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**A REVIEW OF INTERNATIONAL
AND LOCAL TENDERS
FOR
PROCUREMENT OF RICE AND WHEAT**

MAHFOOZUR RAHMAN

OCTOBER 1999

FMRSP Working Paper No. 15

FMRSP Bangladesh
Food Management & Research Support Project
Ministry of Food, Government of the People's Republic of Bangladesh

International Food Policy Research Institute

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EXECUTIVE SUMMARY

BACKGROUND

Due to draught in 1997/98 and floods in 1998/99, Aman production was badly affected in the country. The estimated shortfall in production was 1.1 million MT and 2.1 million MT respectively. To maintain government stocks the Ministry of Food decided to procure rice by both international and local tenders. During this period, domestic price levels were closely maintained at, or very near, the import parity prices until the arrival of the Boro crop of 1998/99. While the government was augmenting public stocks, the private sector imported a total of 3.46 million metric tons of food grain in the 1998/99 financial year.

In all, 8 local and 12 international tenders for rice and 5 international tenders for wheat were floated in FY 1997 to 1999. By these tender processes, the government procured a total of 0.432 million metric tons of rice and 0.584 million metric tons of wheat during this period. This paper attempts to evaluate these tenders and suggests ways to improve the process.

OBSERVATIONS ON TENDERS

1. International tenders for rice performed reasonably well in the FY 1997-98. The average time of delivery was 80 days for the period.
2. Performance of the tenders deteriorated badly in the FY 1998-99 as only 62 % of rice was delivered
3. Price offered is also a function of time. Any variation of the period of supply makes that price non-effective for all practical purposes.
4. Grave difficulties with shipping are also being reported.
5. Difficulties with the quality of rice shipped are also being reported.

Recommendations

To avoid such difficulties, certain measures were suggested. They are: (a) alternative sources of supply (b) no time extension (c) cashing of performance bank guarantee (d) adoption of commercial norm (e) special measures for high-risk contracts.

The following measures also were suggested:

- A reputable shipping line/agency may be engaged to carry cargo, under liner terms or charter party contract.
- Post shipment inspection may be inserted as an additional guarantee clause in the contract. Required terms may also be included in the letters of credit. In case of inspection, either pre or post, 100% of cargo may be inspected.
- Adequate insurance policies to cover the risks may be taken out.
- The government may formulate modern and up-to-date specifications in conformity with international standards.
- Stipulations of packing by B-Twill gunny bag only increase costs with no demonstrable benefits to the government. More modern packaging like polypropylene bags may be specified.

LOCAL TENDERS FOR RICE

Regarding local tenders the following was observed:

- The performances of internal tenders may be considered to be more or less satisfactory.
- In total, 147,000 MT of rice were procured by this method. This quantity was 43% of contracted quantities; the average time of supply was 56 days. The delivery performance improved in later tenders.

Difficulties

Major difficulties of these tenders are itemised below:

- Local suppliers based their offered prices on import price of rice from India for these tenders. Apparently they misread the market signals and expected prices in India

creating difficulties in supplies to move downward, whereas such downward price movement did not take place.

- Transportation problems, particularly a shortage of railway wagons, delayed movements to border points.

Recommendations

- The government may consider continued floatation of local tenders as long as the need to procure rice towards build up of required stocks exists.
- Non-performing tenders may be cancelled and earnest monies forfeited to defray the administration costs of the government.
- No time extension should be permitted, but a realistic time of supply of at least 8 weeks may be considered.
- Earnest Monies/Performance Bank Guarantee (PBG) may be increased from 5 percent to 10 percent.
- The LSDs and CSDs aligning along the railways in the north-south axis in the western zone of the country are ideal points for supply from India
- Earnest money may be taken in the form of pay orders, which may immediately be cashed in an interest bearing account and refunds may be given in fresh cheques. This procedure will earn some interest for the government.

CONCLUSIONS

From time to time, the Government decides to purchase quantities of foodgrain to help ensure the food security of the people. However, to efficiently procure food grains by these methods, timing, quantity and quality issues are of paramount importance. It appears that during the period under review, international and local tenders for rice have not performed as well as expected, whereas procurement of wheat was satisfactory. In view of the above, certain modifications of tender procedures have been suggested for consideration by the government.

1. OVERVIEW

It is the stated policy of the Government of Bangladesh to maintain food security for the people. To implement this policy, regular supplies of foodgrains for the Public Food Distribution System (PFDS) are necessary for distribution under various monetized and non-monetized channels. The government also needs to maintain the planned quantum of security stock to allow for shortfalls in domestic production as well as to respond adequately to floods, cyclones and such natural disasters, which put stress on the food supplies of the populace. Throughout the 1990s, the government has utilized the mechanism of internal procurement, as well as procurement of foodgrains by commercial purchases from international markets, mostly for wheat. However, due to production shortfalls of rice in recent years of natural disasters, the government also resorted to large-scale purchases of rice by international tender, as domestic procurement was inadequate to cover PFDS needs.

Due to drought in 1997/98, and floods in 1998/99, aman production was badly affected in the country. The estimated shortfall in production was 1.1 million MT and 2.1 million MT respectively in rice production, which precluded the possibilities of internal procurement, as local market prices of rice moved beyond the government's procurement price.

To maintain government stocks at a comfortable level, as well to service the needs of added distributions under various channels, the Ministry of Food (MOF) decided to procure rice by both international and local tenders. It was assumed, and subsequently proved to be true, that the rice for local tenders will be supplied from imported sources, thereby augmenting domestic supply without affecting domestic supply. In fact domestic price levels were closely maintained at or very near the import parity prices during the months after the post-flood aman harvest until the arrival of the boro crops of 89-99.

