

**STATUTORY RATIONING:
PERFORMANCE AND PROSPECTS**

by

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ACRONYMS

DGF	-	Directorate General of Food
FPMU	-	Food Planning and Monitoring Unit
GDP	-	gross domestic product
IFPRI	-	International Food Policy Research Institute
MOF	-	Ministry of Food
OMS	-	Open Market Sales
PFDS	-	Public Food Distribution System
SR	-	Statutory Rationing
TRO	-	Town Rationing Officer
USAID	-	United States Agency for International Development
VGD	-	Vulnerable Group Development
WFP	-	World Food Programme

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1. Summary

In response to the Great Bengal Famine of 1943, the Governor of East Bengal instituted an urban area rationing system from 1956 onward. At independence, Bangladesh continued this urban ration system under the name of Statutory Rationing (SR). Until 1974, they issued ration cards to all inhabitants of the four principal cities of Bangladesh - Dhaka, Chittagong, Khulna and Rajshahi. The system continues to operate in 1992, although, with few exceptions, no new ration cards have been issued since 1974.

Under this system, card holders are entitled to purchase a weekly ration of staples at what was originally a subsidized ration price. The number of commodities available through the urban rationing system has declined over the years. Today, wheat and small amounts of oil are the principal commodities available. The volume of ration purchases by cardholders has declined steadily over the past two decades, as general food policy reforms have gradually eroded the subsidy implicit in the ration price.

Based on an IFPRI/FPMU survey conducted in June of 1992, this paper reports the following principal findings:

- Current SR cardholders are middle and upper income groups, not recent migrants or the urban poor.
- Cardholders lift less than 5% of their allotted ration.
- Over 95% of all foodgrains lifted under the SR scheme are leaked by dealers onto the open market at market price.

This study concludes that Statutory Rationing has outlived its usefulness. It does not aim to benefit the needy. Even its intended target, the urban middle class, does not benefit from the rations. Only dealers, who are able to dummy records and lift on behalf of cardholders, gain from the system by reselling the high quality wheat and oil at market prices when price spreads permit.

Statutory Rationing, to the extent it operates at all, functions purely as an open market sales outlet. Dealers sell virtually all offtake on the open market at market price. The discontinuation of Statutory Rationing, with its commodities folded into government's Open Market Sales operation, would result in savings to government without any loss to consumers.

2. Overview of Statutory Rationing

At the end of World War II, following close on the heels of the great famine of 1943, the Governor of East Bengal instituted an urban rationing system to ensure foodgrain supply to its principal cities. A successor to wartime military rationing, the new civilian ration system aimed to avoid the dislocations of wartime supply ruptures so vividly etched in the collective self-consciousness of Bengal.

This urban rationing system allotted weekly rations of 2.8 kilograms of foodgrains to each adult resident, with a half ration for children. Urban residents received ration cards which allowed them to collect their ration from authorized dealers, at a controlled price. The ration entitlement of foodgrains remained largely unchanged for two and a half decades (Table 1). Not until the 1980's did the ration begin to fall, mainly via reduction in the rice allocation. Then, during the acute government wheat shortage of early 1992, government cut the remaining wheat ration substantially as well, in an effort to conserve then-scarce government wheat stocks.¹

In the early days of the urban rationing system, government also supplied many nonfoodgrain commodities for the convenience of urban consumers. In addition to foodgrains, the ration shops sold oil, sugar, salt, butter oil, and even baby food.

At independence, the government of Bangladesh retained the urban rationing system, which they renamed "Statutory Rationing." They issued large numbers of new cards during the 1974 famine, but largely ceased issuance thereafter. With the major exception of Ration Zone 3 in Rajshahi, introduced with the expansion of its municipal boundaries in 1989, ration cards remain available to civil servants and 20-year urban residents, but not new immigrants.

After peaking in the 1970's, distribution of foodgrains through Statutory Rationing has declined steadily, falling to near zero in 1993 (Figure 1). This greatly diminished lifting of allotted rations closely parallels the gradual

¹This shortage seems ironic 12 months later, in early 1993, when large government foodgrain stocks and supply disposal have become the problem of the day.

reduction in price subsidy (Figure 2). The share of Statutory Rationing in the overall Public Food Distribution System has also declined (Table 2). Yet given that government has begun wringing the price subsidies² from other monetized ration channels as well, the SR share in monetized channels³ has not fallen as fast.

Nonfoodgrain allocations have diminished as well (Table 3). In particular, the range of ration commodities has declined substantially. By 1992, a substantially reduced wheat ration of 0.75 kg per week and a twice-yearly allocation of highly subsidized oil at Eid Holidays remained the only Statutory Rations of any appreciable size.

Against this background, IFPRI and FPMU launched a collaborative investigation, in May and June of 1992, to assess performance of the Statutory Rationing system. Presented in seminar form much earlier, in July 1992, this report aims to summarize the principal findings of that field study in order to document the results and conserve them for easy reference. They form part of the record and the rationale for the ongoing food policy reforms.

²The Essential Priorities, rations to the army and police, remain the principal exception. They continue to receive approximately 80% subsidy on their foodgrain rations.

³Government and most observers distinguish two principal categories of distribution from public foodgrain stocks. First are the monetized channels - Statutory Rationing, Palti Rationing, Essential Priorities, Other Priorities, Large Employers, Flour Millers, Atta Chakki's, and Open Market Sales. The monetized channels involve cash sale of public foodgrains to consumers or flour millers. Some of these channels are subsidized, other not. But all monetized channels require some cash payment from the purchasers. Nonmonetized channels, in contrast, do not. Instead, they distribute commodities for free - as with VGD, Test Relief, Gratuitous Relief - or in exchange for work performed - as with Food for Work.

3. Performance

WHO ARE THE BENEFICIARIES?

Statutory Rationing (SR) operates in the principal cities of Bangladesh - Dhaka, Chittagong, Khulna, Rajshahi, and Narayanganj, a nearby suburb of Dhaka. In addition, SR operates on a very small scale in the Chittagong Hill track town of Rangamati. Dhaka, however, dominates the ration entitlements, garnering over half of the available 3 million ration units (Table 4).

In addition to individual cardholders, Statutory Rationing issues about 300 permits to institutions such as student hostels, hospitals, orphanages, bakeries, hotels, restaurants and canteens. Operating primarily in Dhaka, these institutional permit holders lay claim to only about 2.5% of total SR ration allotments.

Households holding the the remaining 97% of SR allotments emerge as the principal potential beneficiaries of the Statutory Rationing system. These cardholders turn out to be middle-income urban residents. Their average household income of 8,500 taka per month places them above the 5,100 average for urban households⁴ (Figure 3). Because ration cards were last issued in the mid-1970's⁵, most cardholders are long-time urban residents rather than recent immigrants; the average cardholder has held his SR card for twenty years (Table 5). As prior studies of Statutory Rationing have noted, the non-issuance of new cards precludes access to SR rations by the very poorest recent immigrants to the large cities (FPMU, 1992; Chowdhury, 1988). Hence the staunchly middle-class profile of SR card holders. Over half own televisions and two-thirds own their own home (Table 5).

⁴Urban average calculated from Bangladesh Bureau of Statistics (BBS) Household Expenditure Survey, 1988-89. The BBS urban average of 4,223 has been inflated by 20% - the cumulative rate of change in the GDP deflator - to take account of inflation between 1989 and 1992.

⁵The exceptions include civil servants who have been transferred and residents of Ration Area 3 in Rajshahi who received ration cards in 1989 with the expansion of municipal boundaries.

