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Session on
**Regional Approach to Food Security in South Asia:
SAARC Food Bank
The Bangladesh Perspective**

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The presentation draws on the report titled
**LDC Issues for the Operationalisation of the SAARC Food Bank:
Bangladesh Case Study**

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Section I. Introduction: The Backdrop and Context

- Over the recent past years, Bangladesh has been able to achieve notable success in raising her foodgrains production – **production more than tripled** since independence (from about 10.0 million tons in 1970s to about 33.0 million tons in FY2012). Population had doubled in the meantime. However, notwithstanding this remarkable success, Bangladesh faces formidable challenges in ensuring food security for its growing population in view of the rising demand for food, frequent natural disasters and more importantly, in the backdrop of the rising price of foodgrains and considerable price volatility in the international foodgrains market.
- In spite of the low share with respect to the total demand in Bangladesh, **foodgrains import plays a significant role** in stabilising Bangladesh's domestic market during times of production shortfall.
- When India imposed a **ban on export of rice in FY2008** to ensure her own food security in the wake of the rising food prices in the international market, and when a number of other exporting countries either imposed a ban or enforced a minimum export price, Bangladesh's food security concerns were understandably renewed and deepened. Later on, when devastating cyclone **Sidr hit Bangladesh in 2009**, this uncertainty was further aggravated.
- Institutional mechanisms such as the **SAARC Food Bank could have played a critically important role** to address such emergencies.
- In addition, the sense of security that SFB could give would have also allowed countries such as Bangladesh to pursue **a more smart policy, beyond the self-sufficiency stance**, and taking advantage of the emerging opportunities in the global market for foodgrains and agri-products.
- However, as is the fact, **the SFB could not be operationalised in times of need**. Hence the importance of the current discussion on the best modalities to make the facility functional and help attain its declared objectives.

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Section II. Major Objectives of the CPD Study

- Being one of the most densely populated countries in the world, ensuring food security has always remained a key challenge for Bangladesh. Bangladesh's poverty levels have come down **from 56.6 per cent in FY1992 to 31.5 per cent in 2010 (GED, 2012)**. Indeed, the **Global Hunger Index (GHI) of 2011** reports Bangladesh as one of the more successful countries in terms of reducing hunger. According to the GHI, Bangladesh was able to move from **'high alarming' to 'alarming' group** over the past years (IFPRI, 2011).
- In spite of the above, a large proportion of Bangladesh's population lives below the poverty line. With a 1.4 per cent population growth rate, **a significant number of people join the lowest quintile of the population (according to income) every year**. Along with food availability purchasing power also remains a concern. In recent times price volatility has been an added concern from the perspective of ensuring food security. Consequently, food security remains an issue of practical policy significance in Bangladesh.

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Section II. Major Objectives of the CPD Study (Contd.)

In view of the above, major objectives of the study which was carried out by the CPD were the followings:

- **Analyse the status and trends** concerning agriculture and food security in Bangladesh
- Analyse status, trends and challenges relating to **public food distribution system** at national and local levels
- Efficacy of the policies and programmes to enhance access to and fair distribution of the food
- **Identifying major drawbacks of the SFB**
- **Modalities to strategically and institutionally establish link** between SFB with the existing PFDS in Bangladesh
- Putting forward recommendations as regards the way forward in terms of food security, with the **involvement of both SFB and PFDS**.

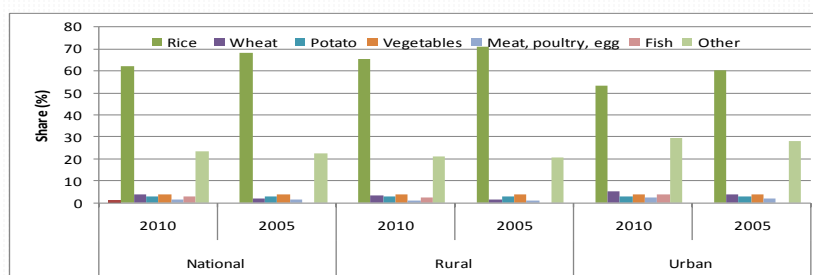
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Section III. Bangladesh's Food Production and Food Security Status

Foodgrains Production in Bangladesh: From Import Dependency to Self Sufficiency

- Agriculture sector plays a crucial role in the Bangladesh economy accounting for about **15.5 per cent of the country's GDP**. Crop sector's contribution is the key here because of its importance from the perspective of food security. Rice is the key item of consumption in Bangladesh from the perspective of maintaining food security. Household Income and Expenditure Survey (HIES) 2010 estimates that in Bangladesh about **65.8 per cent of the total daily calorie intake comes from foodgrains of which rice alone contributes about 62 per cent** (national average in 2010).

Share of Food in the Daily Consumption Basket in 2010



Source: BBS (2010)

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Section III. Bangladesh's Food Production and Food Security Status (Contd.)

- Availability of food in the local market depends mainly on production, stocks, import and foreign food aid. In the particular case of **Bangladesh, import caters to only a small production of the total food demand of the country**. Imports are determined by **three factors: level of domestic production; replenishment of food stock; loss of crop due to natural disasters**. Although share of import was low with respect to total food demand of the country, its share in marketed foodgrains was higher. Not surprisingly, international food price remains important for Bangladesh and price volatility in the international market tends to get passed through to the local market in Bangladesh. Accordingly, SFB could potentially play an important role in reducing price volatility and enhancing medium to long term food price stability and Food Security of Bangladesh.
- Between FY1972 and FY2011, rice production in Bangladesh increased by **232.7 per cent**, from **9.77 million MT to 32.52 million MT**, while the area under rice cultivation increased only to a limited extent, **from 9.28 million ha to 11.52 million ha**, an increase of **24.25 percent** over the corresponding period. There had been significant gains in terms of productivity rise and cropping intensity.

