

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



ANNUAL BUDGET SUBMISSION

FY 1978

BANGLADESH

**DEPARTMENT
OF
STATE**

JULY 1976



BANGLADESH

FY 1978

ANNUAL BUDGET SUBMISSION

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- Agricultural Inputs Support
- Small Farmer Credit
- Land Occupancy Study
- Program Development Assistance and Training
- National Women's Organization
- Incentives for Voluntary Sterilization

Part I Mission Certification of Continued Validity of the Bangladesh DAP.

It is the Mission's judgement that the Congressional Mandate's emphasis on the rural poor, upon agricultural production, and upon population control, remain of the utmost importance in addressing the challenge of development in Bangladesh. The DAP develops the theoretical reasons for addressing these program areas and provides a unity of purpose for all of our assistance. The DAP also emphasizes the importance of PL 480 program in implementing the Congressional Mandate. The Mission devotes much of its time to the analysis of the use of imported food for this purpose.

The DAP will retain chapters II - IV which provide its theoretical unity and rationale. In the future the DAP will reflect the research that is being started now, e.g., land tenure, and of the evaluation of on - going projects. From this will flow new areas of strategy guidance, particularly refined policies regarding PL - 480, redefinition of the hierarchy of interests in land, and consumer goods production in market towns. Expanded treatment will be given to population, both incentives and delivery mechanisms, market town development, and nutrition. Evaluative experience derived from our own and other donors projects, research, and PVO activities may call for a rethinking of our strategies in agricultural extension and rural information.

Over the course of the next twelve months the mission will be developing draft strategy papers on the above areas. These will be reviewed in the context of the present DAP's theoretical model and in light of project experience. Greater BDG participation in the analytical processes will be sought. A second DAP edition should be published by/during CY 1978.

Summary Table I

Funding Levels for FY 1976, IQ, FY 1977, FY 1978
(\$000)

	<u>FY 1976</u>	<u>Interim Quarter</u>	<u>FY 1977</u>	<u>FY 1978</u>
Food/Nutrition	<u>19,792</u>	<u>5,759</u>	<u>45,014</u>	<u>81,138</u>
Grants	1,792	509	1,514	1,438
Loans	18,000	5,250	43,500	79,700
Population/Health	<u>2,626</u>	-	<u>4,942</u>	<u>11,872</u>
Grants	2,626	-	4,942	7,372
Loans	-	-	-	4,500
(Population)				
(Grants)	(2,626)	-	(4,942)	(7,372)
(Loans)	-	-	-	(4,500)
(Health)				
(Grants)	-	-	-	-
(Loans)	-	-	-	-
Education				250
Grants	-	-	-	<u>250</u>
Loans	-	-	-	-
Section 106	<u>2,814</u>	-	<u>910</u>	<u>1,361</u>
Grants	314	-	910	1,361
Loans	2,500	-	-	-
<u>Sub-total</u>	<u>25,232</u>	<u>5,759</u>	<u>50,866</u>	<u>94,621</u>
Grants	4,732	509	7,366	10,421
Loans	20,500	5,250	43,500	84,200
TOTAL	25,232	5,759	50,866	94,621
HIGs				
PL 480				
Title I	164,600	-	132,790	132,000
Title II	7,000	-	14,400	14,400

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10. PROJECT SEQUENCE NO.	11. PROJECT TITLE (NO CHARACTERS MAXIMUM)	12. QTR. FOR DEBIT	13. EST. FY AUTH. OR FINAL	14. APPROPRIATION	15. PRIMARY PURPOSE CODE	16. LOAN/GRANT INDICATOR	17. BUDGETS (IN \$000)							
							AY76	TQ	OY77	OY78	LDP			
<u>Food & Nutrition</u>														
0002	Dev. Serv. & Training	1	77	FN	184	GC	500	-	500	-	2,000			
0003	Agricultural Research	2/2	78	FN	141	GC	1,000	347	726	488	2,561			
0003	Agricultural Research		78	FN	141	L	4,000	-	-	-	4,000			
<u>1/</u> 0017	Food For Work*	2/3	80	FN	260	GC	292	162	288	270	1,586			
<u>2/</u> 0019A	Small Scale Irrigation*	3	76)	FN	117	L	14,000	-	-	15,000	29,000			
0023	(I&II)		78)											
<u>3/</u> 0030	Fertilizer Storage *		T.Q.	FN	130	L	-	5,250	-	-	5,250			
<u>4/</u> 0019	Agricultural Inputs*	2	77)	FN	113	L	-	-	27,500	25,000	52,500			
0022	(III & IV)	2	78)											
<u>5/</u> 0021	Rural Electrification	3	77)	FN	200	L	-	-	16,000	9,000	25,000			
	(Phase I & II)	3	78)											
<u>6/</u> 0016	Ashuganj Fertilizer Plant (Amendment A)	1	78	FN	101	L	-	-	-	15,000	15,000			
0025	Small Farmer Credit(1)	3	80	FN	200	GN	-	-	-	220	600			
0025	" " " (1)	3	78	FN	200	L	-	-	-	1,700	1,700			
0026	Land Occupancy Study(3)	1	78	FN	231	GN	-	-	-	160	160			
0024	Ag. Inputs Support (4)	1	80	FN	130	GN	-	-	-	300	300			
0024	" " " (4)	1	78	FN	130	L	-	-	-	14,000	14,000			
<u>Population Planning & Health</u>														
<u>7/</u> 0001	Population Family Planning *	3/3	78	PH	440	GC	2,626	-	4,942	7,372	14,940			
0029	Incentives For Voluntary Sterilization (2)	4	78	PH	442	L	-	-	-	4,500	4,500			
<u>Education & Human Resources</u>														
0028	National Women's Organization (5)	2	78	EH	660	GN	-	-	-	250	250			
<u>Section 106</u>														
0010	PVO Co-Financing	2	78	ST	769	GC	314	-	910	486	2,000			
							18. DATE DOCUMENT RECEIVED IN AID/W		MM		DD		YY	

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10. PROJECT SEQUENCE NO.	11. PROJECT TITLE (40 CHARACTERS MAXIMUM)	12. QTR. FOR OBLM	13. EST. FY AUTH. OBL. FINAL	14. APPROPRIATION	15. PRIMARY PURPOSE CODE	16. LOAN PROGRAM INDICATOR	17. BUDGETS (IN \$000)				
							AY 76	TQ	OY 77	BY 78	LDP
0018	Section 106 (Contd.) Karnaphuli Hydro Unit		76	ST	601	L	2,500	-	-	-	2,500
0027	Project Development Assistance & Training(6)	2	80	ST	700	GN	-	-	-	875	3,550
							18. DATE DOCUMENT RECEIVED IN AID/W MM DD YY 				

Footnotes to Summary Table II

- 1/ Food For Work. Due to delays in project implementation, \$43,000 was shifted from FY 1976 Funding to the transitional quarter. An increase in the amount of \$14,000 is required over the amount provided for FY 77 in the FY 77 CP to cover the cost of an evaluation of the project.
- 2/ Small Scale Irrigation. The Phase I and II projects were originally planned for authorization in FY 76 and FY 77, respectively. Further analysis indicates that the phases should be separated by two years in order to evaluate and adapt the experience gained in Phase I in the following phase. Accordingly, the amount proposed for financing in FY 77 has been shifted to FY 78. Similarly, and because the development problem and proposed solution are already defined at the Project Paper stage, the Mission will submit a Project Paper for the Phase II project prior to the scheduled quarter of obligation in FY 78. No other documentation, i.e., a PID or PRP, is required.
- 3/ Fertilizer Storage. In FY 76 the Bangladesh Government identified the lack of adequate fertilizer storage suitably located around the country as a key constraint to efficient supply. A Development Loan in the amount of \$5,250,000 is proposed for the Transitional Quarter to address this problem at the Thana level. The Project Paper was pouched to AID/W on June 18, 1976.
- 4/ Agricultural Inputs. Phase III of this project, which was scheduled for FY 76 authorization, has been deferred to FY 77. The Bangladesh Government found that it would not be possible to implement Phase III at this time for the reasons of higher fertilizer stock levels and lower off-take rates than previously estimated as well as fertilizer storage and ordinary budget constraints. The Mission will submit an amended Project Paper for Phase III prior to the scheduled quarter of obligation in FY 77. Because the development problem and proposed solution are already well defined at the Project Paper stage, the Mission will submit a new Project Paper for the Phase IV, FY 78 project prior to the scheduled quarter of obligation in FY 78. No other documentation, i.e., a PID, is required at this time.
- 5/ Rural Electrification. The Phase I project is scheduled for authorization in FY 77 following the execution of a feasibility study and the submission of a Project Paper prior to the scheduled quarter of obligation. The Phase II project, proposed for authorization in FY 78, will incorporate the design elements developed for Phase I. Thus, the Mission will submit a Project Paper for Phase II prior to the scheduled quarter of obligation in FY 78.

- 6/ Ashuganj Fertilizer Plant (Amendment A). The original AID loan was for \$ 30 million against a total project cost of \$ 249.4 million. Foster Wheeler, the general contractor, revised the cost estimates for the project based on March, 1976 prices. In general, there appears to be a shortfall between \$60 and \$85 million attributable to labor and commodity price inflation and implementation delays. On the basis of the amounts previously contributed by the consortium of donors (the UK, ADB, IDA, FRG and AID) and the Bangladesh Government, the AID share of a \$60 million shortfall would be \$15 million. Mission will submit an amended Project Paper face sheet and supporting analysis for this amount.
- 7/ Population/Family Planning. The FY 77 CP was written before the current Project Paper was written and approved. All funding deviations are accounted thereby.

Narrative Progress Statements

1. CARE Food For Relief Work Program

The project is on schedule with regards to BDG and CARE inputs. The USAID grant to CARE to cover US dollar costs related to the project had not been signed as the date of submission of the FY 1978 ABS. The AER to provide wheat on a reimbursable basis for work completed on CARE's accepted projects has been approved.

Due to the facts that some planned projects were not completed and others were completed but not in accord with the CARE-BDG agreement, it now appears that inputs of Title II wheat will be approximately 30 to 40,000 MTs as opposed to the originally planned 50,000 MTs (which was increased to 60,000 MTs per Dacca 1572). Further, the contract research study on the social profile of participating rural laborers has been delayed until FY 1977, thereby increasing FY 1977 obligations by \$36,000.

There are no major changes in types of inputs or outputs, and no minor changes in project purpose at this time. The Mission evaluation of this project is scheduled for August, 1976, which may result in some changes in project implementation procedures.

2. Agricultural Research

Due to the delay in getting the Agriculture Research Project authorized and a delay in signing the documentation with the BDG the Project implementation timetable is approximately six (6) months behind schedule.

3. Population/Family Planning

The project agreement for this activity was signed on May 31, 1976. The training of field personnel by the BDG, called for under the project, has started but is behind schedule in terms of both timing and number of trainees. The BDG has been given until October, 1976, to provide a scope of work for a U.S. consultant to design and establish an in-country training program for medical and para-medical personnel.

4. Project appraisal reports have been submitted on all other on-going projects scheduled for funding in FY 77 or FY 78.

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FORMAT FOR FISCAL DATA
ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Population/Family Planning INITIAL OBLIGATION FY 1976 DATE PROP/REVISION N.A.
 PROJECT NUMBER 388-0001 FINAL OBLIGATION FY 1978 DATE LAST PAR N.A.
 APPROPRIATION Population & Health TOTAL COST \$14,940,000 DATE NEXT PAR 2/77

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligation	FY Expenditures	FY 1977 and FY 1978 Unliquidated Obligations by Cost Component/MOI						Total		
			Cost Component	Direct Aid	Contract	PASA	Total				
Actual FY 1976	2,626	-	2,626	77	77	78	77	78	77	78	
Estimated Interim Qtr.	-	75	2551	-	166	150	-	-	-	166	150
Estimated FY 1977	4,942	2,350	5143	Local Tcn. Participants 248	-	-	-	-	-	-	-
Proposed FY 1978	7,372	4990	7525	Commodities 4,508	7,097	-	-	-	-	-	4,508
				Other Costs	-	-	-	-	-	-	7,097
				Total	4,776	7,222	166	150	-	-	4942
											7,372

Contract/PASA Funding Periods

Name of Contractor	FY 1976		FY 1977		FY 1978		On Board Personnel				
	from	to	from	to	from	to	6/30 1976	9/30 1976	9/30 1977	9/30 1978	
PSC # 1	10/76	3/78									
Amount	135										
PSC # 2	1/77	2/77	1/78	2/78			0	0	2	2	
Amount	18		18				0	0	19	10	
PSC # 3	1/77	12/77	1/78	12/78							
Amount	111		111								
PSC # 4			1/78	6/78							
Amount			37								
PSC # 5					2/78	7/79					
Amount					150						

Project No. 388-11-190-002

Contract/PASA Funding Periods (cont'd)

Name of Contractor	FY 1976 Obligations		Int. Qtr. Obligations		FY 1977 Obligations		FY 1978 Obligations	
	from	to	from	to	from	to	from	to
IVS	3/76	10/77						
		\$92						
Crauder	6/76	5/77						
		\$68						
TBD					10/76	4/77		
					\$40			
TBD					10/76	9/77		
					\$70			
TBD					11/76	10/77		
					\$70			
TBD					11/76	10/77		
					\$70			

TBD - To be determined.

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**FORMAT FOR FISCAL DATA
ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION**

PROJECT NAME Agricultural Research INITIAL OBLIGATION FY 1976 DATE PROP/REVISION Sept 1975
 PROJECT NUMBER 388-0003-1 FINAL OBLIGATION FY 1978 DATE LAST PAR -
 APPROPRIATION Food Nutrition TOTAL COST 2,561,000 DATE NEXT PAR April 1977

U.S. DOLLAR COST (IN THOUSANDS)									
	FY Obligation	FY Expenditures	Unliquidated Obligations by Cost Component/MOI						
			FY 1977		FY 1977 and FY 1978		FY 1978		
			Cost Component	Direct Aid	Contract	PASA	Total		
Actual FY 1976	1000	-	U.S. Tech.	77	78	77	78	77	78
Estimated Interim Qtr.	347	500	Local & Tcn. Participants	-	-	-	-	-	-
Estimated FY 1977	726	920	Commodities	127	114	-	-	-	-
Proposed FY 1978	488	700	Other Costs	-	-	176	31	-	-
			Total	127	114	599	374	-	-
									726 488

Contract/PASA Funding Periods

Name of Contractor	FY 1976		Int. Qtr.		FY 1977		FY 1978		On Board Personnel					
	from	to	from	to	from	to	from	to	6/30 1976	9/30 1976	9/30 1977	9/30 1978	No.	No.
Contract # 1 Undetermined	3/76	6/76	7/76	9/76	10/76	9/77	10/77	9/78	Direct Hire PASA	-	-	-	-	-
	407		122		347		284		Contract Participants	0	3	7	15	7
Contract # 2 IVS	3/76	6/76			10/76	9/77	10/77	9/78						
	58				76		59							
TOTAL	465		122		423		343							

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Proposed New Projects - FY 1978 Alternative Funding Levels

<u>Project</u>	<u>(Alternative A)</u>		<u>(Alternative B)</u>		<u>(Alternative C)</u>	
	<u>Full Funding Level</u>		<u>Forward Funding</u>		<u>Mission Alternative</u>	
	<u>Dollars</u>	<u>Months from date of Obligations</u>	<u>According to A-368</u>	<u>Dollars</u>	<u>if Grant Resources Curtailed</u>	<u>Months from Date of Obligation</u>
<u>Food and Nutrition</u>						
Small Farmer Credit	600	36	220	120	12	
Agricultural Inputs Support	300	36	171	100	12	
Land Occupancy Study	<u>160</u>	18	<u>160</u>	<u>160</u>	18	
Funding sub-total	1,060		551	380		
<u>Education and Human Resources</u>						
National Women's Organization	250	24	250	125	12	
<u>Section 106</u>						
Program Development Assistance and Training	<u>3,550</u>	36	875	466	12	
Total Funding Level	4,860		1,676	971		

FY 1978 NEW GRANT PROJECTS

Narrative Support For Proposed Funding Levels

A. Summary

For FY 1978, we are submitting five new grant projects, two of which are part of a grant-loan package, so that disbursements under the loan will be directly affected by the rate of grant implementation. The Mission proposes to provide life-of-the-project (LOP) funding for all new grant projects where LOP is less than \$500,000.

B. Small Farmer Credit

This project has both grant (\$600,000) and loan \$1,700,000) components. The project is a pilot test of three different approaches to providing institutional credit to small farmers and mobilizing rural savings. Full funding would be helpful but is not critical to implementation of the project. A reduction to Alternative C, however, would hamper implementation of the pilot test since most of the initial grant funding is associated with designing and installing the various prototype systems and training. Later grant funding is required for evaluation of the pilot.

C. Agricultural Inputs Support

This project is also both grant (\$300,000) and loan \$10,000,000) funded. The project is designed to provide fertilizer storage access points closer to farmers and/or construct additional food-grain storage to enable the BDG to undertake an expanded fixed-price domestic procurement program. The latter would stabilize foodgrain prices for small farmers who cannot hold their crops and must sell, on the open market, at harvest time when prices are lowest. The fertilizer storage component would be a follow-on to a similar loan to be funded in the Transitional Quarter. It is also related to Agricultural Input loans to be funded in FY 1977 and FY 1978. The grant component of the proposed Agricultural

Inputs Support loan is designed to provide technical assistance and training in improving the handling and distribution of fertilizer throughout the country. Given the relatively small size of the grant component and its relationship to the successful implementation of a sizable portion of the Mission's loan portfolio, we propose full funding for this project.

D. Land Occupancy Study

This is a research proposal designed to provide the Mission with better data on the hierarchy of interests in land in Bangladesh, which is vital to our understanding of the problems of small farmers in Bangladesh. It is an 18-month project and, therefore, full funding (\$160,000) is within the guidelines of A-368. The nature of the implementation of this project (see PID) would not enable us to either reduce the level of services or extend the period of services over a longer time in order to accommodate a lower funding level.

E. National Women's Organization

The project provides a direct grant(\$250,000) to the BDG to establish a skills training institute for women. The full funding level is within the guidelines of A-368. The lowest possible alternative is to provide two separate annual grants of \$125,000 each. We believe a full funding commitment is required to ensure the establishment of the institute. Further, less than full funding would reflect adversely on our commitment to accelerating the integration of women into economic development. Finally, the relatively small amount of funding and the added Mission workload in negotiating two separate grant agreements argues the advantage of full funding.

