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TITLE III: FOOD FOR DEVELOPMENT PROGRAM

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FY-1983 EVALUATION OF THE BANGLADESH PROGRAM

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FY-1983 EVALUATION OF THE BANGLADESH PL-480 TITLE III FOOD FOR DEVELOPMENT PROGRAM

INTRODUCTION AND RECOMMENDATIONS

Scope of Evaluation

This evaluation covers the BDG Fiscal Year 1983 (July 1, 1982 - June 30, 1983), rather than the USG FY-1983, in order to maximize the use of final, firm data. This evaluation is intended to meet the requirements of the PL-480 Title III Food For Development Program of March 8, 1982 (Annex B, Item IV) for an annual program evaluation. It is written at this time in order to make possible, if authorized. Early Programming of a portion, or all, of the $65 million allocated to Bangladesh for USG FY-1984.

This evaluation will analyze the progress made during the stated reference period, plus the constraints to maximum program effectiveness that have been revealed and will conclude with recommendations for program improvements.

The aspects of the Program to be evaluated are:

A) Progress in the continued phase down of the Public Food Distribution System (PFDS);

B) Maintenance of incentive prices to farmers;

C) Moderation of price increase through Open Market Sales (OMS);

D) Maintenance of food security through improved reserve management;

E) Private Sector Foodgrain Imports;

F) Policy Planning and the FPMU;

G) The utilization of local currency funds generated by the Title III Program for projects under the Medium Term Food Production Program (MTFFP);

H) The ability of the Bangladesh cotton yarn and textile industry to utilize Title III cotton;

I) The ability of the Bangladesh vegetable oil processing industry to utilize Title III vegetable oils.

J) The desirability of continued refinement of the Program and modification of the commodity mix thereunder;

K) Commodity Price Equalization under Title III;

L) Early Programming;

M) Statistical Summary.

In summary, BDG performance in the food policy areas has continued to be good throughout FY-83. In particular, OMS has been used effectively and is now widely accepted as the BDG's major mechanism to moderate price increases. Procurement prices have been increased as appropriate to ensure an incentive price to farmers, although extensive procurement has not been necessary. An appropriate relationship has been maintained between OMS and procurement prices; procurement prices have been announced prior to the planting season and ration prices have remained at or above procurement price throughout FY-83. (Table K and L compare market, ration procurement and OMS prices from January '82 through June, '83). Use of wheat through OMS and MR has been expedited through sales directly to atta crushers.

Recommendations on policy issues, summarized here, are explained more fully in following sections.

1. Ration prices should be increased to at least 5 percent and preferably 10 percent above the procurement price, to defray some of the costs of transportation, storage and administration. The BDG should analyze its overhead costs to determine the extent of the remaining subsidy on ration food. Since procurement prices will rise in mid-November 1983 that is a convenient time to raise ration prices.

2. Rice should be eliminated from SR.

3. The BDG should make greater efforts to increase the ratio of wheat to rice offtakes under MR.

4. The BDG should begin exploring alternative sales programs to the existing ration system for selling its older, short shelf life stocks at times when OMS is not needed.

5. The BDG should make clear to district and subdivisional food officials that the procurement program is meant to ensure a floor price to farmers rather than to ensure a certain stock level.

6. The BDG should explore ways of solving the paddy moisture problem during procurement drives and should study the constraints to internal grain trade expansion. This may require the installation of lowcost drying facilities at procurement centers. Discounted prices need to be offered for grain with high moisture content.

7. OMS prices should be increased to reflect the recently announced procurement price increases. The ratio of wheat to rice initial prices should be reviewed.

8. The effects of BDG restrictions on OMS dealers should continue to be reviewed.

9. The BDG should consider allowing private dealers the option of directly importing wheat, at least for limited and specific purposes such as white flour milling.

10. USAID and the FFPMS should follow up with the contract team which created the early warning system model to attempt to refine it and make it workable.

11. While most projects on which locally generated Taka were disbursed performed admirably, one godown construction project was found unsatisfactory and must be improved or else support must be withdrawn.

12. Quarterly reviews of Title III should be replaced by an annual and a mid-term review.

13. Rapid increase in domestic production of cotton (an American variety, Deltapine) has risen to one quarter of the annual requirement, but prospects are not bright for further production increases. Should production continue to grow (contrary to expectations), Title III imports of cotton might have to be cut back.

14. USDA "green card" inspection of cotton should continue because less cotton could be imported if a different type of inspection were to take place.

15. Competition from lower priced (and lower quality) imported refined palm oil is putting price pressure on US CDSO soy oil. Soy oil should always be priced somewhat higher (for the refined product) because of quality distinctions, but US shipping regulations are creating exceptional price problems. One solution is to adopt an Economic Border price for CDSO, to equalize US and other imports of similar grades and categories, prior to sales by BDG to private oil processors.

16) **As Title** III foodgrains become less important and Bangladesh approaches self-sufficiency, the role of vegetable oil and cotton will increase. Pricing mechanisms to put US oil and cotton on an equal footing must be explored and developed.

17) Early Programming for FY-1984 is necessary to achieve flexibility.

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

The Public Foodgrain Distribution System (PFDS) consists of ten different categories. Traditionally, the most important have been Statutory Rationing (SR), Modified Rationing (MR), and Food For Work (FFW), the first two of which have been the focus of efforts under Title III to reduce the PFDS. Table M shows PFDS offtakes by category since FY 1977-78. In FY-82/83, SR offtakes were 302,758 long tons, 16% of total PFDS offtakes; and MR offtake were 361,722 long tons, 19% of PFDS offtakes. This compares with OMS offtakes of 116,040 long tons or 6% of PFDS offtakes. Clearly, the ration system (MR & SR) still remains the BDG's primary vehicle for food distribution. SR offtakes for FY-82/83 showed a slight reduction in real terms continuing a consistent trend of annual reduction over the past six years. (See Table M). MR offtakes also decreased from FY-81/82 in both real terms and as a percent of total PFDS offtakes, but a long term trend toward reduced offtakes is not evident: MR varies with the need to supplement market supplies.

Nonetheless, total PFDS offtakes in FY-82/83 remain about at the same level as in FY-77/78 (about 1.9 million LT), despite a population increase over the same period of about 18%. Total PFDS, therefore, has declined substantially as a percentage of total food requirements.

Reduction of the food subsidy through phase down of the ration system can be approached in two ways; by increasing ration prices to bring them closer to market prices, and by adjusting the ration quotas to individuals. Both mechanisms are used in conjunction with the Title III program.

This supports the BDG's policy of reducing the PFDS, and retaining only that portion which targets foodgrains to the most needy. The BDG intends eventually to retain only MR, FFW, and Gratuitous Relief (GR) as mechanisms to ensure access to foodgrains to the poor, and to use OMS as the primary vehicle for arresting rapid seasonal price increases. The BDG stated as early as FY-80 that SR would be virtually eliminated by FY-85, if domestic production targets could be met.

1. Increasing Ration Prices:

As reported in last year's evaluation report, the ration price for rice was increased to 191 taka per maund and for wheat 130 taka per maund* on July 1, 1982 compared with procurement prices of 190 taka and 124 taka per maund respectively. This was the first time that ration prices have exceeded procurement prices, implying elimination of the subsidy on ration prices except for transportation, storage and administrative costs. The procurement price for aman rice increased in November, 1982 to 210 taka and for wheat in April, 1983 to 135 taka per maund. Accordingly, ration prices were increased in early January, 1983 to 209 taka (215 taka retail) and 139 taka (145 taka retail) respectively. Thus the ration price for rice has been maintained about at the procurement price for rice, the ration price for wheat above the procurement price for wheat, for over a year. In terms of the ration price's relationship to market prices, the average ration price for rice in FY-82/83 was 87% of the average market price for rice, and the average ration price for wheat 91% of the average market price for wheat. This compares with 79% and 91% for FY-81/82 and 75% and 90% for FY-80/81.

Further increase in ration prices must be made. Beginning in November 1983 the new procurement prices will be 225 taka/maund for milled rice and 144 taka/maund for paddy. Were ration prices to stay fixed at their current levels of 209 taka/maund for rice and 139 taka/maund for paddy or wheat, they would fall seriously behind procurement prices once again. If the new ration price is to be five percent greater than the procurement price it must rise to 236 taka/maund; similarly if it is to be ten percent higher it must rise to 248 taka. Increases only to the level of the recently announced procurement prices for the aman crop will maintain the relationship achieved last year, but will not constitute further progress in reduction of the subsidy. Further price increases are warranted to begin to cover costs of transportation storage and administration. These costs are more difficult to ascertain for the government program than they are for private dealers, and analysis should be undertaken to provide an accurate assessment. A recent USAID study estimates that the cost of holding grain for sale after harvest is about 5% per month. Thus, a ration price 5% higher than the procurement price may be an appropriate initial target, until the ration system's full costs can be estimated more accurately.

