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AGREEMENT

Between

The Government of the United States of America

And

The Government of the People's Republic of Bangladesh

For

Sales of Agricultural Commodities

Public Law 480, Title III

March 8, 1982

TITLE III AGREEMENT

INDEX

AGREEMENT BETWEEN THE GOVERNMENT OF THE PEOPLE'S
REPUBLIC OF BANGLADESH
AND
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
FOR SALES OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Government of the People's Republic of Bangladesh;

Recognizing the desirability of expanding trade in agricultural commodities between the United States of America (hereinafter referred to as the exporting country) and the People's Republic of Bangladesh (hereinafter referred to as the importing country) and with other friendly countries in a manner that will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

Taking into account the importance to developing countries of their efforts to help themselves toward a greater degree of self-reliance, including efforts to meet their problems of food production and population growth;

Recognizing the policy of the exporting country to use its agricultural productivity to combat hunger and malnutrition in the developing countries, to encourage these countries to improve their own agricultural production, and to assist them in their economic development;

Recognizing the determination of the importing country to improve its own production, storage, and distribution of agricultural food products, including the reduction of waste in all stages of food handling;

Desiring to set forth the understandings that will govern the sales of agricultural commodities to the importing country pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act), and the measures that the two Governments will take individually and collectively in furthering the above-mentioned policies;

Have agreed as follows:

PART I. GENERAL PROVISIONS

ARTICLE I

A. The Government of the exporting country undertakes to finance the sale of agricultural commodities to purchasers authorized by the Government of the importing country in accordance with the terms and conditions set forth in this Agreement.

B. The financing of the agricultural commodities listed in Part II of this Agreement will be subject to:

1. the issuance by the Government of the exporting country of purchase authorizations and their acceptance by the Government of the importing country; and

2. the availability of the specified commodities at the time of exportation.

C. Application for purchase authorizations will be made within 90 days after the effective date of this Agreement, and, with respect to any additional commodities or amounts of commodities provided for in any supplementary agreement, within 90 days after the effective date of such supplementary agreement. Purchase authorizations shall include provisions relating to the sale and delivery of such commodities, and other relevant matters.

D. Except as may be authorized by the Government of the exporting country, all deliveries of commodities sold under this Agreement shall be made within the supply periods specified in the commodity table in Part II.

E. The value of the total quantity of each commodity covered by the purchase authorizations for a specified type of financing authorized under this Agreement shall not exceed the maximum export market value specified for that commodity and type of financing in Part II. The Government of the exporting country may limit the total value of each commodity to be covered by purchase authorizations for a specified type of financing as price declines or other marketing factors may require, so that the quantities of such commodity sold under a specified type of financing will not substantially exceed the applicable approximate maximum quantity specified in Part II.

F. The Government of the exporting country shall bear the ocean freight differential for commodities the Government of the exporting country requires to be transported in United States flag vessels (approximately 50 percent by weight of the commodities sold under the Agreement). The ocean freight differential is deemed to be the amount as determined by the Government of the exporting country, by which the cost of ocean transportation is higher (than would otherwise be the case) by reason of the requirement that the commodities be transported in United States flag vessels. The Government of the importing country shall have no obligation to reimburse the Government of the exporting country for the ocean freight differential borne by the Government of the exporting country.

G. Promptly after contracting for United States flag shipping space to be used for commodities required to be transported in United States flag vessels, and in any event not later than presentation of the vessel for loading, the Government of the importing country or the purchasers authorized by it shall open a letter of credit, in United States dollars, for the estimated cost of ocean transportation for such commodities.

H. The financing, sale, and delivery of commodities under this Agreement may be terminated by either Government if that Government determines that because of changed conditions the continuation of such financing, sale, or delivery is unnecessary or undesirable.

ARTICLE II

A. Initial Payment:

The Government of the importing country shall pay, or cause to be paid, such initial payment as may be specified in Part II of this Agreement. The amount of this payment shall be that portion of the purchase price (excluding any ocean transportation costs that may be included therein) equal to the percentage specified for initial payment in Part II and payment shall be made in United States dollars in accordance with the applicable purchase authorization.

B. Currency Use Payment:

The Government of the importing country shall pay, or cause to be paid, upon demand by the Government of the exporting country in amounts as it may determine, but in any event no later than one year after the final disbursement by the Commodity Credit Corporation under this Agreement, or the end of the supply period, whichever is later, such payment as may be specified in Part II of this Agreement pursuant to Section 103(b) of the Act (hereinafter referred to as the Currency Use Payment). The currency use payment shall be that portion of the amount financed by the exporting country equal to the percentage specified for currency use payment in Part II. Payment shall be made in accordance with paragraph H and for purposes specified in Subsection 104(a), (b), (c) and (h) of the Act, as set forth in Part II of this Agreement. Such payment shall be credited against (a) the amount of each year's interest payment due during the period prior to the due date of the first installment payment, starting with the first year, plus (b) the combined payments of principal and interest starting with the first installment payment, until the value of the currency use payment has been offset. Unless otherwise specified in Part II, no request for payment will be made by the Government of the exporting country prior to the first disbursement by the Commodity Credit Corporation of the exporting country under this Agreement.

C. Type of Financing:

Sales of the commodities specified in Part II shall be financed in accordance with the type of financing indicated therein. Special provisions relating to the sale are also set forth in Part II.

D. Credit Provisions:

1. With respect to commodities delivered in each calendar year under this Agreement, the principal of the credit (hereinafter referred to as principal) will consist of the dollar amount disbursed by the Government of the exporting country for commodities (not including any ocean transportation costs) less any portion of the initial payment payable to the Government of the exporting country.

The principal shall be paid in accordance with the payment schedule in Part II of this Agreement. The first installment payment shall be due and payable on the date specified in Part II of this Agreement. Subsequent installment payments shall be due and payable at intervals of one year thereafter. Any payment of principal may be made prior to its due date.

2. Interest on the unpaid balance of the principal due the Government of the exporting country for the commodities delivered in each calendar year shall be paid as follows:

a. In the case of Dollar Credit, interest shall begin to accrue on the date of last delivery of these commodities in each calendar year. Interest shall be paid not later than the due date of each installment payment of principal, except that if the date of the first installment is more than a year after such date of last delivery, the first payment of interest shall be made no later than the anniversary date of such date of last delivery and thereafter payment of interest shall be made annually and not later than the due date of each installment payment of principal.

b. In the case of Convertible Local Currency Credit, interest shall begin to accrue on the date of dollar disbursement by the Government of the exporting country. Such interest shall be paid annually beginning one year after the date of last delivery of commodities in each calendar year, except that if the installment payments for these commodities are not due on same anniversary of such date of last delivery, any such interest accrued on the due date of the first installment payment shall be due on the same date as the first installment and thereafter such interest shall be paid on the dates of the subsequent installment payments.

3. For the period of time from the date the interest begins to the due date for the first installment payments, the interest shall be computed at the initial interest rate specified in Part II of this Agreement. Thereafter, the interest shall be computed at the continuing interest rate specified in Part II of this Agreement.

