TITLE III: FOOD FOR DEVELOPMENT PROGRAM

FY-1986 EVALUATION OF THE BANGLADESH PROGRAM

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FY 86 Evaluation of the Bangladesh Title III Food For Development Program

GLOSSARY OF TERMS USED

BBS	Bangladesh Bureau of Statistics
BDG	Government of Bangladesh
BSFIC	Bangladesh Sugar and Food Industries Corporation
BTMC	Bangladesh Textile Mills Corporation
EP	Essential Priority
FPA	Food Policy Analysis
ERD	External Resources Division, Ministry of Finance
FAO	Food & Agricultural Organization
FFWP	Food-for-Work Program
FM	Flour Mills
FPMS	Food Planning & Monitoring Secretariat
FPS	Fair Price Shop
FS	Free Sale
GRH	Graham-Rudman-Hollings Act
GR	Gratuitous Relief
IF	Institutional Feeding
LE	Large Employers
MOF	Ministry of Food
MO	Marketing Operations
MR	Modified Rationing
OMS	Open Market Sales
OP	Other Priority
PFDS	Public Food Distribution System
SR	Statutory Rationing
VGFP	Vulnerable Group Feeding Program
WFP	World Food Program

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I. Introduction and Summary

A. Scope of Work

The present evaluation focus is US Fiscal Year (FY) 86. This corresponds with the fifth year of the second PL-480 Title III Food For Development Agreement formally signed on March 5, 1982. The initial Agreement covered only a three year period USFY 82-84. It was subsequently extended for a fourth year (Amendment 9) and for a fifth year (Amendment 11).

During the five years, the agreement was amended a total of twelve times adding additional commodities. The program by year and by the accumulative amendments as reported by FAS is attached as Annex II. The Self Help measures as amended, are given in Annex III. Annexes A and B of the 1982 Agreement are attached as Annex IV.

In accordance with PL-480 legislation and as specifically provided for in Annex A Item III 6 of the Agreement, the Bangladesh Government (BDG) and the United States Government (USG) must jointly evaluate the program annually. Benchmark areas to be included as part of annual and final evaluations to determine progress are specified in the Agreement (Item IV, B) and have been specifically examined below.

In undertaking the FY 86 evaluation, the reports of earlier evaluations were reviewed including the GAO report entitled, "Financial and Management Improvements Needed in the Food For Development Program", dated August 1985. The Team also reviewed selected background documents for the proposed third Food For Development Program and various assessments jointly commissioned by the BDG, Ministry of Food (MOF) and USAID (See references).

The evaluation team was able to meet with key BDG officials and others to solicit their comments and recommendations. In examining the Self-Help measures and benchmarks, we find that the BDG is in substantial compliance with the terms of the Agreement. Substantial progress has been made over the past nine years covered by the 1978 and 1982 Agreements in achieving the central policy commitments to phase-down subsidized commodity distributions by the Public Food Distribution System (PFDS). The BDG, Ministry of Food (MOF) manages domestic and foreign acquisition of food commodities, maintains security and price stabilization stocks and distributes/markets these commodities, through various MOF programs described below.

In addition the BDG has also undertaken development projects and other activities using the Taka sales proceeds and other resources. The significant pipeline problems noted in earlier evaluations and reporting cables remain. However, because the BDG is now earning potential loan forgiveness credit for a larger share of its throughout (offtake) as a result of food price policy changes, the pipeline is not expected to grow, (see Section II, B.). We recommend that similar conditionality for loan forgiveness be retained in the proposed Title III Agreement.

We also examined the recommendations made by the FY 85 evaluation team. Some of the recommendations have been disposed of while other longer term recommendations have been restated and included in the FY 86 recommendations.

B. Findings and Recommendations

1. General Recommendations

a. The BDG is in substantial compliance with the policy and self-help conditionality contained in the 1982 Agreement. We recommend that USAID be authorized to begin formal negotiations for the Third Agreement as soon as practical.

b. The price policy conditionality for loan forgiveness first stated in the 1978 Agreement and continued in the 1982 Agreement has been effective in stimulating a productive policy dialogue between the USG and BDG and, we believe, BDG commitments to reduce the subsidy element in PFDS marketing operations where such subsidies are not warranted by the income status of the beneficiaries. We recommend that similar loan forgiveness conditionality be retained in the proposed Agreement.

c. The evaluation team recommends that future annual evaluation team composition include a team member from the BDG. We believe this will help facilitate the process.

2. Public Food Distribution System

a. The BDG has not been able to maintain the benchmark stock levels proposed in the 1982 Agreement. Therefore it was not able to benefit from special currency use offset provisions. We recommend that the USG not urge the BDG to increase normal target levels above the 0.9 - 1.0 m.m.t. range at this time. However, these targets should be periodically reviewed and adjusted as warranted.

b. While the programmed levels of PL 480 wheat and rice may not in and of themselves constitute a significant disincentive to BDG policy and price reforms, the total grant and concessional food aid provided from all sources obviously could represent such a disincentive. We recommend that the mission continue to fund the kinds of studies noted in the list of documents consulted which provide the data and analyses needed to conduct meaningful policy dialogues.

c. We note that food donors meet monthly with BDG officials under the chairmanship of the WFP representative. We recommend that the USAID continue to take the lead within this group to assure that disincentive issues are openly and frankly discussed and measures taken collectively to assure that the net contributions of food aid to development and policy reform outweigh potential disincentives.

d. The MOF through its acquisition program has been instrumental in leveling out more profound fluctuations in farm prices in normally rice surplus districts. This is not to say that the PFDS always is able to support market prices in all markets during all harvest seasons. Information indicated that MOF local acquisitions had been cutoff on occasions when stocks became larger than the Food Budget Balance Sheet warranted. We recommend that assistance continue to be given to the MOF to improve this important component of their activities.

e. A specific word of caution as to the trends in PFDS operations seems warranted. Rice remains the dominant farm cash income and foodgrain crop throughout Bangladesh. The BDG must continuously make hard decisions as to the levels of rice it wishes to purchase and the annual floor price it wishes to announce and support through the PFDS system. On the one hand, world price levels of both wheat and rice are now substantially below PFDS floor prices. A price set too high could cause distortions in farm systems and invite widespread smuggling of grain.

The offtake through the PFDS of locally purchased grain is less than 20 percent of total offtake. The BDG should develop a strategy/plan to gradually increase domestic purchases in order to become less dependant on commercial imports and food aid. As a corrolary, the master strategy must include MOF/PFDS management reforms which are being recommended by an FAO PFDS management consulting team. The MOF is said to experience enormous stock and fiscal losses through lack of supervision and mismanagement at all levels. We recommend that one of the policy thrusts of the next Title III agreement be steps which the MOF should take to reduce operating costs and to improve the marketability of the paddy and wheat passing through its distribution system.

f. The BDG/MOF must gradually introduce greater location and market specific flexibility into foodgrain pricing decisions. We recommend that, to the extent possible, targets and benchmarks for price setting and cost margins, as included in the next agreement, be specified so as to encourage rational management of security stocks.

g. The BDG has not been able to maintain the benchmark stock levels proposed in the 1982 Agreement. Therefore it was not able to benefit from special currency use offset provisions. The evaluation team recommends that the USG not urge the BDG to increase normal target levels above the 0.9 - 1.1 m.m.t. range. While the programmed levels of PL 480 wheat and rice may not in and of themselves constitute a significant disincentive to BDG policy and price reforms, the total grant and concessional food aid provided from all sources obviously could represent such a disincentive.

3. Cotton

a. The Title III/82 Agreement called for the BDG to take a number of actions to stimulate the private cotton-spinning industry: (i) eliminate a requirement that the size of private spinning mills be limited to 12,500 spindles and allow larger, more economic mills, (ii) ensure that private mills receive a proportionate share of cotton imported by the Government, and (iii) remove administrative and fiscal constraints on private cotton industry development. The government has carried out the required reforms. In addition, the government has turned over a number of public spinning and weaving mills to the private sector. By FY 85, the Bangladesh Textile Mills Corporation (BTMC) had divested 27 of its 55 textile plants to the private sector.

b. A future concern in the new Title III/87 program could be the compliance report for cotton, due to a recent announcement by the Export Promotion Bureau in favor of using domestically produced cloth, in manufacturing exported clothing, to imported cloth. The Mission and FAS might wish to examine this further under the new Title III program.

4. Soybean Oil

The Title III/82 Agreement spells out two main policy objectives with regard to soybean/cottonseed oil. First, it says that soybean/cottonseed oil should be sold through private sector wholesale and retail outlets, and not through the ration system. The Agreement also stipulates that the amount of vegetable oil in PFDS not be increased. Both of these policy objectives have been met.

5. Local Currency Generation and Gap

There has been a lag in the generation of local currencies under both of the two Title III agreements. A major cause has been the desire of the mission to limit generations to those mechanisms which directly reinforce the policy objectives of the Title III program.

a. Both the mission and the BDG are cognizant of this generation gap and are moving towards a system which will increase the amount of generations. With the signing of Amendment No. 9, all channels selling at OMS price levels were deemed to be permissable local currency generation channels. In the last 23 months, the BDG has moved two major ration channels to the OMS price levels. These are flour millers (FM) and large employers (LE) channels. The addition of these channels to the OMS price levels is expected to increase the amount of generations which are permissible for programming.

It is recommended that other channels be reviewed as possible channels for generation of permissable generations in view of this permissable local currency generation gap. The evaluation team would encourage the mission and BDG to coordinate fully on this issue. This will be an agenda item on the new Title III program.

b. Also the mission should encourage and support the BDG to maintain their reserve levels during the year so that these can be counted as permissable grains toward loan forgiveness. The mission and BDG might wish to review the reserve levels on a periodic basis to confirm their proper levels during the year.

c. Both the BDG and the mission have expressed a desire to review the Ministry of Food's rules and operations for implementation of the OMS mechanism. A recommendation of this evaluation team is that during the first year of the 1987 Title III program a study be commissioned to review the MOF process in implementing the OMS system and make recommendations as to making its operations more efficient and market responsive.

6. Local Currency Programming and Approved Projects

Since the last evaluation dated October 1985, there have been considerable movement within the Title III program to program local currency generations available in the special account. Of taka equivalent of $302 million generated, $259.6 million has now been disbursed.

a. Although selection of these projects were done systematically and with great adherence to overall project goals and their conformance to the development of the agricultural and rural infrastructure sector, there was very little coordination with other donors involved in the project to ascertain project status. The evaluation team recommends that USAID/B take additional time to discuss potential projects with other primary donors and the implementing agency to better ascertain project status and to fully develop coordination with other prime donors.

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b. For the first time since the begining of the Title III program, the mission has taken the initiative to program local currencies for projects directly related to the overall USAID portfolio rather than those projects identified by BDG. The evaluation team considers this new departure in programming of local currencies to be a positive one and recommends that the mission continue to program the local currency in ways which will complement USAID's overall agriculture and rural development program and the BDG's food sector.

7. Monitoring and Evaluation of Projects

The available trip reports and data on the on-going projects indicate that they are in general doing a satisfactory job of moving towards attaining the BDG goal of agricultural and rural infrastructure development.

a. In the current era of GRH and cuts in the operating budgets of AID, it is unreasonable to expect additional manpower, and operations must be streamlined to perform more efficiently. Thus the programming of local currency generations to those projects which have major "hands-on" donor or USAID/B funding are attractive. In view of the this situation, this evaluation team would recommend that the mission consider funding only those projects which are primarily funded by other "hands-on" donors and USAID/B.

b. Other projects which do not fit the above criteria could be considered if the mission felt that the implementing agency of the BDG was practicing sound accounting and audit operations and therefore, that the monitoring, evaluation and reporting of these projects would not be a problem.

c. After the last evaluation and the findings of the GAO team, USAID/B commissioned a study on local currency programming. This study was carried out by a local consultant, Gholam Hossain, and looked at the programming of local currencies including: 1. selection of projects and 2. maintenance of records of expenditures and reporting requirements. Although the members of this evaluation team are not accountants nor auditors, the recommendations in this study seem sound and practical. The evaluation team strongly recommends the mission and the BDG throughly review the study and agree to measures which must be installed.

d. Another recommendation is that the mission request the BDG to outline in more detail the use of local currency which is requested by ERD. This could be done in the original letter of request by adding line items under the total project amount requested. In addition to giving the mission a better idea of the use of funds, this would also allow for a better audit trail should there be need for one.

8. BDG Reporting Requirements

There seems to be no major problems with basic compliance on reporting requirements at this time, with the exception of timelines in general.

a. The report pertaining to cotton import data estimates to establish the UMR for cotton has been continually delayed. This is discussed further in the reporting section.

b. The report dealing with commodities received, generations, and programming is received and monitored by USAID/E/F&A. There have been continual problems with receiving these reports in a timely fashion in the format needed. Much of this has been due to the lack of coordination among various implementing agency including ERD, MOF, BTMC, and BSFIC in providing the data needed. ERD has assured the evaluation team that they are fully aware of the situation and are taking steps to streamline the operation including setting up the PL 480 Title III Coordination Committee.

c. There is a gap between the time that the commodities are sold and when the funds are deposited into the special account. There is a gap between the time that funds are disbursed for identified development projects and when it is reported as such for loan forgiveness purposes. There are a number of recommendations provided by the study on Local Currency Programming Related to PL 480 Title III by G. Hossain which should be reviewed by USAID/B with the BDG for agreement and implementation as suggested in Section III. D.

d. It should be noted that the new Title III/1987 program has proposed a PL 480 Title III Coordination Committee; consisting of all the coordinating and implementing BDG agencies, to be responsible for monitoring the implementation of various provisions including the reporting requirements. This should greatly increase the communications between the various Ministries for more timely and better quality reporting activities.

II. Synoptic History of PL-480 Program

Bangladesh is a seriously food deficit country with annual domestic foodgrain production currently of roughly 16.1 million metric tons. If FAO/WHO minimum calorie requirements were to be available for consumption, an additional 4.8 million tons or over 21 million metric tons would be required. In recent years, BDG has been able to supplement availability through concessional and commercial imports, effectively levelling out "status quo" requirements but at a level roughly 15-20 percent below nutrition based needs.

Taking into account fluctuations in national and local food crop production (which can be very large due to drought, floods and cyclonic storms) food production has been growing at roughly 2.4 percent per annum -- or roughly the rate of population growth.

While "food self sufficiency" was the goal of both the BDG Second Five Year Plan (1980-85) and the current plan 1986-1990, it is not likely that Bangladesh can achieve either "self-sufficiency" or food self reliance within the next decade. This has obvious consequences for the administration and planning of US food aid to Bangladesh.

A. 1978 Agreement

The first Title I/III Program in Bangladesh started in FY 73 with a Title I program which was primarily a famine relief program using wheat. This Title I program was in effect from FY 73 to FY 80. The Title I program was followed by a Title III program in FY 78 when there was increasing realization of the need for a longer term objective of foodgrain security and an expanded foodgrain production system. During this first Title III program (FY 78 to FY 81), wheat was the sole commodity except in the final year when a shipment of soybean oil was included (See Table III D.1).

B. 1982 Agreement

The second Title III program began in FY 82 and concluded in FY 86. This program continued the longer term objectives of the first Title III program. It was also characterized by greater commodity flexibility with wheat, rice, cotton, and soybean oil being included in the commodity mix. (See Table III D.1).

The major initiatives under this second Title III program were: agricultural production, food security, and special commodity activities.

1. Agricultural production: The agreement spelled out the need for BDG to maintain an effective procurement program, including setting procurement prices at a level that would provide an incentive to farmers. Thus each year the government would analyze the structure of the foodgrain production system, taking into account the costs of production and relevant factors including consumer and world price trends, and establish procurement prices for rice, paddy and wheat.

2. Food Security: An integral part of the second Title III agreement dealt with the reduction of subsidies in the Public Food Distribution System (PFDS) and the use of the Open Market Sales (OMS) program to moderate food grain price instability. Also, the maintenance and management of reserves for food security was actively encouraged in the agreement.