While the government was augmenting public stocks, the private sector imported a total of 3.46 million metric tons of food grains in the 98-99 financial year.

In all, 8 local and 12 international tenders for rice and 5 international tenders for wheat were floated in FY 1997 to 1999 (Tables 1 and 2). By these tender processes, the government has procured a total of 0.432 million metric tons of rice and 0.584 million metric tons of wheat (FPMU) during this period. Government food grain stock now stands at a total of 1.3 million MT in public storage depots. In the meantime, there has been a bumper harvest of rice in the boro season of 1999 and an above average wheat production. These harvests resulted in the internal procurement of 0.621 million MT of rice and 0.256 million MT of wheat (FPMU). With these comfortable levels of stock, and a good aman prospect, procurement by tenders may well be considered to be finished for this fiscal year for all practical purposes. However, an evaluation and reviews of the past tenders may point to procedural and policy modifications to make this instrument more cost effective and efficient towards the government's stated goals and objectives.

Table 1 — Comparison of Thai with MOF Specifications

Sl No.	Grades of Thai Specifications	Broken %		Dead, Damage and Discoloured Grains (DDD) %	
		Thai Specifications	MOF Specifications	Thai Specifications	MOF Specifications
1	100 % sorted	4		2.85	
2	100%	4	20%	4.25	
3	5 % sorted	7	(maximum)	3.65	
4	5%	7	(but less than	5.25	
5	10 % sorted	12	1/4 th broken	4.95	
6	10%	12	should not be	6.75	3%
7	15%	18	more than	8.00	(maximum in
8	25%	28	4%)	9.75	total)

Table 2 — Grade of Thai Rice (BOT) Approved as Equivalent to MOF Specifications

Sl. No	Grades	Size of broken (Parts)	Broken %	Dead, Damaged and Discoloured Grains (DDD) %				Paddy (grain per 1 Kg)	Milling Degree	
				Yellow kernel	Black kernel	Partly black and peck kernels	Damaged			Total
1	2	3	4	5	6	7	8	9	10	11
7	15%	3.0-<6.5	18	2	0.5	4	1.5	8	10	Reasonably well milled

Source: MOF Committee on Rice Specification dated 8-10-98

2. OBJECTIVES

The objectives of this study are to review the domestic and international tenders floated and executed by the MOF in order to: (a) recommend methods and procedures and/or suggest modifications of existing procedures towards enhanced efficiency and effectiveness and (b) to prepare the basis of a Procurement Manual for the MOF.

It may be kindly noted here that all procedures and methods, in general, require review and analysis on a regular basis as the circumstances and situation upon which they were formulated change with the passage of time. Therefore, these papers are not intended to be the last word in these matters. Rather, they are meant to be the groundwork for further input through further studies, continuous discussion and debates only through which an effective set of procedures may ever be evolved.

3. INTERNATIONAL TENDERS FOR RICE (1997-99, AS OF 18-03-99)

A consolidated statement giving the salient features of all MOF international tenders for rice and individual statements detailing each tender is attached. Additional analysis indicating each supplier is also attached. There are some supplies that are under arbitration or litigation and the results are not available at this point in time. However, the supplies that have been affected to date are as below:

PERFORMANCE

1. Number of Tenders: 10 (3 in 1997-98, 7 in 1998-99), excluding the cancelled tenders.
2. Total quantities contracted: 610,000 MT (including 70,000 MT TCB) (155,000 MT in 97-98, 380,000 in 98-99)
3. Total Supply to date: 431,688.715 MT (155,876.06 MT in 97-98, 275,811.655 MT in 98-99 including TCB)
4. Average Price Per MT: US \$ 260.74 (\$ 265.67 in 1997-98, \$ 255.81 in 1998-99)
5. Actual Supply as percentage of contracted quantity: 71% (100.6% in 1997-98, 50% in 1998-99)