E. Deposit of Payments:

The Government of the importing country shall make, or cause to be made, payments, to the Government of the exporting country in the currencies, amounts, and at the exchange rates provided for in this Agreement as follows:

1. Dollar payments shall be remitted to the Treasurer, Commodity Credit Corporation, United States Department of Agriculture, Washington, DC 20520, unless another method of payment is agreed upon by the two governments.

2. Payments in the local currency of the importing country (hereinafter referred to as local currency), shall be deposited to the account of the Government of the United States of America in interest bearing accounts in banks selected by the Government of the United States of America in the importing country.

F. Sales Proceeds:

The total amount of the proceeds accruing to the importing country from the sale of commodities financed under this Agreement, to be applied to the economic development purposes set forth in Part II of the Agreement, shall be not less than the local currency equivalent of the dollar disbursement of the Government of the exporting country in connection with financing of the commodities (other than the ocean freight differential), provided, however, that the sales proceeds to be so applied shall be reduced by the currency use payment, if any, made by the Government of the importing country. The exchange rate to be used in calculating this local currency equivalent shall be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency in connection with the commercial import of the same commodities. Any such accrued proceeds that are loaned by the Government of the importing country to private or non-governmental organizations shall be loaned at rates of interest approximately equivalent to those charged for comparable loans in the importing country. The Government of the importing country shall furnish in accordance with its fiscal year budget reporting procedure, at such times as may be requested by the Government of the exporting country but not less often than annually, a report of the receipt and expenditure of the proceeds, certified by the appropriate audit authority of the Government of the importing country, and in case of expenditures the budget sector in which they were used.

G. Computations:

The computation of the initial payment, currency use payment and all payments of principal and interest under this Agreement shall be made in United States dollars.

H. Payments:

All payments shall be in United States dollars or, if the Government of the exporting country so elects,

1. The payments shall be made in readily convertible currencies of third countries at a mutually agreed rate of exchange and shall be used by the Government of the exporting country for payment of its obligations or, in the case of currency use payments, used for the purposes set forth in Part II of this Agreement; or

2. The payments shall be made in local currency at the applicable exchange rate specified in Part I, Article III, G of this Agreement in effect on the date of payment and shall, at the option of the Government of the exporting country, be converted to United States dollars at the same rate, or used by the Government of the exporting country for payment of its obligations or, in the case of currency use payments, used for the purposes set forth in Part II of this Agreement in the importing country.

ARTICLE III

A. World Trade:

The two Governments shall take maximum precautions to assure that sales of agricultural commodities pursuant to this Agreement will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with countries the Government of the exporting country considers to be friendly to it (referred to in the Agreement as friendly countries). In implementing this provision the Government of the importing country shall:

1. Insure that total imports from the exporting country and other friendly countries into the importing country paid for with the resources of the importing country will equal at least the quantities of agricultural commodities as may be specified in the usual marketing table set forth in Part II during each import period specified in the table and

during each subsequent comparable period in which commodities financed under this Agreement are being delivered. The imports of commodities to satisfy these usual marketing requirements for each import period shall be in addition to purchases financed under this Agreement.

2. Take steps to assure that the exporting country obtains a fair share of any increase in commercial purchases of agricultural commodities by the importing country.

3. Take all possible measures to prevent the resale, diversion in transit, or transshipment to other countries or the use for other than domestic purposes of the agricultural commodities purchased pursuant to this Agreement (except where such resale, diversion in transit, transshipment of use is specifically approved by the Government of the United States of America).

4. Take all possible measures to prevent the export of any commodity of either domestic or foreign origin, which is defined in Part II of this Agreement, during the export limitation period specified in the export limitation table in Part II (except as may be specified in Part II or where such export is otherwise specifically approved by the Government of United States of America).

B. Private Trade·

In carrying out the provisions of this Agreement, the two Governments shall seek to assure conditions of commerce permitting private traders to function effectively.

C. Self-Help:

Part II describes the program the Government of the importing country is undertaking to improve its production, storage, and distribution of agricultural commodities. The Government of the importing country shall furnish in such form and at such time as may be requested by the Government of the exporting country, a statement of the progress the Government of the importing country is making in carrying out such self-help measures.

D. Reporting:

In addition to any other reports agreed upon by the two Governments, the Government of the importing country shall furnish at least quarterly for the supply period specified in Part II, Item I of this Agreement and any subsequent comparable period during which commodities purchased under this Agreement are being imported or utilized,

1. The following information in connection with each shipment

of commodities under the Agreement: the name of each vessel; the date of arrival; the port of arrival; the commodity and quantity received; and the condition in which received.

2. A statement by it showing the progress made toward fulfilling the usual marketing requirements.

3. A statement of the measures it has taken to implement the provisions of Sections A 2 and 3 of this Article; and

4. Statistical data on imports by country of origin and exports by country of destination, of commodities which are the same or like those imported under the Agreement.

E. Procedures for Reconciliation and Adjustment of Accounts:

The two Government shall each establish appropriate procedures to facilitate the reconciliation of their respective records on the amounts financed with respect to the commodities delivered during each calendar year. The Commodity Credit Corporation of the exporting country and the Government of the importing country may make such adjustments in the credit accounts as they mutually decide are appropriate.

F. Definitions:

For the purposes of this Agreement:

1. Delivery shall be deemed to have occurred as of the on-board date shown in the ocean bill of lading which has been signed or initialed on behalf of the carrier;

2. Import shall be deemed to have occurred when the commodity has entered the country, and passed through customs, if any, of the importing country; and

3. Utilization shall be deemed to have occurred when the commodity is sold to the trade within the importing country without restriction on its use within the country or otherwise distributed to the customer within the country.

G. Applicable Exchange Rate:

For the purposes of this Agreement, the applicable exchange rate for determining the amount of any local currency to be paid to the Government of the exporting country shall be a rate in effect on the date of payment by the importing country which is not less favorable to the Government of the exporting country than the highest exchange rate legally obtainable in the importing country and which is not less favorable to the

Government of the exporting country than the highest exchange rate obtainable by any other nation. With respect to local currency:

1. As long as a unitary exchange rate system is maintained by the Government of the importing country, the applicable exchange rate will be the rate at which the central monetary authority of the importing country, or its authorized agents, sells foreign exchange for local currency.

2. If a unitary rate system is not maintained, the applicable rate will be the rate (as mutually agreed by the two Governments) that fulfills the requirement of the first sentence of this Section G.

H. Consultation:

The two Governments shall, upon request of either of them, consult regarding any matter arising under this Agreement, including the operation of arrangements carried out pursuant to this Agreement.

I. Identification and Publicity:

The Government of the importing country shall undertake such measures as may be mutually agreed prior to delivery for the identification of food commodities at points of distribution in the importing country, and for publicity in the same manner as provided for in Subsection 103(l) of the Act.