3. Special Commodity Activities:

a. Soybean Oil included in the agreement was to be sold only through private sector wholesale and retail outlets and not through the ration system. The amount of vegetable oils in the PFDS ration system was not to be increased.

b. Cotton provided under the agreement was to be used for rural development purposes. The yarn spun from the raw cotton was to be sold to the rural based handloom industry to provide employment and income to rural dwellers, most of whom are women in this sector.

III. A. General Situation in the Agricultural Sector in FY86

According to the latest World Bank analysis the agricultural sector in Bangladesh grew by 3.8% in FY 86, up from 1.8% in the previous year. This growth is attributed to the 50% increase in jute production, although overall agricultural incomes were depressed due to a 50% decline in the jute prices and falling foodgrain prices. The Aman rice crop had an outstanding year in FY 86 -- up 600,000 tons to over 8.5 million tons but overall foodgrain production remained stagnant at 16.1 million tons due to a 30% drop in wheat production and a small drop in the Boro rice crop. This drop in wheat and boro production is attributed to drought like conditions in the surplus wheat/boro areas of the country during the boro season. Also for Boro rice, planting was reduced in the wake of a bumper Aman rice crop which affected farmers' decisions on Boro planting.

Relative price shifts, input use, and credit availability all played important roles in the FY-86 production picture. Low paddy prices dampened incentives for boro and wheat production and, in combination with buoyant prices for some of the minor crops, stimulated some substitution. Input purchases which declined for the first time in many years, were discouraged by lower rice prices, low cash incomes from jute, and the squeeze on agricultural credit. Fertilizer sales were also lower in comparison to that in FY 85, partly because FY 85 fertilizer use was high as a result of additional use on replanting of crops. Gross credit extended to agriculture feel from the equivalent of $280 million in FY 85 to $215 in FY 86. Recoveries, amounting to $210 million, rose slightly in absolute terms from FY 85, but as a proportion of outstanding loans fell from 38% to 26%. Partly as a result of this, as well as serious institutional problems, sales of irrigation equipment slumped badly: only 400 shallow tubewells were sold in comparison with 17,[illegible] in FY 85, and sales of deep tubewells fell from 2170 to 670. The growth in irrigated area was thus only 2% in contrast with 6% in FY 85. This will undoubtedly influence the output in both FY 86 and FY 87.

III. B. Public Food Distribution System

The origins of the Public Food Distribution System (PFDS) and food policy in Bangladesh have been summarized in Annex A of the proposed Agreement PAAD. Initiated in response to famine conditions -- which necessitated rationing -- it has grown to include twelve official food distribution channels. As recently as 1974, "large farmers' were required to sell a portion of their production to the PFDS at a fraction of free market prices. This food was then distributed through a ration card system at highly subsidized rates. Measured against this base point, policy and program modifications have been extraordinary and positive while chronic food deficits remain.

The principal policy objectives of the first Title III Agreement, continued in the second, were various measures designed to phase out subsidized distribution channels over a period of time and move toward the use of Open Market Sales from PFDS stocks as the preferred mechanism to buffer market prices (and consumer income) against increases in food prices, caused by supply shortages. Simultaneously, purchases at pre-announced price levels during peak harvest seasons, were to be expanded to (a) stimulate the expansion of domestic foodgrain productions through producer incentives and (b) buffer open market farmgate prices against temporary local market supply gluts.

To summarize, the PFDS system has multiple (and on occasions) conflicting program functions:

- To reduce wide swings in (wholesale and consumer) foodgrains prices (and farmers' income) not justified by normal seasonal availability and marketing costs, by distributing commodities from foodgrain reserves when consumer prices exceed a preset trigger price.

- To support producer prices (and farm income) through purchase of wheat and rice when market prices fall below a preset price level. The trigger (floor) price is to be announced prior to the planting season.

- To set floor prices for wheat and rice purchases at a level adequate to cover all farm input costs plus a margin for profit, to encourage investment such that farmers will be able to take advantage of high yielding varieties (self-help measure No. 2 and Annex A).

- Following assessment of availability and forecasts of expected yields, to document the need for concessional food aid (including Title I and II) and/or seek BDG authority to buy foodgrains from commercial sources.

- To continue phasing down the ration system by (a) gradually moving (ration) prices upward toward the open market price levels (b) by reducing the rice portion of rations, to be substituted by wheat, which provides equal calories at a lower price and (c) by gradually lowering the ration quota for individual card holders (SHM 4).

- To maintain adequate levels of food security reserves and to expand the average level of food security reserves to 900,000 metric tons on November 1st (just prior to the principal aman rice harvest and to 1.1 million metric tons on July 1st (just prior to the most risky supply period).

1. PFDS Marketing Channels

The PFDS acquisition of wheat and rice (and offtake) in recent years has varied from 1.5 to 2.5 million metric tons. Typically it handles somewhat less than 15 percent of all rice moved through marketing channels but approximately 50 percent of all wheat. Most of the rice consumed (over 95 percent) is produced within Bangladesh while roughly half of all wheat is imported. Because it handles such a small share of all rice, fine tuning purchases and disbursals to support farm level prices while capping price increases (taking into account four marketing seasons and local yield variabilities) is a formidable task. The BDG deserves credit for the relatively good success it has achieved in levelling out producer and consumer prices.

The PFDS, the major wholesaler of wheat and rice, has had and will continue to have a major impact on the wholesale and retail profit margins of the marketing trade. PFDS official distribution channels are the following:

A. Statutory Rationing (SR) -- Sales through licenced, privately owned ration shops to ration card-holders in six major urban centers at a controlled price set by the MOF.

B. Other Priorities (OP) -- Sales under similar to SR, a ration card system, for public employees and other categories in non-SR areas.

C. Essential Priorities (EP) -- Ration card system for personnel of police and military services. Price remains at FY 74 levels, providing a valuable "perk" to these employees.

D. Modified Rationing (MR) -- Ration-price sales in peri-urban and rural areas. Food allowances are supposed to favor persons with low incomes.

E. Large Employees (LE) -- Wholesale sales to employers of 50 persons or more who compensate employees partly in kind.

F. Flour mills (FM) -- Wholesale sales of wheat to both large and small scale white-flour millers.

G. Market Operations (MO) -- Sales category used to dispose off surplus stocks at the SR ration price currently in effect.

H. Open Market Sales (OMS) -- Sales of grain to local wholesale and retail outlets at a price which should cover acquisition and handling costs.

I. Free Sales (FS) -- Sales of damaged stock at whatever price is warranted by stock condition.

J. Food For Work (FFW) -- Distribution of Food as a wage in kind through; World Food Program (WFP), Title II (CARE) and BDG managed programs, targetted to under-employed persons.

K. Vulnerable Group Feeding (VGF) -- Mother/child feeding.

L. Gratuitous Relief (GR) -- Distribution to destitute persons.

M. Emergency Feeding (EF) -- A special category of GR with distribution to persons temporarily without food due to natural disasters.

The Public Food Distribution System (PFDS) offtakes by Channel for the period 1978/89-1986/87 BDG/FY is shown in Table III A.1.

2. Evaluation of PFDS Performance

The 1978 and 1982 project documents looked forward to a future date when Bangladesh was projected to achieve food self-sufficiency. It assumed, without supporting analysis, that self-sufficiency would be achieved by the end of the second five year plan which corresponds with the fourth year of 1982 Agreement. At that point, the PFDS, it was argued, would need to have only three distribution channels. These were to be:

1. Open Market Sales (OMS);
2. Food For Work (FFW); and
3. Gratuitous Relief (GR).

The PFDS system is a very large and very complex system. Among other things, it maintains offices in 64 districts and roughly 460 sub districts (Upazilas), administering, buying, and wholesaling activities and ration card programs for some 10 millions families. On the operations side, it manages 4 silos at key points with good transportation network, 12 central storage depots used for storing foodgrains for longer periods, 600 permanent local storage depots, which may increase as buying centers, and 200 temporary procurement centers.

The MOF Food Budget: The basic management tool of the MOF is a food budget. Data inputs to the budget include estimates of demand (offtake) by channel for each commodity, estimates of supply (acquisitions) based on crop yield estimates and offering price, and the current levels of operations and security stock. After estimates of concessional food commodity arrivals for the period are factored in, the balance may be met through commercial purchases. Good data is available for each of the major net surplus and net deficit districts such that the purchase and movement of commodities takes place on a rational and timely basis under normal conditions.

The MOF foodgrain budget intake of commodities over the 1981-85 period has averaged roughly 19 percent local purchases, 26 percent commercial purchases and 55 percent concessional food aid including PL 480 (Table 5.1.) Concessional and commercial food imports have averaged roughly 15 percent of total national foodgrain availability. Title III shipments have averaged roughly 14 percent of the MOF food budget over the 1981-85 period and about 2 percent of total food availability.

These simple statistical analyses illustrate the importance of concessional food aid in the MOF food budget. The levels and sources of commercial and concessional food commodities for the period 1981 - 1986 are shown in Table 2.321. Some donors do not place conditions on the channels through which the MOF can utilize their commodities, while others, like the USG do. The BDG/MOF uses commercial importations according to its own priorities.

The Title III 1982 agreement is unique in requiring that the MOF allocate, in preference, PL 480 wheat and rice to the unsubsidized channels of the MOF food budget. A specific commitment contained in the 1982 agreement was that the BDG could only "earn" Taka to be used for currency use offset by proof that commodities (equivalent to the tonnage of each years agreement) had been marketed through the open market sales (OMS) channel. A corolary condition was that the official OMS sales price was to be established at 15 percent above the official acquisition price in order that as much of the subsidy element as possible is eliminated from PFDS operations. The 1982 agreement was amended to permit the MOF to earn currency use offset from sales through other channels where the sales price was set at the current OMS price. This amendment also fixed the mark-up to cover administrative costs at 15 percent of the base acquisition price for wheat.

The origin of the pipeline problem discussed in more detail in section III D is derived from the fact that the MOF has not been able to sell all of Title III foodgrains provided each year through the full price/cost recovery distribution channels as was projected in the 1982 agreement, as amended.

Detailed information on the historical and projected offtake by channel are published by the MOF. The World Food Program (WFP) maintains independent records as a cross check for the food donor community. A very significant and growing portion of the total PFDS offtake is made through the targetted FFW. VGF and other relief channels with the percentage increasing from 21 percent in 1981/82 to 44 percent in 1985/86 III B.1. This growth has been offset by a corresponding decrease in offtake from the ration channels from 62 to 38 percent of total offtake.

Over the same BDG/FY 81/82 to 85/86 period, rice as a share of the ration channel offtake decreased from 45 to 26 percent. Rice as a share of all PFDS offtake declined from 37 percent to 24 percent.

The impact of concessional and grant food on offtake patterns is large and growing. Wheat dominates concessional and grant food aid. In addition, donors are increasingly targeting their grant aid on FFW and VGF channels.

Of some interest to the market development contribution of the PL 480 program, almost no wheat was produced or consumed in Bangladesh prior to 1965. Today, wheat is consumed by all economic groups and roughly 50 percent of consumption is produced in Bangladesh as a complementary dry-season crop. Because of large MOF commercial purchases of wheat, a UMR of 100 thousand metric tons will be added to the 1987 Agreement.

3. Producer Price Support and Disincentive Analysis

The MOF food budget (and corresponding fiscal budget) is derived from projections of domestic production (supply) and projected offtake. MOF officials generally recognize the relationship between established floor prices or producer incentives, and expected domestic production in future periods.

The 1982 agreement contained a commitment that the MOF announce its procurement price for each crop harvest season in advance of normal planting dates. We understand that on occasions procurement price announcements have been tardy but this has been rare.

Monthly market, procurement, ration and open market sale prices for wheat and rice by month over the period July 1983 to September 1986 are shown in Annex Tables 9.11 and 9.1 respectively. Prices are in Taka per maund.

[illegible] procurement prices, which apply to all buying centers throughout the country, are set in consultation with the Ministry of Agriculture.

The market price is the average retail market price per unit for Bangladesh markets. The initial open market sales (OMS) price is set by the MOF at a level 115 percent above the procurement price, that will presumably cover all costs associated with the marketing of foodgrains through this channel.

The ration price is the price per maund which ration card holders must pay to receive their ration allowance. With the ration price being raised close to the open market price, use of the ration channels has declined sharply.

The relationship of monthly open market wheat and rice prices with the official procurement price is shown in Figure 1 and [illegible]. According to the data, the MOF procurement price of rice [illegible] exceeded the average open market price since January [illegible]. That for wheat has exceeded the market price in each of the three previous harvest seasons.

[illegible] this ratio, the MOF has been able to purchase some rice [illegible] districts in peak harvest seasons. As it is required to purchase all grains offered which meets minimum standards, MOF officials state that their purchases are often of [illegible] quality. This contributes to [illegible] the MOF has in marketing [illegible] and [illegible] stipulated in the Title III Agreement.

[illegible] both under the present combined US bilateral assistance and PL-480 programs and the proposed program, the BDG-[illegible] has and will continue to receive assistance to improve crop [illegible] and to enhance its efficiency in the management of stocks. We highly endorse these complementary planned activities and projects.

In summary, offtake [illegible] the Open Market Sales channel fell to a five year low in BDG/F '1985-86 seriously limiting Taka generations. Some compensatory generations occured from sales to millers and large employers. The MOF was forced to offer some inferior quality rice through the MO and Free Sales channels at less than the OMS sales price. These events illustrate some of the management problems experienced by the MOF in buying, storing and rotating stocks.

[illegible] Price Support: The Team examined the performance of the [illegible] maintaining a floor price [illegible] costs.

[illegible] data which would conclusively establish that the [illegible] set by the MOF in consultation with the Ministry of Agriculture, was adequate to cover all input costs. MOF officials candidly noted that they are not prepared to incur financial loss by procuring sub-standard wet paddy that does not store for a long time in warehouses.

Data on foodgrain prices for the 1982-86 period are shown in Annex Table [illegible] for Rice and Table 9.11 for wheat. Both show some [illegible] normal seasonal variability but deep drops in post harvest [illegible] which were formerly large have been moderated. Procurement prices have been raised 23 percent for rice and 33 percent for wheat since July 1982.

This is not to say that the FPDS always is able to support market prices in all markets during all harvest seasons (three rice harvests and one wheat harvest season occur). Informants indicated that MOF local acquisitions had been cutoff on occasion when stocks were larger than the food budget balance sheet [illegible]. This aspect of the MOF management system still needs improvement.

[illegible] data series comparing the price of wheat and [illegible] to the whole sale price index (Table 3.9). Both [illegible] upward at exactly the same rate. By these [illegible] the [illegible] has at least not allowed wheat and rice prices [illegible] to lag behind general inflation.

4. [illegible] Management and Maintenance of Reserves

[illegible] wheat in the 1982 agreement [illegible] food grain reserves. Eligibility for [illegible] for Title III wheat used for foodgrain reserves was to be based in part on the maintenance of adequate total [illegible] reserves. Eligibility was to be determined on individual [illegible] and to be based on benchmark total foodgrain stock levels during the year following shipments. The benchmark stock levels for all foodgrains was 1.1 million tons on July 1 and [illegible] million tons on November 1. One year after the arrival of each year's shipments in Bangladesh, the GOB could seek commodity use offset, in the equivalent dollar value of the [illegible] of the Title III commodities held in reserve for the [illegible] one year period provided that the total [illegible] were maintained. Commodities delivered that received commodity use offset for being held in foodgrain reserve [illegible] could only be used for the Food for Work Program.

[illegible] delivery periods [illegible] during the [illegible] for this special currency use [illegible].