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Section III. Bangladesh's Food Production and Food Security Status (Contd.)

Foodgrains Production Scenario in Bangladesh

Food Item	Production				Average Annual Growth (per cent)		
	FY 1981	FY 1991	FY 2001	FY 2011	FY 1981to FY 1991	FY1991 to FY 2001	FY2001 to FY2011
Area (Million Ha)							
Rice	10.31	10.43	10.80	11.53	0.26	0.31	0.63
Wheat	0.59	0.59	0.77	0.37	4.37	3.68	-7.48
<i>Total Area</i>	<i>10.90</i>	<i>11.03</i>	<i>11.57</i>	<i>11.90</i>	<i>0.40</i>	<i>0.50</i>	<i>0.21</i>
Production (Million MT)							
Rice	13.88	17.79	25.08	32.52	3.61	2.83	3.23
Wheat	1.09	1.00	1.67	0.97	2.18	7.80	-6.13
<i>Total Foodgrain</i>	<i>14.97</i>	<i>18.79</i>	<i>26.76</i>	<i>33.49</i>	<i>3.46</i>	<i>3.09</i>	<i>2.72</i>
Yield (MT/Ha)							
Rice	1.35	1.71	2.32	2.82	3.34	2.47	2.53
Wheat	1.85	1.68	2.16	2.60	-1.91	4.04	1.38
<i>Total Foodgrain</i>	<i>1.37</i>	<i>1.70</i>	<i>2.31</i>	<i>2.81</i>	<i>3.04</i>	<i>2.54</i>	<i>2.47</i>

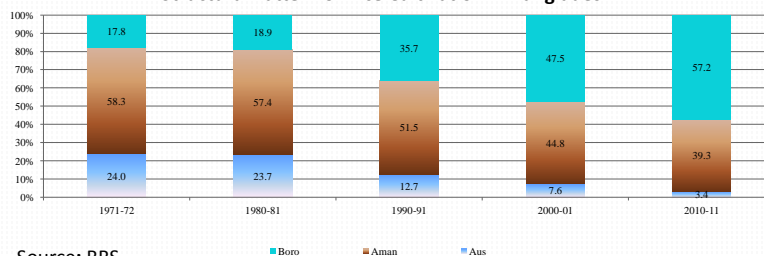
Source: BBS, Various Years

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Section III. Bangladesh's Food Production and Food Security Status (Contd.)

- Higher quantum of rice production during 1980s and 1990s came mainly from the increase in acreage under **High Yielding Variety (HYVs) and Hybrid seeds** during the Boro cultivation season. This process was stimulated through higher availability of fertiliser, public subsidy, expansion of irrigation infrastructure especially shallow tube-wells in case of Boro cultivation, farm extension services, research and development and lastly, appropriate market reforms.
- In the 2000s, thanks to the introduction of **a number of measures**, quality of public support programmes and input delivery to farmers were **improved significantly (CPD, 2011)**. These measures included introduction of agro-inputs assistance cards for farmers, disbursement of diesel subsidy directly to farmers' bank account, subsidised electricity for irrigation and collateral free credit to tenant farmers. Policies pursued by successive governments had positive influence on technology diffusion in the agriculture sector by ensuring farm level use of small scale irrigation devices and mechanised farming. Thus, public-private partnership played an important role in the development of the agriculture sector of the country.

Structural Pattern of Rice Cultivation in Bangladesh



Source: BBS

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Section III. Bangladesh's Food Production and Food Security Status (Contd.)

Self-Sufficiency and Food Security

- The food production scenario in Bangladesh is uneven spatially. Food gap/surplus analysis at the district levels **shows that 48 of the total 64 districts of Bangladesh fell under the category of food surplus**. Districts with most surplus are in the northern region of Bangladesh. Production deficit at the regional level is highest in the urbanised areas and also remote and inaccessible areas such as those in the Chittagong Hill Tracts, char areas, coastal regions and areas affected by frequent floods and river erosion.
- In recent times, in view of higher domestic food prices, inspite of the good production record, both food production and food consumption estimates have come under close scrutiny. Some analysts (M. Hossain) have questioned estimates of food production since they found data on crop coverage to be overestimated.**

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Section III. Bangladesh's Food Production and Food Security Status (Contd.)

- In spite of the low level of the import, foodgrains import in Bangladesh plays a significant role in stabilising domestic market during the production shortfall. In normal years, for example, in **FY2011, foodgrains import accounted for 12.9 per cent of the total domestic supply of foodgrains**.
- Traditionally, **Pakistan and Thailand** were the most important sources of rice import for Bangladesh. For example, in 1989, Bangladesh imported almost all of its rice from these two countries (UN Comtrade, 2012). After liberalisation, when private sector gradually took over foodgrains import, **India emerged as the preferred source**; it was the single largest source of import. This was due mainly to the advantages of lower transport cost, lower delivery time and possibility of going for lower-sized import contracts (Ninno et.al. 2005). **In 2007**, Bangladesh's market of imported rice was taken over by India which supplied about **98.5 per cent** of its total rice import.

