contraceptives, condoms, IUDs, medical supplies and equipment for both the BDG and USAID funded PVOs.

Non-Governmental Organizations (NGOs)

Approximately 35 percent of the project funds will flow through NGOs, including direct grantees and their subgrantees. A major portion of these funds will be used for institution building activities, such as training and funding additional staff to increase services. The project will rely heavily on NGOs to deliver services in urban areas and cooperate with the BDG in providing services in the rural areas. They will assist the BDG in training and supervising their fieldworkers. In addition, the commercial retail sales project will continue a massive marketing and advertising campaign to create demand for family planning.

Support to the BDG

The project will continue to provide reimbursement for the local currency costs of voluntary sterilization. In addition, it will provide support to improve the commodities logistics system and the training and supervision of field-workers and to assist in the decentralization of the family planning services delivery system. Already under the project, a separate, private system for delivering contraceptive commodities to non-governmental organizations is being developed. The success of this system will affect the inputs proposed for improving the BDG logistics system. PVOs which have developed excellent training programs for their own field-workers will assist in the training and supervision of BDG fieldworkers. A system of non-monetary incentives will be utilized to increase fieldworkers'

motivation. Grants directly to thanas (county), unions or villages for family planning projects will be increased, in support of the project's emphasis on decentralization of responsibility for administration of services.

Community Incentives

The project will introduce community incentives on a small scale experimental basis: for example, income generating interventions in those villages which have high contraceptive prevalence rates. Other measures recommended by the fertility demand assessment will also be introduced on a pilot basis. Care will be taken to ensure that such measures do not imply a retreat from USAID's emphasis on voluntarism in family planning use or lead to a reduction in human rights.

Of the total FY 84 planned obligation of \$25,000,000, approximately \$6,500,000 is programmed for direct grants to private voluntary agencies to provide family planning services. An additional \$400,000 of the grant to the BDG will be provided to the quasi-governmental Family Planning Services and Training Center to support family planning activities of indigenous PVOs.

Food For Work II (388-0052)

Project Funding: Grant; Agriculture, Rural Development and
Nutrition Account

FY 83 \$700,000 FY 84 \$710,000 LOP \$2,510,000

The purpose of Food For Work II, redesigned for FY 84, is the labor intensive construction of rural infrastructure, primarily permanent earthwork structures. The targeted beneficiaries of the project are the landless or near landless rural poor.

In Bangladesh ninety percent of the population receive less than the standard minimum nutritional requirements; thirty percent of the rural population are unemployed or underemployed. The revised FFW project continues to deal with these chronic problems through rural works projects in which laborers are paid in wheat. The wheat provides supplemental nutrition to workers and their families and serves as a source of income during peak seasonal periods of unemployment.

Recently, AID conducted a major audit of Food For Work II. Concurrently the Bangladesh Institute of Nutrition and Food Science evaluated the primary and secondary effects of the project. These examinations resulted in several recommendations, the most significant of which were: (1) the project's purpose should be broadened from employment generation and supplemental nutrition to completion of projects with long run development impact; and (2) management of the project should be improved to ensure both correct payment to workers and adequacy of grain supply to keep the projects on schedule.

Accordingly, revision of the project is aimed primarily at longer term development objectives and improving the effectiveness of the BDG's project management. The Relief and Rehabilitation Division of the Ministry of Food will continue to administer the project, monitored by CARE. Priority in the selection of project activities will be assigned to those with a potential for increasing agricultural production.

The program guidelines are now being worked out by CARE and the BDG. They follow three principles:

- (1) development orientation: The FFW grain must be utilized for projects with long-term development impact in rural communities;
- (2) accountability: A system of accountability must be developed throughout the program to eliminate diversions and to assure that workers receive the amount of food that they have earned; and

- (3) simplicity: Management of the program must be designed to increase the ease and effectiveness of administering and implementing the FFW projects as well as distributing the wheat to workers.

Under the revised project, primary attention will be given to the construction of permanent rural works. Several new project areas are under consideration:

- the construction, reconstruction and widening of national and district highways under the direction of the Department of Roads and Highways. Unskilled laborers engaged in earth moving, brick breaking, and metalling may be paid wholly or in part with wheat. Funding of appurtenant structures (bridges, culverts) is also under consideration.
- the construction, reconstruction and widening of rail beds under the direction of Bangladesh Rail. Payments in wheat may be made to laborers doing earthwork, track laying etc.
- the construction of flood control embankments or excavation of major canals under the Water Development Board.
- afforestation and reforestation projects under the Department of Forestry. Planting and tending saplings in denuded areas or along roadsides by women.
- excavation or re-excavation of fish ponds for demonstration of breeding purposes under the direction of the Department of Fisheries.
- construction of rural market places or hats under the Ministry of Agriculture. FFW could be used here to support earthwork and brick breaking activities.

The proposed funding level of \$710,000 for FY 84 consists of a \$700,000 grant to CARE for its project monitoring responsibilities and a \$10,000 grant to the BDC for equipment.

Rural Energy Sector Project (388-0057)

Project Funding: Grant; Agriculture, Rural Development and Nutrition

FY 84 \$4,930,000 LOP \$55,000,000

The purpose of the Rural Energy Sector project is to provide comprehensive energy assistance to the Government of Bangladesh with primary emphasis on maximizing energy availability and use to increase agricultural and rural industrial productivity. This project will be the Mission's focal point for assistance to the energy sector over the next five years.

Bangladesh has one of the most severe energy problems in the world. Domestic energy resources are limited and largely undeveloped. Petroleum imports consume most foreign exchange earnings. Although numerous agencies are responsible for various aspects of energy policy and planning, no single institution has responsibility for overall coordination of energy policy. The result is absence of a clearly conceived energy policy, lack of planning, an inefficient conventional energy system, insufficient conventional energy generation and an absence of any substantive development of non-conventional energy sources.