Best Available Document

Table 9: Public Foodgrain Distribution System Offtake by Medium

('000MT)

	79/80	80/81	81/82	82/83	83/84	84/85	85/86	86/87 (proj)
RICE								
Statutory Rationing	250	146	109	88	81	69	26	46
Modified Rationing	178	94	267	210	163	125	21	78
Essential Priorities	51	54	62	60	66	69	70	73
Other Priorities	215	155	146	95	102	92	35	87
Large Employers					3	1	8	14
Open Market Sales			37	37	26	44	10	49
Marketing Operation	1		73		31	1	8	36
Free Sale							72	
FFW, VGF & Relief	7	67	74	6	32	6	123	51
Sub-Total	702	515	770	496	504	407	373	435
WHEAT								
Statutory Rationing	249	203	203	220	212	213	134	145
Modified Rationing	213	88	224	158	237	340	82	128
Essential Priorities	34	35	40	39	42	44	47	48
Other Priorities	332	208	235	248	242	296	175	225
Large Employers	108	32	56	77	58	62	28	50
Open Market Sales	116		9	81	81	157	48	72
Marketing Operation	6		37		20	7		3
Flour Mills	182	127	125	129	128	148	104	132
FFW, VGF & Relief	498	339	367	489	528	906	550	699
Food for Work	437	282	296	332	368	452	369	470
Test Relief	3	7	3	73	45	116	16	32
Vulnerable Group Feeding		23	39	67	92	231	152	176
Gratuitous Relief	58	27	29	17	23	107	13	21
Sub-Total	1,738	1,031	1,297	1,441	1,548	2,173	1,168	1,502
GRAND TOTAL	2,440	1,546	2,067	1,937	2,052	2,580	1,541	1,936
FFW, VGF & Relief as % of All Offtake								
Rice	1%	13%	10%	1%	6%	1%	33%	12%
Wheat	29%	33%	28%	34%	34%	42%	47%	47%
Rice+wheat	21%	26%	21%	26%	27%	35%	44%	39%
Rice as % All Offtake	29%	33%	37%	26%	25%	16%	24%	22%
Wheat as % All Offtake	71%	67%	63%	74%	75%	84%	76%	78%

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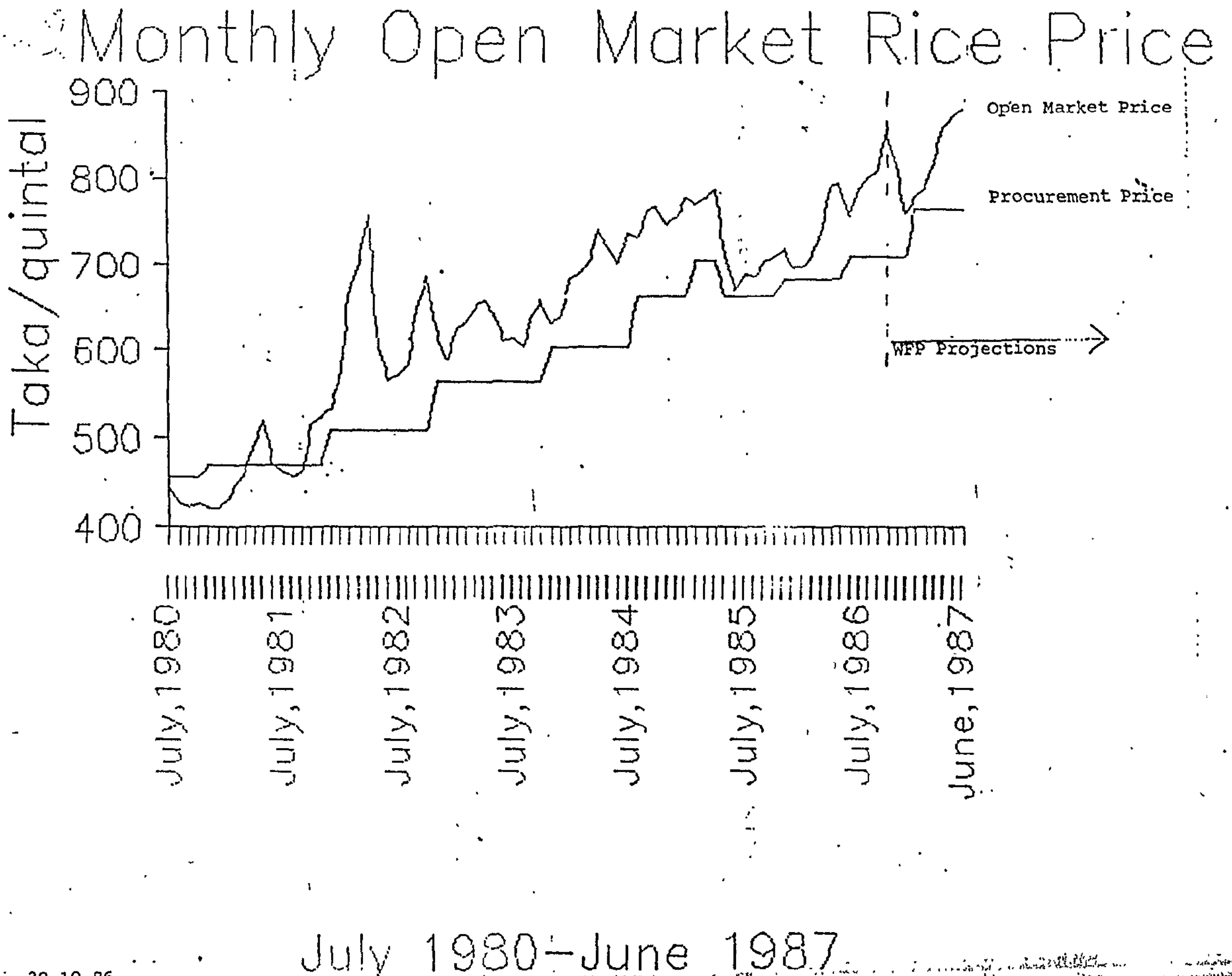
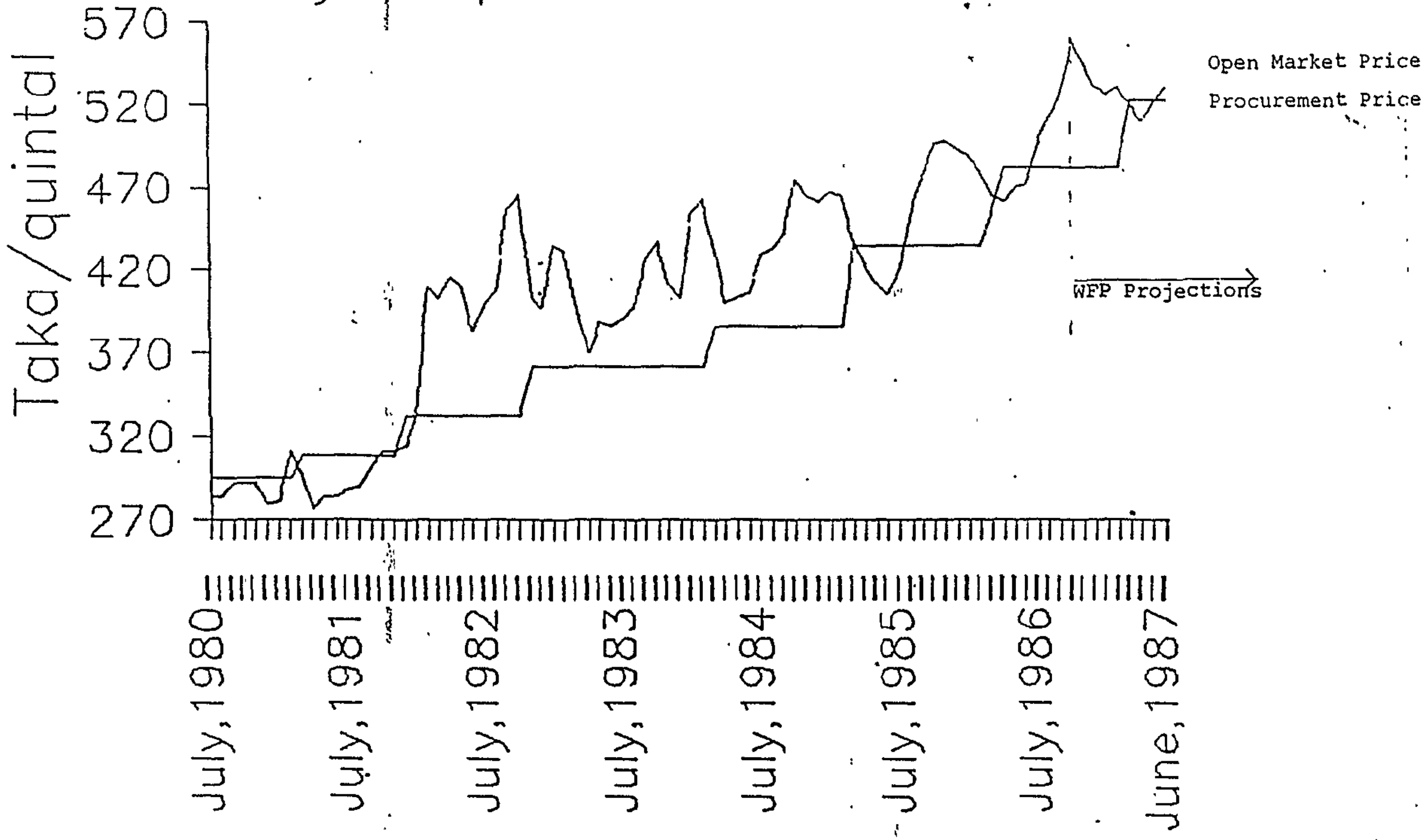
FIGURE 1.



28.10.86

FIGURE 1a.

Monthly Open Market Wheat Price



July 1980–June 1987

28.10.86

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III. C. Special Commodities

1. Cotton:

The Title III/82 Agreement includes cotton in the commodity mix as a means of promoting rural development. Cotton spun into yarn is sold to the rural-based handloom industry. This private, small-scale industry is labor intensive, providing employment to about 1 million people, most of whom are women.

To increase the availability of cotton yarn to handloom operators, the Agreement called for the BDG to take a number of actions to stimulate the private cotton-spinning industry. These initiatives include:

- Eliminate a requirement that the size of private spinning mills be limited to 12,500 spindles and allow larger, more economic mills.

- Ensure that private mills receive a proportionate share of cotton imported by the Government.

- Remove administrative and fiscal constraints on private cotton industry development.

The government has carried out the required reforms. In addition, the government has turned over a number of public spinning and weaving mills to the private sector. By FY 85, the Bangladesh Textile Mills Corporation (BTMC) had divested 27 of its 56 textile plants to the private sector. These plants make up 50 percent of production capacity. In addition, four new private textile factories have been constructed.

Bangladesh's textile industry has benefited from these actions. Having been stagnant for a decade, the industry increased annual output by about 22 percent during FY 82 - FY 85, from 102 million lbs. per year to about 125 million lbs.

BTMC also turned from being a financial drain on the government to being a profit-making venture. BTMC lost 625 million taka in 1982. In 1983, it turned a profit of 83 million taka, in 1984 120 million taka, and in 1985, 42 million taka. Due to major imports of foreign yarn into Bangladesh in 1984/85/86 and lack of payments from buyers of liqudated mills, BTMC will incur major loss in 1986 which are estimated around 559 million taka.

As is the case with soybean oil, price is a potential problem for Title III cotton imports. Because the price of U.S. cotton is higher than imports from other sources, BTMC is the only major user of U.S. cotton. BTMC does provide a useful social function, by providing 80 percent of its yarn to rural handlooms at controlled prices. However, for U.S. cotton to be used by private mills, some type of price equalization scheme will have to be put in place if they are to make a reasonable profit.

BTMC has requested that they get a price break as does BSFIC (with respect to CDSO) in their payment for US cotton. USAID and BDG might wish to discuss this further in the next Title III program.

A concern mentioned by the USDA/Agricultural Attache office has been difficulties in obtaining information on cotton imports in a timely manner to identify Usual Marketing Requirements (UMR). This has been discussed further in Section IIIE, BDG Reporting Requirements.

A future concern in the new Title III/87 program could be the compliance report for cotton, due to a recent announcement by the Export Promotion Bureau in favor of using domestically produced cloth, in manufacturing exported clothes, to imported cloth. This has been discounted by others who believe that domestically produced cloth is not of sufficient quality that manufacturers would be willing to use them for export clothing. Also there is concern that for a country like Bangladesh, it is unreasonable to request that no domestically produced cloth be used for exported clothing. The mission and FAS might wish to examine this further under the new Title III program.

As with the other implementing agencies there have been delays in receiving data from BTMC for estimation of currency generation purposes. USAID and ERD will need to continue their follow-up with BTMC to generate this data.

2. Soybean Oil:

The Title III/82 Agreement spells out two main policy objectives with regard to soybean/cottonseed oil. First, it says that soybean/cottonseed oil should be sold through private sector wholesale and retail outlets, and not through the ration system. The Agreement also stipulates that the amount of vegetable oil in PFDS not be increased. Both of these policy objectives have been met.

The only problem that has arisen is with regard to the high price of Title III soybean oil relative to other vegetable oils, including soybean oil from other sources. The market for the higher priced U.S. soybean oil is small, with private oil processing industries seeking supplies of crude soybean oil from suppliers offering the product at a lower price, including shipping costs.

Given this market situation, the public refining industry in Bangladesh is the sole handler of U.S. soybean oil. Public refineries can use the oil cost-effectively because of price equalization arrangements with the Bangladesh Government whereby the public refinery pays only 70 percent of the FOB value of Title III soybean oil.

However, increased privatization of the oil processing industry has come into play. The relative importance of public oil processing plants has fallen, with private processors taking over a substantial amount of the public processing industry. During the period of the current Agreement, private capacity increased from 32,000 tons to 50,000 annually. Conversely, public processing capacity fell from 24,000 tons to 15,000 tons.

This year, the single public sector mill capacity was expanded to 20,000 tons per year. Thus, there will continue to be a market for soybean oil supplied under the Title III program.

As with the other implementing agencies there have been delays in receiving data from BSFIC for estimation of currency generation purposes. USAID and ERD will need to continue their follow-up with BSFIC to generate this data.

III. D. Local Currency Generations, Programming and Projects

1. Local Currency Generations and Gap

There has been a lag in the generation of local currencies under both of the two Title III agreements. This lag has existed since the beginning of the program in 1978 and still continues today. Although much of the lag is due to the inherent nature of the program and the way local currencies are generated, a major cause has been the desire of the mission to limit generations to those mechanisms which directly reinforce the policy objectives of the Title III program.

Currently, the program is structured so, that only those commodities sold through non-subsidized channels at OMS price levels are allowed to be used as permissable generations. In the Title III/82 agreement OMS was the only channel which qualified for these permissable generations. As noted in Section III.A.3, offtakes from the OMS channel have been very sporadic and slow. OMS only operates when market prices are above the OMS trigger price level. This has resulted in a cummulative gap of $257.5 million as of June 1986. (See Table III.D.1 for total commody shipments versus local currency generations).

Both the mission and the BDG are cognizant of this generation gap and are moving towards a system which will increase the amount of generations. With the signing of Amendment No. 9. all channels selling at OMS price levels were deemed to be permissable local currency generation channels. In the last 16 months, the BDG has moved two major ration channels to the OMS price levels. These are the flour millers (FM) and large employers (LE) channels. The addition of these two channels to the OMS price levels is expected to increase the amount of generations which are permissable for programming.

It is recommended that other channels be reviewed as possible channels for permissable generations in view of this local currency generation gap. In the new Title III program, the Modified Ration (MR) channel is being considered as a possible permissable channel if changes are made to make this ration channel a viable, reliable targeted channel.

The mission should encourage and support the BDG to maintain recommended reserve levels during the year so that the shipment arriving during the period can be counted as permissable use of commodities toward loan forgiveness. ERD has mentioned that this will be examined further during the next agreement to make sure that the MOF understands the full implication of loan forgiveness under this provision. The reserve levels established in the FY 83 agreement still seem valid, but should be reexamined periodically to reflect current conditions.

Both the BDG and the mission have expressed a desire to review the Ministry of Food's implementation of the OMS program. As currently designed, the OMS system is viewed as a good and necessary tool which needs to be fine-tuned and streamlined to become less cumbersome and more attuned to market systems, since it is a major offtake mechanism in the FFDS and for currency generations under the Title III program. A recommendation of this evaluation team is that during the first year of the 1987 Title III program a study be commissioned to review the MOF process in implementing the OMS system and making its operations more efficient and market responsive.

2. Local Currency Programming and Approved Projects

Since the last evaluation dated October 1985, there has been considerable movement within the Title III program to program local currency generations available in the special account. Of Taka equivalent of $302 million generated, $259.6 million has now been disbursed.