PART II. PARTICULAR PROVISIONS:

Item I. Commodity Table:

Commodity	Supply Period (United States Fiscal Year)	Approximate Quantity	Maximum Export Market Value Dollars (Million)
Wheat	1982	175,000 MT	26.1
Soybean/ Cottonseed Oil	1982	30,000 MT	13.3
Rice	1982	23,000 MT	6.4
Cotton	1982	28,300 Bales	9.2

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

A. Initial Payment - None.

B. Currency Use Payment - None.

C. Currency Use Offset - Up to one hundred (100) percent of the value of financing provided under this Agreement plus interest to support the Food for Development Program identified in Annex B.

D. Number of Installment Payments - 31.

E. Amount of Each Installment Payment - Approximately equal annual amounts.

F. Due Date of the First Installment Payment - Ten (10) years after date of last delivery of commodities in each calendar year.

G. Initial Interest Rate - 2 percent.

H. Continuing Interest Rate - 3 percent.

Item III. Usual Marketing Table:

Commodity	Import Period (United States Fiscal Year)	Usual Marketing Requirement (Metric Tons)
Cotton	1982	100,000 Bales
Wheat	1982	0
Soybean/ Cottonseed Oil	1982	0
Rice	1982	0

Item IV. Export Limitations:

A. Export Limitation Period:

The export limitation period shall be United States Fiscal Year 1982, or any subsequent United States Fiscal Year during which commodities financed under this Agreement are being imported or utilized.

B. Commodities to Which Export Limitations Apply:

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

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

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

3. Cotton - upland cotton, except Comilla variety and cotton textiles (including yarn and waste); and

4. Rice - rice in the form of paddy, brown, or milled.

Item V. Self-Help Measures:

A. The Government of Bangladesh agrees to undertake self-help measures to improve the production, storage, and distribution of agricultural commodities. The following self-help measures shall be implemented to contribute directly to development progress in poor rural areas and enable the poor to participate actively in increasing agricultural production through small farm agriculture.

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

1. Encourage increased domestic production by:

a. Implementing the Medium-Term Foodgrain Production Plan with improved water control, particularly irrigation, as the spearhead of improved agricultural technology.

b. Continuing to encourage the private sector's contribution to producing, processing, distributing, and marketing of foodgrains. Similarly the private sector's role in the provision of agricultural inputs will continue to be increased. The private sector will continue to be encouraged to invest in storage facilities for foodgrains and in the foodgrain trade. Credit available to the private sector for foodgrain production, input supplies, storage, and marketing will be expanded.

c. Pursuing agricultural research goals which contribute to the increase and diversification of food production.

d. Taking effective measures to strengthen the crop forecasting system and to disseminate agricultural research information to farmers through extension services and by other means.

2. Announce procurement prices for each major foodgrain crop before the planting season, setting the price at a level to cover all input costs plus a margin of profit sufficient to encourage investment in high yield variety (HYV) technology. Continue procurement operations whenever farmgate prices fall below procurement prices.

3. Maintain a reserve system to provide foodgrain security. The BDG agrees to improve and expand the Open Market Sales (OMS) Program as the release mechanism for the reserve program. OMS will both moderate price increases and provide reasonably priced foodgrains to consumers throughout the country.

4. Continue phasing down the ration system by (a) gradually moving prices upward to reduce the subsidy element, (b) reducing the rice portion of the ration and (c) lowering the total ration quota for individual cardholders.

5. Evaluate the operations of the vegetable oil market, including oil sales through the private sector and the oil used in the ration system.

6. Implement policies to foster private sector investment in the cotton spinning industry including announcement of elimination of the 12,500 spindle limitation applicable to new spinning mills. Cotton yarn produced from P.L. 480 financed cotton will be used to support the local weaving industry.

Item VI. Economic Development Purposes for which Proceeds Accruing to Importing Country are to be used:

A. The proceeds accruing to the Government of Bangladesh from the sale of commodities financed under this Agreement will be used for financing the self-help measures set forth in the Agreement, and for development in the agricultural sector, in a manner designed to increase the access of the poor in the recipient country to an adequate, nutritious, and stable food supply.

B. In the use of proceeds for these purposes emphasis will be placed on directly improving the lives of the poorest of the Bangladeshi people and their capacity to participate in the development of their country.

Item VII. Food for Development Program to which Currency Use Offset Applies

Annexes A and B set forth the understandings of the parties concerning the Food for Development Program to be undertaken by the BDG with the proceeds from the sale of agricultural commodities financed by this Agreement. In the event of any inconsistencies between the provisions of Parts I, II and III of this Agreement and Annexes A and B, such Annexes shall be controlling.

Annexes A and B are incorporated in the Agreement. Annex A is intended to be applicable to the Food for Development Program for Bangladesh. Annex B describes the specific Food for Development Program of the BDG.

PART III. FINAL PROVISIONS:

A. This Agreement may be terminated by either Government by notice of termination for any reason, and by the Government of the exporting country if it should determine that the self-help program described in the Agreement is not being adequately developed. Such termination will not reduce any financial obligations the Government of the importing country has incurred as of the date of termination.

B. This Agreement shall enter into force upon signature.

IN WITNESS WHEREOF, the respective representative, duly authorized for the purpose, has signed the present Agreement.

DONE at DACCA,

This 8 day of MAR 1982.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

Jane A. Coon
Ambassador Extraordinary
and Plenipotentiary

FOR THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH

Kazi Fazlur Rahman
Secretary
External Resources Division
Ministry of Finance

ANNEX A

P.L. 480 TITLE I AGREEMENT PROVIDING

FOR A TITLE III FOOD FOR DEVELOPMENT PROGRAM

The Government of the United States of America (USG), the Exporting Country, and the Government of the People's Republic of Bangladesh (BDG), the Importing Country:

Recognizing the policy of the USG to use its agricultural productivity in a manner which will establish a strong relationship between food assistance and efforts by the BDG to increase the availability of food for the poor and to improve in other ways the quality of their lives; and

Having agreed upon a proposal for the intended use of commodities or funds generated from the sale of such commodities to increase the access of the poor in Bangladesh to a growing and improving food supply through activities designed to improve the production, protection and utilization of food; and

Desiring to set forth the understanding that will govern the sale of agricultural commodities in Bangladesh in order to carry out the above mentioned proposal pursuant to the authority of the Agricultural Trade Development and Assistance Act of 1954 of the U.S. Government, as amended (hereinafter referred to as the Act), and the measures the two Governments will undertake to further the above-mentioned policies:

Agree as follows:

Item I. Responsibilities of the USG:

A. Subject to the availability of funds and commodities, the USG agrees to furnish credit under authority of Title I of the Act to the BDG for the purchase of agricultural commodities and to carry out the provisions of the Food for Development Program, as set forth in Annex B of this Agreement.

B. On receipt of satisfactory evidence of use of the commodity or disbursements from the Special Account for eligible uses by the BDG described below for the activities and/or programs described in Annex B, the USG will apply such disbursements against the Title I payment obligation incurred under this Agreement as set forth in Items II and III below.