Inflow of Major Types of Foodgrains

	(Thousand MT)					
	FY1991	FY1999*	FY2001	FY2005*	FY2008*	FY2011
Food Aid	1540	1233	491	289	259	164
Rice	10	59	32	27	82	6
Wheat	1530	1174	459	262	177	158
Govt. Commercial Import	37	774	0	102	292	2117
Rice	0	345	0	72	292	1297
Wheat	37	429	0	30	0	820
Private Import	0	3480	1063	2982	3466	3108
Rice	0	2660	529	1196	2055	290
Wheat	0	820	534	1786	1411	2818
Net Inflow	1577	5487	1554	3373	4017	5389

Source: FPMU

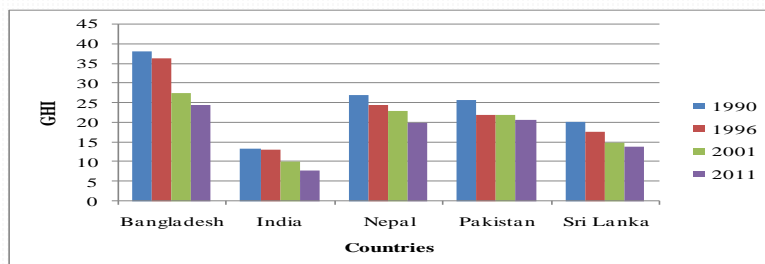
Note: *indicate years of natural disasters

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Section III. Bangladesh's Food Production and Food Security Status (Contd.)

- In spite of her achievements, among the South Asian Countries Bangladesh is at the top of the list according to the Global Hunger Index. Her score is 24.5 points followed by Pakistan with 20.7 points and Nepal with 19.9 points.** However, Bangladesh was able to make notable improvement in the index during last two decades by successfully reducing share of the undernourished population by 14 percentage points, prevalence of underweight children by 15.4 percentage points and under-five mortality rate by 6.1 percentage points. Per Capita Availability (considering production, import and available stock) of food increased from 453 gm/day in FY1992 to 666 gm/day in FY2011, a remarkable increase of 47 per cent (Rahman and Iqbal, 2011).

Global Hunger Index (GHI) in South Asia

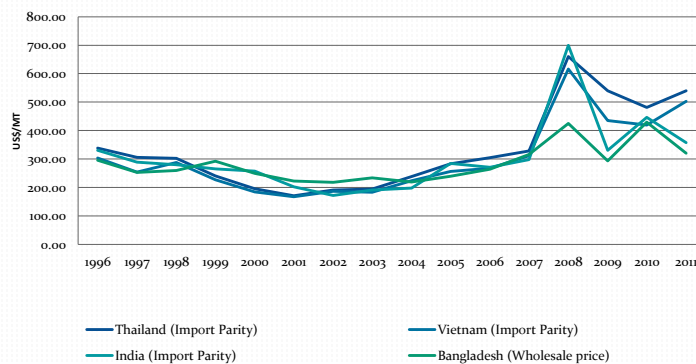


Source: IFPRI (2011)

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Section III. Bangladesh's Food Production and Food Security Status (Contd.)

Price Movement in the International Market



Source: FAO

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Section III. Bangladesh's Food Production and Food Security Status (Contd.)

- **A new form of food security analysis** has now been put in practice in Bangladesh with an aim to provide decision makers with timely, reliable and accessible information about food security situation. With support of FAO, Government of Bangladesh has been implementing a project on Integrated Food Security Phase Classification (IPC) which has been developed by an innovative multi-agency partnership of eight donors and NGOs. The aim was to build a common standardised scale that integrates food security, nutrition and livelihood information at national and sub-national levels that takes into cognisance the nature and severity of a crisis and its implications for strategic response.
- **SFB could play an important role during periods ranging phases 2-5.**

Integrated Phase Classification (IPC) Indicators

Phase	General Description
1A. Generally Food Secure	Usually adequate and stable food access with moderate to low risk of sliding into Phase 3, 4, or 5.
1B. Generally Food Secure	
2. Moderately/Borderline Food Insecure	Borderline adequate food access with recurrent high risk (due to probable hazard events and high vulnerability) of sliding into Phase 3, 4, or 5.
3. Acute Food and Livelihood Crisis	Highly stressed and critical lack of food access with high and above usual malnutrition and accelerated depletion of livelihood assets that, if continued, will slide the population into Phase 4 or 5 and / or likely result in chronic poverty.
4. Humanitarian Emergency	Severe lack of food access with excess mortality, very high and increasing malnutrition, and irreversible livelihoods asset stripping.
5. Famine/Humanitarian Catastrophe	Extreme social upheaval with complete lack of food access and/or other basic needs where mass starvation, death, and displacement are evident.

Source: FAO et al, undated

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Section III. Bangladesh's Food Production and Food Security Status (Contd.)