F. Program Development Assistance and Training

This project is designed to improve the BDG's capability to develop and implement programs to improve the well-being of the rural poor. In this instance, however, the Mission would prefer not to have full funding (\$3,550,000) because of the level

of funding required, previous Mission experience with projects of this type, and difficulties in forecasting precise needs for feasibility studies, technical assistance, and training needed over the life of the project in order to meet the stated objectives. Two previous projects, Development Services and Training and the Project Studies Grant, were obligated for a full three years. In both cases, however, disbursements were slow because USAID and the BDG were unable to agree on specific program plans, which were conditions precedent to disbursement, after the funds were obligated. The Mission proposes to use an annual project agreement mechanism in order that USAID and the BDG agree on specific requirements prior to obligation of the funds. At the lower level of Alternative C, the Mission would reduce the number of feasibility studies and the number of trainees (see PID) by 50% and shorten the forward funding of the technical assistance component to 12 months. The consequences of the latter, i. e., technical assistance, may not be severe. A reduction in the former, particularly the feasibility studies, however, would have serious consequences later. That is, a major problem of the BDG is its inability to develop suitable priorities for donor financing and, therefore, fewer feasibility studies would lead to fewer "bankable" projects. Alternative B funding, therefore, is requested.

Country - BangladeshLong Range Program Plan
(whole \$ millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Food/Nutrition	<u>81.1</u>	<u>80</u>	<u>86</u>	<u>91</u>	<u>96</u>
Grants	1.4	2	4	6	8
Loans	79.7	78	82	85	88
Population/Health	<u>11.9</u>	<u>18</u>	<u>19</u>	<u>21</u>	<u>23</u>
Grants	7.4	8	9	10	10
Loans	4.5	10	10	11	13
(Population)	<u>(11.8)</u>	<u>(8)</u>	<u>(12)</u>	<u>(15)</u>	<u>(16)</u>
(Grants)	(7.3)	(8)	(7)	(8)	(9)
(Loans)	(4.5)	-	(5)	(7)	(7)
(Health)	-	<u>(10)</u>	<u>(7)</u>	<u>(6)</u>	<u>(7)</u>
(Grants)	-	-	(2)	(2)	(1)
(Loans)	-	(10)	(5)	(4)	(6)
Education	<u>.3</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>
Grants	.3	1	1	1	2
Loans	-	-	-	-	-
Section 106	<u>1.3</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Grants	1.3	1	1	1	1
Loans	-	-	-	-	-
Total	<u>94.6</u>	<u>100</u>	<u>107</u>	<u>114</u>	<u>122</u>
Grants	10.4	12	15	18	21
Loans	84.2	88	92	96	101
PL 480					
Title I	132.0	132	132	132	132
Title II	<u>14.4</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>14</u>
Total PL-480	<u>146.4</u>	<u>146</u>	<u>146</u>	<u>146</u>	<u>146</u>
Total Development 241 Resources	===	246 ===	253 ===	260 ===	268 ===

LONG RANGE PROJECTIONSNARRATIVEI. INTRODUCTION

The projections for U. S. assistance shown on the preceding table represent an absolute reduction from FY 1974, the peak year for U. S. assistance levels, when we were engaged in a massive relief effort. Though the levels projected are lower than the peak year, they represent a shift from relief to development and, we believe, are appropriate to both the development needs of Bangladesh and the Government's (BDG) own development efforts. Nevertheless, this country remains prone to two major types of disasters, cyclones and floods. A cyclone of the intensity of that of November, 1970, or a major flood, such as occurred in 1974, could radically alter these projections.

II. ASSUMPTIONSA. Political

The major political assumption is that, whether the Martial Law administration remains in power or there is a return to an elected government, the BDG will remain committed to the dual objectives of reducing the population growth rate and increasing agricultural production in order to achieve foodgrain self-sufficiency. There may be periods of political instability through the long range period, but BDG policy-makers, whoever they may be, must remain committed to these twin goals. Further, the BDG must be capable of implementing policies necessary to achieve the projected reduction in population growth shown in the economic assumptions below. Failure to maintain policies and programs directed toward the achievement of the agriculture and population goals would result in lower levels of future U. S. assistance than those projected herein.

B. Economic

Using 1978 as the base year we posit the following assumptions:

1. The rate of natural population increase will decline from 2.9% in 1978 and 1979, to 2.8% in 1980 and 1981 to 2.7% in 1982. (In 1976 the estimated rate is 3%.) On this assumption, national population will be 84.8 million in 1978, 87.2 million in 1979, 89.7 million in 1980, 92.2 million in 1981 and 94.7 million in 1982.

2. Worldwide commodity price inflation will increase at a compound rate of 4% per annum. On this assumption, our index for the long range period is: 1978 = 100; 1979 = 104; 1980 = 108; 1981 = 112; and 1982 = 117.

3. Domestic agricultural production will increase by 3% per annum through 1982, which combined with the declining rate of population increase, would reduce the need for imported food.

4. As a simplifying assumption, development assistance (excluding PL 480) is straight-lined at \$ 1.10 per capita from 1978 through 1982. This base was computed by dividing projected development assistance in 1978 (\$94.6 million) by the projected population of 84.8 million. (To compute development assistance in 1982 we multiplied the projected population of 94.7 million by \$ 1.10 by the inflation index of 117. Thus, on a per capita basis development assistance in 1982 equals development assistance in 1978, expressed in "constant" 1978 dollars.)

5. Other donors, as a whole, would maintain their current relative share of development assistance expressed in constant dollars.

6. Present budget levels for PL 480, are straight-lined through 1982 for the following reasons:

- a. Increases in domestic agricultural production combined with a decrease in the population growth rate reduces the need for imported food;
- b. U.S. food assistance, per the discussion in the PL 480 Title I narrative, is used increasingly as a development resource, e.g., elimination of the ration system, increased domestic grain procurement, grain stabilization programs, targetting on the destitute, etc.
- c. The BDG improves its performance in domestic revenue mobilization.

C. INSTITUTIONAL

The last economic assumption is also a major institutional one. As real levels of donor budgetary support are reduced, policies designed to improve the collection of revenues, must be implemented by the BDG. Thus far, the Bangladesh Aid Group has not taken a firm stand on this issue, but there have been modest improvements.

At the most recent Aid Group meeting, the BDG committed itself to the establishment of planning cells in all ministries, better overall coordination of program and project planning, and improved implementation. The IBRD, UNDP, and USAID have proposed projects designed to strengthen the capability of the development ministries to plan and implement projects. In this regard, please refer to the FY 78 PID on Program Development Assistance and Training. Therefore, we assume there will be further improvement in this area.

III. PROGRAM PROJECTIONS

- A. Based on our DAP strategy and experience we predicated the splits of the long range program on the following:

1. Food and Nutrition	-	80%
2. Population and Health	-	18%
3. Education and Human Resources	-	1%
4. Section 106	-	1%

B. Food and Nutrition

1. Fertilizer

Improvements in the availability of fertilizer and the fertilizer distribution system probably will remain the leading edge of our strategy to expand HYV technology to small farmers.

Our projections show that Bangladesh will be self-sufficient in urea production by the early 1980's and continue to be so through the middle of the decade. TSP and MP, however, will continue to be imported, possibly financed by the U.S. at the rate of \$10-\$20 million per year.

2. Credit

In order to provide small cultivators with the means for access to modern agricultural technology, we assume there will have to be continued expansion of institutional credit for them and the U.S. could participate in the financing of such an expansion. The first project in this area is proposed in the PID annexes.

3. Irrigation

A considerable effort should be undertaken in water development, which is critical to increasing crop production. There are, however, major policy differences between USAID and the Bangladesh Water Development Board over water development strategy. Before major investments can be made in this area, it will be necessary to resolve these differences. Assuming they can be, USAID would finance the development of land and water projects that address the question of how the annual crop cycle can be efficiently utilized for the benefit of the poorer segments of rural society.

4. Rural Public Works

The present Food-for-Work program is a five year plan to provide relief employment to landless laborers during periods when demand for on-farm labor is at its lowest. In order to fully meet the needs of the rural landless, a conservatively estimated 200 million workdays of additional employment would have to be created. These calculations are based on the model presented in John P. Lewis "Designing the Public Works Mode of Anti-Poverty Policy." In 1976, the USAID-CARE and the World Food Program combined created an estimated 50 million workdays. Therefore, the combined programs would have to be at least quadrupled to meet the needs of the landless poor. USAID would like to increase the development aspects of FFW while de-emphasizing relief aspects during the course of the present five year project. This may mean encouraging WFP to assume the full burden of on-going relief works activities.

The Rural Works Program - i. e. , cash for work, remains problematical. Although USAID sees RWP as one of the primary elements of rural development, the BDG has yet to evidence a serious commitment to the program in terms of improving their planning capability or providing the necessary managerial and technical manpower to support an AID-financed rural works program. Similarly, the BDG does not appear to be seriously concerned about improving the quality of rural works projects to enhance their developmental payoff. Over the long run, USAID will continue to seek such policy and programs commitments by the BDG. If these commitments obtain, rural works may be supported by dollar loans, grants, PL 480 local currency generations, Title II resources, or some combination of these.

C. Population

At present, an IBRD Study Team in Washington is attempting to answer the question of what would be needed to make a significant impact on the population growth rate.

This much we do know, the population will double by the end of this century. BDG and donor efforts will be focused on the attempt to avoid tripling or quadrupling the present population.

USAID will continue over the long run to provide contraceptive supplies to the BDG in accordance with their needs. We see a need for a rapid expansion of sterilization services (refer to the proposed project on this subject in the PID annex). Also in this regard, USAID will work with the BDG and UNFPA to train medical and paramedical personnel and provide sterilization equipment.

Continued donor efforts must be placed on improved staffing at the central level, the activation of field health services personnel in the program, and the continued training and utilization of the new cadre of female workers in the Population Control and Family Planning Division. In the long range five-year period, USAID anticipates more bilaterally funded research.

In the health field, we expect to again assist the malaria eradication program through the provision of DDT, spare parts and equipment during the long range period.

BANGLADESH

Mission Evaluation Plan for FY 1977 and FY 1978

<u>Project Title/Number</u>	<u>Date of Last Evaluation</u>	<u>Number of Last Par</u>	<u>Date of Submission 1977/78 Evaluation</u>	<u>Period Covered Next Evaluation</u>	<u>Remarks</u>
<u>Food & Nutrition</u>					
<u>Grants</u>					
Agricultural Research Development Services	-	N.A.	November, 1977	4/76 - 10/77	FY 1976 Project
& Training	3/5/76	76-1	April, 1977	4/76 - 3/77	
Food For Relief Works	-	N.A.	September, 1977	8/76 - 8/77	FY 1976 Project
Rural Works	-	-	August, 1977	1/77 - 6/77	FY 1977 Project
Fertilizer Storage	-	N.A.	October, 1977	9/76 - 9/77	FY 1976 Project
<u>Loans</u>					
Agricultural Inputs I	-	N.A.	-	-	Project completed
Agricultural Inputs II	3/5/76	2/	-	1/77 - 3/78	Project completed
Agricultural Inputs III	-	N.A.	April, 1978	3/76 - 3/77	FY 1977 Project
Ashuganj Fertilizer Plant	3/5/76	2/	April, 1977	7/76 - 3/77	
Small Scale Irrigation I	-	N.A.	April, 1977	-	
Rural Electrification	-	N.A.	-	-	
<u>Population and Health</u>					
<u>Population/Family Planning</u>					
388-11-580-001 4/	-	75-1	January, 1977	6/75 - 12/76	
<u>SECTION 106</u>					
<u>Grants</u>					
Project Studies Grant	3/5/76	5/	September, 1977	3/76 - 8/77	Final Evaluation
PVO Co-Financing	4/5/76	76-2	May, 1977	4/76 - 4/77	
<u>Loans</u>					
Karnaphuli Third-Unit	-	N.A.	August, 1977	8/76 - 7/77	FY 1976 Project

See Footnotes attached

- 1/ Project includes both grant and loan elements, which will be evaluated simultaneously.
- 2/ Projects were evaluated by Mission for internal use. Since Agency had no requirement at that time for evaluation reports on loan-funded activities reports were not submitted to AID/W.
- 3/ Feasibility study has not been completed nor project paper drafted. Therefore, Mission is unable to provide evaluation schedule at this time.
- 4/ Although technically a continuation of a previous project, the Population/Family Planning project begun in June, 1976 is, in reality, a new FY 76 project and is treated as such elsewhere in the FY 1978 ABS.
- 5/ Special narrative report was submitted to Bangladesh Desk on June 11, 1976.

BangladeshPL 480 Title I Agreements and Shipments

Commodity	FY 1976 and Transition Quarter Estimate			FY 1977 Request			Carryover to FY'78 (\$)	Carryover to FY'78 (MT)	
	Agreements (MT)	Shipments (MT)	Carryover to FY'77 (MT)	Agreements (\$)	Shipments (\$)	Shipments (MT)			
Wheat	550	440	150	40.4	300	55.2	400	6.9	50
Rice	200	200	-	25.8	80	25.8	80		
Edible Oil	40	40	-	19.8	50	19.8	50		
Raw Cotton	-	-	-	45.8	140	45.8	140		
FY 1979 Request									
Commodity	FY 1979 Request			FY 1979 Request			Carryover to FY'79 (\$)	Carryover to FY'79 (MT)	
	Agreements (\$)	Shipments (\$)	Shipments (MT)	Agreements (MT)	Shipments (\$)	Shipments (MT)			
Wheat	71.8	520	64.9	470	13.8	100			
Edible Oil	27.8	70	23.8	60	4.0	10			
Cotton	32.7	100	32.7	100					

Food as a Development Resource

- Narrative Description of PL 480 Program for the ABS

Introduction

The Bangladesh Development Assistance Program (DAP) drafted in late 1974 describes the theoretical background and program strategy for the implementation of Congressional Mandate objectives. The rural poor are to be brought into the economic main stream by increased agricultural production and by a population control program which will ensure more rapid per capita income growth. The DAP analyzes the role of domestic agriculture combined with food imports as the means for the achievement of Mandate objectives. If food is to be treated as a development resource, primary emphasis must be placed upon domestic agriculture. This requires attention to agricultural research, the supply of agricultural inputs, agricultural credit, remunerative prices and the marketing of agricultural production. Processes thereby set in motion will generate rural employment, increase family income, and these in turn may provide incentive for the acceptance of the small family norm. The agricultural production related growth linkages are the center of this development strategy which holds hope for ensuring the participation of millions of the rural poor in the development process.

Since food grain self sufficiency is a goal of the Bangladesh Government, and because indefinite reliance upon outside food supplies cannot be guaranteed, modest reductions in per capita PL 480 levels are proposed over the next five years. This will stimulate Government efforts to increase domestic production, internal procurement and the over all rationalization of their total food system. The PL 480 Program will help encourage and finance these objectives as discussed below.

Following on this primary emphasis on domestic production, food grain imports can and should complement this domestic priority. It is clear that Bangladesh will remain food deficit for some time to come and that food imports are necessary. The policy environment in which these grains are injected will determine whether these food grains contribute to, or detract from, the Government's self sufficiency target, and the rural development strategy outlined in the DAP.

In the past we believe food imports have acted as a disincentive on domestic production and the internal marketing of food, and have allowed the Bangladesh Government to give limited attention to domestic agricultural development. Food imports feed half of urban Bangladesh and do so at ration food prices which have been far less than going market prices. The Government places its greatest attention vis-a-vis the donors upon food imports rather than agricultural development.

In our view domestic food grain production and imports should be integrated into one food system that promotes a progressive agricultural modernization process. PL 480 food commodities represent an important resource transfer that should be used to encourage agricultural policies and programs and to finance these same priorities. Because food is a commodity that has market effects of its own, its importation is not as uncomplicated as an equivalent value of foreign exchange assistance.

Just as large imported supplies from PL 480 and other food donors can depress prices in urban markets, so can food injections through Food For Work projects depress prices in village markets. The parallel between the urban and the village market, is obvious, and requires that attention be given to the policies governing the effective utilization of all food imports.

In addition to this market orientation we believe that the Bangladesh Government should utilize domestically available food grains to feed the destitute directly, and to put them to work through Food For Work activities, on a when and where as needed basis (see attached appendix).

Specific aspects of this general outline on the use of food as a development resources are discussed below.

PL 480 as a Development Resource

To serve the developmental and humanitarian objectives outlined above a more systematic analysis is needed for each annual PL 480 Program. During the past several years ideas for improving the use of PL 480 food grains have been discussed within the Mission, with multilateral agencies, and other food donors interested in the rationalization of the food system in Bangladesh. The following priority items represent the Mission's program for food sector reform and follow upon most of the issues discussed with and recommended by the IBRD and the IMF at the May, 1976, Paris Aid Group Meeting. The Title I Program for FY 78 and following years will address the gradual introduction of the following types of food system reforms. These food reforms are in addition to our on going agricultural development projects in support of food grain self sufficiency.

a. **Ration Price** - The subsidies for the ration system's food commodities need to be reduced further; this budget burden is large and represents a waste of foreign food aid. Higher ration prices will generate more revenue and indirectly effect higher prices for farmers. Since Independence the Government has reduced the subsidy several times but it eventually should be eliminated entirely. In so doing the ration system should also be drastically restricted in its coverage in a phased manner. To date its coverage has been expanded.

b. **Open Market Food Grain Sales** - An open market food sales system is desirable in urban Bangladesh to stabilize prices during lean periods. The Bangladesh Government opened such a system in April of 1976 but its scope is limited. Such a system should gradually replace the ration system in the country's five urban areas. The seven non relief ration categories should be eliminated gradually.

c. **Domestic Food Grain Procurement** - The purpose of the procurement program should be to maintain food grain prices at harvest time at remunerative levels at the village market level. The procurement of a target amount of food grain should be a secondary objective. These grains should be utilized for Food For Work and for relief kitchens as needed to minimize transportation costs, and then for an urban open market system.

d. **The Destitute** - The numbers of destitute in Bangladesh can vary significantly from year to year. Poor harvests, high prices, and floods, inter alia, can have a dramatic impact on the poor. To meet the needs of the destitute as they arise the Government should target grain for relief kitchens and for Food For Work projects in those districts of Bangladesh that most require assistance.

