

CHAPTER 5

MECHANISM OF EAST ASIAN RICE RESERVE SYSTEM

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5.1 Overall

East Asia Emergency Rice Reserve System (EAERR) needs a new mechanism to effectively respond to the requirements regarding expanding size of reserve, stabilizing rice distribution and easing of approach. For this purpose, the following six major issues should be taken into account:

- Variety of Releasing method;
- Trigger system;
- Release conditions;
- Buying method of reserved rice;
- Utilization of turn-over rice; and
- Organization and financial plan.

As analyzed in Chapter 4, the target amount of EAERR is 1.75 million metric tons. To respond to emergency requirements caused by a calamity, it is proposed for EAERR to introduce rice reserve under both stockpiling and earmarking methods. Moreover, it is proposed that stockpiled rice be set up to respond as first-aid requirement, while the earmarked rice be used to serve as required amount of emergency rice.

The stockpiled rice has a limited life of reserve. In accordance mainly with introduction of the stockpiling rice, it is necessary to prepare alternative uses of EAERR, which has not been utilized for emergency during the reserving period. For this purpose, establishment of a food aid program in relation to a poverty alleviation program is proposed. This is expected to greatly contribute to maintain EAERR's function by providing an opportunity to utilize the reserved rice.

Quick and apparent trigger system is required to ensure the functionality of new AERR (EAERR). It is

also required to be accountable for emergency use in a calamity to avoid conflict with ordinary commercial trade. While it is required to enhance the quick response to emergency requirement as well. Standard conditions for releasing reserved rice is indispensable for EAERR, because current releasing conditions on ad hoc basis, which relied on the negotiation between exporting and recipient countries, were considered as one of the constraints of the existing AERR. It is necessary to delineate the releasing conditions not to go against Principles of Surplus Disposal and Food Aid Convention (FAC) conditions of FAO.

In particular, stockpiling reserve regularly requires cost burden, so that it is indispensable to introduce an appropriate cost sharing method for managing EAERR among ASEAN + 3 countries. To effectively manage EAERR, it is necessary to strengthen the AFSRB as a managerial organization as well. Overall concept of EAERR is illustrated in Figure 5.1.

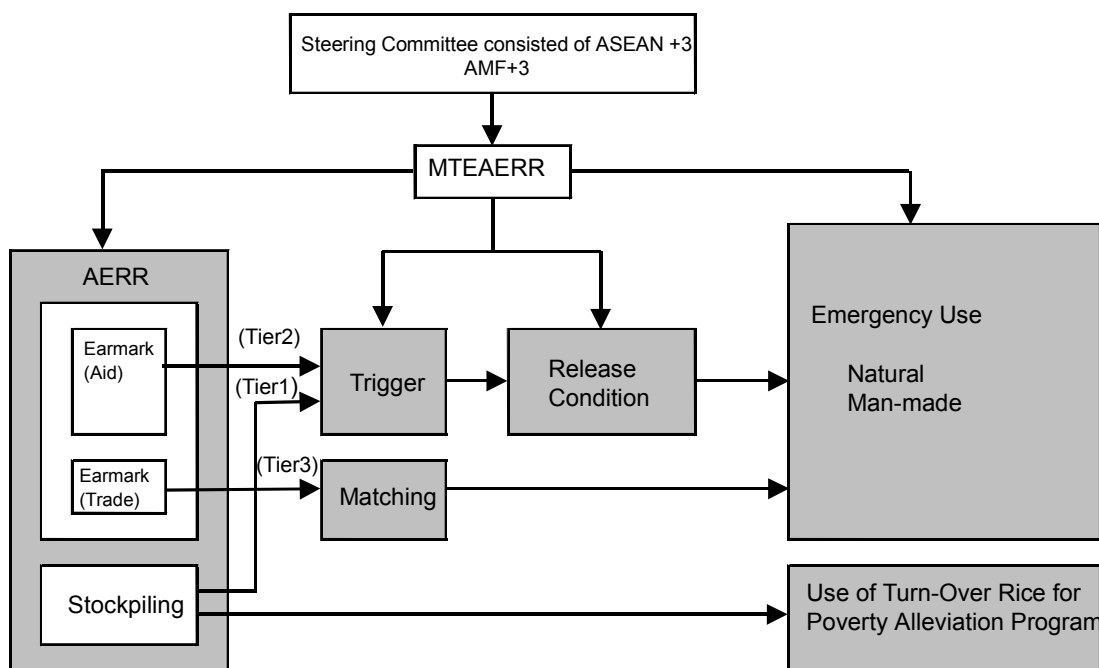


Figure 5.1 Conceptual Mechanism of EAERR

Each component of the mechanism of EAERR is discussed in the following sections.

5.2 Variety of Releasing Method

5.2.1 Variety of Release of Earmarked Reserve Rice

In the earmarked reserve rice under the current AERR, there is not adequate information available on demand and supply of member countries to decide emergency use of the earmarked rice, thus supplying and recipient countries need to negotiate with each other on an ad hoc basis in case of emergency. For a long time, there was a failure to achieve an agreement as a critical obstacle was the lack of adequate information on “what country is in need of or can possible supply emergency rice?”, “how much does the country require or can supply?”, and “what is the expected conditions of release?”. To solve this problem, a demand-supply matching service should be established prior to releasing earmarked reserve rice in emergency. It contributes to encourage use of EAERR. Under this matching system, two types of method are proposed such as release under commercial trade in emergency (Tier 1) and under food aid base in emergency (Tier 2). Overall concept of Tier 1 and Tier 2 is shown in Figure 5.2.

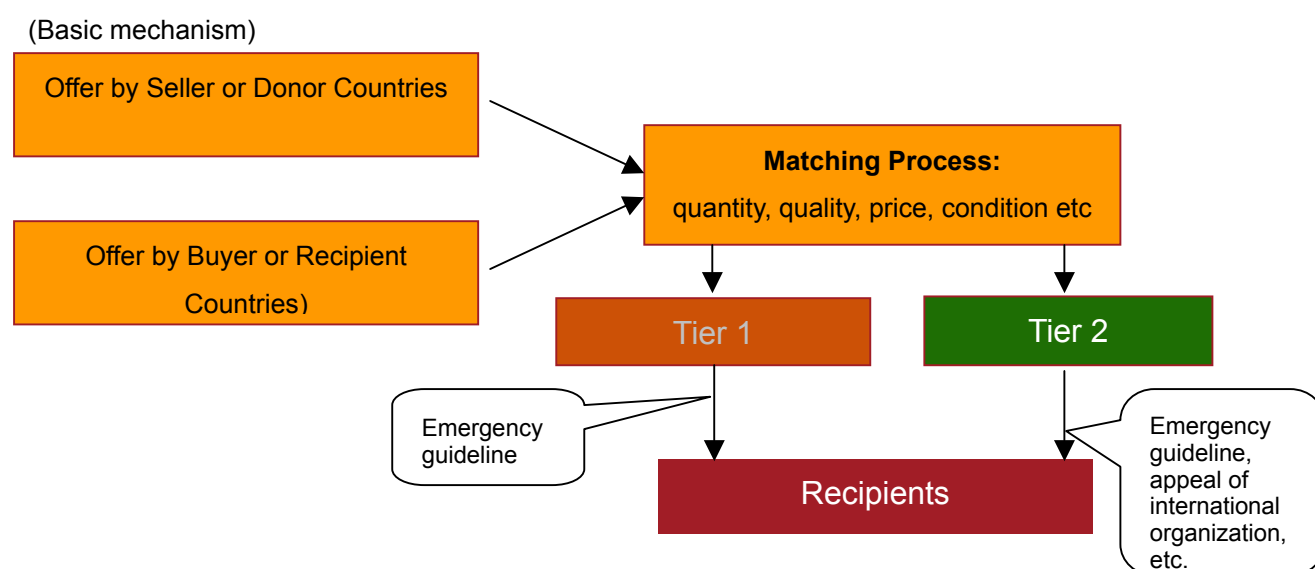


Figure 5.2 Releasing Concept of Earmarked Rice Reserve

(1) Release under Commercial Trade in Emergency (Tier 1)

This method aims at extending an alternative of food procurement by providing reserve rice on commercial trade basis in emergency period. It can also contribute to restrain speculative price escalation of rice during emergency period.

