

EBS/83/32

CONFIDENTIAL

February 10, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Bangladesh - Compensatory Financing Facility - Fluctuations  
in the Cost of Cereal Imports - Repurchase

Attached for the information of the Executive Directors is a paper on a repurchase to be made by Bangladesh under paragraph 12 of Decision No. 6860-(81/81), May 13, 1981.

Att: (1)

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INTERNATIONAL MONETARY FUND

BANGLADESH

Compensatory Financing Facility--Fluctuations in the Cost  
of Cereal Imports: Repurchase Under Paragraph 12 of  
Decision No. 6860-(81/81), May 13, 1981

Prepared by the Research Department

(In consultation with the Exchange and Trade Relations,  
Asian, Legal, and Treasurer's Departments)

Approved by Wm. C. Hood

February 9, 1983

In August 1982, Bangladesh made a purchase of SDR 71.2 million under Decision No. 6860-(81/81), May 13, 1981, in respect of the sum of an estimated excess of SDR 33.6 million in cereal imports and an estimated compensable shortfall of SDR 37.6 million in merchandise exports for the year ended September 1982 (EBS/82/136, 7/28/82). That purchase was based on the early drawing procedure whereby cereal imports for the last four months (June-September 1982), and merchandise exports for the last six months (April-September) of the excess/shortfall year were estimated. In requesting the purchase, the authorities stated that they would make a prompt repurchase of any amount purchased on the basis of partly estimated data that exceeded the amount that could have been purchased had actual data been used in the calculation of the net shortfall.

Actual data now available show that cereal imports in the year ended September 1982 amounted to SDR 67.0 million, which is SDR 14 million less than the estimate used in EBS/82/136 (Table). Rice imports which had been contracted to arrive by end-September 1982 were delayed (they actually arrived in October) and this accounted for the difference between actual and estimated cereal imports.

Regarding merchandise exports, actual data now available show that export earnings in the shortfall year amounted to SDR 548.6 million, which is SDR 10.4 million more than the estimated amount. The difference is due partly to an unexpected surge in "other" exports in the last six months of the shortfall year.

Replacing the estimated cereal import and merchandise export data by the actual data for the year ended September 1982 has the effect of reducing the cereal import excess from SDR 33.6 million to SDR 22.4 million, and reducing the compensable export shortfall from SDR 37.6 million to SDR 29.5 million. The amount of compensation for which the member is eligible, therefore, is reduced from SDR 71.2 million to SDR 51.9 million. Since the purchase amounted to SDR 71.2 million, Bangladesh was overcompensated to the extent of SDR 19.3 million.

In accordance with paragraph 12 of the Decision on Compensatory Financing in the Cost of Cereal Imports, (Executive Board Decision No. 6860-(81/81), adopted May 13, 1981), Bangladesh is being requested to make a prompt repurchase of the amount of overcompensation. Completion of the repurchase will be reported in a subsequent twice-monthly report to Executive Directors on transactions and operations.

Table. Bangladesh: Final Calculation of the  
Net Shortfall and Amount of Overcompensation

(In millions of SDRs)

	Years Ending September				Judgmental Forecast (EBS/82/136)	
	1980	1981	1982		1983	1984
			Estimated in EBS/82/136	Actual		
1. Cereal imports	118.1	--	81.0 <u>1/</u>	67.0	25	15
2. Merchandise exports	587.9	568.2	538.2 <u>2/</u>	548.6	605	681
3. Net amount: (3.1)+(3.2)			<u>71.2</u>	<u>51.9</u>		
3.1. Cereal import excess			33.6	22.4		
3.2. Compensable export shortfall=(a)-(b)			37.6	29.5		
a. Calculated shortfall			(56.0)	(47.9)		
b. Double compensation			(18.4)	(18.4)		
4. Purchase			71.2			
5. Overcompensation				19.3		

1/ Based on estimated data for June-September, 1982.

2/ Based on estimated data for April-September, 1982.