The use of food in lieu of cash wages during normal crop-price periods undercuts the crop production growth linkages which are critical to our development purpose. The food wage rate should not compete with local alternative employment. For these additional reasons the Government should strive to limit food payments to food deficit areas. The use of cash wage payments for Rural Works should prevail during normal crop-price periods once the Government has reestablished the infrastructure necessary to mount such programs. We realize this process may take some time but a start needs to be made.

The Bangladesh Government should allocate both Title I and II for the destitute as needed.

e. Domestic Resource Mobilization - The tax effort in Bangladesh is weak and heavily dependent upon aid financed commodity imports. In conjunction with the IMF we urge greater efforts in this regard. The further reduction and elimination of subsidies, and open market sales, are first steps. Agricultural taxation should follow.

f. Increased Development Expenditures - Total aid financing is far larger than the Development Budget each year. Tying PL 480 proceeds will encourage the Government to increase its revenue effort, control its revenue expenditures, and increase its allocations for development. This needs to be done gradually over the course of the next few years.

g. Commodity Management and Storage - The Government needs to improve its management and physical system for the movement and storage of fertilizers and food grains. To this end a Kansas State University Team will be studying the food grain storage situation.

Specific Recommendations for PL 480 Program

The general types of reforms have been discussed in the previous section, and should be included in some brief form in the FY 78 Agreement. Specific objectives for a few of the more important items are suggested for special attention in the FY 78 Agreement as follows:

a. Ration Price - We recommend that the ration subsidies on all food items be eliminated as soon as possible. Non relief ration coverage should also be curtailed in a phased manner starting in FY 78.

b. Open Market Food Grain Sales - An open market system should be started in the five statutory ration urban areas immediately. Imported and domestically procured grain should be allocated through this system as needed to keep the urban grain price from rising above a predetermined level.

c. Domestic Food Grain Procurement - The procurement program should maintain both rice and wheat prices at remunerative levels at harvest at the village market level.

d. The Destitute - The Government should alter its present approach and use food for rural works and for gruel kitchens primarily in areas of need by the end of FY 78. The food wage should remain significantly under the going taka payment for agricultural wages.

e. Domestic Resource Mobilization - We continue to support IMF and IBRD efforts to encourage the Government to diversify and improve its tax effort. Food grain subsidies should continue to be reduced, and be eliminated by the end of CY 77. Our agricultural loans will continue to require input subsidy reductions.

f. Increased Development Expenditures - Starting in FY 78 a portion of the proceeds from the PL 480 program could be tied to specific development projects, such as agricultural credit, the population program, Rural Works Program and storage.

g. Commodity Management and Storage - We should repeat the relevant conditions precedent in our agricultural input and storage papers.

Annual Program Mechanics

For each annual PL 480 Program the food grain requirements for an open market system, for the destitute, and for reserve stocks will need to be estimated. An open market system is ineffective unless food stocks are available to be sold to the private sector. By the same token, empty food space storage has to be available if the Government is to effect a procurement drive.

The quantity and timing of PL 480 food grain shipments are therefore of critical importance if our food is to be used as a development resource, i.e. is to be complement and not detract from, domestic food priorities and programs. Because of this emphasis, the proposed "core" concept needs to be flexible to allow quantity and timing changes as they may become necessary on relatively short notice. The "core" quantity of necessity will have to be estimated well in advance of harvests. While the long term need for food imports may be high, annual variations will be great. During good crop years the need for total food imports will fall dramatically, to as little as one million MT or less. During crop failures this quantity may increase to 2.5 million MT if not more. The needs of an open market system and for the destitute will correspondingly be small and large. Our Program needs to be responsive to this variation in requirements. We will share with other donors in these total food import needs to the extent of 20-30%.

Our concern for quantities and timing does not apply to other food commodities such as edible oil, cotton, and other commodities as they may come available. These quantities are smaller and because of the Government's foreign exchange and import needs, these elements offer program flexibility. While it is important to the Government to be able to plan food imports and revenue projections, the Mission feels that this aspect of our program warrants sufficient flexibility in order that our

grain not compound domestic market difficulties. The flexibility offered by a range of commodities under the PL 480 program enables us to negotiate a firm PL 480 value level, and to leave decisions on grain quantities and timing to a later period.

While domestic storage capacity can handle some mismatch between arrivals and need, recent experience indicates that arrival coordination is important. The Government has been forced to curtail domestic procurement programs for the lack of storage space.

Accordingly, we propose a PL 480 Title I Program assuming a normal crop year as follows:

FY 1978	PL-480, TITLE I	(TENTATIVE),	IN \$ MILLIONS
520,000 MT	Wheat (bulk)	@ \$ 138/MT =	\$ 71.8
70,000 MT	edible oil (bulk)	@ \$ 397/MT =	\$ 27.8
100,000 bales	of cotton	@ \$ 327/bale =	\$ 32.7
	TOTAL		\$ 132.3

The Beneficiaries of the PL 480 Program

Past PL 480 Programs have financed food commodities for an urban oriented ration system. Some 10% of total food grains made available through this system have been allocated for destitute people. In the future it is desirable that food grain imports be allocated primarily for an urban oriented open market system to moderate prices as necessary. Both the former ration system, and a new open market system, would benefit the urban better-off groups in Bangladesh. To serve the needs of the very poor, it is important that the Government allocate sufficient food stocks for the destitute via Food For Work projects and for gruel kitchens as needs arise.

In our view it would be undesirable to target imported food grains, during periods of normal crops and economic conditions, for Food For Work or for kitchens, or for rural areas in general. It serves little purpose to encourage the shipment of domestic rice to the cities, and the shipment of imported wheat to the countryside. The broad objective of PL 480 proceeds tying to development programs such as the Rural Works Program, and of domestic resource mobilization, is to generate rural purchasing power so that poorer groups can buy their own food grain from local markets. This suggests that the Government should reestablish its Rural Works Program on a priority basis. Incentive food grain prices serve similar developmental ends by increasing production and incomes.

Both by the specific targeting of grain to the destitute, and by an improved policy-program focus on agriculture, the multiple uses of PL 480 will benefit the poor. This has not been the case to date.

The Bangladesh Government's Ability to Implement Proposed Program

The ability to implement the above proposals depends upon the Government's perspective. To date we have seen little evidence of Government enthusiasm for the Congressional Mandate. In fact the Government's interest in U.S. assistance has centered almost entirely upon commodity flows. It is therefore important that these flows be utilized to encourage a Government priority on rural development and population control.

Nonetheless, the Government has moved to rationalize the food system. Agricultural input prices have been increased, as have ration prices. Some salary adjustments have been made. The Government has initiated an open market system on a trial basis which can become an open market system for major urban centers. Smuggling has been sharply curtailed. The Government's Annual Development Plans have many rural programs that can increase rural income directly and indirectly, and the Government's Food for Work and other relief activities can channel food to the poor on an as needed basis.

The Government has also implemented a number of macro policy changes based upon negotiated understandings with the I.M.F.

The issue then is not one of administrative ability to implement reforms but rather the need for an overriding Government commitment to pay greater attention to the country's poor, its agricultural potential, and its unchecked population growth.

Evaluation of Proposed PL 480 Program

Statistics available from the Government and from the IBRD and the IMF will serve as indicators of the effects of this Program. We assume food grain imports will fill food deficits and moderate consumer price increases. Taka proceeds allocated for development programs will be evidenced in the Annual Development Plans. Indirect evidence of program success can be shown by such data as increased fertilizer use, higher crop production rates, and increased urban prices for food (to a ceiling level). We will also expect that this Program will complement the reform programs urged at Aid Group Meetings, and by the IMF for its Standby agreements with the Bangladesh Government. Specific Program targets and indicators will be included in each agreement.

Budget Support

The Bangladesh foreign exchange and domestic budgets depend heavily upon the PL 480 program. Title I proceeds are estimated to have generated \$110 million in local currency in 1976, and to have financed 25% of the regular revenue budget. By requiring the tying of PL 480 proceeds the Government will be encouraged to diversify and enlarge its sources of domestic revenue. Secondly, the tying of these proceeds to **the** development budget (\$560 million), though not additive in the short term, will also encourage the Government to tighten its normal revenue expenditures. We should not tie all Title I proceeds to development projects in the short term but it would be useful to require the tying of a gradually increasing share of these proceeds over the next few years.

Usual Marketing Requirement

The Bangladesh Government places great emphasis on assured supplies of food grains for the ration system. During 1974, when food arrivals fell below Government expectations, scarce foreign exchange was spent for commercial purchases. This in turn drove foreign exchange holdings below the amount required to back the money supply and caused the freezing of private L/Cs for six months. Under normal circumstances it is undesirable for the Government to spend its own foreign exchange for commercial food grain purchases. This PL 480 proposal, as implemented over time, will lessen the necessity for Government commercial purchases.

Appendix

Food for the Destitute - Guidelines for Targeting

The Relief category of the food ration system is designed for destitute people in camps, in special feeding programs and in food for work projects. (The other seven ration categories serve the middle class broadly defined.) Relief allocations distributed by the Relief Ministry have traditionally represented less than 5% of the total monthly ration offtake. In the fall of 1974 this amount rose to 20% to feed flood affected people; the gruel kitchens were opened in all unions even though it was apparent that few areas were severely flood affected. Since 1975 these grains have been used for the Vulnerable Group Feeding Program and Food for Work projects supplied by WFP and PL 480. To date there has been little targeting of grain to destitute people where and when conditions warrant. It is because this Relief system does not target food to the poor directly that we address this subject as a separate policy question.

In good years when harvests are ample there may not be any overt problem of destitution; normal work sharing and alms giving by the well-to-do to the poor take care of what destitution occurs in the towns and villages. During these periods Rural Works with cash payments should predominate.

During bad years these kinds of local traditions break down as occurred in 1974, and food payments become critical. Even during economic and natural disasters, however, it is clear that these conditions do not occur in equal degree nationwide. Furthermore it is evident that many of these crises do not occur overnight but develop gradually as market conditions deteriorate, as crops fall, as smuggling increases, as inflation takes its toll, and as the real value of public expenditures for rural programs diminishes. The kinds of emergencies that occur suddenly are natural disasters such as cyclones or sudden floods but these are not as common as the kinds of situations created or compounded by poor crops and scarcity.

The problem, therefore, is one of anticipating and identifying areas of need and of targeting food accordingly. With respect to Title I it needs to be made clear to the Government that these food grains should be allocated to the destitute at the Government's discretion on a when and where as needed basis. With respect to Title II we should target these food grains by project design.

The Bengal Famine Code of 1943 describes the indices of social and economic destitution that become visible in villages. These include changes in prices, amount of food commodities available, numbers of destitute people, degree of lawlessness, crop yields, etc. This type of information is reported by the District Commissioners, the Sub-Division Officers, other Government staff, military and police reports, and by health workers and donor field representatives. In 1974 these various channels of communication did provide evidence of the deteriorating situation. The best source is probably foreign doctors who make frequent field trips. Newspaper articles also provide accurate and timely reports as was evidenced in 1974. The various ministries such as Agriculture and the Water Board also collect factual data on crops, prices, and water levels on a daily basis.

With the use of these data, the Government should strive to target Title II to two types of areas. First, Title II, **Food-for Works projects** should be established in those areas that have traditionally proven to be poor, where food and incomes are deficit, and where destitution is a chronic problem. Secondly, Title II amounts, possibly complemented by Title I allocations, should be available on a contingency basis for increased needs as they arise.

The Food for Work Program should strive to include destitute people even though it could be argued that the supply of food within a poor area will be subject to traditional sharing mechanisms which will ensure that the destitute benefit indirectly. However, where possible project managers at each site should strive to administer their projects to include works activities that can be performed by those unable to do a hard days job. (In extreme cases of destitution Title II foods should be prepared in gruel kitchens.)

The types of Food for Work activities undertaken in traditional and new destitute areas should be developmental in character; primarily irrigation kahls, tanks, roads, embankments, and hats. The wage level should be "test" in character (test the need for) and should not compete with local opportunities.

We need to recognize the food disbursement implications of such a targeting proposal. On the one hand, if large food amounts are not needed for the very poorest they will not be needed by the rest of the ration/open market system either. Food grain released from public stocks can come to a near standstill. Storage and arrival coordination will become all the more important. On the other hand, reserve stocks are needed in the event the need arises.

The Identification of Poor Districts in Bangladesh

Traditionally, the northern portion of the country is considered poorer than the rest. This is based on a number of factors: the northern portion is less fertile; it has less industrial growth; landlessness is more prevalent; and crop production and cropping intensities are far less than in the southern portion of the country. In addition, land holdings are concentrated in fewer hands. Accordingly, the following districts are considered the poorest in Bangladesh (in order of seriousness): Faridpur, Pabna, Jessore, Kushtia, Rangpur, Dinajpur, Noakhali, Comilla, Bogra, and Sylhet.

The following districts were most seriously affected by the 1974 flood: Faridpur, Rangpur, Bogra, Sylhet, Comilla and Pabna.

TITLE IISTATISTICAL TABLE

- I Country - Bangladesh
- II Cooperating Sponsor - CARE
- III Food for Work (Category F, per State 134125) 1 /

FY	Recipients (includes dependents) (000's)	Commodity	Quantity (000 kgs)	\$ Value <u>2 / \</u> State 030851 2/7/76 (\$ 000)
78	8,820 <u>3 /</u>	bulk wheat	100,000	15,057.0
79	8,820	bulk wheat	100,000	15,057.0
80	8,820	bulk wheat	100,000	15,057.0

1 / There is only one VolAg Title II program in Bangladesh and only one category.

2 / Does not include ocean freight.

3 / These are estimates anticipating that approximately 1,000 projects will be approved each year with 1,460 laborers participating in each project, each laborer (with 5 dependents) works in the project 30 man-days over a period of 2-3 months. More accurate figures will be available for the FY 78 program.

PL - 480 TITLE II

There are three distinct types of programs supported by Title II in Bangladesh, a) the WFP Program, b) the UNICEF program and c) the CARE Vol Ag Food for Relief program.

There are no Government to Government programs, CARE is the only Vol Ag Cooperating Sponsors with only one class of recipients food for work

At this time, the Mission does not foresee a) the development of additional Title II programs with Vol Ags, b) the addition of other categories of recipients in the CARE program.

AIDTO Circ's A-287 and 201 asks the Mission to address, among other things:

- 1) The integration of Vol Ag Title II programs with other developmental activities.
- 2) The involvement of Vol Ags in program planning.
- 3) The role Title II programs play in the BDGs development plan and multi year nutrition strategy.
- 4) Revised procedures for submission of Vol Ag Title II programs.
- 5) Multi year programming of Title II resources.
- 6) Managerial requirements.
- 7) Sensitivity to BDG Development Goals and Desires
- 8) Nutritional value of the daily ration.

1) Integration of Vol Ag Title II programs

The mechanism for using Title II commodities to support other projects has been developed. For example, when the Thana Irrigation Project (TIP) or Rural Works Program (RWP) identifies viable, development orientated projects that cannot be implemented for lack of resources, the salary portion of such additional TIP and RWP project costs can be met with wheat from the existing CARE FFRW program. This process is now occurring at the local level but has not been formalized at the national level.

The wheat distribution centers can serve as access points for the Family Planning program.

The CARE FFRW program also fits into the mandate of reaching the poorest of the poor. Almost all laborers participating in the FFRW are rural, landless poor. It is very rare for even a small landowner to participate. These laborers, and especially their dependents, constitute the poorest 40% in rural Bangladesh.

2) Involvement of Vol Ags in program planning

CARE fully participated in the negotiations of program details with the BDG. CARE also negotiated a 5 year grant agreement with the BDG to support the FFRW program.

3) Title II's role in the BDG development plan and nutrition strategy

Unfortunately, the BDG has neither an effective, strategic multi-year national development plan nor a multi-year nutrition strategy. The Mission does not foresee development of these in the short run.

4) Revised Procedures for submitting PL 480 Title II Vol Ag programs

The CARE FFRW program is just completing its first work season. BDG Local Government Officials and CARE field staff are now compiling project completion reports. In late July or August 1976 there will be an evaluation workshop, followed by joint CARE-WFP-USAID evaluations of the program. As much of the information CARE requires to write the FY '78 Title II Program Plan is still not available, CARE cannot submit it at this time.

We do know that operating procedures for FY'77 and 78 will substantially follow those outlined in the CARE FY'76 Title II Program Plan, except the names of the forms will be changed, Title II quantities increased, BDG budget support increased, and the following aspects will be incorporated:

A. A standard format (proforma) will be distributed to all local government officials. This must be completed to propose local initiative FFW projects (both CARE's and WFP's). The proforma will improve local official's awareness of project details and facilitate Ministry and CARE's review, location, and selection of projects.

B. Procedures will be developed and included to assure that the program is an employer of last resort.

C. CARE will train many of the 260 Project Implementation Officers (PIO's) that the BDG hired and placed this year. An additional 160 are to be hired in FY 77, some of these will receive on the job training.

D. A bulletin will be developed to keep all CARE and BDG **staff uniformly aware of program operating rules, procedures, who's who and where, etc.**

Although CARE has not submitted its Title II Program Plan, they have provided statistical data and budgets to complete the ABS Tables. CARE concurs with the narrative portions.

5) Multi Year Programming

The CARE FFRW Grant is a five year agreement, subject, of course, to annual review and evaluation. We feel a five year **approach is justified for the following reasons:**

A. We cannot identify the extent, if any, to which current or coming program will improve job opportunities for the rural landless poor. Therefore we believe this area will need employment creating programs at some level over the next 5 years.

B. The rural landless target group are agricultural laborers who normally face seasonal unemployment problems. Their purchasing power is so low that they will require supplements through employment-generating, public works types of activities for the foreseeable future. Their rural niche in Bangladesh often fails to provide subsistence level income.

C. Until the structural changes brought about by other programs begin to take effect, the Title II FFW program is the major USG effort targeted directly towards increasing employment among the rural landless poor.

D. To justify the start-up investment of USAID, CARE and the BDG in personnel, facilities and funds and five year food for work program is appropriate.

E. Food is a readily available resource from international donors and provides an effective resource transfer to Bangladesh. Wheat provided under food for work does not compete significantly with markets for Bengalee farmers at the ~~macro~~ level. However, potential adverse effects are possible at the micro, or individual thana, level. Improved planning and administration should minimize such situations.

F. As WFP adequately supplies the priority group (MCH) with grant foods, FFW is the only additional identifiable food assistance program in Bangladesh where at this time, administration and logistic programs can be resolved, providing some degree of commodity accountability.