- Food security involves a number of complex issues that go beyond the estimate of production of food. Food security entails ensuring that all people at all time have physical and economic access to the required amount of nutritious and safe food. A FAO report defines food security in terms of **four key aspects – food availability** – sufficient availability of food through production, import and stock, **economic physical access to food** – capability to purchase and procure food, **food utilisation** – consumption of safe food with nutritional safety and dietary balance; and **food vulnerability** – vulnerability due to psychological, economic, social or political reason (FAO, 2008).
- As is known, access to food involves more issues than that of mere availability of food. Carrasco and Mukhopadhyay (2012) estimated that among all the countries in South Asia, Bangladesh is the **country which will be most adversely affected by increase in food price**. This is because of the likely climate change impacts including sea level rise, increased water salinity, changes in rainfall pattern, extreme variations of temperature and rainfall and increased frequency of natural disasters. All these will impact on supply of foodgrains.
- According to some estimates, due to climate change, rice production in Bangladesh was likely to be **reduced annually by 1.22 million MT by 2030 (Deb et al. 2009)**. Demand for food will gradually rise owing to increase in population and income level. Augmented growth of food production will not be enough for sustainable food security of the additional population unless collective efforts are taken to address any likely adverse situation.
- **SAARC Food Bank (SFB)**, which was established to provide emergency support to member countries facing production shortfall due to man-made or natural calamities, **is thus of importance to Bangladesh as a possible option towards food security**.

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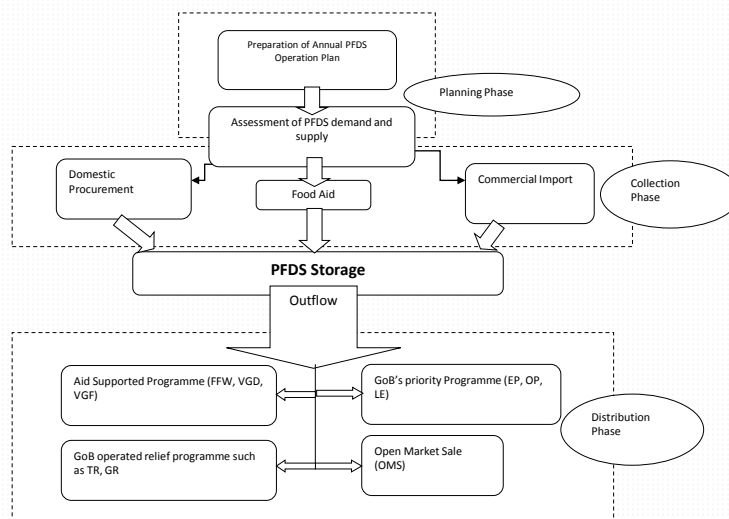
Section IV. SAARC Food Bank – Major Challenges in Operationalisation

- Successive governments in Bangladesh had declared their commitment towards food security of the population. **An extensive network of social safety net programmes (SSNPs) and PFDS was gradually put in place to implement this goal.** The strategies included both direct measures such as distribution of food through SSNPs and indirect measures such as providing of employment opportunities and cash transfer programmes. Along with this, periodic market interventions were also used by the government as a tool to stabilise price of food and ensure food security. This is generally done in Bangladesh through procurement from the producers during the harvest season and also through open market sales (OMS) programme during lean season.
- Access to food from SFB would have allowed Bangladesh to pursue a more optimal **Food Security Strategy.**

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Section IV. SAARC Food Bank – Major Challenges in Operationalisation (Contd.)

Flow Chart : Operation Plan and Decision Making Process in PFDS



Source: Prepared from Ahmed et al. (2003)

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Section IV. SAARC Food Bank – Major Challenges in Operationalisation (Contd.)

- Keeping in sight the basic rights of the poor citizens in South Asia, **SAARC Food Security Reserve was established in 1988**. However, due to structural flaws and procedural problems, the reserve could not be operationalised .
- The commitment towards food security was reaffirmed once again at the time of 14th SAARC Summit, in 2007 in Islamabad with the adoption of a **common approach to provide emergency supply to disaster victim countries**. The SAARC Food Bank idea thus started a new journey in 2007.
- **Significant changes in this new version included:** Specific amount of contributions from the members; specific withdrawal guidelines based on humanitarian considerations; availability of food at a discount price; explicit reasons for support from the bank; instruction for storage; detailed guidelines on quality standards. The agreement also mentions about inclusion of Afghanistan as a new member which will be eligible for participation in the SFB initiative.

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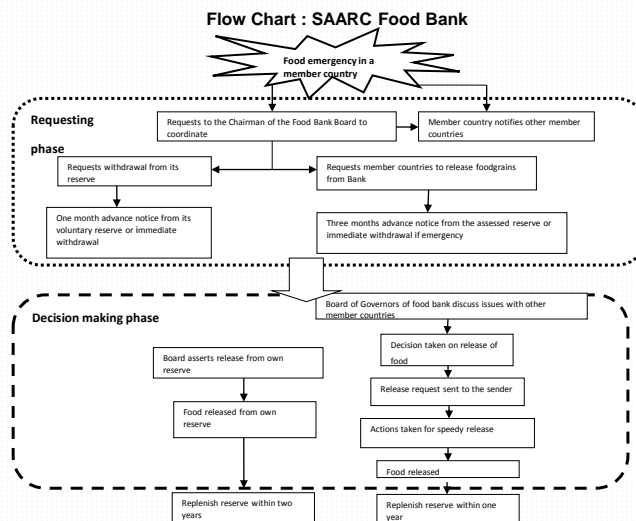
Section IV. SAARC Food Bank – Major Challenges in Operationalisation (Contd.)