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* Ex-godown prices, Retail Prices were taka 195 and taka 134 respectively.

2. Adjusting the Ration Quotas:

Use of the ration system can be discouraged both by reducing the total quota and by adjusting the commodity composition to make it less attractive. Reducing the ratio of rice to wheat in the ration quota makes it less desirable to those who can afford rice, the preferred grain. This has the added advantage of targeting public foodgrains to those who will accept wheat, primarily the poor. In addition, since wheat ration prices are currently closer to market prices than rice ration prices, a higher proportion of wheat to rice in the ration quota results in further reduction of the subsidy.

Ration quotas under SR and MR were most recently reduced in December, 1981, when they went 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 (three-fourths of the ration). One would expect, then, that offtakes from SR and MR would consist of about three quarters wheat and one quarter rice. This has not in fact been the case. While wheat offtakes exceeded rice offtakes in SR for every month during FY-83, the opposite has been true in MR, Rice offtakes under MR exceeded wheat offtakes every month except July, November and December, and more than doubled wheat offtakes in March through June. (See Table N).

There are a couple of reasons for this. First, in the months following the wheat harvest there is little demand for wheat by ration card holders because wheat market prices are low. The BDG responds by offering more paddy under MR during this period: paddy can only be used under MR because it is only in the rural areas that milling facilities are available which can process the relatively small quantities of paddy provided under the quota.

Second, a difficulty in funneling wheat through the ration system was described in last year's evaluation. Wheat cannot be used until it has been crushed or milled, but quotas available through the ration system are too small to allow for efficient grinding. The evaluation report recommended that wheat be sold directly to atta crushers and wheat millers, who would in turn sell the processed wheat to authorized ration card holders. As a result of this recommendation, the BDG in April, 1983 did begin to issue ration wheat directly to atta crushers. Resale by atta crushers was not restricted to ration card holders.

** One seer (2.05 lbs.) is approximately one kilogram. There are 40 seers in one maund.

Now that this problem has been resolved, the BDG should make greater efforts to increase the ratio of wheat to rice offtakes under MR.* Since the same problem has not surfaced under SR, it may be advisable to further decrease the rice quota under SR, as the next logical step towards ration system phase down.

3. Implications of ration system phase-down

As the ration system becomes less attractive and offtakes decline, the BDG will turn to alternative outlets for selling older, short-shelf-life stocks. OMS is used only when prices are unusually high and is not likely to be needed when production is good and procurement is high: But these are the same periods when some mechanism to remove old stocks is most needed.

Several other options have been suggested. One, for example, would be to offer the poorest quality or shortest shelf-life stocks on the free market in the preharvest seasons at a price which fluctuates with market prices but is always 10 to 20 taka per maund lower. It is appropriate to charge a price lower than the market price for low quality stocks, and since these foodgrains would presumably not be purchased by those who could afford better quality there would be a self-targeting effect.

Whatever the system ultimately agreed upon, it is important for the BDG to begin now to explore alternatives to the existing ration system.

B. Foodgrain Procurement to Maintain Incentive Prices to Farmers

1. Procurement Prices:

The Title III Agreement requires that the BDG set foodgrain procurement prices at levels high enough to provide a sufficient return to farmers in order to encourage investment in HYV technologies, and that the BDG purchase foodgrains at the procurement price when necessary to maintain farm prices. The Agreement states that procurement prices will be announced for each major foodgrain crop well in advance of the planting season: July 1 for aman and November 1 for boro and wheat.

Performance in the past year has continued to be good. As reported in last year's evaluation, procurement prices for the FY 82-83 aman crop were announced on June 30, in accordance with the Agreement, at Taka 210/- maund for rice, and Taka 135/maund for paddy. As for the boro and wheat crops, the BDG announced in December, 1982, that procurement prices would not be raised. Although this was over a month later than the November date stipulated in the Agreement, it was still early enough to have an effect on farmers' cropping decisions, since boro rice transplanting occurs primarily in January and February and continues into March.

* It should be noted here that since the U.S. has begun a monetized Title II program in Bangladesh, U.S. wheat still does go into the MR system.

On June 29, 1983, the BDG announced procurement prices for the upcoming aman season in accordance with the Agreement. Prices, to go into effect mid-November, 1983, will be Taka 225/maund for rice and taka 144/maund for paddy.

USAID's agricultural economics unit has recently completed an analysis of aman paddy procurement prices for the 1983 season. To quote from the analysis.

"Even though there have been some significant price changes since the 1981/82 season (particularly for fertilizer and pesticides) they represent such small weights in the cost-of-cultivation breakdowns that they do not significantly raise the per maund variable production cost. For 1983 (compared to 1981 T. Aman) the cost of producing local T. aman would rise from 71 taka to 86 taka. For HYV T. aman a decrease would be experienced from 77.8 taka to only 71.7 taka. The farmer represents an increase of 20% in two years, and the latter a drop of 8%. On the basis of the cost of cultivation alone, there is no apparent reason for an increase in procurement price."

Based on the BDG's proposed aman procurement price of taka 144/ maund, the study went on to calculate that net income in 1983/84 should be 57% higher/maund than 1981/82, while the urban consumer price index has risen by 17% since then. The conclusion is that the proposed procurement price will be sufficient to encourage farmers to adopt the HYV technology by giving them a rise in real net income.*

A similar analysis was not carried out prior to the announcement of boro procurement prices, but that no change in price was warranted at that time by increases in input costs is consistent with the above analysis.

2. Procurement Activities

Since market prices for rice, wheat and paddy stayed above procurement prices throughout the year in most areas, procurement activity was limited again in FY-83. Total procurement was only 189,000 LT of rice and wheat as compared with 298,000 LT in FY-82, which was also a year of limited procurement.

Field trips were made by USAID staff in June through August in selected districts where paddy prices were unusually low compared with the procurement price. The cause for the low paddy price and slow procurement activity was primarily that due to late and irregular rains, moisture content of the paddy was higher than the allowable percentage of moisture for paddy procurement of 15%. To circumvent the moisture problem, the BDG bought at millgate in larger quantities than in previous years. Since paddy is parboiled prior to milling, the moisture content of the paddy is not important at millgate.

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* "Procurement Price of Paddy", Roger Montgomery, USAID/Dhaka, July, 1983.

The 1983 Impact Evaluation of the Bangladesh Title III Program (AID/PPC) pointed to another innovation introduced by the BDG to encourage procurement by small traders: mobile units. The units are not yet widely used and do not operate according to design. In practice, a prosperous dealer with cash would accompany a thana food inspector and purchase from small trader, paying cash. The larger dealer would then take the grain to the procurement center for sale in the normal fashion.

Both the use of mobile units and procurement of paddy at millgate are indications of a genuine effort to make the procurement program work. The Impact Evaluation report also noted evidence of compulsory procurement, however, where traders were persuaded to sell foodgrains to food officials even though market prices exceeded procurement prices because of food officials' desire to meet procurement targets which had been established nationally but did not related to local production and price conditions. The evaluators suggested that the emphasis on procurement in the wording of the Agreement may be misleading. The BDG should make clear to district and subdivisional food officials that the procurement program should be primarily to ensure a floor price to farmers, rather than to ensure a certain level in foodgrain stocks.

3. Other Actions Affecting Procurement:

The Agreement calls for three activities, as identified in the MTFFP, to improve foodgrain procurement. These are construction of feeder and access roads, increased grain storage capacity and improved organizational efficiency, ~~and~~ expansion of private grain trading.

(a) Road Construction

Local currency funds generated under Title III are not used for road construction for two reasons. First USAID is currently supporting the foreign exchange component of a D.A. rural roads project called Zilla Roads and Title III generated taka funds may not be used to assist with the local currency portion of such projects. But more importantly, the second reason is that USAID's Title II Food For Work and Title II (Section 202) Bridges and Culverts programs already constitute major commitments to road construction. The Food For Work program finances the labor costs of constructing roads and embankments. The Title II Section 202 program finances local capital costs for complementary bridges and culverts, with local currency generations from sales of wheat. While the latter program is in the early stages of implementation, the initial engineering works have been completed effectively and major additional construction is planned for the upcoming dry season. For FY-82, offtakes for the entire Food For Work program in Bangladesh totalled 415,987 MT of wheat, of which about 172,058 MT were from the BDG's own resources. (See Table A). Although information is not readily available as to the quantity of road construction and improvement carried out during FY-83, the US-funded portion provides a point of comparison. For FY-83 104,351 MT of wheat were programmed under the U.S. (CARE) portion for a total of 1,200 projects. The BDG FFW program is by far the largest single effort to improve rural infrastructure.

