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UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
Dhaka, Bangladesh

June 25, 1988

Mr. Ayub Quadri
Joint Secretary
External Resources Division
Ministry of Planning
Block-7
Sher-e-Bangla Nagar, Dhaka

Dear Mr. Quadri:

I have the honor to refer to the Agricultural Commodities Agreement signed by the representatives of our two governments on April 17, 1987, as amended, and to propose that the Agreement be further amended as follows:

I. In Part II, Particular Provisions, Item I, commodity table:

A. Immediately following the four commodity line entries for supply in United States fiscal year 1987, under the appropriate column headings, insert three new commodity line entries as follows:

Wheat	1988	200,000	25.0
Vegetable Oil	1988	19,000	10.0
Cotton	1988	30,000 (Bales)	10.0

B. On the line entitled "Total", delete "\$82.0" and insert "\$127.0".

II. In Part II, Particular Provisions, Item III, usual marketing table, immediately following the four commodity line entries for import in United States Fiscal Year 1987, under the appropriate column headings, insert three new commodity line entries as follows:

Wheat/Wheat Flour (Grain Basis)	1988	100,000
Edible Vegetable Oil and/or oil bearing seeds (oil equivalent basis)	1988	200,000
Cotton	1988	135,000 (Bales)

III. In Part II, Particular Provisions, Item IV, Export Limitations:

A. In paragraph A, Line 2 following "1987", insert "and 1988".

B. Add a new paragraph C as follows:

C. Permissible Export Level

<u>Commodity</u>	<u>Quantity</u>	<u>Period Exports Permitted</u>
Pilau Rice	1,000 MT	During U.S. Fiscal Year 1988

IV. In Annex A, Item II.B, add new paragraph 3

3. Deposits into the Special Account by the end of the calendar quarter in which payments are required will be considered as meeting the requirements of paragraph 1 above. Local currency deposited pursuant to this section after the dates specified in paragraph 1 above will be ineligible for Title III Currency Use Offset and used in accordance with Part II, Items V and VII of this Agreement except as may be agreed in writing with the Government of the exporting country.

V. In Annex B, make the following changes:

A. In Item III D, delete the second paragraph in its entirety and insert the following:

To complete the reform of Statutory Rationing and Other Priorities (Government Employees Rationing-GER), the Bangladesh Government shall: on or before July 15, 1988 reduce subsidies (defined, for purposes of this Agreement, as the difference between the initial OMS price and the corresponding ration price) by roughly two percentage points in the case of rice and three percentage points in the case of wheat, by raising the per-maund prices by Taka 5 for rice (from Taka 319 to Taka 324) and Taka 7 for wheat (from Taka 204 to Taka 211), assuming that the current set of PFDS prices remain unchanged in the interim; by September 30, 1988, reduce the SR and OP (GER) subsidies by another two to four percentage points, through price increases in appropriate amounts; and by the end of the Agreement period (presently September 30, 1989), make whatever additional price increases are necessary to eliminate the SR and OP (GER) subsidies completely, so that the SR ration prices will be equal to the initial OMS prices in the SR area and the OP (GER) price will be equal to the initial OMS price in non-SR areas. Any changes in this plan (necessitated, for example, by a food crisis of emergency proportions) would have to be agreed by both governments.

B. In Item III G, Use of Proceeds, delete indicative list of projects and insert:

FY 1988-90
Local Currency Project Budget for Bangladesh
Annual Allocations
Millions of Dollars in Local Currency