For the FY 86 period there are 10 projects funded by these generations. The mission is currently involved in projects within three groups: (1) projects which directly benefit the food systems sector, (2) projects which directly impact on

TABLE: III D.1

PL-480 TITLE III COMMODITIES/FINANCIAL STATUS

Authorized:

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

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

b) Authorized for USFY 1982 to 1986 (Per second Title III Agreement signed on March 8, 1982, as amended)

$ 368.5 million

Shipment of Commodities

a) First Program (by Calendar Year)

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

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

Fiscal Year	Wheat	Rice	Soybean Oil	Cotton	Value	
1982	171.1	54.6	24.5	27.3	63.9	
1983	227.6	35.4	23.9	27.9	59.7	
1984	220.5	67.1	14.3	27.7	68.0	
1985 1/	395.2	75.2 332.8	14.3	33.2	94.5	316.1
124.7 1986 1/	104.4 484.0	63.0	25.0	58.3	82.0	
TOTAL (b)	1,499.0	295.3	102.0	174.4	368.1	
GRAND TOTAL(a+b)	2,673.0	295.3	127.0	174.4	559.5	

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

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

a) **First Program**

Fiscal Year	Modified Ration	Open Market Sales (OMS) Wheat	Open Market Sales (OMS) Equivalent Wheat For Rice/Paddy	Flour Mills	Total
1979	53.6	53.6	-	-	107.2
1980	213.4	112.7	-	-	326.1
1981	87.8	0.1	-	-	87.9
1982	223.6	9.3	56.8	-	~~289.7~~ 310.9
1983	21.6	80.8	0.2	-	102.6
1984	-	81.0	-	-	81.0
1985	-	135.9	-	-	135.9
1986	-	43.6 34.3	-	-	43.6
TOTAL (a)	600.0	517.0	57.0	-	1174.0

b) **Second Program**

Fiscal Year	Modified Ration	Wheat	Equivalent Wheat For Rice/Paddy	Flour Mills	Total
1983	136.3	-	-	-	136.3
1984	35.4	-	-	-	35.4
1985	-	21.5	-	84.9	106.4
1986	-	4.0	-	104.5	108.5
TOTAL (b)	171.7	25.5	-	189.4	386.6
GRAND TOTAL (a + b)	771.7	542.5	57.0	189.4	1560.6

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

Second Program (OMS)

Fiscal Year	Quantity
1983	37.1
1984	25.6
1985	43.7
1986	9.5
TOTAL	115.9

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

a) **First Program**

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

b) **Second Program**

Fiscal Year	Quantity
1983	29.7
1984	20.0
1985	14.0
1986	13.3
TOTAL	77.0
GRAND TOTAL (a+b)	102.0

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

Second Program

Fiscal Year	Quantity
1983	27.3
1984	27.9
1985	27.7
1986	18.2
TOTAL	101.1

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

a) First Program

Fiscal Year	Sales Proceeds Deposited into Special Account1/	Amounts Disbursed to Projects from Special Account 2/	Amounts Certified for CUO 3/
1979	12.2	12.2	-
1980	55.0	55.0	12.2
1981	14.6	14.6	34.3
1982	37.1	31.1	45.6
1983	35.1	41.1	47.5
1984	10.5	10.5	14.4
1985	19.6	18.8	2.6
1986	9.9	10.7	25.2
TOTAL (a)	194.0	194.0	181.8

b) Second Program

1983	29.8	14.9	0.2
1984	18.3	33.5	14.7
1985	23.3	3.1	30.7
1986	36.6 265.4	14.1	5.9
TOTAL (b)	108.0	65.6	51.5
GRAND TOTAL (a+b)	302.0	259.6	233.3

1/ Deposits during BDG FY 1985 and 1986 have been lower than they should have been because of using lower rates in computing the value of Title III wheat and rice sold over the period. The BDG is being urged to make up the shortfall in deposit as soon as possible.

2/ Includes over a total of $26.3 million disbursed at different times for expenditures made in the last quarter of BDG FY 1985 and for the whole BDG FY 1986. The disbursements are awaiting certification to Washington.

3/ CUO = Currency Use Offset

PROJECTWISE DISBURSEMENT OF TITLE III FUNDS BY BDG FISCAL YEAR
[In 000 US $]

Sl.	Name of the Project	1979	1980	1981	1982	1983	1984	1985	1986	TOTAL
1	Procurement & Disbursement of Chemical Fertilizer	12,153	55,012	–	–	–	–	–	11,575	78,740
2	Deep Tubewell Irrigation (DTW)	–	–	7,281	8,684	15,172	16,073	8,624	662	56,496
3	STW Irrigation (all over Bangladesh)	–	–	7,281	1,699	7,829	6,145	1,679	681	25,314
4	STW Irrigation (IDA)	–	–	–	711	409	–	–	–	1,120
5	Karnafuli Irrigation & Flood Control	–	–	–	1,517	1,017	290	–	–	2,824
6	Barisal Irrigation (Phase II)	–	–	–	529	707	298	–	–	1,534
7	Muhuri Irrigation Project	–	–	–	762	1,957	2,181	–	–	4,920
8	Manu River Project	–	–	–	2,792	3,059	370	–	–	6,221
9	Ashugonj Shabuj Prakalpa	–	–	–	66	–	–	–	–	66
10	IDA Low Lift Pump	–	–	–	693	411	183	279	–	1,566
11	Support to Locally Developed Small Pump & other agricultural Implements	–	–	–	32	–	–	–	–	32
12	Intensive Agricultural Program for North-West Region of Bangladesh	–	–	–	5,753	6,605	7,902	4,801	–	25,061
13	Supply of LLP under Canal Digging Program thru Voluntary Mass Participation	–	–	–	13	–	–	–	–	13
14	Low Lift Pump Irrigation	–	–	–	7,843	18,469	9,366	6,579	827	43,084
15	Command Area Development	–	–	–	3	–	–	–	–	3
16	Establishment of Workshop Complex in Private Sector	–	–	–	3	–	–	–	–	3
17	Foodgrain Warehouse Construction	–	–	–	–	367	1,122	–	–	1,489
18	Pabna Irrigation Project	–	–	–	–	–	–	–	2,150	2,150
19	Teesta Barrage Project	–	–	–	–	–	–	–	6,849	6,849
20	EIP Type Small Project (IDA Aided)	–	–	–	–	–	–	–	800	800
21	EIP Type Small Project (ADB Aided)	–	–	–	–	–	–	–	661	661
22	EIP Type Small Project (IFAD Aided)	–	–	–	–	–	–	–	433	433
23	Construction of Fertilizer Godown under USAID Assistance	–	–	–	–	–	–	–	165	165
	TOTAL:	12,153	55,012	14,562	31,120	56,002	43,930	21,962	24,803	259,544

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

	NAME OF THE PROJECT	FY 1979 & 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	GRAND TOTAL
1.	Procurement & Distribution of Chemical Fertilizer*	1,004,126.4 +	-	-	-	-	-	350,000.0	1,354,126.4
2.	Deep Tubewell Irrigation(Local & IDA)	-	125,574.1	190,620.0	372,890.0	404,068.0	234,171.0	20,000.0	1,347,323.1
3.	Shallow Tubewell Irrigation all over Bangladesh	-	125,574.1	34,986.0	192,100.0	154,471.0	45,000.0	20,600.0	572,731.1
4.	Shallow Tubewell Irrigation(IDA)*	-	-	14,245.0	10,000.0	-	-	-	24,245.0
5.	Karnafuli Irrigation Project*	-	-	29,684.0	25,000.0	7,293.0	-	-	61,977.0
6.	Barisal Irrigation Project*	-	-	10,000.0	17,500.0	7,500.0	-	-	35,000.0
7.	Muhuri Irrigation Project	-	-	15,209.0	29,058.0	54,817.0	-	-	99,084.0
8.	Manu River Project*	-	-	57,479.0	75,728.0	9,292.0	-	-	142,499.0
9.	Ashuganj Sabuj Prokalpa*	-	-	1,250.0	-	-	-	-	1,250.0
10.	Low Lift Pump Irrigation(IDA)*	-	-	14,245.0	10,000.0	4,590.0	7,500.0	-	36,335.0
11.	Support to Locally Developed Small Pumps & Ag. Implements*	-	-	600.0	-	-	-	-	600.0
12.	Intensive Ag.Production Program for North West Region of Bangladesh	-	-	126,798.0	179,960.0	198,645.0	127,883.0	-	633,286.0
13.	Supply of Low Lift Pump under Canal Diggfing Program*	-	-	270.0	-	-	-		270.0
14.	Low Lift Pump Irrigation(Local)	-	-	162,239.7	449,474.0	235,442.0	175,432.0	25,000.0	1,047,587.7
15.	Command Area Development*	-	-	58.0	-	-	-		58.0
16.	Establishment of Workshop Complex in Private Sector*	-	-	57.0	-	-	-	-	57.0
17.	Foodgrain Warehouse Construction under IDA, ADB, CIDA, JAPAN	-	-	-	8,995.0	28,208.0	-		37,203.0
18.	Pabna Irrigation Project	-	-	-	-	-	-	65,000.0	65,000.0
19.	Teesta Barrage Project	-	-	-	-	-	-	207,100.0	207,100.0
20.	EIP Type Small Projects (IDA Aided)	-	-	-	-	-	-	24,200.0	24,200.0
21.	EIP Type Small Projects (ADB Aided)	-	-	-	-	-	-	20,000.0	20,000.0
22.	EIP Type Small Projects (IFAD Aided)	-	-	-	-	-	-	13,100.0	13,100.0
23.	Construction of Fertilizer Godown Under USAID Assistance	-	-	-	-	-	-	5,000.0	5,000.0
	TOTAL	1,004,126.4	251,148.2	657,740.7	1,370,705.0	1,104,326.0	589,986.0	750,000.0	5,728,032.3

* Project Completed;

\# Project dropped in FY 1983 for inadequate performance;

\+ Of the total amount of Tk. 1,004,126,400, Tk. 184,914,000 was disbursed during FY 1979 & Tk. 819,212,400 during FY 1980 for the Procurement and Distribution of Chemical Fertilizer Project.

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

Amount Certified for CUO	Amount Applied 2/ for Repayment		Balance to be Applied
	Title I	Title III	
233.3	56.9	35.4	141.0

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

2/ Reflects Title I repayment obligations offset through USFY 1985 and estimated Title III repayments offset through USFY 1986. Does not show Title I repayments that became due in USFY 1986 ($23,542,368.37) as the application received in this regard has not yet been forwarded to Washington.

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

Prepared by: A.S.M. Jahangir/F&AGR
January 25, 1987

Table III D.2

PL-480 Title I & III Repayment
of Bangladesh to US Government
By US Fiscal Year 1986-1992

Calander Year	Principal	Interest	Total
	(Millions of Dollars)		
1986	12.71	20.07	32.75
1987	12.72	24.01	36.73
1988	17.10	25.46	42.56
1989	19.08	25.43	44.51
1990	19.08	29.52	44.60
1991	23.67	24.91	48.58
1992	23.67	25.44	49.11

Source of Estimate: USAID Bangladesh.

USAID/B's agriculture and rural development portfolio. and (3) projects which have been identified by the BDG from their Third Fifth Year Plan which adhers to their goal of food self-sufficiency, agricultural production and rural infrastructure development.

Twenty-one projects were submitted to the USAID mission by the ministry of Finance/ERD for consideration in February 1986. All of these projects were from the BDG Annual Development Plan for 1985/86. After internal review within the Office of Food and Agriculture, USAID/B concurred with 13 projects which fit the development objectives of the PL 480 Title III program of developing the agricultural sector and rural infrastructure. A list of the projects and the levels of funding are listed below in Table III.D.1.

Although selection of these projects was done systematically and with great adherence to overall project goals and their conformance to the development of the agricultural and rural infrastructure sector, there was very little coordination with other donors involved in the projects to ascertain project status. The evaluation team recommends that USAID/B take additional time to discuss potential projects with other primary donors and implementing agencies to better ascertain project status and to fully develop coordination with other prime donors.

III E. BDG Reporting Requirements

Under the Title III/82 program the BDG has the following reporting requirements:

1. Shipment and Arrival Report - to be submitted by ERD within 30 days following completion of each shipment.

2. Report on Usual Marketing, Export limitation, Utilization and Publicity - to be submitted by BDG annually 60 days after the expiration of the agreement supply period.

3. Report on Commodities Received, Sales, Sales Proceeds Generated, Deposit into the Special Account and Subsequent Disbursement to Agreed Upon Development Projects - to be submitted quarterly within 30 days following the end of each quarter starting with July 1 - September 30 as the first quarter.

The first two reports are received by the US Embassy Agricultural Attache's office. Although these reports are not received in the most timely fashion, there seems to be no major problems with basic compliance on reporting requirements at this time, with the exception of the report pertaining to cotton import data estimates to establish the UMR for cotton. This report has been continually delayed.

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The major reason for this delay has been that it is only the private sector which imports cotton through commercial channels. Since the data on this activity is not presented in a timely, useable fashion by the BBS, in order to comply with this reporting requirement, the ERD physically sends people down to the port city of Chittagong to manually sift through customs and port data to identify the exact quantity of private cotton imports. The evaluation team recommends that a better system be established to gather this import data by ERD to satisfy this requirement. ERD has informed the team that they are in the process of streamlining this operation so that they are able to get this data on a timely basis from BBS and Customs without physically going down to Chittagong every time.

The third report is received and monitored by USAID/B/F&A. There have been continual problems with receiving these reports in a timely and useable fashion. Much of this has been due to the lack of coordination among various implementing agencies including ERD, MOF, BTMC, and BSFIC in providing the data needed. There is a gap between the time that the commodities are sold and when the funds are deposited into the special account. It should be noted that the new Title III/1987 program has proposed a PL 480 Title III Coordination Committee, consisting of all the above mentioned BDG agencies, to be responsible for monitoring the implementation of various provisions including the reporting requirements. This should greatly increase the communications between the various Ministries for more timely and better quality reporting activities.

There is a gap between the time that funds are disbursed for identified development projects and when it is reported as such for loan forgiveness purposes. There are a number of recommendations provided by the study on "Local Currency Programming Related to PL 480 Title III" by G. Hossain which should be reviewed by USAID/B with the BDG for agreement and implementation as suggested in Section III.D.

Two additional projects were added by the USAID/B mission using proceeds to be generated from the supplemental commodities received during the end of the FY 86 program. These were (1) Construction of Bridges and Culverts on Food for Work Roads and (2) Agricultural Research Operating Expenses. The identification and the use of local currency generations for these two projects under the Title III program is a new departure for the mission in managing the Title III local currency generation program. For the first time since the begining of the Title III program, the mission has taken the initiative to program local currencies for projects directly related to the overall USAID portfolio rather than those projects identified by BDG.

This move was viewed negatively by the BDG as being against the original intent of the Title III/82 agreement. The mission was able to argue that these two projects were being funded out of supplemental commodities over and above the original FY 86 agreement and therefore should not be of great concern to the BDG. Secondly, the mission argued that these two projects were directly related to the Government's Third Five Year Plan of increased food production and development of the rural infrastructure.

The BDG has signed the PIL authorizing use of Title III funds for the Agricultural Research Operating Expenses. The PIL requesting use of funds for Bridges and Culverts was sent to the BDG on November 4, 1986 and is expected to be approved by the BDG within the month.

The evaluation team considers this new departure in programming of local currencies to be a positive one, although there is feeling within the mission that close and direct programming of local currency proceeds for project purposes other than in category (3) could seriously jeopardize the overall program goal of policy dialogue. This is of serious concern and care should be given to insure that projects selected have full BDG approval and good-will.

This evaluation team recommends that the mission continue to program the local currency in ways which will compliment USAID's overall agriculture and rural development program and the BDG's food sector.

C. Monitoring and Evaluation of Projects

The mission has a full time FSN employee whose major activity is to evaluate and monitor the PL 480 Title III local currency generation projects. He has been with the mission since 1981 and has done a good job in monitoring the program. It is physically impossible to visit all project sites and activities during a program year, but the mission has actively tried to monitor as much as possible with at least some project sites of every project being visited in 18 months. In addition to these USAID monitoring trips, BDG and other donor reports and visits are used to monitor the program.