IMPACT ON CARD HOLDERS

In 1992, cardholders rarely bothered to lift their rations. Less than 10% lifted monthly. Nearly half never lifted at all (Table 6). Probing with respondents indicates that even the 44% who lift sporadically (less than once a month) do so almost exclusively to collect their Eid Holiday ration of vegetable oil at 50% discount over the market price.⁶

Cardholders offer several explanations for their non-lifting (Table 6). The virtual cessation of lifting in 1993 suggests that the high ration price for foodgrains⁷ - now about 15% above the market price - is primarily responsible for rendering SR moribund.

IMPACT ON MARKET

Although ration card holders do not lift their ration, dealers routinely lift in their stead. As residents moved away or simply failed to renew their ration card over the years, dealers and food officials simply issued fraudulent cards and continued to draw rations in place of the beneficiary. In 1992, leakage from Statutory Rationing stood at 97% for wheat (Table 7).⁸ Oil, because of the steep price subsidy, attracted the most cardholder lifting, consequently leakage there was lowest - at 84% (Table 8).

⁶The only commodity with any appreciable price subsidy, soybean oil is sold at 22 taka per liter through the Statutory Ration shops compared to 40 taka on the open market.

⁷The SR foodgrain offtake price is tied to a fixed 15% mark-up over government procurement price. This formula prevents excessively costly government subsidy of both consumers and farmers. Given the exceptionally high procurement price this season - rice procurement price at harvest time stood approximately 80% above market price and wheat about 50% higher - the resulting SR offtake price is far higher than the market price (Figure 2). Hence the cardholders preference for simply purchasing more cheaply on the open market.

⁸Measured leakage ranges somewhere between 94% and 99%. The most optimistic interpretation of the survey data yield a 94% leakage estimate. But 97% represents the authors' best guess as to actual leakage. See Appendix Tables A.5 and A.6 for details.

Virtually all SR commodities end up sold on the open market by SR dealers at market price. To the extent it operates at all, Statutory Rationing functions purely as an open market sales outlet. It's impact on the market is simply that of an OMS sales.

In the early 1990's, when it operated fully, Statutory Rationing accounted for a substantial share of urban wheat consumption. As late as 1990/91, it supplied in the range of 20% of urban wheat consumed and about 10% of total national consumption.⁹ The urban share fell to around 5% in 1992/93 and stands near zero in 1993 as the recent steep fall in market foodgrain prices has rendered the ration price unenticing.

Translating from quantities to impact on price market price is difficult for several reasons. Because rural and urban wheat markets are connected, SR offtake must probably be taken as affecting national rather than simply urban prices. In addition, because of recent liberalization in private wheat import, government sales at near market price may simply substitute for private imports. Projecting the net effect of SR on wheat quantity sold, and the consequent impact on price, will require information on trader response to government import and sales. That response pattern is only just emerging. What is clear today is that zero SR offtake has zero impact on the market price of wheat.

DEALER INCENTIVES

Even with low average price spreads, dealers could still make money lifting SR rations during 1992. By lifting only the high quality wheat from the godowns during the months when market prices peaked, dealers could earn a modest income by lifting SR rations on behalf of cardholder and reselling commodities on the open market. The large oil price subsidy accounted for about 20% of their income, in spite of the small volume available (Table 9). The local press - corroborating the survey's large leakage estimates for oil - reported that ration dealers diverted over 80 million taka worth of ration

⁹Rural-urban breakdowns of wheat consumption are difficult to construct with any accuracy. Although household consumption data catalog direct household purchases of "wheat," they do not isolate prepared wheat derivatives such as bread and chappati. A wheat market review under way by IFPRI suggests that total urban wheat consumption lies in the range of 1.1 million metric tons per year, about 50% of total national use.

system cooking oil to the black market in March of 1992, just before Ramazan (Courrier, May 8-14, 1992).

One year later, in mid-1993, even dealers cannot make money lifting fraudulent rations. The market price is too low and the official government ration price - inextricably bound to an artificially high procurement price - is simply too high. Dealer incentives have evaporated. Hence an anticipated SR offtake of essentially zero for 1993/94 (World Food Programme, 1993).

COST TO GOVERNMENT

What does it cost government to run the Statutory Rationing system? When it functioned fully, in the late 1980's, annual operating costs attained approximately 25 crore taka (\$6.6 million). Total cost, which subtracts the slight trading gain earned by selling at a price in excess of purchase cost, stood at 18 crore taka (\$4.8 million) (Annex Tables A.8 and A.9).

In 1993, with a virtual cessation of lifting, government bears only the fixed costs of Town Ration Officers. Ongoing reforms in the Directorate General of Food anticipate striking these posts from the government rolls. Once this happens, Statutory Rationing will be essentially nonfunctional, although it will require an act of Parliament to abolish it formally. Formerly substantial, the future costs of this dying program are approaching zero.

4. Prospects for the Future

PERCEPTIONS

Ration card holders, permit holders and dealers are all displeased with the Statutory Rationing system (Table 10). Dealers long for the old days when they enjoyed access to a broad range of commodities to sell at steep discount. Cardholders, who requested lower prices in 1992, received them via the private market in 1993. For them, Statutory Rationing holds no attraction.

POVERTY ALLEVIATION

The urban poor have no stake in the present urban rationing system. Mainly recent immigrants, they receive no benefit from the system, even in years when it operates. Poverty alleviation has never been an objective or an output of the Statutory Rationing system.

The need for a multitude of government ration channels in urban areas has greatly diminished over the past three decades. The food markets of Bangladesh are far different in 1993 than they were half a century ago during and after the great famine of Bengal. No rice wholesale market operated in Dhaka when government instituted Statutory Rationing in 1956. Not until 1968 did six traders initiate the capital city's principal rice wholesale market at Badamtoli. Today, over 300 wholesalers operate there in its prime river front location. And rival wholesale markets have emerged in Mohammedpur, Savar and Nayaranganj. Formerly thin private foodgrain markets are now thickly traded and well able to supply urban markets with competitively priced foodgrains. In the event they are not, government Open Market Sales (OMS) sales would serve the same purpose as SR with far less manpower, paperwork and opportunity for corruption.

To the extent it does operate, SR functions purely as an Open Market Sales (OMS) outlet. Dealers sell rations on the open market, at market price, whenever price spreads permit. Diverted in this way, over 95% of its foodgrain offtake reaches the open market at market price.

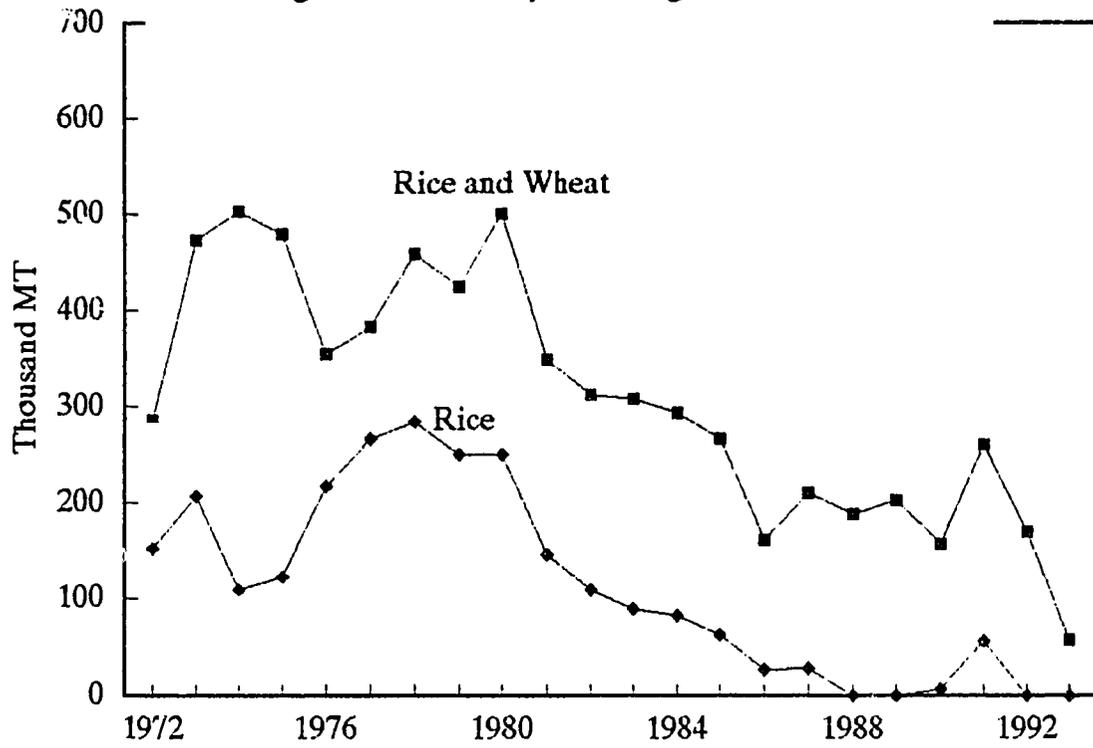
Conversely, OMS serves the same objectives as Statutory Rationing. If the purpose of Statutory Rationing is to