<u>No.</u>	<u>Project Name</u>	<u>FY-1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
1.	Bhola Irrigation Project	1.92	1.00	-
2.	Gumti Project (Phase I)	2.89	2.89	2.89
3.	Naogaon Polder (I)	1.12	1.12	1.12
4.	Modhumati Nabaganga Project	1.39	1.39	1.39
5.	North Rupganj Water Conservancy Proj	2.24	2.24	-
6.	North West Rural Dev Proj (BADC Comp)	0.06	0.16	0.16
7.	Barind Integrated Area Dev Proj	14.38	15.00	-
8.	Agricultural Research Program of BARI	3.58	3.58	3.58
9.	Rice Research and Training Proj	1.68	1.68	1.68
10.	Jute Seed Project	1.92	1.92	1.92
11.	Pabna Irrigation & Rural Dev Proj	2.88	2.88	-
12.	Teesta Barrage Project	17.74	17.74	18.52
13.	EIP Type Small Proj (IDA Aided)	0.91	0.91	-
14.	EIP Type Small Proj (ADB Aided)	0.96	0.96	-
15.	EIP Type Small Proj (IFAD Aided)	0.61	0.61	-
16.	Low Lift Pump Irrigation Phase III	5.59	5.59	5.59
17.	Deep Tubewell Irrigation Phase III	5.32	5.32	5.32
18.	STW Irrigation (Phase III)	0.08	0.50	0.50
19.	Deep Tubewell Irrigation (IDA)	1.25	1.25	-
20.	FFW Structure Construction	17.68	17.68	18.68
21.	Agricultural Research II	9.68	9.68	9.68
22.	Rehabilitation of G.K. Irrigation Proj	1.28	1.28	1.28
23.	Second Extension and Research Proj	0.90	0.90	-
24.	Technological Research on Jute	0.47	0.47	0.47
25.	Hydrological Survey & Investi- gation for Water Resources Dev.	2.08	2.08	2.08
26.	Khowai River Project	0.96	0.96	0.96
27.	Kurigram Flood Control and Irrigation Project	1.12	1.12	1.12
28.	Tubewell Project -North Bangladesh	1.28	1.28	-
29.	IDA Aided EIP Type Small Project (Decentralized O and M Project)	0.80	0.80	-
30.	Dutch Aided Early Implementation Project, Phase-3 (Group 1)	0.96	0.96	-
31.	Barnai Project	1.28	1.28	1.28
32.	Khulna Coastal Embankment Rehabilitation Project	0.64	0.64	0.64
33.	Someswari River Flood Control Project in Upazila Durgapur, Netrokona	0.64	0.64	0.64
34.	Production, Procurement and Distribution of Seed Potatoes	0.96	0.96	0.96
35.	Agro-Service Center Project	0.96	0.96	0.96
36.	Rural Development Project 7 (Infrastructure, Old Rajshahi, Pabna, and Bogra)	1.70	1.70	1.70
37.	Strengthening of the facilities of BAU	0.32	0.32	0.32
38.	RE III Construction Activities	<u>5.00</u>	<u>4.00</u>	<u>7.00</u>
	Total:	115.23	114.45	90.44

C. In Item III G, insert as paragraph 3 the project descriptions given below:

1. BHOLA IRRIGATION PROJECT. The major objective is to provide flood control facilities to 160,000 acres and irrigation facilities to 96,000 acres of land. The project commenced from July 1982 and completion is expected by June 1989. Total project cost is estimated at \$14.835 million of which the funding for approximately \$3.546 million will be ascribed to Title III.

2. GUMTI PROJECT (PHASE I). The major objectives are to provide flood control facilities to 72,865 acres, drainage facilities to 72,865 acres and irrigation facilities to 35,000 acres of land. The project commenced from 1985-86 and completion is expected by June 1991. Total project cost is estimated at \$23.280 million of which the funding for approximately \$6.495 million will be ascribed to Title III.

3. NAOGAON POLDER-I. The major objectives are to provide flood control facilities to 37,000 acres and drainage facilities to 46,100 acres of land. The project commenced from July 1984 and completion is expected by June 1991. Total project cost is estimated at \$16.746 million of which the funding for approximately \$3.905 million will be ascribed to Title III.

4. MODHUMATI NABAGANGA PROJECT. The major objective is to provide flood control and drainage facilities to 94,000 acres of land. The project commenced from July 1985 and completion is expected by June 1991. Total project cost is estimated at \$15.435 million of which the funding for approximately \$3.343 will be ascribed to Title III.