The available trip reports and data on the on-going projects indicate that they are in general doing a satisfactory job of moving towards attaining the BDG goal of agricultural and rural infrastructure development. This is not to say that these projects are not experiencing day to day implementation problems associated with working in a developing country nor to say that they are operating in a optimal policy environment, but considering all aspects of the projects including USAID/B's share of contributions to total project funding levels, mostly less than 10% of total project costs, project implementation seems satisfactory.

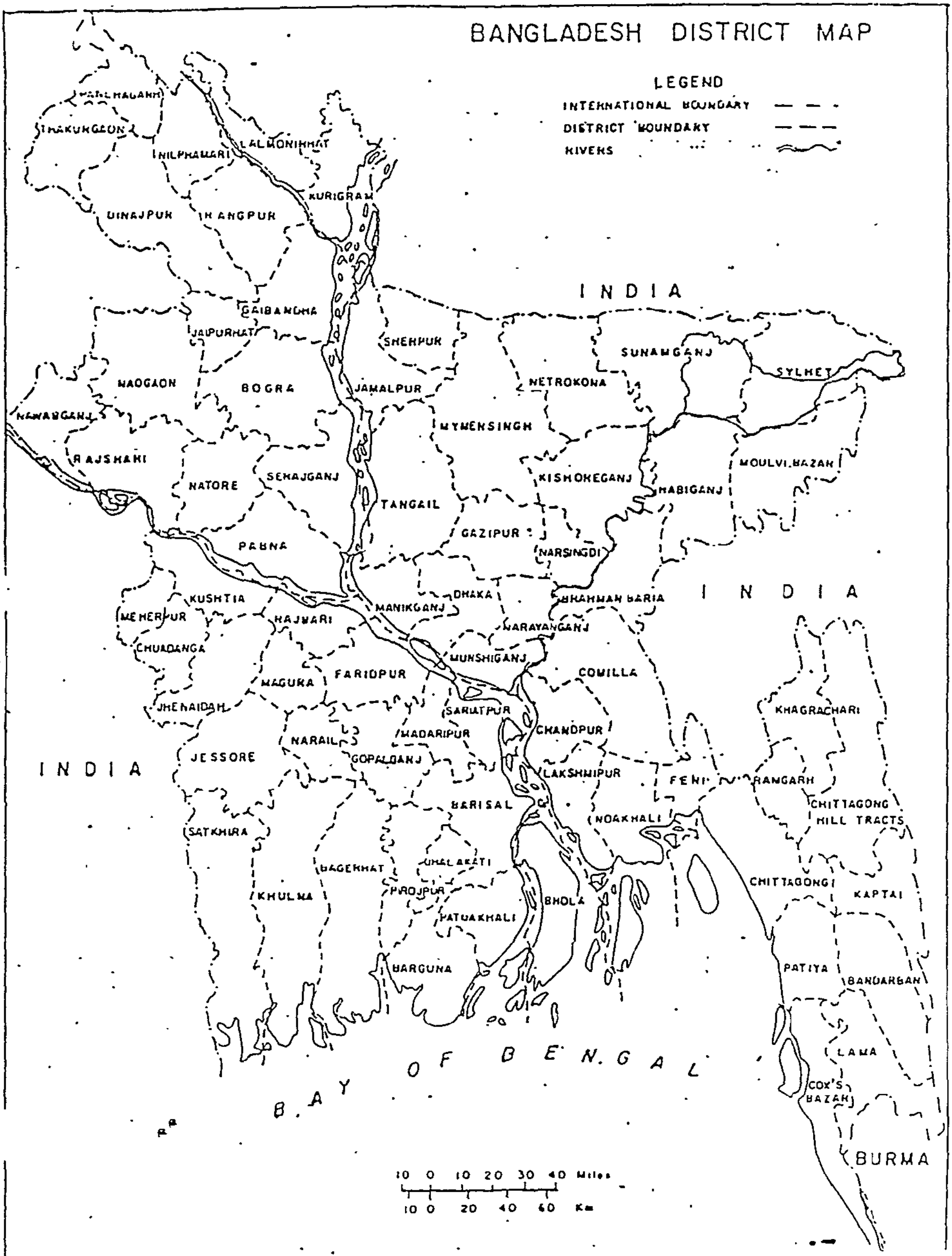
In view of the GAO recommendation to use direct USAID/B monitoring for all local currency projects, the last evaluation recommended a compromise position of USAID/B using secondary monitoring activities for those projects funded by other "hands-on" donors that is, IBRD, ADB, EEC, etc., and direct monitoring of those projects which are funded by "check-writing" donors that is, Kuwait and Saudi Funds. The mission is in the process of implementing this compromise position but, due to scarce manpower and possible additional workload associated with the new Title III program and other activities, they are uncertain as to how much more they are able to do.

In view of the above situation, this evaluation team would recommend that the mission consider funding only those projects which are primarily funded by other "hands-on" donors and USAID/B. In the current era of GRH and cuts in the operating budgets of AID, it is unreasonable to expect additional manpower to be assigned to USAID/B and operations must be streamlined to perform more efficiently. This is another reason the programming of local currency generations to those projects which have major USAID/B funding is attractive.

Other projects which do not fit the above criteria could be considered if the mission felt that the implementing agency of the BDG was practicing sound accounting and audit operations and, that, therefore, the monitoring, evaluation and reporting of these projects would not be a problem.

After the last evaluation and the findings of the GAO team, USAID/B commissioned a study on local currency programming. This study was carried out by a local consultant, Gholam Hossain, and looked at the programming of local currencies including: 1. selection of projects and 2. maintenance of records of expenditures and reporting requirements. Although the members of this evaluation team are not accountants nor auditors, the recommendations in this study seem sound and practical. The evaluation team strongly recommends the mission and the BDG to throughly review the study and agree to measures which must be installed.

Another recommendation is that the mission request the BDG to outline in more detail the use of local currency which is requested by ERD. This could be done in the original letter of request by adding line items under the total project amount requested. This would have the positive effect of indicating to USAID/B under what line item the funds would be used. Currently, the mission is only given a general overall budget figure for a certain project without indications as to what aspect of the local currency budget it will be used for in that project. In addition to giving the mission a better idea of the use of funds, this would also allow for a better audit trail should there be need for one.



BANGLADESH DISTRICT MAP
LEGEND
INTERNATIONAL BOUNDARY
DISTRICT BOUNDARY
RIVERS
INDIA
THAKURGAON
NILPHAMARI
LALMONIRHAT
KURIGRAM
DINAJPUR
RANGPUR
GAIBANDHA
JAIPURHAT
NAOGAON
BOGRA
NAWABGANJ
RAJSHAHI
NATORE
SERAJGANJ
PABNA
SHERPUR
JAMALPUR
MYMENSINGH
NETROKONA
SUNAMGANJ
SYLHET
KISHOREGANJ
HABIGANJ
MOULVI BAZAR
TANGAIL
GAZIPUR
NARSINGDI
KUSHTIA
MEHERPUR
RAJBARI
MANIKGANJ
DHAKA
BRAHMAN BARIA
NARAYANGANJ
CHUADANGA
MUNSHIGANJ
MAGURA
FARIDPUR
COMILLA
JHENAIDAH
SARIATPUR
CHANDPUR
KHAGRACHARI
NARAIL
MADARIPUR
JESSORE
GOPALGANJ
LAKSHMIPUR
FENI
BARISAL
NOAKHALI
CHITTAGONG HILL TRACTS
SATKHIRA
BAGERHAT
CHITTAGONG
KAPTAI
KHULNA
PIROJPUR
BHOLA
PATUAKHALI
PATIYA
BARGUNA
BANDARBAN
LAMA
COX'S BAZAR
BAY OF BENGAL
BURMA
10 0 10 20 30 40 Miles
10 0 20 40 60 Km

ANNEX - I.

List of Persons Consulted
(Outside the Mission)

Ministry of Food

Secretary, A.K.M. Kamaluddin Chowdhury
Joint Secretary, Islam Uddin Malik
Director-General, Syed Alamgir Farrouk Chowdhury
Additional Director-MIS, M. Golam Mohiuddin
Additional Director-IDIS, Rural Affair
Deputy Chief-FPMS, M. Giasuddin
Deputy Chief-FPC, Abdul Huq Mian

Bangladesh Sugar and Food Industries Corporation

Director-Marketing, Nazimuddin Ahmed
Director-Finance, Moazzem Hossain

Bangladesh Textile Mills Corporation

Chairman, Abu Sayeed
Director-P&D, A.S.M. Shahid

External Resources Division (Ministry of Finance)

Joint Secretary, Akhtar Ali
Deputy Secretary, M. Nazimuddin
Research Officer, Shahidullah

Bangladesh Agricultural Development Corporation

Chief Engineer, M.A. Kalam

World Bank

Walter Koch
Werner Roider

FAO

David Hill

World Food Program

Michael Sackett

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ANNEX - II.

Amendment to the P.L. 480 Title I/III Agreement
with the People's Republic of Bangladesh

SUMMARY

Date Signed: August 28, 1986 (Twelfth Amendment to the Agreement of March 8, 1982)

I. Commodity Table:

A. Commodity	Supply Period (U.S. Fiscal Year)	Approximate Quantity (Metric Tons)	Maximum Export Market Value (US$ Million)	Estimated CCC Cost (US$Million)
Wheat	1986	118,000	12.0	12.0
Ocean Transportation (estimated differential)			---	2.9
	TOTAL		12.0	14.9

B. FY 1986 Cumulative Program (Amendments 11,12)

Rice 11/	1986	35,000	10.0	10.0
Cotton 11/	1986	33,300(bales)	10.0	10.0
Wheat 12/	1986	426,000	52.0	52.0
Vegetable Oil 11/	1986	16,000	10.0	10.0
Ocean Transportation (estimated differential)			---	11.2
	TOTAL		82.0	93.2

C. FY 1985 Cumulative Program (Amendments 8,9,10)

Rice 6/	1985	67,000	20.0	20.0
Cotton 8/	1985	28,500(bales)	10.0	10.0
Wheat 8/9/10/	1985	356,000	54.5	54.5
Vegetable Oil 8/	1985	12,500	10.0	10.0
Ocean Transportation (estimated differential)			---	5.1
	TOTAL		94.5	99.6

D. FY 1984 Cumulative Program (Amendments 6,7)

Rice 6/7/	1984	59,000	18.0	18.0
Cotton 6/	1984	26,000(bales)	10.0	10.0
Wheat 6/	1984	197,000	31.0	31.0
Vegetable Oil 6/	1984	12,000	9.0	9.0
Ocean Transportation (estimated differential)			---	6.8
	TOTAL		68.0	74.8

Footnotes are on pages 3, 4, and 5.

E. FY 1983 Cumulative Program (Amendments 3,4,5)

Wheat 3/5/	1983	130,000	28.9	28.9
Rice 4/	1983	37,000	10.0	10.0
Soybean/Cotton seed Oil 3/5/	1983	27,000	10.9	10.9
Cotton 5/	1983	31,000 (bales)	10.2	10.2
Ocean Transportation	(estimated differential)		---	7.4
	TOTAL		60.0	67.4

F. FY 1982 Cumulative Program (Amendment 1,2)

Wheat 2/	1982	175,000	25.9	25.9
Rice 1/	1982	55,000	15.4	15.4
Soybean/Cotton-seed Oil	1982	30,000	13.5	13.5
Cotton	1982	28,300 (bales)	9.2	19.2
Ocean Transportation	(estimated differential)		---	6.7
	TOTAL		64.0	70.7

II. Payment Terms: Convertible Local Currency Credit (CLCC)

A. Initial Payment - None.
B. Currency Use Payment - None.
C. Currency Use Offset - Up to one hundred (100) percent of the value of financing provided under this agreement to support the Food for Development Program.
D. Number of Installment Payments - Thirty-one (31).
E. Amount of Each Installment Payment - Approximately equal annual amounts.
F. Due Date of First Installment Payment - Ten (10) years after date of last delivery of commodities in each calendar year.
G. Initial Interest Rate - Two (2) percent per annum.
H. Continuing Interest Rate - Three (3) percent per annum.

III. Usual Marketing Table:

Commodity	Import Period (U.S. Fiscal Year)	Usual Marketing Requirement (Metric Tons)
Rice	1986	0
Cotton	1982/83/84/85/86	100,000 (bales)
Vegetable Oil	1986	0
Wheat	1986	100,000

IV. Export Limitations:

A. Export Limitation Period:

The export limitation period shall be United States fiscal year 1986, or any subsequent United States fiscal year during which commodities financed under this agreement are being imported or utilized.

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6. Commodities to Which Export Limitations Apply:

For purpose of Part I, Article III A (4) of this agreement. The commodities which may not be exported are:

1. For wheat - wheat, wheat flour, rolled wheat, semolina, farina, and bulgur (or the same product under a different name);

2. For soybean/cottonseed oil - all edible vegetable oils including peanut oil, soybean oil, cottonseed oil, sunflower oil, sesame oil, rapeseed oil, and any other edible vegetable oil or oil-bearing seeds from which those oils are produced;

3. For rice - rice in the form of paddy, brown or milled; and,

4. For cotton - upland cotton, except Comilla variety, and cotton textiles (including yarn and waste), except for finished articles made entirely from fabric and/or yarn imported under bond solely for export.

Footnotes

1/ The First Amendment (7/13/82) increased the export market value of rice by $9.0 million to $15.4 million and increased the quantity of rice provided under the agreement by 32,000 MT to 55,000 MT. All other terms and conditions of the March 8, 1982 agreement remained the same.

2/ The Second Amendment (8/24/82) reduced the value provided to wheat by $200,000 and the value of cotton provided by $20,000. The value of soybean/cottonseed oil provided was increased by $220,000. All other terms and conditions of the March 8, 1982 agreement, as amended, remained the same.

3/ The Third Amendment (12/30/82) increased the export market value of wheat by $17.1 million to $43.0 million and the quantity by 100,000 metric tons to 275,000 metric tons. The value of soybean/cottonseed oil was increased by $4.5 million to $18.02 million and the quantity by 10,000 metric tons to 40,000 metric tons. All other terms and conditions of the March 8, 1982 agreement, as amended, remained the same.

4/ The Fourth Amendment increased the export market value of rice by $10.0 million to $25.4 million and the quantity by 37,000 metric tons to 92,000 metric tons. There was a modification to the Food for Development Program (Annex B) limiting use of wheat provided under this Agreement to open market sales or reserves. All other terms and conditions of the March 8, 1982 agreement, as amended, remained the same.

5/ The Fifth Amendment increased the export market value of wheat by $11.8 million to $54.8 million and the quantity by 90,000 metric tons to 365,000 metric tons. The other 40,000 metric ton increase in the quantity covers the additional amount that was purchased under the

Third Amendment because of very favorable prices. The value of soybean/cottonseed oil was increased by $6.4 million to $24.42 million and the quantity by 17,000 metric tons to 57,00 metric tons. The value of cotton was increased by $10.[illegible] million to $19.38 million and the quantity by 31,000 bales to 59,700 bales. All other terms and conditions of the March 8, 1982 agreement, as amended, remained the same.

6/ This Sixth Amendment (10/25/83) increases the export market value of wheat by $31.0 million to $85.8 million and the quantity by 197,000 metric tons to 602,000 metric tons. The value of rice is increased by $15.[illegible] million to $40.4 million and the quantity by 30,000 metric tons to [illegible]2,000 metric tons. The value of vegetable oil is increased by $9.0 million to $33.42 million and the quantity by 12,000 metric tons to [illegible],000 metric tons. The value of cotton is increased by $10.0 million to $29.38 million and the quantity by 26,000 bales to 85,300 bales. All other terms and conditions of the March 8, 1982 agreement, as amended, remained the same.

7/ This Seventh Amendment (8/23/84) increases the export market value of rice by $3.0 million to $43.4 million and the quantity by 9,000 metric tons to 151,000 metric tons. All other terms and conditions of the March 8, 1982 agreement, as amended, remained the same.