6) Managerial inputs

The program has both national and local BDG managerial inputs. The BDG has assigned 260 full time PIOs to oversee project implementation at the local level and is hiring 160 more for the coming year. Management at the national level, i.e., processing of project proposals, budgeting, processing agreements, has been satisfactory.

CARE has 28 years of experience operating on the sub-continent, over 25 in what is now Bangladesh. CARE has assigned some of its most capable and experienced personnel to backstop this program. USAID has expanded its staff and facilities to manage USAID's responsibilities in the project.

7) Sensitivity to BDG development goals and desires

The BDG does not have an effective multi year development plan, but the program was developed by USAID as a result of repeated BDG requests (at various levels) for a Title II program. It enjoys excellent budget, staffing and policy decision support within the BDG.

8) Nutrition value of the FFRW ration

The nutritive value of 3 seers (2,743 grams) bulk wheat, which is the basic daily ration workers earn in the program, is 9,052 KCal in food energy with 337 grams of protein.

It is important to realize that the nutritive effect of the program on participants is extremely complicated.

Involved are such factors as:

- laborers work on a piece rate basis, some performing more than the basic rate and earning proportionally higher rations.
- many children and a few women participate and often do not earn the basic daily rate.
- almost all participants sell a portion of their wheat to purchase other necessities.
- over payments frequently occur.
- rural families are very close and share their earnings and often more than one family member participates in nearby FFW projects.
- workers may participate a few days or up to four months, depending upon the size and nature of the FFRW project.

BANGLADESHSupport to Private Voluntary Organization and Developing Country Cooperatives
(\$000)

	<u>FY 1977</u>	<u>FY 1978</u>	<u>Functional Account</u>
<u>ONGOING</u>			
A. Ongoing OPGs			
Coordination, Education and Agricultural Development (CARE)	260	-	ST
Thana Cooperative Development (IVS)	240	-	ST
Subtotal	<u>500</u>	<u>-</u>	
of which technical assistance to cooperatives (non-add)	(600)	(-)	
B. Non-OPGs			
Food For Relief Works (CARE)	288	270	FN
Subtotal	<u>288</u>	<u>270</u>	
of which technical assistance to cooperatives (non-add)	(-)	(-)	
<u>NEW</u>			
A. OPGs			
Small Scale Rural Irrigation (IVS)	160	-	ST
Non-Rice Crop Development (CCDB)	150	100	ST
Community Development (CDF)	100	150	ST
Thana Rural Development (World Vision)	-	150	ST
Non-Formal Education (CRS)	-	86	ST
Subtotal	<u>410</u>	<u>486</u>	
of which technical assistance to cooperatives (non-add)	(-)	(-)	
B. Non-OPGs			
None			
<u>LOANS</u>			
None			

All figures in 000's

	1975	1976	1977	1978	1979	1980
A. "Full Supply" Analysis						
1a. Women 15-49	17,340	17,870	18,417	18,980	19,560	20,160
1b. Married women 15-44	14,567	14,999	15,443	15,901	16,373	16,859
2. Est. No. Cont. for Replacement Reproduction (5 year average)	8,085	8,085	8,085	8,085	8,085	8,085
3. (.5/.65) x line 2 (Contracepting women utilizing orals and condoms)	6,220	6,220	6,220	6,220	6,220	6,220
4. Annual stock requirements for "full supply"						
a. Orals - 70% of line A3 x 13 monthly cycles	56,602	56,602	56,602	56,602	56,602	56,602
b. Condoms - 30% of line A3 x 100 units	186,600	186,600	186,600	186,600	186,600	186,600
B. Annual New Supply From Non-AID Bilateral Sources						
1. Commercial Sector - PSI/USAID + Organon						
a. Orals	850	550	1,400	1,500	2,500	3,000
b. Condoms	6,624	14,255	10,440	21,600	28,800	34,560
2. Other Donors - FPPIA						
a. Orals	0	0	270	300	300	300
b. Condoms	0	0	720	800	800	800
3. Uncommitted other donors						
a. Orals	0	0	8,330	8,200	7,200	6,700
b. Condoms	0	0	56,195.9	40,100	45,400	52,140
4. Total In-Country Annual Supply						
a. Orals	850	550	10,000	10,000	10,000	10,000
b. Condoms	6,624	14,255	67,355.9	62,500	75,000	87,500
C. Gap to be filled to Achieve "Full Supply"						
1. Orals (line A4a less line B4a)	55,752	56,052	46,602	46,602	46,602	46,602
2. Condoms (line A4b less line B4b)	179,976	172,345	149,244.1	124,100	111,600	99,100
D. AID Bilateral Supply Objectives						
1. Orals	8,760.6	6,345	7,000	25,555	25,000	32,000
2. Condoms	52,859.0	18,300	67,355.9	62,500	75,000	87,500
E. Total New Supply						
1. Orals (line B4a plus line D1)	9,610.6	6,895	17,000	35,555	35,000	42,000
2. Condoms (line B4b plus line D2)	59,483.0	32,555	134,711.8	125,000	150,000	175,000
F. Remaining Supply Gap						
1. Orals (line A4a less line E1)	46,991.4	49,707	39,602	20,947	21,602	14,602
2. Condoms (line A4b less line E2)	127,117	154,045	51,888.2	61,600	36,600	11,600
G. People Gap						
1. Orals (line E1 x 13)	1,914.7	3,823.6	3,046.3	1,611.3	1,661.7	1,123.2
2. Condoms (line E2 x 100)	1,271.2	1,540.5	518.9	616.0	366.0	116.0
3. Total (line G1 plus line G2)	4,885.9	5,364.1	3,565.2	2,227.3	2,027.7	1,239.2
A2 - IRR(I) Estimate of average No. of couples requiring contraception to achieve replacement fertility (Alex Mendicino, 2/27/76).						
A4 - 70/30, pill/condom ratio based on COB 1st Five Year Plan contraceptive mix.						

AID Bilateral Logistic and Financial Analysis
of ~~Systems~~ ORALS (in 000's of cycles)

A. AID Inventory Analysis	Calendar Year				
	1976	1977	1978	1979	1980
1. Beginning of year stock	14,000	13,345	9,345	20,000	25,000
* Add: Scheduled deliveries (See Annex B)	6,345	7,000	25,655	25,000	32,000
* Less: Expected Use	7,000	11,000	15,000	20,000	25,000
4. End of year stock	13,345	9,345	20,000	25,000	32,000

To be completed by AID/Washington

B. Financial Analysis (FY 77)

1. CY 1977 deliveries (Line A 2 above)
2. Estimated cost per unit in FY of purchase
3. Estimated total cost for FY 77 (to be determined by AID/W)

C. Financial Analysis (FY 78)

1. CY 1978 deliveries (Line A 2 above)
2. Estimated cost per unit in FY of purchase (to be determined by AID/W)
3. Estimated total cost for FY 1978 (To be determined by AID/W)
*If other donors provide 10.0 million cycles annually CY77-80, then we project this will lead to an equivalent increase in expected use.

	NO.	CLASSIFICATION	PAGE	PAGE
		UNCLASSIFIED	OF	OF

AID Bilateral Logistic and Financial Analysis of Condoms (in 000's of condoms)

	Calendar Year				
	1976	1977	1978	1979	1980
1. Beginning of year stock	96,988.2	40,288.2	50,000	62,500	75,000
2. Add: Scheduled deliveries (See Annex B)	18,300(1)	67,355.9(2)	62,500	75,000	87,500
3. Less: Expected Use (3)	75,000	57,644.1	50,000	62,500	75,000
4. End of year stock, (4)	40,288.2	50,000	62,500	75,000	87,500

To be completed by AID/Washington

- B. Financial Analysis (FY 77)
1. CY 1977 deliveries (Line A 2 above)
 2. Estimated cost per unit in FY of purchase
 3. Estimated total cost for FY 77 (to be determined by AID/W)
- C. Financial Analysis (FY 78)
1. CY 1978 deliveries (Line A 2 above)
 2. Estimated cost per unit in FY of purchase (to be determined by AID/W)
 3. Estimated total cost for FY 1978 (to be determined by AID/W)
 - (1) CY76 changed from Annex B to reflect total arrivals in Bangladesh during CY76.
 - (2) CY77 deliveries changed from Annex B to reflect portion of expected use and end of year stock requirement to be filled by AID. (Sec 184b).
 - (3) Expected use for CY77-80 reflects expected use of AID-supplied condoms only.
 - (4) End of year stock for CY77-80 reflects AID-supplied stock only and is 50% of projected total stock.

Regional Program Development \$ Support Funds

Below is a list of new projects for FY 78 that will require PDS funding.

Agricultural Inputs Support (Loan \$14,000,000 Grant \$300,000)

This project is designed to improve the BDG's capability to handle bulk fertilizer. It is also intended that the project will augment the capacity of the BDG to store fertilizer at access points closer to farmers.

In support of these efforts, we anticipate the need for two man months of TDY engineering and consultant assistance, to provide the necessary engineering advisory element, with an estimated total cost of \$13,000. The consultancy is planned for January-February 1977.

In addition, one or two more months of engineering and logistics TDY consultant assistance will be needed at an estimated cost of \$13,000. September/October is the planned time frame for this consultancy.

Land Occupancy Study (Grant \$160,000)

This proposed study of land and the relationships of people to the land, will require approximately six weeks of consultancy. We anticipate two consultants will be necessary to (a) conduct basic research on existing Bangladesh tenurial classification systems and (b) design a simple survey questionnaire to facilitate planned project research.

The consultancy is planned for December of 1976 and January 1977 at a cost of approximately \$8,000.

Small Farmer Credit (Loan \$1,700,000 Grant \$220,000)

This project is designed to provide institutional credit to small farmers in Bangladesh, as well as to mobilize rural savings.

Current program plans call for the services of one credit specialist in August and September to help gather data for preparation of the PRP. The estimated cost of the specialized services is \$13,000. in the transitional quarter.

In addition, we plan to work with the BDG in designing a program that will enable banking officials from Bangladesh to visit a developing country where small farmers credit schemes have been implemented. We will also encourage the BDG to invite officials from other developing countries to visit Bangladesh and review the plans under consideration for delivery of small farmer credit. Estimated cost for the above consultation visits is \$25,000 also in the transitional quarter.

Project Development Assistance and Training (\$875,000 Project Agreement)

This project will provide the BDG with the resources necessary to develop a portfolio of development projects which address the primary problems of the rural poor. The project includes three components including: (1) Project and feasibility studies, (2) Technical assistance and (3) Participant training.

To assist the BDG in drafting scopes of work for this project, we estimate the need for TDY assistance of up to three man months totaling \$19,500. The consultants should be on board early in each year of project implementation.

FY 1978
PROJECT IDENTIFICATION DOCUMENTS
ANNEXES

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE
 A A = ADD
 C = CHANGE
 D = DELETE

PID
 2. DOCUMENT CODE
 1

3. COUNTRY/ENTITY
 BANGLADESH

4. DOCUMENT REVISION NUMBER
 -

5. PROJECT NUMBER (7 DIGITS)
 388-0024

6. BUREAU/OFFICE
 A. SYMBOL ASIA B. CODE 04

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)
 Agricultural Inputs Support

8. PROPOSED NEXT DOCUMENT
 A. 2 = PRP
 3 = PP
 B. DATE MM YY
 1 0 7 6

10. ESTIMATED COSTS
 (\$000 OR EQUIVALENT, \$1 = Tk 15.00)

FUNDING SOURCE	BASE OF
A. AID APPROPRIATED	14300
B. OTHER U.S.	1.
	2.
C. HOST COUNTRY	4760
D. OTHER DONOR(S)	
TOTAL	19060

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY 7 8
 b. FINAL FY 8 1

11. PROPOSED CUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY <u>78</u>		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) FN	130	013	013	300	14000	300	14000
(2)							
(3)							
(4)							
TOTAL				300	14000	300	14000

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions ea.)
 120

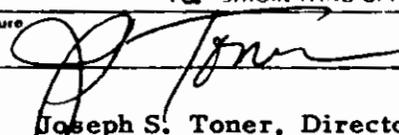
13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)
 BF

14. SECONDARY PURPOSE CODE
 153

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)
 Increase in Bangladesh small farmer income through greater crop production on small farmer land during 1978-81 crop years.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)
 To provide small farmers with equal access to fertilizer, and with production incentives through increased Government procurement of foodgrains production at support prices.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)
 Three MMs TDY engineering and consultant services financed under regional Project Development Support funds.

18. ORIGINATING OFFICE CLEARANCE
 Signature: 
 Title: Joseph S. Toner, Director
 Date Signed: MM DD YY
 0 6 2 1 7 6

19. DATE DOCUMENT RECEIVED BY AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY

55

PROJECT IDENTIFICATION DOCUMENT (PID)

AGRICULTURAL INPUTS SUPPORT - FY 1978

I. Summary of the Problems to be Addressed and the Proposed Response

A. The Problems

The general development problem is the need for increased rural incomes for small farmers, specifically through providing these farmers with improved access to fertilizer and through direct production price support.

The specific problems addressed herein concern handling and storage of fertilizer and storage of foodgrains in Bangladesh. Imported fertilizer is shipped to Bangladesh in bags, thereby increasing costs and complicating offloading; storage space is necessary within Bangladesh for both imported and domestic fertilizer to accommodate peaks in both the supply and demand cycles. Foodgrain storage is required to meet Bangladesh Government (BDG) procurement of domestic production as a main factor in price support and production incentive for the farmer.

In the period 1976-77 through 1981-82 demand for fertilizer of all types is estimated on a conservative basis to grow from 562,000 MT to 1,049,000 MT. In this base year of 1976-77 approximately 286,000 MT of warehouse space is available for storage and movement of the current level, exclusive of transit warehouses in the main ports. An increase in fertilizer usage, particularly providing access for small farmers, will require a proportional increase in storage capacity to accommodate the larger flow of stocks.

Current foodgrains storage capacity is approximately 800,000 MT capacity against current year BDG domestic procurement of approximately 450,000 MT and imports totalling 1.6 million MT. Storage must expand to accommodate an expected much greater role for domestic procurement as well as a continuing annual import level of between 500,000 MT and 1.0 million MT.

B. The Proposed Response

The principal project proposal is to provide the capability to handle bulk fertilizer shipments at the ports of Chittagong and Chalna/Mongla, and to augment the capacity to store fertilizer throughout the country. The results would be a significant reduction in the landed cost of imported fertilizer, and the potential for more even availability to end-users through increased supply. The second proposal, which may be carried out together with the first or in the alternative, is to increase domestic storage capacity for foodgrains as a basis for increased BDG procurement of domestic production at a support price. The result would be to ensure a minimum incentive for agricultural production.

1. Bulk Handling

A very simple system utilizing manual labor is envisioned. At present all imported fertilizer is shipped in bags. At the time of offloading, either at offshore lightering or in the port, a rope sling is lowered into the ship cargo hold. Stevedores manually stack bags onto the sling, it is moved via ship's gear out of the hold and over the side onto lighters or onto the jetty; there bags are once again removed manually. It is proposed that virtually the same system be used for bulk shipments. A large drum or bucket would be lowered into the hold, filled manually by stevedores and moved via ship's gear over the side.

After delivery to the port, the fertilizer will have to be bagged, in either jute or paper bags, with synthetic liner. The proposed project will provide bagging, weighing and stitching equipment, to be placed in an existing or a new port shed, plus spare parts, tools and training in operation and maintenance. It is proposed that locally available jute bags be used, and that synthetic liners be included with each fertilizer shipment. The buckets used in unloading the cargo from ships need merely be locally available 55 gallon drums, with hooks welded on to facilitate handling with ship's gear or other hoists.

2. Additional Storage Capacity

Based on conservative projections for fertilizer usage through 1981-82 an additional storage capacity of 177,000 MT should be installed. A current proposed project (Transitional Quarter (TQ) funded) project will finance up to 50,000 MT of this requirement; this project will provide for up to an additional 110,000 MT.

Access to fertilizer at local levels indicates that this requirement must principally be met at the point closest to the farmer, the Thana (or county) level. Only if adequate storage is available at this point can stocks be maintained in quantity to ensure local demands can be met on a timely basis. In the absence of such facilities, and in a demand tight situation, prices can only rise to the particular detriment of the small farmer. Accordingly, the project calls for warehouses principally of 500 MT capacity at the Thana level, with a few of 1000 MT size where local Thana demand and logistics constraints indicate the need. Some larger units at District or Intermediate level of 1000 MT 2000 MT will be included if transit needs indicate this to be critical to fertilizer flow to the Thana level.

Foodgrain storage size at Thana and District is normally of 500 MT capacity, and if this project alternative is followed, consideration will be given to addition of the same capacity or construction of 1000 MT or larger facilities as the need indicates. The total in project terms would be on the same order as the 110,000 MT for fertilizer. What would be involved would be the ratio between storage capacity constructed for fertilizer and foodgrains.

C. Project Outputs

The outputs anticipated will be:

1. bulk offloading and bagging equipment for fertilizer in place in sufficient quantity to accommodate expected arrivals in a timely manner, and a yard to house administrative offices, store, maintain and repair equipment, spare parts, tools, equipment, etc.

2. a system in place to ensure efficient administration, operation and maintenance of the equipment, including trained personnel to handle dispatch of equipment to ships and routine maintenance, and a pipeline of spare parts and replacement equipment.
3. additional storage capacity for fertilizer or foodgrains totalling 110,000 MT installed and functioning.
4. a system in place to manage effectively the entire network of the Bangladesh Agricultural Development Corporation (BADC) warehouses for fertilizer, including inventory control, storage procedures and basic maintenance; and similarly for foodgrains storage (the Ministry of Food) to the extent this project alternative is followed.

D. Kinds and Amounts of Technical and Physical Resources Required

Technical:

Assistance in establishing a bulk unloading and bagging system for fertilizer, and in identifying or designing most suitable equipment to be used. Training in operation, maintenance and repair of equipment.

Physical:

Covered storage space in each port will have to be made available for fertilizer receipt and bagging. Provision of bulk handling equipment, spare parts, tools and other items; cement, steel bar and aggregate for warehouse construction. Also, local resources will be necessary for both locally available construction materials and labor.

E. Disbursement Period

Initial disbursement is expected to take place in the first quarter of FY 1978 with all disbursements completed within three and a half years of project authorization, i. e., final disbursement should take place by mid FY 1981.