assure urban supply of basic foodstuffs, then equivalent OMS offtake will suffice.

Urban consumers, likewise, see no practical difference between OMS and Statutory Rationing. SR affects non-cardholders only to the extent it depresses urban prices. Even cardholders, who collect a mere 2% of their wheat ration, enjoy primarily this modest, indirect price benefit.

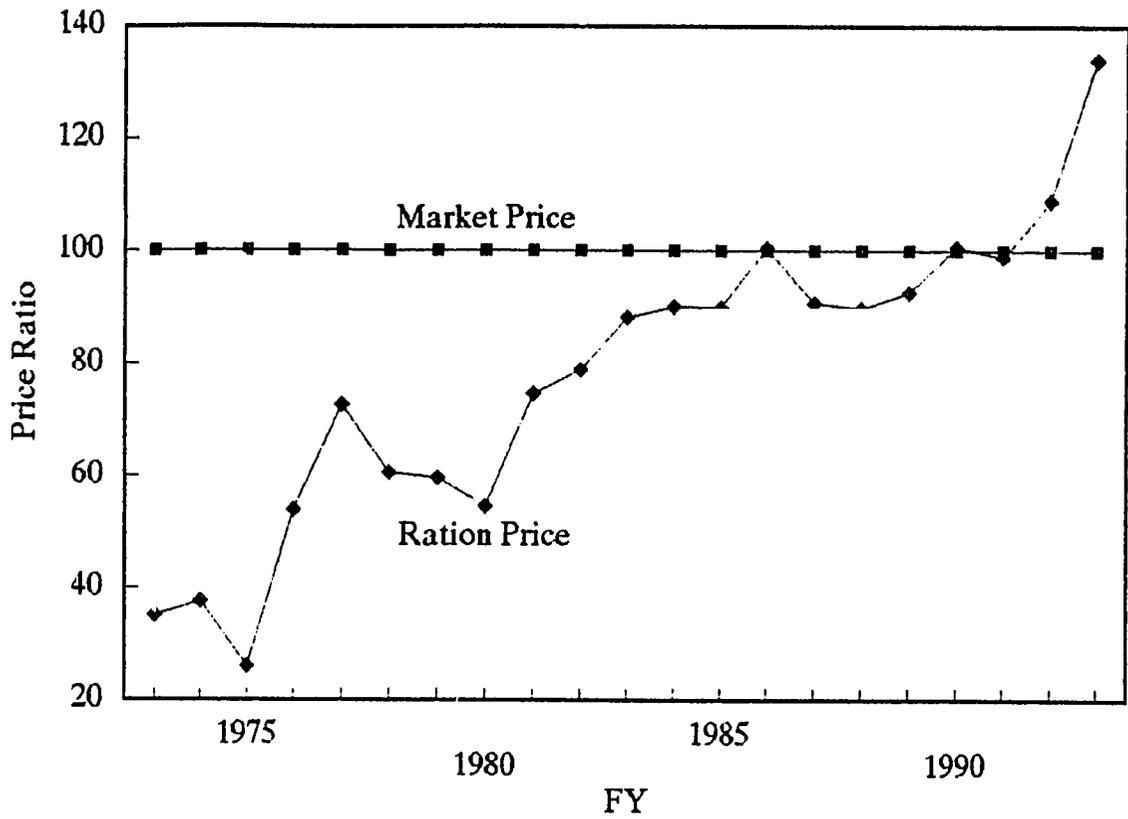
In both impact and objective, the Statutory Rationing system has converged on government's Open Market Sales (OMS). The formal dissolution of Statutory Rationing and channeling of its remaining urban sales through OMS would serve as a logical culmination in the evolution of this venerable urban ration channel.