OBSERVATIONS

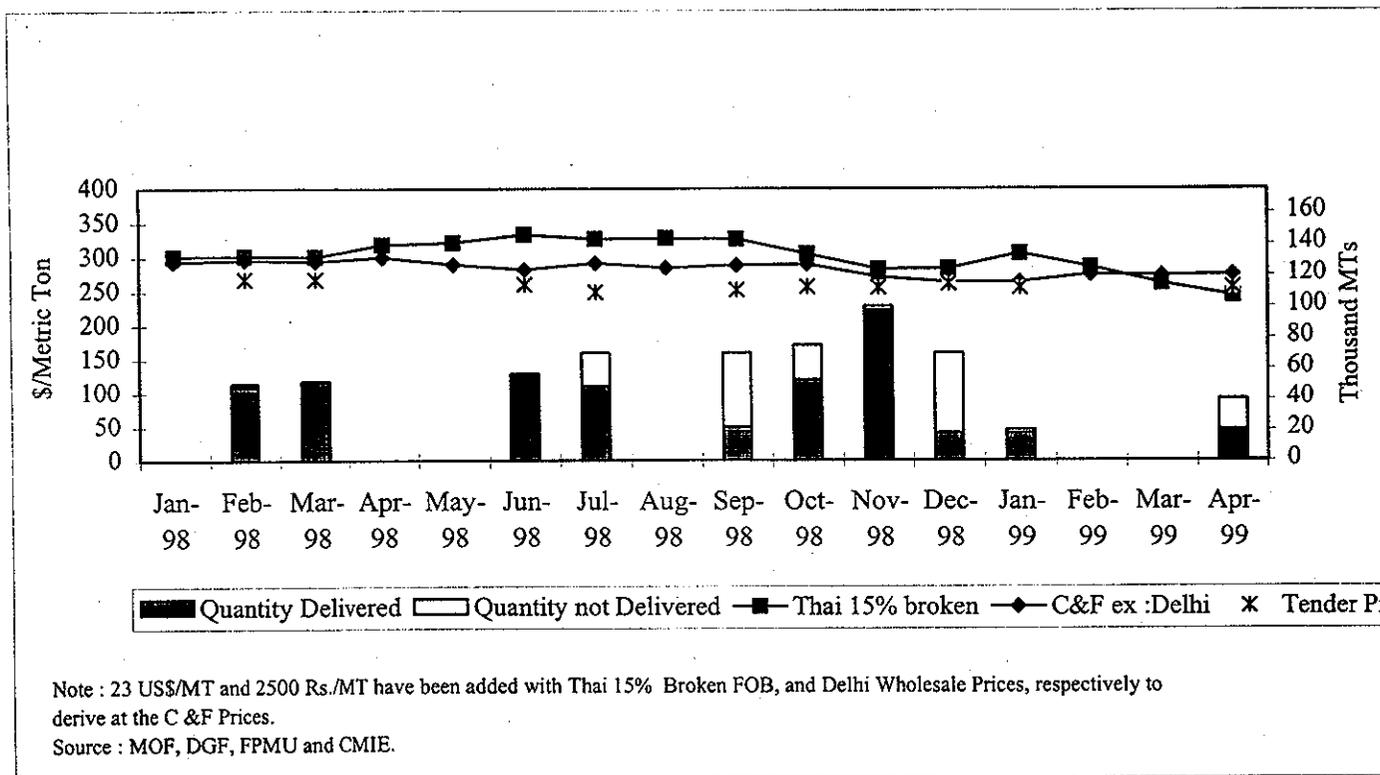
1. International tenders for rice performed reasonably well in the FY 1997-98, though a number of time extensions were granted, and the average time of delivery was 80 days for the period, though the contract stipulated a time of 30 days only, in all cases.
2. The performance of the tenders deteriorated badly in the FY 1998-99 as only 62 % of the rice was delivered even after repeated extension with the average delivery period extended to 109 days from the contractual delivery period of only 30 days.

3. Corrective measures like encashment of Performance Bank Guarantees (PBGs) did not improve the situation. Additionally, litigation and arbitration resulted, entailing further complications.
4. It may be noted that any price offered is also a function of time. Any variation of the period of supply makes that price non-effective for all practical purposes.
5. Grave difficulties with shipping are also being reported.
6. Difficulties with quality of rice shipped are also being reported.

DIFFICULTIES

1. An examination of Figure 1 will indicate that the C&F prices of rice for importation from India as estimated from independent sources are above the tendered prices. This appears to be a major anomaly as suppliers were unlikely to supply at this price and at the specified quality. This situation is further demonstrated as it was found that in the same tender different suppliers from the same country of origin made offers at great variations of price. For example, in tender no. 3 the highest bid price was US \$292.74/ MT and the lowest was US \$ 252.95/ MT, a difference of 15%. This lowest bidder could not provide 5% PG, and the tender had to be cancelled.
2. Repeated time extensions, perhaps, encouraged the suppliers to resort to quoting speculative prices in the tenders. The harvesting of kharif crop in India was expected to lower market prices substantially. Probably, suppliers hoped to supply at a later date based upon a future price rather than at prevailing spot market prices. Unfortunately, such a situation did not develop and prices remained more or less steady, making supplies at those prices very unrealistic.
3. It has been reported in trade circles that suppliers withdraw packing credit against export L/Cs, when they were allowed up to 80% of L/Cs value. The rate of interest in the Indian financial market is subsidized below commercial rates for export credit. Thus, there was an incentive for the suppliers to invest this borrowed money in speculative markets at a very high interest rate of up to 5% per month. In this

Figure 1 — C&F Prices, Tender Prices and Supplied Quantities



manner, there is good profit to be made without affecting any supply. For example, a supplier secures an order of 30,000 MT @ US \$250=US \$ 7.5 million X 90% = L/C value of US \$ 6.75 million. That supplier will be allowed a packing credit at 80% i.e. 286.40 million Indian rupees @ 42.43 Indian rupees = One \$). Hypothetically, that supplier is likely to earn interest of 14.32 million Indian rupees a month, if the supplies can be delayed by that period of one month only. Even if the unofficial usury rates of interest are not as high, there are still substantial gains to be made by this mechanism in Indian markets.

4. Difficulties with shipping are also being reported. Small (10,000-15,000 ton) ships less than 20 years old are hard to come by thereby delaying shipments.
5. Rice, unlike wheat, is packed in bags, and therefore has to be handled by manual labour. This constraint makes the handling of rice very time consuming, making the *stipulated delivery period of only 30 days rather unrealistic* in these tenders.
6. It may be noted that all purchase contracts were executed with only one source of supply. Therefore, whatever may be the general difficulties in that country of origin regarding supply, inland transportation and international shipping, or any other constraints, *will adversely affect all suppliers*. In addition, monopolistic behavior and trends are likely to be practiced by the suppliers, including collusion among themselves, knowing fully well that the buyer has no other recourse. In the language of commerce, they have "cornered the market" and may, thus, dictate terms.