The project will focus on improving the BDG's institutional and technical capabilities to formulate and implement appropriate energy policies and programs and to develop the conventional and non-conventional resource base. In addition, the project will provide limited capital assistance. Anticipated project activities by sub-sector are as follows:

Policy Formulation: The project will provide for a series of studies and training programs to develop the BDG's ability to articulate and implement policy. Many of these studies are being identified during the project design. Important areas of policy concern to be addressed include energy pricing, gas utilization strategies, and conservation strategies.

Conventional Energy: The development of the conventional energy sector is essential, as it provides the driving force for almost all industry and for large-scale irrigation and is the feedstock for the production of urea fertilizer, PVC, and condensate. Hydrocarbons (primarily in the form of natural gas) are the only known exploitable source of conventional energy in Bangladesh usable on a major scale.

As projections indicate that by the middle of this decade petroleum imports will exceed total anticipated foreign exchange earnings, the development, production, and delivery of this vital energy resource is essential.

This project will address some of the priority areas identified by the Arthur D. Little, Inc. centrally-funded consultant team (Technical Assistance in Conventional Energy) and will contain follow-on activities from the centrally-funded Bechtel technical assistance. The latter includes design of appraisal programs for the estimation of gas reserves, review of the dependability of the gas supply system, provision of training for drilling operations, and technical and economic feasibility studies of LPG extraction and incremental condensate recovery. The Rural Energy Sector Project will provide needed training, technical assistance and possibly capital assistance to continue the work begun by Bechtel and will fund specific recommendations suggested by the Bechtel consultants. Under consideration for the capital assistance component is the construction of an LPG extraction facility. The technical assistance component will include activities such as assistance to the private sector to manufacture LPG bottles, the testing of existing gas fields and maintenance of the existing gas distribution system.

Non-Conventional Energy: Assistance in the non-conventional energy sub-sector will concentrate on replicable technologies having application to Bangladesh's immediate rural energy needs. Criteria in reviewing the non-conventional energy sub-sector are dependability, a favorable cost benefit ratio, and the potential distribution of the end product for agricultural and rural industrial use.

The alternative energy components will result from several studies on individual technologies to be funded under the Technical Resources Project during FY 82 and FY 83. These studies will focus on adaptation of specific technologies to village needs and will be done by local consultants if available. Follow-on activities such as dissemination of the technologies and involvement of the private sector in their production will be prime candidates for the alternative energy component of this project. A village woodlot component is also under consideration.

The beneficiaries of this project are rural agricultural and industrial producers who are able to increase production through increased access to energy.

Water Management Systems (388-0058)

Project Funding : Grant; Agriculture, Rural Development and
Nutrition Account

FY 84 \$2,000,000 LOP \$15,000,000

The purpose of this project is to expand irrigated acreage in foodgrains and increase yields per acre by improving the efficiency and utilization of existing irrigation and drainage systems.

Expansion of irrigated acreage is considered the most important factor in determining the rate of increase in foodgrain production in Bangladesh over the next decade. The BDG recognizes the importance of irrigation and during the Second Five Year Plan period plans to increase irrigation and drainage acreage by 3.6 and 1.5 million acres respectively, primarily through low lift pumps and tubewells.

There are some important constraints to expansion of irrigated acreage, however. Nearly all of the 10,000 deep tubewells and 40,000 low lift pumps operating in Bangladesh irrigate only a fraction of their potential command areas. Similarly, thousands of small canals and embankments constructed to convey irrigation and drainage water from a river or pond to an agricultural area are functioning well below potential. Two key reasons account for the inefficiency and underutilization of these minor irrigation and drainage systems: lack of management systems to organize water user groups to share costs and obtain inputs; and lack of technically qualified personnel who can design effective systems, manage their construction, and provide operation and maintenance training and services. Control of present systems has generally fallen to the large land-holders, and they have had little incentive to share available water with small farmers.

Present inefficiencies of low lift pump and deep tubewell irrigation can be substantially removed by instituting water user group management reforms which demonstrate that the larger land owners do not lose irrigation water or access to inputs while the smaller land owners gain these essential irrigation components. The Water Management Systems Project will focus on existing but underutilized irrigation and drainage projects. It will provide institutional development needed for improved water user group management, command area design, and extension services. It will rely on significant local and private sector participation in reaching these goals.

The project will assist the Ministry of Local Government, Rural Development and Cooperatives (MLGRD&C) to establish irrigation farm advisor teams in the agricultural cooperatives and the private sector agricultural inputs supply firms. The project will provide direct training and technical assistance to the staff of local cooperatives and private firms involved in order to establish this irrigation support expertise. The project will also provide technical assistance to strengthen the capabilities of the Rural Works Program to improve the design and construction management of community canals for low lift pumps which are financed by local resources and Food For Work.

The project is complementary to the current BDG policy to transfer ownership of tubewells and pumps from the government to private water user groups and directly supports the private sector's maintenance and spare parts supply role. Specifically the project will train the employees of firms which sell irrigation equipment to provide the complementary on-farm water management services required by the purchasers of the equipment.

Although all farmers included in the irrigation schemes affected by this project will benefit, the marginal benefits will primarily accrue to the smaller farmers who were not previously able to take advantage of the government's irrigation and drainage programs.

Policy Reform Grant (PRG) (388-0059)

Non Project Funding: Grant; Agriculture, Rural Development and
Nutrition Account

FY 83 \$25,000,000 FY 84 \$25,000,000 LOP \$125,000,000

The purpose of this grant is to provide the Bangladesh Government (BDG) with multiyear commodity assistance designed to alleviate the poor budgetary and foreign exchange situation it faces and to foster participation of the private sector in donor-financed commodity purchases.