TABLE A

BDG FY-1983 FOOD FOR WORK PROGRAM

Total Offtake:	
(BDG, CARE, WFP, other sources)	409,891 MT
Of which: CARE (U.S. AID)	99,785 MT
WFP (through Water Development Board and local initiative)	129,000 MT (Estimated)
BDG (Own sources)	
(Dry and Rainy Season, Test Relief)	172,058 MT
Bilateral Assistance (U.K. and Canada)	15,144 MT

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SOURCE: USAID/Dhaka.

(b) Increased grain storage capacity

BDG official foodgrain storage capacity remains somewhat over 1.8 million MT, distributed representatively among the districts. As stated last year, this should be adequate to store grains procured in a year of normal imports and good crop production.

Anti-hoarding laws were liberalized most recently in January, 1981 increasing the maximum amount of grain that can be held by retailers to 250 maunds, and by wholesalers to 5,000 maunds, with no time limitation on holding (applicable to licensed dealers). 250 maunds is about nine tons. Given credit availability and shelf-life considerations, these limits are more than adequate for the present time.

Since stock levels have been relatively low over the past two years and offtakes fairly high, stock loss due to deterioration in the warehouses has not been much of a problem. The Agreement required the BDG to submit a report which would identify suitable measures for disposing of short shelf-life stock. The FPMS completed a lengthy study entitled "Foodgrain Stock Management and Inventory Control System" in May, 1983, which contains detailed recommendations on many aspects of the foodgrain storage system. The BDG is now considering these recommendations. It has also introduced some flexibility in the procurement procedure, such a procuring paddy at millgate as described earlier. It is quite likely that during years of good production when large procurement operations are undertaken, moisture content of paddy will also be high. The BDG will have to find ways of solving the moisture problem on a larger scale than it has to date in order to ensure an adequate level of procurement.

(c) Expansion of private grain trading.

Private trading within the country can be encouraged by reducing restrictions on private traders and providing better access to credit and to information. The liberalized anti-hoarding regulations were described above. As for credit, there are no significant programs now underway geared specifically to assist private sector grain trade. The BDG points to the fact that simultaneously OMS can be operating in one district while procurement is going on in the adjacent district as clear evidence that market impurities exist, but there is little information available on the constraints to trade development.

The BDG is preparing proposals for two studies, which, if either is implemented, could provide useful information and recommendations for removing the constraints to private grain trade expansion. One is a proposal by the Food Ministry for possible inclusion in IDA's TA 5, to study foodgrain storage and marketing. The other is a proposal for FAO funding by the Ministry of Agriculture looking at marketing of all of Bangladesh's major commodities. The BDG should be encouraged to undertake activities such as these to increase its knowledge and use them as a basis for policies to expand private foodgrain marketing.

C. Moderation of Price Increases through the Open Market Sales Program

The Open Market Sales Program (OMS) is intended to constrain the seasonal movement of coarse rice prices within 20 to 25 percent of the procurement prices. The OMS initial rice price is set at about 15 percent higher than the procurement price. OMS initial prices for paddy and wheat are established as ratios of the OMS rice price. Wheat is 0.60 times the rice price and paddy is 0.65 less the milling charge (about 8 taka per maund). The OMS sales prices are then set about half way between the current market price and the initial price, moving up in steps or increments as market prices rise. When market prices rise above OMS initial prices, open market sales begin.

1. Performance on OMS during FY 83

BDG use of open market sales—during FY 82 and early FY 83 was described in last year's evaluation report. In response to sharp price increases in September, 1982, OMS commenced with record monthly offtakes of 25,627 LT in September and 73,688 LT in October, nearly a tripling of the previous record level, followed by a 10,979 LT offtake in November. Although MR offtakes also increased significantly during the same period, during the month of highest total PFDS offtakes - October - OMS for the first time ever exceeded MR, the latter with an offtake of 70,106 LT.

As a result, foodgrain prices peaked in October, dropping in both November and December. USAID staff field visits to observe OMS operations in three districts during October indicated considerable enthusiasm among food officials and traders for the program. Restrictions were imposed on lot size, resale quantities and profit margins. These were made by the subdivisional food officials, according to local conditions and through negotiations with local dealers. Consequently there were variations among restrictions from one subdivision to another. The resale operation was apparently well supervised and efficiently managed, and the price setting mechanism was being followed properly. OMS wheat was frequently sold to dealers with wheat crushing mills so that it could be crushed prior to sale to consumers as atta. (This also responds to one of the recommendations made by last year's evaluation team.)

USAID agricultural economist Roger Montgomery has recently completed in draft a study of the effectiveness of OMS during the fall of 1982. The study, which utilizes multiple regression analysis based on sub-divisional data on prices and offtakes under both MR and OMS during the critical months, concludes that OMS operations during July, August and September, and a clear BDG commitment to continue OMS in October, were significant factors in the resulting price declines and were more important than MR in this respect.

OMS initial prices increased from 220 to 240 taka per maund for rice and from 132 to 144 taka per maund for wheat in mid-November, 1982, to maintain an appropriate relationship with procurement prices, which were also increased at that time. Since that date, market conditions have not warranted extensive use of OMS. Table O compares monthly OMS prices, market prices, and OMS offtakes for FYs 82 and 83.

2. Restrictions on OMS

An FY 82 amendment to the Agreement removed prohibitions against government resale restrictions on OMS dealers. The restrictions which were imposed during the fall 1982 OMS operations apparently did not constitute a major constraint to the program's success. Nonetheless, during future large scale OMS operations efforts should be made to observe more closely the effects of these restrictions on program effectiveness, since they have been noted in the past as an important problem.

This year's evaluators visited one market where OMS was in operation. The trader interviewed who was selling OMS rice said he made a profit of 10 taka per maund. This compares with the usual profit margin of about 16 taka for regular market sales. Since this trader, with lower-priced rice, was capturing virtually all sales in the market that day, however, the increased quantity sold more than made up for the reduced profit margin. Prices had reportedly come down from 270 to 260 taka per maund in the market since OMS operations had begun.

3. OMS initial prices

The relationship between the wheat and rice initial prices should be reviewed. The initial price for wheat, 0.60 of the initial price for rice, was based upon a comparison of wheat and rice market prices over a period of several years. Review of monthly average market prices for wheat and rice during the past two years, however, indicates an average ratio of 0.63 in FY 82 and 0.65 in FY 83. If the initial price for wheat were increased to 0.65, the current price for wheat would increase from 144 to 156 taka per maund. This would represent a price about 15% above the current wheat procurement price.

New aman procurement prices have been announced to be effective mid-November, 1983. OMS initial prices should be increased accordingly. Since OMS wheat prices will increase along with rice prices, consideration should be given to revising the ratio between rice and wheat initial prices at that time.

D. Maintenance of Foodgrain Reserves

Considering that the severe foreign exchange constraints Bangladesh has been under in recent years have limited its ability to import foodgrains, BDG foodgrain stock management has been excellent.

Target stock levels needed to ensure food security have been estimated by the IBRD and US at 1.2 million MT. The BDG maintained its foodgrain stock levels at 1.2 to 1.3 million MT during FY 81 and early FY 82, as record foodgrain production during FY 81 allowed for a major procurement drive in that year. During FY 82, however, drought conditions adversely affected the aman crop, leading to both increased offtakes from public food stocks and very limited procurement. As a result, foodgrain stock levels declined from 1,364,000 MT in September 1981 to 495,000 MT by May, 1982. Although foodgrain production recovered during FY 83, a second drought season again limited aman production. Prices remained high, resulting in another year of relatively high PFDS offtakes and reduced procurement activity. Consequently, stock levels remained quite low (845,000 MT or less) throughout FY 83. By increasing its import levels by about 600,000 MT over the previous year through a combination of concessional and commercial purchases, the BDG was able, nonetheless, to assure sufficient stocks to support the first large scale use of OMS to halt price increase during FY 83. Thanks to the increased level of imports of last year, combined with excellent boro and wheat crops and anticipation of a good aman harvest, foodgrain stock levels have again begun to climb. The World Food Program's Foodgrain Forecast of 25 August, 1983 estimates that stock levels will rise from 511,000 MT on July 1, 1983 to 1,051,000 MT by end December 1983.