RECOMMENDATIONS

1. **Alternative sources of supply.** To avoid difficulties associated with a single source of supply, alternative source/s of reliable supply may be utilized. Unfortunately not many rice-exporting countries produce parboiled rice in quantities that are required for Bangladesh. India and Thailand are notable exceptions. In this respect, some difficulties were encountered in the differential specifications of the MOF and Thai standard specifications. However, an expert committee constituted by the MOF

recommended Thai rice of 15% broken as the acceptable grade. In our price comparisons, this grade was utilized and technically, there is only difficulty in procurement from Thailand if the government so decides. A comparison with Thai 15% broken and the MOF specifications is attached to these papers for reference.

2. **No Extensions.** It appears that incentives exist for the suppliers to extend the time of supply, since the 30-day delivery period is unrealistic for practical reasons.

Therefore, the time for delivery may stipulate for up to 60 days delivery time, with no allowable extension at all. This may be included in the tender terms to discourage the suppliers to request for time extensions.

3. **Encashment of Performance Bank Guarantee.** If any supplier fails to abide by the tender terms, action as per contract, including encashment of PBG may be taken to discourage non-performing suppliers from further participation in tenders.

Additionally, depending upon the performance, poor or non-performing suppliers may be barred from participating in future bids by a system of "black-listing". Some difficulties were also encountered in en-cashing PBG from foreign banks. To avoid this difficulty, performance bank guarantees may be provided by banks located in Bangladesh. Suppliers may easily arrange PBGs from local banks through a correspondent bank located in their country. Alternatively, the guarantee may also be provided by an acceptable negotiable instrument like Pay Order or Bank Draft in favour of the Ministry of Food, GOB.

In this connection, refer to attached sheets indicating the supplier's performance.

4. **Adoption of Commercial Norms.** Acceptable and universally practiced commercial norms may be employed in the execution of international tenders. In international trade, normally 100% payments by irrevocable letters of credit are made to the suppliers for delivery against a clean, on board, Bill of Lading, with pre-shipment inspections conducted by reputable and reliable inspection agencies. It is again normal practice that the cost of inspection is borne by the buyer and not by the seller.

An inspection conducted and paid for by the seller's inspection agency may not be termed reliable for obvious reasons. Shipment is affected by either liner or charter party arrangements. Risk management is accomplished by appropriate insurance policies, which may also cover post-shipment losses, if any, and if such risks need to be covered. Procedures conforming to these practices may be considered by the Ministry.

5. **Special Measures for High Risk Contracts.** If the market from which rice is procured is considered a high risk area, the following steps may adequately cover the risk of money, though they will not ensure supply:

- Performance Bond Guarantees of 5%, and 10% withholding of payment for post shipment payment (total 15% of contract value) may prove to be an insufficient security, where and when losses/damages of higher percentages are likely. Thus, risks of poor quality of commodity and such other risks are to be covered by additional instruments assuming that the risks may well exceed those 15% covered by PBGs and partially withheld payments.
- A reputable shipping line/agency may be engaged to carry cargo under liner terms or charter party contract, as desired.
- Post-shipment inspection may also be stipulated with additional clauses asking for additional guarantees to be inserted for this purpose in the contract. Required additional terms may also be included in the letters of credit, so that payments to the beneficiary are not made by the negotiating banks unless adequate surety has been ensured as to the quality and quantity of the cargo.
- In case of any inspection, either pre or post, 100% of the cargo may be inspected but not by a percentage check as normally practiced.
- Adequate insurance policies to cover the risks may be taken out. This will vary from All Risks to only assessed risks, as the case may be. The government may

determine the type of insurance policy that is to be taken considering the cost of insurance and the risk as assessed. In view of the performance of tenders from a high-risk market, it may well be wise to cover All Risk covered comprehensive insurance policies to safeguard public funds and accept higher premium costs as inescapable and unavoidable expenditures.

6. **New Specifications.** The specifications in these international tenders are considered by many experts as obsolete, and not used by any in rice exporting country. The government may formulate modern and up-to-date specifications in conformity with international standards. In this respect, the government may consider forming an expert committee from within the Ministry with co-opted experts from such institutions as BSTI, BRRI, Ag. University etc to address this issue. These specifications will not only be useful in imports but are invaluable in the export of rice from Bangladesh, should the occasion arise any time in the future.
7. **Poly bags.** Stipulations of packing by B-Twill gunny bags only increase costs, with no demonstrable benefits to the government. This specification does not assist the Bangladesh Jute Industry at all. Rather, it assists the competing industries in other countries. A changeover to poly bags will reduce costs of consignments. (In one calculation, in Thailand, it was estimated that this packing material reduces costs by \$ 4-5 per MT, as compared to gunny packing).

4. LOCAL TENDERS FOR RICE (1997-99) (AS OF 15-03-99)

BACKGROUND

Beginning in the aman season 1997/98 and ending in FY 98-99, in all, eight local tenders were floated for the procurement of rice against payment by local currency. Total quantities of 344,000 MT of rice were contracted to be supplied (Figure 2b). This was the first time that such large quantities of rice were tendered to be supplied locally by the MOF/DGF, though, in the past, small quantities were procured by the DGF by this method.

ADVANTAGES

Procurement by local tender has many important advantages as compared to other methods of procurement, namely:

1. Rice is procured at the market rate, rather than at the administratively determined fixed cost procurement rate, which to be effective, has to be above market rates. In this manner, substantial budgetary cost savings are achieved.
2. All the rice procured is to be delivered to the designated CSD's and LSD's, thereby:
 - The grain is delivered at the points of distribution rather than at ports, saving substantial operational time.
 - All costs, including internal carriage and transit loss, are built into the tendered prices. Therefore, these are the net prices of actual grain physically available at distribution points with no loss of goods. The government does not incur any additional expenses on account of in-land transportation, transit loss or loss due to accidents.