The matching between demand and supply is made in a new special market managed by the EAERR management body. The member countries regularly provide the following information to the special market, and the EAERR management body distributes this information to the member countries, and coordinates possible supplying and buying countries.

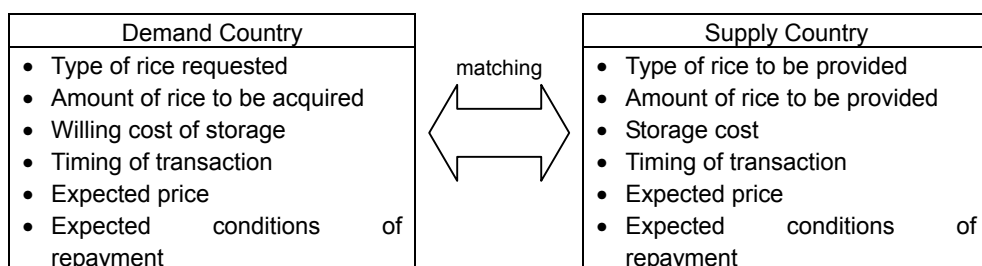


Figure 5.3 Matching of Demand and Supply in Emergency

This method is to provide matching service to the member countries and trade is made under commercial basis, so that it need not apply any trigger and standard releasing condition regarding food aid.

(2) Release under Food Aid in Emergency (Tier 2)

This method aims at releasing the earmarked rice reserve under food aid scheme to supplement commercial-based trade in emergency. It is necessary to follow the trigger system and conditions defined in section 5.3 and releasing conditions defined in 5.3.

Characteristics of Tier 1 and Tier 2 above mentioned are summarized in Table 5.1.

Table 5.1 Characteristics of Release under Tier 1 and Tier 2

Items	Tier 1	Tier 2
Acquisition	Forward contracts	Forward contracts or official notification
Trigger	Emergency guideline (to be established)	Appeal of international organization etc.
Condition	Normal	Long term and low interest rate
Release price	As specified in the contract	As specified in the contracts and official notification
Storage cost	Recipient/as specified in the contract	Donor country/recipient
Transportation cost	Recipient	Donor country/recipient

5.2.2 Release of Stockpiled Reserve Rice

The release of stockpiled reserve rice is limited for first aid in emergency. It is also necessary to follow the trigger system and conditions described in section 5.3.

5.3 Trigger System

5.3.1 Requirements

Current AERR is to be released on request from the country under a calamity. However, the fact that there is no clear definition what magnitude and extent of damages from calamity under which the AERR is to be activated makes difficult the release of reserved rice. Accordingly, many comments are made on the necessity of a new trigger system in AERR in the 1st TMRR. Improvement of the trigger system should be taken into consideration, to respond to urgent requirements more practically and functionally. For this purpose, the new trigger system should satisfy the following conditions:

- Quick response to the requirement of emergency rice;
- Clear and simple procedure; and
- Accountability to public.

5.3.2 Alternatives

Based on the above requirements of the new trigger system, the following two options are taken into consideration:

- Alternative 1: Request-based trigger system; and
- Alternative 2: Automatic trigger system

Alternative 1 is request-based trigger system as shown in Figure 5.4 and Table 5.2. This trigger system is to emphasize accountability to the public based on the request from the recipient country. The recipient country, where the calamity occurs, requests release of EAERR to the EAERR management body. The management body requests an international organization such as FAO and WFP to investigate the necessity of release of EAERR to the country under a calamity, then makes an appeal if necessary. By this process, release of EAERR will be accountable to the public through justification by a third party.

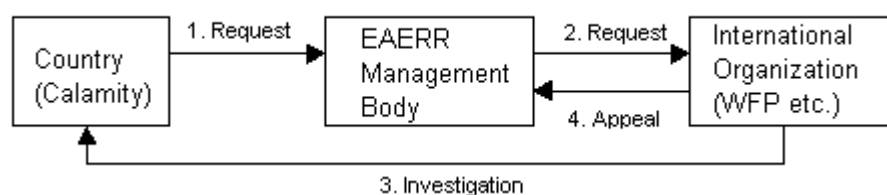
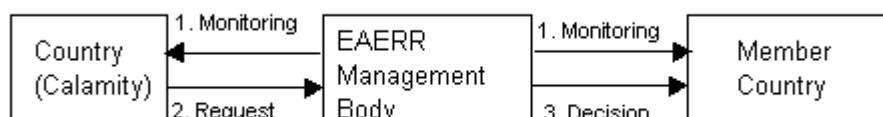


Figure 5.4 Stakeholders and Process of Request-based Trigger System (Option 1)

Table 5.2 Procedure of Request-based Trigger System

	Stakeholder	Action
1 st Step	Recipient Country (country where the calamity occurred)	<ul style="list-style-type: none"> Request release of EAERR by Management Body
2 nd Step	EAERR Management Body	<ul style="list-style-type: none"> Request an International Organization (FAO, WFP etc.) to investigate magnitude of calamity and necessity of releasing EAERR
3 rd Step	International Organization (FAO, WFP)	<ul style="list-style-type: none"> Investigation to justify necessary amount of emergency food aid under a calamity
4 th Step	International Organization (FAO, WFP)	<ul style="list-style-type: none"> Appeal to Management Body to release EAERR based on the results of the investigation

Alternative 2 is automatic trigger system as shown in Figure 5.5 and Table 5.3. This trigger system is to emphasize quick response on the request from recipient country under a calamity. The EAERR management body defines the criteria of magnitude of calamity under which EAERR is to be released, and monitors agricultural production in each member country by utilizing information from AFSIS. In case of calamity, the recipient country requests release of EAERR to the management body. The EAERR management body decides either to release or not in accordance with the criteria supported by monitoring data on hand. By this process, release of EAERR will be accelerated without time expended for investigation and determination.

**Figure 5.5 Stakeholders and Process of Automatic Trigger System (Option 2)****Table 5.3 Procedure of Automatic Trigger System**

	Stakeholder	Action
1 st Step	EAERR Management Body	<ul style="list-style-type: none"> Defining calamity under which EAERR is to be released Monitoring of Production of ASEAN + 3 countries
2 nd Step	Recipient Country (country where the calamity occurred)	<ul style="list-style-type: none"> Request release of EAERR
3 rd Step	EAERR Management Body	<ul style="list-style-type: none"> Investigation to justify necessary amount of emergency food aid under a calamity

5.2.3 Comparison of Alternatives

The above alternatives have advantages and disadvantages from several points of view as summarized in Table 5.4. Alternative 1 (request-based trigger system) is advantageous for its accountability and ease of management and cost, while Alternative 2 (automatic trigger system) is advantageous for its speediness, simple procedure and organization. The conclusion is that either alternative is applicable as the trigger system of EAERR.

Table 5.4 Comparison of Options

	Alternative 1 Request-based trigger System	Alternative 2 Automatic Trigger System
Speediness	It is expected to take a longer time because the investigation and determination are left to a third party (international organization like FAO, WFP).	It is expected to take a shorter time, as investigation and determination are not carried out.
Complexity of Process	It would be complicated with many stakeholders.	All procedure is completed within ASEAN + 3.
Management	Capacity of EAERR Management Body should be strengthened.	It needs adequate monitoring system and larger staffing capacity.
Organization	It needs to set up certain mechanism with the international organization before hand.	Capacity of EAERR Management Body should be strengthened.
Cost	Additional cost is only for investigation cost.	It is necessary to invest for introducing monitoring and information system
Accountability	It is safe as a third party provides justification for necessity of release of reserved rice.	It is risky, as no justification for release of reserved rice is provided the public.

5.2.4 Combination of Request-based and Automatic Triggers

Since either alternative has different advantages, the new trigger system can be selected depending upon the necessity. Accordingly, the JICA Study Team recommends employing both alternatives for first-aid requirement and other emergency requirements. For the release of reserved rice as first-aid purpose, automatic trigger system is preferable to secure quick release. It is anticipated to have little effect on commercial trade because only a limited amount is involved. This trigger system is supposed to apply for the release of the stockpiling rice in future.