Item II. Responsibilities of the BDG:

A. The BDG agrees to carry out the programs and policies detailed in Annex B. In carrying out such programs and policies, the BDG agrees that it will:

1. Use the commodities provided and/or the proceeds generated from the sale of agricultural commodities financed under this Agreement to implement and finance the development activities specified in Annex B.

2. Submit on or before October 1 of each year during the period of this Agreement a comprehensive report to the USG on the activities and progress achieved under the Food for Development Program detailed in Annex B, for the United States fiscal year ending September 30 including, but not limited to, a comparison of results with program targets, a specific accounting for commodities and funds generated, their uses, the outstanding balance at the end of the most recent fiscal year, and any recommendations of the BDG for modification and improvement of the Food for Development Program, including the use of funds generated and deposited in the Special Account.

3. Maintain adequate records for not less than three years after completion of the program to permit review and audit by the USG of measures taken to implement the Food for Development Program.

B. The BDG agrees to establish a Special Account in which it will deposit the proceeds and to maintain this account subject to the following conditions:

1. The local currency will be deposited not later than six months after it is generated.

2. Local currency deposited will be disbursed for the program set forth in Annex B of this Agreement.

C. The provisions of Part I, Article II F of this Agreement shall not apply to sales proceeds disbursed from the Special Account for the Food for Development Program.

Item III. Credit for Title I Loan Indebtedness:

The USG and the BDG agree that:

A. The dollar equivalent of local currency disbursed for eligible uses identified in Annex B shall be calculated at the exchange rate specified in Part I, Article III G of the Agreement, applicable on the date of disbursement from the Special Account.

The dollar sales value of commodities furnished under this Agreement which are in conformance with Section 305(A) and 305(B) of the Act and used according to the specific provisions outlined in Annex B shall be applied against repayment obligations incurred under this

Agreement and the value of the commodities so used will be deemed to be disbursements at the time of such use.

Disbursements from the Special Account or commodities that are deemed to be disbursements for purposes specified in Annex B and in accordance with the provisions of this Agreement, in an amount equivalent to the dollar value of the credit furnished by the Government of the Exporting Country under this Agreement shall be deemed to be the payment of all installments of principal and interest payable thereon for the commodities financed under this Agreement, except as hereinafter provided, with respect to the election by the Government of the Importing Country to apply excess disbursements to repayment of obligations under other PL 480 financing agreements. The dollar equivalent value of local currency disbursements in excess of the amount of the annual repayment obligations of the Government of the Importing Country in any fiscal year may, at the election of such country, be credited as payment of its annual repayment for that fiscal year under other PL 480 financing agreements at the rate of exchange applicable on date of disbursement. The Government of the Importing Country agrees to notify the Government of the Exporting Country of its election to credit excess disbursement against designated obligations under other PL 480 financing agreements not less than thirty (30) days prior to the due date(s) of the payment(s) against which the equivalent dollar value of the excess disbursement is to be applied. For purposes of the aforementioned repayment provisions the "fiscal year" shall begin on October 1 and end on September 30 for the term of this Agreement.

B. For the period during which disbursements are made in accordance with paragraph A above, the BDG will furnish the USG a quarterly report of the deposits and disbursements made, certified by the appropriate audit authority of the BDG and a description of the activities for which the disbursements were made. This report shall include documentation that (a) funds have been deposited in the Special Account and (b) Special Account funds have been used to offset expenditures (e.g., vouchers paid) against agreed development projects.

C. Not less than sixty (60) days before the Title I loan installment becomes due under the terms of Part II, Item II of this Agreement, the Government of the Exporting Country will furnish the BDG with a repayment schedule as well as a schedule showing applications to Title I payment obligations. Revised currency use offset schedules showing additional disbursements and applications will be furnished to the BDG as appropriate.

D. The Government of the Exporting Country reserves the right to (1) review in consultation with the Government of the Importing Country use of disbursements and/or use of commodities and (2) determine eligibility for application against Title I payment obligations under this Agreement. If the Government of the Exporting Country determines that a disbursement or commodity use was made for an ineligible use, notice of such ineligibility shall be given by the Government of the Exporting Country to the Government of the Importing Country, and the two Governments shall, upon request of either, consult regarding such ineligibility. If the notice of ineligibility is not rescinded by the Government of the Exporting Country within ninety (90) days of receipt of such notice by the Government of the Importing Country, disbursements or commodities used for ineligible uses shall not be eligible for application to any indebtedness. At the option of the Government of the Exporting Country, an amount equivalent to the ineligible disbursement shall be restored to the Special Account. To the extent that any disbursements for ineligible uses or commodities used for ineligible uses have been applied against the Title I payment obligations such applications will be cancelled.

E. The Government of the Exporting Country shall have the right, at reasonable times, to inspect projects and inspect and audit records, procedures and methods pertaining to the disbursements made from the Special Account, or pertaining to the use of the commodities.

F. If currencies remain in the Special Account three years after the last local currency is generated under the program set forth in Annex B, the Government of the Importing Country shall use the remaining currencies for the self-help measures specified in Item V of Part II of the Agreement and for such economic development purposes set forth in Item VI of Part II of the Agreement as the two Governments may agree. Such use of currencies shall not be considered eligible to meet Title I repayment obligations of the Importing Country.

G. Annually at such times as the two Governments may agree, representatives of the parties shall meet in a place agreed upon to discuss and review the progress of the Food for Development Program, to consider modification and improvements, and to determine the amounts and kinds of commodities to be financed under this Agreement during that year of the Food for Development Program.

Item IV. Implementation of the Food for Development Program:

A. The Food for Development Program, which is further described in Annex B, consists of a set of policies and activities that are designed to contribute to the attainment of foodgrain self-sufficiency. This includes a properly managed Security/Reserve System; an Open Market Sales Program that acts as a release mechanism for the Reserve Program, ensures that reasonably priced foodgrains are available throughout Bangladesh and helps to moderate consumer price increases; establishment of incentive prices for producers and a procurement program to maintain these prices; reduction of quantities in the ration system and a shift in focus toward these groups with the greatest needs; and, encouragement of private sector involvement in foodgrain marketing and processing. Other aspects of the Program are concerned with the development of private sector involvement in the vegetable oil processing and marketing and cotton spinning industries. Finally, the sales proceeds/commodities will be used for the agreed development purposes thus providing the BDG additional resources needed in the effort to attain foodgrain self-sufficiency. Failure to fully implement policies and activities described in Annex B would undercut prospects for attaining foodgrain self-sufficiency and would constitute cause for termination of this Agreement. Any future year food commodity funding would continue under Title I.

B. From time to time, the parties may use jointly agreed-upon implementation letters to confirm and record their mutual understanding of aspects of the implementation of this Agreement. Implementation letters will not be used to amend the text of this Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement.