8/ The Eighth Amendment (10/3/84) increases the export value of wheat by $35 million to $12[illegible].8 million and the quantity by 219,000 metric tons to [illegible] metric tons. The value of rice is increased by $20 million to $[illegible].4 million and the quantity by 67,000 metric tons to 218,000 metric tons. The value of vegetable oil is increased by $10 million to $4[illegible].42 million and the quantity by 12,500 metric tons to 81,500 metric tons. The value of cotton is increased by $10 million to $39.38 million and the quantity by 28,500 bales to 113,800 bales. All other terms and conditions of the March 8, 1982 agreement, as amended, remained the same.

9/ The Ninth Amendment (12/20/84) increases the export market value of wheat by $17.0 million to $137.8 million and the quantity by 119,000 metric tons to 940,000 metric tons. Amends Section D to include modified reporting requirements. All other terms and conditions of the March 8, 1982 agreement, as amended, remained the same.

10/ The Tenth Amendment (8/31/84) increases the export market value of wheat by $2.5 million to $140.3 million and the quantity by 18,000 metric tons to 958,000 metric tons. All other terms and conditions of the March 8, 1982 agreement, as amended, remained the same.

11/ The Eleventh Amendment (12/11/85) increases the export market value of wheat by $40.0 million to $180.3 million and the quantity by 308,000 metric tons to 1,266,000 metric tons. The value of rice is increased by $10.0 million to $73.4 million and the quantity by 35,000 metric tons to 253,000 metric tons. The value of vegetable oil is increased by $10.0 million to $53.42 million and the quantity by 16,000 metric tons to 97,500 metric tons. The value of cotton is increased by $10.0 million to $49.3 million and the quantity by 33,300 bales to 147,100 bales. All other terms and conditions of the March 8, 1982 agreement, as amended, remained the same.

12/ The Twelfth Amendment (8/28/86) increases the export market value of wheat by $12.0 million to $192.3 million and the quantity by 118,000 metric tons to 1,384,000 metric tons. All other terms and conditions of the March 8, 1982 agreement, as amended, remained the same.

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[illegible] – III.

[illegible] Bangladesh Title III Agreement of 1982

A. [illegible] of Bangladesh agrees to undertake self-help measures to [illegible] production, storage, and distribution of agricultural [illegible] following self-help measures shall be implemented [illegible] development progress in poor rural areas and [illegible] to participate actively in increasing agricultural [illegible] agriculture.

B. The Government of Bangladesh agrees to undertake the following [illegible] in so doing to provide adequate financial, technical, [illegible] resources for their implementation:

[illegible] increased domestic production by:

[illegible] the [illegible] Term Foodgrain Production Plan with [illegible] irrigation, as the spearhead of [illegible] technology.

[illegible] the private sector [illegible] contribution to [illegible] processing, distributing, and marketing of foodgrains. [illegible] private sector role in the provision of agricultural [illegible] continue to be increased. The private sector will continue [illegible] to invest in storage facilities for foodgrains [illegible] credit available to the private sector for [illegible] facilities, storage, and marketing will be [illegible].

[illegible] agricultural research goals which [illegible] to the [illegible] food production.

[illegible] to strengthen the [illegible] forecasting [illegible] disseminating agricultural research information to farmers [illegible] extension services and by other means.

[illegible] procurement [illegible] for each major foodgrain crop before the [illegible] season, setting the price at a level to cover all input costs plus a margin of profit sufficient to encourage investment in high yield variety [illegible] technology. [illegible] procurement operations whenever [illegible] prices fall below procurement prices.

[illegible] maintain a reserve system to provide foodgrain security. The GOB [illegible] the Open Market Sales (OMS) Program as the [illegible] program. OMS will be [illegible] foodgrains to [illegible]

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[illegible] ration system by [illegible] gradually moving [illegible] element, for reducing the rice portion [illegible] total ration quota for individual [illegible]

2. [illegible] operations [illegible] the vegetable oil market, including [illegible] private sector [illegible] the oil used in the ration system.

3. [illegible] private sector investment in the [illegible] announcement of elimination of the [illegible] to new spinning mills. [illegible] cotton will be used to support the local weaving industry.

ANNEX B

PROGRAM DESCRIPTION

Bangladesh Title III Agreement of March 8, 1982

Item I. Purpose:

A. Overall Development Effort to be Addressed:

This program addresses two essential aspects of the Country's development: increasing agricultural production to help meet the BDG's goal of foodgrain self-sufficiency by 1984-85; and encouragement of private sector activity in order to stimulate overall economic development.

B. Proposed Title III Program:

The purposes of the Agreement are to assist the BDG in accelerating increases in agricultural production by maintaining incentive prices for farmers, improving food security by holding and properly managing reserves, reducing the food subsidy through the phase down of the ration system, moderating consumer price increases with the open market sales program, and providing resources to support specific BDG agricultural and rural development programs; to encourage the development of a private sector cotton spinning industry; and to promote the private marketing and processing of foodgrains and vegetable oil.

Item II. Background and Setting:

The first Food for Development Program for Bangladesh was signed on August 2, 1978 and was amended six times, the last time on June 26, 1981. That Agreement as amended, authorized a total of 1,169,000 metric tons of wheat and 26,000 metric tons of soybean oil valued at $200.5 million. Actual shipments amounted to 1,175,000 metric tons of wheat and 25,000 metric tons of soybean oil valued at $191.8 million.

The major objectives of the first program were: (a) maintenance of incentive prices to farmers, and other self-help measures to accelerate agricultural development; (b) implementation of an OMS program with paddy, rice and wheat to moderate price rises; (c) maintenance of adequate reserves; (d) phase out of major elements of the Public Food Distribution System (ration system) by the time foodgrain self-sufficiency is achieved; (e) wholesaling and retailing soybean/cottonseed oil through the private sector; and (f) utilization of Title III proceeds for agreed development projects.

The program represented by this Agreement is the second multi-year Food for Development Program for Bangladesh. It incorporates new provisions to encourage private sector development, not only in the foodgrain and vegetable oil sectors, but also in the area of cotton textiles; 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; and it reemphasizes all the major elements of the original Agreement as listed above with an additional focus on foodgrain stock management. The total export market value of the three year Agreement is not less than $165 million with the FY 1982 tranche set at $55 million. The amount of the FY 1983 and FY 1984 tranches is programmed at $55 million but subject to commodity requirements, program performance and availability of funds.

The second Food for Development Program can be viewed as the beginning of the third phase in the history of P.L. 480 Programs in Bangladesh. The first phase (1970/71 to 1974/75) involved the provision of wheat, mainly for emergency relief purposes to avert famine. The second (1974/75 - 1980/81) also involved the provision of foodgrain to augment domestic supply, but the emphasis shifted to development programs to promote domestic foodgrain production and to contribute to the creation of a foodgrain security system. Major achievements during the second phase included the establishment of a foodgrain security system including a procurement program to support prices and acquire commodity for reserves, an open market sales mechanism to release commodity to dampen seasonal price upswings, and expanded foodgrain storage facilities. Foodgrain production has increased and is expected to continue to do so with actual production in future years varying with weather. Therefore, as Bangladesh moves toward foodgrain self-sufficiency the need for foodgrain shipments will gradually diminish. The Sixth Amendment to the first Title III Agreement began to take this change into account through the provision of some soybean/cottonseed oil instead of shipping all wheat as had been the case in the past. This, the second Title III Agreement, is designed with commodity flexibility as a major program characteristic from the outset.

With the inclusion of cotton in the program, the theme of expanded private sector involvement which has been characteristic of the Title III Program in foodgrains and vegetable oil is carried into the cotton spinning industry. At present, the cotton spinning industry is entirely in the public sector and suffers from inefficiency and underutilization of capacity. In this Title III Program, the BDG agrees to create a policy environment in which a private spinning industry can take root and develop.

Item III. Program Description:

The P.L. 480 Title III Food for Development Program has seven distinct components: (a) maintenance of incentive prices to farmers, and other self-help measures to accelerate agricultural development; (b) implementation of an OMS program with paddy, rice and wheat to moderate consumer price increases; (c) the improvement of overall food security by the holding and proper management of adequate foodgrain reserves; (d) phase out of major elements of the Public Food Distribution System by the time foodgrain self-sufficiency is achieved; (e) the development of a private spinning industry; (f) wholesaling and retailing soybean/cottonseed oil through the private sector; and (g) the utilization of Title III proceeds for agreed development projects.

In FY 1982 the program will provide commodities with a total export market value of $55.0 million, with $26.1 million designated for the purchase of wheat; $13.3 million for vegetable oil; $6.4 million for rice; and $9.2 million for cotton. At most 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 provided under this Agreement may only be used for OMS. The vegetable oil will be refined by both public and private mills and will all be wholesaled and retailed in the private sector. The cotton will be distributed to mills by the Bangladesh Textile Mills Corporation (BTMC) as needed. Any private sector mills that open during the time this Agreement is in force will be provided with a proportional share of cotton.

A. Incentive Price to Farmers:

The primary objective in the establishment of procurement prices and their implementation is the provision of incentives to farmers to produce more through the adoption of high yield varieties and associated technology. Foodgrain production will be encouraged by the establishment and announcement of procurement prices for each major foodgrain crop well in advance of the planting seasons (July 1 in the case of aman and November 1 in the case of boro and wheat). The agreed procurement price will be maintained throughout the season and all grain of suitable quality available will be procured regardless of lot size. Full and adequate use should be made of private intermediaries particularly, to increase procurement of rice, paddy and wheat from small farmers and remote areas that would otherwise not be served. The BDG Medium-Term Foodgrain Production Plan of February 1981 identified three means to improve foodgrain procurement. This Agreement requires these actions to carry out the program. They are:

1. Construct feeder and access roads connecting villages, market places and procurement centers.

2. Increase Government grain storage capacity, provide procurement fund allocations, and improve organizational efficiency, so as to remove existing constraints on timely foodgrain procurement from farmers by the public sector agencies.

3. Expand private grain trading by liberalizing the anti-hoarding legislation, improve traders' access to credit and supply better market information to farmers, consumers and traders.

B. Open Market Sales Program:

The major emphasis of the OMS program is to make wheat, rice and paddy available at reasonable prices throughout the country at times of unusually high market prices for foodgrains. OMS sales are expected to be triggered both by major interruptions in the long-term supply trends and seasonal price variations. By the time foodgrain self-sufficiency is achieved, OMS will have replaced the ration system as the principal means of public food distribution.

1. The OMS price structure: There are basically three aspects to the OMS price mechanism - initial prices, the adjustment mechanism, and minimum prices.

a. Initial Prices: An initial OMS rice price will be set approximately fifteen (15) percent above the rice procurement price of 190 taka per maund (with transportation bonus), except for the statutory rationing (SR) areas where the difference will be about twenty (20) percent. With OMS rice retailing about ten (10) taka above the OMS price, the aim will be to constrain the seasonal movement of coarse rice prices within a range of twenty (20) to twenty-five (25) percent of the procurement price. OMS paddy and wheat prices would be set at their appropriate ratios to the coarse rice price. For wheat, this is about 0.60; for paddy, 0.65 less a milling margin. The initial prices are:

Commodity	Procurement Price	OMS Price Basic	OMS Price SR Areas
Rice	190	220	230
Wheat	124	132	138
Paddy	124	137	144

b. Adjustment Mechanism: OMS rice, wheat and paddy will move at their established prices whenever market conditions warrant. Changes in OMS prices will be dictated by the movement of coarse rice prices only. Prices will be adjusted on a sub-division basis according to a price schedule promulgated by the Food Ministry in Dacca. The basic principles underlying the price schedule will be that (1) OMS prices will be adjusted, upward or downward, whenever the sub-divisional average coarse rice price has moved ten (10) percent from its level at the last previous change in prices; (2) the amount of the change in OMS price will be one-half the percentage change in the coarse rice price itself (i.e., if the sub-divisional average coarse rice price reached 241, the rice OMS price would move to 230), wheat and paddy OMS prices will move so as to maintain the initial wheat, rice and paddy : rice ratios discussed above; and (3) OMS prices in SR areas will always be five (5) percent higher than OMS prices elsewhere.

c. Minimum Prices: In no event will the rice OMS price be less than fifteen (15) percent above the rice procurement price (including transportation bonus), nor will the wheat OMS price be less than five (5) taka above the wheat procurement price. (Since paddy procurement prices can be presumed to move in tandem with rice procurement prices, no similar provision is required with respect to the paddy OMS price.)

2. If operating experience with the OMS program proves it necessary, the BDG and USG may use implementation letters to agree on changes in the OMS price setting mechanisms and percentages indicated above.

3. The BDG will provide sufficient commodities to all areas to satisfy all dealers (licensed or unlicensed) wishing to lift OMS wheat, rice, or paddy. Sales will be in any quantity with a lot size of 10 to 200 maunds except that unlicensed dealers may be limited to 150 maunds (about one 5-ton truck load). The foodgrain dealers will be free to resell their OMS rice, wheat or paddy in any quantity, at any price, to any buyer in any location.

4. All the wheat covered by this Agreement may be used for open market sales. If foodgrain stocks fall below 500,000 tons, the BDG may suspend open market sales, postponing the use of commodities provided for open market sales under this Agreement until a later time.

5. Recognizing that open market sales of rice and paddy can have a greater impact than open market sales of wheat on rising prices, the BDG will include rice and paddy in the open market sales program. For paddy OMS sales, the BDG will be allowed to use wheat provided under this Agreement on a ton for ton basis for flour millers. For rice sales, every two tons of OMS rice sold will allow the BDG to utilize three tons of wheat provided under this Agreement for the Government distribution categories designated as flour millers. The BDG will deposit in the Special Account the full CCC value of any wheat supplied under this Agreement that is exchanged for rice or paddy and used in OMS. These ratios may be reviewed if relative prices of wheat, paddy and rice change.

6. The BDG will advertise locally the official OMS wholesale price through the public media. In addition, the OMS price will be posted at the point of sale in the foodgrain warehouse (godown).

C. Reserves:

The allowable uses of Title III wheat include its use for foodgrain reserves. Eligibility for offset credit for Title III wheat used for foodgrain reserves is based on the maintenance of adequate total foodgrain reserves and on conduct of OMS as required in Section B above. Eligibility will be determined on individual shipments and will be based on benchmark total foodgrain stock levels during the year following shipments. The benchmark stock levels for all foodgrains are 1.1 million tons on July 1 and 0.9 million tons on November 1. One year after the arrival of each year's shipments in Bangladesh, the BDG may seek commodity use offset, in the equivalent dollar value of the financing of the Title III commodities held in reserve for the required one year period, provided that the total foodgrain levels were maintained. The local currency proceeds from any sales of Title III commodities sold from foodgrain reserves through the OMS or MR system shall be deposited into the Special Account and disbursed for the FFD purposes in Item III H. The dollar equivalent value of such disbursements shall be applied as of date of disbursement to payment obligations of the BDG under this FY 82 Agreement unless the BDG elects to apply the excess disbursements against Title I debt as provided for in Annex A, Item III A.

In its request for commodity use offset related to the use of wheat shipments in foodgrain reserves, the BDG will report arrival date of shipment, the stock levels on the following July 1 and November 1 and the use of OMS during the one year period following the arrival of FY 82 shipments. Upon receipt of the above report and confirmation by USG, the BDG's dollar repayment obligation under the Title III Agreement will be reduced by the dollar sales value of that shipment. Commodities delivered that have received commodity use offset for being held in foodgrain reserves for the agreed upon time may only be used for the Food for Work Program.

D. Reserve Stock Management:

A new problem that has arisen over the past year of relatively high foodgrain stock levels has been deterioration of a portion of the stock longest in storage. The BDG has experimented with a variety of measures to rotate stocks with a low remaining shelf life, but none of them has proven entirely satisfactory. Under this Agreement, the BDG agrees to study the problem with the aim of identifying suitable measures for disposing of short shelf life stocks. The BDG will submit a report on the subject, with appropriate recommendations by December 1, 1982.

E. Reduction of the Public Food Distribution System:

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

Gratuitous Relief, and Modified Rationing for those persons in Category A, i.e., those whose incomes are so low they pay no tax whatsoever to the BDG.