F. Major Assumptions

1. Fertilizer supply will keep pace with demand to ensure greater use of fertilizer for food production.
2. Significant imports of fertilizer will continue indefinitely.
3. Shipment and handling of bulk fertilizer will continue to be less expensive than that of bagged fertilizer.
4. BADC can effectively distribute fertilizer to provide farmers, particularly small farmers, with improved access to fertilizer at reasonable price. (NOTE: This problem is being addressed in a pilot program (see H below) and will be in the FY 1977 Agricultural Inputs Project.)
5. Continued foodgrains import and significant expansion of the BDG program for foodgrains procurement.

G. Host Country and Donor Activities

No other bulk facilities for fertilizer are planned for the ports. Additional fertilizer storage capacity is being proposed for \$5.25 million in TQ funding by AID: a total of approximately 50,000 MT of warehouse capacity would be provided under the project. In order to make most effective use of the resource and take advantage of the momentum of the earlier project, the TQ project and this FY 1978 project would be designed to overlap in the second construction year of the first project.

The BDG is currently engaged in a program of construction of 150,000 MT of foodgrains storage, and other donors have indicated interest in contributing to the total requirement. Should the extent of this interest meet the need, this project would not include such construction.

H. Alternatives

With regard to bagged vs bulk shipments, the only alternative is to continue with the present system, i. e., shipment of bagged fertilizer, acceptance of delays in turning ships around and losses due to handling, with the resultant added foreign exchange costs.

Concerning storage capacity, there are no realistic alternatives to increase of warehouse space if fertilizer use is to expand to respond to growing food production requirements, and particularly if the small farmer is to have reasonable access to share in this use. To depress demand artificially is an unacceptable alternative for any but the most immediate emergency term. To require the Bangladesh Government to finance expansion solely from its own resources is equally an impractical alternative in view of Bangladesh resource constraints.

The same factors also apply with respect to foodgrains storage capacity. Without such space, the BDG cannot pursue a course of expansion of domestic procurement, which is an essential factor to a sustained increase in production and rural incomes.

AID interest in the project is a reflection of basic AID concern for the need for growth of rural incomes and related increase in food production. It also, however, directly derives from the continuing AID contribution since Independence to meeting Bangladesh requirements for fertilizer inputs as well as imported foodgrain needs, a contribution which is likely to continue into the foreseeable future. The need to address the requirement for fertilizer and foodgrains warehouse space is immediately related to this program emphasis.

I. Beneficiaries

Bulk Facilities :

The direct beneficiary will be the Government of Bangladesh, which will achieve a substantial foreign exchange saving as a result. Indirect beneficiaries will be users of imported fertilizer as proper handling reduces losses and leads to increased availability of supply.

Storage Facilities:

Immediate beneficiaries will be those employed in warehouse management, operation and maintenance. Longer term beneficiaries are the Bangladesh small farmers, who should have readier access to fertilizer. This should act to make fertilizer available in quantity which will have particular impact for the

small farmer who tends to be priced out at scarcity. In this connection, AID is working directly with the Bangladesh Agricultural Development Corporation (BADC - the agency responsible for agricultural inputs distribution) on a pilot program for fertilizer distribution to improve access for the small farmer to fertilizer. As this program evolves into a national fertilizer distribution system, the construction of additional local warehouse space should assist this effort.

Adequate foodgrains storage should permit an expanded domestic procurement program, thus providing essential price support for agricultural production. This will particularly benefit the small farmer who is more vulnerable to price fluctuations and less able to hold his crops for general market price increases.

J. Spread Effect

Bulk Facilities:

There will be no direct foreseeable spread effect. Completion of the project will enable bulk rather than bagged shipments to be received at the country's two major ports, resulting in substantial savings with each shipment. The continuation effect of these improvements following completion of the project will be a spread effect of a kind, and an important one.

Storage Facilities:

As a result of this project new facilities will be constructed and operated. The example of a well run and controlled AID-financed program for construction of fertilizer and foodgrains warehouse space should act as a direct stimulus to BDG efforts toward the same purpose. Construction will be on a fixed-amount-reimbursement (FAR) basis, which should give emphasis to achieving this purpose. The AID project is only a portion of a continuing requirement over a term of years, a requirement which will have to be carried out by the BDG itself, perhaps with assistance of other donors. The effectiveness of this project (and its predecessor in the case of fertilizer warehouses) in ensuring a sound basis for selection of site and size, as well as basic good construction, should stand that effort in good stead.

II. Financial Requirements and Plans

Total project cost in US dollars and US dollar equivalent is estimated as follows:

	<u>AID-financed Costs</u>	<u>BDG Costs</u>	<u>Total</u>
A. <u>Loan</u>			
Bulk handling and bagging	600,000	1,000,000	1,600,000
Storage facilities	13,400,000	3,760,000	17,100,000
	<hr/>	<hr/>	<hr/>
	14,000,000	4,760,000	18,760,000
B. <u>Grant - TA and Training</u>			
Bulk handling and bagging	40,000	-	40,000
Storage facilities	260,000	-	160,000
	<hr/>	<hr/>	<hr/>
	300,000	-	300,000
A & B TOTAL	14,300,000	4,760,000	19,060,000

III. Development of the Project

A. Studies and Analysis

Preliminary discussions have been held with BDG personnel among those familiar with port handling problems. Further study is required in the area of bulk fertilizer handling, particularly with regard to possible locations for such facilities in the ports and the types of equipment most suited to local conditions.

The Ashuganj Fertilizer Project (AID Loan 388-T-003) includes as part of the IDA-financed portion a study of Bangladesh fertilizer marketing, storage and distribution. The results of this study, and the recommendations agreed upon, are by terms of the Ashuganj

agreement required to be approved by AID and implemented by the Bangladesh Government. The study is expected to recommend by location and size the most appropriate additional warehouse space required for effective fertilizer distribution. This study is expected to have its preliminary recommendations available by November 1976. The results in terms of sites, sizes and costs will be reflected in implementation of the proposed TQ AID loan for storage construction, as well as in this project. Preliminary engineering, design and construction estimates will be derived from the TQ loan and evaluation thereof. No other major study or analysis is expected to be required.

For foodgrains storage construction, an IDA-financed report is available, the U.K. currently has a report under preparation, and the Mission has requested a team from Kansas State University (KSU) to review the requirement. The KSU team is scheduled to come to Bangladesh in July 1976.

B. Schedule

1. TDYs/Consultants

A possible requirement for two man-months of TDY engineering and consultant assistance to confirm engineering, design and construction cost estimates for the warehouse space to be constructed, as well as review determinations on sites and sizes. This assistance will draw upon the on-going implementation of the current proposed fertilizer warehouse project. Jan/Feb 1977.

In addition, one to two man-months of engineering and logistics TDY or consultant assistance will be required for the port handling component. September/October 1977.

2. PRP Submission

October 1976.

3. PP Submission

Final quarter of FY 77 (July/August 1977) for authorization in the first quarter of FY 1978.

C. AID Resources

The only AID resources, apart from Mission time, required for project preparation are the engineering TDY and consultant assistance described under III. B. above. This would be expected to be financed from regional Project Development Support funding. Mission staff should be able to meet all other requirements.

IV. Issues of a Policy or Programmatic Nature

The only policy or programmatic issues have to do with: first, AID involvement in local construction in Bangladesh; and second, use of US dollar funds for such construction.

The first of these derives from AID experience in implementation of post-Independence relief programs. These encountered great difficulty in monitoring and control to ensure proper quality of local construction. It should be possible to meet this issue in the project, however, through the contribution of a larger Mission engineering staff, through the direct involvement of consultant engineering and construction supervision services, as well as through application of FAR as the vehicle for construction payments by AID. It should also be possible to avoid most of the previous problems by agreeing upon all conditions at the outset of the project with respect to procedures and responsibilities on the BDG side for the construction program. Each of these issues will have been met in the context of the proposed TQ project for warehouse construction, and the findings recorded in this project.

The second issue is one which is expected to be addressed and resolved by AID in context of the TQ project. This concerns the question whether such a program should be financed through use of PL 480 Title I proceeds or the Title I forgiveness mechanism, through US dollars or through some combination of these. These are policy issues which go beyond present identification of the project, and are not concerned with the substantive question of proceeding with the project however funded.

USAID/Bangladesh
June 1976

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE
 A A = ADD
 C C = CHANGE
 D D = DELETE

PID
 2. DOCUMENT CODE 1

3. COUNTRY/ENTITY BANGLADESH

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS) 388-0025

6. BUREAU/OFFICE
 A. SYMBOL ASIA B. CODE 04

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)
 SMALL FARMER CREDIT

8. PROPOSED NEXT DOCUMENT
 A. 2 = PRP
 3 = PP

B. DATE MM YY 10 7 6

10. ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 = 15.0 Tk.)

FUNDING SOURCE		BASECOST
A. AID APPROPRIATED		2300
B. OTHER	1.	
	U.S.	
	2.	
C. HOST COUNTRY		580
D. OTHER DONOR(S)		
TOTAL		2880

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY 78 b. FINAL FY 80

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 1978		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) EN	200	043	043	220	1700	600	1700
(2)							
(3)							
(4)							
TOTAL				220	1700	600	1700

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions ea.)

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)
 BS

14. SECONDARY PURPOSE CODE

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)
 TO INCREASE AGRICULTURAL PRODUCTION AND SMALL FARMER INCOME

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)
 TO DESIGN TEST AND EVALUATE THREE SYSTEMS OF SMALL FARMER CREDIT FOR CROP PRODUCTION IN THREE AREAS OF BANGLADESH

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)
 Credit Specialist (two MM's) \$13,000
 Visits by Banking Experts from other countries to work with the BDG \$25,000
 (Experts would be from other LDC e.g. Korea)

18. ORIGINATING OFFICE CLEARANCE
 Signature: *Joseph S. Toner*
 Title: Joseph S. Toner, Mission Director
 Date Signed: MM DD YY 06 21 76

19. DATE DOCUMENT RECEIVED FOR AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY

AID 1330-2 (3-76)

Project Identification Document

Small Farmer Credit

I. Summary of the Problem and the Proposed Response

A. General Discussion

The goal of U.S. development assistance to Bangladesh is to improve the wellbeing of the rural poor. Within the agricultural sector, the Mission's Development Assistance Program proposes a broad based strategy to increase crop production, increase small farmer income and to create employment for the landless. The strategy includes the dissemination of HYV technology, the provision of inputs (primarily seed, water and fertilizer), the creation of rural infrastructure, the enhancement of rural market towns to name the primary elements. To date USAID/Bangladesh has provided substantial assistance for agricultural inputs and agricultural research and limited assistance for the creation of rural infrastructure. Efforts which are planned for the near future include hand pumps on medium term credit for small scale irrigation, additional agricultural inputs and possible assistance for rural electrification. There are, however, additional development problems which serve to constrain production, cause the skewing of agricultural income toward relatively "large" farmers and which accelerate the pace with which farm families become landless. One of these problems is the dearth of agricultural credit for small farmers from institutional sources.

It might be presumed that the Government's agricultural strategy would be designed to reflect the economy's factor endowments -- an abundance of labor, a scarcity of capital and the lack of land for expansion. Unfortunately, such is not the case: capital, in particular, is heavily subsidized and underpriced. The situation is made more serious by the fact that services (research information and access to credit) and inputs (HYV seeds and fertilizer) provided by the Government are more readily available to large farmers (i. e., those holding 2.5 acres or more). Large farmers, in response to these conditions, maximize the use of cheap capital for the purchase

of HYV inputs and technology (tube wells and pumping equipment) and minimize the use of hired labor. Large farmers who utilize HYV inputs and related technology reap higher yields per unit of land, and as a consequence, increased incomes -- to some extent at the expense of small farmers who do not have equal access to either the technology or the institutional credit to finance it. In general, the economic and social consequences are skewing of income toward large farmers, increasing land values and resulting pressure to force small holders into tenancy status and tenants into "landlessness". This trend is characteristic of agricultural development in many countries where insufficient attention has been paid to the problem of physical access to, and credit for the purchase of HYV technology by small farmers. For Bangladesh, wherein from 20 to 40% of the population is already landless, a failure to first halt and then reverse this trend will have profound social consequences.

B. Current Situation

Rural debt is a pervasive phenomenon in the Bangladesh countryside. In one small sample of two Thanas in two districts the incidence of borrowing from all sources was 83 percent of the households surveyed. While the absolute size of average debt was small, i. e. , Taka 400 per household in 1969/70, it was large relative to average income. In addition, the rate of debt accumulation per annum was accelerating. The authors of this analysis also found that there was a direct relationship between average size of a farm operation and the amount of credit secured from institutional sources, e. g. , the smaller the operating unit the more likely the farm family would borrow from non-institutional sources including friends, relatives and money-lenders, typically at very high rates of interest. Thus, a situation is described wherein nearly all households are in debt, rural debt is increasing, and the debt for the great majority of rural households, is derived from traditional sources.

The existing institutional credit system satisfies perhaps 15 to 20 percent of the total demand for credit of the rural population but it is very strongly skewed toward the medium term requirements of relatively large farmers. This is an important point for it is roughly estimated that the average land holding is 2.5 acres and

becoming smaller with more than two thirds of all farms smaller than the average. For example, the Bangladesh Krishi Bank (BKB) made 65% of its loans, accounting for 81% of total lending, over the five year period from 1965/66 to 1969/70 to farmers holding three acres or more. In general, no credit was or is extended to farmers who cannot offer land as collateral.

Also serving rural needs is a system which has been devised for implementation through the Integrated Rural Development Program (IRDP). In this system the quasi-public, commercial Sonali Bank (SB) lends to groups of farmers organized into primary cooperative societies (KSS) through intermediate Thana Central Cooperative Associations (TCCA). While the size of loans has been scaled down to more appropriately match small farmer need, e. g., Tk. 200 per acre before devaluation, and while the credit is short term and production oriented, the system is reported to be slow, inefficient and fixed upon land as the collateral for production credit. A positive feature of the IRDP system is that the cost of credit to small farmers is 15 per cent per annum which more closely approximates the social cost of capital than does the 11 percent charged for medium term credit by the BKB. One defect of the IRDP system is that it is an attempt at providing credit through a highly bureaucratized, non-banking, institution -- the TCCA -- at the local level. In addition, the IRDP system shares the BKB's tendency to avoid lending to small farmers who cannot offer land for collateral on the grounds that small farmers do not repay -- contrary worldwide and Bangladesh specific experience, notwithstanding.

In summary, the problem is to design a project which will deliver small amounts of credit to small farmers, for short-term production purposes, through an efficient administrative system. The second and related problem is to design a project which will mobilize rural savings. The IRDP-TCCA two tiered system provides farmers the opportunity to purchase shares and to save in their cooperatives. The interest rate is low and the degree of savings mobilization is correspondingly low. Similarly, interest on savings deposits offered by commercial banks are not as high as they should be. In order to

finance the expansion of agricultural credit it will become increasingly important to channel rural savings -- which would ordinarily be used for non-productive purposes -- into institutions which can formalize the lending of these resources for productive activities.

II. Project Purposes

The problem of meeting the credit needs of small farmers -- particularly for the production credit requirements of owners cum tenants operating 2.5 acres or less -- cannot be solved in the short run. It is a complex problem involving a number Government institutions, the development of new processes which will engage directly small farmers and, last but not least, national credit policy. With respect to the latter variable, and even if the institutions existed to deliver production credit to small farmers, the available financial resources are being absorbed by the public sector. In the long run the society must find a way to mobilize rural savings to finance the required levels of investment in agriculture.

In view of the suggested complexity and scale of the problem of agricultural credit, and its mirror image the mobilization of rural savings, the Mission proposes a project with the following "Pilot" or "Test" purpose:

"To design, test and evaluate three systems of small farmer credits, for crop production, in three areas of Bangladesh."

On the assumption of a successful test and evaluation of at least one system, the problem would be to find ways and means of replicating the system nationwide. In this context, the test system proposed herein are not immediately linked to sector goals for increasing aggregate agricultural production and national small farmer income. The hypothesized value of the project would be to develop systems which would, in fact, lead to a national system of rural credit with savings which would work to the advantage of small farmers.

III. Description of the Project

A. Banking System Models

At the national level agreement would be reached with the Bangladesh Bank to start a test small farmer credit project in two areas. In these areas, the BB would authorize an interest rate on savings deposits of, say, 15 percent per annum.

Secondly, agreement would be reached to lend small amounts of money, e. g., predominantly in the range of Tk. 750 to 1,500 for short term production loans, repayable at, say, 20 percent per annum, and with a term of about six to nine months. (These amounts are only suggestive. The interest rate and other terms for savings and lending would be adjusted as the result of an annual evaluation exercise to more nearly approximate rural demands).

The institutions which would be employed to implement these national policy changes could be the Bangladesh Krishi Bank (BKB, a governmental banking institution) and the Sonali Bank (SB, a quasi-public, commercial banking institution) in areas where there is a relatively high density of their respective branch bank facilities. Through the pilot project, each bank would be accorded an opportunity to design a small farmer credit program and make it work.

The criteria for lending would be minimal. Any farmer, whether a pure owner, owner cum tenant, or pure tenant farming 2.5 acres of land or less (but not an absentee owner) would be eligible to receive a short-term line of credit upon making a simple one-page application verified for its authenticity by some local political entity (such as, a Union Parishad), local government entity (police, extension agent, revenue official), or bank personnel. A model which may warrant testing would be group lending, where ten or so small farmers prepare one application for a loan. The details of the verification mechanism would be worked out in the course of further project development and in consultation with Government and banking officials. However, it is anticipated that the most effective

screen to large farmer participation will be the relatively high rate of interest charged for production credit since this class of farmers generally has access to lower cost capital from other sources. Whether the credit should be extended in cash or in kind (e. g., a chit system for the procurement of inputs from retailers) would also have to be developed. In any case, the objective would be to extend credit to as many small farmers as possible with all collateral requirements waived and in the most efficient and simplified manner.

B. IRDP Model

The second test system would resemble the first with respect to a high interest rate for savings deposits and production credit but would be centered on, and delivered through, the IRDP-TCCA primary societies channel. Again, the credit facilities would be targeted on farmers operating 2.5 acres or less and no collateral would be required. The nature of this test would be to ascertain whether the present IRDP system could be invigorated with an infusion of capital and a simplification of its administrative systems.

In both systems the project would test low cost methods to assure a high loan recovery rate. These might range across a spectrum of options including cutting off access to production credit until loans are repaid, to cutting off access to agricultural inputs in the case of a system where credit is supplied in-kind to social pressure (especially through the IRDP primary societies), etc. It is expected, however, that small farmers will protect their access to relatively low cost production credit (when compared with interest rates charged by money lenders) with high rates of repayment. This expectation is based upon the experiences of credit programs in other countries which have been directed to a small farmer clientele.