C. For the purpose of negotiating and executing implementation letters, the Government of the Importing Country will be represented by the individual holding or acting in the Office of the Joint Secretary, External Resources Division, Ministry of Finance, and the Exporting Country will be represented by the individual holding or acting in the Office of the U.S. Ambassador, each of whom, by written notice may designate additional representatives. Each party will provide the other party with the names of its representatives and their specimen signatures, and may accept, as duly authorized, any implementation letter signed by any one of such representatives of their authority.

Item V. Suspension of the Agreement:

The Government of the Exporting Country shall annually review the performance and implementation of this Agreement by the Government of the Importing Country. If the Government of the Exporting Country finds that the provisions of this Agreement are not being substantially met, no further financing under this Agreement shall be extended until the end of the following United States fiscal year or until the situation is remedied, whichever occurs first, unless the failure to meet the provisions is due to unusual circumstances beyond the control of the Government of the Importing Country.

ANNEX B

PROGRAM DESCRIPTION

Item I. Purpose:

A. Overall Development Effort to be Addressed:

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

B. Proposed Title III Program:

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

Item II. Background and Setting:

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

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

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

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

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

Item III. Program Description:

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

In FY 1982 the program will provide commodities with a total export market value of $55.0 million, with $26.1 million designated for the purchase of wheat; $13.3 million for vegetable oil; $6.4 million for rice; and $9.2 million for cotton. At most recent price estimates, these funds are expected to purchase approximately 175,000 MT of wheat, 30,000 MT of vegetable oil, 23,000 MT of rice and 28,300 bales of cotton. However, price changes by the time of purchase may result in greater or lesser amounts being supplied. The wheat provided under this Agreement may be used for reserves, modified rationing, or OMS. The rice provided under this Agreement may only be used for OMS. The vegetable oil will be refined by both public and private mills and will all be wholesaled and retailed in the private sector. The cotton will be distributed to mills by the Bangladesh Textile Mills Corporation (BTMC) as needed. Any private sector mills that open during the time this Agreement is in force will be provided with a proportional share of cotton.

A. Incentive Price to Farmers:

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

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

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

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

B. Open Market Sales Program:

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

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

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

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

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

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

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

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

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

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

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

C. Reserves:

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

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

D. Reserve Stock Management:

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

E. Reduction of the Public Food Distribution System:

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

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

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

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

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

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

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

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

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

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

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

H. Use of Title III Sales Proceeds:

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

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

The list of development programs/projects includes:

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

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

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

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

Item IV. Evaluation:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AGREED MINUTES OF THE NEGOTIATIONS BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA (USG) AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH (BDG) FOR A PUBLIC LAW 480, FOOD FOR DEVELOPMENT PROGRAM (TITLE III)

1. Commodity Composition:

An important aspect of this Agreement is the concept of commodity flexibility. That is, subject to U.S. availability, the USG will provide those commodities most needed by Bangladesh. For FY 1982, the proposed commodity composition, as shown in Part II, Item I provides a total of \$55.0 million with a breakdown of \$26.1 million for the purchase of wheat, \$13.3 million for vegetable oil, \$6.4 million for rice and \$9.2 million for cotton. This will enable the BDG to purchase approximately 175,000 MT of wheat, 30,000 MT of vegetable oil, 23,000 MT of rice and 28,300 bales of cotton. However, the dollar value of the Agreement is identified as the maximum export value and will control the size of actual purchases. The BDG representatives were informed that in case unit prices become higher than those projected in the Agreement purchases will be limited to the dollar value specified in the Agreement.

Rice is being proposed because of the excess supplies of U.S. rice, the short supply of rice in Bangladesh, and because rice is the preferred foodgrain. It was indicated to the BDG that we have been able to offer additional foodgrains even though our budget is quite limited. With regard to the edible vegetable oil, we are not designating whether crude or refined. USDA recommends that if at all possible, two shipments of 15,000 MT crude edible vegetable oil be used because of the possible difficulties in arranging the shipment of the U.S. flag portion. In any case the total amount should be covered under one purchase authorization. Should the BDG choose to buy some refined edible vegetable oil, the funds allocated would probably not purchase the full 30,000 MT.

2. Commodity Deliveries:

Supply periods under this Agreement are based on U.S. fiscal years. For the FY 1982 tranche the supply period is U.S. FY 1982. All commodity deliveries into vessels at U.S. ports must be completed by September 30, 1982.

3. Payment Terms:

Payment terms for this Agreement are the same as in the previous year's Agreement. The payment terms as detailed in Part II, Item II are 40 years with the grace period of ten (10) years and interest rates of 2 percent during the grace period and 3 percent thereafter.

4. Usual Marketing Requirements:

As detailed in Part II, Item III, the UMR's for wheat and vegetable oil have been set at zero due to Bangladesh's overall economic and financial situation. However, for cotton a UMR of 100,000 bales has been established for FY 1982. The imposition of a UMR for cotton continues past practice under Title I Agreements.

5. Export Limitations:

The export limitations under Part II, Item IV includes those of past agreements and has been expanded to include upland cotton, except Comilla variety, and cotton textiles (including yarn and waste), and rice in the form of paddy, brown or milled.

6. Self-Help Measures and Use of Sales Proceeds:

A. Section 119 (A) of P.L. 480 requires that, before entering into agreements for the sale of commodities, consideration be given to the extent to which the recipient country is undertaking self-help measures to increase per capita production and improve the means for storage and distribution of agricultural commodities. In addition, it is required that particular account is taken to determine the extent to which the measures are being carried out in ways designed to contribute directly to development progress in poor rural areas and to enable the poor to participate actively in increasing agricultural production through small farm agriculture.

B. Section 106 (B) provides that in negotiating agreements, emphasis shall be placed on the use of such proceeds for purposes which directly improve the lives of the poorest of the recipient countries' people and their capacity to participate in the development of their country. Greatest emphasis is required to be placed on the use of such proceeds to carry out programs of agricultural development, rural development, nutrition and population planning in accordance with Section 109 of P.L. 480 and which programs are likely to achieve the policy objectives of Sections 103 and 104, of the Foreign Assistance Act of 1961 as amended.

C. In addition, it was noted that the recently passed farm bill contained language amending P.L. 480. The amendment adds at the end of Section 109 a new subsection as follows:

"D. (1) In each agreement entered into under this Title and in each amendment to such an agreement, the economic development and self-help measures which the recipient country agrees to undertake shall be described (a) to the maximum extent feasible, in specific and measurable terms, and (b) in a manner which ensures that the needy people in the recipient country will be the major beneficiaries of the self-help measures pursuant to each agreement.

"(2) The President shall, to the maximum extent feasible, take appropriate steps to assure that, in each agreement entered into under this Title and in each amendment to such an agreement, the self-help measures agreed to are additional to the measures that the recipient country otherwise would have undertaken irrespective of that agreement or amendment.

"(3) The President shall take all appropriate steps to determine whether the economic development and self-help provisions of each agreement entered into under this Title, and of each amendment to such an agreement, are being fully carried out."

D. The USG feels that the specific and measurable aspect of the self-help measures is adequately outlined in Annex B item IV.

