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AN OPERATIONAL REVIEW
PUBLIC PROCUREMENT OF RICE BY OPEN TENDER IN BANGLADESH
(Boro Season of 1992)

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INDEX

<u>ITEM</u>	<u>PAGE</u>
I INTRODUCTION	12
II KEY FEATURES OF THE BORO TENDER -Resume of the Tender	14
III RESULTS OF THE TENDER -Reasons for Poor Delivery -Delays in Tender Evaluation -Post-Tender Sanction -Time Extension -Income Tax Confusion -Unacceptable Bids -Unacceptable Quality	16
IV COST ANALYSIS -Comparative Costings -Gunny Bag Supply	24
V A COST ESTIMATE OF RICE PROCURED BY MILL GATE CONTRACT -Transit Losses -Bank Interests -Estimated Costs	32
VI TENDER EVALUATION -Pattern of Tenderers -Market Price of Rice -Impact of Millgate Contracts	37
VII PROBLEM OF QUANTITIES -Minimum Quantity -Upgrading Minimum Quantities -Quantity Bands -Price Band -Computerization -Providing Financial Assistance	43
VIII OTHER GERMANE ISSUES -Question of Quality -An Assistance Package -Organizational Setup -A Decentralized Tender Cell -Aid to Administration -Communications -Appropriate Tender Documents -An Approach to Futures Pricing -Inspection -Payment -Timings of Tenders	46

Index Continued

	Page
IX PRELIMINARY RESULTS OF 2ND BORO TENDER	55
X CONCLUSIONS AND RECOMMENDATIONS	57
-Efficacy of Open Tenders	
-Added Benefits	
-Re-organization: Tender Cell	
-Mechanics	
-Financial Reforms	
-Pro-Forma Tender Documents	
-Tender and Credit Manual	
-Donor Assistance	

LIST OF TABLES

Table No.	Heading	Page No.
1.	1ST BORO TENDER BID ANALYSIS: LOCATIONS, PRICES AND QUANTITIES	17
2.	BID QUANTITIES AGAINST ACTUAL DELIVERIES	19
3.	PRO-FORMA COST OF RICE AT TEZGAON CSD	25
4.	PRO-FORMA COST OF RICE AT CHITTAGONG	26
5.	PRO-FORMA COST OF RICE AT MANIKGANJ	27
6.	PRO-FORMA COST OF RICE AT NARAYANGANJ	28
7.	COMPARATIVE COSTS: FOUR REPRESENTATIVE STATIONS	29
8.	REVISED STOCK IN TRANSIT ON 01-05-92	33
9.	ESTIMATED COST OF A TON OF RICE	35
10.	COMPARATIVE COSTS: TEZGAON CSD	36
11.	PATTERN OF THE TENDERERS	38
12.	WHOLE-SALE PRICE OF RICE, DHAKA	40
FIG 1.	MARKET PRICE AND TENDER PRICE AT DHAKA	40
13.	TENDERS FOR RICE: SCHEDULES OF TIME	53
14.	2ND BORO TENDER: PRICE AND BIDS	55

3

A List of Selected Abbreviations and Acronyms

ADP	- Annual Development Programme
BADC	- Bangladesh Agricultural Development Corporation
BARI	- Bangladesh Agricultural Research Institute
BBS	- Bangladesh Bureau of Statistics
BD	- Bangladesh
BIDS	- Bangladesh Institute of Development Studies
BJMA	- Bangladesh Jute Mills Association
BJC	- Bangladesh Jute Corporation
BJMC	- Bangladesh Jute Mills Corporation
BRDB	- Bangladesh Rural Development Board
BKB	- Bangladesh Krishi Bank (Agricultural Bank)
BSB	- Bangladesh Shilpa Bank (Industrial Bank)
BB	- Bangladesh Bank (Central Bank)
BR	- Bangladesh Railways
BRRRI	- Bangladesh Rice Research Institute
BSTI	- Bangladesh Standard and Testing Institution
CIF	- Cost Insurance and Freight
CSD	- Central Storage Depot
DGDP	- Directorate General of Defense Purchase
DGF	- Directorate General of Food
FAO	- Food and Agricultural Organization (of the United Nations)
FAQ	- Fair Average Quality
FCI	- Food Corporation of India
FFYP	- Fourth Five Year Plan
FM	- Flour Mill
FOB	- Free on Board
FS	- Free Sales
FSRP	- Financial Sector Reform Project (Bangladesh Bank)
GDP	- Gross Domestic Product
GOB	- Government of Bangladesh
HYV	- High Yielding Variety
IFFPRI	- International Food Policy Research Institute
LAC	- Lakh, (One Hundred Thousand)
LC	- Letter of Credit
LSD	- Local Storage Depot
MES	- Military Engineering Service
MO	- Marketing Operation
MOF	- Ministry of Food
NBR	- National Board of Revenue
OMS	- Open Market Sales
PFDS	- Public Foodgrain Distribution System
PR	- Palli (Rural) Rationing
PWD	- Public Works Department
SR	- Statutory Rationing
TR	- Test Relief
US	- United States (of America)
USAID	- United States Agency for International Development
USDA	- United States Department of Agriculture
WQSC	- Weight Quality and Stock Certificate

CURRENCY EQUIVALENTS

The exchange rate of Bangladesh currency, Taka (Tk) is tied to a basket of currencies, with prime linkage to United States Dollars. The official rate as on 8th October, 1992 was Tk. 38.9087

US\$ 1 = Tk. 38.9087

TK. 1 = US\$ 0.0257

Weights, Measures and Units of Number

1 maund (md) = 0.03732 metric ton (MT)

1 long ton (British) = 1.016 metric ton (MT)

Lakh, lac = Hundred thousand (00,000)

Crore = Ten Million (00,000,000)

Financial Year (FY)

July 1 - June 30

Executive Summary

1. To meet the conflicting demands of providing food security to the consumers and price support to the producers within a limited budget has always been a daunting task for the government of Bangladesh. The PFDS is a complex organism which needs careful balancing to keep it at an equilibrium. Basic to achieving these fundamental policy objectives is the need for economy of operation with least outlays of public funds. By efficient use of resources, which mainly means procurement of food grains at the market prices, the costs of PFDS may be kept at a minimum. Procurement by open public tenders for all the foodgrains the govt needs to stabilize the market as well as to supply the PFDS, is a powerful device for cost containment. With this end in view, govt started to float tenders for rice beginning Aman season of 1991/92. To date, a total of four tenders has been floated, the last still under execution. The earlier tenders were reviewed in detail in an earlier IFPRI report (Rahman-92). The first two Aman tenders were reviewed in detail in an earlier report [Viable Procedure for Open Tender-Rahman(IFPRI-92)]. The first Boro tender of 1992 is reviewed to assess the various cost savings and benefits, as well as to draw lessons to further modify and improve future tenders, procedures and management systems.

2. Key Features: This tender was floated on 8.4.92 for a total quantity of 28,800 MT of rice at 10 different LSDS& CSDS located at areas of consumption. A total of 74 bids were received, but the actual deliveries were only 31% of the required quantities totalling 9,013 MT. The performance greatly surpassed those of the first two tenders by overcoming a number of procedural snags. Nevertheless many operational difficulties were encountered namely (a) Delays in evaluation (b) Post-tender sanction from MOF (c) Requests for time extensions (d) Income Tax misunderstandings (e) Number of unacceptable bids (f) Unacceptable variety of rice etc. All these problems needs study and understanding to remove the difficulties and standardize procedures for the future.

3. Comparative costs: The very rationale for these tenders is primarily cost savings in procurement. Detailed cost analyses are called for to pinpoint areas of saving. Besides tenders, these analyses may become fundamental to DGF's modifications in other areas of operation like movement, storage procedure etc. But exact and acceptable costings are difficult, owing to absence of accounts statements on many major and minor heads of expenditures, many of them implicit. Major among these cost elements are transit loss, actual godown loss and actual bank interests. Reconciliation of all accounts against inventories are also urgently required. Even on a pro-forma basis and from data derived from indirect sources, it was revealed that substantial cost-benefits accrue on account of procurement by tenders. On a country wise average, savings range from 13.60% to 32.4% by tender, as compared to procurement and movement costs of grain procured by millgate contract. The actual savings are almost certain to be much above the provisionally costed figures of 32.4%, when all cost are determined and catered for.

4. Tender Evaluation: This tender confirmed many aspects of research findings that the present rice market in Bangladesh is fairly integrated, highly competitive and egalitarian in character, in that the bids were highly competitive and with no sign of collusion or unfair practices. The pattern of tenderers indicated many kinds of traders and millers freely participating. The falling market prices for many reasons further encouraged the bidders to supply much more than bid quantities, which could not be accepted owing mainly to storage of shortage space.

5. Impact of Mill Gate Contracts: These lowering prices spurred the thousands of millgate contractors to supply large quantities of rice within a very short time to completely fill up storage spaces. It also attracted resource to these higher profit-ventures rather than to the low profit competitive bids. These disincentives did not allow the DGF to exploit the full potential of economy and efficiency of tender-supply. Where as, it would have been financially prudent to suspend/slow down millgate procurement and increase supplies by tender, the reverse was the case. Suppression of millgate

contracting will be essential in favor of competitive procurement for reasons of efficiency and massive cost savings.

6. Other Germane Issues: The minimum quantities for tender need be upgraded to ensure required quantities. A system of price band is suggested. Large scale financing is also required to help procure large quantities involved. The FAQ quality presently in vogue needs immediate upgrading. The problem of long storage may be solved by switching over to modern (CFTRI) system of parboiling which is universally practiced in India by statutory regulation. Some modification of storage procedures ensuring sound house keeping will help towards long storage. Rice for long storage should be isolated in the best godwons of DGF where no other commodities (sugar, oil, used bags) prone to deterioration are kept. Some changes in organizational set up in DGF are suggested to efficiently manage these operations involving very large expenditures of public funds. They include (a) Tender cell (b) Computerization with appropriate software (c) Upgrading of communications (d) Appropriate documentation (e) Inspection and payment procedures adjustments. The timings for tenders are suggested to be set back well into the season (15th Dec and 15th June) with at least three tenders floated each season. There should be no tenders in the lean months of April and October as the prices will be at seasonal highs.

7. Conclusion and Recommendations: The efficiency of open tender as an instrument of procurement is unsurpassed by any other system for reasons of cost containment. Other important benefits like market stabilization, modernization of DGF's administrative machinery, additional direct revenue collection by income tax, reforms in the financial sector, removal of transit loss etc are also to be noted. The mechanics of refinement include adjustments in (a) Timings and number of tenders (b) Upgrading minimum bids (c) Introduction of a price band (d) Upgraded specification (e) Payment by letter of credit as an option (d) Income tax deduction at source (e) Inspection by agencies as an option (f) Gunny bags to be supplied by tenderers. Side by side, long over due financial reforms, modified pro-forma tender documents and tender and

credit manuals are also to be introduced. Properly parboiled rice are to kept in clean, isolated storage to ensure a minimum shelf life of one year to relieve MOF of compulsion to release stocks for dereioration of quality. In conclusion, it may said that the full benefits of this reform are only beginning to be understood. Up grading, modifications and fine tuning of this new device should be a continuous process to derive further benefits which will surely be felt as the system is fully introduced.

An Operational Review

(Public Procurement by Open Tender - Boro Season of 1992)

(I) INTRODUCTION

1. For Bangladesh, provision of food at an affordable cost to the consumers had always been a fundamental policy objective of the government. At the same time, providing adequate incentive to the farmers within limited budgetary resources was also a major consideration. This delicate balance is a difficult goal which requires a perfect orchestration of a multitude of forces and a perfect timing. The PFDS with its many interdependent operations is a complex organism, any imbalance in one aspect will have swift repercussion on the others. But, fundamental to these complex operations is the basic requirement of efficient use of budgetary resources to achieve these multitude of often conflicting objectives. The changes brought about by social, economic and technological developments in the food sector should be taken into consideration for adjustments and modifications in the government's food operations to take advantage of remarkable advances achieved in production, processing and marketing of food grains in Bangladesh. Adjustments in price stabilization mechanism should thus be a continuous process to upgrade the food policy of the government.

2. The unsustainable aspects of the buffer stock operations including high-cost procurement were high lighted in various studies by many research groups within and without the government. Containment of budgetary expenditures had been a prime objective of these investigations. As a result, the MOF has begun procuring domestic rice through open tender. These open, public bids through unrestricted competition have proved their efficacy within a remarkably short time. The goals of cost reduction has been reached and is demonstrated beyond doubt by price analyses albeit on a primitive data base. The efficiency ensured by competition in a fair tender has been exhibited in all aspects of procurement. They include cost of the grain itself, transport, handling, gunny bags pricing, elimination of transit loss and improvement of quality. With a modest beginning, the MOF aims to rapidly increase the

tendered volume to cover all its requirements within the shortest possible time. Beginning in November 1991, the ministry floated two tenders in the Aman season of 91 and two in Boro of 92.

It is remarkable that so much has been achieved within such a short time and with so few tenders. Clear signals have been transmitted to the trade about government's determination to put firmly into effect this least-cost method of procurement. The trade has reacted with alacrity to adjust to these monumental and revolutionary changes. It is inevitable that both the government and the trade must go through a necessary period of adjustment to these fundamental changes. This follow-up review of '92 Boro tender should thus be considered as a contributory exercise to this process of adjustment which the players must themselves go through. The hoary policies formulated half a century ago has served Bangladesh well enough through the difficult periods of famines, wars and chronic shortages. It is a signal tribute to those countless public officials who formulated, nourished and executed these policies which, with all their short-comings, have always averted catastrophes and carried Bangladesh to this unfamiliar period of plenty. But, in these times of self-sufficiency, newer policies are called for, to take Bangladesh to the new century and beyond. These public tenders with all their ramifications are the first tentative but sure strides into this new vision.