Meanwhile, for the earmarked rice, which aims mainly at supplementing necessary amount of rice, the request-based trigger system is preferable to ensure accountability to the public. Since a relatively larger amount of rice is involved in the release of earmarked rice, it is important to keep track of where it

goes and how much is released to be able to account for them and to avoid conflicts with the commercial trade.

5.4 Release Conditions

5.4.1 Release Method

There are two types of releasing method such as release under grant basis and release under onerous condition, depending upon availability of donor. Grant basis release is considered to apply for release on first-aid purpose, while release under onerous condition is considered to apply for release of large amount of earmarked rice.

5.4.2 Release under Onerous Condition

Detailed loan conditions are basically negotiated between supplying and recipient countries; however, it is necessary to establish a guideline of release conditions. It is a positive incentive to use EAERR, making for quick release due to faster negotiation.

A guideline on release conditions should pay careful attention on the following points of view:

- Neutrality for both supplying and recipient countries; and
- Conformity with FAO rule (Article 9 of Food Aid Agreement).

Table 5.5 shows principle of guideline on loan conditions.

Table 5.5 Principle of Loan Conditions

Items	Considerations
1 Price	(Buying Price) <ul style="list-style-type: none"> • Average producer's price in supplying countries (Releasing Price) <ul style="list-style-type: none"> • International market price in usual time
2 Interests	<ul style="list-style-type: none"> • Less than ordinary interest rate of commercial bank
3 Repayment Term	<ul style="list-style-type: none"> • More than 20 years

5.5 Buying Method of Reserving Rice

Regarding buying (procurement) system, there are big differences between reserving methods under the earmark system and the stockpiling system. Buying in accordance to the earmark system is

assigned under the current AERR. As cost of the earmark system is negligible even when reserve scale would be enlarged, it seems the easiest to amplify the present procurement method in accordance to the earmark system adopted in each country.

Buying system according to stockpiling system shall be introduced newly. It is impossible to achieve rice reserve under this system if there is no supplemental fund except for the case of grant aid of reserve rice. Fund procurement accompanies serious difficulties that it is better to commence initially with a voluntary system rather than an allocation system in member countries. There are two cases in voluntary system for procurement: fund supply and supply in kind (rice itself). In case of fund supply, reserve rice will be bought in compliance with the donor country's intention. For that occasion, EAERR management body has to issue the "guideline for procurement" describing buying country, specifications, time frame, estimated (target) price and tendering (bidding) method etc.

Reserve rice under the stockpiling system is bought when price is relatively low in normal times and is released with low price in an emergency. Figure 5.6 shows transition of rice price, focusing in the year 1998.

It makes clear that: if rice were bought within the immediate past year to the peak in 1998, the price difference would be US\$25.6/Mt. Moreover, if rice were bought on average price within the past seven years, the price difference would be US\$41.7/Mt.

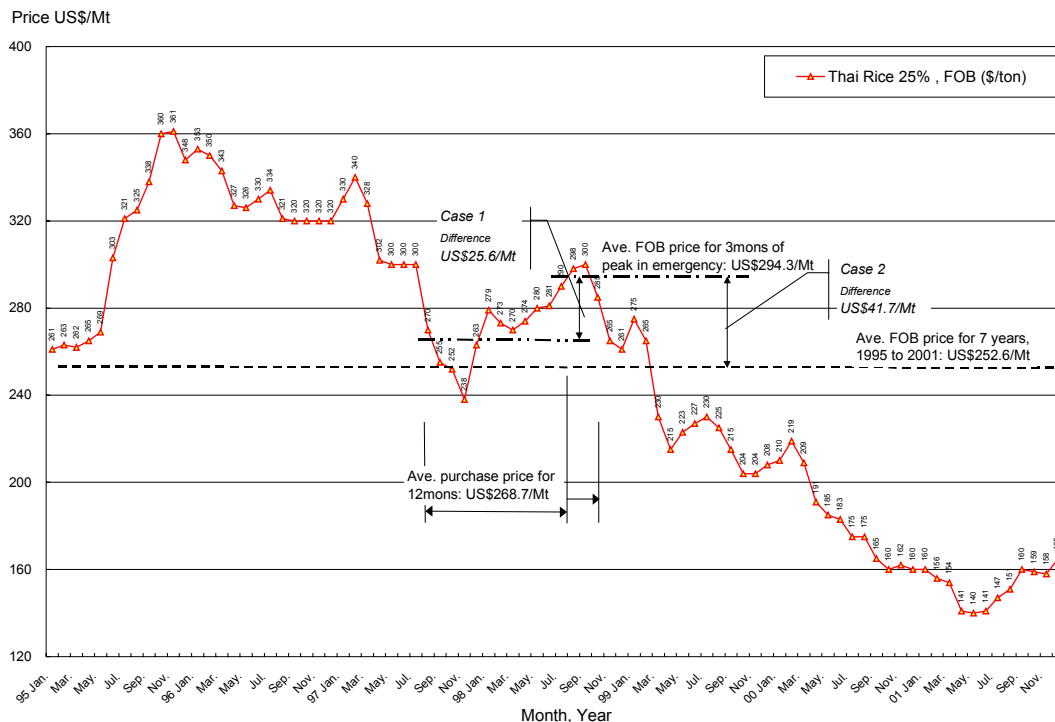


Figure 5.6 Rice Price of Thai 25%, FOB and Cost Saving in case of Oiling Rice Indonesia, 1998

5.6 Projects for Utilization of Turn-Over Rice

5.6.1 Rationale

Stockpiling rice is proposed in EAERR. The stockpiling rice needs to be periodically replaced (turned over) with new rice due to limited duration of reserving period. In case that the stockpiling rice is not utilized during its reserving period, it is necessary to provide an alternative use for it. For this purpose, use of stockpiling rice for poverty alleviation program is proposed as alternative use. (If the country that voluntarily provides stockpiling reserve rice turns over new stockpiling reserve by itself, it is not used for poverty alleviation program.) It supports the stockpiling system of EAERR as well as contributes to poverty alleviation issue.

Poverty alleviation is an international political agenda currently. International society commits to make efforts on this issue to create peace and democracy. Among several issues under poverty alleviation, nourishment of the poor is the focal issue. According to Table 5.6, approximately 10% of the population of ASEAN + 3 countries is suffering from hunger and poverty. There is a great necessity to take action to reduce hunger and poverty.

Table 5.6 Hungry and Poor Populations in ASEAN+3

	Country	Hungry (People Undernourished) (Million persons)		Poor (million persons)	
ASEAN	Brunei	NA	NA	NA	NA
	Cambodia	4.6	37%	4.4	35.9%
	Indonesia	12.0	6%	49.3	23.4%
	Laos	1.4	28%	2.0	38.6%
	Malaysia	0.4	-	1.9	8.1%
	Myanmar	3.2	7%	NA	NA
	Philippines	17.4	24%	31.4	40.0%
	Singapore	NA	NA	NA	NA
	Thailand	12.9	21%	8	12.9%
	Vietnam	14.2	19%	28.7	37.0%
	Sub-Total	66.1	13.9%	125.7	24.1%
+3 countries	China	116.3	9%	45.5	3.6%
	Korea	0.7	-	3.5	7.4%
	Japan	NA	NA	0%	0%
Total		183.1	10.0%	174.7	8.9%

Source: World Development Indicators, UNDP, 2001
The State of Food Insecurity in the World 2001, FAO

5.5.2 Proposed Projects

Three projects are proposed under poverty alleviation program, namely:

- Food Aid for School Children;
- Food Aid for Urban Poor; and

- Food Aid for Child Welfare.

(1) Food Aid for School Children

Primary education is of great importance as a poverty alleviation policy in developing countries. This project targets particularly poor areas in the countries of ASEAN. This project inevitably contributes to develop a better learning environment through improvement of nourishment of children. The project provides free rice to school children for a year. Children in principle receive rice from school directly, and bring it home. EAERR management body accepts an application for request of free rice distribution from the organization or NGOs/NPOs concerned through the rice reserve organization in each country. The estimated amount of rice for this project is 30,000 tons/year.