Over the last five years, economic growth in Bangladesh was stimulated by large increases in imports at a time when export earnings were stagnating and aid commitments leveling off. The resulting balance of payments deficit has been exacerbated by a shift in aid composition from commodity to project aid as the magnitude of food aid requirements decreased and donors changed their program priorities. Consequently, foreign exchange reserves have been drawn down to a critical level and imports curtailed drastically. In addition, as the level of local currency generated by sale of commodity imports has decreased, the BDG has been unable to execute approved development projects for lack of taka resources. The Annual Development Plan for FY 82 was reduced by 10 percent at mid year in an effort to align planning levels more closely with available resources. Bangladesh now faces an extremely large balance of payments deficit which, unless substantially met, will lead to further reductions in development spending and an overall economic contraction, with uncertain political consequences.

The Policy Reform Grant will provide fast disbursing commodity assistance to alleviate the BDG's budgetary crisis, while at the same time exerting leverage to obtain needed monetary and fiscal policy reforms. Using central Bangladesh Bank or Chief Controller of Exports and Imports facilities, the assistance will be channelled to private traders, avoiding the inefficient public trading corporations. The Grant will provide \$25 million annually during the period FY 1983-87. The initial year of funding will be conditioned upon the BDG's meeting the terms for renewal by the International Monetary Fund (IMF) of its Extended Fund Facility or a new Standby Agreement, as the case may be. Subsequent funding will be tied to the BDG's performance under the IMF credits as determined by its semi-annual reviews. The conditions will probably include exchange rate adjustments at an accelerated pace, annual ADPs tied strictly to income, a core investment program that focuses on priorities, control of credit while increasing the private sector share, improvement of the tax GDP ratio, improved performance of public sector enterprises, and a

thorough interest rate reform to encourage private savings and investment. Joining the policy influence of the U.S. to that of the IMF will provide added incentive for the BDG to meet the Fund's terms for renewed assistance. We will encourage other donors to follow the A.I.D. lead in switching to commodity assistance, further enhancing the influence of the IMF policy package.

FY 83 funding for this project has been accommodated within the proposed program levels provided in the ABS instructions by delaying new projects until FY 84 and by reducing obligations for ongoing projects with adequate pipelines. This is described further in the Table I Narrative and in the PID. For FY 84 through FY 87, the entire difference between the higher track and lower track levels provided in the instructions will be set aside for this project. This difference, however, will provide insufficient annual funding to make a significant contribution to the BDG's budgetary needs. Since USAID cannot afford to further delay obligations for ongoing and new projects beyond FY 83 without severely damaging progress towards our CDSS objectives, we are requesting an increased level for the years FY 84 to FY 86 sufficient to allow for a \$25 million annual obligation for the PRG without reducing the funding available for other mission projects.

The additional request is summarized as follows:

	(Millions of dollars)					
	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>Total</u>
Funding from ABS for PRG	25	4	8	18	25	80
Additional Request	0	21	17	7	0	45
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	25	25	25	25	25	125

Fertilizer Distribution Improvement II (388-0060)

Project Funding : Grant; Agriculture, Rural Development and
Nutrition Account

FY 84 \$12,000,000 LOP \$70,000,000

The purpose of this project is to increase fertilizer use on an equitable basis through private sector distribution and marketing.

The project continues the process, begun under the Fertilizer Distribution Improvement Project, of transferring from the BDG to private dealers the distribution and marketing of fertilizer. Beginning in 1984, the successor project will see the private sector, currently distributing at the sub-division level, distributing, wholesaling, and retailing fertilizer from the national level down to the village markets.

In the course of the Fertilizer Distribution Improvement project, the Bangladesh Agricultural Development Corporation (BADC) has removed licensing requirements, eliminated restrictions on the private movement of fertilizer, encouraged wholesaling, and decontrolled retail prices to foster competition among dealers and ensure that they can supply fertilizer wherever farmers demand it. At the same time, BADC has begun to replace its unwieldy public storage system of 423 Thana Sales Centers with a regional system of about 85 Primary Distribution Points, leaving all local distribution to private dealers.

During the same period, fertilizer sales have increased annually, but at declining rates in recent years due partly to rapidly rising prices as the fertilizer subsidy is reduced and partly to the absence of effective marketing and sales promotion. The high costs of BADC's burgeoning bureaucracy and inefficient use of transport have also driven up the costs of the public distribution system from the ports and factories to the Primary Distribution Points.

Fertilizer Distribution Improvement II will complete the transfer of the distribution function from public to private sector begun under its predecessor project. Private distributors will supply fertilizer to the districts from the factories and ports, supplying their own networks of local dealers and developing their own marketing mechanisms. Underlying this expanded role is the assumption that businessmen respond more quickly to economic opportunities than do government agencies and that the private sector is more efficient than bureaucracies in producing and distributing most goods and services.

Institutional changes will include development of a Bangladesh Association of Fertilizer Distributors, to promote the industry and represent it to the Government, and a sharply reduced role for BADC to a monitoring and regulating agency. BADC will also lease space in its warehouses to the distributors.

It is anticipated that it will take at least the first year of the project before the new system is operational. BADC will phase out its distribution activities as each new fertilizer company becomes active in a given sales territory. At least three major companies are expected to compete in each region. Furthermore, given the importance that the BDG attaches to the reliable supply of essential commodities, BADC is likely to hold a buffer stock of the major fertilizers at the PDP level until the new companies are well established.