E. Private Sector Foodgrain Imports

One of the recommendations of the FY 82 Title III evaluation was that "The BDG should consider giving flour millers and atta crushers the option of commercial import purchases and direct imports where their own needs are concerned. Allowing private sector's importation of foodgrains would help meet domestic consumption demands and ease the financial and logistical burden on the BDG."

If the rapid rise in use of irrigation and other agricultural inputs continues, one is encouraged to believe that self-sufficiency in foodgrain production, by the BDG's limited definition of self-sufficiency may be achieved at least in years of good rains within the next five years. Thus the need for foodgrain imports will be somewhat sporadic, and will probably be limited to wheat. Though wheat production has increased dramatically since independence consumption (the sum of imports and local production) is still more than double local production. Thus private importing is more applicable to wheat than to rice. There are a couple of complications in private importing of wheat. First, wheat is imported in bulk using large vessels to be economical, and the bulk handling facilities, including the silo, are owned by the public sector. There are only a few importers who have adequate financial resources to import a bulk commodity such as wheat efficiently. It may prove necessary, therefore for interested traders to organize themselves and pool resources for the purposes of grain imports. No organization which could serve this purpose currently exists, and if imports are expected to vary greatly depending upon domestic production, there is not likely to be much interest in forming one.

More importantly, wheat will continue to be the foodgrain which donors such as Canada, Australia, and the EEC can provide most readily. Some donors have already taken the lead from the U.S. and have introduced sales programs in their agreements. Other wheat is provided for use in Food For Work. Since both types of program distribute donor wheat through the PFDS import by private dealers is not relevant.

There are specific uses of wheat, such as white flour milling by flour mills, for which the option of private imports are desirable. This would allow them to procure a higher quality wheat than the BDG imports. The BDG should consider giving dealers the option of private imports at least for limited uses such as this.

The purpose of allowing such direct imports would then be twofold, first to allow them to mill the grade they wish, and second to enable them gradually to be removed from the Flour Mill allocation of the Ministry of Food. This allocation has fluctuated unpredictably making it difficult to forecast availability. Reducing the Flour Mill allocation will reduce the overall subsidy also since the white flour mills would be expected to pay full cost for their direct imports.

F. <u>Policy Formulation and Planning: The Food Planning and Monitoring Secretariat (FPMS)</u>

Last year's evaluation described in some detail the Food and Fertilizer Planning and Monitoring Secretariat (FFPMS), a special organization established within the Planning Commission to serve as an independent advisory group on food policy issues. Since then, the FFPMS has moved from the Planning Commission to the Food Division of the Ministry of Food and is renamed the Food Planning and Monitoring Secretariat (FPMS). The move occurred due to internal reorganization of the Planning Commission and a concurrent strong expression of interest by the Minister of Food in obtaining a food policy analysis capability.

The organizational change took place on paper in October 1982 but the physical relocation of the unit only occurred in June 1983. The Food Ministry has enthusiastically welcomed the FPMS and has provided it with good physical facilities. Some in the BDG have expressed concern that the FPMS will not be free to voice independent views within the Food Ministry, but it is still too early to comment on this.

With the move to the Food Ministry, some staff changes have also occurred, although most of the primary research staff have remained. Fertilizer has been removed from its scope of work. Otherwise the FPMS has the same functions as those described in last year's evaluation: (a) secretariat functions such as preparation of working papers for Ministerial level meetings on food policy issues; (b) reviews of information on the short-term food situation, and (c) special studies.

A review of the working papers and monthly food situation reports prepared by the FPMS last year indicates that they continue to play a useful role in providing the up-to-date information needed by BDG leadership in decision-making on food policy.

Several studies were completed this year by contract researchers under supervision by the FPMS. One was a review of foodstock management, and another was a study of food budget and accounting procedures.

Dr. Roger Montgomery joined the FPMS in September, 1982 to provide long-term technical assistance in food policy analysis. He worked closely with FPMS on a number of reports and studies, but his contract was cut short when he joined USAID/Dhaka on direct hire status. He continues to devote a portion of his time working with the FPMS.

One major study completed about a year ago by a U.S. consultant firm for the FPMS was development of a model for an early warning system using climatologic data. The FPMS, with Dr. Montgomery, tested the model using data for the FY 82 boro crop, but the model failed in several respects. Although the consultants have been requested to clear up some of the problem areas, they have not yet responded. The FPMS and USAID, which funded this study, should follow up with the consultants to clarify and finalize the model, so that it can be used effectively in crop forecasting.

G) Utilization of Local Currency Funds

Since the last evaluation, USAID's Food and Agriculture office has hired a competent Foreign Service National employee to track the expenditure of local currency funds on the various projects, to visit the project sites and observe progress, and to create data files on these projects. This careful monitoring has considerably increased our knowledge of the current status of these projects.

1. Overall Program

The list of projects under the Medium Term Food Production Program (MTFPP) supported by Title III - generated local currency during BDG FY 1983 is shown in Table B with both the overall BDG funding for each project for the year and the Title III funding therefor during that period.

Table C shows the project by project disbursement of Title III funds during the last 5 years.

As can be seen from these tables, even the relatively minor disbursement problems revealed in the FY 1982 Evaluation have been overcome.

Examination of BDG financial records shows that their expenditures in FY 1982 on the "Muhuri Irrigation Project" were approximately 75 million taka rather than the 4 million taka shown in the FY 1982 Evaluation. This supports the release of 15 million taka in Title III local currency. However, the USAID is still awaiting BDG clarification of the prior discrepancies in the "Support for Locally Developed Small Pumps and Other Agricultural Implements" and "Establishment of Workshops in Private Sector" projects. The four weakest projects (the two above plus the "Supply of LLP under the Canal Digging Programme" and "Command Area Development" projects) have been dropped, as planned, and disbursement concentrated in the 11 projects remaining.

Of these 11, four are the recipients of major funding from both the BDG and Title III, over 500 million taka apiece from the BDG and over 100 million taka apiece from Title III. Four more receive major BDG funding but relatively minor amounts of Title III taka. The three remaining projects, although receiving limited BDG as well as Title III support, have all received their primary funding from IDA.

2. Project Evaluation

Adequate data to evaluate physical performance on the Title III-supported projects is currently available. USAID information supports the thesis that overall progress on these projects ranges, with one exception, from satisfactory to excellent.

Among the most successful of these were two projects for which major Title III funding was provided: "Deep Tubewell (DTW) Irrigation" and "Shallow Tubewell (STW) Irrigation All Over Bangladesh." The number of deep tubewells in commission as of June, 1983 rose .9% from 12,810 to 15,307, while shallow tubewells went from roughly 85,000 to 106,334, an increase of 25%. Given an irrigated acreage average of 60 per DTW and 11 per STW, the year's program contributed to the addition of some 380,000 acres to year-round, fail-safe cultivation for Bangladesh.

The "Karnafuli Irrigation and Flood Control" project, which was visited by members of the Evaluation Team, is an example of an extensive and complex development project which has been largely successful. Construction of the major project components is virtually complete, the institutions are functioning reasonably well, and many of the planned benefits of the project have begun to flow.

An intermediate quality project is the "Barisal Irrigation II" Project. Considerable progress has been made on the construction aspects of the project, but underfunding and lack of adequate BDG institutional support have put successful completion at risk. As a project donor, AID could, at a minimum, focus BDG attention on the problems and suggest solutions.

An unsatisfactory project is "Foodgrain Warehouse Construction" Project, which began in 1978 and AID, began supporting in FY 1983. A USAID field examination of sub-project sites in August 1983 unearthed many problems in both project administration and godown planning and construction. As a minor donor ($0.25 million so far, out of a $25 million project) AID cannot hope to influence performance. If performance is not improved, USAID should withdraw support.

3. Financial Summary

The total proceeds generated during BDG FY 1983 were the Taka equivalent of $65.2 million. Of this amount, the Taka equivalent of 44.9 million has been disbursed for 11 approved development projects. The amount of $47.7 million has been certified to Washington for application to Title I and III obligations.