5. NORTH RUPGANJ WATER CONSERVANCY PROJECT. The major objectives are to provide flood control facilities to 9,000 acres, drainage facilities to 5,000 acres, and irrigation to 4,940 acres of land. The project commenced from July 1984 and completion is expected by June 1989. Total project cost is estimated at \$7.815 of which the funding for approximately \$5.599 million will be ascribed to Title III.

6. NORTH WEST RURAL DEVELOPMENT PROJECT. The major objectives are to create essential rural infrastructure, increase agricultural production, and provide essential inputs to farmers. The project commenced in June 1982 and completion is expected by 1990. Total project cost is estimated at \$3.76 million of which the funding for approximately \$0.384 million will be ascribed to Title III.

7. BARIND INTEGRATED AREA DEVELOPMENT PROJECT. Major objectives are to achieve integrated area development of 14 Upazilas and to support and sustain agricultural growth and ecological balance. The project commenced from July 1985 and completion is expected by June 1989. Total project cost is estimated at \$109.551 million of which the funding for approximately \$31.958 million will be ascribed to Title III.

8. AGRICULTURAL RESEARCH PROGRAM UNDER BARI. The major objective is to strengthen the research capabilities for steady growth of agricultural production. The project commenced from July 1985 and

completion is expected by June 1990. Total project cost is estimated at \$24.525 million of which the funding for approximately \$9.023 million will be ascribed to Title III.

9. RICE RESEARCH AND TRAINING PROJECT. The major objectives are to conduct research and provide training on various aspects of rice improvement and production. The project commenced from July 1985 and completion is expected by June 1990. Total project cost is estimated at \$20.492 million of which the funding for approximately \$4.461 million will be ascribed to Title III.

10. JUTE SEED PROJECT. The major objective is to strengthen the production, procurement, processing and distribution of foundation and certified jute seeds of HYV for the jute growers of the country. The project commenced from July 1985 and completion is expected by June 1990. Total project cost is estimated at \$14.918 million of which the funding for approximately \$4.664 million will be ascribed to Title III.

11. PABNA IRRIGATION AND RURAL DEVELOPMENT PROJECT. The major objective is to provide flood control facilities to 455,800 acres, drainage facilities to 343,000 acres and irrigation facilities to 54,000 acres of land. The project commenced from July 1970 and completion is expected by June 1989. Total project cost is estimated at \$87.124 million of which the funding for approximately \$10.637 million will be ascribed to Title III.

12. TEESTA BARRAGE PROJECT. The major objective is to provide flood control facilities to 236,000 acres, drainage facilities to 1,512,000 acres and irrigation facilities to 1,335,000 acres of land. The project commenced from July 1960 and completion is expected by June 1990. Total project cost is estimated at \$178.930 million of which the funding for approximately \$54.666 million will be ascribed to Title III.

13. EIP TYPE SMALL PROJECT (IDA AIDED). The major objective is to provide flood control facilities to 200,000 acres of land. The project commenced from July 1982 and completion is expected by June 1989. Total project cost is estimated at \$39.319 million of which the funding for approximately \$3.187 million will be ascribed to Title III.

14. EIP TYPE SMALL PROJECT (ADB AIDED). The major objective is to provide flood control facilities to 250,000 acres of land. The project commenced from July 1982 and completion is expected by June 1989. Total project cost is estimated at \$54.572 million of which the funding for approximately \$3.375 million will be ascribed to Title III.

15. EIP TYPE SMALL PROJECT (IFAD AIDED). The major objective is to complete about 12 sub projects for the betterment of about 120,000 acres of agricultural land. The project commenced from July 1982 and completion is expected by June 1989. Total project cost is estimated at \$54.572 million of which the funding for approximately \$2.059 million will be ascribed to Title III.

16. LOW LIFT PUMP IRRIGATION (PHASE III). The major objective is to provide irrigation facilities to about 238,000 acres of land by fielding 27,500 Low Lift Pumps. The project commenced from July 1985 and completion is expected by June 1990. Total project cost is estimated at \$95.956 million of which the funding for approximately \$15.781 million will be ascribed to Title III.