E. Part II, Item V specifies the self-help measures to be carried out by the recipient country utilizing the local currencies accruing to the recipient country from the sale of agricultural commodities financed under the Agreement.

7. Responsibilities of the USG:

As the Importing Country makes disbursements from the Special Account or commodities are used that are deemed to be disbursements as described in paragraph 9 C of the Agreed Minutes and in Annex A, the USG will apply the dollar equivalent of such disbursements to the earliest payments of interest and then of principal and interest payable under this Agreement. To the extent that disbursements exceed earliest installments, interest will be credited to the Government of the Importing Country at the same rate as that charged in the Agreement. However, the Government of the Importing Country may elect to apply the dollar equivalent of those disbursements in any fiscal year in excess of the annual repayment obligation for that fiscal year to other P.L. 480 indebtedness payable in the same fiscal year.

8. Responsibilities of the Importing Country:

A. The obligation to maintain records of deposits to and disbursements from the Special Account, and the need to maintain sufficiently detailed records of disbursements to provide an audit trail, were further explained to the BDG representatives. It was noted that Annex A requires that records be maintained for not less than 3 years after completion of the full program outlined in Annex B. It was also noted that in the past questions have been raised by the Office of the Inspector General of USDA concerning the operation of the Special Account and the adequacy of the audit trail. It was emphasized that these records be kept up to date and available for review by the USG upon request.

B. The comprehensive report required in Item II A in Annex A was highlighted to the BDG representatives. The report described will substitute for the annual self-help report which would otherwise be required by Article III C, Part I, of this Agreement. Should part or all of the local currency proceeds be used for the self-help measures, then the BDG would be required to provide a self-help report under this Agreement as part of the comprehensive report.

9. Credit for Title I Indebtedness:

A. The Credit for Title I indebtedness is secured through specified uses of the commodity for development purposes and through operation of the Special Account. The dollar value of commodities which have been used pursuant with Section 305 (C) of P.L. 480 and in accordance with the provisions of Annex B will be deemed to be disbursements and can be used to obtain credit for Title I indebtedness.

B. Deposits to the Special Account shall be the local currency equivalent to the dollars disbursed by CCC/USDA under the Agreement (other than ocean freight differential). However, since this Agreement provides for credit offset for wheat held in the reserve for one year, total deposits to the Special Account will be reduced by the value of any wheat so held. That wheat may then be used for the Food for Work Program. If it is used otherwise or sold its value must be deposited in the Special Account, however, it will not earn currency use offset. The BDG is required to give the USG written assurances (which will be attached to the documentation forwarded to Washington for publication) that funds deposited to the Special Account do not come from its development budget or from other funds provided by the U.S., third countries or international organizations.

C. The BDG representatives were advised that, as disbursements are made from the Special Account or commodities used that are deemed to be disbursements, detailed records of amounts and purposes of those disbursements must be maintained (see Item II A 2 of Annex A). The Importing Country is required to submit quarterly reports to the American Embassy on its disbursements. The Embassy, in turn will report these disbursements to CCC/USDA, Washington, together with a certification by the Ambassador or her designee that the disbursements reported were made for agreed upon development uses.

D. It was pointed out to the BDG representatives that under the terms of Annex A, not less than 60 days before the first Title I installment would otherwise fall due under this Agreement, CCC will furnish the BDG a repayment schedule as well as a schedule showing application of any disbursements to amounts due under the Title I indebtedness.

E. With regard to disbursements from the Special Account, USG representatives emphasized to the BDG representatives that Title I indebtedness will be offset as disbursements are made to specific projects, in accordance with an approved project application to be agreed upon between the BDG and the U.S. Embassy or in accordance with the provision of Item IV of Annex B. Such procedure, should call for periodic reporting (for example monthly or quarterly) on releases from the Special Account to the project based on expenditures for agreed purposes during the reporting period. It will be the Embassy's responsibility to verify that disbursements were in fact made for eligible development uses, and to so certify to CCC/USDA. If the Embassy finds that any disbursements were made for ineligible uses, it shall follow the notification and consultation procedure outlined in Item III D of Annex A. If after consultation, it is determined that disbursements were made for ineligible purposes, the Embassy should consult Washington as to whether to exercise the option to require restoration to the Special Account of amounts disbursed. The BDG representatives were advised that American Embassy/USG personnel will regularly inspect activities supported under the FFD Program (as described in Annex B) and records, in accordance with Item III D and E of Annex A.

F. During negotiations, it was made clear to the BDG that the election to apply disbursements from the Special Account, or commodity use that is deemed to be disbursements to Title I debts from other agreements coming due in the same fiscal year, prevents the BDG from taking advantage of that provision of the law which permits full forgiveness of the Title I/III debt under an FFD Program. In other words, the election of the BDG to take advantage of the Title III forgiveness of other Title I debt will make the full forgiveness provision of Section 305 (A) of P.L. 480 inapplicable. Therefore, if the BDG elects to utilize this provision, it will receive forgiveness of the Title I debt in an amount equivalent to the dollar value, as of the date of disbursement, of each individual disbursement of local currency from the Special Account of or verified commodity use deemed to be disbursed. USG representatives explained that the BDG has until the end of the U.S. fiscal year to make sufficient disbursements to cover other Title I debt that is due during that fiscal year. Should those disbursements be insufficient, those payments will need to be paid along with any additional interest accrued from the date due. USG representatives also explained to the BDG that prior notification to the CCC/USDA is required for each payment of other Title I debt due for which currency use offset is to be applied.

10. Annual Evaluation and Review

The timing and content of the annual evaluation and review required under this Agreement, were discussed and a clear understanding on evaluation was reached. Annex A Item II A requires a comprehensive report be furnished by the BDG to the USG by October 1. Annex A Item III G requires a meeting between the two Governments to review progress under the FFD Program. Annex B Item IV requires a joint evaluation of the program.

Under these requirements the BDG will prepare a comprehensive report as described in Annex A Item II and Annex B Item IV and submit it to the Mission in Dacca by October 1. This comprehensive report will provide the reference point for the joint evaluation described in Annex B Item IV. When completed the comprehensive report and evaluation will be reviewed by the two Governments (Annex A Item III G) and forwarded to Washington with comments and recommendations no later than November 1.

It is important that this time frame be met in order to secure timely approval of the subsequent annual amendments and the early shipment of commodities. Washington should be kept advised of the progress on the comprehensive report, evaluation and review and notified if the time frame cannot be met.

During discussions it was indicated to the BDG representatives that the USG is willing to provide assistance in preparing the comprehensive report and evaluation if required. The assistance will be requested well in advance if needed.