(II) KEY FEATURES OF THE 3RD MOF TENDER (Boro: 8-4-92)

1. After the 2nd Aman tender of 91-92, the MOF through their executive organ, the DGF, floated the 1st boro tender on the 8th of April 1992. The salient features of the tender are given:

2. Resume of the Tender

- (i) The Date of Floatation: 8-4-92
(ii) Total Quantities Tendered: 28,800 MT
(iii) Locations of Delivery: The tender location and quantities to be delivered are given bellow:

<u>Name of the Purchase Center</u> (District)	<u>Quantities of Rice</u> <u>To be Purchased</u> (in MT)
(a) Biswas Betaka LSD, (Tangail)	3,000
(b) Tezgaon CSD (Dhaka)	2,800
(c) Manikganj LSD (Manikganj)	2,000
(d) Savar LSD (Dhaka)	3,000
(e) Dewanhat CSD (Chittagong)	3,000
(f) Haliashahar CSD (Chittagong)	3,000
(g) Dhamrai LSD (Dhaka)	1,500
(h) Dharampur LSD (Comilla)	2,500
(i) Mirkadim LSD (Munshiganj)	2,000
(j) Cox's Bazar LSD (Cox's Bazar)	2,000
(k) Feni LSD (Feni)	2,000
(l) Sadar LSD (Sylhet)	2,000
Total:	28,800 MT

(iv) Cost of each set of Tender Document: Tk 300 only.

(v) Specification of Rice: FAQ of DGF

(vi) Minimum Quantities per Bid: 300 MT

(vii) Bid Bond/Earnest Money: At 2% of the quoted sum in the form of a Bank Draft in favor of D.G.(Food)

- (viii) Inspection: By DGF nominated inspection team consisting of:
- (a) The purchase official of the concerned depot i.e. Manager or O.C. LSD
 - (b) Technical Officer of the concerned depot
- (ix) Payment: By WQSC from a designated scheduled bank.
- (x) Bags: Gunny bags will be supplied. by DGF after an additional amount @2% of the quoted sum is deposited to DGF. The supplier will have to carry the bags from nearest LSD/CSD and supply rice in Govt supplied gunny bags. This money will be returned to the contractor after successful supply and liquidation of all claims (if any) by DGF.
- (xi) Packing: 75 kg each bag. Govt will bear expenses of marking, weighment and stacking once the rice is received at the govt depot.
- (xii) Contract: Contract is to be signed within 7 days of despatch of written communication with the concerned manager of CSD and the District Controller (Food) for the LSD.
- (xiii) Validity of Bids: No time limit as to the validity period.
- (xiv) Period of Supply: Entire supply is to be effected within 30th June 1992.
- (xv) Locations of Tender: Bids can be dropped either at the DGF HQ, Dhaka or at concerned District Controller Office.
- (xvi) Acceptance of Bids: DGF is free to accept or reject any or all bids without assigning any reason.
- (xvii) Usual Conditions: Other usual conditions as normally found in govt tenders as regards type of envelope, addresses, signing of tenders etc were also mentioned.

III RESULTS OF THE TENDER

1. The results of the 3rd MOF tender (Boro 8-4-92) were highly encouraging with a total of 74 bids which covered all the locations of the intended supply. It should be noted that in the last tender (2nd Aman '91) there were only 16 total bids with no bids received for Khulna, Chandpur, Munshiganj and Rangpur. The location, numbers and price analyses of the tender are given below:

Table 1: 3RD MOF TENDER (Boro 8-4-92) BID ANALYSIS
: LOCATIONS, PRICES AND QUANTITIES

SL. NO.	STATION	NO OF BIDS	LOWEST BID IN TK	HIGHEST BID IN TK	PERCENTAGE SPREAD	HIGHEST QUANTITIES IN A SINGLE BID IN MT
1.	Sylhet LSD	4	11,440	12,950	13.19%	1,900
2.	Manikganj LSD	9	11,470	13,000	13.34%	750
3.	Betaka, Tangail LSD	9	12,270	14,980	13.93%	400
4.	Dewanhat CSD Chittagong	9	12,270	13,019	06.10%	600
5.	Halishahar CSD Chittagong	7	11,930	13,000	08.97%	500
6.	Cox's Bazar LSD	9	11,480	13,800	20.20%	600
7.	Tejgaon CSD Dhaka	7	11,050	12,221	15.57%	300
8.	Savar LSD Dhaka	6	11,050	12,324	11.52%	300
9.	Dhamrai LSD Dhaka	2	12,510	12,900	03.12%	300
10.	Dharampur LSD Comilla	4	12,510	12,700	01.50%	300
11.	Feni LSD	6	11,750	13,300	13.19%	300
12.	Mirkadim LSD Munshiganj	2	11,490	12,050	04.87%	300
Total Bids		74	11,768.33 (AV)	13,020.33 (AV)	10.64%	545.83 (AV)

Source: Compiled from Data from DGF

Note:

- (a) Highest no of bids at a station 9, the lowest no is 2
 - (b) The highest price spread is 20%, the lowest 1.5%
 - (c) Highest single bid at a station 1900 MT, the lowest 300 MT
 - (d) Country wise average lowest bid/MT Tk 11,768
2. The number of bids greatly increased from the 2nd MOF (Aman 91/91), from 19 to 74. Suppliers bid for all the stations in this tenders where as 50% of the locations were not bid in the 2nd MOF tender. As will be shown later, quantities to be supplied could be enhanced to exceed 1,00,000 MT if the DGF so desired. The reasons for this performance enhancement are many and still undetermined, but mainly:
- The tenders received wide publicity
 - The maximum price restrictions were removed
 - Tender terms were modified to split the market
 - Successful bidders in the 2nd MOF (Aman 91/92) were allowed time extension and other allowances we allowed
 - It attracted other businessmen who normally do not trade in vice like construction and trucking contractors.
 - In general, the most important factor was freeing of the market by opening up to all comers unlike other operations of DGF like transport contracts which are only open to cartel
3. While the number of bids and the prices were highly encouraging, the actual deliveries were not so impressive. The delivery period was also spread over a longer period than stipulated, resulting in no further tender excepting one at the end of Boro season (9-9-92). The actual deliveries were as under:-

TABLE 2: BID QUANTITIES AGAINST ACTUAL DELIVERIES

SL. NO.	STATION	BID QUANTITIES (IN MT)	HIGHEST SINGLE BID (IN MT)	ACTUAL DELIVERIES (IN MT)
1.	Betaka LSD	3,000	400	Nil
2.	Tezgaon CSD	2,800	300	Nil
3.	Manikganj LSD	2,000	750	1,304
4.	Savar LSD	3,000	300	300
5.	Dewanhat CSD	3,000	600	2,400
6.	Halishahar CSD	3,000	500	3,500
7.	Dhamrai LSD	1,500	300	Nil
8.	Comilla LSD	2,500	300	Nil
9.	Mirkadim LSD	2,000	300	609
10.	Cox's Bazar LSD	2,000	600	900
11.	Feni LSD	2,000	300	Nil
12.	Sylhet LSD	2,000	1,900	Nil
Total:		28,800 MT	-	9,013 MT

Source: Compiled from data from DGF

Note:

- (a) Out of 12 stations, there were no deliveries at 6 stations.
- (b) Deliveries ranged from 10% to 117% of tendered quantities.
- (c) Last date of actual delivery was on 20-8-92
- (d) Total quantities delivered were only 31% of the tendered quantity.

4. Major Reasons for Poor Delivery: Many operational difficulties were encountered post-tender which required inordinate time to resolve. This time delay and other related problems resulted in non delivery in 50% of the locations. Additionally, the quantities delivered matched tendered quantity only in one location and the total quantities delivered even after two time extensions were only 31% of the asking quantities. From delivery and actual performance point of view, the results can hardly be considered satisfactory. The major problems may be itemized as follows:

(a) Delays in Tender Evaluation: With a large number of tenders, it took over two weeks to accomplish the clerical work. The tenders from out-stations were to be received physically to be inserted in a country wise evaluation format. They were to be written on large sheets of paper, arithmetics checked, typed manually and rechecked before any evaluation could even start. There being no formal organization to execute the tender orders, existing hierarchy of DGF administration came into effect. As may be appreciated, existing government organizations are neither designed nor are expected to do these new and additional work with promptitude; therefore the inevitable delays. The reasons for such delays are listed thus:

- (i) Large volume of clerical work
- (ii) Use of manual typewriters
- (iii) Absence of clear organization to execute these essential functions
- (iv) Absence of an administrative time scale and time limit to do these tasks
- (v) Lack of requisite organization and manpower
- (vi) Absence of clear priority over the normal administrations of DGF for these tenders

(b) Post-Tender Sanction from Ministry: After these formal tasks were accomplished, the whole lot of tenders and the associated papers were despatched to the Ministry of Food to obtain formal sanction. The papers which were sent made a large list including (i) Tender comparative statement (ii) DGF's own costings (iii) All other documents relating to tender like tender notice, minutes of internal meetings at DGF (iv) Recommendations etc. This file not only needed time to

prepare at the DGF, it took further time at the MOF to (i) Study (ii) Analyze (iii) Award sanction. These actions even with utmost efficiency would need no less than two weeks. Added to this were normal times needed for despatch and receipt times at two ends i.e. DGF and ministry.

It is not clear why additional formal sanction was necessary when the required sanctions were surely received by DGF prior to tender. Total time required in such proceedings amounted to no less than 3-4 weeks from the date of opening of tender to the actual ordering. Communications also needed to be received and acknowledged by the tenderers.

- (c) Time Extension: For various reasons, bidders asked for extension of times. On their requests, the DGF made two time extensions, on 30-6-92; and again on 31-7-92. The first reason for such request was imposition of income tax which normally are never paid in all sales of paddy and rice to the government. The second was the falling market prices as will be shown in detail later. This tender procedure being a new device to the traders, it is good that leniency was shown in this regard. As will be shown, the govt gained substantially by these purchases. Therefore, lenient view taken on the multitude of difficulties faced by the bidders/suppliers encouraged them to supply in addition to their tendered quantities resulting in exceeding target at least in one location (Halishahar CSD).

The encouraging and benign attitude of the DGF transmitted appropriate signals to the trade which was demonstrated in nearly 200 bids in the next tender of 9-9-92. However, these extensions contributed towards time-limitations so that DGF could float only one more tender at the end of Boro season.

- (d) Income Tax Confusion: In the tender notice floated by the DGF, there was no mention of income tax deduction. In all of procurements made by the govt in the last half a century, no income tax was ever deducted in purchase of paddy and rice by whatever means. The AGDs (Authorized grain Dealers) of colonial and Pakistan administration never paid any income tax at source when they supplied grains to the government.

In fact, there was no tax deduction in the payments of 2nd Aman tender (26-1-92) of 91/92. Therefore, the bidders did not cater for the income tax element in their costings. However, the relevant gazette notification is quite clear that all contractors must pay income tax at the statutory rates on all bills arising out of a govt contract. The payments for a minimum quantity of 300 MT will imply a deduction of 3% which is a large percentage in any highly competitive tender. This created reluctance on the part of the suppliers to supply on time. It was only a falling rice market which prompted the bidders to supply at all. Such confusion could be easily avoided by inserting an appropriate clause in the tender schedule that all bills are tax deductible at source at the income-tax schedule rate. This confusion, however, has been cleared up now, and tenderers will cater for income-tax in all future tenders.

- (e) Un-Acceptable Bids: Bids at certain stations were found to be unacceptable for (i) price differentiation (ii) being non competitive in numbers. For Example at Dhamrai, only two bids were received and the minimum price was Tk 12,100/MT. Dhamrai is within 10 miles of Savar where the minimum bid was Tk 11,050/= per MT. Such large price difference (9.5%) was considered unacceptable and the bidders at Dhamrai were asked to match their bids to the Savar price (Tk 11,050/=). They declined to accept. Very rightly, no order was placed at Dhamrai.
- (f) Un-acceptable Quality: Difficulties arose in respect of quality of rice at Sylhet and Mirkadim, Narayanganj. Although bidders at Sylhet bid the highest quantity in a single bid (1900 MT), the qualities were found to be unacceptable. Sylhet region along with some parts of Mymensingh/Netrokona is characterized by widespread low lying depressions locally known as "haors", which remain inundated for most of the year. Broadcast type plantation of local varieties of Boro are broadly practised. It is, in fact, a single season, single variety locality dominated by "Jamir" type Boro. It is a rice totally suited to the environment. The rice plant grows along with rising flood water, a characteristic of deep-water varieties of our traditional rice.

The milled "Jamir" is red in color with much dead grains and

a tough bran layer which is difficult to remove. There are normally red-streaks on the milled rice giving it a look of "under-milled grain" to a casual observer. However, it is the keeping quality of such rice which caused the DGF not to accept this variety.

There is, infact, no data as to the keeping quality of Jamir. From inferred data like highly photo-period sensitivity of this local variety, hard and thick husk and presence of whiskers on the paddy, this report is of the opinion that the keeping quality of Jamir should be better than the HVVs presently procured by DGF. However, the milled Jamir must meet other specification criteria like not being under milled, presence of dead grain within tolerable limits etc. The technical department of DGF may conduct a collaborative research with BARI/BIRRI in this regard and resolve this problem once for an all. This is considered important as non-procurement of Jamir will have major negative impact on the rural economy of "haor" regions of Sylhet where only one crop is harvested yearly.

IV COST-ANALYSES

Comparative Costings

Difficulties of Cost Estimation

1. The major objective of procurement by public tender is cost-containment for the government. The premises and assumptions so far expressed must be backed up by real cost data. Here again, true cost analysis is hardly possible without a certified balance sheet of DGF's operations. Such a financial document must contain the following (i) Inventory of physical assets of DGF with a view to charge depreciation and maintenance costs (ii) True and accurate statements of transit loss, loss due to deterioration of quality, rice recoverable from contract millers (iii) A charge on the stock due to past losses to atleast make budgetary provisions (iv) Cost of storage including actual bank interests etc (v) Make a true assessment of recoverables from carrying contractors, defaulting millers, write offs of unfit stocks, unserviceable gunny bags etc (vi) Management costs. Last but not least is the reconciliation of bank, treasury and other financial statements. As and when these long over-due statements are made available, then only a true and sound cost figure acceptable in the accounting sense be presented. However, whenever hard data were not available, accounting judgements were applied to arrive at a reasonably acceptable figure. Four representative pro-forma costings were done, largely based on DGF's own analysis. It is again emphasized that these pro-forma costings are badly under-valued owing to the costs not charged as mentioned above.