Because USAID's project portfolio has broadened in recent years, the Mission is unable to continue to budget the level of resources for the fertilizer sector that it has in the past. Therefore, in order to effect the policy changes envisioned for the new project, the Mission has begun a dialogue with other major bilateral donors and multilateral lenders active in the fertilizer sector in the hope of combining resources to this common end. Project inputs include imported fertilizer, credit to finance inventories and construction of privately owned warehouses, infrastructural improvements to facilitate port handling and distribution, and technical assistance to the distributors through the Bangladesh Association of Fertilizer Distributors. The technical assistance team will include expertise in finance and accounting, marketing, advertising and sales promotion, transport, handling, storage, and dealer training.

The targeted beneficiaries of this project are the small farmers of Bangladesh.

TABLE V - FY 1984 PROPOSED PROGRAM RANKING		Country/Office		BANGLADESH		
RANK	PROGRAM ACTIVITY DESCRIPTION	ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING (\$000)	
					INCR	CUM
	<u>New and Ongoing Projects</u>					
1	388-0050 - Family Planning Services	0	G	PN	25,000	25,000
2	Title III (Food; Non-Add)				(55,200)	25,000
3	388-0059 - Policy Reform Grant (Enhanced level)	0	G	FN	(21,000)	25,000
4	388-0060 - Fertilizer Dist. Improvement II	N	G	FN	11,000	36,000
5	388-0051 - Agricultural Research II	0	G	FN	6,700	42,700
6	Title II (Food; Non-Add)				(22,700)	42,700
7	388-0052 - Food For Work II	0	G	FN	710	43,410
8	388-0042 - Rural Industries	0	G	FN	2,200	45,610
9	Title III (Cotton; Non-Add)				(14,800)	45,610
10	388-0054 - Rural Electrification II	0	G	FN	20,000	65,610
11	388-0037 - Rural Finance	0	G	FN	2,965	68,575
12	388-0056 - Zilla Roads Maint. & Improvement	0	G	FN	3,000	71,575
13	388-0058 - Water Management Systems	N	G	FN	2,000	73,575
14	388-0057 - Rural Energy Sector Project	N	G	FN	4,930	78,505
15	388-0027 - Technical Resources	0	G	FN & EH	3,100	81,605
16	388-0045 - PVO Co-Financing II	0	G	FN	395	82,000
17	388-0059 - Policy Reform Grant	0	G	FN	4,000	86,000

TABLE V - PROPOSED PROJECT RANKING

A. Criteria

In the FY 83 CDSS and the FY 84 Update, the Mission identified four sectoral objectives in which USAID resources would be concentrated to promote most effectively the sustained development of Bangladesh: fertility reduction, increased agricultural productivity, employment generation through rural industries, and development of energy resources. USAID believes that concentrating on these priority sectors will allow improved integration of project resources in support of common objectives, critical minimum funding levels needed to effect measurable progress towards sector goals, and a sharper focus to USAID's policy dialogue with the BDG.

To a large extent, the priority ranking of projects in Table V reflects the relative priorities the Mission attaches to its four sector goals. Reduction in human fertility is the sine qua non for sustainable development in Bangladesh and USAID's primary objective. Rapid rises in population dilute the effects of progress in all sectors of Bangladesh's economy and hold down the quality of life. The second priority is increasing productivity in agriculture, the sector which not only must feed Bangladesh but must generate incomes for the vast majority of Bangladeshis. In the realization that agriculture cannot and should not employ everyone, a third goal is to expand employment and increase productivity among the rural poor by developing rural industries. The fourth sectoral goal is to develop the energy resources required for growth in agriculture and rural industries.

Table V rankings were also determined on the basis of USAID's emphasis on projects which effect policy reform and promote development of private sector capabilities. These concerns cut across all sectors. The emphasis on policy reform is founded on the Mission's belief that a coherent set of public policies efficiently allocates resources and promotes the climate in which indigenous human, capital, and natural resources can be effectively utilized to produce sustained, equitable growth. The related emphasis on expanding the role of the private sector reflects the Mission's assumptions that businessmen respond more quickly to economic opportunities than do government agencies and that the private sector is more efficient than bureaucracies in producing and distributing most goods and services.

Another basis for the Table V project rankings is emphasis on resource transfers through provision of quick disbursing commodities. Mission and AID/W analyses of recent economic developments have led to agreement that Bangladesh's current crises in foreign exchange earnings and public finance mobilization pose severe threats to achievement of the country's development goals. Therefore, increased emphasis in the near term on resource transfers, coupled with appropriate macroeconomic policy reforms to increase domestic resource mobilization, will best promote USAID's objectives. The Mission has begun the design of a Policy Reform Grant to provide imported commodities which are needed for Bangladesh's development programs, the sale of which will

generate additional taka for local financing of development activities. Other projects which complement this activity by providing quick disbursing essential imported commodities are given priority in the Table V rankings.

B. Projects

Reflecting USAID's primary objective of fertility reduction, the Family Planning Services project receives top priority. Family Planning Services is USAID's first sector-wide project, and as such it has allowed the Mission to apply considerable resources to sectoral goals in a concerted fashion. The project has also promoted the role of non-governmental organizations in expanding family planning services and testing innovative approaches.

The Mission's second ranked project is the PL 480 Title III program. Title III secures improved policies in the areas of output pricing and food rationing, among others, in support of USAID's sectoral goal of increased agricultural production; it provides foreign exchange relief and local development resources by meeting some of the BDG's food import needs and financing rural development projects with the taka receipts from sales of the imports; and it promotes the role of the private sector in distribution of the imported commodities.