TABLE B

PROJECTWISE-DISBURSEMENT OF TITLE III FUNDS BY BDG

		FY 83 BDG Expenditure (000 Taka)			Title III Funds Total Expenditure For FY 1983 (000 Taka)
		LC	FX	Total	
1.	Deep Tubewell Irrigation	426,920	81,410	508,330	242,890
2.	Shallow Tubewell Irrigation all over Bangladesh	380,388	271,883	652,271	167,100
3.	Shallow Tubewell Irrigation (IDA)	14,160	8,360	22,520	7,500
4.	Karnafuli Irrigation and Flood Control	41,414	33,241	74,655	20,000
5.	Barisal Irrigation Project	25,649	47,783	73,432	10,000
6.	Muhuri Irrigation Project	30,009	56,933	86,942	14,258
7.	Manu River Project	80,030	-	80,030	35,728
8.	Ashuganj Sabuj Prakalpa	1,759	-	1,759	-
9.	Low Lift Pump (IDA)	10,220	30,810	41,030	9,630
10.	Support to Locally Developed Small Pumps & Other Agricultural Implements	Project dropped or suspended			
11.	Intensive Agricultural Program for North-West Region of Bangladesh	245,616	64,948	310,564	154,960
12.	Supply of Low Lift Pumps under Canal Digging Program Through Voluntary Mass Participation	Project dropped or suspended			
13.	Low Lift Pump Irrigation (Local)	660,659	58,146	718,805	424,455
14.	Command Area Development	Project dropped or suspended			
15.	Establishment of Workshop Complex in Private Sector	Project dropped or suspended			
16.	Foodgrain Warehouse Construction	190,441	2,560	193,001	6,500

TABLE C

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

Name of the Project	FY 1979	FY 1980	FY 1981	FY 1982	Total FY 1983	Grand Total (Upto 6/83)
Procurement & Distribution of Chemical Fertilizer	184,914.0	819,212.4	-	-	-	1,004,126.4
Deep Tubewell Irrigation	-	-	125,574.1	190,620.3	242,890.0	559,034.4
Shallow Tubewell Irrigation (all over Bangladesh)	-	-	125,574.1	34,986.0	167,100.0	327,650.1
Shallow Tubewell Irrigation (IDA)	-	-	-	14,245.0	7,500.0	21,745.0
Karnafuli Irrigation and Flood Control	-	-	-	29,684.0	20,000.0	49,684.0
Barisal Irrigation (Phase II)	-	-	-	10,000.0	10,000.0	20,000.0
Muhuri Irrigation Project	-	-	-	15,209.0	14,058.0	29,267.0
Manu River Project	-	-	-	57,479.0	35,728.0	93,207.0
Ashuganj Shabuj Prakalpa	-	-	-	1,250.0	-	1,250.0
IDA Low Lift Pump	-	-	-	14,245.0	9,630.0	23,875.0
Support to Locally Developed Small Pumps and Other Agricultural Implements *	-	-	-	600.0	-	600.0
Intensive Agricultural Production Program for North-West Region of Bangladesh	-	-	-	126,798.0	154,960.0	281,758.0
Supply of Low Lift Pumps under Canal Digging Program through Voluntary Mass Participation *	-	-	-	270.0	-	270.0
Low Lift Pump Irrigation	-	-	-	162,239.7	424,454.7	586,694.7
Command Area Development*	-	-	-	58.0	-	58.0
Establishment of Workshop Complex in Private Sector *	-	-	-	57.0	-	57.0
Foodgrain Warehouse Construction	-	-	-	-	6,500.0	6,500.0
TOTAL:	184,914.0	819,212.4	251,148.2	657,741.0	1,092,820.7	3,005,836.3

* - Project dropped in FY 1983 for inadequate performance
(See Appendix Table I for dollar equivalents of above)

4. Procedural Aspects

On the procedural side, only one quarterly review of Title III-funded development projects was held, on July 7, 1983. The minutes of the meeting as well as the reports of participants indicate that the discussions were useful.

It appears clear that the scheduled quarterly frequency is excessive in light of the relatively regular course of project progress. It is therefore the recommendation of this evaluation that regular formal review meetings be reduced to the annual review plus one scheduled mid-term review, with provision for either side to call special meetings should they consider them desirable.

The date for the annual review has not yet been set, but is tentatively planned for mid-October, in keeping with the schedule originally set forth in the Agreement.

However, because of desires for Early Programming under the Bangladesh Title III program, consideration should be given to advancing the date of the BDG comprehensive report from its currently scheduled October 1 to either August 15 or September 1, with the Annual Review and the USAID submission to AID/W being advanced accordingly. This would put the BDG on a tight schedule because of the June 30 end of their Fiscal Year. But it would permit future annual evaluations to have better access to more completely organized material at less cost in both USG and BDG executive time. It would also permit attendance of appropriate Evaluation Team members at the Annual Review.

H) Cotton and Title III

1. The Textile Industry

The Bangladesh cotton textile industry has been essentially stagnant for the last decade, with yarn production fluctuating between 81 and 102 million pounds per year, remaining below the pre-Independence peak of over 105 million pounds despite an increase of more than 35% in installed capacity. Only in the financial realm has there been movement, and that negative: from a profit of 24 million taka in 1976, the Bangladesh Textile Mills Corporation (BTMC) sank to a record loss of 652 million taka in FY-82.

2. Compliance with Requirements of the Title III Agreement

During the BDG Fiscal Year 1982, the government complied with the condition of the Title III Agreement requiring removal of the 12,500 spindle limitation on new spinning mills, as reported in last year's Evaluation. During FY-1983 they have actively sought to encourage private sector participation in the cotton textile industry through divestiture (to the prior owners) of substantial portions of public sector spinning and weaving capacity. To date, 21 out of 56 textile facilities, representing approximately 40% of the industry's installed capacity, have been returned to the private sector.

The BDG has further complied with the Title III Agreement by promising to arrange financing for necessary plant rehabilitation, and has implied that they will permit the industry freedom in pricing and distribution and in the key area of employment policies. However, as noted in the World Bank Report of March 4, 1983 (Report No. 4277-BD), the textile industry faces a wide enough range of problems. With only 75% of the industry's installed capacity actually in operation, it appears that rehabilitation of existing plants is a more likely instrument of short term growth than the construction of wholly new facilities.

3. Sources of Cotton Supply

During the last decade, the consumption of raw cotton by the Bangladeshi textile industry has remained about 200,000 bales per year, virtually all imported. None of this cotton was furnished under PL-480 until FY-1982. In that year 28,300 bales were programmed and 27,327 bales delivered. An additional 31,000 bales were programmed in FY-1983 For both of these years, the Usual Marketing Requirement (UMR) was 100,000 bales.

Domestic Deltapine Variety cotton production (as distinguished from "Comilla" cotton which is a low quality fiber) began only in FY78. By FY-1982, it was reported by the BDG to have surged to 54,000 bales produced on 24,000 hactares (60,000 acres). The World Bank believes the 54,000 bales production figure to be an outgrowth of a strong BDG campaign to increase domestic production of longer staple cotton for import substitution.

There are serious questions as to how far the BDG can push cotton production. It competes directly with important dry season food crops like oilseeds. The climate is less than ideal for cotton and there are disease and soil exhaustion problems. The World Bank has warned that further productivity improvements will be necessary if domestic cotton is to become an <u>economic</u> import substitute.

4. The Feasibility of Supplying Increasing Quantities of Cotton Under Future Title III Agreements

It appears that for the next several years, the Bangladesh requirement for imported raw cotton will permit a substantial increase in the amount programmed under Title III. The capacity of the Bangladesh Textile Industry, whether in the public or private sector, to process that cotton can be considered adequate. The only constraints to an expansion of cotton programming under Title III will be (a) the potential quantitative interaction between our program, domestic production, and the Usual Marketing Requirement (UMR); and (b) the generally higher price (landed in Bangladesh) of U.S. cotton.

On the quantitative side, assuming maintenance of the UMR at 100,000 bales/years, an absolute minimum of another 100,000 bales of "residual" demand remains open for some combination of domestic production and Title III. To the degree that economic recovery and private sector marketing techniques stimulate demand, and private sector competitive efficiency results in reduced imports of yarn (currently 45,000 bales/year) and/or finished textiles ($25 million per year) this "residual" demand could easily be increased by 20-30,000 bales/year.

Therefore, it appears reasonable to assume that Title III allocations of raw cotton to Bangladesh could be roughly doubled to 60,000 bales/year without upsetting either the UMR or domestic production.

Possible methods for addressing the price constraints on both cotton and soy oil under Title III will be discussed below.

5. Last Year's Concern

The FY-1982 Evaluation Team, at the request of the Chairman of the Bangladesh Textile Mills Corporation (BTMC), questioned the use of the USDA "greed card" system of inspection for Title III cotton as being more costly than local inspection and producing a more closealy graded product than required under Bangladesh conditions. Subsequent investigation revealed that only 98% of the value of cotton purchased could be financed by the CCC if any other inspection system were used, versus 100% for "green card," a difference (under a Title III program) sufficient to override the greater cost of "green card," inspection. Also as private industry enters into more varied and sophisticated textile production including blends the closer grading of the cotton may well prove desirable.