Figure 1— Statutory Rationing Offtake Over Time

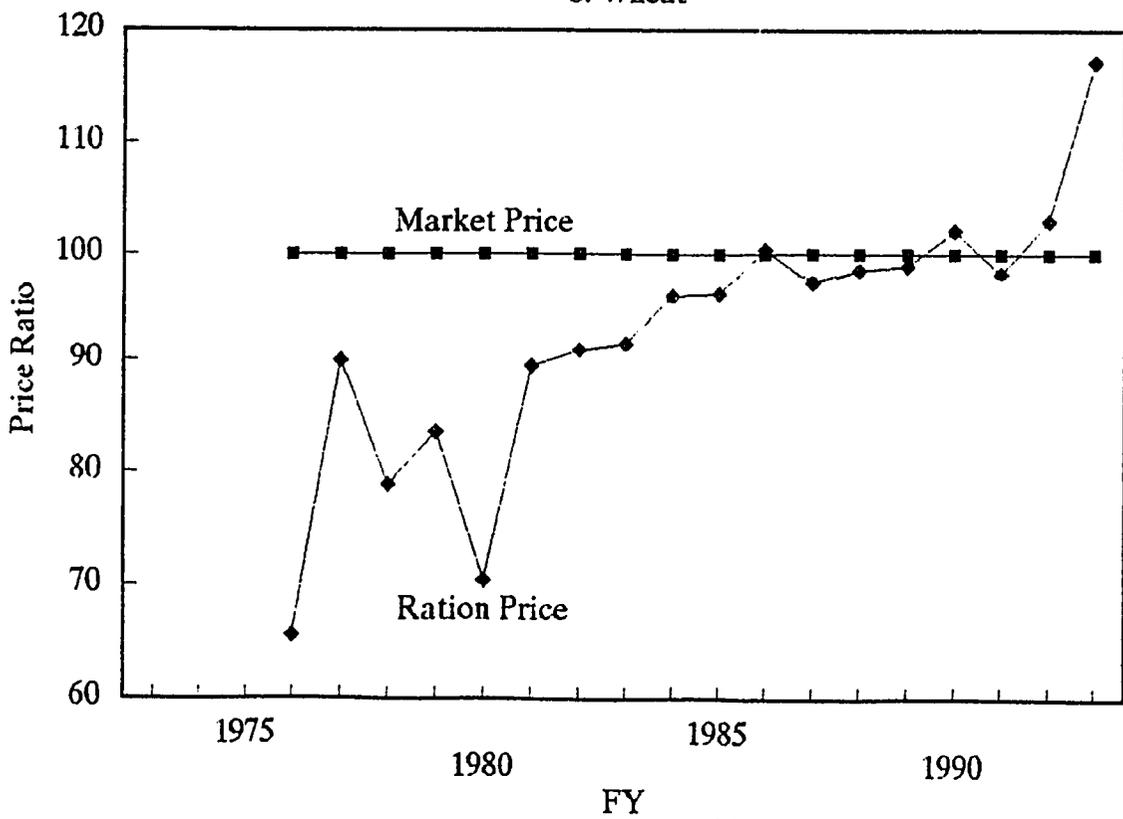


Source: Annex Table A.1

Figure 2—Trends in Ration Price of Foodgrains
a. Rice

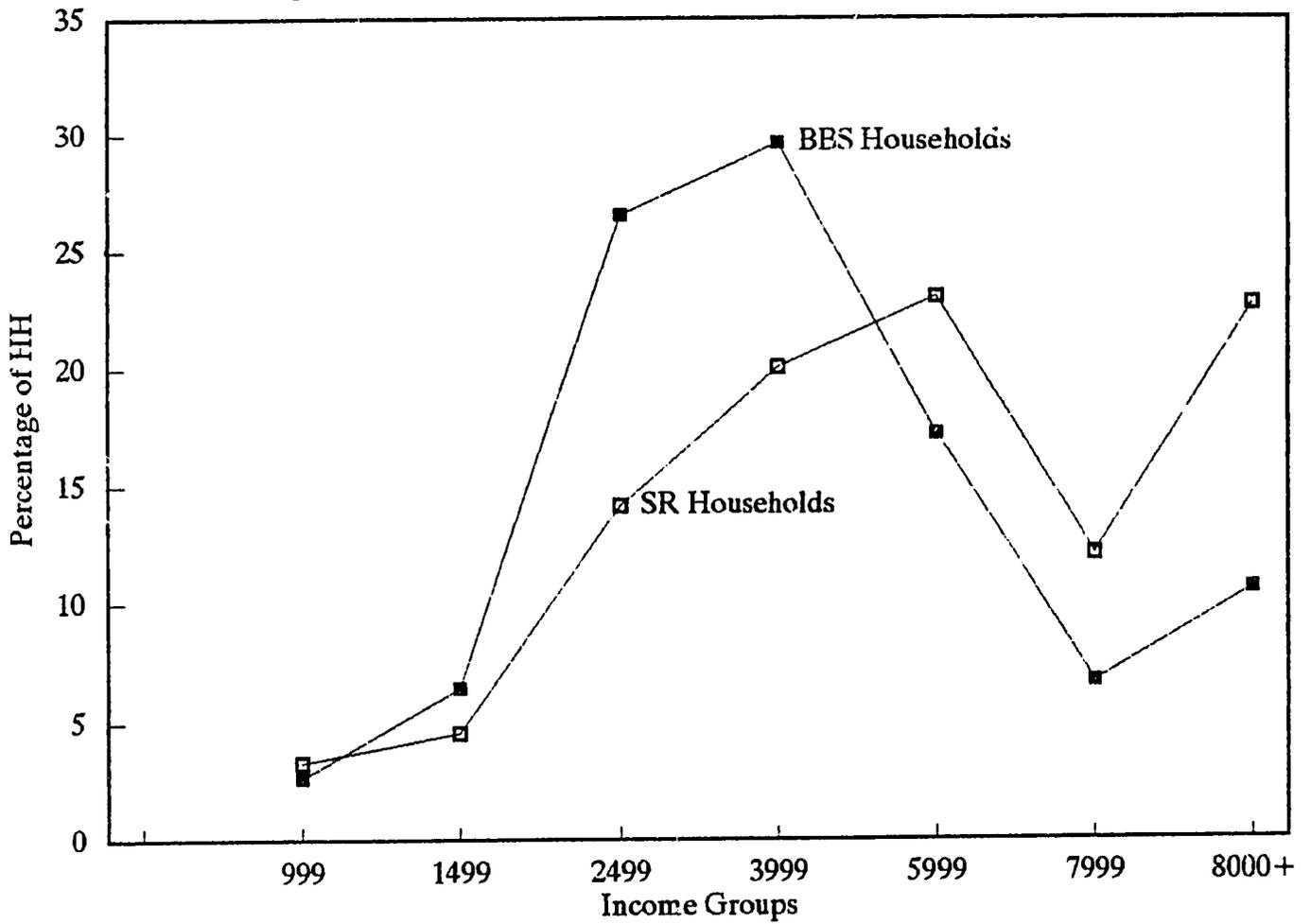


b. Wheat



Source: Table A 2

Figure 3— Income Distribution of Statutory Rationing Cardholders



Source: Tab

Table 1 — Foodgrain Rations Entitlements under Statutory Rationing, 1956 to 1992

Period	Rice	Wheat	Total
	(Kg per Adult per Week)		
1956 to Mar. 18, 1973	1.4	1.4	2.8
Mar. 19, 1973 to Feb. 23, 1975	0.7	2.1	2.8
Feb. 24, 1975 to Sep. 5, 1975	1.2	1.2	2.3
Sep. 6, 1975 to Aug. 31, 1976	1.4	0.9	2.3
Sep. 1, 1976 to Oct. 15, 1976	1.9	0.9	2.8
Oct. 16, 1976 to Mar. 4, 1977	2.3	1.4	3.7
Mar. 5, 1977 to Dec. 2, 1977	1.9	0.9	2.8
Dec. 2, 1977 to May 2, 1980	1.4	1.4	2.8
May 3, 1980 to Jan. 2, 1981	0.9	1.9	2.8
Jan. 3, 1981 to Dec. 11, 1981	0.7	1.6	2.3
Dec. 12, 1981 to May 19, 1985	0.5	1.4	1.9
May 20, 1985 to July 1985	1	1	2
August 1985 to December 1986	0.5	1.5	2
January 1987 to Feb. 17, 1992	0	1.5	1.5
Feb. 17 1992 onward	0	0.75	0.75

Source: Khalil (1991).

Table 2 — Share of Statutory Rationing in the Public Food Distribution System

Year	Statutory Rationing Share in Total PFDS Offtake			Statutory Rationing Share in All Monetized Channels		
	Rice	Wheat	Total	Rice	Wheat	Total
1971/72	20.9%	12.9%	16.2%	26.4%	17.5%	22.5%
1972/73	48.2%	11.9%	17.8%	49.8%	13.1%	20.3%
1973/74	86.9%	24.1%	28.6%	86.9%	24.9%	32.4%
1974/75	66.7%	22.3%	26.8%	68.0%	24.7%	32.1%
1975/76	42.6%	11.7%	21.0%	42.6%	14.4%	27.4%
1976/77	33.4%	16.6%	25.6%	35.7%	21.2%	34.0%
1977/78	46.9%	13.7%	24.4%	47.4%	17.6%	33.5%
1978/79	43.7%	13.9%	23.2%	43.9%	17.5%	27.1%
1979/80	35.6%	14.3%	20.5%	36.0%	20.1%	25.8%
1980/81	28.3%	19.3%	22.2%	32.5%	28.4%	30.0%
1981/82	14.2%	15.7%	15.1%	15.7%	21.9%	19.2%
1982/83	17.8%	15.2%	15.9%	18.0%	23.1%	21.4%
1983/84	16.2%	13.7%	14.3%	17.3%	20.8%	19.7%
1984/85	15.6%	9.4%	10.4%	15.9%	16.2%	16.1%
1985/86	9.8%	12.9%	12.3%	15.3%	26.2%	23.5%
1986/87	5.5%	11.4%	10.0%	5.9%	19.9%	16.8%
1987/88	0.0%	11.4%	9.3%	0.0%	24.1%	17.9%
1988/89	0.0%	9.0%	6.9%	0.0%	20.3%	14.5%
1989/90	1.0%	9.8%	7.0%	1.2%	18.2%	12.9%
1990/91	5.7%	14.6%	11.0%	7.6%	25.8%	17.1%
1991/92	0.0%	10.7%	7.2%	0.0%	22.5%	11.9%
1992/93	0.0%	9.4%	5.2%	0.0%	16.2%	12.3%

Source: Directorate General of Food, through 1989/90
World Food Programme, 1990/91 to 1992/93.