- **SAARC Food Bank (SFB) was set up with two major distinctive goals. Both during emergencies and normal times, the bank was to serve as a source of emergency supply from a resource of collective national reserves to address food shortages faced by particular countries.**
- Initially SFB had a total dedicated stock of **241.58 tmt of foodgrains**, in the form of either rice or wheat. Out of this, India contributed 153.20 tmt, **Bangladesh and Pakistan 40.00 tmt each**, Nepal and Sri Lanka 4.00 tmt each, Afghanistan 1.42 tmt, Maldives 0.20 tmt and Bhutan 0.18 tmt of foodgrains. The share of the members was determined on the basis of comparative data on production capacity, per capita consumption and availability. At the third meeting held in Kabul, **Afghanistan in 2009, taking into account the growing population, overall production, growing demand and increased vulnerability due to disaster and climate change, the board decided to double the quantum of the reserves to 486 tmt.**
- The SFB is guided by the **SFB Board** which is vested with the responsibility of administering the functions of the bank. The board undertakes an annual review and recommends steps and proposes adjustments in the rules of business.
- At present (2012) **Bangladesh chairs the Board**. Each country has a designated nodal point responsible for activities in that particular country. Last meeting of this SFB Board held in December 2010. In 2011, the meeting was supposed to be held in Dhaka; however, the meeting was deferred because some of the member countries were not adequately prepared.

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Section IV. SAARC Food Bank – Major Challenges in Operationalisation (Contd.)

- The decision making process of withdrawal and release of foodgrains is depicted in the Flow Chart .



Source: Prepared by authors based on various sources.

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Section IV. SAARC Food Bank – Major Challenges in Operationalisation (Contd.)

- SFB was set up with a noble intention; however, it is yet to achieve its aim of putting in place a mechanism of food security in the region in times of food shortage, high price volatility and natural disaster. After signing of the agreement, a number of natural disasters had visited the region including wheat crisis in Pakistan and floods and cyclones in Bangladesh. But the arrangement could not be activated.
- Bangladesh's food security concerns were at its highest in FY2007.** Similar situation was also experienced in 2010 and 2011 when there was a shortage of wheat in the international market. Bangladesh was unable to make use of the food bank mechanism and to import wheat at a very high price to meet domestic demand. Proving an 8 per cent shortage of her production was not an issue because that was not the case; rather high price was the issue.
- Major problems in operationalising SFB included both due to supply side and demand side constraints.** The operational and political issues that are at the root of the problems were – misleading triggers, unsettled pricing mechanism, absence of clear-cut transportation mechanism, lack of clear idea about system of distribution in the recipient country, lack of information sharing and lack of mutual interdependence in trade practice.
- Misleading Trigger Criteria:** It is to be noted that, food security concerns such as **lack of supply in the international market or high price volatility are not applicable** as valid criteria for applying to the regional food bank. As the trigger factors imply, the SFB acts more like an **'emergency relief bank' rather than a 'food bank'**.

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Section IV. SAARC Food Bank – Major Challenges in Operationalisation (Contd.)

Bangladesh's Status for Qualification to Apply

Years	A. Yearly Production (Th MT)			B. 3 years Moving Average (Th MT)			Dispersion between A & B (in percentage)		
	Rice	Wheat	Total Food Grain	Rice	Wheat	Total Food Grain	Rice	Wheat	Total Food Grain
FY2007	27318	737	28055	26335	816	27151	3.6	-10.7	3.2
FY2008	28931	844	29775	27593	772	28365	4.6	8.5	4.7
FY2009	31317	849	32166	29189	810	29999	6.8	4.6	6.7
FY2010	32257	969	33226	30835	887	31722	4.4	8.4	4.5
FY2011	33520	970	34490	32365	929	33294	3.4	4.2	3.5

Source: Authors' calculation based on data from BBS

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Section IV. SAARC Food Bank – Major Challenges in Operationalisation (Contd.)

- Quantum of Foodgrain:** Some have argued that the proposed volume of reserves under the SFB is lower than what it should be. **Recent available data** shows that, total inflow (both import and food aid) of foodgrains to the region in FY2011 was **about 5.1 mmt**. Readily available foodgrains from SFB under its custody was about 40 tmt which was only 0.8 per cent of the total import. When the total quantum of food stock in the food bank is considered (which is quite unlikely to be issued to a single country e.g. Bangladesh, at one go) it is found out that this would be equivalent to **only 4.7 per cent of Bangladesh's total import in an average year**. When consumption requirement is taken into account, share of the readily available amount and the total volume of stock in the food bank stood at 0.2 per cent and 1.0 per cent only.
- Pricing Mechanism:** **A pricing mechanism accepted by** all the members will enhance the process of quick transfer of foodgrains from the SFB during times of disaster. The allowable price will also need to include transportation cost and cost of other logistics support. A common price for accessing the food stock is difficult to set up because of **domestic demand-supply situation, policy specificities, and incentive and support mechanisms in individual countries**. Arriving at an acceptable, reasonable, humane and concessional price level **without diverting the load of economic inefficiencies** on the recipient country is a significant challenge in determining the price at which food is to be accessed.

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Section IV. SAARC Food Bank – Major Challenges in Operationalisation (Contd.)