(2) Food Aid for Urban Poor

The project aims at providing food aid to the urban poor in slum and squatter areas as a poverty alleviation program in ASEAN member countries. The food aid under this project is carried out to support self-help activities in the slum and squatters areas. Housing authority in each member country undertakes food aid activities. Rice is supplied to selected groups/organizations who carry out the activities in slum and squatter areas. EAERR management body inquires about requests for food aid for the urban poor to the housing authority in each member country through a food agency. At the same time, EAERR management body also receives requests from NGOs/NPOs to supplement governmental channel. The estimated amount of rice for this project is approximately 20,000 tons/year.

(3) Food Aid for Child Welfare

The project aims at providing food aid to support childcare facilities as a poverty alleviation program in ASEAN member countries. Authority concerning child welfare in each member country undertakes food aid activity. EAERR management body inquires about requests for food aid for childcare facilities to the concerned authority on child welfare in each member country through a food agency. At the same time, EAERR management body also receives requests from NGOs/NPOs to supplement governmental channel. The authority provides rice directly to selected facilities. NGOs/NPOs act as supplemental channel to provide rice as well. The estimated amount of rice for this project is approximately 21,500 tons/year.

Project No.	1	Project Name	Food Distribution for School Children
Purpose		Project Area	
<p>Primary education is quite important as a poverty alleviation policy for developing countries.</p> <p>Food distribution for school children in poor areas inevitably contributes to develop a better learning environment.</p>		ASEAN +3 countries	
Background and Rationale			
<p>UNDP reports that the number of people living in poverty in the countries of ASEAN is 125 million, which is about 24.1% of their total populations. Out of this number, there are 50 million under-15 years old who need primary education. And for these children, getting a satisfactory primary education is oftentimes difficult to do.</p> <p>The school children living in poor areas suffer from malnutrition, especially less caloric intake from staple food i.e. rice. That results in the problem of poor physical development and also less motivation for learning.</p> <p>“The Project for Food Distribution for School Children” distributes rice as staple food to children in order to replenish their intake calories. It aims to promote their health and to enhance their education.</p>			
Beneficiary		Main Activity	
<ul style="list-style-type: none"> - School children of primary education age as target group in areas where food situation is of poor quality (0.5 million out of 520 million of total population). - EAERR management body (MTEAERR) through rice reserve organization in each country accepts applications for request of free rice distribution. Also, MTEAERR accepts direct requests by schools and/or NGOs in order to cover insufficient local institutions. 		<ul style="list-style-type: none"> - Project provides school children with free rice for 1 year. Children in principle receive rice from school directly, and bring it home. - 60kg/ year (5kg/ month)/ person x 500 students/ school x 1,000 schools = 30,000 tons/ year - Also, Project provides NGOs with free rice as a part of NGO activities on education. 	
Required Input		Expected Output	
<ul style="list-style-type: none"> - 50,000-80,000 tons of rice out of ASEAN rice reserve - Funds to allot reserved rice that is under control of EAERR management body - 50,000-80,000 tons * US\$200/ton = US\$10-16 million 		<ul style="list-style-type: none"> - Health promotion and education enhancement by taking enough calories - Reduction of malnourished school children - Increasing of school attendance rate 	
Implementing Agency		Implementing Schedule	
Related authorities in each country that participate in Project such as local authorities, school, NGO		<ul style="list-style-type: none"> - First phase for 5 years (2005-2010) - Second phase for 5 years (2011-2015*) *Target year of cutting by half the number of hungry people 	
Pre-condition and External Condition		Risk	
<ul style="list-style-type: none"> - Implementation of East Asia Rice Reserve System (EAERR) - Fund from donor countries 		Decreasing of funding cooperation	
Special Remarks:			
Reserved rice under EAERR is provided when it is needed to exchange it with new rice as stock management.			

Project No.	2	Project Name	Food Aid for Urban Poor Project
Purpose		Project Area	
The project aims at providing food aid to the urban poor in slum and squatter areas as a poverty alleviation program in ASEAN countries.		ASEAN +3 countries	
Background and Rationale			
According to UNDP, the number of people living in poverty in the ASEAN + 3 countries in 2000 was approximately 183.1 million, which is about 10% of their collective total population. On the other hand, slum population is estimated at 50 million in ASEAN countries. The people in slum and squatter areas live below minimum living standards. This project is intended to reinforce the social security policy in each ASEAN country through provision of food aid to people living in slum and squatter areas.			
Beneficiary		Main Activity	
The project targets the population in slum and squatter areas, which is approximately 50 million. MTEAERR inquires about requests of food aid for urban poor to housing authority in each ASEAN country through food agency. At the same time, MTEAERR also receives requests from NGOs/NPOs to supplement governmental channel.		The food aid under this project is carried out to support self-help activities in the slum and squatters areas. Actual provision of food aid is made by housing authority directly through selected activities in slum and squatter areas. The estimated amount for this project is: 200 tons * 100 slum and squatter areas = 20,000 tons/year	
Required Input		Expected Output	
Stockpiling rice reserve of AERR and periodic release for turn-over of rice (a part of 50 ~ 80 thousand tons annually) Financial Support to release the reserved rice under control of AFSRB The anticipated cost is: 20,000 tons * US\$200/ton = US\$2 million/year		Reinforcement of social security policy Improvement of nutrition of peoples in slum and squatter areas	
Implementing Agency		Implementing Schedule	
Housing authority in each ASEAN +3 country NGOs/NPOs		1 st Phase: 5 years (2006 – 2010) 2 nd Phase: 5 years (2011 – 2015)	
Pre-condition and External Condition		Risk	
Implementation of stockpiling rice under EAERR Availability of financial supporters		Consistency of self-reliance policy for urban poor	
Special Remarks: The project utilizes the turn-over rice under the EAERR.			

Project No.	3	Project Name	Food Aid for Child Welfare Project
Purpose			Project Area
The project aims at providing food aid to support childcare facilities as a poverty alleviation program in ASEAN countries.			ASEAN +3 countries
Background and Rationale			
According to UNDP, in 2000, the number of people living in poverty in the ASEAN + 3 countries was approximately 183.1 million, which is around 10% of the collective population of the ASEAN + 3 countries. Of this number, children under 15 years old, which is the population of basic education, are estimated at 40 million. In the ASEAN countries, there are a number of children who have lost parents by such reasons as calamity, HIV and poverty. Those children are accommodated in child-care facilities managed by government and private volunteers; however, these facilities often face financial difficulties. This project aims to reinforce such child care facilities in each ASEAN country through the provision of food aid.			
Beneficiary		Main Activity	
The project targets child care facilities in ASEAN countries. MTEAERR inquires about request of food aid for child care facilities to concerned authority on child welfare in each ASEAN country through food agency. At the same time, MTEAERR also receives requests from NGOs/NPOs to supplement governmental channel.		Authority concerned with child welfare in each ASEAN country makes actual provision of food aid. The authority provides rice directly to selected facilities. NGOs/NPOs position as supplemental channel to provide rice as well. The estimated amount for this project is: 60 kg/year * 50 persons/facility * 500 facilities = 1,500 tons/year 200 tons * 100 NGOs/NPOs = 2,000 tons/year	
Required Input		Expected Output	
Stockpiling rice reserve of EAERR and periodic release for turn-over of rice (a part of 50 ~ 80 thousand tons of turn-over rice annually) Financial Support to release the reserved rice under control of MTEAERR The anticipated cost is: 3,500 ton * US\$200 /ton = US\$0.7 million/year		Reinforcement of child welfare policy Improvement of nutrition of children in child care facilities	
Implementing Agency		Implementing Schedule	
Authority concerning child welfare in each ASEAN + 3 country NGOs/NPOs		1 st Phase: 5 years (2006 – 2010) 2 nd Phase: 5 years (2011 – 2015)	
Pre-condition and External Condition		Risk	
Implementation of stockpiling rice under EAERR Availability of financial supporters		Consistency of self-reliance policy for urban poor	
Special Remarks: The project utilizes turn-over rice under EAERR.			