17. DEEP TUBEWELL IRRIGATION (PHASE III). The major objective is to provide surface water irrigation to about 800,000 acres of land through the operation of DTWs for increasing foodgrain production. The project commenced from July 1985 and completion is expected by June 1990. Total project cost is estimated at \$137.912 million of which the funding for approximately \$14.205 million will be ascribed to Title III.

18. STW IRRIGATION (PHASE III). The major objective is to provide irrigation facilities to about 700,000 acres of land through operation of STWs. The project commenced from July 1985 and completion is expected by June 1990. Total project cost is estimated at \$27.721 million of which the funding for approximately \$2.164 million will be ascribed to Title III.

19. DEEP TUBEWELL IRRIGATION (IDA). The major objective is to increase foodgrain production through increasing the irrigated area from 345,000 acres to about 665,000 acres by sinking and commissioning 4,000 DTWs. The project commenced from July 1982 and completion is expected by June, 1989. Total project cost is estimated at \$64.368 million of which the funding for approximately \$5.396 million will be ascribed to Title III.

20. FFW STRUCTURE CONSTRUCTION. The major objective is to build bridges and culverts on Food For Work (FFW) roads. The project commenced on a pilot basis from FY 1983 and completion is expected after June 30, 1990. Total project cost is estimated at \$45.555 million of which the funding for approximately one hundred percent will be ascribed to Title III.

21. AGRICULTURAL RESEARCH II. The major objective is to finance the operational costs of agricultural research. The project commenced from FY 1983 and completion is expected after FY 1990. Total project cost is estimated at \$25.333 million of which the funding for approximately one hundred percent will be ascribed to Title III.

22. REHABILITATION OF G.K. (GANGES KOBADAK) IRRIGATION PROJECT. The major objectives are to rehabilitate the main pumps, subsidiary pumps, main and secondary canals, tertiary field canals, and drainage channels and to provide river telecommunication networks and training for irrigation operation and maintenance. The project commenced from July 1982 and completion is expected by June 1990. Total project cost is estimated at \$35.013 million of which the funding for approximately \$3.361 million will be ascribed to Title III.

23. SECOND EXTENSION AND RESEARCH PROJECT. The major objective is to improve and strengthen agricultural extension activities in the country through providing training and technical support to scientists as well as farmers. This project is sponsored by five separate agencies all under the Ministry of Agriculture. Most of the projects commenced from July 1982 and completion is expected by June 1989. Total project cost is estimated at \$17.871 million of which the funding for approximately \$2.138 million will be ascribed to Title III.

24. TECHNOLOGICAL RESEARCH ON JUTE. The major objective is to undertake scientific and technological research on Jute fibre and jute products. The project commenced from July 1985 and completion is expected by June 1990. Total project cost is estimated at \$4.795 million of which the funding for approximately \$1.192 million will be ascribed to Title III.

25. HYDROLOGICAL SURVEY AND INVESTIGATION FOR WATER RESOURCES DEVELOPMENT. The major objectives of the project are to develop survey and investigation systems for surface water, ground water, flood forecasting and warning, and new projects. The project commenced from July 1985 and completion is expected by June 1990. Total project cost is estimated at \$20.780 million of which the funding for approximately \$4.154 million will be ascribed to Title III.

26. KHOWAI RIVER PROJECT. The major objective is to provide flood control and drainage facilities to 25,789 hectares and irrigation facilities to 6,478 hectares of land. The project commenced from FY 1971 and completion is expected by FY 1990. Total project cost is estimated at \$12.600 million of which the funding for approximately \$1.912 million will be ascribed to Title III.

27. KURIGRAM FLOOD CONTROL AND IRRIGATION PROJECT. The major objective is to provide flood control and drainage facilities to about 38,000 hectares and irrigation facilities to about 79,150 hectares of land. The project commenced from July 1973 and is expected to be completed by June 1993. Total project cost is estimated at \$18.742 million of which the funding for approximately \$2.238 million will be ascribed to Title III.