I. Vegetable Oil and Title III

1. Consumption/Production

Current vegetable oil consumption in Bangladesh is about 220,000 MT/year. Approximately 70,000 MT/year is domestically produced primarily from mustard seed. The rest is imported, either unrefined in bulk or refined in drums.

Although the BDG is actively promoting increased domestic oilseed production, it is not expected to affect import requirements substantially in the near future.

2. The Industry

(a) The first consists of small, relatively low-technology operations which crush and refine the local oilseeds. These plants produce 70,000 MT/year the country's 220,000 MT/year current consumption level. They have no additional potential beyond the processing of increased future domestic production.

(b) The second and third categories consist of BDG and private medium-scale-technology facilities for the receiving, storing and processing of Crude Degummed Soybean Oil (CDSO). Storage capacity consists of private facilities providing 43,500 MT tankage at Chittagong Harbour plus 7,500 MT at the various public and private processing plants. Refining capacity, assuming full three-shift operation, 300 days per year, is 56,000 MT/year. An additional 27,000 MT/year joint private/public sector plants is planned to come on stream by late 1985.

It appears, therefore, that the country will continue to require the importation of at least 100,000 MT/year of refined vegoil. Public sector funding for further refinery expansion is not available, and the private sector is constrained by factors discussed below.

Partly as a result of AID emphasis on the importance of the private sector, the BDG has continued its program of divestiture of vegoil refineries. By the end of 1983, the BDG will retain only two refineries, with a capacity of 22,000 MT/year, versus 7 plants in the private sector with a 34,000 MT/year capacity.

3. Constraints

Two sets of constraints limit the expansion of vegoil utilization in the form of bulk CDSO under Title III: (a) the absolute capacity constraint of 56,000 MT/year for 1984 and 1985 and 83,000 MT/year thereafter caused by the limited Bangladesh refining capacity; (b) and the relative government processing constraint of 22,000 MT/year. There is a disinclination of Bangladeshi entrepreneurs to pay the full price of US CDSO in the face of substantially lower prices for refined Malaysian palm oil. The same price constraint will tend to limit or preclude the access of US refined soyoil to the 100,000 MT/year market for refined vegoil*

Were there not a price constraint, US soyoil would do well in Bangladesh. Ranking slightly behind mustard oil in popularity, whose price continues to rise, soyoil is well ahead of lower quality Malaysian palm oil.

Malaysian palm oil competes on the basis of price, as was demonstrated in 1982 when the BDG raised the tariff on imported refined palm oil from 20% to 50% _ad valorum_. The Malaysian exporters promptly reduced their price, C&F Chittagong, from $405/MT to $335 (roughly 17%). Thus the BDG was able to gain substantial tax revenue without greatly increasing the product price to Bangladeshi consumers.

Possible methods for addressing the price constraints on both soyoil and cotton under Title III will be discussed below.

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* The BDG is still willing to buy the more expensive CDSO. The Chairman, Marketing Director and Financial Director of the Bangladesh Sugar and Food Industries Corporation (BSFIC) expressed to members of the Evaluation Team an urgent need to receive a Title III CDSO shipment of 10,000 - 10,500 MT at Chittagong NLT December 31 in order to keep their remaining refineries operating in full capacity.

J) Continued. Refinement of the Program and its Commodity Mix.

There is a continued need in Bangladesh for concessional aid. Bangladesh remains by far the largest of the world's very poor countries. Given the country's limited resources and burgeoning population, modest economic growth is the most that can be projected, and the foreign debt service burden, while still well within safe limits, is due to rise sharply in the years ahead as the ten-year grace period for earlier concessional loans begins to lapse.

Coupling the perennial need of Bangladesh for concessional assistance with the scarcity of AID DA and ESF resources, the need for continued Title III resource transfer is beyond question. Equally clear from this evaluation is the worthiness of the program for continuation. It has been soundly planned, the BDG has responded properly, and the results have been positive.

While Bangladesh will not soon be self-sufficient in foodgrains the continued success of the country's agricultural development programs will soon mean that a year or two of bumper crops may well reduce temporarily the need for foodgrain imports to a low level. Continuation of an adequate size Title III program will require a substantial shift into non-foodgrain commodities, a shift for which both AID and the BDG should currently begin to prepare.

The logical candidates for a further shift out of foodgrains are the already-important program commodities: vegoil and cotton. Given the country's need for these commodities and the ability to utilize them in the quantities we would be considering, it appears that the only obstacle (assuming US availability) to substantial increases in the supply of these commodities under the Title III program is the higher quality and consequent higher price of the US commodities as compared to their foreign competitors. This is a serious matter in a poor country, where price is necessarily critical. It is rendered more serious by the success in privatization. Prices have become even more important. Also, to support the retrenchment of the ration system, we have declined to permit the further use of Title III commodities, including vegoil, therein.

K) Title III: Commodity Price Equalization

The ability to supply Title III vegoil and cotton to Bangladesh has been made difficult by a combination of progressive privatization of the vegetable oil processing and cotton textile industries here, and the generally higher landed price of the two commodities from the United States.

Both U.S. and world commodity prices are rising as a result of the U.S. drought and PIK program. A landed price differential disadvantageous to the U.S. commodities presently exists. If these non-foodgrain aspects of the Title III program - with their vital benefit of debt forgiveness - are to be continued and expanded some method of commodity price equalization must be found.

Treatment of the two commodities, though conceptually similar, may differ considerably in practice, depending upon certain choices to be made by the BDG.

1. Cotton

Enough of the Bangladesh cotton textile industry remains in the public sector to handle both the current level of domestic cotton production (54,000 bales/year) and the hypothesized level of Title III supply (60,000 bales/year), by using implicit subsidies at various points in the processing chain. Only if and when the combined quantities of domestic production and Title III supply exceed the remaining public sector capacity of the cotton textile industry will it be necessary to seek some other method for continuing to use higher prices US raw materials.

It should be noted that in the field of medium and high quality cotton, U.S. prices FOB U.S. ports are often very competitive. The time/distance/shipping cost differential is our primary detriment. Any financial "loss" to the BDG ffom taking U.S. cotton under the Title III program would be vastly outweighed by the benefits of the Program itself.

2. Vegoil

In the case of vegoil, possible increases in domestic production pose no immediate problems and can be disregarded except for Bellmon purposes. Title III does not appear to provide any disincentives.

However, the progressive privatization of the Bangladesh vegetable oil processing industry has left only 22,000 MT/year refining capacity in the public sector. Assuming for discussion purposes a $600/MT price for CDSO, any program level above $13.2 million would necessitate some CDSO going to the private sector for refining of the additional vegoil. In light of the aforementioned competition by the Malaysian palm oil exporters the private refineries could not afford a price for CDSO above that which would allow them to sell their product competitively. At present there exists a wide array of processed oil prices in the market. Locally produced mustard seed oil is the highest priced because of quality consideration. Imported refined palm oil commands the lowest price, again because of quality. Processed soy oil's price falls into an intermediate category. It is not necessary to price CDSO such that the price of refined soy oil drops to the level of palm oil. But it is necessary to consider that US Title III supplied CDSO for refining is more expensive than CDSO from other countries (or other medium quality crude, unrefined alternative oils) mainly because of the legal shipping requirement of 50% in US flag carrying ships.

A possible method for dealing with the problem was discussed by members of the Evaluation Team with the Chairman, Marketing Director, and Financial Director of the Bangladesh Sugar and Food Industries Corporation (BSFIC). It was suggested that although public and private sector vegoil refiners currently place individual or group orders for their raw materials, it would be generally acceptable to designate the government as purchasing agent. The BDG, as agent, would guarantee to deliver CDSO to the refiners at an agreed price, C&F their plants; this guaranteed price would be related to the ongoing market price level for refined oils in Bangladesh and would permit an adequate margin for expenses and profit of the refiner. Should the BDG purchase price for the CDSO be higher because of shipping in US vessels than the guaranteed delivery price to the refineries, the difference would be absorbed by the BDG as part of the cost to them of the Title III Program.

Alternative means to the same end can also be explored.

At the upper limit, the total private and public sector refining capacity is of 56,000 MT/year. If this is utilized exclusively for Title III CDSO it would (at the hypothetical $600/MT level) permit a program component of up to $33.6 million, which appears fully adequate. There is no UMR for vegoil.

L) Early Programming

The Evaluation Team has examined the USAID/Dhaka request for Early Programming of the $65 million FY-1984 allocation. The Mission analysis of the shipment-scheduling benefits of early programming have been verified by Evaluation Team discussions with the BDG, particularly in the above-cited case of CDSO. The argument that Early Programming is a valid form of positive reinforcement for the generally high level of BDG performance also appears in line with the findings of this evaluation. Therefore the Evaluation Team supports the request.