The Policy Reform Grant, described above, provides essential imported commodities for development programs, conditioned upon major macroeconomic policy reforms. Because of the critical nature of the foreign exchange and domestic resource crises projected for the next few years and due to the urgent need for the policy reforms, this project is ranked highly. Funding for this grant in FY 83 will come from reducing or postponing incremental obligations of some ongoing projects with adequate pipelines and postponing the start of some new projects until 1984. In subsequent years (FY 84-87), this grant will be financed partially by the difference between the high and low funding tracks offered by AID/W and partially by supplementary funding levels requested by the Mission. These supplementary levels, not yet approved, are shown as non-add funding in Table V.

The Mission's second sectoral priority is increasing agricultural productivity. The next activities listed in Table V address the major constraints to achieving that objective.

Fertilizer Distribution Improvement II continues the process begun under its predecessor of improving the access of small farmers to fertilizer by shifting distribution and marketing functions from the government to private dealers. The project is ranked highly because of its expected effect on food-grain production, its policy content (pricing), its promotion of the private sector, and its financing of fast disbursing essential commodities (the bulk of project funds will be used to import fertilizer).

Agriculture Research II addresses the technology constraint to agricultural productivity identified in the CDSS. Continuing development and dissemination of appropriate agricultural technologies is essential to the medium and long run increases in productivity needed on the farms of Bangladesh. This project institutionalizes that process.

Title II wheat along with the grant to CARE under the Food for Work project constitute a major off-farm employment generation activity. Foodgrain production is directly affected through rural infrastructure projects which allow improved supply of inputs and government services and improved marketing of farm output.

The Rural Industries project is an initial step in developing an industries sector program. Although the funds available are too small to bring about high level discussions on industry policy with the BDG, the project does provide an opportunity to test a variety of approaches to rural industries promotion. It provides technical assistance and commodities to many institutions involved in rural industries and tests new products and production techniques. Title III cotton complements this project by providing cotton for the spinning industry to increase the supply of cotton yarn for the rural handloom industry.

Rural Electrification II contributes to USAID's goals in the agriculture, rural industry, and energy sectors, spreading the network of electrification for irrigation pumps and rural enterprises through member-owned Rural Electrification Cooperatives. The FY 83 obligation for this project funds only technical assistance, as funding of the commodity component is to be deferred until FY 84 and FY 85 in order to partially accommodate the Policy Reform Grant in FY 83. Since the BDG rural electrification program is a multi-donor effort for which the unifying component is the technical assistance provided by USAID, overall program implementation is not expected to be delayed as a result of USAID's deferral of commodity purchases until FY 84. Postponing the procurement of this electrical equipment allows the Mission to divert FY 83 resources to the faster disbursing, essential commodities of the Policy Reform Grant, providing foreign exchange and budgetary relief. In the long-term, however, rural electrification will play an important role in saving foreign exchange by substituting electricity for imported fossil fuels.

Lack of access to credit is one of the most important constraints to the rate of adoption of HYV technology by the small farmers of Bangladesh. The Rural Finance Project promotes USAID's sector goals of increased agricultural productivity and increased rural employment by providing access to loans for both crop production and non-farm productive uses, based on successful lending programs developed under the Rural Finance Experimental Project. USAID hopes to gain maximum policy leverage from its funds by combining them with a much larger lending fund provided by the Asian Development Bank to achieve the reforms in the banking system (interest rates on loans and deposits, loan repayment rates) that we seek.

Improved systems of transport and communication are necessary for effective development of rural areas, linking farms and rural industries with markets and government services. The Zilla Roads Maintenance and Improvement project assists local governments in developing a capacity to maintain and improve existing feeder roads.

The spread of irrigation to small landholdings is thought to be the surest way of expanding use of productive high yielding variety (HYV) packages. The Water Management Systems Project, ranked next, addresses this problem through improvement of irrigation facilities and on-farm water management by involved BDG institutions, cooperatives and other water user groups, and private irrigation maintenance firms. A new project for FY 84, this project was originally planned to begin in FY 83 but was delayed for a year to make way for the Policy Reform Grant.

Development of rural energy resources is USAID's fourth sector of concentration. The Rural Energy Sector Project (RESP), like Water Management Systems, was planned as a new start in FY 83 but has been deferred until FY 84 by the Policy Reform Grant. This project will provide the BDG with the technical resources it requires to improve its own institutional capability for determining appropriate energy policy. It will also provide limited funding for energy resource and technology development. Studies are under way and will continue in FY 83 to assess the potential for development of conventional and non-conventional energy, formulate a comprehensive sector development strategy, and develop capital assistance projects.

Two other projects provide support to USAID activities in the four sectors of program concentration. The Technical Resources Project will continue to provide technical assistance and training aimed at increasing the project design and management capabilities of BDG development ministries. In addition it will fund studies which will assist USAID and the BDG in developing sector strategies and determining project and policy needs in each sector. PVO Co-Financing provides a funding source for PVO activities which contribute to USAID's sector objectives. Only one project will be funded under the PVO Co-Financing Grant in FY 84, the CARE/Deep Tubewell irrigation project, which relates directly to USAID's Water Management Systems Project. Upon completion of the CARE grant, PVO Co-Financing will be allowed to terminate. Future PVO activities will be incorporated directly into sectoral grants, as is already being done for population and rural industries.

The final item listed in Table V is the difference between the high and low funding tracks provided by AID/W. As per that guidance, this increment is designated for the Policy Reform Grant, conditioned upon improved BDG economic policies. This increment, as explained above, is insufficient for that purpose in fiscal years 1984-86.