2. The BDG's policies for the reduction of the ration system were outlined in the August 4, 1980 Food Security Plan. The ration system will be reduced by making it gradually less attractive by the end of the Second Five Year Plan period. Measures identified include: (a) the gradual upward adjustment of the ration price with the free market price; (b) reduction in the rice portion of the ration and the eventual withdrawal of rice from the ration system; (c) reduction in the ration quota for individual cardholders. This Agreement requires the implementation of these steps: first to reduce the subsidy element in the ration system, and second to eliminate major portions of the ration system itself.

3. In support of BDG efforts to phase down the ration system and phase rice out of the ration system, and to generate local proceeds to support agricultural development, all 175,000 tons of wheat provided under this Agreement may be allocated to the modified ration system only after actions in Item III E 2 have been implemented by the BDG.

F. The Use of Cotton and the Development of a Private Cotton Spinning Industry:

1. Cotton has been included in the commodity mix because of its potential impact on rural development. While the cotton spinning industry is publicly owned and urban based, the real impact of supplying cotton will be in the rural areas. This is because the cotton will be spun into yarn which is distributed to handloom owners. The handloom sector is privately owned, small scale, rural based and labor intensive. It provides full and part-time employment to approximately one million persons, most of whom are women. This employment is of people and in areas where few if any alternatives exist, and therefore, is of critical importance. The handloom sector suffers from chronic shortage of yarn that limits jobs and availability of cloth. Thus, there is a direct rural development impact from providing cotton under the Title III Program.

2. The sales proceeds generated by the cotton to be provided under this Agreement will be deposited in the Special Account. The BDG will stimulate the development of a self-sustaining private cotton spinning industry. As an initial step toward the goal, the BDG will eliminate the 12,500 spindle limitation applicable to new spinning mills. Since mills of 12,500 spindles (or less) have proven to be uneconomical, the restriction has served as an effective barrier to private investment in the industry. In recognition of the fact that much more than spindle limitations is involved in encouraging private sector investment, the BDG will identify other constraining factors (such as tax structures, license application procedures, import licenses, etc.) and act to adjust them so as to create an investment climate favorable to the development of private sector spinning capacity.

3. When private spinning mills become operational, the BDG will allocate them cotton imported under Government programs on a proportional basis.

G. The Use of Soybean/Cottonseed Oil for Private Marketing:

1. Soybean/cottonseed oil must be wholesaled and retailed through the private sector and not the ration system, nor will offtakes of vegetable oil in the ration system be otherwise increased during the course of the Agreement. Local proceeds generated by the sale of soybean/cottonseed oil will be deposited in the Special Account and disbursed for mutually agreed development activities.

2. The BDG, with support from the USG if requested, will conduct an indepth review and analysis of its import duty, excise tax and related policies to determine their impact on vegetable oil imports, local refining, etc. and make recommendations on how they should be adjusted to encourage local industry.

H. Use of Title III Sales Proceeds:

1. The proceeds from the sale of Title III commodities will be segregated from general revenue receipts by the BDG, and deposited in the Special Account. Title III commodities for this purpose will include local proceeds from the soybean/cottonseed oil, cotton, and wheat shipped under Title III. In addition, the BDG will deposit local currency in an amount equivalent to any difference between local proceeds realized from sales of all commodities and the CCC value of the commodities provided under this Agreement in accordance with Annex A, Item III.

2. The BDG will disburse the local currency deposited in the Special Account only for those projects from the Medium-Term Foodgrain Production Plan identified below or for rural development projects mutually agreed to by means of an exchange of implementation letters.

The list of development programs/projects includes:

a. Specific Medium-Term Foodgrain Production Plan Projects already approved by the BDG:

No.	Name of the Project	Local Currency in Million Taka
1.	Manu River Project	286.50
2.	Karnafuli Irrigation and Flood Control	291.00
3.	Barisal Irrigation (Phase II)	162.00
4.	Muhuri Irrigation	400.00
5.	Shallow Tubewell Irrigation (IDA)	181.50
6.	Intensive Agricultural Production Program for North-West Region of Bangladesh	2,431.73
7.	Supply of Low Lift Pumps under Canal Digging Program Through Voluntary Mass Participation	73.80
8.	Ashuganja Sabuj Prokalpa	8.20
9.	Low Lift Pump Irrigation	1,095.60
10.	Low Lift Pump (IDA)	244.90
11.	Deep Tubewell Irrigation	3,086.40
12.	Shallow Tubewell Irrigation (all over Bangladesh)	1,095.60
13.	Command Area Development	2,700.00
14.	Establishment of Workshops in Private Sector	103.75
15.	Conservation and Development of Surface Water	1,052.60
16.	Support to Locally Developed Small Pumps and other Agricultural Implements	10.00
17.	Foodgrain Warehouse Construction	700.00

b. Other projects in which the USG and BDG have special interest such as agricultural research and credit for agricultural inputs may be added by implementation letters at a later date.

3. The USG will certify forgiveness after the BDG has provided documentation called for in Item III B of Annex A. This documentation can be submitted at any time to the USG through the U.S. Embassy, but not less than quarterly as part of the local currency report called for in Item III B of Annex A. Loan forgiveness will not be certified for proceeds from commodities for which forgiveness has already been received. Upon receipt of the above certified reports and upon confirmation by the USG, the BDG's dollar repayment obligation under the Title III Agreement will be reduced in accordance with Item III A of Annex A.

Item IV. Evaluation:

A. The BDG and the USG will jointly evaluate the program annually in accordance with Annex A Item III G. The comprehensive report (Annex A Item II A) which is due on October 1 of each year will provide a written analysis of progress toward the achievement of program goals and will be a reference point for annual evaluation. The evaluation shall cover all aspects of the Food for Development Program. BDG performance will be measured in each of the Title III program areas listed below. The review may also cover any other factors related to or having a bearing on the Food for Development Program. The evaluation will be forwarded to Washington no later than November 1.

The Food and Fertilizer Planning and Monitoring Secretariat should begin to develop baseline data on cost of inputs, prices, profit margins, etc., to facilitate development of the last evaluation and each annual evaluation.

Annual evaluations will take place until such time as all the commodities provided have been utilized and all local proceeds generated through the sale of Title III commodities fully disbursed. The last evaluation after program completion will be a more detailed final evaluation which will review the overall success of the program and also the Title III program mechanism as a means of achieving the stated program goals.

B. The following benchmark areas will be included as part of the annual and final evaluation to determine progress made in implementing the provisions of the Agreement.

1. There will be a statistical review of program performance. This report will show shipments by U.S. fiscal year in metric tons and dollars. This section of the evaluation report will include data on the dollar equivalent taka generations, by category of recipient, i.e., OMS, PFDS by category and reserves. The status of the Special Account will show annual deposits, disbursements, and the current balance. Finally, the BDG will provide detailed reports of the tonnage and value of commodity used for maintaining reserves and for which the BDG received commodity use offset.

2. The evaluation will address BDG progress in the implementation of the Medium-Term Foodgrain Production Plan; address how the Title III Program complements and provides additional resources for that Plan; include a review of research and extension activities and their relation to the Plan and the Title III Programs. Another area of concern is BDG impact on private sector involvement in the grain trade - i.e., what BDG actions were taken and what were their effects, was additional credit made available to foster greater private sector involvement in the grain trade, etc.

3. There will be an evaluation of soybean/cottonseed oil sales through the private sector, to include the timing and amount of shipments, time required for refining and/or distribution, and amounts and timing of sales. Market prices before and after sales will be reviewed to determine the impact of these sales on the vegetable oil market. The total local proceeds realized from the sales will be compared with the CCC value of the commodity. The amount of vegetable oil used in the ration system will also be reviewed. Steps taken to encourage the local vegetable oil refining industry also will be reviewed.

4. The implementation of the commodity use offset provision for maintaining reserves will be reviewed in detail. BDG performance in a good supply situation includes building stocks and holding reserves. Benchmark stock levels on July 1 and November 1 will be reviewed to indicate whether reserves are being acquired and held at needed levels. The performance of the OMS program will be reviewed to see that it was properly operated at all times that stock levels exceeded 500,000 tons.

5. The implementation of the OMS program will be reviewed to see if it functioned well in moderating price increases. Was OMS undertaken when circumstances required it in accordance with the provisions of this Agreement? Were OMS prices set and maintained through periodic adjustments at an appropriate level? Were sufficient commodities provided to all areas where prices were such as to warrant OMS? Was retail OMS undertaken by dealers without BDG restrictions on prices, quantities, location of sale, or the eligibility of buyers? What proportion of the total area did not receive OMS commodities and why?

6. The BDG program to assure incentive prices to farmers through the domestic procurement program will be reviewed. Did the BDG announce procurement prices for each major foodgrain crop before the planting seasons? Was the procurement price set at a level that covered all input costs plus a margin of profit sufficient to encourage investment in high yield variety technology? Did the BDG continue procurement operations whenever farmgate prices were below the procurement prices? Was there full and adequate use of private intermediaries? Did the BDG continue to construct foodgrain storage facilities? In short, was the foodgrain procurement program effectively administered in order to maintain incentive

prices? For each of the above questions, describe economic, institutional and external factors supporting a negative or positive response. Where prices are evaluated, provide real and nominal price data by location. Also describe why certain areas did not maintain procurement prices.

7. Steps taken to phase down the Public Food Distribution System will be reviewed. Was the ration system increasingly directed towards those with the greatest need? Were prices gradually moved upward so that the subsidy element was reduced? Was the rice portion of the ration reduced? Was the total ration quota for individual cardholders reduced? How do this year's ration offtakes compare to previous years in which there was a similar foodgrain supply situation? Was the OMS program, rather than increased ration offtakes, the principal source of reasonably priced grains in times of rising prices? Were MR sales restricted to Category A cardholders? Include data on real and nominal prices and describe the net effect of increases in ration prices on each PFDS category.

8. The activities and performance of the Food and Fertilizer Planning and Monitoring Secretariat in developing and implementing food policy will be evaluated. Evaluate size of staff, qualifications, status, part, full-time, extent of turnover, major products to date and planned activities related to Title III objectives and policy actions.

9. Use of the proceeds generated from the sale of Title III commodities will be reviewed. Total proceeds generated will be compared to the amount disbursed for approved development projects. Any constraints in the disbursement process and certification of those disbursements to the projects and the goals stated in the Medium-Term Foodgrain Production Plan will be described. The extent to which Title III project disbursement may have contributed to the achievement of these goals will be reviewed. Performance of the individual development projects funded by this Agreement will be evaluated.

10. The development of the private cotton spinning industry will be reviewed. Did the BDG implement policies to foster private sector investment in this industry? Describe new or modified policies impacting on the cotton spinning industry and dates when new policy initiatives were implemented. How many private spinning mills were under construction? Was the 12,500 spindle limitation eliminated? Are private spinning mills under construction, or in operation?

C. To assist in management and evaluation of the program the BDG agrees to make available to the USG: (1) daily coarse rice, wheat and paddy prices; (2) timely forecasts and estimates of domestic foodgrain production for all major foodgrain crops; (3) support and utilization estimates on its foodgrain stock position (e.g., opening stocks, arrivals, offtakes, procurement and closing stocks); and (4) forecasts of future foodgrain stock positions under various agricultural conditions.

BEST AVAILABLE

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Table: 2.32 FOODGRAIN IMPORTS (COMMERCIAL & CONCESSIONAL) BY SOURCE, BANGLADESH

(000 M'tons)

Sources\F.Year	1981	1982	1983	1984	1985	1986	1987/e
IMPORTS (RICE)	84	144	317	180	690	37	52
Concessional (R)	84	45	232	165	125	27	52
US pl-480 (t-iii)	-	-	90	56	87	-	35
Other Concess.	84	45	142	109	38	27	17
Commercial (R)	-	99	85	15	565	10	-
IMPORTS (WHEAT)	993	1,110	1,527	1,878	1,898	1,164	1,805
Concessional (Wh)	733	1,110	845	1,325	1,181	1,060	1,705
U S pl-480	273	452	315	462	373	264	710
Title-ii	162	63	87	241	-	140	104
Title-iii	111	389	228	221	373	124	606
Other Concess.	460	658	530	863	808	796	995
Commercial (Wh)	260	-	682	553	717	104	100
TOTAL IMPORTS (R+W)	1,077	1,254	1,844	2,058	2,588	1,201	1,857
Concessional (R+W)	817	1,155	1,077	1,490	1,306	1,087	1,757
US pl-480	273	452	405	518	460	264	745
Title-ii	162	63	87	241	-	140	104
Title-iii	111	389	318	277	460	124	641
Other Concess.	544	703	672	972	846	823	1,012
Commercial (R+W)	260	99	767	568	1,282	114	100

e = estimated.

Data source: Dhaka Agricultural Attache, Grain and Feed Annual, January'86.
WFP Forecast, July'86

Table: 2.321a
RICE IMPORTS: COMMERCIAL AND CONCESSIONAL BY COUNTRY OF ORIGIN ('000 MT)

Country\FY*	1981	1982	1983	1984	1985	1986	1987/e
CONCESSIONAL	84	45	232	165	125	27	52
Japan	84	17	142	92	33	24	17
Burma	–	15	–	–	–	–	–
WFP	–	13	–	–	–	–	–
US PL-480 (III)	–	–	90	56	87	–	35
Australia	–	–	–	17	–	–	–
China	–	–	–	–	5	–	–
Pakistan	–	–	–	–	–	2	–
Thailand	–	–	–	–	–	1	–
COMMERCIAL	0	99	85	15	565	10	0
Burma	–	–	45	15	60	10	
Thailand	–	–	40	–	440	–	–
Pakistan	–	99	–	–	–	–	–
China	–	–	–	–	65	–	–
TOTAL RICE IMPORT	84	144	317	180	690	37	52

* FY means July,1—June,30 /e estimated
Data source: U. S. Agricultural Attache; and WFP July 02,1986

Table: 2.321b
WHEAT IMPORTS: COMMERCIAL AND CONCESSIONAL BY COUNTRY OF ORIGIN ('000 MT)

Country\FY*	1981	1982	1983	1984	1985	1986	1987/e
CONCESSIONAL	733	1110	845	1325	1181	1060	1705
US PL-480	273	452	315	462	373	264	710
Title-II	162	63	87	241	–	140	104
Title-III	111	389	228	221	373	124	606
WFP	40	278	36	225	328	222	269
Canada	142	100	251	435	144	436	303
EEC	105	130	150	140	130	70	210
Belgium	5	–	–	–	–	–	–
Sweden	–	–	–	–	–	15	–
U K	28	–	5	3	26	–	–
France	13	13	14	–	28	–	28
FRG	25	25	25	–	20	20	20
Australia	78	112	49	60	55	–	100
Netherlands	24	–	–	–	27	–	–
Saudi Arabia	–	–	–	–	50	30	–
Japan	–	–	–	–	–	–	65
NGO's	–	–	–	–	–	3	–
COMMERCIAL	260	0	682	553	717	104	100
U S A	260	–	383	141	513	104	100
Australia	–	–	–	412	204	–	–
EEC	–	–	196	–	–	–	–
India	–	–	103	–	–	–	–
TOTAL WHEAT IMPORT	993	1110	1527	1878	1898	1164	1805

* FY means July,1—June,30 /e estimated
Data source: U. S. Agricultural Attache and WFP July 02,19

Table: 3.2
PRODUCTION OF FOOD GRAINS IN BANGLADESH, 1961-86 (000 M'tons)