Table 3 — Nonfoodgrain Offtake from Statutory Rationing

Year	Sugar	Salt	Edible Oil	Butter Oil
1978/79	45,389	14,382	24,175	-
1979/80	47,196	10,637	12,760	2,148
1980/81	-	-	-	-
1981/82	-	-	-	-
1982/83	-	-	-	-
1983/84	-	-	-	-
1984/85	-	-	-	-
1985/86	44,404	72	543	224
1986/87	39,999	181	0	0
1987/88	39,816	1,930	1,815	589
1988/89	33,652	157	2,648	0
1989/90	23,211	313	3,143	0
1990/91	5,092	501	540	0
1991/92	461	60	1,696	0

Note: Data from the early 1980's are not available.

Source: Ministry of Food. See Annex Table A.2.

**Table 4 — Geographic Distribution of Statutory Rationing,
March 1992**

Rationing Area	Ration units*		No. of Ration Dealers	DG Food employees with SR
	Number	Percent		
Dhaka	1,838,174	56%	888	192
Chittagong	422,977	13%	198	101
Narayangonj	231,789	7%	121	60
Khulna	473,865	14%	298	101
Rajshahi	298,478	9%	176	47
Rangamati	30,822	1%	19	29
Total	3,296,104	100%	1,700	530

* Adult equivalents. Adults receive a full ration quota, while minors receive one-half of the adult ration.

Source: Directorate General of Food.

Table 5 — A Profile of Statutory Rationing Cardholders

Average Cardholder	
Household income	7,400 take per month
Asset Ownership	
television	53%
home ownership	77%
own rental property	28%
Card held for	20 years

Source: IFPRI/FPMU Statutory Rationing field survey.

Table 6 — Frequency of Lifting Statutory Ration

	Household Cardholders	Institutional Permit Holders
Frequency of lifting statutory ration		
weekly	3%	21%
fortnightly	3%	4%
monthly	3%	4%
less than once a month	44%	29%
no lifting, July 1991 - April 1992	47%	39%
total	<u>100%</u>	<u>100%</u>
If not lifted weekly, why not?		
dealer has no stock available	41%	29%
price savings too small	35%	32%
quality of ration poor	21%	11%
ration shop too far	1%	0%
other	2%	25%
total	<u>100%</u>	<u>100%</u>

Source: IFPRI/FPMU Statutory Rationing field survey.

Table 7 — Leakages in Statutory Rationing Distribution of wheat, by City
(for the period from July 1991 through April 1992)

City	Source of Leakage		Total Leakage
	Fraudulent Cards*	Beneficiary does not receive full ration lifted by dealers**	
<u>Household Cardholders</u>			
Dhaka	64%	91%	97%
Chittagong	61%	97%	99%
Khulna	69%	93%	98%
Rajshahi	52%	99%	99%
total cardholders	63%	94%	98%
<u>Institutional Permit Holders</u>			
	-	-	68%
<u>Total System</u>			
	-	-	97%

* Best guess estimate from Annex Table A.5.

** Column lists percent of wheat lifted by dealer what is not received by the card holder.

Table 8 — Leakage in Statutory Rationing, by Commodity

	Wheat	Oil	Sugar	Salt
SR offtake (tons)	169,000	540	5,092	501
Household cardholder leakage				
fraudulent cards*	63%	63%	63%	63%
beneficiary does not receive full ration lifted by dealers**	94%	61%	83%	99%
total leakage	98%	86%	94%	99%
Permit holder leakage	68%	10%	0%	0%
Total system leakage***	97%	84%	92%	97%

* Best guess estimate from Annex Table A.5.

** Percent of wheat lifted by dealer what is not received by the card holder.

*** Weighted according to ration units, 97.5% with beneficiaries and 2.5% with permit holders.

Table 9. Cost and Returns to Statutory Rationing Dealers

<u>1. Cost Items</u>	<u>Average monthly costs.</u>
Salary	855
Rent	734
Carrying	650
Other	342
Weighing	167
Conveyance	152
Loading	102
Unloading	77
Stationaries	55

Total:	3,133 Tk./month
<u>2. Wheat Revenues:</u>	
a) leaked wheat	
- quantity = $9,289 \times .98 = 9,104$ Kg/month	
- market price - ex-godown price = $7.39 - 6.84 = .55$ Tk/Kg	
- net revenue =	<u>5,007 Tk/month</u>
b) Ration shop sale	
- quantity = $9,289 \times .02 = 186$ Kg/month	
- commission = $7.00 - 6.84 = .16$	
- net revenue =	<u>30 Tk/month</u>
<u>3. Oil Revenues:</u>	
a) Leaked oil	
- quantity = $83.4 \times .88 = 73.3$ Kg/month	
- market price - ex-godown price = $38 - 20.62 = 17.38$	
- net revenue =	<u>1,274 Tk/ month</u>
b) Ration shop sale	
- quantity = $83.4 \times .12 = 10$ Kg/month	
- commission = $22 - 20.62 = 1.38$	
- net revenue =	<u>14 Tk/month</u>
<u>4. Bag Sales Revenue</u>	<u>834 Tk/month</u>
<u>5. Total Revenue</u>	<u>7,159 Tk/month</u>

Table 10 — Perceptions of Statutory Rationing

	Household Card Holders	Institutional Permit Holders	Dealers
1. How well does the SR system work?			
not at all	71%	46%	41%
poorly	26%	36%	50%
works well	1%	11%	5%
other	2%	7%	4%
Total	100%	100%	100%
2. How could it be improved?			
lower ration price	32%	29%	14%
ensure regular supply	17%	18%	0%
increase range of commodities offered	15%	21%	68%
improve quality of ration	15%	14%	5%
increase inspections	10%	0%	5%
abolish the system	2%	4%	0%
transfer to OMS	2%	0%	0%
update beneficiary cards	1%	0%	5%
target the poor	1%	0%	3%
other	5%	14%	0%
Total	100%	100%	100%

Source: IFPRI/FPMU field survey of Statutory Rationing.

ANNEX A.
SUPPLEMENTARY TABLES

Table A.1 -- Yearly Offtake of Foodgrains through Statutory Rationing
1971/72 through 1992/93

Year	Rice (tons)	Wheat (tons)	Total Foodgrain
1971/72	151,685	133,422	285,107
1972/73	206,656	265,603	472,259
1973/74	108,800	393,355	502,155
1974/75	121,868	356,706	478,575
1975/76	216,076	137,657	353,733
1976/77	266,794	116,045	382,840
1977/78	284,175	174,051	458,226
1978/79	249,672	174,152	423,823
1979/80	249,971	249,398	499,368
1980/81	145,609	202,686	348,295
1981/82	109,077	203,354	312,431
1982/83	88,189	219,413	307,602
1983/84	81,375	211,843	293,218
1984/85	62,406	203,609	266,015
1985/86	26,017	134,485	160,502
1986/87	27,065	182,962	210,027
1987/88	0	187,752	187,752
1988/89	0	201,904	201,904
1989/90	6,679	149,743	156,422
1990/91	55,000	205,000	260,000
1991/92	0	169,000	169,000
1992/93	0	56,000	56,000

Source: 1971/72 to 1989/90 from DG Food;
1990/91 onwards from WFP.