- No grain remains "in transit," a percentage of which was written off in the past as a "loss". This cost element is totally absent in this method of procurement, having the possibility of significant positive contributions to the food budget by reducing these historically sustained losses.
- The government pays only upon receipt of goods of the quality and quantity tendered for. There is no possibility of loss due to non-delivery, or losses due to shipping problems, which are unfortunately always a probability in the case of procurement by international tender. Also, government monies are not tied up in letters of credit, as basically, this system operates under a cash on delivery basis (COD).
- In addition, forfeited earnest money from the suppliers adds to the exchequer. As it will be seen, in the tenders under review, this amount was indeed a significant sum equivalent to 3694 MT of rice at the then prevailing prices.

PERFORMANCE

A consolidated statement, indicating the salient features of all MOF (DGF) local tenders, as well as details of each tender is attached. A separate set of analysis for each supplier's performance is also attached. The preliminary results of the tenders are as below:

1. Period of Review: FY 1997-98 and FY 1998-99
2. Number of Tenders: 8 (3 in 1997/98 5 in 1998/99)
3. Total Quantity Tendered: 503,000 MT
4. Quantity Contracted: 344,000 (170,000 MT in 1997/98, 174,000 MT in 98/99)
5. Total Supply up-to-date: 147,444 MT
6. Average price per Kg: Tk. 13.684(13.37/Kg in 1997/98, Tk. 13.81/Kg in 1998/99)
7. Actual supply as percentage of contract qualities: 33% (57 in 1997/98, 10% in 1998/99)
8. Earnest Money forfeited from non-performing suppliers: Taka 50,453,753

OBSERVATIONS

1. The performances of internal tenders may be considered to be more or less satisfactory, especially in view of poor local aman harvests due to devastating floods that precluded any significant internal procurement during this period.
2. In total, 147,000 MT of rice were procured by this method. Though this quantity is only 43% of contracted quantities, the average time of supply was 56 days. The delivery performance was improving, as the last two tenders were supplies only within 37 and 42 days respectively, indicating local suppliers were resolving many initial difficulties encountered by them.
3. The government, as forfeited earnest money, also collected a significant amount (Tk 50,453,753).

DIFFICULTIES

1. Local suppliers based their offered prices on the import price of rice from India for these tenders. The most important reason for the relatively poor performance is that the suppliers bid low prices (Figures 2a and 2b). Apparently they misread the market signals and expected prices in India to move downward, whereas such a downward price movement did not take place to any substantial degree in India. At the same time, transport costs in India moved upward putting them in further jeopardy. As traders gather experience with these tenders and develop trade networks and expertise, performance is likely to improve in the future.
2. **Transportation problems**, particularly a shortage of railway wagons in India, put a bottleneck in movements up to the border points. Technically, it is the responsibility of the suppliers to cover all risks, but a realistic appraisal will point to almost a force majeure situation in the January-February period due to railway transport problems in India. Because of the very low priced competitive bids by the tenderers, they could not utilize higher cost road transport as other private sector importers did, as prices both in India and Bangladesh moved upward (Figure 2).