5.6.3 Program Implementation

Major stakeholders of the program are the donor (country and international organization and NGO/NPOs), EAERR management body (MTEAERR), the responsible organization in respective country, the NGOs/NPOs and the end-recipient (school, slum, childcare facilities etc.). The donor provides funding to purchase the turn-over rice for MTEAERR, and MTEAERR carries out food aid. The MTEAERR acts as coordinator for the donor and recipient by inquiring about and matching requests for food aid. The MTEAERR uses the revenue partially for preparing new stockpiling rice and administrative expenses. Actual food aid activities are undertaken mainly by NGOs/NPOS, and partially by public organization/s as shown in Figure 5.7.

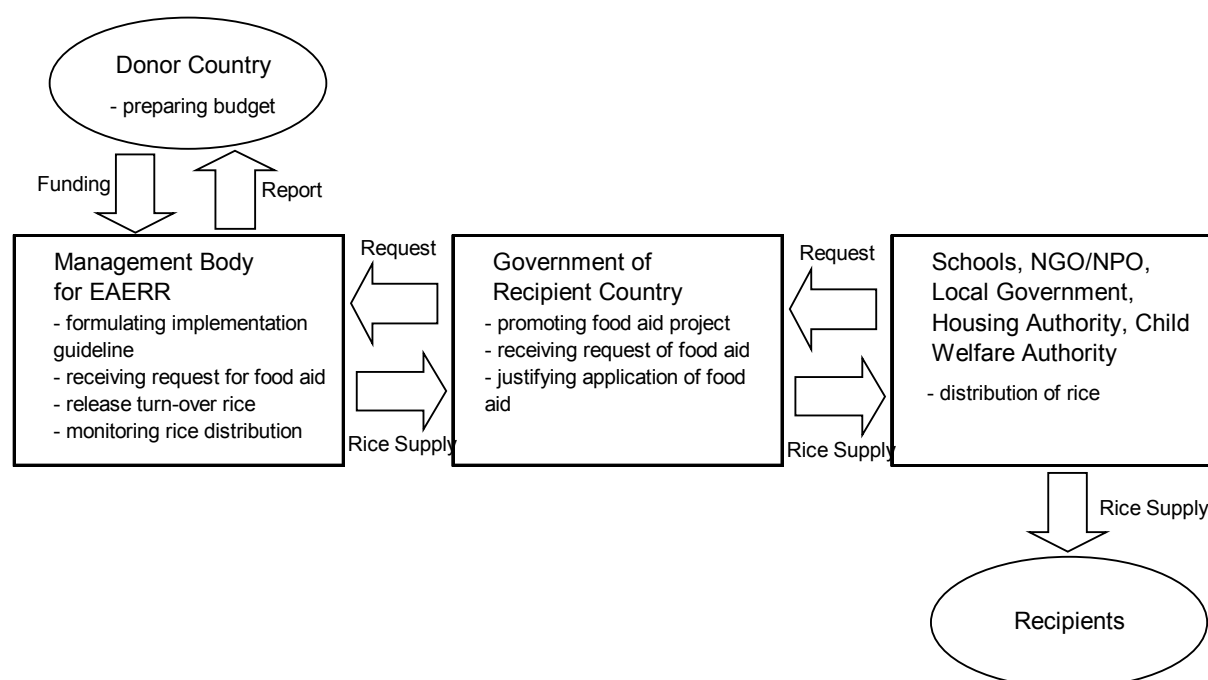


Figure 5.7 Poverty Alleviation Program under Utilization of EAERR

5.7 Organizational Plan

5.7.1 Basic Considerations on Implementation Body of EAERR

Current AERR is managed by AFSRB (ASEAN Food Security Reserve Board), which consists of representatives from ASEAN member countries. Under the AFSRB, there is no dedicated organization to work for AFSR as secretariat; instead the Ministry of Commerce of the Thai Government acts as secretariat on a part-time basis. Since the ASEAN + 3 countries are to be the members of EAERR,

framework of AFSR cannot cover the +3 countries; in addition, EAERR needs more capacity to manage the variety of releasing method. To deal with increased volume of work, AMAF+3 should directly supervise EAERR, and under the AMAF+3, a special steering committee should be organized to direct a dedicated secretariat office, namely, Management Team for EAERR (MTEAERR) to be newly established. For the effective functioning of the new organizational structure, the following points have to be considered:

- It is necessary to respond to the increased volume of work caused by management of the stockpiling;
- It is necessary to clearly keep neutrality to manage stockpiling; and
- It is necessary to manage increased volume of work from introduction of stockpiling rice, poverty alleviation project and variety of releasing method. Accordingly, necessary volume of work will increase drastically.

5.7.2 Organizational Structure of EAERR

(1) Basic Considerations on Organizational Strengthening

Current AERR is managed by AFSRB (ASEAN Food Security Reserve Board), which consists of representatives from ASEAN member countries. Under the AFSRB, there is no dedicated organization to work for AFSR as secretariat; instead the Ministry of Commerce of the Thai Government acts as secretariat on a part-time basis. The EAERR is required to strengthen its current organizational structure, in particular, from the following points of view:

- It is necessary to be responsive to more specific/professional know-how on rice distribution, trade and aid;
- It is necessary to efficiently respond to the increased volume of work caused by management of the stockpiling as well as wider variety of rice release of the earmarked rice;
- It is necessary to clearly keep neutrality to manage stockpiling; and
- It is necessary to cope with qualitative and quantitative increase of managerial works caused from management of stockpiled rice, operation of automatic trigger system and poverty alleviation program by turn-over rice.

(2) Organizational Improvement

Based on the above points of view, it is proposed to establish a dedicated secretariat, i.e., Management Team on East Asian Rice Reserve (MTEAERR). The MTEAERR should have the functions regarding information management, rice reserve operation, and emergency rice market supervision, indicated in

Table 5.7, to respond to the above requirements.

Table 5.7 Necessary Functions of MTEAERR

Section	Function	Work Items
Marketing	Marketing Information Coordination	Data collection and analysis under AFSIS project. This information will be shared by ASEAN+3 and serve as basic data to determine release of the EAERR. Actual work items are: <ul style="list-style-type: none"> • Data collection (use of AFSIS) • Data format coordination • Data analysis • Date Monitoring
	Assessment of Calamity and Release	Examination of magnitude of calamity in accordance with criteria; Report of necessity of release of the EAERR to Special Steering Committee. Actual work items are: <ul style="list-style-type: none"> • Analysis of calamity in accordance with criteria • Liaise with recipient country and international organizations • Report to Special Steering Committee Meeting for decision making
Operation	Stockpiling Rice Management	Stockpiling management including rice acquisition, transportation and shipment and storage and release. Actual work items are: <ul style="list-style-type: none"> • Acquisition of stock piling rice • Arrangement of transportation and shipment • Arrangement of storage • Quality control • Release of piling rice for first aid and poverty alleviation program
	Monitoring and Auditing	Keeping the activities under AMAF+3 Meeting transparent and accountable. Actual work items are: <ul style="list-style-type: none"> • Supervision of special market on emergency rice trade • Monitoring of release • Auditing of release • Giving of advice and recommendations
Administration	Administration	Management of organization. Actual work items are: <ul style="list-style-type: none"> • General affairs • Personnel affairs • Office management

(3) Location of MTEAERR

Location of the office and details of organization including recruiting personnel are subjects to be discussed among the member countries following careful review of results of the pilot project.

5.7.3 Financial Plan for EAERR

(1) Cost Sharing

EAERR requires certain costs such as cost of procurement of rice, cost of release and logistics such as

storage and transportation, and administrative expense.

It is necessary for the reserve system to be sustainable and effective. Stockpiling system is effective to realize EAERR functionally but needs large amounts of fund due to its management needs. If the fund cannot be continuously sustained, the system would not function effectively. From these points of view, the cost sharing is summarized as shown in Table 5.8 below:

Table 5.8 O & M Cost Sharing

	Buying Cost	Releasing Cost	Cost for Logistics	Administrative Cost	Notes
Earmark system	As cost is negligible, request country bears it; in either case, voluntary or allocation system is adopted.	After making the request, cost and others are worked out by negotiation between countries concerned, or in accordance with "Guideline for Procurement" (ex. average producer's price in supplying country) Request country bears cost.	Request country bears cost.	negligible	
Stockpiling system	Fund aid/ aid In kind; aid according to voluntary system is necessary.	Beneficiary country making aid request bears cost. Cost and others are worked out according to "Guideline for Procurement".	Request country bears cost.	necessary	When selling rice reserved, the turn-over is used to buy new reserve rice.
		When renewing (turning over) reserve rice, use it for Food Aid Project (grant aid /loan).	AFSRB or recipient country bears cost.	necessary	No fund supplement makes difficult to continue stockpiling system.