TABLE 3.

PROFORMA COSTS OF RICE AT TEZGAON CSD
(IRRI/BORO RICE PROCURED BY MILLGATE CONTRACTS)

Sl.No.	Breakdown of Costs per MT of rice in Tk.	<u>Mode of Transportation</u>	
		<u>By Railway</u>	<u>By Roadway</u>
1.	Cost of 1.5789 MT of paddy @Tk 6560/MT to recover 1 MT of milled rice at the fixed GDF ratio of 100:63.333	10,357.89	10,357.89
2.	Transportation cost	496.80	886.35
3.	Allowable Transit Loss	49.20	12.30
4.	Loading Charges	13.93	14.96
5.	Allowable godown loss	49.20	49.20
6.	Bank Interest @18% for a quarter	454.50	454.50
7.	Milling Commission	391.27	391.27
8.	Unloading charges	13.93	14.96
9.	Transport cost for carriage from contract mill to the LSD	40.00	40.00
	Total:	11,866.72	12,221.43

Source: Compiled from DGF data

Note: Stations of despatch were average of three i.e. (i) Dinajpur (ii) Thakurgaon (iii) Santahar. Dhaka typically receives most of its rice from these northern district's procurement centers.

TABLE 4.

PROFORMA COSTS OF RICE AT CHITTAGONG (DEWANHAT CSD)
(IRRI/BORO RICE PROCURED BY MILLGATE CONTRACTS)

Sl.No.	<u>Breakdown of Costs per MT of Rice in Tk.</u>	<u>Mode of Transportation</u>	
		<u>By Railway</u>	<u>By Roadway</u>
1.	Transportation cost	661.25	1,267.95
2.	Loading Costs	13.93	14.96
3.	Unloading Costs	13.93	14.96
4.	Allowable godown shortages	49.20	49.20
5.	Bank Interest for 1 quarter @18%	454.50	454.50
6.	Allowable transit loss	49.20	12.30
7.	Milling Commission	391.27	391.27
8.	Transport Costs for mill to LSD	40.00	40.00
9.	Cost of 1.5789 MT of paddy @Tk 6560/MT to recover 1 MT of rice at the fixed DGF ratio of 100:63.333	10,357.89	10,357.89
	Total:	12,031.17	12,603.03

Source: Compiled from DGF data

Note: Stations of despatch were average of Dinajpur, Thakurgaon and Bogra. Typically Chittagong receives its PFDS rice from these northern districts' points of procurement.

TABLE 5.

PROFORMA COSTS OF RICE AT MANIKGANJ
(IRRI/BORO RICE PROCURED BY MILLGATE CONTRACTS)

Mode of Transportation

By Roadway

Sl.No. Breakdown of Costs per MT of Rice in Tk.

1.	Transportation cost	708.00
2.	Allowable Transport Loss	12.00
3.	Loading Charges	18.00
4.	Unloading Charges	18.00
5.	Allowable godown shortages	40.20
6.	Bank Interest for a quarter @18%	454.50
7.	Milling Commission	391.27
8.	Transport Costs for mill to LSD	40.00
9.	Cost of 1.5789 MT of paddy @Tk 5060/MT to recover 1 MT of rice at the DGF's fixed ratio of 100:63.333	10,357.89
	Total:	12,039.86

Note: Places of despatch were average of Naogaon, Bogra, and Natore. Manikganj has no railway or waterway communication. All goods must move by road. It typically receives PFDS rice from these North Bengal districts.

TABLE 6.

PROFORMA COSTS OF RICE AT NARAYANGANJ (MIRKADIM LSD)
(IRRI/BORO RICE PROCURED BY MILLGATE CONTRACTS)

<u>Sl.No.</u>	<u>Breakdown of Costs per MT of Rice in Tk.</u>	<u>Mode of Transportation</u>
		Composite transport mode by <u>road/rail/waterways</u>
1.	Average transport costs by road/railway/ from various N. Bengal districts to the river-ports of Sirajganj, Baghabari and Nagarbari	500.65
2.	Cost of carriage by barge/self propelled vessel to Mirkadim	279.47
3.	Allowable transit loss	12.30
4.	Loading Charges to vessel	20.09
5.	Unloading Charges from vessel	20.09
6.	Godown shortages (allowable)	49.20
7.	Quarterly bank interest @ 18%	454.50
8.	Milling Commission	391.27
9.	Carrying from contract mill to LSD	40.50
10.	Cost of 1.5789 MT of paddy @Tk 6560/MT to recover 1 MT of rice at the DGF's fixed ratio of 100:63.333	10,357.89
	Total:	12,125.96

Source: Compiled from DGF data

Note: This is a composite transport scenario in which rice is transported to intermediate river ports by road/rail and then carried by inland vessels to Mirkadim. Although transport cost is minimized theoretically, the multiple handling by different contractors are likely to create accounting problems and increase transit loss to an underminable extent.

2. Against these pro-forma costings, a comparison is made with the lowest tender bids. A possible savings/loss-minimization figure is also computed thus:

TABLE 7:

**COMPARATIVE COSTS: FOUR REPRESENTATIVE
STATIONS: PER MT OF RICE IN TAKA**

Pro-forma Cost of one MT of Rice At:	<u>By Railway</u>	<u>By Roadway</u>	<u>Average</u>	<u>Lowest Bid</u>	<u>Difference</u>	<u>Percentage of Savings</u>
						(Rounded off)
1. Tezgaon CSD Dhaka	11,866.72	12,221.43	12,044.08	11,050	994.08	9%
2. Dewanhat CSD Chittagong	12,031.17	12,603.03	12,317.10	12,270	47.00	0.4%
3. Manikganj LSD Manikganj	-	12,039.86	12,039.86	11,470	569.86	5%
4. Mirkadim LSD Narayanganj	-	12,134.31	12,134.31	11,490	644.31	6%
Countrywise Average	11,948.95	12,247.57	12,131.75	11,570.00	561.81	5%
After correction for Income Tax	11,948.95	12,247.66	12,133.84	11,189.90	943.94	8.4%

Source: Compiled from various sources.

Note: It is be noted that the suppliers paid at least 3% of their quoted amount as income tax. This figure must be taken into account as net collectable by the govt. Even on a pro-forma basis, the net saving to the Government is over 8% on all monies paid out for tender purchase.

3. Gunny Bag Supply: Gunny bag 44"x26.5", 2.26 lb, 6x8 HD, OHDS, 3 blue stripes vertically, 300 pcs per standard bale, for packing of rice, wheat, paddy and other food grains is the standard bag by jute industry and BSTI standard. This bag must conform to the detailed specifications as outlined in BDS 906:1979. This bag is used by DGF for packing all rice it procures.

DGF pays a price of Tk 29.10 per bag by negotiation with BJMC and BJMA. BJMA exports the same bag at Tk 18.75 per piece. There is surely a subsidy provided to the Jute sector in paying these inflated prices. Good quality gunny bags (slightly used) are available at no more than Tk 18/piece whole sale. If suppliers were allowed to supply rice with the gunny bags, a substantial saving of at least Tk 130/MT will be effected. Besides, the present cumbersome procedure of collecting gunny bags from the CSDS/LSDS after putting up additional security money for bags is having a negative impact of at least Tk 25/MT i.e. Tk 2/Bag. DGF may allow supply of rice packed in sound used/serviceable B-Twill bags also supplied by the contractors for:

- It ensures substantial economy of operation
- It avoids cumbersome procedure of collection of bags and subsequent accounting problems
- Since the bags are for one time use i.e. DGF gets paid for the bags by the dealers on delivery of rice, use of good quality used bags be allowed to reduce further the cost of operation.
- The cost savings made by the contractors will be reflected in the price quotations, more so, if quotations with and without bags are asked for. Incidentally, DGF should procure its own requirements of B-Twill bags by free competitive tender without regard or classification between govt owned or private jute mills to obtain the best price for jute bags.

The estimated cost savings in supply of rice with gunny bags are thus:

- Difference of Tk 10 at least/bag
- Negative outlay of Tk 2 for collection of bags from CSDS/LSDS and Tk 1 as interest on additional earnest money.

- Tk 0.25/bags as administrative over heads for the supplier.
- Total Tk 13.25/bag i.e. Tk 172.25/MT of rice will be saved.

The cost of a MT of rice supplied by the contractor should, therefore, be lower by a fraction $(172.25 \times .75)$ of this cost. DGF should get a lower bid of Tk 130/MT. This figure should be added to the long list of cost-savings. Potential cost saving for an estimated procurement of 5,00,000 MT/year will thus be Tk 65 million a year for the government from supply of gunny bags alone.

V A COST ESTIMATE OF RICE PROCURED BY MILLGATE CONTRACT

1. It has been seen that an average of about Tk 12,131/= per ton was estimated by the pro-forma costing exercise. It is by now apparent that this certainly is not the true cost to the government on account of omission of many major heads of expenditures. The major heads of additional expenditure/costs are (i) Actual transit loss as against 0.125% allowable loss (ii) Charge due to accumulated transit loss not catered for but accumulating in the "stock-in-transit (presently at over 115,000 MT) (iii) True and factual bank interests (iv) Accumulated losses due to rice recoverable from defaulting rice mills in the past (v) Actual storage loss as against pro-forma storage loss (vi) Loss due to deterioration of quality reflected by lower sale price. The minor unaccounted for heads will be (i) DGF's overheads (ii) Depreciation of fixed assets of DGF (iii) Maintenance repair and replacement costs (iv) Actual cost of storage i.e. fumigation, loss due to insects and rodents (v) Depreciation of packing materials (vi) Cost of utilities i.e. electricity, water and gas (if any)

Transit Losses

2. A brief discussion on the knotty problem of the transit loss is in order to appreciate the magnitude of the problem. On 1st July 1989, an accumulated transit loss of 1,80,000 MT of food grains were written off. In other words with effect from 1st July 89, the stock-in-transit accounts started with a zero transit loss from that date. But as on 1.5.92 the following were reported by FAO Reorganization Project:

TABLE 8:

REVISED STOCK IN TRANSIT ON 01.05.92 (IN MT)
(REFERENCE PERIOD 01.07.90 TO 30.04.92)

	Reported By MIS (01.07.90)	Reported By MIS (01.05.92)	Actual (Revised) (01.05.92)	Stock not accounted for (01.05.92)
RICE	36,594	46,363	41,225	5,138
WHEAT	41,663	98,954	20,936	78,018
TOTAL	78,257	145,317	62,161	83,156

Source: FAO/Reorganization Project, MOF, GOB

As on week ending 10.09.92 it was reported by MIS, DGF that 112,118 MT of food grain is in transit. Even assuming that no transit loss has taken place in the intervening period (from 30.04.92 to 10.09.92), the transit loss out of this stock in transit is about 72%. While it is an administrative decision of the government to take appropriate measure for this menace, this loss must surely be reflected in the proposed balance sheet/cost data of DGF.

In view of the complex nature of the accounting tasks to have a reliable data on costs on this account, a very primitive method of cost charge was made on the procured rice to at least make-aware that such a cost exists! On the other hand, accurate transit loss figures are available from FAO, Reorganization Project from Jan 91 to Jan 1992 which averages at 1.5% in rice and 2.2% for wheat. Although, it is a great credit on the part of the Directorate that transit losses have considerably reduced in recent times, they still represent 1200% and 1760% over the official allowable transit loss for rice and wheat respectively. An allowance was therefore made to charge the rice stock over a 2 (two) year period to recoup this accumulated loss from 1.7.89. As mentioned before, this procedure is not a standard accounting norm, losses incurred must be charged in that year or carried over to next balance sheet in

toto and no allowance is made to re-phase the loss. However to avoid a fantastic figure of over 16% for accumulated transit loss, this loss was rephrased for 2 year period. The charge, thus, on account of actual transit loss and accumulated transit loss is $1.5\%+8.1\%=9.6\%$ on this major head of cost.

Bank Interests

3. Again no exact figures exist on actual bank interest paid by DGF. Bangladesh Bank figures indicate outstanding loans on account of Internal procurement without break down of principals and interests from different NCBS from which DGF borrows. However, it is assumed that monies borrowed are not paid back before two quarters on the average and interests were costed on that assumption.

Estimated Costs

From, these facts, figures, estimates and guesstimates., using accounting principles whenever possible, the lowest possible costs of a ton of rice at Dhaka by present method of internal procurement is listed below:

TABLE 9.

ESTIMATED COSTS OF A TON OF RICE
AT TEZGAON CSD (FROM DINAJPUR, THAKURGAON, SANTA HAR)

<u>Breakdown of Costs</u>	<u>Per MT in Taka</u>
1. Cost of 1.5789 MT of paddy @Tk 6560 to recover 1 MT of rice at DGF's fixed ratio of 100:63.333	Tk 10,357.89
2. Average transportation costs	Tk 886.35
3. Allowable transit losses	Tk 12.30
4. Loading charges	Tk 14.96
5. Unloading charges	Tk 14.96
6. Allowable godown loss	Tk 49.20
7. Milling commission	Tk 391.27
8. Transportation costs from contract mill to LSD	Tk 40.00
9. Costs due to actual transit loss (1.5%) plus charge for accumulated transit from 1.7.89 to spread over 2 years (8.1%) Total 9.6%	Tk 1,129.63
Subtotal:	----- Tk 12,896.55 -----
10. Bank Interest on the monies out-laid (For 2 quarters @18%)	Tk 1,160.69
Grandtotal	----- Tk 14,057.24 -----

Note:

-Actual transit losses have been calculated from Jan 91 to Jan 92. Approximate costs have been charged for an estimated 70% transit loss out of stock-in-transit, for an estimated movement of 500,000 MT of rice per year. Losses have been amortized over a period of 2 years on stock in hand.

-The following additional costs have not been catered for (i) Depreciation on fixed assets (ii) Utilities (iii) Maintenance and prepare (iv) Salary, wages, pension and other overheads (v) Actual costs of storage (vi) Actual storage loss (vi) Losses due to deterioration of quality of stock.