Table A.2 -- Nonfoodgrain Offtake from the Public Food Distribution System

Year	Sugar (tons)		Salt (tons)		Edible Oil (liters)		Butter Oil (liters)	
	Total	SR	Total	SR	Total	SR	Total	SR
1971/72								
1972/73	76,225		3,034		60,903		0	
1973/74	85,508		9,733		15,598		0	
1974/75	63,180		43,210		18,596		1,022	
1975/76	72,342		24,831		26,223		2,262	
1976/77	73,884		24,250		46,708		2,822	
1977/78	84,265		58,859		32,896		8,415	
1978/79	82,960	45,389	83,951	14,382	45,577	24,175	0	
1979/80	83,133	47,196	62,142	10,637	23,604	12,760	2,233	2,148
1980/81	71,081		109,523		17,781		2,623	
1981/82	72,882		56,304		32,139		1,979	
1982/83	124,553		0		12,058		3,886	
1983/84	77,013		0		23,022		4,820	
1984/85	34,545		1,614		15,152		2,018	
1985/86	70,421	44,404	5,470	72	9,773	543	420	224
1986/87	63,358	39,999	7,413	181	218	0	0	0
1987/88	58,101	39,816	25,589	1,930	12,853	1,815	1,333	589
1988/89	52,430	33,652	13,250	157	13,748	2,648	0	0
1989/90	37,344	23,211	18,107	313	14,822	3,143	0	0
1990/91	16,119	5,092	36,211	501	11,959	540	0	0
1991/92	4,796	461	21,531	60	10,493	1,696	0	0

Source: Ministry of Food.

Table A.3 -- Trends in Ration and Domestic Foodgrain Prices

Year	Rice		Wheat	
	Ration Price	Retail Price*	Ration Price	Retail Price*
1973	80	228	-	-
1974	113	300	-	-
1975	161	619	-	-
1976	196	364	158	241
1977	241	332	188	209
1978	255	421	201	255
1979	273	458	217	260
1980	330	606	249	354
1981	383	514	297	332
1982	445	565	322	354
1983	549	624	375	410
1984	603	670	402	418
1985	673	750	426	442
1986	729	726	474	472
1987	774	855	514	528
1988	823	919	539	547
1989	871	941	565	571
1990	941	935	611	598
1991	1000	1010	651	662
1992	1125	1033	718	696
1993	1150	858	750	640

* Average national minimum price.

Source: Khalil (1991); and World Food Programme (1993).

Table A.4 -- Income Distribution of Statutory Ration Cardholders

Income Group		SR Survey		HH Expenditure
HES	Adjusted*	No. HH	% of HH	Survey, BBS % of HH
999	1199	21	3.30	2.67
1499	1799	29	4.55	6.47
2499	2999	90	14.13	26.56
3999	4799	128	20.09	29.66
5999	7199	147	23.08	17.27
7999	9599	77	12.09	6.74
8000+	9600+	145	22.76	10.64
All Groups	All Groups	637	100	100

* Adjusted for 20% inflation between 1988/89 and 1991/92.

Source: IFPRI-FPMU Statutory Rationing 1992; BBS (1991).

Table A.5 -- Fraudulent Beneficiary Cards, by City

City	Of beneficiaries tracked from dealers' lists				Total
	Cardholder interviewed	Cardholder unknown	Cardholder moved	Fictitious address	
Tracer survey findings					
Dhaka	23	35	31	12	100
Rajshahi	35	64	1	0	100
Chittagong	31	17	24	28	100
Khulna	14	68	17	1	100
average*	24	40	25	11	100
System-wide estimate of fraudulent cards					
low estimate	0	0	0	11	11
high estimate	0	40	25	11	76
best guess**	0	32	20	11	63
City-specific best guess estimate of fraudulent cards					
Dhaka	0	28	24	12	64
Rajshahi	0	51	1	0	52
Chittagong	0	14	19	28	61
Khulna	0	54	14	1	69
average*	0	32	20	11	63

* Weighted by each city's share of total ration units.

** Presumes 20% of unknown and moved beneficiaries have simply moved to a new location and are lifting their ration from a different dealer. Therefore, only 80% of the unknown and moved are taken as fraudulent. Survey results suggest this 20% discounting is optimistic.

Table A.6-- High and Low Estimates of Wheat Leakage from Statutory Rationing Cardholders

	Fraudulent Cards	Non-lifting by beneficiary	Total Leakage
minimum	11.0%	94.0%	94.7%
maximum	76.0%	94.0%	98.6%
best guess	63.0%	94.0%	97.8%

Source: Annex Table A.5.

**Table A.7 — Permit Holders Lifting and Leakage Under
Statutory Rationing**
(for the period from July 1, 1991 to April 30, 1992)

	Wheat	Oil	Sugar	Salt
Percent of permit holders who lifted any ration	25%	21%	21%	4%
Average quantity lifted (kg)				
by permit holder	514	7	48	2
by dealer	1,623	7	48	2
Leakage	68.3%	0%	0%	0%

Source: IFPRI/FPMU Statutory Rationing field survey.

**Table A.8 — Administrative Cost of Statutory Rationing
1985/86 to 1989/90**

	(Million Taka)				
	1985/86	1986/87	1987/88	1988/89	1989/90
<u>Rice:</u>					
Administrative	4.5	4.7	0.0	0.0	1.2
Movement and storage	23.3	31.7	32.5	34.9	25.9
Interest	6.7	7.0	0.0	0.0	1.7
Sub-Total	34.5	43.4	32.5	34.9	28.8
<u>Wheat:</u>					
Administrative	21.8	29.6	30.4	32.7	24.3
Movement and storage	102.6	139.6	143.3	154.1	114.3
Interest	62.0	84.3	86.6	93.1	69.0
Sub-Total	186.4	253.5	260.3	279.9	207.6
Grand Total:	220.9	296.9	292.8	314.8	236.4

Source: Ahmed, Ahmed, Chowdhury, Donovan, Farid, Nabi & Naved (1991)

**Table A.9 — Estimated Total Cost of Statutory Rationing in
1991/92**

1. Administrative cost

169,000 tons @ 1,500 taka/ton = 253 million taka = \$6.6 million

2. Income from sales

purchase price 6.43 taka/kg

sales price 6.84 taka/kg

profit 0.41 taka/kg

169,000 tons @ 410 taka/ton = 69 million taka = \$1.8 million

3. Net cost (1-2)

184 million taka

\$4.8 million

ANNEX B.
SURVEY METHODS

DESIGN

The Statutory Rationing survey team spent one to two weeks in each of the four major cities of Bangladesh - Dhaka, Chittagong, Khulna and Rajshahi - during the months of May and June 1992. In each location, the field supervisor first met with the Town Ration Officer (TRO) to discuss the general functioning of the SR program. Then, from the TRO's complete list, he selected ration areas, at random, to survey. Within each, he selected dealers, also at random and administered the attached Dealers Questionnaire.

From the dealers' beneficiary lists, the team selected 25 card holders, at random. After pulling the record of lifting as recorded in the dealer's books, the team sought out the beneficiary and administered the attached Beneficiary Questionnaire. Given the large number of fraudulent cards, this required arduous searching simply to locate the beneficiaries. When the enumerator and key local informants - usually long-term local residents - could not locate the address or beneficiary, the supervisor asked the dealer or his representative to assist. After exhausting all these efforts, only about one-fourth of these tracer surveys yielded a real respondent.

Consequently, as a cross-check on the beneficiaries tracked from the dealers lists, the team selected an additional 100 households, at random, in each of the selected dealer's areas and randomly knocked to find how many households in the area maintained SR cards. For each cardholder uncovered, they administered the same Beneficiary Questionnaire.