(2) Anticipated Cost of EAERR

The cost of the stockpiling consists mainly of rice, storage, shipment and distribution as described above. Approximately US\$286/ton is required to undertake stockpiling rice as shown in Table 5.9. While, management expense of MTEAERR consists of remuneration, office operation and maintenance, and direct cost of EAERR activities. This cost should be clarified upon determining the full-scale EAERR organization based on the results of the pilot project.

Table 5.9 Anticipated Cost of Rice Reserve

		Procurement		Storage	Shipment	Storage	Temporary storage	Distribution	Total cost (per MT)	Low cost
		Export country	Import country	Export country		Import country	local depots			MMR
For Piling Rice										
Case 1	Procure & reserve in Surplus country	US\$253		US\$20	Trigger	US\$8	US\$10	US\$5	US\$284 - US\$294	⊖
Case 2	Procure in Surplus country & reserve in deficit country	US\$253				US\$8	Trigger	US\$5	US\$274	⊖
Case 3	Procure & reserve in deficit country		US\$317			US\$10	Trigger	US\$5	US\$332	⊕
For Earmarked Rice										
Case 4	Procure in surplus country after outbreak	US\$204			Trigger	US\$8	US\$10	US\$5	US\$289 - US\$315	⊖
Case 5	Procure in deficit country after outbreak		US\$358		Trigger	US\$8	US\$10	US\$5	US\$383 - US\$373	⊖

Note: setting prices:
Procurement in the surplus country:
 US\$253: average of 7 year FOB price of Thai 25% broken
 US\$294: average of 1 year at peak, 1998, FOB price of Thai 25% broken
Procurement in the deficit country:
 US\$317: local price converted from paddy price (Peso 10/kg with US\$1 rate); Peso 50.
 US\$358: local price adding the same price gap of the surplus country (US\$41)
Shipment:
 US\$8: 1 freight in the area of ASEAN+3

Storage:
 US\$20: Cost for 1 year in the surplus country
 US\$10: Cost for 1 year in the deficit country
 - The deficit country has government warehouses
Distribution:
 US\$5: minimum cost distribution to beneficiaries

(3) Revenue Source of EAERR

Revenue source of EAERR is limited to voluntary contributions from member countries and revenue from sales of a certain portion of the stockpiling reserve rice. Surcharge from matching service for release of the earmarking reserve rice under commercial trade basis in emergency is subject to discussion in future.

5.8 Benefits from EAERR

5.8.1 Release Pressure of National Reserve by EAERR

Enlargement of rice reserve by EAERR will make it possible to increase food security during a large-scale disaster. Since necessary rice reserve for assumed disaster is mutually stocked among ASEAN+3, it is possible to reduce the total scale of national reserve by converting some parts of national reserve to the EAERR. Figure 5.8 shows the conceptual diagram.

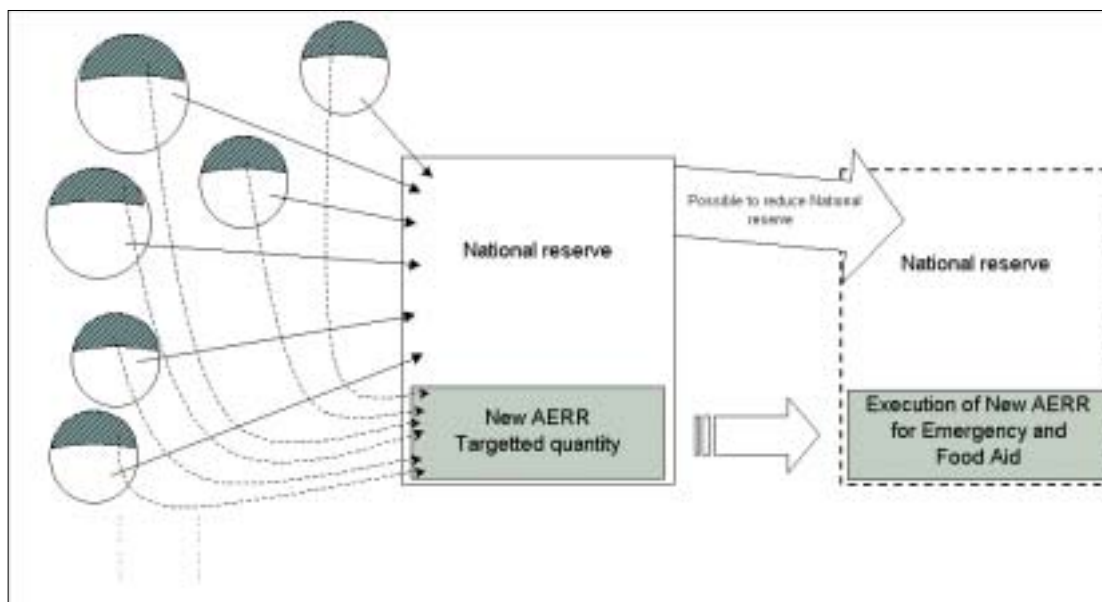


Figure 5.8 A Benefit of EAERR

5.8.2 Effects of EAERR

Expansion of participating countries from ASEAN to ASEAN + 3 makes possible expansion of rice reserve. Also, regional expansion contributes to reduce differences of food situations among the countries, resulting in positively affecting the food supply situation in ASEAN + 3. Moreover, it is expected to expand EAERR to outside the region in future.

The multifunction of EAERR contributes to sustainably maintain EAERR itself. In particular, by adoption of stockpiling system, the system will be more enhanced.

Buying rice for stockpiling in normal times makes rice cost lower, thus releasing price in an emergency can be set at lower price.

5.8.3 Expected Merits of EAERR by Country

ASEAN + 3 countries can expect various merits of EAERR such as not only improvement of food security, but also rice price stabilization, cost-saving of rice import (for importing country), and expansion of market and release of surplus rice (for exporting country). Table 5.10 qualitatively shows expected merits by each country. Although a blank column does not mean a demerit, it also suggests no significant merit.

Table 5.10 Expected Merits of EAERR by Country

	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam	China	Japan	Korea
Quick Response to Emergency Request													
Reliable Supply of Emergency Rice													
Saving of Import Cost													
Market Price Stabilization													
Market Expansion													
Poverty Alleviation													
Complement for National Reserve													
Contribution to Control of Demand and Supply													

CHAPTER 6

ACTION PLAN

CHAPTER 6

ACTION PLAN

6.1 Phasing Plan

6.1.1 General Approach to Establish EAERR

Currently, the ASEAN member countries conclude the AFSR Agreement, and ASEAN together with China, Japan and Korea mutually agree to strengthen the current AFSR, in particular, the AERR function under the ASAF+3 meeting. The establishment of EAERR system is accordingly a common political agenda in the ASEAN + 3 countries. This is the reason why EAERR should be established based in principle on the full consensus of the ASEAN + 3 countries.

However, each ASEAN member country may have different interests on EAERR. Each country has different background, interests and insights on EAERR, affected by rice production, rice supply-demand balance, food security policy, buying power and national reserve policy. Thus, there seems to be many obstacles to make a full consensus on EAERR, resulting in the long delay to the functioning of EAERR under the full consensus of all ASEAN + 3 countries. The reality to face therefore is to develop EAERR gradually in terms of system improvement and participating countries under the common recognition of the goal of EAERR in future. Moreover, it is indispensable to set up a detailed implementation procedure of EAERR, one that is agreed upon by the ASEAN + 3 countries.

Accordingly, the introduction of EAERR and necessity of the pilot project on EAERR as the first step is agreed in the TMRR2 held on 21 August, 2002.

The pilot project aims at clarifying details of the EAERR mechanism as well as accumulating know-how of implementation through actual activities regarding the rice reserve. The pilot project plans to be carried out for 3 years.

After the pilot project, EAERR will be substantially implemented. During the substantial implementation of EAERR, ASEAN + 3 countries gradually increase the reserve rice to achieve the target amount of 1.75 million tons by enlargement of the earmarking reserve rice and stockpiling rice simultaneously.