IV. Estimated Outputs Necessary to the Achievement of the Project Purpose

- A. Simplified systems installed to capture rural savings in high interest savings accounts in three areas.
- B. Two or more simplified systems for making application for short term production credit.

- C. Two or more simplified systems for verifying the authenticity of small farmer loan applications with respect to residence, farm holding size, tenant or owner-operator, and the agricultural input requirements for production credit.
- D. Cash and "in-kind" systems for dispensing credit designed, installed and tested.
- E. Two or more systems for loan collection designed, installed and tested for effectiveness and cost efficiency.
- F. Loans made to small farmers holding less than 2.5 acres in three test areas as follows (on the assumption of an average loan size of Tk. 1,100 or about \$ US 75 in a range from Tk. 300 to 3,000 depending on crop and season).

	<u>YEAR OF PROJECT</u>			<u>Total</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
	<u>NUMBER OF LOANS</u> <u>(\$US Thousands)</u>			
Model 1A: the public banking system test, the BKB, in one area	2,000 (\$ 150)	3,000 (\$ 225)	6,000 (\$ 450)	11,000 (\$ 825)
Model 1B: the commercial banking system test, the SB, in one area	2,000 (\$ 150)	3,000 (\$ 225)	6,000 (\$ 450)	11,000 (\$ 825)
Model 2: The IRDP two tiered system in one area	2,000 (\$ 150)	3,000 (\$ 225)	6,000 (\$ 450)	11,000 (\$ 825)
Totals	6,000 (\$ 450)	9,000 (\$ 675)	18,000 (\$ 1,350)	33,000 (\$ 2,475)

V. Estimated Kind and Amount of Required Resources

Development loan financing is proposed to capitalize the test systems and to cover the anticipated substantial overhead costs to install and operate the proposed systems. On this basis the following estimates have been made:

A.	Cost of capitalizing the two test systems: (per the output schedule IV. F. Column 3 above).	\$1,350,000
B.	Incremental overhead costs for installing and operating the test systems (including staff expansion and training).	350,000
C.	Total	<u>\$1,700,000</u>

In addition a grant financed technical assistance element would be required to assist with the design of the test systems, to design and collect the required baseline data, and to conduct an evaluation of the test efforts.

Approximately six man years of advisory assistance plus limited short-term, third country training at a cost of \$550,000 would be required to design and install the test systems. In addition, about nine man-months of consulting time would be required for evaluation (or approximately \$50,000).

Total project costs would be in the magnitude of \$2,300,000 composed of \$1,700,000 loan financing and \$600,000 grant financing. The estimated disbursement period for the DL component would be 42 months from the execution of the Loan Agreement and approximately 48 months for the implementation of all technical assistance.

In the design of the loan implementation mechanism care would have to be taken to maximize good performance in the banking system and IRDP models. Specifically, it would be very important not to build in an implicit incentive for credit defaults. One among many possible mechanisms would be to reimburse the banking system for the total value of loans made under the project and for

which collections have been received from small farmers on an annual or credit season basis.

VI. Beneficiaries

On the assumptions and estimates above, 33,000 loans would be made over the three year life of the pilot project which would directly address a production credit need for approximately 18,000 small farmers who hold or operate less than 2.5 acres. The net benefit to participating farmers has not been calculated since it involves many variables -- owner or tenancy status, the three main cropping seasons, crops planted, water availability and other technological choices.

VII. The Significance of the Project

The evaluation of the project would answer the following questions which are pertinent to the broader and long run problem of financing investment in the agriculture sector in Bangladesh:

- A. The size of the rural response to a savings deposit interest rate of 15% per annum.
- B. The feasibility and replicability of simplified systems for credit application, verification and loan recovery for small farmers.
- C. The relative merits of a more open, liberal banking system, small farmer credit operation vis-a-vis, an IRDP, primary society, or "group" credit approach.
- D. The feasibility of targeting credit operations on a specific farmer population, e. g., those operating 2.5 acres or less.
- E. Whether overhead costs for such small farmer credit systems can be reduced to an acceptable proportionate level given a borrower-saver spread of five percent and the quantum of rural savings generated (A. above).
- F. The extent to which small farmers actually allocate credit to production needs as distinct from consumer and old-debt repayment needs.

VIII. Major Assumptions

- A. Domestic foodgrain prices will be sufficiently attractive to cause the continuing adoption of HYV technology and inputs by farmers in general and small farmers in particular.
- B. There is no significant cultural constraint to the consumption of HYV cereal grains.
- C. HYV inputs, primarily seed and fertilizer, will be available in sufficient supply to meet small farmer demand (which demand, it is hypothesized, should accelerate with the availability of credit).
- D. Domestic inflation is kept within reasonable limits.

IX. Alternatives to the Proposed Project

There are hundreds of credit system models in the literature of agricultural development and in use throughout the world. In Bangladesh there are at least three systems in operation which serve primarily the needs of relatively large farmers and mostly on a medium term, heavily subsidized basis. There are no doubt, many alternative models to the one proposed in this PID which could be directed to the provision of short term production credit for small farmers at interest rates which approach the social cost of scarce capital. While the Mission welcomes suggestions on the size, duration, cost and mechanics of the tests proposed herein, we suggest that there are a few elements which should remain inviolable. These are (a) a definition of the small farmer target population which will be served by the particular test credit system; (b) securing a Government policy determination to increase the interest rates for both savings and short term credit to levels approaching the social cost of capital; and (c) the need for testing whatever system(s) is selected before engaging the Government in a national credit program.

In addition, we are cognizant of the problem of proposing a test project of sufficient scale and financing to garner the Government's interest in the experiment. In this regard, AID could select a financial incentive strategy ranging from a completely grant-financed pilot effort of \$ US 2.3 million, to a mixed loan/grant pilot where each year's cost of credit operations would be capitalized (i. e., DL of \$3.0 million for capitalization and incremental overhead and \$ 600,000 for grant financed technical assistance) to the mixed loan/grant pilot proposed herein (i. e., DL of \$1.7 million and \$600,000 grant).

X. AID Consideration

The project idea is proposed because the Mission regards the lack of short term production credit to small farmers as a key determinant to the rate at which HYV technology is adopted in Bangladesh. This rate of HYV adoption is causally linked to increasing the demand for labor, family and hired, and increasing the incomes of small farmers and landless labor. The provision of production credit to small farmers is one of several important variables in a social equation which is operating to skew agricultural incomes further toward large farmers, increasing rural debt particularly among small farmers, and pushing the class of farmers who hold the smallest units of land into a state of landlessness.

XI. Development of the Project

Upon AID/W approval of the concepts described in this PID the Mission would make a series of representations to officials in the Planning Commission, commercial banks and the Bangladesh Bank with a view to securing their commitment to the required policy and administrative changes in the three test areas upon the initiation of the project. To support these representations the Mission would probably require financing for a visit by banking experts from a developing country, such as Korea, where similar small farmer credit schemes have been implemented and perhaps financing

to cover the observational travel of officials and banking executives to view such credit schemes in actual operation. This requirement, from Project Development and Support resources, could be satisfied with approximately \$25,000. The representations, consulting and observational travel would be conducted in August and September, 1976.

On the assumption that the BDG commitment in principle can be secured in the Summer, 1976, the Mission would also require the services of a credit specialist for approximately two months' time (September and October) to prepare the Project Review Paper. The estimated cost from PD & S sources, would be \$13,000.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE
 A A = ADD
 C C = CHANGE
 D D = DELETE

PID
 2. DOCUMENT CODE 1

3. COUNTRY/ENTITY
 Bangladesh

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS) 388-0026

6. BUREAU/OFFICE
 A. SYMBOL ASIA B. CODE 04

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)
 Land Occupancy Study

8. PROPOSED NEXT DOCUMENT
 A. 3 2 = PRP
 3 = PP B. DATE 05 7 7

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY 7 8 b. FINAL FY 7 8

10. ESTIMATED COSTS
 (\$000 OR EQUIVALENT, \$1 = 15.0 Tk.)

FUNDING SOURCE		
A. AID APPROPRIATED		160
B. OTHER U.S.	1.	
	2.	
C. HOST COUNTRY		60
D. OTHER DONOR(S)		
TOTAL		220

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 78		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) FN	231	055		160		160	
(2)							
(3)							
(4)							
TOTAL				160		160	

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions ea.h.)
 950

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)
 BS

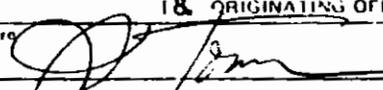
14. SECONDARY PURPOSE CODE

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)
 To Develop a body of empirical knowledge on the social and economic condition of the small farmer target group.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)
 To define the contemporary hierarchy of interests in land in Bangladesh and to determine the nature of both traditional and modern processes that are changing the relationship of people to the land

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)
 Two consultants for six weeks \$8,000

18. ORIGINATING OFFICE CLEARANCE

Signature: 

Title: Joseph S. Toner
 Mission Director

Date Signed: 0 6 2 1 7 6

19. DATE DOCUMENT RECEIVED BY AID/W, or FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

AID 1330-2 (3-76)

Project Identification Document

Land Occupancy Study

I. Summary of the Problem and the Proposed Response

A. The goal of A.I.D. development assistance to Bangladesh is to improve the wellbeing of the rural poor. Within the Agricultural sector the Mission's Development Assistance Program proposes a broad based strategy to improve agricultural production, small farmer income and to create employment for the landless. The strategy includes the dissemination of HYV technology, the provision of improved inputs, the creation of rural infrastructure and the enhancement of rural market towns.

Given a technology that is neutral to scale, perfectly distributed and utilized by all farmers -- large and small, owner-operators and tenants -- there would be an increase in aggregate agricultural output and, theoretically, an increase in the absolute level of income, though the income share of each farming class may remain unchanged. In other words, the income pie would grow larger but the relative size of the slices would remain unchanged. Unfortunately, while HYV technology is neutral to scale, all farmers in Bangladesh do not have equal access to it. The implication, to quote recent A.I.D. program guidance (AIDTO CYRC A-239, pg. A1), is: "... where there is a high degree of insecure tenancy, even 'scale-neutral' improved technologies can lead to large-scale displacement of tenants."

The problem of land occupancy or "rights in land" may be addressed on two conceptual levels: first, as the subject of policy, program and project activities to secure rights of tenure; and second, as an area of research inquiry that would lead to an agricultural strategy, with or without tenancy reform per se, that would neither cause the skewing of agricultural income toward large farmers nor accelerate the rate that small holders become tenants and tenants become landless labor. On either conceptual level the problem is first to define the nature and scale of insecure tenancy. To this end the Mission engaged Professor F. Tomasson Jannuzi, Director, Center for Asian Studies, University of Texas (at Austin) to make a very preliminary and judgmental assessment of the relationships of people to land in Bangladesh. Most of the substantive commentary which follow have been derived from field work and interviews conducted by Dr. Jannuzi in Bangladesh during the period from May 14th to June 9th, 1976.

B. Historical Background

Bangladesh is located within a region of the Subcontinent where the relationships of the cultivating peasantry to the land have been conditioned by the Permanent Settlement of 1793. This Settlement legitimized the rights in land of certain non-cultivating intermediaries (Zamindars) between the East India Company and the peasantry of the region. The Zamindars had one primary function: they were "revenue-farmers". They were given new legitimacy by the Permanent Settlement to collect rent from their tenants and to pass on to the Company (and later the British Raj) an amount fixed in perpetuity in the form of "land revenue". Over the years, these revenue-farmers established themselves as powerful figures in the countryside, exercising quasi-feudal rights over the peasantry. A high percentage of the Zamindars were absentee landlords who seldom visited their "estates", except through their agents to collect a share of the produce from the land. Rack-renting (i.e. extracting more than legal rates permit) and other abuses of the peasantry were common derivatives of the Permanent Settlement.

Following the establishment of East Pakistan, legislation was enacted to abolish the Zamindari system. In practice, this meant that the government sought to eliminate all rent-receiving intermediaries between the State and those peasants who had under law a right of permanent occupancy to the land within their possession. This was accomplished through The State Acquisition and Tenancy Act of 1950, which is still in force. Legally, therefore, in contemporary Bangladesh, the State has assumed the role of super landlord or Zamindar and collects land revenue as well as other assessments and rates from sections of the peasantry (now legally classified as "tenants" of the State). In effect, this legislation removed the Hindu Zamindar from the top of the hierarchy of interests in land.

C. The Current Situation

The legislation which has been enacted in Bangladesh to abolish the Zamindari system did not transform the traditional agrarian system. Rather, it is hypothesized that the relationship of people to the land at present may be more accurately described as follows:

- 1) though most holdings are relatively small, absentee landlordism exists to a great extent;
- 2) sub-letting of land by de jure tenants of the State continues on a grand scale, even though prohibited by law;

- 3) those who lease from these de jure tenants (i.e., landlords) have no de jure rights in land;
- 4) nothing has been legislated or promulgated that would enhance the status or rights in land of sharecroppers and landless agricultural laborers;
- 5) a high percentage of the cultivable acreage of the country may presently be tilled by sections of the peasantry having no de jure rights in land; and
- 6) since access to capital for investment is largely determined by de jure rights in land, most cultivators have only very limited access to modern technological inputs.

In addition, this hypothesized situation is made more difficult by: the confusion that exists concerning the rate of growth of the numbers of small farmers, sharecroppers and landless laborers; and out-of-date land records, some reportedly as old as 1928 and 1896.

The aforementioned hypotheses stand in sharp contrast to reports published by the former Government of East Pakistan that have been uncritically accepted by the Bangladesh Government, the community of bi-lateral and multi-lateral donors, and area scholars alike. For example, the Master Survey of Agriculture in Bangladesh (Seventh Round, Second Phase) states that 81.38 percent of the cultivable acreage is "owner cultivated" and 18.62 percent is tilled under sharecropping arrangements. In contrast and as reported to Dr. Jannuzi during his cursory field work, the percentage of cultivable acreage tilled by farmers who have no de jure rights in land may range from 60 to 90 percent of Bangladesh as a whole.

II. Program Goals, Project Purpose and Outputs

At this preliminary stage of the definition of the problem of land tenancy the Mission proposes a program goal as follows:

"The development of a body of empirical knowledge on the social and economic condition of the small farmer target group stratified by class which may be utilized in the further development and refinement of the Mission's rural development strategy at a program level, and within micro project designs."

The project purpose would be:

"To define the contemporary hierarchy of interests in land in Bangladesh and to determine the nature of both tradition and modern processes that are changing the relationships of people to the land."

The Mission's estimate of the required outputs to achieve the above stated project purpose is as follows:

- A. Documentation of the current hierarchy of interests in the land with respect to the Government, absentee landowners, owner-operators, various types of sharecroppers and various classes of landless labor;
- B. The isolation of processes affecting rates of change in the various relationships of people to the land;
- C. Establish the causal relationship between the spread of HYV technology and differing kinds of de jure and de facto systems of rights in land;
- D. To determine how the sharing of risk, management decisions and increased crop production are related to tenurial relationships of people to the land; and
- E. To project the direction and nature of changes in the relationships of people to the land in the absence of policy and program intervention.

III. Description of the Project

The proposed project is a research undertaking which can be designed and implemented within a short period of time -- less than two years.

The sequence of steps leading to the research product would be as follows:

- A. Securing the Government's sanction of the research undertaking and the identification of an appropriate Bangladeshi Institutional home. Possibilities currently include the Planning Commission, the Bangladesh Institute of Development Studies, the Ministry of Agriculture, the Integrated Rural Development Program, the Land Reform and Land Administration Division, Dacca University and others.

B. Preliminary definitional work on nomenclature and classifications of tenurial systems and a review of secondary source materials.

C. The design of a sample survey questionnaire and pre-testing.

D. The training of Bangladeshi professional staff for the execution of the survey.

E. Execution of the first round of the survey, data analysis and the publication of the first interim report.

F. Execution of the second round of the survey, data analysis and the publication of the final report.

Steps A., B. and, to the extent possible, C., would be accomplished during the FY 77 project development period leading to a Project Paper. Implementation of the project would begin in the first quarter of FY 78. The first interim report would be prepared by June, 1977 and the project would be completed by mid FY 79. (See also section VII below regarding project development).

IV. Estimated Kind and Amount of Required Resources

Grant financed technical assistance would be required for the development and execution of the proposed project. One full-time Research Coordinator, with specialization in land tenure systems and economics and political economy, would be required for the 18 month duration of the project (\$105,000). Approximately five months of consulting time would be required in specific aspects of the research effort, e.g. the relationship of HYV technology, institutional and non-institutional credit to tenurial systems and rates of change (\$20,000). In addition, funds would be required for U.S. based research, data processing and analysis and report writing (\$15,000). Local cost requirements would include supplies, in-country travel, in-service training (\$20,000). The total AID contribution for the 18 month research effort would be approximately \$ 160,000.

The Bangladesh Government contribution would include the salaries and allowances of the approximate 10 Bangladeshi professional and secretarial staff who would be required for the execution of the survey and related work. The Bangladesh Government contribution would also include access to archives and personnel who are involved in the many aspects of the relationship of people to the land.

V. Beneficiaries

The direct beneficiaries of the research product would be the Bangladesh Government, AID and other donor institutions which require such data to improve inter alia, policy formulation, program strategies and project designs. The indirect beneficiaries -- on the assumption of policies, programs and projects which would be undertaken as a result of the research -- would be the rural people in their relationships to the land which the research describes.

VI. Major Assumptions

With respect to developing a project, the major assumption is that the Bangladesh Government will sanction a research undertaking on the subject of rights in land with the assistance of a bi-lateral donor. At the present time we can say that there is considerable interest in this research topic among some high level civil servants; however, we cannot predict the reaction of Bangladesh policy makers at higher levels.

If the Government sanctions the proposed project we assume a causal linkage between the research product and changes of national policy with respect to tenurial reform, and consequent programs and projects that would stabilize and/or transform the relationships of people to the land. On the other hand, and on the negative assumption that no policy change would result from the proposed research, the body of knowledge on relationships of people to the land would be substantially enhanced with positive consequences for improved project design outside the tenurial reform sphere.

VII. Alternatives to the Proposed Project

Since neither the de facto relationships of people to the land nor the magnitude of these relationships is empirically defined, the Mission is unable to offer a feasible alternative to the basic research proposed herein. There are, of course, many alternative ways in which the research could be conducted, over varying lengths of time, with or without the support of a foreign donor.