From the above discussions, a rough and preliminary cost comparison may be made:

TABLE 10:

COMPARATIVE COSTS: TEZGAON CSD
(Rice per MT in Takas)

DGF's Proforma Cost Estimate (Average)	Independent Estimate (with Actual Transit loss)	Lowest Tender Bid	Difference From		Percentage Difference	
			DGF	Independent	DGF	Independent
Tk 12,044.08	Tk 14,057.24	Tk 11,050.00	Minus Tk 994.08	Minus Tk 3307.24	9%	27.2%
Corrected for 3% of income tax deduction at source.		Tk 10,718.50	1325.58	3338.74	12.36%	31.1%
If gunny bags could be supplied by contractors at the market rate		-	1458.58	3471.74	13.60%	32.4%

Note:

The minimum savings to the govt, as these cost data indicate, varies from 13.60% to 32.4% of the cost of all rice procured. It should also be noted that actual cost savings will be much higher than even 32.4% if standard accounting practices are employed and all costs are charged to stock in trade.

VII TENDER EVALUATION

1. Evaluation and post-tender scenario of the 1st Boro tender of 92 reveals important facts. Lessons both positive and negative may be drawn to improve the performance of the next tenders with the ultimate objective of making tenders the principal instrument of procurement. Therefore, careful analyses of the various factors affecting the results of this tender is considered most necessary.

2. Pattern of the Tenderers: It was observed that, in all, 74 bidders participated in this tender. The price structure indicated high competition and no evidence of collusion between the tenderers. Market research (Chowdhury'92-IFPRI) indicates the present state of rice market in Bangladesh as highly competitive, egalitarian and fairly integrated. This tender only confirmed these research findings. An inquiry into the type of bidders show:

TABLE 11.

PATTERN OF THE TENDERERS
(1ST BORO TENDER DATED 8.4.92)

SL. NO.	STATION	GENERAL TRADERS	RICE TRADERS/ WHOLESELLERS	RICE MILL OWNERS	OTHERS	TOTAL
1.	Sylhet LSD	1	2	1	-	4
2.	Manikganj LSD	3	4	2	-	9
3.	Tanjail LSD	6	3	-	-	9
4.	Dewanhat CSD	2	5	2	-	9
5.	Halishahar CSD	3	2	2	-	7
6.	Cox's Bazar LSD	2	3	3	1	9
7.	Tezgaon CSD	3	2	-	2	7
8.	Savar LSD	3	1	1	1	6
9.	Dhamrai LSD	-	1	1	-	2
10.	Dharampur LSD (Comilla)	1	2	-	1	4
11.	Feni LSD	2	2	1	1	6
12.	Mirkadim LSD	-	-	2	-	2
Total.		26	27	15	6	74
Percentages of Total		35%	37%	20%	8%	100%

This pattern indicate an integrated, highly competitive and egalitarian rice market represented by traders, wholesalers, millers and other interlopers (like construction contractors), all freely competing in these open bids.

3. Market Price of Rice: During the period of the tender (from April to August 1992), Bangladesh rice market exhibited most unusual trends. For the first time since records were kept, the price of rice was the highest at harvest time and was falling till October lean period. The reasons for this unusual behavior is still to be determined, but an intuitive and most tentative subjective opinion is given bellow:

- (i) The size of the Boro harvest was badly underestimated. It appeared that the initial draught as reported by the Muffassil (country) correspondents of daily newspapers, were the basis of a pessimistic estimate.
- (ii) Owing to low rainfall, bumper harvests were made in low lying areas of Sylhet, Netrokona, Faridpur, and Dhaka among other places where much paddy is lost normally due to seasonal inundation.
- (iii) Not only the size but the distribution of the harvest was a major factor. With excellent rice harvests in normally deficit areas (Noakhali, Barisal, Khulna), the demands for rice in traditional pockets of deficit were not felt, resulting in low prices in Northern areas.
- (iv) Due to good weather in port-harvest period, the usual port-harvest losses in Boro were minimal. Whatever loss was encountered by drought, these were more than offset by the minimization of port-harvest losses. The total harvest exceeded all expectations.
- (v) Distortions caused by erratic mill gate purchases caused wild fluctuations in prices in the traditional procurement districts of N.W. On and off, and on again mill gate created bursts of demand and slack in the market place, totally befuddling the trade.

- (vi) Most traders took the safe way out. "Whenever in doubt-sell and take your loss, there is bound to be a better day, but that day is not today!". So, sell orders continued and is continuing to this day.
- (vii) All these combination of factors created a most puzzling pattern, characterized by falling prices, low demand, losses and general apathy in the market place. All the symptoms of a classic depression indicating near collapse of the market at the fag end of the Boro season.

4. A preliminary investigation in the Dhaka wholesale market yielded the following:

TABLE 12:

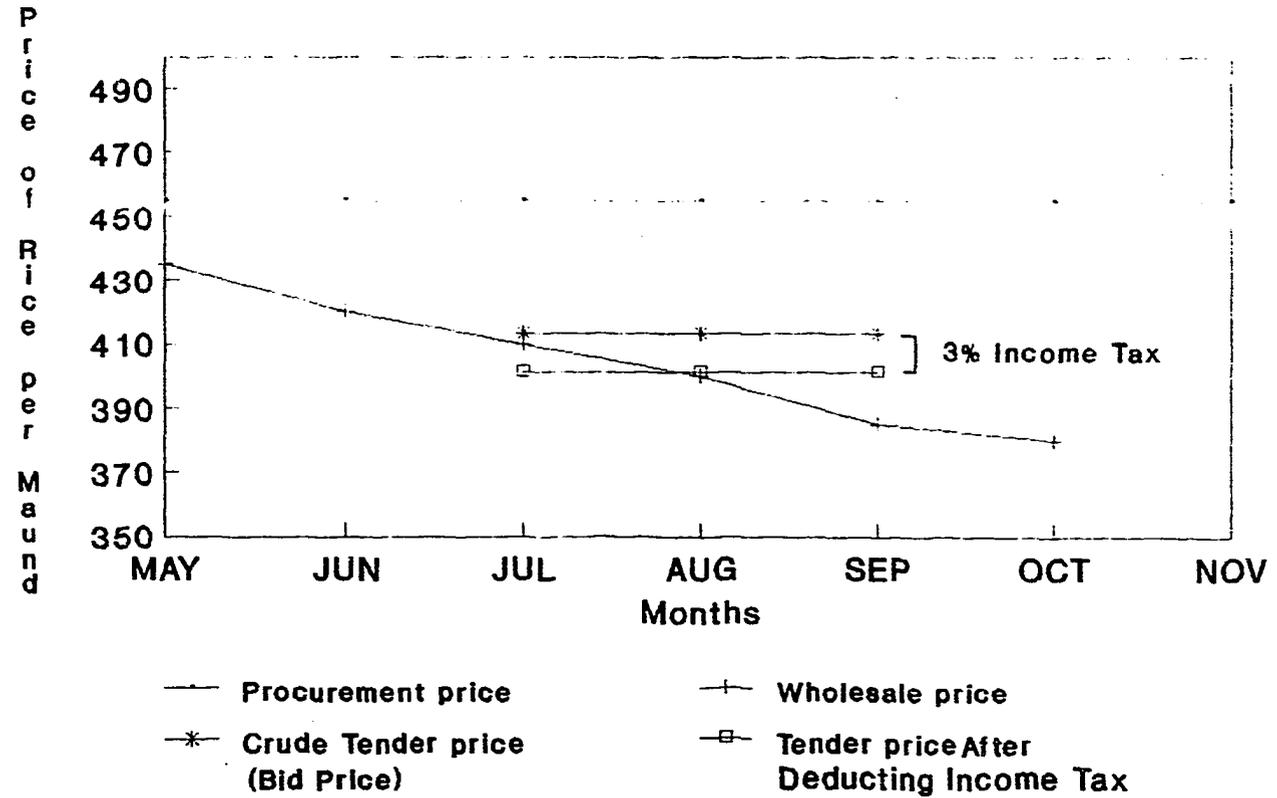
WHOLESALE PRICE OF RICE, DHAKA
(AVERAGE OF SIX WHOLESALERS)

Type: Coarse variety Season: IRRI/BORO of 1992
Price: Per Maund in Takas

Month	Local Variety (From Dhaka, Mymensingh Tangail, Jamalpur etc)	North Bengal Variety (From Bogra, Dinajpur, Rangpur, Natore etc)
May	425	435
June	415	420
July	405	410
Aug	395	400
Sep	380	380
Oct(1st week)	380	380

This graph will indicate the reasons for:

FIG 1: Market Price & Tender Price at Dhaka: Boro Season 1992



40A

- (a) Traders reluctance to supply after income tax liability became apparent
- (b) Traders requesting for time extension as the market was falling
- (c) Traders interest in supplying over the tendered quantities at the end of August
- (d) Total absurdity of the official procurement price and carrying costs by various means

4. Impact of Millgate Contracts:

The administrative, economic and even social destabilization that this system brings about has been detailed earlier elsewhere (Milling and Storage Adjustments - IFPRI-92). The negative impact of this system on the least-cost method of procurement by tender is the subject of present discussion. The malignant effects of the system can be itemized thus:

- (a) The extremely competitive nature of the open tenders limit the suppliers profit to rock-bottom. In the last tender there are examples of variation of less than 50 Tk/ton between two bids to illustrate fair competition. The high profits built in the millgate contracts does attract funds and efforts towards millgate and not to tenders. Money will always tend to be attracted to a higher profit venture in a free market. This acts as an extreme disincentive against the tendering operations.
- (b) Specially in a dull and falling market, like the Boro of 92, the margin in millgate explodes to the contractor's advantage (pls. see fig. 1). Therefore, rent seeking and malpractice also proliferate to totally swamp the system.
- (c) With a falling market, large scale "Purchase and Supply" operation became the rule as against milling of govt paddy. Since there is no minimum time limit in Millgate contract, (see Milling and Storage: IFPRI-92) millers made several supplies within their stipulated 15 day period. As a result, the godowns filled up rapidly.
- (d) This limitation on storage space put a negative bias on tender procurement. There was no space to purchase additional stock even at a considerable saving to the

govt as against millgate. To paraphrase the famous economic law, bad rice pushed out the good rice from the government stores in the summer of '92.

- (e) With godowns filled, the millgate had to stop in many localities, pulling down market prices still further. Traders and millers who stocked up in anticipation of millgate supply, released stocks in fear of further losses. This dumping seriously destabilized the rice market, the like of which has never been seen in living memory.
- (f) From all of the above factors, it may safely be included that millgate purchase can not co-exist with tender procurement without seriously hampering and destabilizing the normal market forces. They are not compatible and can not operate side by side.

In view of the above, it appears that there is little rational option but to suspend or cancel the millgate contracts, if tenders are to be the principal instrument of procurement.

VII PROBLEM OF QUANTITIES

1. While the number of bids in the open tenders made a quantum leap, the quantities of actual supply did not increase in the same proportion. What then are the problems of large volumes of supply?. The major problems with possible solutions are given:

(a) Minimum Quantity: The minimum quantity of 300 MT per bid is too small to effect large scale ordering and consequent supply. An example illustrates the point. Suppose that 1,00,000 MT of rice is targeted to be purchased at 20 different points with each station to be supplied with 5000 MT. Twenty minimum bids are accepted. Then:

(i) Targeted supply: 20 station x 5000 MT ea	=	100,000 MT
(ii) Order quantities: 20 stationsx300 MT	=	6,000 MT
(iii) Shortfall	=	94,000 MT

In such a situation, DGF had been asking the other tenderers to match the lowest bid price. This procedure takes weeks of correspondence but does not ensure any assured quantities to be supplied. The solutions could be any one or all of the following:

- (i) Upgrading Minimum Quantities: The minimum quantities should ideally be the total quantity targeted at a station. This alone will ensure quantities. This runs squarely with the question of finance. A 5000 MT lot will need a minimum of fund of 55 million taka. An additional 10% is needed for bid bond, gunny bags and out of pocket expenses. Such finances are quite beyond the reach of the largest traders and millers at present. However, with liberalization of bank credits, the minimum bid should be upgraded to the largest possible quantities.
- (ii) Quantity Bands: To ensure competition, it would not be wise to push out the small suppliers. Therefore, a quantity band may be introduced. The bands could be:

- (i) 300-500 MT Band: Small bidders should compete in this band with prices evaluated within these lots.
- (ii) 500-1000 MT Band: Medium bidders should compete within this price band and evaluated within the group.
- (iii) 1000 MT to Target Quantity: Large bidders should be allowed to compete within this quantity band and consequently evaluated within the group.

The tenders thus could be grouped A(1000MTUP), B(500-1000MT), and C(300-500MT) bands. The tender documents could thus be marked "A", "B" and "C". These is precedence in many govt. departments like PWD, MES, PDB etc where contractors are classified as A,B,C, classes to compete in works classified thus, mainly on the basis of scope of work and finances involved.

- (iii) Price Band: The experience of these tenders show that the prices are highly competitive. When the bids differ by as low as Tk 50/MT, the question of low or high bid is rather academic. In such situations, a price band of say +5% from the lowest bid may be considered to be equal for all practical purposes and all bidders within this range should be awarded orders, provided of course that by this method targeted quantity does not exceed. If it does, this price banding should be lowered from 5% down-ward to match target quantity.
- (vi) Computerization: The whole tender evaluation may ideally be computerized. The software required appears to be a "Spread-Sheet" type program. Any ready programs like Lotus 1-2-3 may be used, at the most, with a little modification. The "What If?" type analysis is ideal to be performed on a PC/Work Station type micro computer with a suitable software.

With this program, the time delay incurred for clerical and arithmetical tasks may be cut down from weeks to minutes. The only delay being arrival of out-station tenders and time taken to punch in data. The ready results will be printed out in

minutes. If ever there was a set-piece case for computerization, it is in evaluation of these tenders. The whole process may thus be almost totally automated with little decision making process, other than making the final orders.