Figure 2a — Import Parity, Contract and National Wholesale Prices

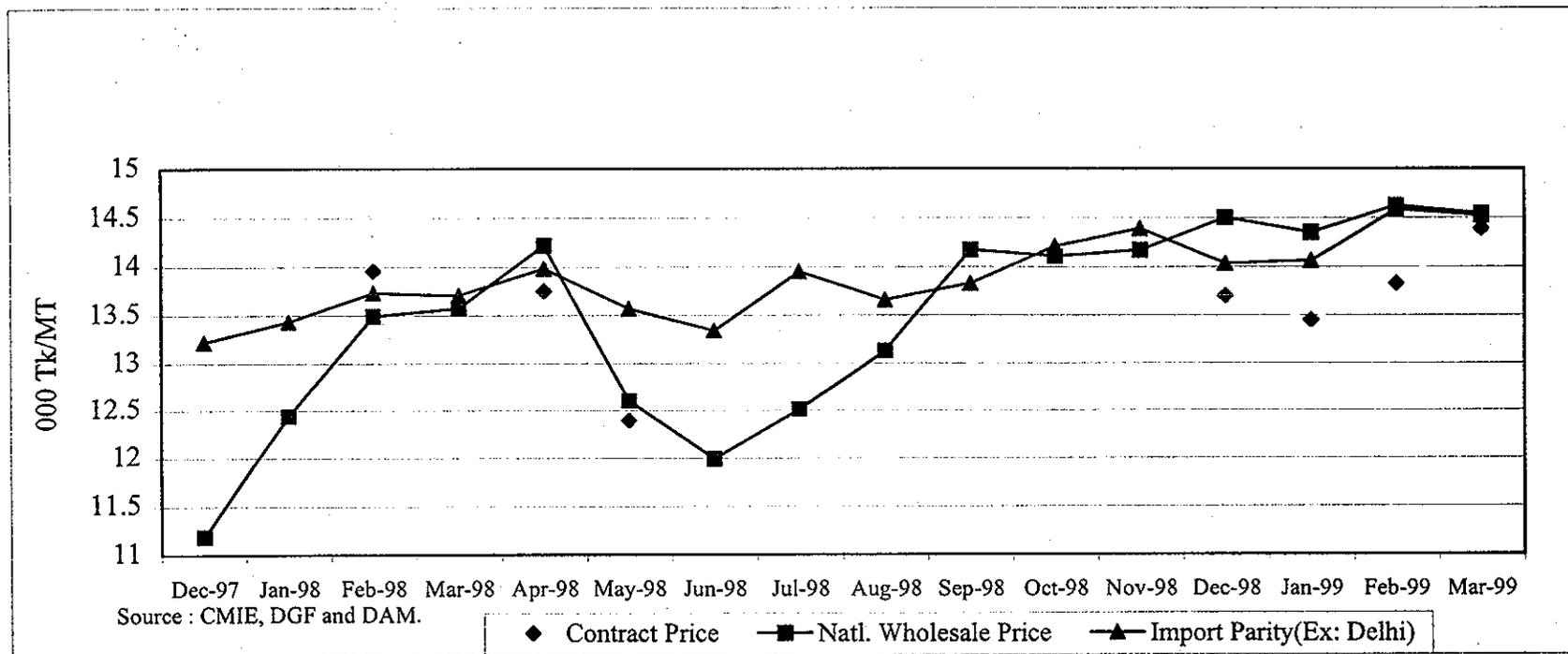
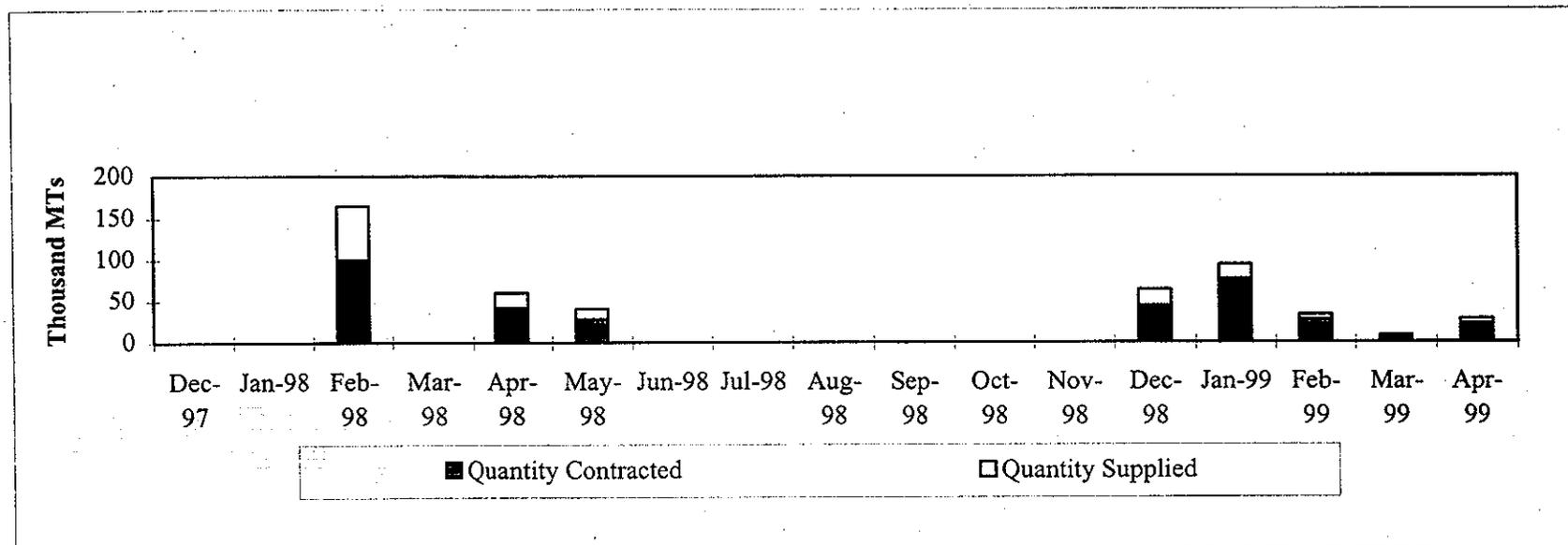


Figure 2b — Quantities Contracted and Supplied



RECOMMENDATIONS

1. The government may consider the continued floatation of local tenders as long as the need to procure rice towards a build up of required stocks exists.
2. Non-performing tenders may be cancelled and earnest monies forfeited to defray the administration costs of the government. This step will also transmit appropriate signals to the suppliers that the government means "business," in the language of money that is well understood in trading circles.
3. No time extension should be permitted, but a realistic time of supply of at least 8 weeks may be considered.
4. The size of the Earnest Monies/Performance Bank Guarantee (PBG) may be increased from 5 percent to 10 percent.
5. It is observed that most of the supply from India is affected by railway carriage. Therefore, the LSD's and CSD's aligning along the railways in the North South Axis in the Western Zone of the country are ideal points of supply. It is suggested that deliveries by local tenders may be concentrated along this axis. After deliveries, goods may be moved generally in an East-West direction by a normal movement procedure of the DGF to the desired locations in a planned manner.
6. Earnest money may be taken in the form of pay orders, which may immediately be encashed in an interest bearing account (as is practiced by many government departments) and refunds may be given in fresh cheques. This procedure will earn some interest, which may be utilized at the discretion of the authorities.

5. INTERNATIONAL TENDERS FOR WHEAT (1998-99, AS OF 08-03-1999)

PERFORMANCE

One consolidated statement indicating total performance as well as detailed tables for each tender is attached. The preliminary results are:

1. Number of Tenders Floated: 5 (1 in 1997-98, 4 in 1998-99)
2. Number of Tenders Cancelled: 1 (due to the failure of a supplier to produce a BPG)
3. Contracted Quantities: 416,000 MT
4. Quantities received (as per B/L): 426,008
5. Average price per Kg: Tk. 6.10
6. Supply as a percentage of contracted quantity: 102% (well within $\pm 5\%$ of the contract stipulation)

OBSERVATIONS

1. In tender number 3, the supplier failed to produce a performance guarantee, and thus, the tender was cancelled and the Bid Bond amounting to \$115,000 was forfeited by the government.
2. In all the tenders, suppliers performed well and within the stipulation of the contracts.
3. All suppliers performed within the contract period.
4. In view of the above, the government procurement of wheat by international tender performed in an excellent manner.