- **Storage and Stock Level** : Bangladesh has to maintain an earmarked stock of 40 tmt for the SFB of which 32 tmt is in the form of rice and 8 tmt is in that of wheat. Under existing arrangements, Bangladesh is maintaining a dedicated stock level for rice in Dinajpur district which is a surplus production region and is situated at close proximity to the border with India. Wheat is stored in Chittagong, near the sea port, to facilitate transportation. A public stock involves significant costs related to storage, administrative, financial and other costs. This stock is rolled over every three months to avoid quality deterioration. **However, if there is lack of synchronisation, across countries, in dealing with the rolling stocks, it could lead to a situation where it will be difficult to have the food stock ready for access in times of emergency.** So managing the rolling stocks by individual countries has to be done in a manner that partner countries have a clear idea about the overall situation with regard to food stocks under the SFB initiative.
- **Lack of Unified Quality Standard**: Harmonisation of quality of foodgrains in the SFB poses a challenge. There is lack of unified quality specification for the SFB. The standard of acceptable limit for foodgrains varies across countries. **For example, in Bangladesh, the acceptable moisture content is 14 per cent for rice and 13 per cent for wheat.** Maintaining moisture content is essential for ensuring the quality and quantity of foodgrains. Other quality standards such as percentage of broken grains, black grains, dead grains and foreign matters are also important; however, these criteria also vary across countries. Allowable limit of dead grains for Bangladesh, India, Nepal and Sri Lanka are 4 per cent, 10 per cent, 5 per cent, and 12 per cent respectively. Sub-standard warehouses that exist in many parts of the region also have negative consequences for the storage quality; some are also vulnerable to vagaries of nature. In view of this, there is a need to set specified parameters for quality standards of foodgrains and also for warehouses dedicated to SFB by member countries.

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Section IV. SAARC Food Bank – Major Challenges in Operationalisation (Contd.)

- **Differences in Trade Capacity** : In the regional context in general, and SAARC in particular, trade in foodgrains ought to be seen as a key component of overall food security of the region. In 2010, **SAARC intra-regional trade in food and agriculture was only 10 per cent of the total global trade of the region.** India is the largest exporter of rice in the world, but only 1.7 per cent of its total rice export goes to the SAARC countries. Pakistan exports only about 6.5 per cent of its foodgrains export to the SAARC countries. Indeed, many SAARC members, including Bangladesh, have very low import duties on foodgrains. For example, although Bangladesh has set very high tariff ceilings in the WTO for foodgrains, operative tariffs are very low for these items: for rice the import tariff has actually been zero for a number of years. Greater and more facilitated trade in foodgrains within the region could play an important role in maintaining overall food security of the region.
- **Lack of Information Sharing**: Availability of reliable food related real time information and data, and access to the relevant information, remains an important concern in South Asia. This is also crucially important for operationalising the SFB. The second meeting of SFB, held in Colombo in February 2009, assigned **SAARC Agricultural Centre (SAC)** to undertake periodic assessment of production patterns involving major foodgrains. At present, SAC, which is mandated to provide timely, relevant and universal access to information, does not have the capacity to deal with large scale data.
- **Political Commitment for the Food Bank: Functioning of SFB is also subject to the state of political economy concerning food security in the region.** High price volatility and natural disasters could affect many countries of the region at the same time. There could be interpretational differences as to which country had suffered most, which country needs support from the SFB most, and to what extent. Cooperation and collaboration among the bureaucracies is also equally important. The recent experience during food price volatility, India's ban on rice export and the consequent reactions around the region, once again reemphasises the need for greater political commitment to SFB.

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Section IV. SAARC Food Bank – Major Challenges in Operationalisation (Contd.)

Experiences from Other Regions ASEAN +3:

- ASEAN member states had signed an agreement on ASEAN Food Security Reserve (AFSR) in 1979 which paved the way for the subsequent establishment of **ASEAN Emergency Rice Reserve (AERR)**. However, AERR could not be made effective use of due to inadequacy of volume of stock, lack of funds for the secretariat and faulty negotiation procedures which, to a large extent, was a duplication of regular market mechanism or government to government negotiation (Briones, 2011). In order to provide a mechanism for short term relief and to face food emergencies, a pilot project titled **East Asia Emergency Rice Reserve (EAERR) was initiated in 2003, for three years; this was further extended till February 2010. EAERR comprised of two types of reserves: the earmark and the stockpile.**
- Releases from the **earmark were made under two tiers - special commercial transaction or as a form of loan or grant by the earmarked countries.** This was a resource to overcome food emergencies which was mostly targeted to address market disruption, to bridge food availability gap and to counter extreme price hikes. **Releases from the stockpile are to be used to provide humanitarian food relief** during times of acute emergency, in support of disaster victims and to address food crises.
- **Implementation of EAERR helped to increase the size of the primary stock of AERR from 50 tmt to 787 tmt (Briones, 2011).** A number of subsequent changes in the EAERR helped the scheme to improve in terms of quality of delivery. In implementing the EAERR, more attention was paid to promote regional cooperation by incorporating regional teams to coordinate the reserve rather than leaving this to be dealt with through bilateral negotiations (Dano and Peria, 2006).
- It may be noted here that, following the success of the pilot project, a new ASEAN Plus Three Emergency Rice reserve (APTERR) scheme has been signed in October 2011 to give support on information sharing, earmarking and stockpiling.

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Section V. Policy Implications and Required Initiatives

- For Bangladesh SFB has added importance because (a) it is, for most years, a net food importing country, (b) it faces frequent natural disasters, (c) it has experienced price volatility in recent past, (d) it is one of the most climate-wise vulnerable countries in the region and (e) it has one of the largest concentration of below poverty-level and food insecure population in the world. However, to make SFB effective, a number of changes both in terms of institutions as well as provisions have to be brought in.