(v) Providing Financial Assistance: It now appears that the success of tendering in large quantities depend on availability of ready and easy finance to the suppliers. To appreciate what basically are the major issues, these are summarized:

- (i) Credit is a great constraint as rice traders do not have access to formal credit. Rice millers credit fall short of minimum required by as much as 9/10th. However, the total money volume required can be well absorbed by the banking sector (2% of total credit) and most of it will be re-allocation of resources from govt to private accounts.
- (ii) The central banks regulate commercial banks by BCD circulars. There are number of negative circulars which need to be struck down to devolve the financial market for grain financing.
- (iii) There are a number of laws presently suspended but not abolished-which impede long term investments towards development of the food sector. The principal among those are, Bengal Rice Millers Act, Anti-Hoarding Laws and Essential commodities Act.
- (vi) All these deregulation also needs a change of attitude by bankers to be urged on by a realistic training program.

(VIII) OTHER GERMANE ISSUES

1. Question of Quality and Shelf Life of Rice: By any standard, the rice mostly procured by millgate contracts is of uncertain to poor quality. The FAQ standard itself lends itself to much misinterpretation when no literature or instructions exist as to the methods of sampling, testing and enforcement of quality standards. The ad-hoc methods of quality checks are delegated to low-level officials (OC.) LSDS and Thana Food Inspectors) with financial implications of tens of millions of govt funds. There are also related technical reasons of poor keeping quality of traditionally par-boiled rice by husking mills (please see Milling and Storage Adjustments - IFPRI, 92). This fact is borne out by poor gradation made by World Bank Mission of 91, who evaluated govt procured rice at considerably below comparative world prices. A number of reasons for this situation is listed.
 - (a) The FAQ standard was formulated at a time of great scarcity, the object then was to procure as much rice as possible to service the highly subsidized ration channels. Objectives of long storage or commercial value did not enter the considerations then. In the present circumstances, with the prime objective of price-support, long range safe storage becomes a pre-requisite to the program. This standard, then, needs upgrading on an urgent basis.
 - (b) The traditional parboiling method of cold-soaking practiced by husking mills is a primitive practice. These units do not possess high-pressure legally licensed boiler. With makeshift, home built (incidentally illegal under Boiler Code of Bangladesh), atmospheric or low pressure steam is used which does not completely gelatinize the starchy endosperm of rice kernel resulting in partial parboiling evidenced by white-belly grains. This grain has extremely poor keeping quality. Subsequent milling in huller units does not completely remove bran which being rich in oil with much free-fatty acids, is prone to complex bio-chemical and enzymatic action to turn the grain rancid and evil smelling within

a short time. It is, therefore, rice procured from these mills practicing primitive parboiling that turn rancid within 2-3 months. Incidentally, DGF procures over 90% of its mill gate rice from these illegal husking mills. FCI does not procure any rice other than those processed by parboiling units practicing CFTRI (Central Food Technology Research Institute, Mysore) methods principally for this reason. In Bangladesh, only the so-called automatic mills (modern mills) practice this modern method of parboiling which, if correctly performed, resultant rice should keep well for at least one year even in flat godowns in less than ideal storage condition.

- (c) High moisture content and poor storage management are also causes of rapid deterioration. Rice is routinely kept in godowns along with sugar, salt and other commodities. Sugar melts in high humidity increasing the micro-environmental humidity within the godown, affecting rice which is highly hygroscopic. Thus, rice gains moisture, and is subjected to myriad of bacterial attacks. Presence of Sugar, Oil, and used gunny bags also attract pests like insects, rodents and most harmful micro-organism. Importance of good housekeeping and isolation of rice storage from other deteriorating commodities can not be over-emphasized in sound storage practices.
- (d) Good rice can not be processed unless the quality of paddy is of sound quality. In millgate contracting, although govt. is supposed to procure paddy, it is rice which, in fact enters the storage depots. This system may not ensure quality for:
 - (i) There are literally hundreds of contract mills (predominantly husking) in one procurement district. It is quite impossible for the food officials to check the quality of paddy at the mill, although the WQSC specifically call for such a check. (Weight, quality, stock certificate).
 - (ii) As a routine practice, WQSC i.e. payment is made on uncertain quality of paddy procured by the mill owner which now becomes govt. paddy. The mill owner has a vested interest to procure the lowest priced paddy consequently lowest quality, to maximize his profits.

- (iii) Even if the resulting quality of rice is poor, the food officials are under great pressure to accept this rice since it is processed out of Govt owned paddy. It is almost certain that this rice of whatever quality will be accepted since rejection at this stage will result in many administrative and legal tangles. This principle of- "pay earlier and receive goods later"-is contrary to all norms in expenditure of public funds which also directly influences quality of stock procured.

Besides other difficulties, the built-in weaknesses of millgate contracting system does exert bias towards procurement of stock that does not lend itself to high quality with long storage and keeping characteristics.

In view of the above technical and administrative reasons, the following appear to be inescapable, if high quality rice with long shortage are to be procured:

- (a) Govt. should desist from procuring traditionally parboiled rice from husking mills.
- (b) Quality standard must be upgraded with no allowance whatever made for "White belly" grains in parboiled rice.
- (c) Sound house-keeping practices should be standardized in government stores.

2. A Financial Assistance Package for the Tenderers: As discussed earlier, without sufficient credit line, large scale procurement of rice by tender is unlikely, as the traders and miller lack financial strength. Freeing bank credit against stocks of grain should be the key to building up sufficient stocks to supply the government within a short time. It should be appreciated that large scale millgate procurement depended in large measure upon advance payment to the millers by the government. Monies were paid out prior to supply of rice in the existing system. In the tender, as the payment will be made post-supply, millers and traders must procure paddy, mill into rice, transport to places of consumption -in some cases like Cox's Bazar, the longest distance possible - and then expect to be paid, again after quality and grade

certifications. All these necessitate access to credit to successfully accomplish the complex jobs for which the DGF is engaging at least eight different types of contractor at present. Arrangement of donor assistance may be sought on an urgent basis. Success of fertilizer distribution by private sector should be considered a model in this case also.

3. Organizational setup: For speedy decision making and prompt ordering, some organizational re-orientation is felt necessary. The present organization at the DGF headquarters was not designed to meet the new demands for tender administration where speed is the essence of existence. With a highly volatile commodity market, unless utmost promptitude is exercised, success of large scale tendering will be unlikely. With large quantities and high qualities involved, a very small rise and fall in prices spell loss or profit for the suppliers. The most unusual falling market of Boro'92 is certainly not typical. On the other hand, government's requirement of procurement of rice of huge quantities are also to be fulfilled within specified time at the least possible cost. These requirements suggest formation of a tender cell with sufficient authority to take commercial decisions within the policy frame work of the MOF. Spelling out of exact organogram, personnel and hardware requirements are beyond the scope of this report, but very broadly, the following are tentatively suggested:

- (a) A Decentralized Tendering Cell: With sufficient manpower, communication set up and skills to transact business of the government worth billions of taka, this cell should be staffed with officials experienced in banking operations, accounts, computer operation, and high degree of general administrative skill and experience. An appropriate chain of control should also be formulated which allow prompt linkage to the highest officer in the MOF for required guidance and instructions as the requirements may be.
- (b) Aids to Administration: Computerization of the tendering processes are also felt absolutely necessary. With a policy firmly established, appropriate soft-ware can be quickly developed with available spread-sheet programs as basis. As much automation of the clerical and routine

functions as possible should be the prime objective of the exercise. Data should be processed in a manner to assist quick, accurate and rational decision taking within the shortest possible time. In fact, with competent programs and system analysts, it should not take more than a few hours to process the data in the programmed format. Besides, when in near future, the number of bids may go into thousands rather than hundreds, the need for computerization will be an absolute necessity.

(c) Communication: Existing communication channels in Bangladesh should be fully exploited to transmit necessary data and instructions. Apart from telephones, the following services may be used to the great advantage of the tendering authorities:

(i) Fax: Most commercial firms are now equipped with fax. A fax may be installed at the tendering cell to quickly communicate urgent decisions/orders.

(ii) Private Courier Services: To mail tender documents etc these services which link at least all district HQS should be utilized. This service is secure and fast with mail reaching any district within 24 hours at best.

(iii) E.M. : Micro-computers are fast reaching the business world of Bangladesh. It is not too far when Electronic Mail network will be a functioning reality. Provision should be kept in the DGF computer system to hook into any future E.M. network.

4. Appropriate Tender Document: These changes, modifications and scopes of modernization should be reflected in the proforma tender documents to be used in future tenders of DGF. This document should be flexible enough to incorporate other modifications as well. It was suggested by FSRP, Bangladesh Bank, that credit worthiness of the tenderers may be ascertained by lending banks primarily from data provided by the DGF. The prime source of such data is the tender document itself which must contain such information as the prospective creditors need. This principle, curiously, is in complete

agreement with the time honored Audit Code of Bangladesh, as it says : "(7) In selecting the tender to be accepted, the financial status of the individuals and firms tendering must be taken into consideration in addition to all other relevant factors."

It is learnt that a committee appointed by MOF is presently engaged in finalizing tender documents and procedures. It is suggested that the Committee may give appropriate attention to the above considerations.

5. An Approach to Futures Pricings: With experience, MOF may start asking for bids for the future deliveries. Floated at the harvest time, the bids for deliveries for subsequent months of the season may be quoted. With firm contracts for future deliveries, the MOF will have the following advantages:

- (i) It is hedged against volatilities of the market place
- (ii) Deliveries are assured when required
- (iii) The risks, costs and troubles of storage is relegated to the private sector
- (iv) These futures will have a most stabilizing influence on prices.

However, it may take a number of years before such a sophisticated market-device is perfected. Before any such attempt is made, organization of a Rice Exchange is an absolute necessity. If export trade is to be attempted, such an exchange will play a most important role in linking domestic market with the international trade. The MOF may play a pioneering role as a prime-mover to set up such an exchange when the govt itself will be the first beneficiary of a trade-based stabilized rice market.

6. Inspection: So far, DGF themselves are inspecting and accepting all deliveries out of tender orders. Since the lots are very small, such a procedure is not presenting any noticeable problems. But with lot sizes of over 1000 MT, standard methods of sampling, inspecting and grading will be necessary. As such, delegation of such tasks to

internationally recognized inspection agencies are recommended. These agencies provide a variety of services at a reasonable cost. As a starter, the use of such agencies are recommended to be optional at the choice of the supplier.

7. Payment: Payment of small lots by WQSC is straight forward and prompt. But for large lots it may prove cumbersome. Already adjustment for income tax is becoming a difficult proposition. As per the relevant gazette, the contractor's income tax is deductible at source. In otherwords, the bill is to be paid after adjustment/deduction of taxes. But the DGF is asking the contractors to pay the income tax first and then request for the full bill which appears to be contrary to the accepted norm of tax deduction. Suppliers are submitting treasury receipts for prior tax payments against which WQSCS are issued. This procedure entails additional financial burden on the supplier, besides being open to abuses. Large scale fraud against treasury receipts were detected at Chittagong customs some time back. Rechecking of treasury receipts, keeping tax accounts etc are all legitimate tasks for the receiving LSD/CSDS as in any other government department. Therefore, tax deduction by DGF and payment to the treasury of such deduction should be practiced.

For large lots, payment by letter of credit is the most convenient. Many accounts functions are taken over by the bank. Reconciliation of accounts and weekly, even daily statements from banks (most banks in Dhaka are computerized) are possible. An independent check on the financial accounts of DGF at no additional cost or man hour of the government is achieved. This device may be used as an option at the choice of the suppliers. It is believed that only large suppliers will use this method with relatively few letters of credit opened by the DGF. But, as a modernizing financial instrument, the procedure may be followed as early as possible.

8. Timings of Tenders: The timings for flotation, bid openings and supplies must conform to the existing harvest of two major rice seasons of Bangladesh, generally in consort with the DGF's procurement seasons. However a few points need emphasizing:

- (a) Bid Opening dates may be announced in advance. In fact, these dates may be fixed as the harvest season times vary by no more than two weeks at the most, due to an early or late monsoon.
- (b) The bid-opening dates should be well into harvest season to take advantage of plentiful supply and a steady market. The market is highly volatile at the beginning and end of season.
- (c) Futures prices may be asked for as an optional device i.e. with one tender, bids may be asked against prices quoted for monthly deliveries for rest of the season. Although, one may suspect that there will be little or no response to this query, but eventually, traders and millers will see the advantage of this system.
- (d) If not, monthly or at best 6 weekly tenders may regularly be floated and opened for the duration of the season. Therefore, there will at least be three tenders per season totalling six in a year.

With these observations a suggested time schedule is given below:-

TABLE 13:

TENDER FOR RICE: SCHEDULES OF TIME

AMAN

1st Tender Opening Date	Last Delivery Date (1st tender)	2nd Tender Opening Date	Last Delivery Date (2nd Tender)	3rd Tender Opening Date	Last Delivery (3rd tender)
15th Dec	16th Jan	18th Jan	19th Feb	21st Feb	22nd March

BORO

1st Tender Opening Date	Last Delivery Date (1st tender)	2nd Tender Opening Date	Last Delivery Date (2nd Tender)	3rd Tender Opening Date	Last Delivery (3rd tender)
15th June	16th July	18th July	19th August	21st Aug	22nd Sept.

Note:

- 1) Opening dates for 1st tenders are well into season for reasons explained earlier
- 2) There will be three tenders per season at least
- 3) With computerization, approved policies and prior sanctions, orders may be placed within 2 days of opening of tender.
- 4) No tender is suggested in lean months of May and October

IX PRELIMINARY RESULTS OF 4TH MOF TENDER (Boro 11-8-92)

1. The preliminary data and results of the 2nd Boro tender of 1992 is given below:

- (a) Date of Floatation: 11-08-1992
- (b) Date of Opening : 09-09-1992
- (c) Number of Bids : 198
- (d) No of valid Bids : 189 (Dhaka-101 Outstation-88)

The number of bids against points of delivery along with lowest and highest bids are given below:

TABLE 14:

2ND BORO TENDER: PRICES & BIDS
(TAKA PER MT)

SL. NO.	STATION	LOWEST BID	HIGHEST BID	NO OF BIDS
1.	Tezgaon CSD, Dhaka	11,250	12,500	20
2.	Cox's Bazar LSD	11,750	18,290	50
3.	Manikganj LSD	11,140	12,250	21
4.	Betaka LSD, Tangail	10,950	14,840	17
5.	Ghatail LSD, Tangail	11,225	11,750	7
6.	Basail LSD, Tangail	11,280	12,460	4
7.	Halishahar CSD, Chittagong	11,300	13,000	38
8.	Dewanhat CSD Chittagong	11,532	12,700	20
9.	Sherpur LSD	11,300	12,330	14
10.	Mirzapur LSD, Tangail	11,310	12,200	7
Country wise Average:		Tk 11,303	Tk 13,232	198
After deducting 3%		Tk 10,964	or Tk 409.18/maund	

2. After deducting 3% income tax, these prices show remarkable competitiveness and represent great economy for the government. It is learnt that the Ministry has allowed two lowest bidders to match the lowest price bid. This will allow only about 900x10=9000 MT of rice to be procured out of a asking quantity of 23,000MT. In view of the highly competitiveness, a price band rather than a numerical band would have been a more appropriate device to procure.