ASEAN + 3 countries should gradually determine the EAERR system in detail, in particular, cost sharing, operation and management procedure, and organization and institution based on the results of the pilot project. This may be achieved within a mid-term period, probably 10 years time span after the pilot project.

This gradual approach is conceptually shown in Figure 6.1.

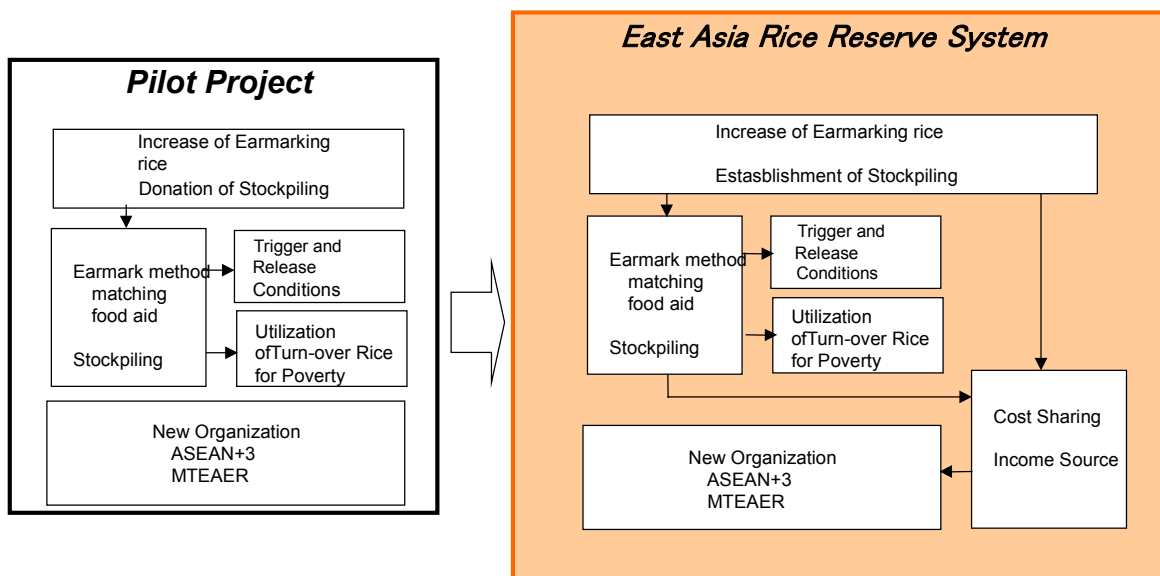


Figure 6.1 Development Process of EAERR

6.1.2 Action Plan

The concept of the gradual approach is broken down into the phasing plan, as shown in Table 6.1.

(1) Actions in Short Term

In the short term, there may be some ASEAN + 3 countries that may not yet be ready to set up all necessary matters domestically in accordance with the EAERR and some other countries may hesitate to accept the EAERR. It is accordingly necessary to have a transitional period for “Doing for Building Confidence”.

As the initial phase of the EAERR, the proposal is to start with “Pilot Project” then transit to substantial initiation of the EAERR. In this phase including the pilot project period, experimental activities on rice reserve should be taken into consideration with both stockpiling and earmarking rice reserve. It is desirable to expand size of the rice reserve as much as possible to over 87,000 metric tons. Certain countries that are ready to participate in the EAERR lead the other countries on voluntary basis. Organizational improvement should be confirmed in detail in this term.

(2) Actions in Medium Term

In the medium term, the EAERR should be accelerated to expand the size and method of reserve rice as well as to expand its functions. More participating countries are expected than that in the short term. As the intermediate phase of the EAERR, it should continuously expand size of the rice reserve as much as possible with the target of 1.75 million metric tons. Certain countries that have financial capability are expected to bear the cost of such improvement on a voluntary basis. As the voluntary contribution of those countries, not only financial burden is expected but also provision of rice and provision of resource persons.

(3) Actions in Long Term

In the long term, the EAERR should be completed to expand the size and method of reserve rice as well as to expand its functions. All ASEAN + 3 countries are expected to participate in the EAERR system.

As the final phase of the EAERR, it should achieve 1.75 million metric tons of reserve rice including stockpiling and earmarking rice. The stockpiling rice should be managed by a management team under the AFSRB+3, which is established independently. The stockpiling rice should be periodically utilized either for emergency or for poverty alleviation program.

Cost sharing rules for maintaining and operating the EAERR should be formulated and agreed upon among the ASEAN + 3 countries. It might be a combination of voluntary funds and common funds allocating remaining financial burden to the ASEAN + 3 countries.

Table 6.1 Phasing Plan

	Existing AERR	Achievements		
		Short Term	Medium Term	Long Term
Size of AERR	87,000 MT	More than 87,000 MT (Target) Member countries decide amount of new AERR as much as they can on voluntary basis.	1,750,000 MT or Less (Target) Member countries increase amount of new AERR as much as they can on voluntary basis.	1,750,000 MT Member countries voluntarily decide reserved amount. If it does not satisfy above amount, allocation system will be taken into consideration.
Method of Rice Reserve	Earmarked	Earmarked Stockpiling	Earmark system Stockpiling system	Earmark system Stockpiling system
Location Reserve	Each Country	Earmarked rice in each country Stockpiling rice in voluntary countries	Earmarked rice in each country Stockpiling rice in voluntary countries	Earmarked rice in each country Stockpiling rice in voluntary countries and allocated countries
Project	-	Earmarking Rice Release under Demand and Supply Matching scheme in Emergency (commercial base trade) Earmarking Rice Release under Aid Base Stockpiling Release for first aid Poverty alleviation program	Earmarking Rice Release under Demand and Supply Matching scheme in Emergency (commercial base trade) Earmarking Rice Release under Aid Base Stockpiling Release for first aid Poverty alleviation program	Earmarking Rice Release under Demand and Supply Matching scheme in Emergency (commercial base trade) Earmarking Rice Release under Aid Base Stockpiling Release for first aid Poverty alleviation program
Cost Sharing	Each Country	Each country bears cost of earmarked rice as same as current practice. Certain countries bear cost of the stockpiling rice under voluntary basis.	Each country bears cost of earmarked rice as same as current practice. Certain countries bear cost of the stockpiling rice under voluntary basis.	Mixture between cost sharing under voluntary basis and proper allocation to member countries under certain rules agreed upon.

6.2 Implementation of Pilot Project

6.1.1 Necessity of the Pilot Project

Basic direction and concept of EAERR system was basically supported by ASEAN + 3 countries in

TMRR2, however, there was a great necessity to clarify detailed procedure of EAERR. To determine and elaborate EAERR to be more practical, it is beneficial to experimentally start up the "Pilot Project" as a plot type. In particular, the following five issues needed to be clarified in the course of the pilot project:

- Role and position of EAERR in relation to national reserve and other international food aid schemes;
- Detailed criteria, amount and price in the release of rice reserve;
- Target group, selection criteria, amount and price in the release of rice reserve for food aid;
- Financial sustainability of EAERR; and
- Implementation organization.

6.2.2 Objectives of Pilot Project

Through the practice of the pilot project, the following points regarding implementation should be clarified:

- Confirmation of workability and effectiveness of EAERR
- Determination of details regarding implementation of EAERR

6.2.3 Pilot Project Scheme

(1) Scale of Pilot Project

The pilot project is the plot type of EAERR, thus, the pilot project should have almost same functions of EAERR proposed in Chapter 5. However, it should be minimized as much as possible in order to restrain cost burden. In practice, scale of the pilot project is minimized so that it can financially be maintained with the income from selling a part of the stockpiling reserve rice.

(2) Acquisition of Reserve Rice

In the pilot project scheme, the reserve rice should be made under earmarking and stockpiling method as same as that of EAERR. The earmarking method is carried out under voluntary basis of ASEAN + 3 countries, while the stockpiling rice is accumulated under donation. The location of rice reserve and storage cost for either the earmarking or stockpiling are depended upon donor country.

(3) Releasing Method and Conditions

As the releasing method of the earmarking rice reserve, the pilot project should have two ways of

releasing methods such as release under commercial trade basis in emergency (first line of defense) and release under food aid basis in emergency (second line of defense).