28. TUBEWELL PROJECT - NORTH BANGLADESH. Under this project three sub-projects have been undertaken. (a) Installation of Tubewells: The major objective is procurement, improvement and rehabilitation of the distribution system for 800 new deep tubewells and installation of deep tubewell equipment. The project commenced from FY 1981 and is expected to be completed by FY 1988. Total project cost is estimated at \$27.174 million. The physical progress target during FY 1988 is 17.1 percent. (b) Electrification of DTW: The major objective is electrification of these deep tubewells. The project commenced from FY 1987 and is expected to be completed by FY 1989. Total project cost is estimated at \$9.260 million. The physical progress target during FY 1988 is 34.3 percent. (c) Command Area Development: The major objective is to develop the command area for the smooth operation of the deep tubewells. The

project commenced from FY 1985 and completion is expected by FY 1989. The physical progress target during FY 1988 is 47.6 percent. Total project cost is estimated at \$7.648 million of which the funding for approximately \$2.556 million will be ascribed to Title III.

29. IDA AIDED EIP TYPE SMALL PROJECT (DECENTRALIZED O AND M PROJECT). The major objectives are to rehabilitate the existing early implementation-type operation and maintenance work for the promotion of irrigation, flood control and drainage facilities. The project commenced from FY 1986 and completion is expected by FY 1989. Total project cost is estimated at \$9.271 million of which the funding for approximately \$1.598 million will be ascribed to Title III.

30. DUTCH-AIDED EARLY IMPLEMENTATION PROJECT PHASE-3 (GROUP I). The major objective is to provide flood control and drainage improvement to a gross area of 133,204 acres and net area of 90,209 acres of land. The project commenced from July 1986 and completion is expected by June 1989. Total project cost is estimated at \$7.375 million of which the funding for approximately \$1.918 million will be ascribed to Title III.

31. BARNAI PROJECT. The major objectives are to provide irrigation, drainage and flood control facilities to a net area of 48,300 hectares. The project commenced from FY 1987 and completion is expected by FY 1994. Total project cost is estimated at \$28.957 million of which the funding for approximately \$2.556 million will be ascribed to Title III.

32. KHULNA COASTAL EMBANKMENT REHABILITATION PROJECT. The major objectives are removal of acute drainage congestion, elimination/reduction of siltation, prevention of flood and saline water intrusion, and provision of supplemental tidal irrigation. The project commenced from FY 1987 and completion is expected by 1992. Total project cost is estimated at \$20.519 million of which the funding for approximately \$1.278 million will be ascribed to Title III.

33. SOMESWARI RIVER FLOOD CONTROL PROJECT IN UPAZILA DURGAPUR, NETROKONA. The major objective is to provide flood control and drainage to about 50,000 acres of land and irrigation facilities to about 10,000 acres through water conservation to develop agriculture. The project commenced from FY 1988 and completion is expected by FY 1990. Total project cost is estimated at \$3.658 million of which the funding for approximately \$1.278 million will be ascribed to Title III.

34. PRODUCTION, PROCUREMENT AND DISTRIBUTION OF SEED POTATOES. The major objectives are to grow, multiply, procure, preserve and distribute seed potatoes to the growers. The project commenced from July 1986 and completion is expected by June 1990. Total project cost is estimated at \$14.201 million of which the funding for approximately \$1.918 million in FY 1989 will be ascribed to Title III.

35. AGRO-SERVICE CENTRE PROJECT. The major objectives are to promote production of vegetables, fruits, seeds, seedlings, fish poultry, etc., in the Agro Service Centre and supply them to the cities and farmers of the project area, promote farmers' cooperatives, and explore export markets. The project commenced from July 1986 and completion is expected by June 1990. Total project cost is estimated at \$6.370 million of which the funding for approximately \$1.918 million will be ascribed to Title III.