IX CONCLUSIONS AND RECOMMENDATIONS

1. The above discussions, analyses and observations drew much on past and on going research activities of IFPRI, Bangladesh, and were not restricted to only operational aspects of the tender but many related matters were treated in a brief manner. Notwithstanding the rapid nature of these investigations, but bolstered in large measures by the collective wisdom of many experienced officials, researchers and practitioners of the subject, the following concluding observations, suggestions and recommendations are made:

- (a) Efficacy of Open Tenders: The analyses of results of the three successful open tenders by MOF/DGF conclusively prove the efficiency of this method of procurement. Not only substantial budgetary savings are possible by this method, but given minor adjustments this device ensures better quality stocks, no transit loss, easier accounting and little or no possibilities of leakage, if executed properly.
- (b) Added Benefits: Additional not-so-apparent macro-economic benefits are also the beneficial spin-offs. Avoidance of market destabilization, improved market integration, modernization in communications and technology of the trade and industry and substantial direct revenue collection by the way of income tax are some but not all of the benefits. By assisting in developing a futures market by forward pricing, these tenders may up-grade the primitive domestic rice market in line with advanced exporting markets of neighboring Thailand, Pakistan, and Vietnam within a very short time. These tenders can be the very basis of a future Rice-Exchange.
- (c) Re-organization: Tender Cell: The need for organizing a Tender Cell with sufficient authority to speedily execute and oversee the overall management of these tenders appears to be overwhelming. Physical inputs like micro-computers/work stations with suitable software and modern communication device like FAX are necessary to update the cell in line with standard business practices. The MOF Tender Committee may look into this to formulate the

exact needs.

- (d) Mechanics: Tender evaluation procedures need to be standardized to (i) Speed up the decision taking process (ii) To automate as much clerical and routine functions as possible. The mechanics for further refirements are suggested thus:

- | | | |
|--------------------------|-------|---|
| (No of Tenders, Timings) | (i) | These should at least be three tenders a season beginning 15th Dec and 15th June for Aman and Boro season respectively. |
| (Minimum in Quantity) | (ii) | The minimum quantities per bid be upgraded three quantity bands (A,B,C). The prices in each band may be evaluated within its own band. |
| (Price Band) | (iii) | A price band (of say 5% above lowest) should be considered one single price and order placed without asking the bidders to match the lowest. The price of paying slightly higher prices will be more than compensated by time saved and also to thwart very low dummy bids. |
| (Specification) | (iv) | The specification of PAQ may immediately be upgraded to at least grade III of BDS952, (Preferably grade II) Comparison may be made with relevant standards of India, Pakistan, Thailand and Philipines in this matter. |
| (Payment) | (v) | Payments by WQSC be supplemented by inland letter of credit. This option be given to the bidders who shall pay for the bank charges, should he opt to be paid by L/C. |
| (Income tax) | (vi) | Income tax at appropriate rate must be paid by the contractors. But deductions should be made from his bill; he should not be forced to pay advance tax. |

(Inspection) (vii) Inspection of large lots be best be done by a third party, international inspection agencies. The cost of inspection will be borne by the supplier should he opt for this method. However, for small lots, DGF's own specially appointed inspection teams may carry out the task. However, the option of should be left up to the contractor who must pay the costs of inspection by external agencies.

(Gunny bags) (viii) Gunny bags may be supplied by the contractor along with rice. Good, sound used bags may be allowed as, for MOF, the bags one for one time use. A saving of at least Tk 133/MT will be effected. Total potential saving over Tk 65 million per year.

(e) Financial Reform: The success of the tenders depend on large measure on freeing of existing credit restrictions. Many agencies like the Central Bank, MOF and the Commercial Banks will be involved in these reformative measures.

(f) Pro-Forma Tender Documents: To implement the various reforms and refinements, an appropriate set of documents given to computerization, is crucial to the tenders. The MOF Committee on these matters may speedily look into all aspects of the case to formulate and put into effect a modernized set of documents.

(g) Tender and Credit Manual: A simple manual for tender to be used by DGF officials and the tenderers, is urgently needed. The MOF Committee on Tenders may speedily draft such a manual. It is also felt that a similar manual for use by bankers (and debtors) is also required. MOF committee may draft such a manual within the shortest possible time. MOF may provide all assistance and encouragement to this pioneering effort.

- (h) Donor Assistance: In the last count, it is extremely unlikely that NCBs of Bangladesh will change their lending policy of decades with in a few weeks. Special donor fund (from IMF, PL-480 counter funds, WB etc) may be arranged as in the case of fertilizer marketing to make these tenders effective. MOF may, again, take the pioneering role in brokering provision of such funds for at least the large scale tenderers. It is to be realized that a with a low paddy rice price, the derived demand for agricultural inputs including fertilizers will suffer a serious setback, severely hampering the fertilizer import program.
- (i) Millgate Contracting: In addition to other ill effects like rent-seeking opportunities and openness to abuses, the millgate contracts are having most negative impact on the tendering efforts. Poor quality stock, negating the responses of the trade to tendering and huge financial loss to the govt. due to higher than market price of procurement, are some of the ill effects. It also induces much movements resulting in staggering transit loss. For all of these reasons, and for making the tendering effective, millgate contracts are recommended to be suspended/canceled without any further delay.
- (j) Storage Quality: Rice parboiled by traditional method do not keep well. FCI, therefore, do not procure such rice. Government should not procure any rice which is meant for long storage (at least one year) from husking mills having unauthorized low pressure boilers. Long storage may be ensured by procuring from CFTIR type parboiler equipped mills (modern mills). Rice for long storage should also be kept in godowns where no other commodity like sugar etc. is dept. Good and strict house-keeping methods must be practiced by all storage managers of DGF.

2. In conclusion, it may be said with certainty that the efforts of MOF to make open tenders the principal instrument of procurement is a reformative market oriented device. It is completely in league with the broad economic policies of the GOB. All the partners of development of Bangladesh suggested such reforms towards budgetary cost containment and

modernization of govt's purchase procedures. When put into operation, neither all the difficulties nor the full benefits were apparent. Long choked by restrictions and control, such reforms were long overdue in the vital food sector where this seemingly trivial device may well be the best reform in the last 49 years of govt's intervention in the market. To be sure, further refinements and fine tuning are in order. But, given willingness and interest thus-far shown by the players, the game is sure to conclude with a happy ending for all. In the meanwhile, many agencies, not the least the DGF and the MOF, should continue to investigate the various aspects of this device and continually up-grade, modify and fine-tune, to get the best out of existing resources; physical, financial and intellectual to the obvious benefit for the state and people of Bangladesh.

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LIST OF APPENDICES

<u>SL.NO.</u>	<u>TITLE</u>	<u>PAGE</u>
1.	Appendix A : National Transit Loss of Rice	64
2.	Appendix B : Regional Transit Loss (Dhaka)	65
3.	Appendix C : Regional Transit Loss (Chittagong)	66
4.	Appendix D : Regional Transit Loss (Rajshahi)	67
5.	Appendix E : Regional Transit Loss (Khulna)	68
6.	Appendix F : DGF Transit Losses for Rice as Percentage	69
7.	Appendix G : DGF Transit Losses in MT	70
8.	Appendix H : Tender Notice, DGF Dated 11-8-92 (in Bangla)	71
9.	Appendix I : Gazette Notification for Deduction of Income Tax: "The Schedule"	74
10.	Appendix J : Weekly National Procurement Report (from 4-9-92 to 10-9-92)	75
11.	Appendix K : National Food Situation Report (from 4-9-92 to 10-9-92)	79

APPENDIX "A"

National Transit Loss of Rice
(July 1990 to Jan 1992)

		<u>TOTAL RICE</u> <u>RECEIPT</u>	<u>TRANSIT</u> <u>LOSS</u>	<u>PERCENT</u> <u>%</u>
July	90	107052	1177	1.10
August	90	66198	1747	2.64
September	90	60039	842	1.40
October	90	70642	444	0.63
November	90	130253	873	0.67
December	90	116391	998	0.86
January	91	128451	970	0.75
February	91	118055	1747	1.46
March	91	105443	1613	1.51
April	91	76486	1117	1.44
May	91	140381	1404	0.99
June	91	130493	1370	1.04
July	91	123089	2023	1.62
August	91	124445	2617	2.06
September	91	80487	1955	2.37
October	91	96598	1772	1.80
November	91	100912	2073	2.01
December	91	80797	891	1.09
January	91	103805	1755	1.66

Source: DGF/MIS, FAO REORGANIZATION PROJECT, GOB

APPENDIX "B"

REGIONAL TRANSIT LOSS (DHAKA REGION)
(JULY 1990 TO JANUARY 1992)

MONTHLY RECEIPT AND TRANSIT LOSS STATEMENT

		<u>DHAKA RICE</u> <u>RECEIPT</u>	<u>TRANSIT</u> <u>LOSS</u>	<u>PERCENT</u> <u>%</u>
July	90	39749	520	1.29
August	90	19133	587	2.98
September	90	16263	112	0.68
October	90	12278	83	0.67
November	90	25617	126	0.49
December	90	29235	122	0.42
January	91	34006	178	0.52
February	91	35974	715	1.95
March	91	36096	450	1.23
April	91	22740	301	1.31
May	91	28812	225	0.77
June	91	37942	270	0.71
July	91	25238	466	1.81
August	91	28435	404	1.40
September	91	15730	413	2.56
October	91	20370	515	2.47
November	91	33775	964	2.77
December	91	30350	300	0.98
January	91	31094	996	3.10

Source: DGF/MIS, FAO REORGANIZATION PROGRAMME: GOB

APPENDIX "C"

REGIONAL TRANSIT LOSS (CHITTAGONG REGION)
(JULY 1990 TO JANUARY 1992)

		CHITTAGONG RICE RECEIPT	TRANSIT LOSS	PERCENT %
July	90	25804	451	1.75
August	90	28576	925	3.24
September	90	25375	692	2.73
October	90	25094	280	1.12
November	90	32269	335	1.04
December	90	31198	714	2.29
January	91	36833	717	1.91
February	91	26771	514	2.24
March	91	33269	950	2.78
April	91	22740	592	2.00
May	91	28812	926	1.29
June	91	37942	623	1.80
July	91	25238	1054	2.34
August	91	46903	1702	3.50
September	91	32916	1275	3.73
October	91	30559	869	2.77
November	91	23050	414	1.76
December	91	13264	327	2.41
January	91	15828	403	2.48

Source: DGF/MIS: FAO REORGANIZATION PROJECT: GOB

APPENDIX "D"

REGIONAL TRANSIT LOSS (RAJSHAHI REGION)
(JULY 1990 TO JANUARY 1992)

		RAJSHAHI RICE RECEIPT	TRANSIT LOSS	PERCENT ‡
July	90	32691	26	0.08
August	90	9688	11	0.11
September	90	14673	20	0.14
October	90	20755	27	0.13
November	90	43752	46	0.11
December	90	32764	30	0.09
January	91	28679	26	0.09
February	91	30969	298	0.95
March	91	25528	199	0.77
April	91	19768	212	1.06
May	91	32103	143	0.44
June	91	39446	83	0.21
July	91	40279	167	0.41
August	91	33131	151	0.45
September	91	16157	111	0.68
October	91	36137	324	0.89
November	91	25576	147	0.57
December	91	24471	59	0.24
January	91	34673	50	0.14

Source: DGF/MIS: FAO REORGANIZATION PROJECT: GOB

APPENDIX "E"

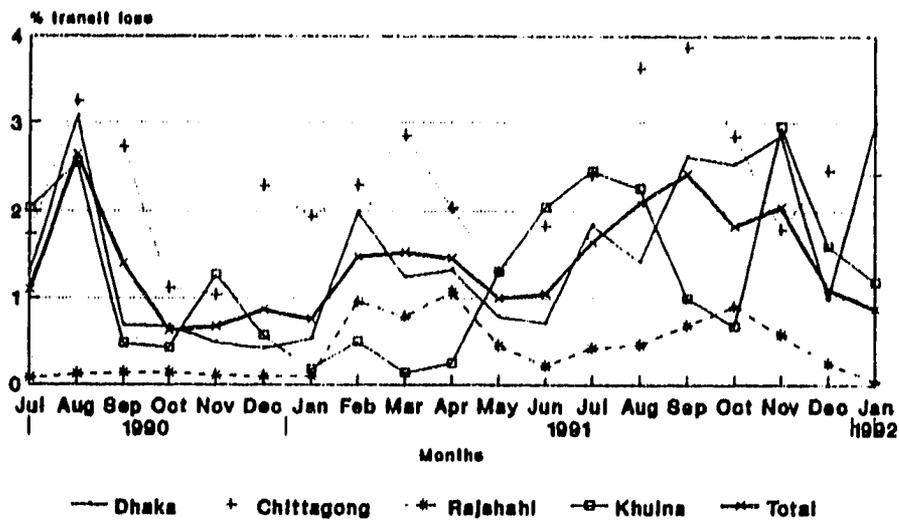
REGIONAL TRANSIT LOSS (KHULNA REGION)
(JULY 1990 TO JANUARY 1992)