M) Statistical Review of Program Performance

The three-year PL-480 Title III Agreement signed on March 8, 1982, provides for a total commodity export market value of not less than $165 million during the life of the agreement, subject to availability of commodities and funds on the part of the USG, and satisfactory performance of its obligations by the BDG. Commodity flexibility is considered a key aspect of the Program. The USG FY-1982* tranche was set at $55 million in the Agreement, and increased to $64 million by amendment dated July 13, 1982; a further amendment dated August 24, 1982 made minor commodity changes. The USG FY-1983 tranche began with $21.6 million in the October 14, 1982, amendment was increased to $31.6 million in the December 30, 1982, amendment and was increased again to its final figure of $60.0 million by the amendment of February 6, 1983.

Final shipment data for USG FY 1983 is not yet available, but the following are the approximate tonnage and financial figures:

TABLE D: FY-9983 Commodity Shipments

Commodity	(000) Tons	(000) Dollars	(000) Taka 1/
Wheat	227.6	28,700	703,150
Rice	35.4	10,000	245,000
Vegoil (CDSO)	23.9	10,900	267,050
Cotton (Bales)	28.4	10,200	249,900
		59,800	1,465,100

* Fiscal Year Dates:

USG FY-1982: October1, 1981 - September 30, 1982; USG FY-1983: October 1, 1982 - September 30, 1983 BDG FY-1982: July 1, 1981- June 30, 1982; BDG FY-1983: July 1, 1982 - June 30, 1983

1/ Converted at the current exchange rate (9/22/83) of $1 = Tk.24.50.

Total sales of Title III commodities during BDG FY-1983* were: 136,300 tons of wheat from the current Agreement and 21,600 tons from the 1978-81 Agreement under the Modified Ration (MR) system and 81,000 tons of wheat from the 1978-81 Agreement under the Open Market Sales (OMS) system 2/; 37,100 tons of rice from the current Agreement under OMS; 29,700 tons of vegoil from the current Agreement and 25,000 tons from the 1978-81 Agreement, either to refiners, in the case of Crude Degummed Soybean Oil (CDSO), or wholesalers, in the case of Refined Soybean Oil (RSO); and 27,300 bales of cotton under the current Agreement to the Bangladesh Textile Mills Corporation (BTMC).

Summary tables showing authorized and actual uses of wheat under the old (August 2, 1978) Title III Agreement, and of wheat and rice in the new (March 8, 1982) Agreements can be found in tables E and F below, all measured in tons of grain.

Special account operations during BDG FY-1983 show deposits of $30.6 million from the current Title III Agreement and $35.1 million from the prior. Disbursements for approved projects were $3.8 million from the current Agreement and $41.1 million from the prior. The amounts certified for Currency Use Offset (CUO) were $0.2 million from the current Agreement and $47.5 from the prior.

Summary financial figures show $315.1 million worth of commodities shipped under the two Title III programs ($191.4 million under the 1978-81, Agreement and $123.7 million under the current Agreement); $185.8 million deposited into the Special Account ($154.0 million from the first program and $31.8 million from the second); 157.8 million disbursed to projects from the Special Account ($154.5 from the first program and $3.8 million from the second); and $139.8 million certified for CUO (all but $0.2 million under the first Agreement).

Table E. Required, Permitted, and Actual Uses of Wheat under PL-480 Title III Agreement of August 2, 1978 as Amended in June 26, 1981.

	Tons of Wheat
A. Modified Rationing	
Authorized no more than:	600,000
Actual Use	600,000
Balance	0
B. Sum of OMS plus MR + Reserve	
Authorized no more than:	1,174,000
Actual Use OMS	313,500
Actual Use MR	600,000
Balance (must be used for OMS)	260,500
C. Reserve Buildup	
Authorized no more than:	207,400
Actual use	0
D. Total Program	
Authorized no more than	1,174,000
Actual use	913,500
Balance (must be used for OMS)	260,500

Table F. Required, Permitted and Actual Use of Foodgrains (Rice and Wheat) Provided Under (new) PL 480 Title III Agreement of March 8, 1982 as Amended.

	Wheat (tons)	Rice (tons)
A) Modified Rationing		
Authorized no more than:	171,700	0
Actual use	136,000	0
Balance	35,400	
B) Sum of OMS plus MR + Reserve		
Authorized no more than:	399,300	90,000
Actual use OMS	0	37,100
Actual use MR	136,000	0
Balance	263,000*	52,900
C) Reserve Buildup		
Authorized no more than:	171,700	0
Actual use	0	0
D) Total Program		
Authorized no more than:	399,300	90,000
Actual use	136,300	37,100
Balance	263,000*	52,900

* Of this Balance only 35,400 tons may be used for MR. The residual, 227,600 tons, must be used for OMS.

Table G: PL-480 TITLE III COMMODITIES/FINANCIAL STATUS

1) 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 1984 (Per second Title III Agreement signed on March 8, 1982)

: $ 165.0 million

2) Shipment of Commodities by Calendar Year:

a) First Program

Calendar Year	Quantity (In 000 MT) Wheat	Rice	Soybean Oil	Cotton (In 000 bls)	Value (In Million $)
1978	193.5	-	-	-	25.1
1979	147.1	-	-	-	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

Calendar Year	Wheat	Rice	Soybean Oil	Cotton (In 000 bls)	Value (In Million $)
1982	171.7	54.6	24.5	27.3	63.9
1983 1/	227.6	35.4	23.9	28.4	59.8
TOTAL (b)	399.3	90.0	48.4	55.7	123.7
GRAND TOTAL (a&b)	1,573.3	90.0	73.4	55.7	315.1

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

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

a) First Program

Fiscal Year	Modified Ration	Wheat	Open Market Sales (OMS) Equivalent Wheat For Rice/Paddy	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
TOTAL(a)	600.0	256.5	57.0	913.5

b) Second Program

1983	136.3	-	-	136.3

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

Second Program

Fiscal Year	Quantity
1983	37.1

5) 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
GRAND TOTAL(a&b)	54.7

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

Second Program

Fiscal Year	Quantity
1983	27.3

3

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

a) First Program

Fiscal Year	Sales Proceeds Deposited into Special Account	Amount Disbursed to Projects from Special Account	Amount Certified For CUO 1/
1979	12.2	12.2	-
1980	55.0	55.0	12.2
1981	14.6	14.6	34.3
1982	37.7	31.1	45.6
1983	35.1	41.1 2/	47.5
TOTAL(a)	154.0	154.0	139.6
b) Second Program			
1983	30.6	3.8 2/	0.2
1984	1.2	-	-
TOTAL(b)	31.8	3.8	0.2
GRAND TOTAL(a&b)	185.8	157.8	139.8

1/ CUO = Currency Use Offset

2/ Includes an amount of $18 million disbursed on July 28 for the Quarter of March FY 1983.

Table J: Application Position of the Certified Amount to Date(In Million Dols): 1/

Amount Certified for CUO	Interest Earned	Total Amount Available for CUO	Amount Applied 2/ for Repayment Title I	Amount Applied 2/ for Repayment Title III	Balance to be Applied
a) First Program					
139.6	3.9	143.5	32.9	13.1	97.5
b) Second Program					
0.2	-	0.2	-	-	0.2
139.8	3.9	143.7	32.9	13.1	97.7

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

2/ Includes all repayments due through USFY 1983.

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

September 21, 1983.

TABLE K

MONTHLY MARKET, PROCUREMENT, RATION AND IMS PRICES FOR COARSE RICE (TAKA PER MAUND*)

JANUARY, 1982 - JUNE, 1983

	Market 1/	Procurement	Ration 3/	Initial OMS
January, 1982	210.1	190.0	171.0(175.0) 3/	200.0
February	243.1	190.0	171.0	200.0
March	263.1	190.0	171.0	220.0
April	283.0	190.0	171.0	220.0
May	225.1	190.0	171.0	220.0
June	211.1	190.0	171.0	220.0
July	213.1	190.0	191.0(195.0)	220.0
August	218.3	190.0	191.0	220.0
September	241.3	190.0	191.0	220.0
October	255.6	190.0	191.0	220.0
November	231.4	190.0/210.0 2/	191.0	220.0/240.0 4/
December	220.1	210.0	191.0	240.0
January, 1983	234.1	210.0	209.0(215.0)	240.0
February	235.2	210.0	209.0	240.0
March	243.0	210.0	209.0	240.0
April	245.3	210.0	209.0	240.0
May	241.3	210.0	209.0	240.0
June	227.6	210.0	209.0	240.0

* One maund = about 82.28 lbs. or 37.32 kg.