11. Additionality.

During negotiations, USG representatives explained to appropriate BDG officials the requirements covered under Section 303 (C) of P.L. 480 as follows: "Assistance is intended to complement, but not replace assistance authorized by the FAA of 1961, as amended, or any other program of bilateral or multilateral assistance, or under the development program of the country desiring to initiate a Food for Development Program." The legislative history suggests that the Congress clearly meant by this language for the FFD Program to be "additional to the development efforts that would otherwise have been undertaken and not just supplemental to, or integrated with, such efforts. It must be shown that the FFD resources, in fact, result in a net gain in development effort in the country." It was pointed out that the U.S. views the program of open market sales of rice and wheat and the holding of reserves adequate to facilitate these sales as such an additional development activity, and emphasized again the importance of adequate implementation of this aspect of the program.

12. During negotiations it was noted that the BDG did not announce procurement prices for the FY 82 aman crop in advance of the planting season as required by the current Title III Agreement. While the USG commends the recently announced increases in the procurement prices for the FY 82 boro and wheat crops they were lower than the prices many consider adequate as an incentive for farmers to invest in HYV technology. While the BDG has primary responsibility for the analysis to determine appropriate

procurement prices, announcement of those prices should be made following consultation with the USG. It was indicated to the BDG that the announcement should be made in advance of the planting season for the major crops, specifically not later than July 1 in the case of aman and December 1 in the case of boro and wheat. It was emphasized to BDG that the USG places great importance on the timely announcement of procurement prices that will act as an incentive. BDG performance in this area could affect the future funding levels of the program.

13. Credit towards previous Title I repayment obligations may be earned through the reserve mechanism described in Annex B. After commodity use offset is granted, the commodity may be disposed of through the Food for Work Program, which does not generate any currencies. If the BDG, because of market conditions, wishes to use the same wheat for OMS or some other sales program instead of Food for Work and if the USG grants approval, then the local proceeds must be deposited in the Special Account and programmed. No additional credit for repayment obligations will be awarded.

14. Recognizing that open market sales of rice and paddy can have a greater impact on rising rice prices than can open market sales of wheat, the BDG will include rice and paddy in the Open Market Sales Program. All rice provided under this Agreement will be used for open market sales distribution. In addition, for OMS rice and paddy sales from BDG stocks, the BDG will be allowed to utilize wheat provided under this Agreement for the established BDG distribution categories designated as "flour mills". For paddy OMS sales, the BDG will be allowed to use wheat provided under this Agreement on a ton for ton basis, and for rice OMS sales, every two tons of OMS rice sold from BDG stocks will allow the use of three tons of wheat. The BDG will deposit in the Special Account the full CCC value of any wheat supplied under this Agreement that is exchanged for rice or paddy and is used in OMS.

15. The USG representatives discussed with the BDG the progress the OMS Program has made since the issuance of new regulations in September 1981 that allowed for the inclusion of rice and adjustments in OMS prices. Also discussed with the BDG were the remaining restrictions such as the prohibition on resale of OMS commodities to other than final consumer and the low limitation on the amount of grain that unlicensed dealers can buy.

16. Since it is impossible to determine the amount of local currency that will be made available for disbursement, detailed descriptions of projects/sectors to be supported with FFD proceeds will not be included in this Agreement. Therefore, when the BDG submits project/sector proposals they should include the following: brief description of the project/sector, including purpose, location (as appropriate), beneficiaries and expected output, financial plan, including major cost components and schedule of disbursements, and other appropriate benchmarks. It should

also address the additional development derived from the use of this Title III local currency. Sufficient detail should be made to allow for an evaluation of accomplishments. Projects to be supported under the Medium-Term Foodgrain Production Plan will be agreed upon by implementation letters. Copies of project summaries and implementation letters are to be forwarded to Washington.

17. The USG representatives discussed with BDG the need for a study and recommendations on the problem of foodgrain stock rotation. This discussion clarified who will do the study, when it will be done, the terms of reference.

18. The USG representatives discussed with the BDG those factors beyond the spindle limitation that serve to constrain private investment in the cotton spinning sector and what actions will be taken to remove these constraints. The BDG representatives provided assurances that when private spinning mills become operational they will be supplied raw cotton from imports under Government programs on a proportional basis or be allocated foreign exchange with which to make purchases.

19. USG representatives discussed with BDG the need for an in-depth study on the local vegetable oil receiving, storage, processing and marketing situation. The study will include effects of import duties, excise taxes and related policies and will make recommendations on how the local industry can be encouraged. The discussion led to agreement on the terms of reference for the study, who will do it and when it will be done.

20. This Agreement calls for an evaluation during October 1982. Since this Agreement will have been in effect for less than a year, the USG will require only a preliminary evaluation of actions/progress under this Agreement. The USG representatives discussed with BDG the timing and terms of reference for a comprehensive and in-depth evaluation of the first Title III FFD program that covered FY 78-81. It will review and evaluate all aspects of that program from inception in FY 1978 to October 1, 1982.

21. Operational Considerations:

A. Purchase Authorizations (PA's). As a general rule, Purchase Authorizations will not be issued until the USDA has received an operational reporting cable. Early submission of an operational reporting cable can expedite PA issuance. It is essential that the information in the operational reporting cable be developed in consultation with BDG and prior to completion of negotiations, so that the cable may be dispatched not later than the signing of the Agreement. The operational reporting cable will contain the following information:

(1) Type and grade of commodity(ies) to be purchased in accordance with official U.S. standards.

(2) Proposed contracting and delivery schedules and latest feasible terminal delivery date. (Note that "delivery" means delivery of commodity to vessels at U.S. ports.)

(3) Embassy concurrence and comment on the proposed delivery schedule and the latest feasible terminal delivery date (regardless of proposed delivery schedule). Concurrence must be based on assessment of Importing Country's capability to receive, store and distribute the commodity(ies) and prevent spoilage or waste if commodity(ies) delivered:

(a) Within proposed delivery schedule and

(b) By latest feasible terminal delivery date. Latest feasible terminal delivery date is necessary to expedite purchase authorization amendments in case it becomes impossible to meet desired delivery schedule due to vessel delays and other unforeseen circumstances.

(4) Name and address of Bank in Importing Country and U.S. commercial bank through which letters of credit for commodity and ocean freight will be opened.

(5) Assurance that appropriate Bangladeshi authorities are prepared to make prompt transfers of funds to cover ocean freight costs on commodities purchased under the Agreement.

B. Bellmon Determination. Prior to financing agricultural commodities, the Secretary of Agriculture must determine that (1) adequate storage facilities are available in the recipient country at the time of exportation to prevent the spoilage or waste of the commodity and (2) the distribution of the commodity in the recipient country will not result in a substantial disincentive to or interference with domestic production or marketing in that country.

C. Instructions to BDG Embassy/Washington. During negotiations BDG assurance was also obtained that arrangements have been made by appropriate authorities to relay to BDG Embassy/Washington all instructions, information, and authority necessary to ensure timely implementation of Agreement, including: (1) information outlined in paragraphs A (1), (2), (4), and (5) above; (2) complete instructions regarding arrangements for purchasing commodities and contracting for freight (including appointment of purchasing and/or shipping agent if applicable); and (3) instructions to contact Programs Operations Division, Export Credits, Foreign Agricultural Service, USDA, telephone (202) 447-5780, for assistance in implementing the Agreement.