36. RURAL DEVELOPMENT PROJECT-7 (INFRASTRUCTURE OLD RAJSHAHI, PABNA, AND BOGRA DISTRICTS)). The major objectives are to develop rural infrastructure, feeder roads and growth centres and to construct bridges and culverts on feeder and rural roads. The project is expected to commence from July 1988 and completion is expected by 1995. Total project cost is estimated at \$95.908 million of which the funding for approximately \$3.404 million will be ascribed to Title III.

37. STRENGTHENING OF THE FACILITIES OF BAU. The major project objective is to provide more physical facilities to the Bangladesh Agriculture University to produce experts dealing with agriculture. The project commenced from July 1985 and completion is expected by June 1990. Total project cost is estimated at \$4.795 million of which the funding for approximately \$0.640 million will be ascribed to Title III.

38. RE III CONSTRUCTION ACTIVITIES. The major objective is to develop the capacity of the Rural Electrification Board to effectively provide the technical, managerial and engineering capability and leadership necessary to establish self-sustaining, financially viable, properly managed and maintained rural electric cooperatives providing reliable electric power at reasonable rates to rural residents. The RE III project was signed on August 1986 and is expected to be completed by September 1991. Total project cost is estimated at \$60.0 million of which USAID is providing foreign exchange of \$28.5 million in FY 1988. In addition, \$9.0 million will be allocated from the PL 480 Title III sales proceeds during FY 1988 to FY 1989.

D. In Item III, paragraph H, subparagraph 2B, delete the fifth sentence of the first paragraph and insert at the beginning the following new paragraph:

The Bangladesh Government agrees to deposit into the Special Account for this Agreement, by the end of the calendar quarter that is within one year of the date of CCC disbursement, all local currency sales proceeds of commodities provided under this Agreement. Wheat and rice provided under this Agreement may only be sold through the following offtake channels of the Public Food Distribution System (PFDS): Open Market Sales (OMS), Flour Mills (FM), Large Employers (LE), Statutory Rationing (SR),

and Other Priorities (OP). To be eligible for Title III currency use offset, rice and wheat provided under this Agreement must be sold at prices that substantially conform to the prices specified in Paragraph III D above. If a determination is made by the Government of the exporting country that prices in one or more of the channels do not conform to the prices specified in Paragraph III D above, after consultation with the BDG, sales proceeds from such channels will not be eligible for currency use offset and will be used in accordance with Part II, Items V and VII of this Agreement. All local currency sales proceeds of cotton and vegetable oil provided under this Agreement are eligible for currency use offset.

E. In Item III, Paragraph H, Subparagraph 3 insert at the beginning the following new Paragraph:

The two governments agree to jointly develop a local currency use plan within six months (6) of the signing of this Amendment to the Agreement which:

- provides for joint review and revision, if necessary, of the existing project list to ensure that all projects approved to earn currency use offset meet technical standards;
- establishes a system for reviewing the technical administrative, financial, and accounting standards of all proposed new projects to ensure the adequacy of those standards before such projects are approved eligible for currency use offset;
- gives priority in project selection to AID-supported and other donor projects;
- describes a reporting system that will track disbursements of PL-480 local currencies from the Special Account to individual activities, projects and programs; and
- describes how periodic audits and field inspection of local currency projects will be carried out, how frequently and what level of sampling will be conducted to verify BDG reporting.

F. In Item III, Paragraph H, Subparagraph 4 add new paragraph as follows:

The two governments agree to jointly develop, within three (3) months from the date of the Fourth Amendment to this Agreement, a scope of work for an AID direct contract with an international accounting firm to establish program accounting procedures satisfactory to both the BDG and the USG. Subject to

the availability of funds, a contract will be executed as soon as possible, in accordance with USG contracting procedures, of an appropriate firm.

VI. All other terms and conditions of the April 17, 1987 Agreement, as amended, remain the same.

If the foregoing is acceptable to your government, I propose that this Note, together with your reply thereto, constitute Agreement between our two governments, effective on the date of your Note in reply. Please accept the assurance of my highest consideration.

Sincerely,

A handwritten signature in cursive script that reads "Priscilla M. Boughton".

Priscilla M. Boughton
Director