RECOMMENDATIONS

1. The performance of all tenders, excepting tender no. 3, which was cancelled due to non-compliance of tender terms by the supplier, is most satisfactory.
2. The PBG of 5% may well be insufficient to cover the extent of claims as per FDR. Should there be an occasion where the claim amount exceeds the PBG amount, then the government is likely to be involved in arbitration/litigation to recover the amounts due. It is, therefore, suggested that consideration may be given to enhance this amount to a realistic figure to be determined by the experts, in light of past experience and norms of business. However, the authorities may consider a BPG of 10% of contract amount.
3. The specifications for wheat appear to be too restrictive. In recent years, many non-traditional wheat producing countries have entered the international market (Saudi Arabia and Turkey for example), but the current specs preclude their participation in the government tenders, as only US, EU, Canadian and Australian specs are included. Further study may be conducted to include specs of such wheat exporting countries as Argentina, Brazil, Turkey and Saudi Arabia, should they be acceptable as equivalent or should they conform to the specifications that the government is currently using.
4. Possibilities may be explored to purchase on a FOB, rather than a C & F basis, in which case, separate Charter Party Agreements are to be arranged with shippers. Though this entails additional functions and work on the part of the MOF, a substantial saving/reduction of shipping cost will be achieved. However, a thorough evaluation needs to be conducted before the liner term contracts are converted to charter party contracts, as the risk elements in such a procedure need also to be assessed realistically against possible gains in terms of reduced shipping tariffs.

6. CONCLUSIONS

As stated earlier, the government has out of necessity decided to purchase large quantities of foodgrain to help ensure the food security of the people. However, to efficiently procure foodgrains by these methods, timing, quantity and quality issues are of paramount importance. It appears from the foregoing analyses that the international and local tenders for rice have not performed as well as expected; whereas procurement of wheat is satisfactory.

In view of the above, certain modifications of tender procedures have been suggested for consideration by the government. This work has been the basis for preparation of a "Proposed Procurement Manual," which has addressed these issues and possible solutions to problems in procurement by this method. The proposed manual has been submitted for the consideration of the government.

APPENDICES

Table A1 — Consolidated Statement for International Tenders for Procurement of Rice (1997–1999)

Sl. No.	Tender Date	Contracts Date with Quantities	Average Price per MT in US \$	Date of Shipment as per contract and Last Date of Extension	B/L Qty MT	Last Dates of Vessel Arrival	Remarks
FY 1997/98							
1	15/01/98	Date: 24/02/98 50,000 MT No. of Suppliers 3 (three)	US \$ 268.05	25/03/98 4 extensions allowed up to 20/05/98	47,907.15	Last Date of Arrival 14/05/98	Time Taken: 80 days Percentage of Supply: 96
2	24/02/98	Date: 31/03/98 50,000 MT No. of Suppliers 3 (three)	US \$ 267.98	29/04/98 3 extensions allowed up to 25/06/98	51,599.97	11/07/98	Time Taken: 103 days Percentage of Supply: 103.2
3	Tender cancelled due to difficulties of extension of bid bond and the price quoted in the 4 th tender was lower by about US \$ 5.00 per metric tons						
4	12/04/98	Date: 21/06/98 55,000 MT No. of Suppliers 2 (two)	US \$ 260.98	20/07/98 2 extensions allowed up to 09/08/98	56,369.94	15/08/98	Time Taken: 56 days Percentage of Supply: 102.5
Sub-total A =		155,000	US \$ 265.67		155,877.06		Avg. time of Supply: 80 days
FY 1998/99							
1	01/06/98	Date: 13/07/98 70,000 MT No. of Suppliers 4 (four)	US \$ 249.89	11/08/98 3 extensions allowed up to 05/12/98	48,561.798	17/12/98	Time Taken: 158 days Percentage of Supply: 70
2	29/07/98	Date: 17/09/98 70,000 MT No. of Suppliers 3 (three)	US \$ 252.74	16/10/98 3 extensions allowed up to 22/01/99 with penalty of 20% PG encashment	21,862.500	27/02/99	Time Taken: 164 days Percentage of Supply: 31 One vessel with 12000 MT was not delivered

Sl. No.	Tender Date	Contracts Date with Quantities	Average Price per MT in US \$	Date of Shipment as per contract and Last Date of Extension	B/L Qty MT	Last Dates of Vessel Arrival	Remarks
3	25/08/98	Date: 18/10/98 75,000 MT No. of Suppliers 3 (three)	US \$ 257.35	17/11/98 3 extensions allowed up to 15/02/99 with penalty of 20% PG encashment	52,495.225	07/03/99	Time Taken: 141 days Percentage of Supply: 70
4	29/09/98	Date: 25/11/98 1,00,000 MT No. of Suppliers 3 (three)	US \$ 256.35	15/12/98 3 extensions allowed up to 25/03/99 with penalty of 20% PG encashment	97,517.332	19/04/99	Time Taken: 146 days Percentage of Supply: 60
Nil	12/11/98	Lowest bid offered in this tender was US \$ 249.74/ MT					Cancelled
6	22/11/98	Date: 10/01/99 & 12/01/99 20,000 MT No. of Suppliers 2 (two)	US \$ 255.83	11/02/99	17,625.000	17/03/99	Time Taken: 59 days Percentage of Supply: 20
* TCB	01/12/98 TCB	Date: 20/12/98 70,000 MT No. of Supplier 1 (one)	US \$ 262.00	20,000 by Dec/98 50,000 by Jan/99	17,800.025	16/02/99	Time Taken: 59 days Percentage of Supply: 25
Nil	05/01/99	Contract Cancelled	US \$ 256.58				Cancelled
8.	18-01-99	Date: 01-04-99 40,000 MT No. of Suppliers 4 (four)	US \$ 256.49	01/05/99	19,949.775	09/05/99	Time Taken: 39 days Percentage of supply: 50
Sub-total B=		445,000	US \$ 255.81		2,75,811.655		Avg. time of Supply: 109 Percentage of supply: 62
Grand Total = (A+B) (155,000+445,000)		600,000	US\$260.74		4,31,688.715		Avg. time of Supply: 102 Percentage of supply: 72