		<u>KHULNA RICE</u> <u>RECEIPT</u>	<u>TRANSIT</u> <u>LOSS</u>	<u>PERCENT</u> <u>%</u>
July	90	8808	180	2.04
August	90	8801	224	2.55
September	90	3728	18	0.48
October	90	12515	54	0.43
November	90	28615	366	1.28
December	90	23194	132	0.57
January	91	28933	49	0.17
February	91	24341	120	0.49
March	91	10550	14	0.13
April	91	5011	12	0.24
May	91	8420	110	1.29
June	91	19190	394	2.01
July	91	13674	336	2.40
August	91	15976	360	2.20
September	91	15684	156	0.98
October	91	9532	64	0.67
November	91	18511	548	2.88
December	91	12712	205	1.59
January	91	22210	306	1.36

Source: DGF/MIS: FAO REORGANIZATION PROJECT: GOB

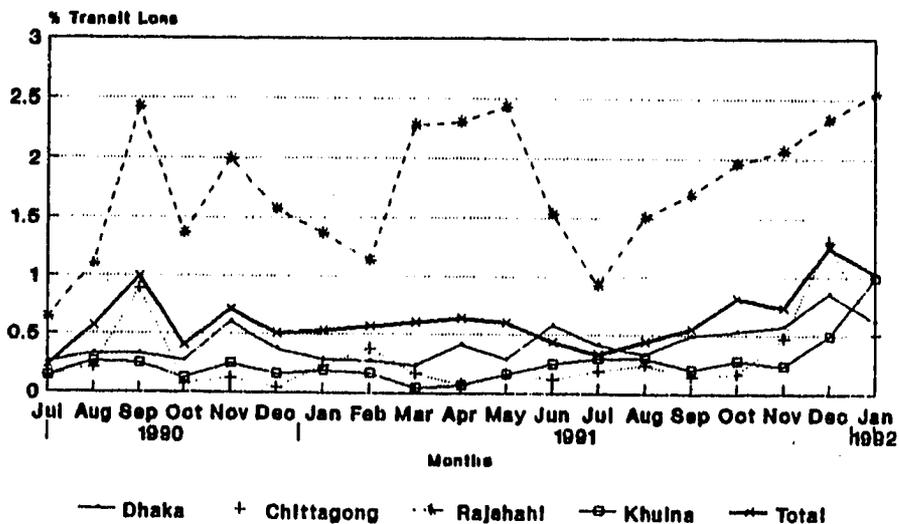
APPENDIX - F

DGF- Regionwise Transit Losses for Rice
(Losses as % of total receipts)
 July 1990 - January 1992



Source: DGF/MIS
 Test presentation by the
 FAO Reorganization Project

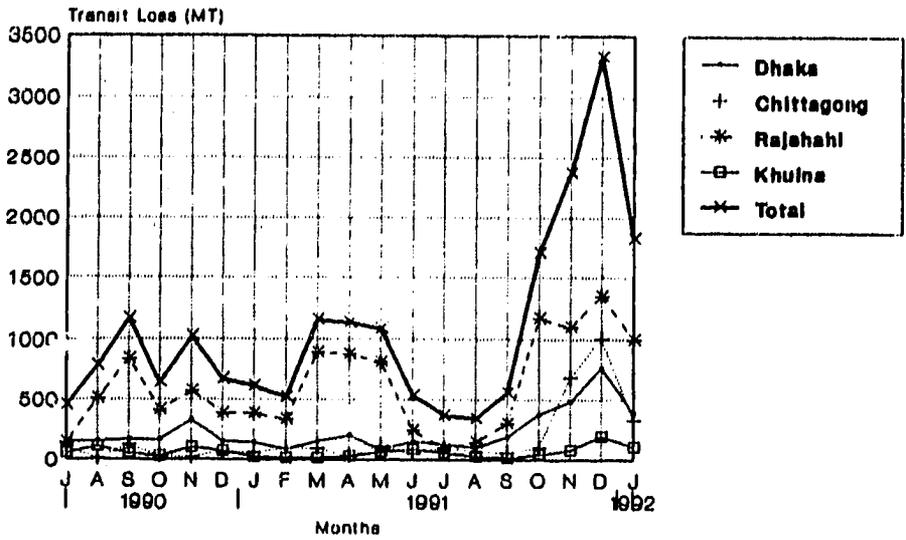
DGF-Regionwise Transit Losses for Wheat
(Losses as % of Total Receipts)
 July 1990 - January 1992



Source: DGF/MIS
 Test Presentation by the
 FAO Reorganization Project

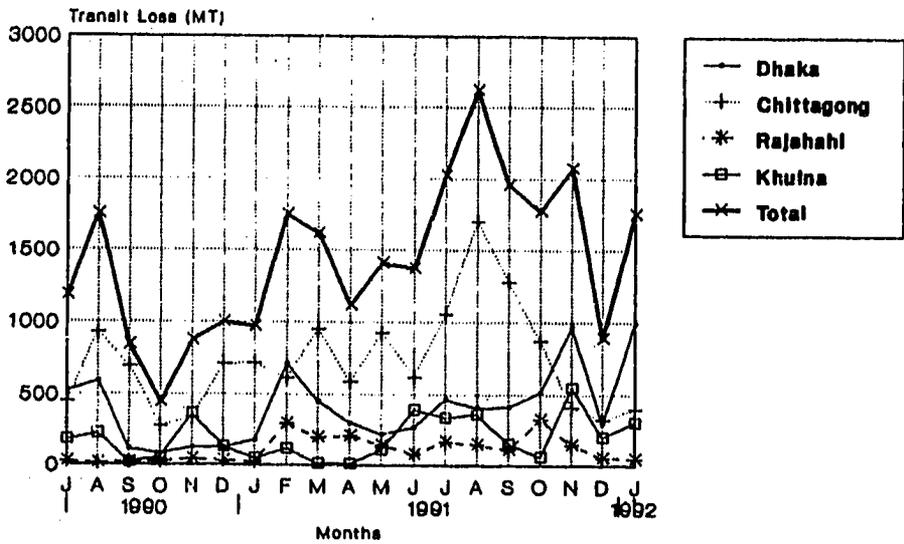
APPENDIX-G

DGF - Wheat Transit Losses by Region
Monthly transit losses (in mt)
 July 1990 - January 1992



Source: DGF/MIS
 Test compilation by the Reorganization
 Project/Feb. 1992

DGF - Rice Transit Losses by Region
Monthly transit losses (in mt)
 July 1990 - January 1992



Source: DGF/MIS
 Test compilation by the Reorganization
 Project/Feb. 1992

APPENDIX - "H"

গণপ্রজাতন্ত্রী বাংলাদেশ সরকার
খাদ্য ও খাদ্য নিয়ন্ত্রণ
সংগ্রহ বিভাগ
১৬, আবদুল গনি রোড, ঢাকা।

স্মারক নং ১০৭৪

সি/প্রাক-৩০/১২

তারিখ ১১-০৮-১২ ইং।

" দরপত্র বিজ্ঞপ্তি "

এতদ্বারা ইচ্ছুক ব্যবসায়ী/রাইস মিলার/প্রতিষ্ঠান/সরবরাহকারীদের নিকট থেকে খাদ্য
অধিদপ্তরের আওতাধীন নিম্ন বর্ণিত এম্বলিস্ট স মুখে ২০,০০০ (তেইশ হাজার) মেট্রিক টন দেশী সিদ্ধ চাল
এসবের জন্য মূল্যমোহর যুক্ত দরপত্র আহ্বান করা যাচ্ছে।

এম্বলিস্টের নাম	চাল এম্বলিস্টের পরিমাণ
১। বিশ্রামবেতকা এমএসডি, টাংগাইল।	২,০০০ মেট্রিক টন।
২। তেজগাত সিএসডি, ঢাকা।	২,০০০ "
৩। মানিকগঞ্জ এমএসডি, মানিকগঞ্জ।	১,০০০ "
৪। দেওয়ানহাট সিএসডি, চট্টগ্রাম।	২,৫০০ "
৫। হালিশ্বর সিএসডি, চট্টগ্রাম।	৫,০০০ "
৬। মির্জাপুর এমএসডি, টাংগাইল।	৫০০ "
৭। ঘাটাইল এমএসডি, টাংগাইল।	৫০০ "
৮। বানাইল এমএসডি, টাংগাইল।	৫০০ "
৯। কক্সবাজার এমএসডি, কক্সবাজার।	৮,০০০ "
১০। শেরপুর এমএসডি, শেরপুর।	১,০০০ "
মোট ২০,০০০ মেট্রিক টন।	

২১

প্রতিসেট দরপত্র সিডিউলের মূল্য ৩০০ (তিনশত) টাকা (অফেরতযোগ্য) বগদ জমা দিয়ে খাদ্য
অধিদপ্তরের হিসাব ও অর্থ বিভাগের ক্যাম্পা/সংক্রিয় জেলা খাদ্য নিয়ন্ত্রক এর কার্যালয় থেকে দরপত্র
মাখিলের আগের দিন পর্যন্ত এম্বল করা যাবে। দরপত্র মাখিলের দিন কোন সিডিউল বিক্রী করা হবে না।

৩। দরপত্র সিডিউলে চালের মান স্পেসিফিকেশন ইত্যাদি বিস্তারিতভাবে উল্লেখ করা হয়েছে। উক্ত
নির্দেশাবলীর কোন ব্যত্যয় ঘটলে দরপত্র বাতিল বলে গণ্য হবে। কোন অবস্থাতেই নিম্ন মানের চাল গ্রহণযোগ্য
হবে না।

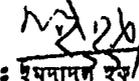
৪। একজন সরবরাহকারী/দরপত্রদাতা এক টি সেক্টর ন্যূনতম ৩০০ (তিনশত) মেট্রিক টন চাল সরবরাহের
জন্য দরপত্র মাখিল করতে পারবেন। তিন তির এম্বলিস্টের জন্য তিন দরপত্র ও আর্নেস্টম্যানি মাখিল করতে হবে।
বাংলাদেশের যে কোন তফসিলী ব্যাংক থেকে ব্যাংক ড্রাফট আকারে উদ্ভূত মূল্যের ২% হারে আর্নেস্টম্যানি
মহা-পরিচালক, খাদ্য এর অনুকূলে জমা দিয়ে দরপত্রের সাথে মাখিল করতে হবে।

৫। হাটপত্র সমূহ মহা-পরিচালক, খাদ্য, ১৬, আবদুল গনি রোড, ঢাকা এর কার্যালয়ে অথবা সংক্রিয়
সেক্টর জেলা খাদ্য নিয়ন্ত্রকের কার্যালয়ে মাখিল করা যাবে। দরপত্র সমূহ ৯/৯/১২ ইং বেলা ১টা পর্যন্ত
গ্রহণ করা হবে।

৬। এম্বলিস্ট চালের মান যাচাইয়ের জন্য গঠিত পরিদর্শন টিম কর্তৃক পরিদর্শন ও পরীক্ষার পর
বিবরণিত অনুযায়ী এক, এ, সি, ডি, মান মাপন হলে চাল গ্রহণ করা হবে। মান যাচাই কমিটি কর্তৃক পরীক্ষার পর
এম্বলিস্ট চাল গ্রহণ হওয়ার পর মূল্য পরিশোধের আদেশ দেওয়া হবে এবং প্রচলিত নিয়ম অনুসারে ড্রিফট, সি, ডি,
এস, সি'র মাধ্যমে তফসিলী ব্যাংক মারফত মূল্য পরিশোধ করা হবে।

< অপর পাতায় দেখুন ---->

- ৭। দরপত্র সিডিউলে বর্ণিত-কার্যক্রমসমূহের দরপত্রের দাখিল অবশ্যই দাখিল করতে হবে নতুবা দরপত্র বাতিল বলে গণ্য হবে। তরফদে উল্লিখিত রেট অংশে এবং অর্থাৎ সম্পর্কিতভাবে লিখতে হবে। ফোনরক্ষণ ঘণ্টামাত্রা, ডাট মেসেজ রেট গ্রহণযোগ্য হবে না।
- ৮। দরপত্র সম্পূর্ণ যাবতীয় ভাষা খাদ্য অধিদপ্তরের সংগ্রহ বিভাগ থেকে ও সংশ্লিষ্ট ম্যানেজার/ জেলা খাদ্য নিয়ন্ত্রকের কার্যালয়ে থেকে জানা যাবে।
- ৯। দরপত্র সমূহ যাচাই ও পরীক্ষার পর খাদ্য অধিদপ্তর দরপত্র কমিটি দেশদ্রুতির উপর সিদ্ধান্ত গ্রহণ করবে। সর্বনিম্ন দরপত্রদাতা কার্যাদেশ প্রাপ্তির পর চুক্তি সম্পাদনে ব্যর্থ হলে তার বায়নার টাকা বাজেয়াপ্ত করা হবে।
- ১০। প্রতিটি এমসি ডেস্ক এমসি ত বা চালের পরিমাণ দরপত্র কমিটি প্রয়োজনবোধে কম বেশী করতে পারবে।
- ১১। চুক্তিসমূহের দরপত্রদাতাগণকে সরবরাহত বা চালের মূল্যের উপর প্রচলিত নিয়মে আয়তন দিতে হবে।
- ১২। সর্বনিম্ন এবং বা মে কোন বা সমস্ত দরপত্র ফোনরক্ষণ কারন মর্নানো ব্যাডিরেবে গ্রহণ/ বাতিল করার ক্ষমতা সংশ্লিষ্ট দরপত্র কমিটি কর্তৃক সংরক্ষিত।


মোঃ ইমদাদুল হক ১৭/১১/১২
পরিচালক।

১৫/১১/১৯৭২

খাদ্য অধিদপ্তর কর্তৃক ২৩,০০০ মেট্রিক দেশী সিল্প চাল
এসডির দরপত্রের সিদ্ধি।

১। খাদ্য অধিদপ্তর/ব্যবসায়ী/রাইস মিলার/দরবরাহকারীর নাম :-

২। ঠিকানা :-

পো :- জেলা :-

টেলিফোন নং ----- (অফিস), টেলিফোন নং ----- (বাগা) ।

৩। দরপত্রাদাতার পক্ষে যোগাযোগকারীর নাম :-

ঠিকানা :- টেলিফোন নং -----

৪। দরপত্রাদাতার পক্ষে চুক্তিপত্র স্বাক্ষরকারীর নাম :-

ও ঠিকানা :-

৫। (ক) ব্যাংক ড্রাফট ও অর্নেস্টম্যানি মাথিলের পরিমাণ :-

(খ) ব্যাংক ড্রাফট নং ----- ও তারিখ -----

(গ) ব্যাংক ড্রাফট ইস্যুকারী ব্যাংকের নাম :-

৬। চালের স্পেসিফিকেশন :- চাল দেশী সিল্প এফ, এ, বি ও মানের হতে হবে। যার নুন্যতম বি-নির্দেশ
নিম্নে বর্ণনা করা হলো।