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

	FY 1982				FY 1983			
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS
U.S. DIRECT HIRE	2,457.0		1,973.1	37	2,523.3		2,024.8	37
F.N. DIRECT HIRE	224.1			69	280.3			66
CONTRACT PERSONNEL	64.1	13.0		XXXXX	75.1	7.5		XXXXX
HOUSING EXPENSES	522.9	241.1		35	507.0	250.8		36
OFFICE OPERATIONS	1,054.7	60.0	485.6	XXXXX	1,125.4	45.0	534.1	XXXXX
TOTAL	4,322.8	314.1	2,458.7	XXXXX	4,511.1	303.3	2,558.9	XXXXX
RECONCILIATION	(2,772.8)	(314.1)	(2,458.7)	XXXXX	(2,862.2)	(303.3)	(2,558.9)	XXXXX
MISSION ALLOWANCE	1,550.0			XXXXX	1,648.9			XXXXX

Note: Total amount of Dollar funded local currency costs included in FY-1983 budget is \$842,000 and Exchange Rate used is Tk. 21.00 to \$1.00.

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

	FY 1984 MINIMUM				FY 1984 CURRENT			
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS
U.S. DIRECT HIRE	2,416.7		1,920.4	35	2,416.7		1,920.4	35
F.N. DIRECT HIRE	302.7			63	302.7			63
CONTRACT PERSONNEL	81.6	8.0		XXXXX	81.6	8.0		XXXXX
HOUSING EXPENSES	513.4	241.1		35	513.4	241.1		35
OFFICE OPERATIONS	1,225.3	46.0	587.6	XXXXXX	1,225.3	46.0	587.6	XXXXXX
TOTAL	4,539.7	295.1	2,508.0	XXXXXX	4,539.7	295.1	2,508.0	XXXXXX
RECONCILIATION	(2,803.1)	(295.1)	(2,508.0)	XXXXXX	(2,803.1)	(295.1)	(2,508.0)	XXXXXX
MISSION ALLOWANCE	1,736.6			XXXXXX	1,736.6			XXXXXX

Note: As cited in the narrative to Table I we have used 35 USDH and 63 FNDH work years respectively at all three levels in FY 1984. Because of this constant work-force and the limited amount of discretionary funds, \$234,000, (assume the 90% was to be of our total O/E requirement and not Mission Allowance) we have used a constant O/E funding level for minimum, current, and proposed program levels. If, however, AID/W wishes to arbitrarily reduce the minimum funding by \$234,000 such reduction should be as follows; Housing Expenses \$7,000 and Office Operations \$227,000.

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE VIII

FY 1984 PROPOSED					
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS	
U.S. DIRECT HIRE	2,416.7		1,920.4	35	
F.N. DIRECT HIRE	302.7			63	
CONTRACT PERSONNEL	81.6	8.0		XXXXX	
HOUSING EXPENSES	513.4	241.1		35	
OFFICE OPERATIONS	1,225.3	46.0	587.6	XXXXX	
TOTAL	4,539.7	295.1	2,508.0	XXXXX	
RECONCILIATION	(2,803.1)	XXXXX	XXXXX	XXXXX	
MISSION ALLOWANCE	1,736.6	XXXXX	XXXXX	XXXXX	

Table VIII(a)
OBLIGATIONS OF ADP SYSTEMS
(\$000)

	Fiscal Year		
	<u>1982</u>	<u>1983</u>	<u>1984</u>
A. <u>Capital Investments</u>			
1. Purchase of ADP Equipment <u>1/</u>			
2. Purchase of Software			
Subtotal			
B. <u>Persomel</u> <u>2/</u>			
1. Compensation, Benefits, Travel			
2. Workyears			
Subtotal			
C. <u>Equipment Rental and Other Operating Costs</u>			
1. ADP Equipment (ADPE) Rentals <u>3/</u>			
2. Supplies and Leased Software			
Subtotal			
D. <u>Commercial Services</u>			
1. ADP Service Bureau <u>4/</u>			
2. Systems Analysis and programming			
3. ADPE Maintenance (If separate from item C.1)			
Subtotal			

	Fiscal Year		
	1982	1983	1984
E. <u>Total Obligations (A-D)</u>			
F. Interagency Services <u>5/</u>			
1. Payments	12.0	13.0	14.0
2. Offsetting Collections			
Subtotal			
G. Grand Total (E+F)	<u>12.0</u>	<u>13.0</u>	<u>14.0</u>

Report on Obligations for Word Processing Systems

TABLE VIII(b)
OBLIGATIONS FOR WP SYSTEMS
(\$000)

	Fiscal Year		
	1982	1983	1984
A. Capital Investments in W/P Equipment	40.0		
B. W/P Equipment Rental and Supplies			
C. Other W/P Costs		5.0	5.0
Total	<u>40.0</u>	<u>5.0</u>	<u>5.0</u>

- 1/ Computers, i.e. electronic data processing equipment and all peripheral equipment electronically attached to central processors (cpu's), punched and magnetic card accounting machines. Computers include mini-computers and macro-computers (frequently called "personal" computers).
- 2/ Direct-hire personnel assigned primarily to ADP duties such as equipment operators, data-entry clerks, systems analysts and programmers, excluding any mission personnel who simply use ADP incidental to the performance of their primary function.
- 3/ Includes maintenance furnished as part of rental contracts.
- 4/ Includes cost of obtaining computer processing service from any host country government agencies as well as from commercial sources.
- 5/ Cost of ADP services provided to or received from other U.S.G. agencies.

Explanation Justification for Significant Increases
(more than 10%) Against Each Summary Level.

	<u>FY - 82</u>	<u>FY - 83</u>	<u>FY - 84</u>
1. <u>USDH</u>	\$ 2,457.0	2,523.3	2,416.7
Difference		<u>66.3</u>	<u>(106.6)</u>

No Significant Increase Involved.

2. <u>FNDH</u>	\$ 224.1	280.3	302.7
Difference		<u>56.2</u>	<u>22.4</u>

Wage Survey Team has completed FSN's position classification and wage survey. Mission anticipates an increase of 50% effective from June 1982.