1/ Average minimum retail price.

2/ Change effective November 15, 1982.

3/ Ex-Godown prices. Retail in patenthesis.

4/ Change effective November 14, 1982.

TABLE L

MONTHLY MARKET, PROCUREMENT, RATION AND OMS PRICES FOR WHEAT (TAKA PER MAUND*)

JANUARY, 1982 - JUNE, 1983

	Market 1/	Procurement	Ration 2/	Initial OMS
January, 1982	127.2	124.0	120.0(124.0) 2/	120.0
February	160.3	124.0	120.0	120.0
March	153.9	124.0	120.0	132.0
April	155.2	124.0	120.0	132.0
May	152.1	124.0	120.0	132.0
June	143.0	124.0	120.0	132.0
July	149.2	124.0	130.0(134.0)	132.0
August	152.9	124.0	130.0	132.0
September	170.0	124.0	130.0	132.0
October	171.7	124.0	130.0	132.0
November	151.0	124.0	130.0	132.0/144.0 3/
December	147.8	124.0	130.0	144.0
January, 1983	162.6	124~~.0~~	139.0(145.0)	144.0
February	160.6	124.0	139.0	144.0
March	148.6	124.0	139.0	144.0
April	138.3	135.0	139.0	144.0
May	144.6	135.0	139.0	144.0
June	144.0	135.0	139.0	144.0

* One Maund = about 82.28 lbs. or 37.32 kg.

1/ Average minimum retail price in reporting subdivisions.

2/ Ex godown prices. Retail in parenthesis.

3/ Effective November 14, 1982.

TABLE M

PFDS OFFTAKE OF FOODGRAIN BY CATEGORY SINCE BDG FY 1977/78

(In Long Tons)

	FY-1977/78	FY-1978/79	FY-1979/80	FY-1980/81	FY-1981/82	FY82/83
1. Statutory Ratining	451,010	417,149	491.404	342,910	307,511	302,758
Percentage	24.4%	23.2%	20.5%	22.5%	15.9%	16%
2. Modified Rationing	352,732	311,583	384,569	179,138	482.916	361,722
Percentage	19.1%	17.3%	16.0%	11.8%	24.9%	19%
3. Essential Priorities	121,777	94.952	84,069	87,651	100,914	96,713
Percentage	6.6%	5.3%	3.5%	5.8%	5.2%	5%
4. Other Priorities	327,261	392,622	538,734	357,193	375,711	337,845
Percentage	17.7%	21.9%	22.4%	23.5%	19.4%	18%
5. Large Employers	89,066	75,413	105,994	30,768	55,894	75,936
Percentage	4.8%	4.2%	4.4%	2.0%	2.9%	4%
6. Flour Mills	214,925	182,932	178,368	124,855	123,374	126,467
Percentage	11.7%	10.2%	7.4%	8.2%	6.4%	7%
7. Marketing Operation	5,530	8,932	10,068	19	11,221	Nil*
Percentage	0.3%	0.5%	0.4%	0%	0.6%	
8. Open Market Sales	-	52,811	110,883	124	46.385	116,040
Percentage	-	2.9%	4.6%	0%	2.1%	6%
9. Food For Work	254,669	215.892	440,431	349,305	361,849	403,413
Percentage	13.8%	12.0%	18.4%	22.9%	18.7%	21%
10. Relief	30,160	44,550	57,090	49,936	71,919	82,448
Percentage	1.6%	2.5%	2.4%	3.3%	3.7%	4%
Total	1,847,130	1,796,836	2,401,610	1,521,899	1,937,694	1,903342
Percentage	100%	100%	100%	100%	100%	100%

Source: Directorate of Food.

*Offtake in this category was less than 500 MT.

TABLE N

OFFTAKES FROM SR AND MR, FY83 (LONG TONS)

		July 82	Aug.82	Sept.82	Oct.82	Nov.82	Dec.82
Statutory Rationing							
Rice		12396	6753	6649	6128	7563	7207
Wheat		20195	19559	19116	18282	19895	20313
	Total	32591	26312	25765	24410	27458	27520
Modified Rationing							
Rice	12518	12518	20782	34669	25499	16046	5804
Wheat		1343[illegible]	17683	24881	34607	16514	9768
	Total	2[illegible]55	38465	59550	70106	32560	15572

		Jan.83	Feb.83	Mar.83	Apr.83	May 83	June 83	Year Total
Statutory Rationing								
Rice		7104	6240	7184	6080	5297	8191	86800
Wheat		20[illegible]4[illegible]	18520	18765	14499	17354	9418	215958
	Total	2714[illegible]	24760	25949	20587	22651	17609	302758
Modified Rationing								
Rice		16915	16620	18293	14169	9231	5771	206317
Wheat		10890	10032	7403	3565	4309	2316	155405
	Total	27805	26652	25696	17734	13540	8087	361722

TABLE O

OMS OFFTAKES, COUNTRY AVERAGE RETAIL FOODGRAIN PRICES AND INITIAL OMS PRICES BY MONTH, JULY 1981 - JUNE 1983

Month	OMS Offtakes(In Tons)			Foodgrain Prices(Taka/Maund)		Initi
	Rice 1/	Wheat	Total	Coarse Rice	Wheat	Ri
July, 1981	-	-	-	171.5	110.3	200
August	-	-	-	170.8	110.2	200
September 2/		2,494	2,494	171.7	114.2	200
October	1,750	1,448	3,198	188.6	118.4	200
November	1,581	561	2,142	194.8	118.9	200
December 3/	209	132	341	198.1	119.1	200
January, 1982	-	300	300	210.1	127.2	200
February	-	-	-	248.1	160.3	200
March	10,647	2,969	13,616	263.1	153.9	220
April	21,094	279	21,373	283.0	155.2	220
May	1,847	558	2,405	225.1	152.1	220
June	105	411	516	211.1	143.0	220
Total FY-82:	37,233	9,152	46,385	N/A	N/A	N/A
July	102	901	1,003	213.1	149.2	220
August	11	4	15	218.3	151.9	220
September	9,475	16.152	25,627	241.3]	170.0	220
October	21,422	52,266	73,688	255.6	171.7	220
November	2,862	8,117	10,979	231.4	151.0	220.
December	—	-	-	220.1	147.8	240
January, 1983	-	91	91	234.1	162.6	240.
February	43	1,287	1,330	235.8	160.6	240
March	887	529	1,416	243.0	148.6	240
April	433	49	482	245.3	138.3	240
May	962	4	966	241.3	144.6	240
June	349	102	451	227.6	144.0	240
Total FY-83:	36,546	79,502	116,408	N/A	N/A	N/A

1/ Rice plus paddy in rice quivalent.
2/ The Circular, allowing sale of paddy and rice in addition to wheat price chart was not issued until September 29, 1981 although unde this respect was reached in the Title III Amendment of June 26. September wheat was the only OMS commodity. Initial OMS price of maund was in fact the trigger price.
3/ Although domestic procurement prices were raised with effect from 1981 the initial OMS price and the OMS price chart was not revise February 25, 1982. OMS offtakes from December through February w insignificant because of confusion arising for non-revision of OM
4/ Applicable for non-SR areas. Initial rice OMS prices in SR areas above the price in non-SR areas. Wheat prices are Tk.5-6 above t non-SR areas.
5/ The initial OMS prices of Tk.240.0 and Tk.144.0 permaund for rice respectively became effective from November 14, 1982.

PROJECT IDENTIFICATION FACE SHEET

Project Control Number: 84

Title: Title III Food for Devel.

Sector: PL 480

Region: Asia

Country: Bangladesh

Amount: $/65 million

Duration: July 1, 1982 - June 30, 1983

On-going ✓

Completed

Type of Assistance

Loan		ESF	
Grant	✓	DA	
Capital		PL480	✓
Technical		C.I.P.	
		Other	

Pillars Addressed: (A. Policy Dialogue; B. Institution Building; C. Technology Transfer; D. Private Enterprise Development

A.	✓	C.	
B.		D.	

Evaluation Type

Interim	✓
Final	
Ex-Post	

Evaluators

In-House	✓	Mollohan
Consultants		Wargen
Host Country		Montgomery

Project Control No. ________

PROJECT WORK SHEET #1
(use extra sheets if necessary)

I. Compatibility with H.C. Environment

Rating (0-10) ____

III. Project Implementation Rate and Problems Encountered in Process, Host and U.S. Generated

Rating ____

II. Institutional and Human Resource Development Capabilities

Rating ____

IV. The Sustainability Factor

Rating ____