Note: This purchase contract was on the basis of TCB's offer. However due to non-performance, part of PG has been en-cashed. The matter is now sub-judice as TCB has filed for injunction and applied for arbitration.

Table A2 — Consolidated Statement of Local Tenders for Rice Financial Year 1997-98 and 1998-99 (as of 15.03.99)

Tender No.	Date of Floatation	Number of Supplier Contracted	Number of Points of Supply (CSDS & LSDS)	Average Price Tk. / Kg.	Contracts Dates with Extension	Validity of Contract with Extension	Qty Tendered	Qty Contracted	Qty Supplied	Percentage of Supply	Amount of Earnest Money forfeited (Tk.)	Time Taken to Supply
FY 1997-98												
1 / 98	15.01.98	2	18	13.96	19.02.98 to 05.03.98	Orig.=31.3.98 1st=15.04.98 2nd=30.04.98 3rd=15.05.98	100,000	100,000	64,690	64.69	1,18,68,148	71 days
2 / 98	25.02.98	11	20	13.75	07.04.98 to 13.04.98	Up to 14.05.98	50,000	42,000	17,866	41.54	58,35,171	30 days
3 / 98	16.03.98	6	26	12.39	12.05.98 to 14.05.98	Up to 14.06.98	50,000	28,000	12,697	51.281	31,02,723	32 days
Subtotal:		19	64	13.37			200,000	170,000	95,253	56	20806043	44 days
FY 1998-99												
4 / 98	10.09.98	8	13	13.95	12.12.98 to 12.01.99	1st=12.01.99 2nd=12.02.99 3rd=15.03.99	50,000	44,000	19,146	43.94	88,09,489	93 days
5 / 98	25.10.98 27.10.98	20	25	13.75	28.01.99 to 28.01.99	1st=28.01.99 2nd=28.02.99 3rd=28.03.99	100,000	76,000	18,152	23.88	10,370,718	90 days
6 / 98	15.10.98	11	17	14.05	25.01.99 to 10.02.99	1st=28.02.99 2nd=15.03.99	50,000	27,000	6,123	22.67	66,44,523	49 days
7 / 98	17.12.98	4	5	13.50	22.02.99	1st=31.03.99	50,000	5,000	3,145	62.89	5,12,231	37 days
8 / 98	13.01.99	11	16	13.78	31.03.99	----	53,000	22,000	5,626	25.57	33,10,749	42 days
Subtotal:		54	76	13.81			303,000	174,000	52,191	30	29,647,710	62 days
Total =		73	140	13.64			503,000	344,000	147,444	43	50,453,753	56 days

**Table A3 — Total Wheat Procurement by International Tender Financial Year
(1998-99)**

Tender No.	IMPORT -150	IMPORT - 205	IMPORT - 234	IMPORT - 353
Date of Floatation of Tender Notice	14/07/98	31/09/98	14/09/98	15/11/98
Average Price US\$/MT	123.27	125.70	115.00	126.60
Average Price TK/MT	6,007	6,125	5,604	6,170
Average Price TK/Kg	6.00	6.13	5.60	6.17
Date of Bid	17/08/98	30/09/98	20/10/98	17/12/98
No. of Bids	16	13	08	11
Date of Approval	19/08/98	04/10/98	22/10/98	20/12/98
Quantity MT.	200000 ± 5%	100000 ± 5%	100000 ± 5%	100000 ± 5%
Quantity offered MT.	200000 ± 5%	99000 ± 5%	100000 ± 5%	99000 ± 5%
Present position	Supplied	Supplied	Not Supplied	Reached Port
Percentage of Wheat supplied	100%	100%	Cancelled Tender	100% As per B/L
Total Period of supply	Within Contract Period	Within Contract Period	N/A	Under Discharge
Contracted Qty	2,18,000	99,000	N/A	99,000
Net Qty Received	2,22,980	1,02,416	N/A	B/L Qty 1,00,612
Last Date of Shipment	25/09/98	16/11/98	N/A	31/01/98
Remarks	Satisfactory Supply	Satisfactory Supply	Cancelled PG Forfeited Amounting US \$115,000	Satisfactory Supply

Abstract:

1. Number of Tenders Floated: 4
2. Number of Tenders Cancelled: 1
3. Tendered Quantities: 500,000 MT ± 5%
4. Contracted Quantities: 416,000 Mt ± 5%
5. Quantities Received as per B/L: 426,008 MT
6. Remarks: All contracts were fulfilled within stipulated period, though some claims are under settlement. The performances of international tenders for wheat were highly satisfactory.

FMRSP Bangladesh

Food Management & Research Support Project
Ministry of Food, Government of the People's Republic of Bangladesh



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