Policy Initiatives

Contribution

- The modalities that inform the operationalisation of the SFB, till now, has been akin to those of a *Relief Bank*. There is a need to expand the coverage of the Food Bank. The volume of SFB is quite insufficient in view of meeting the demand that could potentially originate in times of emergencies. Reserve will need to be raised further, perhaps to a total of at least at one mmt. This amount will help address if any possible disaster leads to demand from more than one country, or in case the scale of volatility (such as price volatility) is of large magnitude. This target contribution should be subjected **to review every three years.** Exporting countries could add a certain percentage annually, may be five per cent of their total exportable volume, to the SFB, to replenish the food stock. SFB could also include other relatively less perishable goods such as maize, potato etc to expand the food reserve base.

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Section V. Policy Implications and Required Initiatives (Contd.)

Trigger Condition

- In order to raise the speed of access and better delivery of the expected results, trigger conditions for accessing the SFB will need to be changed. Withdrawal conditions **should put more emphasis on food related emergencies rather than on natural calamities** (which may not necessarily have serious food availability consequences). **Price volatility, both in the national and international markets, lack of food and food availability** that directly affect the food security of the poverty-prone people, also need to be added to the trigger mechanisms. Focus needs also be given to local and sub-regional food-related adverse situations along with those that are of national scale. The trigger of average production loss could be brought down to three to five per cent from the existing eight per cent of total foodgrains production.

Pricing Policy

- **Rationalisation of the price level** of foodgrains to be traded under SFB is an important issue to be considered. Access price for foodgrains from the SFB ought to be **lower than the price level quoted in the international market**. Indeed, at the fourth meeting of SFB **Bangladesh had prepared a price determination formula** both for exporting and non-exporting countries. Further discussion will be needed to finalise the formula, SAARC member countries will also need to deliberate on the terms and conditions of payment towards operationalisation of the SFB.

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Section V. Policy Implications and Required Initiatives (Contd.)

SAARC Food Security Plan

- It will be difficult to have an effective SFB unless the regional cooperation itself is deepened in the first place through **trade, investment and policy coordination** of some type. SAARC should have a long term perspective plan on development of the agriculture sector and on how to address food security concerns and emergency response. The plan should also include **research** in the area of foodgrains trade, production and distribution. **Close regional cooperation** will be needed to create an environment where institutions such as SFB can function effectively.

SAARC Food Security Fund

- Following the model in Africa (the RESOGEST), a food security fund may be created to support the **operating cost of the food bank**. A part of the fund could be marked as endowment proposed fund to support **restoration of the post-disaster infrastructure**. Participating countries, mostly those which were deficit in food production could make cash contribution towards this fund.

Special Arrangement for the LDCs

- Considering food insecurity, particularly of the least developed countries (LDCs) such as Bangladesh, developing countries in the group could set up a modality to address the food security concerns of this particular group. If there is a need to **prioritise in terms of allocation from the SFB**, the case of relatively weaker economies should be considered more favourably.

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Section V. Policy Implications and Required Initiatives (Contd.)

Efficient Distribution Mechanism

Linkage with PFDS

- The issue of how to establish linkage and **interface between SFB and PFDS** has been a less-talked-about area in the policy documents. Food policies and plans should consider how the food reserves under the SFB could also help to address seasonal shortages in the vulnerable areas. More flexibility is needed under SFB to make use of the **reserve as loan during lean period** and repayment during harvest season in the form of **“receive now and return after”**; or **“receive here and return there”**. For example, Bangladesh could borrow foodgrains from India by receiving it from the western border and return the same via the eastern border which is a relatively less developed region in India.

Ensuring Pro-poor Distribution System

- In order to be fully operational, both nationally and regionally, putting in place an effective distribution system is crucial for the SFB to operate in a pro-poor manner. In order to avoid leakage, corruption and misappropriation, **detailed information concerning the distribution system should be made public. Local level institutions**, if possible even at the union level, should have a detailed list of beneficiaries, along with the received amount, to be displayed in the public places. A nationwide beneficiary database could be developed to avoid duplication. A more localised survey on prevalence of poverty to understand **micro-level poverty situation** is essential for targeting of the needy people in times of food crisis. Ensuring equitable distribution of the available food could contribute to eradicating extreme poverty and hunger, a key MDG-I target.

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Section V. Policy Implications and Required Initiatives (Contd.)

Reaching out to People in Inaccessible Areas

- In the context of post-disaster situation, many remote areas in Bangladesh are hard to reach because of disruption of infrastructure. Relief stocks should be made available at the regional level in order to provide rapid assistance to remote areas through aerial supply. **Cyclone shelters** in the coastal areas could be converted into **food godowns on a temporary basis**. SAARC could provide immediate assistance to **reestablish infrastructure** in the remote areas on an urgent basis. Once the infrastructure is put in place, the existing disaster response and distribution from the SFB would be relatively easy.

Efficient Distribution Mechanism at National Level

- National level distribution system should focus more on increasing cost effectiveness of the distribution and expanding the coverage to reach hard-core and poor sections of the countries. Micro-mapping of the local poverty situation should be undertaken to **identify poverty stricken regions** and to ensure efficient and timely delivery from the warehouse to the affected areas. A **district level map showing food surplus and deficit regions** prepared by the authors can be effective in this regard. The response time between request and actual commencement of foodgrains delivery should be brought down to the minimum.

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Section V. Policy Implications and Required Initiatives (Contd.)

Raising Efficiency at Local Level Distribution

- Strong monitoring and supervision of the distribution system at the local level is essential for **bringing down misappropriation and leakages** and for raising the efficiency of the delivery system. In the context of Bangladesh, all the four tiers that are present at the field level – central government, local government, local NGOs and community organisations – should be integrated into the food distribution system to ensure accountability in the process. Training of the officials at the various nodal points in the distribution system with regard to appropriate targeting, delivery and distribution will contribute to raising efficacy of the system and speedy distribution of food from SFB through the system during times of emergency. **Regular inspection of foodgrains before, during and after transportation and use** of appropriate **transportation containers** will help reduce leakage, and maintain the required quality standards.