FY\Grns	Class of Rice			All Rice	Wheat	All Grains	Total Population (000 Nos)	Per capita grain prod. (In Mt'ton)
	Aus	Aman	Boro					
1961	2537.1	6679.6	455.2	9671.9	32.5	9704.4	55200.0	0.17580
1962	2365.4	6758.8	492.8	9617.0	39.6	9656.6	-	-
1963	2237.4	6143.1	489.7	8870.2	44.7	8914.9	-	-
1964	2699.7	7407.1	517.2	10623.9	34.5	10658.4	-	-
1965	2541.2	7378.6	580.2	10499.9	34.5	10534.5	-	-
1966	2964.9	6908.2	627.9	10501.0	35.6	10536.5	-	-
1967	2716.9	6014.0	844.3	9575.3	58.9	9634.3	-	-
1968	3118.3	6921.4	1131.9	11171.6	58.9	11230.5	-	-
1969	2726.1	6980.3	1637.9	11344.3	93.5	11437.8	-	-
1970	3010.6	7061.6	1933.6	12005.7	104.7	12110.4	-	-
1971	2909.0	6006.9	2227.2	11143.1	111.8	11254.9	-	-
1972	2378.6	5786.5	1765.9	9931.0	114.8	10045.8	-	-
1973	2309.5	5676.7	2103.2	10089.5	91.4	10180.9	-	-
1974	2847.0	6806.6	2255.6	11909.2	110.8	12020.0	76400.0	0.15733
/@ 1975	3011.3	6687.0	2288.2	11986.4	148.7	12135.1	78253.3	0.15507
1976	3281.9	7158.1	2322.7	12762.7	218.5	12981.2	79900.0	0.16247
1977	3059.4	7016.9	1676.5	11752.7	259.1	12011.8	81800.0	0.14684
1978	3152.8	7541.2	2275.0	12969.0	354.6	13323.6	83700.0	0.15918
1979	3340.8	7548.3	1960.0	12849.1	493.8	13342.9	85600.0	0.15587
1980	2854.1	7420.3	2466.0	12740.4	823.0	13563.4	87700.0	0.15466
1981	3289.0	7962.8	2630.6	13882.4	1092.3	14974.7	90820.0	0.16488
1982	3269.7	7208.9	3151.8	13630.4	967.3	14597.7	93170.0	0.15668
1983	3066.5	7603.2	3546.0	14215.7	1095.3	15311.0	95580.0	0.16019
1984	3221.9	7936.4	3349.9	14508.3	1211.1	15719.4	98060.0	0.16030
1985	2783.0	7931.3	3908.8	14623.1	1464.1	16087.2	100600.0	0.15991
1986	2827.0	8540.0	3670.0	15037.0	1042.0	16079.0	103110.0	0.15594
Annual compound growth rate [%]: /*								
1961-86	0.91	0.79	8.92	1.82	18.33	2.18	2.53	-0.31
1974-86	-0.15	1.83	5.80	2.03	24.62	2.76	2.56	0.18
/@1975-86	-0.66	1.57	6.66	2.09	22.17	2.83	2.60	0.23
1978-86	-1.34	1.23	8.50	2.13	14.93	2.75	2.69	0.06
1981-86	-3.35	1.96	6.65	1.82	3.22	1.94	2.58	-0.62

/* Trend growth rates are computed using the semi logarithmic trend equation fitted to the time series data based on the least squares method.

/- Reliable data not available.

/@ 1975 figures used are the averages of 1974, 1975, and 1976 .

Data source: BDG Food Directorate; World Bank; BBS Bulletin; USAID, Dhaka.

Table: 3.9

RELATIVE WHOLESALE PRICE OF MAJOR AGRICULTURAL PRODUCTS IN BANGLADESH, 1973-85/a [Taka per maund]

FY	Wholesale price index (All prod.)	Rice /b Current price	Rice /b Relative price	Wheat Current price	Wheat Relative price	Jute Current price	Jute Relative price	Potatoes Current price	Potatoes Relative price	Tea Current price	Tea Relative price
1973	179	76	42.46	-	0.00	53	29.61	49	27.37	-	0.00
1974	250	100	40.00	79	31.60	53	21.20	90	36.00	136	54.40
1975	399	210	52.63	141	35.34	86	21.55	93	23.31	177	44.36
1976	359	125	34.82	77	21.45	90	25.07	92	25.63	330	91.92
1977	362	113	31.22	79	21.82	100	27.62	67	18.51	430	118.78
1978	408	138	33.82	91	22.30	140	34.31	73	17.89	708	173.53
1979	446	152	34.08	91	20.40	141	31.61	79	17.71	873	195.74
1980	502	201	40.04	116	23.11	114	22.71	93	18.53	852	169.72
1981	539	168	31.17	110	20.41	102	18.92	112	20.78	797	147.87
1982	609	220	36.12	135	22.17	137	22.50	103	16.91	-	-
1983	643	239	37.17	162	25.19	152	23.64	79	12.29	-	-
1984	747	261	34.94	167	22.36	217	29.05	122	16.33	-	-
1985	875	310	35.43	173	19.77	-	-	115	13.14	-	-

Annual Compound Growth Rate: /c

1973-80

1981-85

1973-85

/a Deflated by wholesale price indices for all products in Bangladesh [1970 = 100, values taken from table:1.16.]

/b Based on coarse rice price only.

/c Trend growth rates are computed using the semi logarithmic trend equation fitted to the time series data based on the least squares method.

Footnote: Annual average grower's price (primary mkt price) of jute is taken as wholesale price of Jute, but for other products annual weighted average wholesale price is used.

Data source: World Bank report #5409, April'85, P.118,119,120,123; Deptt. of Agricultural Marketing.

Table: 4.0
FOOD SECURITY RESERVE LEVELS, BANGLADESH, 1972–1986
[Closing stock: '000 metric tons of Foodgrains]

Month end	Rice	Wheat	Total
July72	–	–	441
Dec	–	–	135
June73	–	–	302
Dec	–	–	271
June74	–	–	217
Dec	–	–	179
June75	–	–	761
Dec	–	–	941
June76	–	–	863
Dec	–	–	471
June77	–	–	382
Dec	–	–	828
June78	–	–	678
Dec	–	–	925
June79	–	–	212
Dec	–	–	826
June80	–	–	791
Dec	–	–	1,322
June81	–	–	1,249
Dec	–	–	1,001
June82	338	277	615
Dec	379	435	814
June83	290	321	611
Dec	211	258	469
June84	90	710	800
Dec	282	552	834
June85	466	542	1,008
Dec	382	503	885
January'86	429	395	824
February	448	275	723
March	438	235	673
April	386	398	784
May	344	493	837
June	348	586	934
July	329	618	947
August	296	619	915
September	249	826	1,075
October*	178	715	893
November*	158	724	882
December*	160	654	814
Average75–85	–	–	759
Range	–	–	179–1,322
Average80–85	–	–	863
Range	–	–	469–1,322

/* Revised WFP Projection (11/04/86).
Data source: WFP; USAID; IBRD #6049-BD, P.47.

Table: 5.1N BANGLADESH, FOODGRAIN SUPPLY MANAGEMENT SYSTEM -1981-85 (Million M'Tons)

		1981	1982	1983	1984	1985	5 Yearly Average
1.	Domestic production (gros	14.975	14.598	15.311	15.721	16.086	15.338
1.i.	Domestic supply (Net)*	13.384	13.020	13.684	14.583	14.707	13.876
2.	Govt. procurement	1.033	0.302	0.192	0.270	0.344	0.428
3.	Total Imports	0.993	1.308	1.787	1.964	3.115	1.833
3.i.	Commercial imports	0.260	0.099	0.767	0.568	1.282	0.595
3.ii.	Concessional imports	0.733	1.209	1.020	1.396	1.833	1.238
3.ii.a.	PL-480 Title:iii	0.111	0.389	0.318	0.277	0.460	0.311
3.ii.b.	Other concessionals	0.622	0.820	0.702	1.119	1.373	0.927
4.	Total Supply (1+3)	15.968	15.906	17.098	17.685	19.201	17.172
5.	Total gr.avlb.for consump	13.016	13.657	14.322	14.971	15.248	14.243

RATIO ANALYSIS:

	1981	1982	1983	1984	1985	5 Yearly Average
Total imports/D.prod.(gross)	6.63%	8.96%	11.67%	12.49%	19.36%	11.95%
Concess imports/D.prod(gross)	4.89%	8.28%	6.66%	8.88%	11.40%	8.07%
PL480,Tiii imports/avlb.fr.consu	0.85%	2.85%	2.22%	1.85%	3.02%	2.18%
Govt.Procurement/Total grains su	6.47%	1.90%	1.12%	1.53%	1.79%	2.49%
Concess.Import/Available for Con	5.63%	8.85%	7.12%	9.32%	12.02%	8.69%

*Net=(gross production-10% seed,feed & waste) & adjustments for year overlaping

#Availabity=(Net domestic supply - procurement + public distributions)

Data sources: IBRD,Food & Nutrition Report; USDA Report-BG6001; BBS,Bulletin'NOv'85

Table: 9.1 MONTHLY MARKET, PROCUREMENT, RATION & OMS PRICES FOR COARSE RICE
July'83—Oct'86 (Taka per Maund)

Month	Procurement!	Ration#	Market*	Initial OMS @
July'83	215	215(209)	224	240
August	215	215	225	240
September	215	215	238	240
October	215	215	247	240
November	215	215	236	240
December	225	215	238	240
January'84	225	215	255	257.5
February	225	235(229)	257	257.5
March	225	235	267	257.5
April	225	235	277	257.5
May	225	235	269	257.5
June	225	235	263	257.5
July'84	225	235	274	257.5
August	248	235	273	257.5
September	248	235	283	257.5
October	248	235	297	285.5(270.5)
November	248	235	278	285.5
December	248	235	282	285.5
January'85	248	268(262)	291	285.5
February	248	268	288	285.5
March	248	268	290	285.5
April	248	268	295	285.5
May	248	268	268	285.5
June	248	268	250	285.5
July'85	248	268	257	285.5
August	248	268	256	285.5
September	248	268	263	285.5
October	248	268	264	285.5
November	255	268	269	285.5
December	255	275(269)	260	293.3(278.4)
January'86	255	275	261	293.3
February	255	275	266	293.3
March	255	275	276	293.3
April	255	275	296	293.3
May	265	275	297	293.3
June	265	289(283)	282	304.9(289.6)
July'86	265	289	295	304.9
August	265	289	299	304.9
September	265	289	301	304.9
October	265	289	320	304.9
November			305/e	

! Purchase cost + Tk.5 for transport bonus. * Avg. minimum price.
Retail price, Ex-godown in parentheses. @ Atap rice in parentheses.
Data source: WFP ; Directorate of Food through USAID, Dhaka.

Table: 9.11 MONTHLY MARKET, PROCUREMENT, RATION & OMS PRICES FOR WHEAT
July'83—Oct'86 - - - ···(Taka per Maund)

Month	Procurement!	Ration#	Market*	Initial OMS @
July'83	135	145(139)	146	144
August	135	145	148	144
September	135	145	159	144
October	135	145	163	144
November	135	145	154	144
December	135	145	151	144
January'84	135	145	169	154.9
February	135	155(149)	173	154.9
March	144	155	161	154.9
April	144	173(167)	149	154.9
May	144	173	150	154.9
June	144	173	152	154.9
July'84	144	173	159	154.9
August	144	173	161	154.9
September	144	173	165	154.9
October	144	173	174	154.9
November	144	173	173	154.9
December	144	173	172	166
January'85	144	181(175)	175	166
February	144	181	174	166
March	162	181	163	166
April	162	181	158	186.6
May	162	181	154	186.6
June	162	181	151	186.6
July'85	162	181	157	186.6
August	162	181	171	186.6
September	162	181	178	186.6
October	162	181	185	186.6
November	162	181	186	186.6
December	162	181	183	196
January'86	162	181	182	196
February	162	181	179	196
March	162	181	174	196
April	180	181	172	196
May	180	181	175	196
June	180	186(180)	175	207
July'86	180	186	185	207
August	180	186	191	207
September	180	186	196	207
October	180	186	209	207
November			203/e	

! Purchase cost + Tk.5 for transport bonus. * Avg. minimum price.
Retail price, Ex-godown in parentheses. e = estimated
Data source: WFP; Directorate of Food through USAID,Dhaka.

Table: 9.23 PFDS OFFTAKE OF FOODGRAINS BY CHANNELS, BANGLADESH (000 metric tons)

Channels\Year*	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987/p
TOTAL GRAINS	1,876.80	1,825.76	2,440.18	1,546.89	2,071.12	1,935.36	2,050.86	2,572.61	1,539.72	1,936.00
Statutory Rationing	458.25	423.85	499.30	348.42	312.45	307.62	293.22	275.81	160.50	191.00
Modified Rationing	358.40	316.59	390.74	182.02	490.67	367.53	399.24	464.37	103.16	206.00
Essential Priorities	123.73	96.48	85.42	89.60	102.53	98.27	107.82	112.33	116.92	121.00
Other Priorities	332.52	398.98	547.39	362.93	381.74	343.27	344.37	388.35	209.67	312.00
Large Employers	90.50	76.62	107.70	31.26	56.79	77.16	60.33	63.37	35.69	64.00
Flour Mills	218.38	185.87	181.23	126.86	125.36	128.50	128.16	147.72	104.46	132.00
Marketing Operation	5.62	9.08	10.23	0.02	109.69	0.23	51.11	7.75	79.68	39.00
Open Market Sales	0.00	53.66	112.66	0.13	47.13	117.90	106.54	201.19	57.10	121.00
Food for Works	258.76	219.36	447.50	354.91	371.69	411.12	440.54	571.99	467.91	521.00
Relief/1	30.64	45.27	58.01	50.74	73.07	83.77	119.53	339.73	204.64	229.00
CH.SHARE (% of Total)										
Statutory Rationing	24.4%	23.2%	20.5%	22.5%	15.1%	15.9%	14.3%	10.7%	10.4%	9.9%
Modified Rationing	19.1%	17.3%	16.0%	11.8%	23.7%	19.0%	19.5%	18.1%	6.7%	10.6%
Essential Priorities	6.6%	5.3%	3.5%	5.8%	5.0%	5.1%	5.3%	4.4%	7.6%	6.3%
Other Priorities	17.7%	21.9%	22.4%	23.5%	18.4%	17.7%	16.8%	15.1%	13.6%	16.1%
Large Employers	4.8%	4.2%	4.4%	2.0%	2.7%	4.0%	2.9%	2.5%	2.3%	3.3%
Flour Mills	11.6%	10.2%	7.4%	8.2%	6.1%	6.6%	6.2%	5.7%	6.8%	6.8%
Marketing Operation	0.3%	0.5%	0.4%	.0%	5.3%	.0%	2.5%	0.3%	5.2%	2.0%
Open Market Sales	0.0%	2.9%	4.6%	.0%	2.3%	6.1%	5.2%	7.8%	3.7%	6.3%
Food for Works	13.8%	12.0%	18.3%	22.9%	17.9%	21.2%	21.5%	22.2%	30.4%	26.9%
Relief/1	1.6%	2.5%	2.4%	3.3%	3.5%	4.3%	5.8%	13.2%	13.3%	11.8%

* Year means fiscal year ending on June 30th. /1 Includes Test relief, Gratuitous relief, & Vulnerable group feedin
/p Revised WFP projection (11/04/86).
Data source: Directorate of Food through USAID.

Table: 10.12 POSITION OF AGRICULTURE IN THE ANNUAL DEVELOPMENT PROGRAMME, BANGLADESH

(Million Taka)

	Revised 1982	Revised 1983	Revised 1984	Revised 1985	Actual 1985	Budget 1986
Total value of ADP:	27,153	31,262	34,840	35,084	32,440	38,257
Total Agriculture, Rural dev.						
Flood control & Upazila:	8,820	9,565	13,797	13,648	12,099	11,629
Agri (excluding subsidies)	-	-	3,449	3,158	2,011	1,875
Agricultural subsidies	-	-	1,394	0	908	306
Sub Total (Agriculture)	3,698	4,721	4,843	3,158	2,919	2,181
Rural development	1,127	1,160	1,045	1,088	940	1,109
Water & Flood control	3,995	3,684	4,564	5,157	4,023	4,093
Upazila	-	-	3,345	4,245	4,217	4,246
Other Sectors in ADP:	18,333	21,697	21,043	21,436	20,341	26,628
Ratio Analysis:						
Total Ag, RD, FC & Uz/Annual ADP	32.48%	30.60%	39.60%	38.90%	37.30%	30.40%
Total Agriculture/ADP	13.62%	15.10%	13.90%	9.00%	9.00%	5.70%
Agr (excluding subsidies)/ADP	-	-	9.90%	9.00%	6.20%	4.90%

(-) Data appropriations not available.

Data source: IBRD Report March'86, P.74; World Bank Report-5409, vol=iv, P.41