For permit holders, the team obtained a list from each Town Ration Officer and selected a random sample for interviewing, using the Permit Holder's Questionnaire, also attached.

Table B.1 describes the sample of ration areas, dealers, beneficiaries and permit holders ultimately selected.

QUESTIONNAIRES

Following the sampling information in Table B.1, each of the questionnaires is attached for the reader's reference. The three questionnaires include:

- Ration Dealer Questionnaire
- Beneficiary Questionnaire
- Permit Holder Questionnaire.

Table B.1 — Sampling for Statutory Rationing Survey

	Dhaka	Chitt- agong	Khulna	Rajshahi	Total
Ration Areas					
total	9	6	4	3	19
sampled	3	3	2	3	11
Dealers					
total	888	198	298	176	1,700
sampled	9	6	4	3	22
Cardholder Households					
total	306,362	70,496	78,978	49,746	549,351
sampled					
dealer list	47	60	14	26	147
random knocking	153	157	103	77	490
total sample	200	217	117	103	637
Cardholder Ration Units					
total	1,838,174	422,977	473,865	298,478	3,296,104
sampled					
dealers list	286	377	80	145	888
random knocking	932	986	588	428	2,934
total sample	1,218	1,363	668	573	3,822
Permit Holders					
total	317	15	15	0	347
sampled	14	7	7	0	28

STATUTORY RATIONING SYSTEM PERFORMANCE SURVEY

Questionnaire for Ration Dealer

1.0 Identification

Name of the respondent: _____
Address/location of ration shop: _____
Ration Area _____

2.0 Ownership profile

2.1 How did you obtain this dealership? Code
Code: 1 = original owner; 2 = transferred; 3 = other

2.2 When did you receive this dealership _____ Year _____ month

2.3 How many Statutory Rationing dealerships do you operate?

2.4 Besides this dealership, do you have other business ? Yes No
If yes, what are those ? _____
(List codes)

2.5 Which one is your main occupation on the above ? _____

3.0 Lifting & distribution of ration

3.1 How many card holders are there under your dealership?
Adult _____ Minor _____ Total _____

3.2 How often do you lift your ration? Code
Code: 1 = Weekly; 2 = Fortnightly; 3 = Monthly

3.3 Please give the following detail from your accounts book on allotment, liftings and distribution in the year July 1991 - April 1992 (current fiscal year). (Refer to attached forms "Commodity Sales Summary Forms". Summarize below.)

<u>Statutory Rationing</u>			<u>Open Market Sales</u>			
Allotment	Distrib.	Lifting	Allotment	Distrib.	Lifting	Total
_____	_____	_____	_____	_____	_____	_____

4.0 Revenue from dealership, during the past one month

- 4.1 Cardholder purchases _____
- 4.2 Permit holder purchases _____
- 4.3 Commissions _____
- 4.4 Sale of bags _____
- 4.5 Other revenues _____

5.0 Costs

5.1 Please give the following detail of costs incurred to run your dealership during last month.

Cost Items.	Amounts.
<hr style="border-top: 1px dashed black;"/>	
Cost of ration:	
wheat	_____
flour	_____
rice	_____
sugar	_____
salt	_____
edible oil	_____
other	_____
Labour costs:	
Weighing	_____
Loading	_____
Unloading.	_____
Salary	_____
Other costs:	
Carrying costs	_____
Conveyances	_____
Shop rent	_____
Stationeries	_____
Extra to officials.	_____
Others (license renewal, electricity etc.)	_____
<hr style="border-top: 1px dashed black;"/>	

6.0 Rationing System Performance

- 6.1 Overall, how well do you think the statutory rationing system works?
Codes: 1= not at all
 2 = poorly
 3 = well
 4 = no comment

- 6.2 How could it be improved? _____
Codes: 1 = reduce price
2 = improve quality of ration
3 = increase range of items sold
4 = revise cards and reissue
5 = dealer must open regularly and as scheduled
6 = eliminate corruption
7 = introduce OMS
8 = abolish SR system
9 = ensure regular supply of ration goods
10 = no comment
11 = increase ration allotment

- 6.3 How would it affect you if government suspended Statutory Rationing,
as they have with Rural Rationing? Code
Code: 1 = no effect
2 = small inconvenience
3 = major hardship

LIFTING & DISTRIBUTION STATEMENT
(July 1991 to April 1992)

Item Name _____
Opening Stock, July 1, 1991 _____

Week	Statutory Rationing			Open Market Sales		
	Allotment	Lifting	Distrib.	Allotment	Lifting	Distrib.
July 1	_____	_____	_____	_____	_____	_____
July 6	_____	_____	_____	_____	_____	_____
July 13	_____	_____	_____	_____	_____	_____
July 20	_____	_____	_____	_____	_____	_____
July 27	_____	_____	_____	_____	_____	_____
August 3	_____	_____	_____	_____	_____	_____
August 10	_____	_____	_____	_____	_____	_____
August 17	_____	_____	_____	_____	_____	_____
August 24	_____	_____	_____	_____	_____	_____
August 31	_____	_____	_____	_____	_____	_____
Sept. 7	_____	_____	_____	_____	_____	_____
Sept. 14	_____	_____	_____	_____	_____	_____
Sept. 21	_____	_____	_____	_____	_____	_____
Sept. 28	_____	_____	_____	_____	_____	_____
Oct. 5	_____	_____	_____	_____	_____	_____
Oct. 12	_____	_____	_____	_____	_____	_____
Oct. 19	_____	_____	_____	_____	_____	_____
Oct. 26	_____	_____	_____	_____	_____	_____
Nov. 2	_____	_____	_____	_____	_____	_____
Nov. 9	_____	_____	_____	_____	_____	_____
Nov. 16	_____	_____	_____	_____	_____	_____
Nov. 23	_____	_____	_____	_____	_____	_____
Nov. 30	_____	_____	_____	_____	_____	_____
Dec. 7	_____	_____	_____	_____	_____	_____
Dec. 14	_____	_____	_____	_____	_____	_____
Dec. 21	_____	_____	_____	_____	_____	_____
Dec. 28	_____	_____	_____	_____	_____	_____
Jan. 5	_____	_____	_____	_____	_____	_____
Jan. 12	_____	_____	_____	_____	_____	_____
Jan. 19	_____	_____	_____	_____	_____	_____
Jan. 26	_____	_____	_____	_____	_____	_____
Feb. 2	_____	_____	_____	_____	_____	_____
Feb. 9	_____	_____	_____	_____	_____	_____
Feb. 16	_____	_____	_____	_____	_____	_____
Feb. 23	_____	_____	_____	_____	_____	_____
March 1	_____	_____	_____	_____	_____	_____
March 8	_____	_____	_____	_____	_____	_____
March 15	_____	_____	_____	_____	_____	_____
March 22	_____	_____	_____	_____	_____	_____
March 29	_____	_____	_____	_____	_____	_____
April 5	_____	_____	_____	_____	_____	_____
April 12	_____	_____	_____	_____	_____	_____
April 19	_____	_____	_____	_____	_____	_____
April 26	_____	_____	_____	_____	_____	_____
Total	_____	_____	_____	_____	_____	_____

Stocks as of April 30, 1992 _____

STATUTORY RATIONING SYSTEM PERFORMANCE SURVEY

Household Beneficiary Questionnaire

1.0 Identification

Name of the beneficiary: _____
 Street address _____
 City _____

Respondent _____
 Status in household _____

1.1 Sampling Identification

Ration Area _____
 Dealer name _____
 Dealer's Address _____

Respondent category Code
 Code: 1 = traced from dealer's list
 2 = random selection

2.0 Household information

2.1 What is the total number of members of your HH?
 Adult Minor Servants
 Male Female Boys Girls Male Female

3.0 Participation in the rationing

3.1 How long have you been living in this area ? _____ Years

3.2 In what year did you receive the ration cards ? _____

3.3 How many units of ration are entitled under your cards?
 Adults _____ Minors _____

3.3.1 Statement of Allotment in currently own ration cards:

Ownership of card	Family member		Servants	
	Adult	Minor	Adult	Minor
Self owned				
Other's				

3.4 a) Which ration shop are you entitled to buy from?