VIII. Development of the Project

In view of the small size of the project and its short duration the Mission proposes, as provided in Handbook 3 on Project Assistance, to proceed directly from a PID to a Project Paper.

Upon AID/W approval of this PID, the Mission would make representations to the Bangladesh Government with a view to securing its sanction of the proposed project and its placement within a Bangladesh institution. This would be accomplished before October 31, 1976 in order to affirm the project for the FY 78 Congressional Presentation. In December, 1976 and January, 1977 approximately six weeks of consulting time, involving possibly two consultants, would be required for the purpose of accomplishing the preliminary definitional work on nomenclature and tenorial classification systems and to design the sample survey questionnaire (elements III. B. and C. above, respectively). This work would be incorporated into a Project Paper by the Mission for submission to AID/W by approximately May, 1977 to enable the implementation of the project to begin in the first quarter of FY 78.

Approximately \$8,000 would be required from Project Development and Support resources to fulfill this need.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE
 A A = ADD
 C C = CHANGE
 D D = DELETE

PID
 2. DOCUMENT CODE 1

3. COUNTRY/ENTITY
 Bangladesh

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS) 388-0027

6. BUREAU/OFFICE
 A. SYMBOL ASIA B. CODE 04

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)
 Project Development Assistance & Training

8. PROPOSED NEXT DOCUMENT
 A. 2 2 = PRP
 3 3 = PP B. DATE 1 0 7 1 6

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY 7 8 b. FINAL FY 8 0

10. ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 = 15.0)

FUNDING SOURCE		BASE
A. AID APPROPRIATED		3,550
B. OTHER U.S.	1.	
	2.	
C. HOST COUNTRY		1,000
D. OTHER DONOR(S)		
TOTAL		4,550

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) ST	700	710		875		3,550	
(2)							
(3)							
(4)							
TOTAL				875		3,550	

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions ea.h)
 720

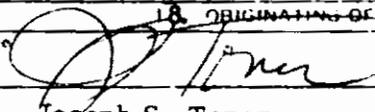
13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)
 BR

14. SECONDARY PURPOSE CODE

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)
 To develop portfolio of development projects to be implemented by the BDG addressing problems of the rural poor.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)
 Implement donor financed projects which directly benefit the rural poor.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)
 TDY assistance for three man months totalling \$19,500. The consultants should be on board early in each year of project implementation.

18. ORIGINATING OFFICE CLEARANCE
 Signature: 
 Title: Joseph S. Toner, Mission Director
 Date Signed: 0 6 2 1 7 6

19. DATE DOCUMENT RECEIVED / AID/W, or FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY

AID 1330-2 (3-76)

PROJECT IDENTIFICATION DOCUMENT

Project Development Assistance
and Training Project

I. Summary of the Problem to be Addressed and the Proposed Response

A. The Problem

Most assistance provided since Bangladesh Independence has been relief and rehabilitation rather than development. AID and other donors have become heavily involved in development activities only in the past two years. Consequently, there has been little opportunity for the Government of Bangladesh (BDG) and AID to build a portfolio of solid priority area projects.

B. Solution to the Problem

Providing the resources required which will enhance the identification and development of feasible projects meeting both BDG and AID criteria.

C. Description of the Project

The project will include three components:

1. Project and Feasibility Studies: Expert assistance to identify development needs consistent with AID criteria and which can be addressed through AID project assistance; also, assistance to assess feasibility of such projects and to contribute to details of project design.

2. Technical Assistance: Expert assistance in areas not necessarily directly related to on-going AID-financed projects or proposed project, but which are consistent with AID and the BDG overall program objectives in Bangladesh.

3. Training: Participant training in the United States and third countries for AID-financed project-related needs as well as to meet AID and BDG overall program objectives.

The program goal which this project will address is a portfolio of development projects, actively implemented by the BDG, which address the primary problems affecting the rural poor in Bangladesh.

The project purpose will be to implement donor financed projects which directly benefit the rural poor.

Project outputs will be completed project and feasibility studies, reports and recommendations by technicians concerning specific problems they were called upon to address, and trained BDG and other personnel utilizing their AID-financed training in pursuance of BDG and AID development objectives.

Inputs will be:

AID: Funds for obtaining technical services, including agreed upon logistic support, and for participant training costs.

BDG: Balance of logistic support for consultants and advisors; provision of qualified counterpart personnel; designation of suitable personnel for participant training, and travel of such participants up to the terminal of Bangladesh Biman approved and operative International routes.

It is expected the Project will be fully disbursed within 36 months from the date of signature.

D. Major Assumptions

1. BDG and AID program and policy goals and objectives remain complementary.
2. BDG will provide priority budgetary support to projects developed by studies and expedites their approval at the appropriate levels.

E. Host Country and other Donor Activities

UNDP, ADB and IDA have funds available for project development, evaluation and training. Also, the major bilateral donors provide similar assistance. Funds for similar purposes have been provided by AID since 1974 through the Project Studies Grant and the Development Services and Training Grant. Utilization of both instruments has been slower than expected due to several factors, principal of which have been the more immediate priorities confronting the BDG such as postwar reconstruction, flood disaster, etc. Planning cells have now been established in several BDG ministries, and an increased measure of stability permits the BDG to focus more on longer term developmental objectives. Moreover, an enhanced complement of USAID personnel will enable more active assistance to the BDG in project development.

F. Realistic Alternatives

The alternatives to expanding the resources available to the BDG for project development are to continue with a heavy commodity program, or to reduce the scope of AID assistance. Neither alternative is directed to long-term developmental objectives.

G. Beneficiaries

The most immediate beneficiary will be the BDG, which will more effectively generate acceptable projects for donor financing. Longer-term and indirect beneficiaries will be those of the projects designed, financed and implemented as a result. Continuing beneficiaries will be both the BDG and participants trained through the project, as well as the rural poor who are served by their assignments in the BDG.

H. Spread Effect

It is expected that the standards for project preparation developed through the project will provide the basis for improved quality project development beyond the project life, and will apply to projects to be financed by other donors as well as AID or by the BDG itself.

II. Financial Requirements and Plans

The total project cost is expected to be approximately \$4,550,000 of which AID will finance \$3,550,000. The BDG's share will be at least 25 percent of the total project cost and will correspond to the local currency costs.

Individual components of the project are expected to be funded approximately as follows. More precise figures will evolve as preliminary needs for project development assistance are identified.

1. Project and Feasibility Studies:

US: \$1,500,000 (FX)
BDG: 500,000 (LC)

2. Technical Assistance:

US: \$1,000,000 (FX)
BDG: 440,000 (LC)

3. Trainings^{1/}

US: \$1,050,000 (FX)
BDG: 60,000 (LC)

4. Total:

US: \$3,550,000
BDG: 1,000,000

III. Development of the Project

TDY assistance up to three man-months (one early in each year of project implementation) will probably be required to assist in drafting scopes of work. An additional total six man-months of consultancies or TDY's may be required to follow-up the studies

1/ See Annex A for a break out of training costs for academic and non academic training.

produced under the Project and to help in putting together projects for subsequent AID financing. The timing of these consultancies or TDYs will depend on the completion dates of the studies finance.

The PRP is expected to be submitted by October 1976.

The PP is expected to be submitted by the final quarter of FY 1977 for authorization in the first quarter of FY 1978.

Existing USAID staff is sufficient for preparation of the PRP and PP.

IV. Issues of a Policy or Programmatic Nature

Over the course of the next few years the content of program assistance to Bangladesh will change drastically. With the shift in emphasis from relief and rehabilitation to more development oriented projects, the implications of such change necessitate more precise identification of priority development activities. The USG is now prepared to work with the BDG in helping to identify these priority projects and provide the necessary support where feasible.

To ensure more precise and accurate planning on the part of the BDG, the planned annual project agreements will provide that prior to any disbursement of funds the BDG provide USAID with a detailed analysis of the feasibility studies sought, technical assistance required, as well as participant training planned for the upcoming fiscal year.

This strategy will enable us to determine which direction the BDG is heading and provide us with more precise indicators of how we might better plan our future economic assistance within the framework of the Congressional Mandate.

Mission current plans call for the obligation of funds accordingly:

	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>	<u>Total</u>
Project and Feasibility Studies	375	750	375	1,500
Technical Assistance	250	500	250	1,000
Training	<u>250</u>	<u>500</u>	<u>300</u>	<u>1,050</u>
Grand Total	<u>875</u>	<u>1,750</u>	<u>925</u>	<u>3,550</u>

ANNEX A

Listed below is the Mission's most current analysis for participant training costs.

Academic Training

Costs:

74-75	\$650 per M/M U.S.
	450 " " T.C.
76-77 (10% increase)	\$ 715 U.S.
	\$ 500 T.C.

Recommended level: 5 acad. trainees/yr
Total 15 over project:

7 U.S. x 24 x \$715	=	\$120,120	
Travel: 900x7	=	<u>\$ 6,300</u>	
Sub-Total	=	\$124,420	
8 TC x 24 x 500	=	\$ 96,000	
Travel 8x600	=	<u>\$ 4,800</u>	
Sub-Total	=	\$100,800	
Grand Total Acad. Trg.	=	<u>\$225,220</u>	(225,000)

Non-Academic Training

Recommended Level:

180 M/M per year, or 540 M/M over life of project.

At an average of 6 M/M per participant, this works out to a total of 90 participants, or 30 per year for each of 3 years: half U.S., and half T.C.

Under DST: We are now providing 177 M/M per year. At 6 M/M per participant, this is 29 participants per year.

Costs:

74-75 : \$1750 per M/M U.S.
800 " " T.C.

76-77 (10% increase) \$1925 U.S.
880 T.C.

180 x 3 yr. L.O.P.	=	540 M/M Total:
270 U.S. x 1925	=	\$519,750
Travel: 45 participants x 900	=	<u>40,500</u>
		\$560,250
270 TC x 880	=	\$237,600
Travel: 45 participants x 600	=	<u>27,000</u>
		\$264,600
Total Non-Academic Training	=	<u>\$824,850</u> (825,000)
Grand Total Training		<u>\$1,050,070</u> (1,050,000)

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE
 A A = ADD
 C C = CHANGE
 D D = DELETE

PID
 2. DOCUMENT CODE
 1

3. COUNTRY/ENTITY
 Bangladesh

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS)
 388-0028

6. BUREAU/OFFICE
 A. SYMBOL ASTA B. CODE 04

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)
 National Women's Organization

8. PROPOSED NEXT DOCUMENT
 A. 3 2 = PRP 3 = PP
 B. DATE MM YY 05 77

10. ESTIMATED COSTS
 \$000 OR EQUIVALENT, \$1 = 15.0 Tk.)

FUNDING SOURCE		BASE
A. AID APPROPRIATED		250
B. OTHER	1. _____ 2. _____	
C. HOST COUNTRY		250
D. OTHER DONOR(S)		
TOTAL		500

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY 78 b. FINAL FY 78

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 78		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) EH	660	740		250		250	
(2)							
(3)							
(4)							
TOTAL				250		250	

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

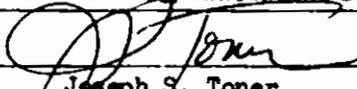
13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)
 BWW

14. SECONDARY PURPOSE CODE

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)
 To accelerate the participation and integration of Bangladeshi women into the country's development process.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)
 Establish a National Women's Academy for Integrated Programs that will train rural women to teach other rural women improved traditional handicrafts, practical trades or vocations.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)
 It is unlikely that outside TDY or consultant assistance will be required.

18. ORIGINATING OFFICE CLEARANCE
 Signature: 
 Title: Joseph S. Toner, Mission Director
 Date Signed: MM DD YY 06 21 76

19. DATE DOCUMENT RECEIVED FOR AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY

Project Identification Document

National Women's Organization--National Women's Academy for Integrated Programs

I. Summary of the problem to be addressed and the proposed response

A. The problem

As mandated by the Percy Amendment to the Foreign Assistance Act of 1973, Sections 103 through 107, U.S. bilateral development programs should "give particular attention to those projects, programs and activities which tend to integrate women into the national economies of foreign countries, thus improving their status and assisting the total development effort." Through the recent formation of the Bangladesh Jatiyo Mahila Sangstha (Bangladesh National Women's Organization-BNWO), the Bangladesh Government (BDG) has provided the impetus as well as a mechanism for USAID to contribute to human resource development and to the integration of women into the development process.

With regard to the DAP education and human resource development sector, it is acknowledged that female children of the rural Bangladesh family almost never get into school. Daughters of rural parents are not generally encouraged to attend school and are married at a very young age. The result is that rural women are the least participatory in the development process and enormous difficulties surround getting information or training to them. Furthermore, rural primary and secondary schools appear to have a low external efficiency. Those few students who do complete such schools (75% of all primary enrollees drop out before completing primary school and in secondary schools only 3% of girls who start in the formal system complete Class X) are ill prepared to take a place in the rural economy. Instead, the rural school system, as the urban, is oriented toward preparation for entry to a following stage in schooling.

The rural Bangladeshi woman also suffers from lack of exposure to the world beyond her own rural setting. It is doubtful that the findings of the "Pakistan National Impact Survey, 1968-69" which showed that 75% of all rural women had never visited a city or town and an additional 15% had not visited a city or town within the past year have changed in the years since that study. The problem to be addressed, therefore, is the need for practical non-formal education of the rural women of Bangladesh. The newly formed BNWO seems to provide the ideal opportunity and mechanism for a potential solution to this problem.

B. Proposed solution and project description

The BDG is committed to supporting the establishment and operation of federating units or committees of the BNWO at the national, district, subdivisional and thana level. Each committee will have representatives from the next lowest level committee; thana committees will include representatives from unions and villages. It is hoped this will ensure a link of communication from women at the grassroots level up to the national committee. The national committee which has already been formed, with the exception of district representatives, plans to assist in the formation of lower level committees during July and August 1976. These committees will form a national infrastructure for communication, motivation, and coordination of existing women's activities and organizations. It is hoped in future these units will also have the capacity to assist women's groups to develop and carry out projects.

Recognizing that most Bangladeshi women lack experience and exposure to formal education and the world beyond the rural village, the BNWO would like to provide some sort of non-formal education practical to the rural women. As the BDG does not plan to assist the BNWO by funding such an activity in the near future, it is proposed that USAID, working in conjunction with BNWO, develop that organization's plan for a National Women's Academy for Integrated Programs to be funded by a grant from USAID for the first two years of the Academy's operation.

The purpose of this Academy would be to train rural women to teach other rural women improved traditional handicrafts, practical trades or vocations. In addition to specializing in one field, each trainee would be taught a core curriculum of useful information including such areas as principles of cooperative formation, family health (family planning, nutrition, maternal and child health, etc.), functional literacy, and perhaps more. Trainees would be selected from women applying through the Organization's committees and a quota system would be employed to ensure that the largest proportion of trainees come from thana level and below. Once trained, the women will return to their respective areas to work as trainers in local women's organizations and projects. Their participation at the local level will be encouraged and supported by the BNWO committee structure.

In addition to the training function performed by the National Academy, it will also provide inservice or refresher training some months after initial training of trainers after they have gained field experience. The Academy will also provide a vocational information center or clearing-house which will undertake a job market survey and will provide information and a means whereby women of Bangladesh can be put in touch with

potential employers. Plans also include the establishment of a central show room for handicraft and other articles produced by the women of Bangladesh which will serve as a training center for marketing skills as well as a supply center for local and international markets.

C. Outputs

It is estimated that this Academy would be able to train approximately 400 women each year, with the core curriculum lasting about one month and the specialized training lasting for varied periods of time--none to exceed one year. If each trainee can in turn train 20 other women in her local area each year (a very modest effort) this would mean that approximately 82,000 women throughout Bangladesh potentially could receive some form of specialized and economically productive training within 5 years from the initiation of the project.

A second important output would be an estimated 1,000 women per year, in addition to those trained through the Academy, who would be matched with jobs through the vocational information center of the Academy. This activity would assist in achieving the BDG's objective of reserving (and presumable filling) 10% of the government and public sector jobs for women.

Thirdly, the Academy through its central show room and associated training in marketing could be a potential source of foreign exchange for Bangladesh. This, however, would not be a primary goal of the project.

The fourth, but perhaps most important output of the project, is the large contribution this Academy can make toward integrating women into the development process. This would take place not only through the training process, but also through exposure to and exchange with women from other parts of the country, by discovering and working toward the solution to common problems, and simply by learning that they as women have a very important contribution to make to the development of their country.

D. Technical and physical resources required

It is assumed that technical expertise required for the teaching activities of the Academy are available in-country; however, short-term consultants might be required to assist with developing the core curriculum, the establishment of the vocational information center, and the marketing showroom. Such consultants are probably available in-country also.

The building to house the Academy is included in the BDG grant to the national committee of the BNWO so would not be required as part of

a USAID grant. Estimated requirements for raw materials and equipment for teaching activities as well as for the administration of the Academy are included in the financial requirements outlined below (Section II).

E. Major assumptions

This proposed project assumes:

1. That the BDG will continue to be serious about its intentions to work toward the integration of women in the development process and will continue to use the BNWO structure to carry out these intentions.
2. That rural Bangladeshi women will in fact have the interest and freedom to come forward for the offered training.
3. That once trained, these women will return to their rural areas and impart their training usefully to others.

F. Related activities of host government and other donors

As mentioned the BDG will support the federating structure of the BNWO which will serve to motivate and refer women for training at the Academy. These federating units or committees will also serve to insure that the benefits of training are dispersed among as many rural women as possible. The BDG will also furnish the physical plant for the Academy.

Other donors are undertaking similar projects only on a very limited scale--both in area (i.e. one village, union or thana) and in specialized training (i.e. jute handicrafts). The proposed project will be the first nationwide effort of diversified training for women.

G. Alternatives to the project

One alternative to the proposed project would be to take training out to women at the local level rather than requiring them to come to Dacca for the training. This seems impractical in terms of time and/or manpower and equipment costs. If a team of trainers moved about the country, it would take more time to train similar numbers of women than in the proposed project. Likewise, if numerous satellite training centers were established they would be more expensive in terms of manpower and equipment needed. Either of these alternatives would also require more in the way of physical facilities than the proposed project. Also, in opposition to these alternatives it would seem that exposing rural women to the city, city women and their roles and activities could be a learning experience in itself.