3. <u>Contract Personnel</u>	64.1	75.1	81.6
Difference		<u>11.0</u>	<u>6.5</u>

The increase is due to inclusion of one US-PSC Librarian for a period of one year in FY-1983 and FY 1984. Also includes 3 FN-PSC in FY-83 and 6 FN-PSC in FY-84.

4. <u>Housing Expenses</u>	522.9	507.0	513.4
		No significant increase involved.	
5. <u>Office Operations</u>	1,054.7	1,125.4	1,225.3
Difference		<u>70.7</u>	<u>99.9</u>

No significant increase involved

PL-480 NARRATIVETITLE II

USAID's one Title II activity is the Food For Work program, administered by the BDG and monitored by CARE. This program and the Mission's current efforts to redesign it in order to increase its effectiveness are described in the New Project Narratives section.

Although USAID has traditionally programmed 120,000 MT of wheat annually for the FFW program, during the period of program redesign in FY 82 and FY 83, we have reduced the annual allocation to 100,000 MT. This level will enable us to maintain program continuity and provide much needed rural employment opportunities during the period of program modification. We expect that project redesign will be completed and under full implementation in FY 84 and plan to return to the 120,000 MT level in that year. This level should be commensurate with CARE's and the BDG's improved implementation and monitoring capabilities under the new management procedures.

120,000 MT of wheat will provide approximately 150,000 person years of employment during the Food for Work season of January to June, the season of highest unemployment in Rural Bangladesh. USAID anticipates a need to continue at least the same level of inputs throughout the planning period. This level will be necessary to continue the basic program of local initiative projects aimed, in the long run, at reducing the need for the present program.

TITLE III

Through incorporation of important policy conditions into the Title III agreement, the Title III program is designed to assist the BDG in accelerating increases in agricultural production and in stimulating private sector economic activity and the generation of employment. The first purpose will be achieved by maintaining incentive prices for farmers, improving food security by holding and properly managing reserves, reducing the food subsidy by phasing down the ration system, moderating consumer price increases through an open market sales program, and providing resources to support specific BDG agricultural and rural development programs. The second purpose will be met by encouraging the development of a private sector cotton spinning industry and promoting the private marketing and processing of foodgrains and vegetable oil.

These objectives reflect the development priorities of both the BDG and the Mission. Self-sufficiency in foodgrain production and employment generation are corner-stones of the Government's Second Five Year Plan. Agricultural production and development of rural industries are two of the four sectoral targets selected by the Mission for AID assistance in the FY 1984 CDSS. Increased participation of the private sector in all areas of the economy was also a theme heavily stressed in the FY 84 CDSS.

Although the long term food production trend is positive and has considerable potential, seasonal and annual harvests continue to vary greatly with the weather, under-scoring the need for adequate national grain stocks and well managed procurement and sales programs. The 1981 aman rice harvest fell eight percent below the record harvest of 1980, due to a two month drought during the flowering and grain formation stages of the season. The boro season, however, promises to produce a record rice crop, due, in part, to favorable early spring rains. (Improved producer prices and expanded use of irrigation pumps were also important contributing factors.) The FY 82 harvest, overall, is now expected to total 14.2 million tons of rice and wheat.

Notwithstanding the relatively high level of foodgrain production in FY 82, Bangladesh remains well short of its primary goal of foodgrain self-sufficiency. The country must still import in excess of 1.3 million tons of foodgrains this year to augment domestic production just to meet the minimal per capita consumption requirement of 15.5 ounces per day. Meanwhile, owing to reduced levels of foreign aid, rising import costs (especially for POL), and a depressed world market for her jute exports, Bangladesh's balance of payments position has become critical. Without a renewal of the IMF's credits or unexpected donor financing, imports will have to be reduced by about 23 percent in real terms in FY 83. This decline in imports will have an adverse impact on domestic resource mobilization both directly, since some 75 percent of tax revenues are import-related, and indirectly, through a resulting slowdown in economic growth. In line with decreasing revenue

projections, the BDG has reduced its 1982/83 development budget of 34.6 billion taka and is now projecting a "core budget" of 25 to 26 billion taka, a decrease, even in nominal terms, from this year. With the country's growth prospects thereby limited, the BDG can hardly afford commercial purchase of agricultural commodities.

The Title III program was begun in 1978 in response to this need for public financial resources to promote development programs and as an opportunity to influence the BDG's policies regarding foodgrain production and consumption. Shipments under the first program (1978-81) amounted to 1,175,000 metric tons of wheat and 25,000 MT of soybean oil, valued at \$191.8 million. The major policy areas of the program, as finally amended, included establishment of incentive prices for farmers; implementation of an Open Market Sales (OMS) program for paddy, rice, and wheat to moderate price rises; the holding of foodgrain reserves to provide security; and the phase-out of major elements of the Public Food Distribution System by the time foodgrain self-sufficiency is achieved. The program also provided for wholesaling and retailing soybean/cottonseed oil through the private sector and utilization of proceeds from the sale of Title III commodities for agreed development projects. Performance of the program in the first year was mixed. There were problems both with the BDG's ability and willingness to meet the terms and conditions of the program and with the relatively experimental and unproven program design itself. In 1981, the program demonstrated major success in the areas of procuring foodgrains, building and holding reserves, and building the foodgrain storage facilities necessary to carry out these programs. The OMS sales program was restructured in 1981 and is finally beginning to function well.

A new, three-year Title III agreement was signed in March, 1982. It reemphasizes all of the major elements of the original agreement with an additional focus on foodgrain stock management; it incorporates the former Title I cotton program; it introduces new provisions to encourage private sector development, not only in the foodgrain and vegetable oil sub-sectors, but also in the area of cotton textiles; and it employs the concept of a flexible commodity mix, with the composition of each year's program adjusted to meet changing circumstances and commodity availabilities. The total export market value of the three year Agreement is \$165.0 million, \$55.0 million each year, subject to commodity requirements, program performance and availability of funds.