(ক)	আর্পতা -----	১৪%	সর্বোচ্চ।
(খ)	বিছাটীয় পদার্থ -----	০.৫%	"
(গ)	অগুফ, কুচকানো দানা -----	১%	"
(ঘ)	বিবর্ণ দানা -----	১%	"
(ঙ)	মরা ও বিনষ্ট দানা -----	১%	"
(চ)	বিভিন্ন প্রকার চালের সংমিশ্রণ -----	১০%	"
(ছ)	বড় ভাংগা দানা -----	১২%	"
(জ)	ছোট ভাংগা দানা -----	৩%	"
(ঝ)	খড়িময় ও ভিতরে সাদা দানা -----	৬%	"
(ঞ)	আকাড়া দানা -----	৬%	"

৭। কেন্দ্র ভিত্তিক চাল এসডির পরিমাণ :-

১।	বিশ্বাসবেতকা এলএসডি, টাংগাইল।	২,০০০ মেট্রিক।
২।	ভেঙ্গাগাও সিএসডি, ঢাকা।	২,০০০ "
৩।	মানিকগঞ্জ এলএসডি, মানিকগঞ্জ।	১,০০০ "
৪।	দেওগ্রামহাট সিএসডি, চট্টগ্রাম।	২,৫০০ "
৫।	হালিশহর সিএসডি, চট্টগ্রাম।	৫,০০০ "
৬।	মির্জাপুর এলএসডি, টাংগাইল।	৫০০ "
৭।	ঘাটাইল এলএসডি, টাংগাইল।	৫০০ "
৮।	বাসাইল এলএসডি, টাংগাইল।	৫০০ "
৯।	কক্সবাজার এলএসডি, কক্সবাজার।	৮,০০০ "
১০।	শেরপুর এলএসডি, শেরপুর।	১,০০০ "
		২৩,০০০ মেট্রিক।

(৩)

রপিদেয় মূল কপি দরপত্রের সাথে অবশ্যই দাখিল করতে হবে। দরপত্র দাখিলের দিন কোন উৎসর্গ বিদ্যমান হইবে না।

১৮। সলি কন্সাল্ট্যান্ট খামে দরপত্র দাখিল করতে হবে এবং খামের উপরে "টেন্ডারের মাধ্যমে চালক্রয়/৯২" কথাগুলি সম্পূর্ণ স্পষ্টভাবে উল্লেখ করতে হবে। দরপত্র মহা-পরিচালক, খাদ্য, ১৬, আবদুল গনি রোড, ঢাকা এর কার্যালয়ে অথবা সেক্রেটারি জেলা খাদ্য নিয়ন্ত্রক এর কার্যালয়ে এবং জেলা খাদ্য নিয়ন্ত্রক, বগুড়া ও দিনাজপুরের কার্যালয়ে ৯-৯-৯২ ইং তারিখে বেলা ১ ঘটিকায় মধ্যে দাখিল করতে হবে।

১৯। জেলা খাদ্য নিয়ন্ত্রকের কার্যালয়ে প্রাপ্ত দরপত্র সমূহ গ্রহীত হওয়ার পর দরপত্র দাতাদের উপস্থিতিতে (যদি কেহ থাকে) জেলা খাদ্য নিয়ন্ত্রক সে গুলি খুলে একটি তালিকা প্রস্তুত করে দরপত্র সহ উক্ত তালিকা ঐদিন অথবা তার পরদিন খাদ্য অধিদপ্তরে বিশেষ দূত দ্বারা পাঠাবে। খাদ্য অধিদপ্তর প্রাপ্ত সমুদয় দরপত্র যাচাই ও পরীক্ষার পর সিদ্ধান্ত গ্রহণ করবে।

২০। দরপত্র বিক্রয়ি উৎসর্গ ইত্যাদির প্রতি প্রত্যয় দরপত্রদাতার স্থানীয় দরপত্র দাখিল করতে হবে।

২১। দরপত্র সমূহ যাচাই ও বাছাইয়ের পর খাদ্য অধিদপ্তর দরপত্র কমিটি সে গুলির উপর সিদ্ধান্ত গ্রহণ করবে। সর্বনিম্ন দরপত্রদাতা কার্যাদেশ প্রাপ্তির পর নির্ধারিত সময়ের মধ্যে চুক্তি সম্পাদন বাতিলে তার আবেদনমাত্রি বাজেয়াপ্ত করা হবে।

২২। চুক্তিবন্দী সরবরাহকারীগণকে এরূপ তথ্য চালের মূল্যের উপর প্রচলিত নিয়মে আয়ত্তর দিতে হবে।

২৩। দরপত্র কমিটি সর্বনিম্ন দরপত্র গ্রহণ করতে বাধ্য নয় এবং কমিটি যে কোন বা সর্বদা দরপত্র কোন কারন দর্শনোব্যক্তি রিফেই গ্রহণ অথবা বাতিল করার ক্ষমতা সংরক্ষণ করে।

অর্থ মন্ত্রণালয়
প্রজাতন্ত্রী সস্পদ বিভাগ
জাতীয় রাজস্ব বোর্ড
(আয়কর)

প্রজ্ঞাপন

ঢাকা, ১৭ই আষাঢ় ১৩৯৯/১৮শ জুলাই ১৯৯২

এম. আর. ও নং ১৭৭-আইন/৯২ - Income Tax Ordinance, 1984 (XXXVI of 1984) এর section 185 এ প্রদত্ত ক্ষমতাবলে জাতীয় রাজস্ব বোর্ড Income Tax Rules, 1984 এ নিম্নরূপ অধিকতর সংশোধন করিল, যা যা উক্ত section এর sub-section (4) এর বিধান মোতাবেক ইতিপূর্বে বাংলাদেশ গেজেটে প্রকাশ করা হইয়াছিল।

উপরি-উক্ত Rules এর -

(১) rule 16 এর Schedule এর পরিবর্তে নিম্নরূপ Schedule প্রতিস্থাপিত হইবে, যথা :-

THE SCHEDULE

Sl. No.	Amount of payments.	Rate of deduction of tax at the time of making payments.
1.	Where the payment does not exceed taka 2,00,000.	Nil
2.	Where the payment exceeds taka 2,00,000 but does not exceed taka 10,00,000.	1.5%
3.	Where the payment exceeds taka 10,00,000 but does not exceed taka 25,00,000.	2.5%
4.	Where the payment exceeds taka 25,00,000	3%";

(২) rule 17F এ "5 per cent" সংখ্যাটি ও শব্দগুলির পরিবর্তে "3 per cent," সংখ্যাটি ও শব্দগুলি প্রতিস্থাপিত হইবে :

APPENDIX "J"

WEEKLY NATIONAL PROCUREMENT REPORT
 IRRI/BORO RICE, PADDY, WHEAT & SALT
 FROM: 4/9/92 TO 10/9/92 (WEEK NO-10)

SL. NO.	DISTRICT	TARGET	PADDY PROC	RICE PROC	TOTAL PROCUREMENT INTERMS OF RICE		WHEAT	
					CW	CUM	TARGET	PROC
1	DINAJPUR	100000	0	0	0	94890	10000	0
2	THAKURGAON	40000	0	0	0	51741	6000	0
3	PANCHAGORH	5000	0	0	0	5018	1000	0
4	RANGPUR	25000	346	0	219	15912	7000	0
5	LALMONIRHAT	3000	0	0	0	2959	2000	0
6	NILPHAMARI	7000	0	0	0	6517	6000	0
7	KURIGRAM	3000	0	0	0	3860	6000	0
8	GAIBANDHA	18000	0	0	0	18317	8000	0
9	BOGRA	100000	160	0	101	89063	8000	0
10	JOYPURHAT	33000	0	0	0	35234	2500	0
11	RAJSHAHI	2000	0	0	0	1368	2000	0
12	NAWABGONJ	2500	459	27	318	2399	1000	0
13	NATORE	21000	0	0	0	17511	2000	0
14	NAOGAON	45000	0	0	0	37979	6000	0
15	PABNA	25000	0	0	0	41198	3000	0
16	SERAJGONJ	8000	0	0	0	9887	5000	0
			0					
	TOTAL RAJ DIVN	437500	965	27	638		75500	0
	CUMULATIVE:		683959	680		433854	70746	

Cont'd...Appendix-J

17	KUSHTIA	100	0	0	0	936	2000	0
18	CHUDANGA	200	0	0	0	1143	2000	0
19	MEHERPUR	100	0	0	0	12	1000	0
20	JESSORE	5000	0	0	0	3501	8000	0
21	JHENAI DAH	5000	0	0	0	5151	1000	0
22	MAGURA	1000	0	0	0	0	1000	0
23	NARAIL	100	0	0	0	0	1000	0
24	KHULNA	2500	0	0	0	4133	2000	0
25	STAKHIRA	5500	0	0	0	1227	3000	0
26	BAGERHAT	100	0	0	0	75	0	0
27	BARISAL	100	0	0	0	0	0	0
28	JHALAKATI	50	0	0	0	0	0	0
29	PIROJPUR	50	0	0	0	0	0	0
30	BHOLA	100	0	0	0	0	0	0
31	PATUAKHALI	50	0	0	0	0	0	0
32	BARGUNA	50	0	0	0	0	0	0
TOTAL KLN DIV.		2000	0	0	0		21000	0
CUMULATIVE:		19216		4008			16178	5022

Cont'd...Appendix-J

33	MYMENSINGH	14000	0	0	0	13137	200	0
34	NETRAKONA	10500	78	0	49	11800	50	0
35	KISHOREGONJ	2000	0	0	0	2669	50	0
36	JAMALPUR	300	0	0	0	1749	400	0
37	SHERPUR	1500	0	0	0	2602	200	0
38	TANGAIL	1000	0	0	0	1195	300	0
39	FARIDPUR	100	0	0	0	0	400	0
40	RAJBARI	50	0	0	0	1	200	0
41	MADARIPUR	100	0	0	0	0	0	0
42	GOPALGONJ	100	0	0	0	0	0	0
43	SARIATPUR	50	0	0	0	28	0	0
44	DHAKA	100	0	0	0	310	100	0
45	GAZIPUR	100	0	0	0	0	0	0
46	NARSINGDI	100	0	0	0	232	100	0
47	NARAYANGONJ	100	0	0	0	76	100	0
48	MUNSHIGONJ	400	0	0	0	509	200	0
49	MANIKGONJ	500	0	0	0	1373	200	0
TOTAL DHAKA DIV.		31000	78	0	49		2500	0
CUMULATIVE:			49652	4235		35681	863	

Cont'd...Appendix-J

50	SYLHET	100	0	0	0	2	0	0
51	MVI. BAZAR	100	0	0	0	28	0	0
52	HABIGONJ	100	0	0	0	48	0	0
53	SUNAMGONJ	9000	0	0	0	5884	0	0
54	COMILLA	700	0	0	0	0	500	0
55	B/BARI	100	0	0	0	2	300	0
56	CHANDPUR	50	0	0	0	0	100	0
57	NOAKHALI	50	0	0	0	0	0	0
58	LAXMIPUR	50	0	0	0	0	100	0
59	FENI	50	0	0	0	0	0	0
60	CHITTAGON	50	0	0	0	5748	0	0
61	COX'S BAZAR	50	0	0	0	1562	0	0
62	RANGAMATI	50	0	0	0	11	0	0
63	KHAGRACHARI	1000	0	0	0	0	0	0
64	BANDARBON	50	0	0	0	0	0	0
TOTAL CIG. DIV.		11500		0	0		1000	0
CUMULATIVE:			9434	7310			13285	0
G.TOTAL PROC		500000	1043	27	788		100000	0
CUMULATIVE:			762261	16233			498998	76631

APPENDIX "K"

WEEKLY NATIONAL FOOD SITUATION REPORT

FROM: 4/9/92 TO 10/9/92 (WEEK NO.10)

Form: Tha

(Figures in M.T.)

1. <u>Present Stock</u>	<u>Rice</u>	<u>Wheat</u>	<u>Total</u>
(a) In Godown	685132	375303	1060435
(b) Stock in Transit	31683	83435	115118
	-----	-----	-----
Total	716,815	458,738	1,175,553
NB: Floating stock in Ship	0	10,711	10,711
Oftake of this Week:	3,124	8,226	11,350
Cumulative Oftake of this Month:	4,049	10,605	14,654

2. Average Market price of Coarse Rice & Wheat (Taka. per K.G.)

	<u>Rice</u>	<u>Wheat</u>
Rajshahi Region	10.08	6.96
Khulna Region	10.51	7.29
Dhaka Region	10.44	7.11
Chittagong Region	10.88	7.00
	-----	-----
Country Average	10.48	7.09

3. Internal procurement Position: Paddy

	<u>Rice</u>	<u>Wheat</u>	<u>Salt</u>
Rajshahi Region	965	27	0
Khulna Region	0	0	0
Dhaka Region	78	0	0
Chittagong Region	0	0	0
	-----	-----	-----
Weekending Procurement Total	1043	27	0
	-----	-----	-----

<u>Crops</u>	<u>Target</u>	<u>Paddy</u>	<u>Rice</u>	<u>Total interms of Rice</u>	<u>Wheat</u>	<u>Salt</u>	<u>Remarks</u>
Aman 1991/92	550000	509469	23402	363048	-		From 15th November '91 to 30/4/92
Irri/Boro 1992	500000	762261	16233	498998	-		From 15th April'92 to 10/9/92
Wheat 1992	10000	-	-				From 15th March'92 31/8/92

Source: MIS, DGF, Ministry of Food.

-180-

-82-