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Section V. Policy Implications and Required Initiatives (Contd.)

Institutional Mechanism

Four Tiers of Decision Making

- Lengthy inter-government processes involving accessing common resources such as the SFB remains a nagging concern. **A four tier system involving Board of governors, Technical Committee on Agriculture and Rural Development, SAARC Standing Committee at the level of Foreign Secretaries and SAARC Council of Ministers makes** the decision making procedures involving SFB a rather lengthy one. Steps involved in accessing food supplies from the SFB should be reduced to accelerate the process. The Board of Governors at their meeting could invite local and international experts and seek their expert opinion with regard to raising the efficacy of the SFB.

Increase Analytical Capacity of SAC to Undertake Analysis

- SAARC is severely handicapped because of absence of reliable and timely data on agricultural production, prices, food stock, demand, shortage/surplus and import. Strengthening capacity of **SAARC Agriculture Centre (SAC)** to generate and use relevant data and information covering national, sub-regional, regional and local level will be critically important.

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Section V. Policy Implications and Required Initiatives (Contd.)

Infrastructure Development

Storage Facilities

- Existing storage facilities dedicated to the SFB are in many cases **not equipped** to maintain the **needed quality and standards** of the foodgrains. These facilities should be upgraded to the appropriate standards with proper measures to ensure security. These facilities should also include a roll over database system to track the losses in the storage system.

Harmonisation of Quality

- Ensuring compliance with **multiple standards for the foodgrains is costly** and delays transaction process, a crucially important concern during times of emergency. Harmonisation of quality standards was thus important. There is a need to arrive at a common set of standards which is acceptable to all regional countries. This will reduce testing and auditing standards compliance and lower border hassles for quarantine.

Information Sharing

- SFB should be supported by an appropriate information network system linking the relevant departments of the member countries. A detailed web portal may be created to keep record of and share national level data on production, price, distribution and import. Such a database will help the assigned body to analyse the price movements in the regions, stock situation and demand supply-gap and will allow estimation of the **Food Security Vulnerability Index** for individual countries. In this regard, linking with the existing **National Food Security Portal under FPMU** with the regional data sharing web portal demands careful consideration. SAARC countries should come together to set up such portals at national and regional levels.

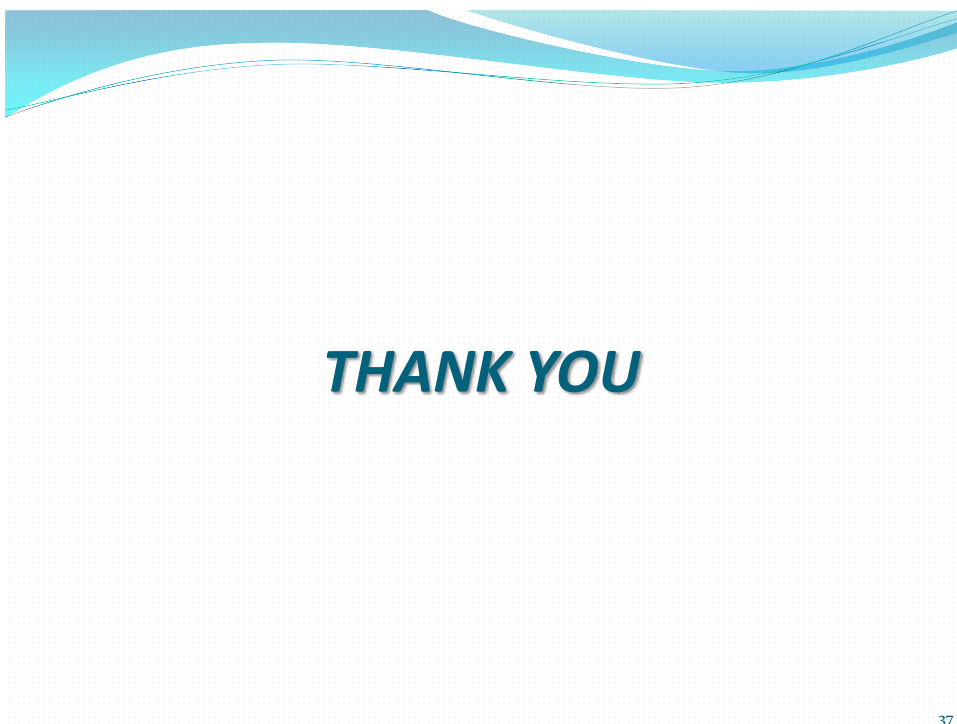
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Section V. Policy Implications and Required Initiatives (Contd.)

Political Support

- A well functioning SFB will need fullest support at the highest political level. Many of the issues involve complex understanding about information sharing on sensitive matters, cross border movement of commodities, integration with national food distribution system, a common set of standards and a common approach to priorities with regard to food security. Cooperation to deal with medium to long term issues of concern with regard to food security including cooperation in dealing with such regional commons as climate change impacts, will be required. A collective development goal set up by the SAARC countries would be needed for a meaningful and effective institutional mechanism to safeguard food security interests of the member countries. SAARC Secretariat could play a more proactive role in this regard and for this also full support of SAARC political leaders will be essential.

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