The FY 82 program provided \$26.1 million for the purchase of wheat, \$13.3 million for vegetable oil, \$6.4 million for rice, and \$9.2 million for cotton. At recent price estimates, these funds are expected to purchase approximately 175,000 MT of wheat, 30,000 MT of vegetable oil, 23,000 MT of rice and 28,300 bales of cotton. However, price changes by the time of purchase may result in greater or lesser amounts being supplied. The wheat provided under this Agreement may be used for reserves, modified rationing, or OMS. The rice may only be used for OMS. The vegetable oil will be refined by both public and private mills and will be wholesaled and retailed

entirely by the private sector. The cotton will be distributed to public and privately owned mills as needed.

The components of the new Title III program are described in detail in Annex B of the March 1982 Agreement.

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE XI

P.L. 480 TITLE I/III REQUIREMENTS
(Dollars in Millions, Tonnage in Thousands)

COMMODITIES	FY 1982			Estimated FY 1983			Projected FY 1984			Carry into FY 1985 \$ MT
	Agreement \$ MT	Shipments \$ MT	Carry into FY 1983 \$ MT	Agreement \$ MT	Shipments \$ MT	Carry into FY 1984 \$ MT	Agreement \$ MT	Shipments \$ MT	Carry into FY 1985 \$ MT	
<u>Title I</u>										
Wheat	26.1 175	26.1 175	-	30.1 175	30.1 175	-	34.7 175	34.7 175	-	-
Rice	6.4 23	6.4 23	-	5.0 15	5.0 15	-	5.9 15	5.9 15	-	-
Soybean/Cottonseed Oil	13.3 30	13.3 30	-	14.0 30	14.0 30	-	14.6 30	14.6 30	-	-
Cotton	9.2 28.3 (bales)	9.2 28.3 (bales)	-	10.9 30.5 (bales)	10.9 30.5 (bales)	-	14.8 38.5 (bales)	14.8 38.5 (bales)	-	-
Total	55.0	55.0	-	60.0	60.0	-	70.0	70.0	-	-
<u>Of which</u>										
<u>Title III</u>										
Wheat	26.1 175	26.1 175	-	30.1 175	30.1 175	-	34.7 175	34.7 175	-	-
Rice	6.4 23	6.4 23	-	5.0 15	5.0 15	-	5.9 15	5.9 15	-	-
Soybean/Cottonseed Oil	13.3 30	13.3 30	-	14.0 30	14.0 30	-	14.6 30	14.6 30	-	-
Cotton	9.2 28.3 (bales)	9.2 28.3 (bales)	-	10.9 30.5 (bales)	10.9 30.5 (bales)	-	14.8 38.5 (bales)	14.8 38.5 (bales)	-	-
Total	55.0	60.0	-	60.0	70.0	-	70.0	70.0	-	-

COMMENT:

FY-1984 ANNUAL BUDGET SUBMISSION

TABLE XII

Country - Bangladesh
PL-480 TITLE I/IIISupply and Distribution
(000 Metric Ton)

<u>STOCK SITUATION</u>	<u>FY-1983*</u>	<u>Estimated FY-1984*</u>
<u>Commodity - Wheat</u>		
Beginning Stocks	327	290
Domestic Procurement	160	175
Imports	850	750
Concessional	(750)	(750)
Non-Concessional	(100)	(-)
Consumption	1,000	800
Ending Stocks	337	415
Inventory Adjustment for Loss	47	43
Adjusted Ending Stocks	290	372
<hr/>		
<u>Commodity - Rice</u>		
Beginning Stocks	328	400
Domestic Procurement	570	825
Imports	35	35
Concessional	(35)	(35)
Non-Concessional	(-)	(-)
Consumption	500	400
Ending Stocks	433	860
Inventory Adjustment for Loss	33	44
Adjusted Ending Stocks	400	816

* Stock level projections can change substantially with the change in domestic procurement, import and offtake estimates.

Comments:

Accurate figures on production and consumption of total stocks (private and public) are not available. The figures above represent the best proxy available, which is the BDG public foodgrain supply and distribution system. This system includes the BDG's public food rationing, food-for-work programs and open market sales programs. The Bangladesh fiscal year from July 1 to June 30 has been used since that is the period used by the BDG in developing its estimates. "Procurement" has been used in lieu of "production". Procurement is that portion of domestic production which enters the public system via the BDG's grain price support mechanism.

FY 1984 ANNUAL BUDGET SUBMISSION

TABLE XIII

PL 480 TITLE II

I. Country BANGLADESH
 Sponsor's Name CARE/BANGLADESH
 A. Maternal and Child Health.....Total Recipients _____

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
_____	_____	_____	_____
_____	_____	_____	_____
Total MCH		_____	_____

B. School Feeding.....Total Recipients _____

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
_____	_____	_____	_____
_____	_____	_____	_____
Total School Feeding		_____	_____

C. Other Child Feeding.....Total Recipients _____

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
_____	_____	_____	_____
_____	_____	_____	_____
Total Other Child Feeding		_____	_____

D. Food for Work.....Total Recipients 5,005,000

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
<u>5,005,000</u>	<u>WHEAT</u>	<u>125,414,360</u>	<u>\$22,700,000</u>
		<u>\$ 181/MT</u>	
Total Food for Work		<u>125,414,360</u>	<u>\$22,700,000</u>

E. Other (Specify).....Total Recipients _____

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
_____	_____	_____	_____
_____	_____	_____	_____
Total Other		_____	_____

II. Sponsor's Name CARE/BANGLADESH