H. Beneficiaries and spread effect

Direct beneficiaries will be the women trained and placed for jobs through the Academy. The project depends on a spread effect in the training of additional women by the original trainers taught at the Academy. These women will be indirect beneficiaries. The families of the trained and newly employed women will also be indirect beneficiaries of the project through the increased economic contribution provided by their wives, daughters and sisters. The other women of Bangladesh should also be indirect beneficiaries of the project through the role model provided by the women trained and placed for jobs. Finally, the entire population and Government of Bangladesh should benefit indirectly from the project by the expected increase in participation of women in the development process of the country.

II. Financial requirements and plans

USAID costs - Academy staff, including teachers; raw materials and equipment for teaching; maintenance and staffing of vocational information center and market show room; trainee's stipend and travel.	\$ 250,000 (50%)
BDG costs - Physical plant, utilities, and furnishings for Academy; 25% of the recurring costs of the BNWO committee infrastructure which will support and ensure success of the Academy's field activities.	<u>250,000</u> (50%)
	\$ 500,000 Total

III. Development of the project

A. TDY/Consultants

It is unlikely that outside TDY or consultant assistance will be required for the implementation of this project as it is being developed locally in conjunction with the BNWO.

B. In view of the small size of this project and its short duration, the Mission proposes to proceed directly to a Project Paper from the PID.

C. PP submission - Spring 1977 for authorization in the first quarter of FY 1978.

IV. Issues of a policy or programmatic nature

This project should be planned, financed and implemented as soon as possible to take full advantage of the current momentum and commitment shown by the BDG toward women's programs and activities. Showing that this commitment is fully supported by USAID's financing of the proposed project should encourage further improvements in the status of women in Bangladesh.

A secondary, but important, issue for consideration is the potential effect of this project on lowering fertility among Bangladeshi women. It is recognized that women who are economically productive, especially outside the home, tend to have lower fertility than their housewife sisters. In addition, if daughters are also trained and become economic assets to their families, this may serve to increase the age at marriage and therefore also lower fertility.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE
 A = ADD
 C = CHANGE
 D = DELETE

PID
 2. DOCUMENT CODE
 1

3. COUNTRY/ENTITY
 Bangladesh

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS)
 388-0029

6. BUREAU/OFFICE
 A. SYMBOL AST A B. CODE 04

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)
 Incentives For Voluntary Sterilization

8. PROPOSED NEXT DOCUMENT
 A. 2 = PRP 3 = PP B. DATE 10 7 6

10. ESTIMATED COSTS
 (\$000 OR EQUIVALENT, \$1 = TK. 15.0)

FUNDING SOURCE		
A. AID APPROPRIATED		4,500
B. OTHER	1.	
	2.	
C. HOST COUNTRY		10,000
D. OTHER DONOR(S)		23,750
TOTAL		37,750

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY 7 8 b. FINAL FY 7 8

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY <u>78</u>		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1) PH	442		430		4,500		4,500
(2)							
(3)							
(4)							
TOTAL					4,500		4,500

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions ea.h)
 440

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)
 DEL

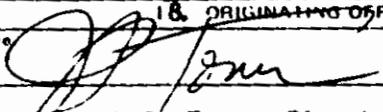
14. SECONDARY PURPOSE CODE

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)
 Reduce the rate of natural population increase in accordance with Government targets.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)
 Rapid increase of voluntary sterilization among acceptors with a completed family size of three (3) or fewer children.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)

18. ORIGINATING OFFICE CLEARANCE

Signature: 

Title: Joseph S. Toner, Director

Date Signed: 0 6 2 2 7 6

19. DATE DOCUMENT RECEIVED BY AID/W, or for AID/W DOCUMENTS, DATE OF DISTRIBUTION

AID 1330-2 (3-76)

Project Identification Document

Incentives for Voluntary Sterilization

I. Summary of the Problem and the Proposed Response

In 1976 the population of Bangladesh is 80 million, or more than 1400 persons per square mile -- one of the highest people/land densities in the world. If the current 3 percent rate of natural increase continues unchecked the population will double before the turn of the century.

The Government's population control target, set in the first Five Year Plan period ending mid-1978, is to reduce the rate of natural increase from 3 percent to 2.8 percent. The Government's long range goal is to achieve replacement fertility by the turn of the century. The Five Year Plan target would require a decline in the crude birth rate from 47/1000 to 43/1000 in the context of an expected decline in the crude death rate from 17/1000 to 15/1000 by mid-1978. To achieve the FYP target, the number of continuing users of contraception would have to increase to over 1.5 million couples by mid-1978 - about 10 percent of eligible couples and about double the USAID's mid-1975 estimate of the prevalence of contraceptive use.

Thus, the problem to be addressed is to reduce the rate of natural population increase in accordance with Government targets or faster, if possible.

The solution will be found partially in the continuation and expansion of programs designed to increase the supply and usage of contraceptives through both public and commercial channels. In addition, it is proposed that consideration be given to a project which will rapidly increase acceptance of voluntary sterilization.

II. Project Purpose and Outputs

The seriousness of the population problem in Bangladesh dictates that many measures be taken to reduce the rate of natural population increase as quickly as possible and before such drastic measures as compulsory sterilization become the only recourse.

Voluntary sterilization would be an acceptable measure in a society where old age security could be guaranteed by means other than dependency upon living children. In Bangladesh, no such system exists and, to complicate matters, child mortality is so high that more children are parented than are needed to provide such security. Therefore, the

proposed project would offer an incentive to adults of child bearing-age to undergo sterilization. The incentive would be of sufficient size to provide a partial guarantee of old age security. The proposed type of incentive would be a National Bond. Estimates of the social benefit for an averted birth range from Tk. 1918^{1/} to Tk. 2,800^{2/} to Tk. 4,000^{3/} (US 128 to \$267). The public program cost for a vesectomy or a tubal ligation ranges from Tk. 100 to Tk. 250 (\$6.67 to \$16.67). The spread between the social benefit and the public cost indicates the magnitude within which a National Bond incentive program could operate.

The project purpose would be:

"Rapid increase of voluntary sterilization among acceptors with a completed family size of 3 or fewer children."

Some of the anticipated "end of project status" indicators in such a project are: a substantial acceleration in the number of sterilizations among the target group; enhanced financial independence for female participants in the program; and an increase in the pace of the monetization of the subsistence sector.

The primary outputs for such a project would be the sterilizations performed in urban hospitals and clinics and ~~District~~ level health centers and the issuance of National Bonds to program participants at a commensurate rate.

III. Description of the Project

(Note: Incentive and insurance schemes were discussed in the Mission's Project Paper for Population/Family Planning dated December 12, 1975, pages 63 ff. Recently, the resident IBRD economist, Dr. Ram Agarwala, prepared an informal, unofficial memorandum on the subject of national bond incentives for voluntary sterilization. The bond mechanism discussed in this PID is drawn from Dr. Agarwala's memorandum.)

- 1/ A.R. Khan, "The Cost of Population Growth", Ministry of Health and Family Planning
- 2/ USAID/Bangladesh, Project Paper - Population/Family Planning, December 12, 1975 (pp. 63 ff.)
- 3/ R. Agarwala, "An Incentive Scheme for Sterilization and Direct Economic Assistance to the Rural and Urban Poor", unpublished office memorandum, May 21, 1976.

A. Criteria for Participation in the Project

At the present time the typical Bangladeshi seeking sterilization is 32 years old and the parent of five or more children. The purpose of the proposed project would be to provide an incentive to those who would undergo sterilization at a younger age and who desire a smaller completed family size. Accordingly, the value of the National Bond would be tied to the number of living children of the applicant. A hypothetical scale is presented below:

<u>Number of Living Children</u>	<u>Face Value of 10 year National Bond</u>
2	Tk. 3,000
3	Tk. 2,000
4	Tk. 1,000
5 or more	Ø

B. Scale and Impact of the Proposed Project

The indicated rates of sterilization in calendar years 1974 and 1975 were 11,000 and 38,000, respectively. The Government's targets for the three remaining years of the Five Year Plan are:

1975-1976	- 45,000
1976-1977	- 95,000
1977-1978	- 151,000

If we assume that the last two years' targets will not be achieved due to managerial constraints, lack of technical manpower, and, more importantly, the absence of an effective incentive, we may arbitrarily project lower targets for a two year program in the first two years of the second Five Year Plan, as follows:

1978-1979	- 150,000
1979-1980	- 200,000

Total Sterilizations	<u>350,000</u>
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Given the average age and family size of the current participants perhaps between 1 and 2 births would be averted per sterilization. On the assumption of 1.5 per sterilization, the impact of the current Government programs -- assuming the above targets are met -- would be 525,000 averted births.

The proposed project would be undertaken on a two year pilot basis in only the 19 District capitals of Bangladesh where there are relatively adequate medical facilities, banking facilities and the prospect of tight administrative control. Hypothetically, in addition to the above national targets, 2000 sterilizations could be conducted in each capital in the first year among the project target group and 4,000 the second year. On these assumptions, the pilot project would conduct 38,000 and 76,000 sterilizations in the first and second years, respectively, for a total of 114,000. If we further assume that the average project participant has three living children then approximately three births will be averted or 342,000 for a project total as the result of sterilization. Thus, by the provision of the Bond incentive the project would be roughly twice as effective -- expressed in terms of births averted -- as the regular program.

C. Social Benefit

If the social benefit of one birth averted is Tk. 4,000 (US \$267), then the social benefit derived from the sterilization and subsequent births averted of a participant aged 20 to 25, per above, would be Tk. 12,000 (\$800). If we assume that the participant would receive a National Bond with a value of Tk. 2,000 (\$133), and that the cost of the procedure plus administration is Tk. 1,000 (\$67), then the crude benefit/cost ratio would be 4:1. From the society's point of view, it would be very difficult to find a more high yielding investment than this.

D. Mechanics of the National Bond

The individual participant would be presented a National Bond with the appropriate Taka face value with an annual rate of interest of, say, 10 percent. The participant could present the Bond to the nearest commercial branch banking facility (in some 450 locations around the country), where the Bond could be mortgaged for half of its face value by the Bank at commercial rates of interest, say, 10 percent. The participant could then invest this loan in some productive agricultural or other productive enterprise. When the accumulated interest on the National Bond exceeds the value of the loan made by the Commercial Bank to the participant (plus interest), the Bangladesh Government would pay the principal amount of the loan plus interest to the Bank and the Bank would return the National Bond to the participant for encashment.

To summarize, at the time the participant undergoes sterilization, he or she could mortgage the National Bond for half of its face value.

From the banking system point of view, national credit would be expanded by the value of all loans at this time. The participant could then invest the proceeds of this loan. Some ten years later, the Government would repay the Banking system for the principal amount of the loan plus interest. The Government would have a remaining obligation to the participant for the face value of the National Bond. On the rates of interest assumed above, the Government's total financial cost would be twice the face value of the National Bond.

E. Project Implementation

Medical and administrative safeguards would be built into the project to protect the health of the participants and the public reputation of the program. Additional control would be provided if the pilot project is implemented in only the 19 District capitals.

With respect to administration, Thana and Union level Family Welfare Workers (male) and Family Welfare Assistants (female) would verify the family status of applicants seeking sterilization in the project. An additional system would have to be devised to cross check these verifications by some other administrative entity. The sterilizations would be performed in the District capital, preferably under the guidance of the sterilization teams which UNFPA will be funding during the 1978/1980 period. A separate administrative entity, possibly the Bangladesh National Bank, would issue the Bonds to certified participants, explain the Bond mechanics and arrange for the mortgaging of them in nearby commercial banks.

USAID would reimburse the Bangladesh Government for the medical procedure plus administrative costs against a certified list of participants who have undergone the sterilization and who have been issued National Bonds. A random check of these lists by a local public accounting firm would be a necessary safeguard in this process. Thus, in the first two years USAID financing would be restricted to the operational costs of the pilot project. The program would not bear any other financial costs, aside from a nominal expansion of credit accommodated by the banking system, in its first 9 years. However, beginning in the tenth year, the Banks would collect the principal and interest payments from the Government for the loans it made in year one and the Bonds could be called by the participants at this time. Thus, a significant financial obligation would befall the Bangladesh Government in year ten.

It is proposed that a consortium would be assembled and composed of the Bangladesh Government and foreign donors for the purpose of

underwriting the Bonds and interest payments. The formation of such a consortium would be a necessary condition precedent to the disbursement of the loan proposed to finance the pilot project's operational costs.

IV. Estimated Kind and Amount of Resources Required

A. Financial Cost

For the purpose of computing financial costs of the pilot project we assume the following: (1) 114,000 sterilizations in a two year pilot project; (2) the average participant has three living children; and (3) three females enter the program for every male.

<u>Cost Component</u>	<u>Source and Requirement (\$ 000)</u>			<u>Total</u>
	<u>Bangladesh Government</u>	<u>Consortium</u>	<u>A.I.D.</u>	
(1) <u>Sterilization procedure</u> (28,500 males and 85,500 females)	-	-	\$ 1,615	\$ 1,615
(2) <u>Administrative Costs</u> (Years 1 to 3 @ Tk 375 per participant)	-	-	2,850	2,850
(3) <u>Administrative Costs</u> (Years 4 to 10)	\$ 2,850	-	-	2,850
(4) Bond Underwriting (average bond equals Tk. 2000 or \$ 133)	-	\$ 15,200	-	15,200
(5) Interest Expense (@ 10% per annum for 10 years or Tk 2000 or \$ 133)	-	15,200	-	15,200
	<u>\$ 2,850</u>	<u>\$ 30,400</u>	<u>\$ 4,465</u>	<u>\$ 37,715</u>

B. AID Financing

Development loan financing is proposed in the amount of \$ 4.5 million for the cost of the sterilization procedures and the first three years administrative costs in the pilot project. However, as a condition precedent to the loan, AID would require the formation of a consortium (in which the Bangladesh Government would be a participant) to underwrite the Bonds and interest expense, totalling \$ 30.4 million. The formation of a consortium should be feasible since it is currently the case that IDA, Australia, Canada, the Federal Republic of Germany, Norway, the United Kingdom and Sweden are co-financing a \$ 46 million population program.

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Three variations on this financial package include: (1) an AID pledge to "Grant Back" the \$ 4.5 million operational costs of the pilot project from principal and interest payments owed by the Bangladesh Government to the U.S. under P.L. 480 Title I loan agreements; (2) an AID pledge to "Grant Back" principal and interest payments in an appropriate share of the Consortium's total financial contribution; or (3) both of these.

V. Beneficiaries

The direct beneficiaries of the project would be the rural and urban people who voluntarily seek sterilization. Their family size would be assured, the health of living family members should improve since meager resources would not have to be shared by a larger number, they would have the opportunity to make an investment in a productive enterprise by mortgaging the Bond, and in old age, the Bond -- if the principal is deposited in a savings account upon its ten year maturity -- would provide financial security.

Assuming a commercial rate of interest and a bond interest of 10% the net financial incentive for a 10 year National Bond would be Tk. 3,000 (\$200) per participant.

VI. Significance of the Project

As stated above, the estimated social benefit of one birth averted is estimated to be Tk. 4,000 or US\$ 267. The social benefit is derived from expenditures which the society need not make, and cannot afford, for food, shelter, education, health and employment creation. From a macro-economic point of view, the present value of the social benefit would approximate US\$ 91 million from this project alone, on the assumption of three births averted for each participant.

In addition, if each participant borrowed the maximum of 50% of the face value of the National Bond, credit would be created in the amount of Tk. 3.8 crore (\$2.5 million) in the first year and Tk. 3.6 crore (\$5 million) in the second year. With an estimated annual bank credit of Tk. 1,700 crores (\$1.13 billion) these annual increments could be absorbed easily by the banking system.

In programmatic terms, the project would have only a small impact on the natural rate of population increase. If successful, it is a program which could be continued on an expanded scale until such time as zero population growth is achieved. If it is not successful, financial loss would be near zero. Thus, it is a project with the promise of a very high economic and social payoff with minimal risk.

VII. Major Assumptions

The main ideas presented in this PID are now being discussed by a Bangladesh Government policy committee with the participation of the major donors in the population sector. It is a proposal which has been received with some enthusiasm by the technically oriented civil servants on this committee. The major assumptions are, therefore, that the proposal will be acceptable by higher level policy makers and that a consortium of donors could be formed.

Within the project the major assumption is that there would be a large public response to the National Bond incentive. The USAID's preliminary judgment is that, if anything, the public response would be larger than projected in this PID.

VIII. Alternatives to the Project

Two alternatives to the project were proposed in the Mission's Project Paper for Population/Family Planning. The paper stated:

"Noting the savings to the nation of a birth averted, we plan to propose a Taka 1,000 bond be paid to a vasectomy acceptor who has two children; Taka 800 to an acceptor with three children; Taka 600 with four children; and Taka 400 with five children. Each bond would be redeemable in four yearly installments at local banks. The first payment would be authorized one week after surgery during the post-operative check-up. Dividing the payments would reduce the chances of buying decisions for immediate cash and would hopefully keep a client in a satisfied frame of mind for four years and thus identifiable for program communication purposes. The bond would be transferable to the wife should the husband die."

"The second program we wish to test would be the issuance of a free life insurance policy on the eldest son, or if no son, on the eldest daughter of a vasectomy acceptor. The policy would pay off if the child dies before the father, thus compensating for lack of a social security program. Again, policy values could be adjusted to the number of living children already born to a couple. An insurance policy program would be least likely to be associated with buying decisions; would create a form of a social security program for a selected clientele; and could be managed by the life insurance company." (pp. 64-65).

A third alternative, and one not included in the PID, would be the direct payment of cash incentives to sterilization acceptors, again on a sliding payment scale depending upon number of children already born to the acceptor. Following the Indian Government model, these payments could range from Takas 150 if performed with two living children or less, down

to Takas 70 with four or more children.

These alternative plans would be cheaper to finance, but may not be as successful as a longer-term bond program.

IX. Development of the Project

The first requirement is that the Bangladesh Government make a policy commitment to the project. On the assumption that this requirement can be fulfilled within the next several months, the USAID might be able to meet the PRP deadline of October 31, 1976, for the AID share of financing. The development of the Project Paper will require consulting expertise to design the administrative systems to support the pilot project and to design the National Bond component. This requirement might be met by another donor such as IDA or SIDA.

X. Programmatic or Policy Issues

A. Whether A.I.D. as a matter of policy would participate in a consortium of donors in sterilization programs wherein prospective participants are offered a substantial financial incentive.

B. Whether the proposed project would be a suitable vehicle for development loan financing, the tying of PL 480 Title I Taka proceeds, or the new "Grant Back" mechanism.