D. Regulatory/Legislative Requirement. During negotiations the BDG representatives were reminded that, under current regulatory and legislative requirements:

(1) Purchase of food commodities under the Agreement must be made on the basis of Invitations For Bids (IFB's) publicly advertised in the United States and on the basis of bids (offers) which shall conform to the IFB. Bids are to be received and publicly opened in the United States. All awards under IFB's must be consistent with open, competitive, and responsive bid procedures.

(2) Terms of all IFB's (including IFB's for ocean freight), must be approved by the General Sales Manager, FAS, USDA, prior to issuance.

(3) If the BDG nominates a purchasing or shipping agent to procure commodities or arrange ocean transportation under the Agreement, the BDG is required to notify the General Sales Manager, FAS, USDA, in writing, of such nomination and attach a copy of the proposed agency agreement. All purchasing and shipping agents must be approved by the General Sales Manager, FAS, USDA in accordance with regulatory standards designed to eliminate certain potential conflicts of interest.

E. Letters of Credit.

(1) During negotiations BDG representatives provided assurances that appropriate measures will be taken to ensure that operable and irrevocable letters of credit for both commodities and freight will be issued as soon as possible after commodities are purchased and ocean freight booked.

(2) The USG representatives explained to BDG representatives that commodity and ocean freight suppliers may refuse to load vessels when acceptable letters of credit for commodities or ocean freight are not available at time of loading. This can result in costly claims by vessel owners (demurrage) and by commodity suppliers (carrying charges).

(3) The BDG must open letters of credit for 100 percent of ocean freight not later than 48 hours prior to vessel presentation for loading, providing for sight payment in U.S. dollars in favor of the ocean transportation supplier on the basis of tonnage and rates specified in the applicable charter party or booking note.

(4) The USG representatives reviewed with the BDG representatives Section 17.9 (M) of the Title I financing regulations concerning payment of the final 10 percent of ocean freight charges. It was pointed

90 percent of the ocean freight must be paid promptly on arrival of cargo. The remaining 10 percent, less despatch if any, should be paid promptly to the carrier upon completion of the laytime statement. Claims against the carrier for damaged or lost cargo should be pursued through normal channels and not be deducted from the ocean freight.

F. Compliance and Reporting Requirements. Compliance and reporting are an essential part of the P.L. 480 Program. BDG representatives were reminded of their Government's responsibility for compliance with provisions of Article III D of Part I of the Agreement. The BDG representatives have a clear understanding of the compliance and reporting requirements and their importance. USG representatives stressed that submission of timely, accurate and substantive reports on compliance as well as shipping and arrival information (ADP sheets) will prevent delays in USG processing of requests and Purchase Authorizations.

G. Performance Bonds. The BDG representatives were advised during negotiations that, if the commodity IFB issued by the BDG requires a performance bond, the requirement must be fair to both buyer and seller. USDA is developing performance bond language which satisfies these concerns and which may be used in commodity IFB's. USDA will be available to coordinate implementation of the performance bond language with BDG purchasing officials in the U.S.

H. The USG representatives discussed with BDG the matter of improving the discharge, storage and handling of commodities at their ports. Bangladesh has a record of unsubstantiated losses and unsettled claims due to its inability to verify and document commodity loss or damage. The USG would like a report on the magnitude of this problem, its causes and what BDG/donor efforts are being taken to rectify it. If this review and report reveals the need, the USG would like to add in the next amendment a self-help measure that addresses the identification and implementation of procedures and facilities for accurately identifying and documenting commodity loss and damage; improve the efficiency of claims handling; reduce commodity loss and damage; and increase the efficiency of commodity discharge, handling and storage at the ports.

22. The BDG representatives expressed concern that several sections of the Agreement (Part I Article I H, Part III A, and Annex A Item IV A) provide for unilateral termination of the Agreement without mutual consultation. USG representatives assured the BDG representatives that program termination would be considered only after extensive mutual consultation. The joint annual evaluation of the program required by the Agreement is the instrument for review of program performance and continuation.

not applicable to this Title III program. The USG representatives agreed that this provision and the other portions of the standard documents referring to procedures for currency use payments are not relevant to the Bangladesh Title III program. They are included because the Preamble, Parts I and III are standard documents which are included in all Title I and III Agreements, but can be ignored for purposes of this program.

24. The BDG representatives asked for clarification regarding clauses in Part I Article II H 2 and Article III G 1 and 2 having to do with the exchange rate at which dollar obligations are converted to local currency amounts. USG representatives assured BDG representatives that the official exchange rate would apply in all cases, rather than the higher rate pertaining in the Wage Earners Scheme market.

25. The BDG representatives noted that the announcement of foodgrain procurement prices before the planting season could cause disruptions in ongoing procurement of the crop being harvested at the time of the announcement, and suggested some room be left for a more flexible approach. The USG representatives countered that if the announcements were to have any effect on production, they would have to come before the planting season at the specified dates. The USG representatives have had the boro and wheat announcement date moved up from December 1 to November 1 because the planting seasons begin before December 1. The BDG representatives acknowledged that some of the plantings take place before December 1, but strongly objected to the USG's insistence on changing a major term of the Agreement at the last moment.

26. According to Annex B Item III B 4, if the stocks fall below 500,000 tons the BDG may suspend the OMS program. The BDG representatives indicated that the 500,000 tons minimum stock level for the OMS program was too low and should be changed to 700,000 tons. The 500,000 ton minimum was instituted a number of years ago. In the years since it came into being the overall population of Bangladesh has increased substantially as has foodgrain storage capacity and average stock levels. The USG representatives agreed that the minimum stock level should be increased, but that this will take place in the context of an evaluation of OMS performance and its impact on stock levels. Experience with the OMS program over the next several months will be reviewed in the Title III evaluation next fall or earlier if the situation demands. The increased minimum stock level can be included in the year's amendment if the evaluation confirms the need for the change.

27. It was agreed that the flour millers' regular basic monthly offtakes through the Public Food Distribution System would be used for the accounting procedure to make possible currency use offset for OMS rice and paddy (Annex B Item III B 5).

28. The BDG representatives asked the USG representatives to clarify the provision in Annex B Item III G that offtakes of vegetable oil in the ration system will not be otherwise increased during the course of the Agreement. It has always been normal practice in the month of fasting or during other religious festivals to make increases in the ration allocation of vegetable oil and sugar. The USG representatives indicated that the provision was not intended to preclude seasonal fluctuations, and continuation of normal practices in this regard would be no problem.

29. Part II Item V 6, requires the BDG to "Implement policies to foster private sector investment in the cotton spinning industry including the announcement of elimination of the 12,500 spindle limitation applicable to new spinning mills." It was agreed that the required announcement would consist of a letter to all of the private investors who had received licenses to build cotton spinning mills indicating that the BDG does not have a policy limiting milling construction to units of 12,500 spindles. The BDG will actively foster the construction of economically viable private cotton spinning mills.