Name _____ Address _____

b) How far is it from your residence? _____ miles

c) How often do you lift your ration? Code

Code: 1 = every week, 4 = less than once a month
 2 = fortnightly, 5 = not once since July 1991
 3 = once a month

d) If not weekly, why not? Code
 Code: 1 = ration shop out of stock
 2 = shop too far from residence
 3 = price difference not big enough
 4 = poor quality of ration

3.5 Does somebody else use your ration card? Yes = 1 / No = 2
 If yes, why? _____

3.6. Who keeps your card? _____ Self _____ Dealer _____ Other
 (If you keep the card, would you bring it to help see what quantity of ration you have drawn?)

3.7 How much quantity of the Statutory Ration did you lift?
 Ration Past month? Year to date? (July 1, 1991 to now)

Items	Qty. Lifted	Price per unit	Quantity Lifted according to:	
			Beneficiary	Dealer
1. wheat	_____	_____	_____	_____
2. flour	_____	_____	_____	_____
3. rice	_____	_____	_____	_____
4. sugar	_____	_____	_____	_____
5. salt	_____	_____	_____	_____
6. edible oil	_____	_____	_____	_____
7. other	_____	_____	_____	_____

3.7.1 Year of last lifting. If no lifting within last one year, when did you lifted last? _____

3.8 How much quantity of Open Market Sales did you lift?
 Ration Year to date (July 1, 1991 to now)

Items	Quantity	Lifted according to:	
		Beneficiary	Dealer
1. wheat	_____	_____	_____
2. flour	_____	_____	_____
3. rice	_____	_____	_____
4. sugar	_____	_____	_____
5. salt	_____	_____	_____
6. edible oil	_____	_____	_____
7. other	_____	_____	_____

3.9. Do you know the difference between the ration price and market price for each item? Yes _____ No _____

If yes, then please state:

<u>Ration Items</u>	<u>Ration Price</u>	<u>Market price</u>
1. Wheat	_____	_____
2. Flour	_____	_____
3. Rice	_____	_____
4. sugar	_____	_____
5. sa't	_____	_____
6. edible oil	_____	_____
7. other	_____	_____

4.0 Income & Expenditure

4.1 Would you please give us the following detail of expenditure incurred during last month for your family:

Wheat/atta/flour	Tk. _____
House rent	Tk. _____
Tuition/edn.	Tk. _____

4.2 How many earners does your family have ?
Please provide the following detail:

<u>Name of the members</u>	<u>Occupation</u>	<u>Scale (if Govt. employee)</u>	<u>Monthly income.</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

4.3 How much rental income does your household earn per month?

4.4 Does anyone in your household own any of the following?

television	_____
refrigerator	_____
automobile	_____
motor bike	_____

5.0 Rationing System Performance

5.1 Overall, how well do you think the statutory rationing system works?

Codes: 1 = not at all
2 = poorly
3 = well
4 = no comment

5.2 How could it be improved? _____

Codes: 1 = reduce price
2 = improve quality of ration
3 = increase range of items sold
4 = revise cards and reissue
5 = dealer must open regularly and as scheduled
6 = eliminate corruption
7 = introduce OMS
8 = abolish SR system
9 = ensure regular supply of ration goods
10 = no comment
11 = increase ration allotment

5.3 How would it affect you if government suspended Statutory Rationing, as they have with Rural Rationing? Code

Code: 1 = no effect
2 = small inconvenience
3 = major hardship

Date _____

Enumerator _____

STATUTORY RATIONING SYSTEM PERFORMANCE SURVEY

Questionnaire for Permit Holders

1.0 Identification

Name of the institution _____
Street address _____
Ration Area _____
Name of Respondent _____
Title _____

2.0 Institutional information

2.1 What is the total number of people (students, trainees, orphans, employees) in your institution? _____

3.0 Participation in the rationing

3.1 When did you receive your Statutory Rationing permit? _____ year

3.2 How many units of ration are entitled under your permit?
Adults _____ Minors _____

3.3 a) Where do you lift your ration: Code
Code:1 = directly from the Central Supply Depot (CSD)
2 = from a ration shop?

If from a ration shop, which one?

Name _____ Address _____

b) How far is it from your premise? _____ meters/kilometers

c) How often do you lift your ration? Code
Code:1 = every week 4 = less than once a month
2 = fortnightly 5 = not once since July 1991
3 = once a month

d) If not weekly, why not?
Code: 1. ration shop out of stock
2. shop too far
3. price difference not big enough
4. poor quality of ration

Code

3.5 Does somebody else use your permit? Yes = 1 / No = 2
If yes, why? _____

3.6. Who keeps your card? Code
 Code: 1 = Self, 2 = Dealer, 3 = Area Ration Office, 4 = Other
 (If you keep the card, could you bring it to help see what quantity of ration you have drawn?)

3.7 How much quantity of the Statutory Ration did you lift?

Ration Items	Past month		Year to date (July 1, 1991 to now)	
	Qty. Lifted	Price per unit	Quantity Lifted, according to: Beneficiary CSD/Dealer	
1. wheat	_____	_____	_____	_____
2. flour	_____	_____	_____	_____
3. rice	_____	_____	_____	_____
4. sugar	_____	_____	_____	_____
5. salt	_____	_____	_____	_____
6. edible oil	_____	_____	_____	_____
7. other	_____	_____	_____	_____

3.8 How much quantity of Open Market Sales did you lift?

Ration Items	Past month?		Year to date? (July 1, 1991 to now)	
	Qty. Lifted	Price per unit	Quantity Lifted according to: Beneficiary Dealer	
1. wheat	_____	_____	_____	_____
2. flour	_____	_____	_____	_____
3. rice	_____	_____	_____	_____
4. sugar	_____	_____	_____	_____
5. salt	_____	_____	_____	_____
6. edible oil	_____	_____	_____	_____
7. other	_____	_____	_____	_____

3.9 Do you know the difference between the ration price and market price for each item?

Yes No

Ration items	Ration Price	Market price
1. Wheat	_____	_____
2. Flour	_____	_____
3. Rice	_____	_____
4. sugar	_____	_____
5. salt	_____	_____
6. edible oil	_____	_____
7. other	_____	_____

3.10 How do you distribute the rations? _____

3.11 What is the cost of lifting the rations?

Total Cost

a. Transport	_____
b. Conveyance	_____
c. other	_____

4.0 Rationing System Performance

4.1 Overall, how well do you think the statutory rationing system works?
 Codes: 1 = not at all
 2 = poorly
 3 = well
 4 = no comment

4.2 How could it be improved? _____

- Codes:
- 1 = reduce price
 - 2 = improve quality of ration
 - 3 = increase range of items sold
 - 4 = revise cards and reissue
 - 5 = dealer must open regularly and as scheduled
 - 6 = eliminate corruption
 - 7 = introduce OMS
 - 8 = abolish SR system
 - 9 = ensure regular supply of ration goods
 - 10 = no comment
 - 11 = increase ration allotment

4.3 How would it affect you if government suspended Statutory Rationing, as they have with Rural Rationing?

- Code: 1 = no effect
2 = small inconvenience
3 = major hardship

Code

Date _____

Enumerator _____

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