The release under commercial trade basis (first line of defense) is made based on the matching service between supplying and demanding countries. MTEAERR should establish a special market for this service and coordinate them. Prior to the emergency use, each member country shall regularly provide information such as necessary (requesting) type of rice, quality, amount, and preferable terms of payment, and possible (requested) time of delivery. The countries matched will set forward contract with each other. MTEAERR will coordinate and supervise the market and contracts. This releasing method has an advantage to reduce risk of food procurement in emergency period. The form of transaction is completely commercial basis, thus it is not necessary to adopt the trigger system nor releasing conditions regarding food aid.

On the other hand, the release under food aid basis in emergency (second line of defense) is along the ordinal food assistance scheme during emergency period. This is carried out under justification of necessity of food aid under calamity, which is made by an international organization as the third party.

The proposed mechanism of the pilot project, in particular, acquisition and release method, is summarized in Table 6.2.

Table 6.2 Proposed Mechanism of Pilot Project

	Earmarked Rice		Stockpiled Rice
	Tier 1	Tier 2	Tier 3
Characteristics of Release	Release under Commercial Base in Emergency	Release under Food Aid in Emergency	Release for First Aid in Emergency
Acquisition	Forward contract	Contract after Appeal by an international agency	Donation
Trigger	Not applicable	Request Base Trigger System	Automatic Trigger System
Release condition	Contract base	Emergency release guideline (loan/free)	Emergency release guideline (free)
Release price	As specified in the contract	As specified in the contract	Free (certain portion of rice price will be paid to MTEAERR.

6.2.4 Considerations on Agreement

(1) Basic Approach to Achieve Agreement

EAERR should be in principle agreed upon by all ASEAN + 3 countries. However, this seems difficult to achieve owing to the different position on EAERR brought about by each country's own domestic circumstances in the short term. Accordingly, it is necessary to take into account practical process to agreement on EAERR among the ASEAN + 3 countries. In this sense, as the first step, general agreement, initiatives or declaration, which mutually confirm the principle of EAERR, should be made among the ASEAN + 3 countries. Then another agreement regarding implementation of EAERR should be separately made among the countries that are ready to participate prior to the other countries along with the general agreement, initiatives or declaration.

The prior participating countries are then to start implementing EAERR based on the agreement. The other countries follow to participate in the agreement whenever they are ready. Finally, all ASEAN + 3 countries are expected to participate in the ultimate stage of EAERR.

(2) Status of Agreement

Agreement for EAERR is an important issue to carefully delineate and properly identify a relation to existing AFSR agreement and a method to include the 3 countries of China, Japan and Korea. From these two points of view, there are two possible alternatives:

- Alternative1: Modifications of current AFSR agreement to expand size, functions and countries; and
- Alternative2: Conclusion of additional agreement on the new AERR besides current AFSR agreement.

Alternative 1 is advantageous to build a better form of agreement with consistency to the current AFSR. In particular, operation and management can be simplified under one agreement. However, there is a question on whether it is possible or not for non-members to join under ASEAN agreement. Even if it is cleared, it might take a long time to make a consensus because any modifications on it need to be approved by the ASEAN members.

While **Alternative 2** is advantageous to fast-track establishing EAERR. In particular, it is effective to address complications to coordinate/distinguish between current AFSR and EAERR, in particular, with regard to the releasing and implementing organization of the AFSR.

The JICA Study Team proposes Alternative 2, to focus on the importance of quick response to the

requirement of improving the current AFSR, as discussed in the TMRR 1 as well as in the SOM-AMAF+3 meeting, to realize “**Doing for building confidence**”.

(3) Method of Conclusion of Agreement

There are typically two ways of conclusion of agreement:

- Between ASEAN and each + 3 country under multilateral basis; and
- Among ASEAN + 3 countries under bilateral basis

The former method is made on a single agreement among the prior participating countries under multilateral basis. Then, the other countries will gradually and additionally participate in the agreement. It is necessary to make a consensus among the ASEAN + 3 countries because it will apply for all the ASEAN + 3 countries; thus it might take a longer time to prepare.

The latter method is made on own bilateral agreement between two countries. It is accordingly necessary to make a lot of bilateral agreement with each other, resulted in requiring complicated works. But ASEAN + 3 countries have a successful experience on this method, which has been applied for “Chang Mai Initiatives” of financial cooperation agreement.

The JICA Study Team proposes to take the latter conclusion method of bilateral basis to facilitate the conclusion of agreement on the AERR, in particular, among the prior participated countries.

6.2.5 Implementing Organization

(1) Overall Implementing Structure of The Pilot Project

The management body of EAERR should be formulated based on AFSRB with the +3 countries. The decision-making will be done by AMAF+3, and SOM-AMAF+3 will connect AMAF+3 and the AFSRB+3.

Under the AFSRB+3, it is proposed to establish a dedicated secretariat, i.e., Management Team of EAERR (MTEAERR). The MTEAERR is formed with experts of rice trade and food aid and is responsible for actual activities of EAERR. Director of MTEAERR is periodically assigned from officials of ASEAN + 3 countries to direct the activities of MTEAERR. This MTEAERR will upgrade to be the management body of EAERR after the pilot project with careful review of performance. Proposed organization of MTEAERR in the initial stage is shown in Figure 6.2.

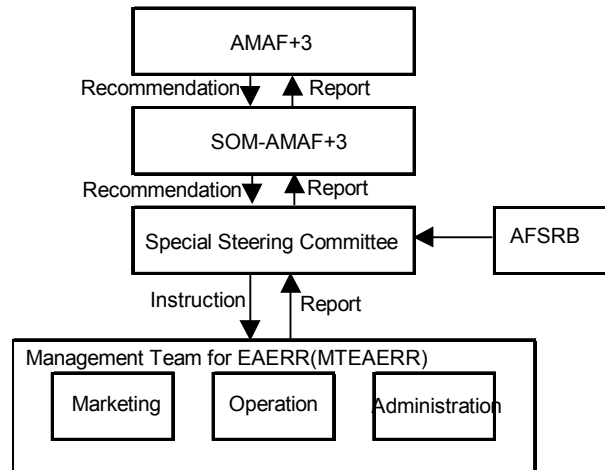


Figure 6.2 Organization of MTEAERR (Initial Stage)

(2) MTEAERR in the Pilot Project Period

MTEAERR should be minimized in the pilot project period since there is less amount of rice reserve to deal with. As shown in Figure 6.3, MTEAERR will have a staff of 8 in total: a general manager, two (2) managers and three (3) assistant managers and two (2) secretaries. General manager and managers are to be internationally recruited, while assistant managers and secretaries are to be locally recruited.

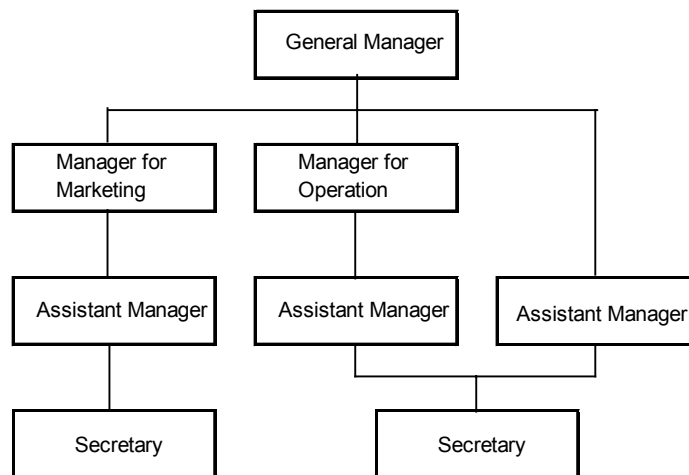


Figure 6.3 Organization of MTEAERR (during Pilot Project Period)

The recruitment indicated above is gradually carried out with four (4) staff in the first year, seven (7) staff in the second year and eight (8) staff in the third year as shown in Table 6.3. However, the recruitment should be flexible in accordance with amount of contribution (maybe fund or rice) to EAERR from member countries. For example, postponement of hiring a manager and an assistant manager, and

recruiting locally rather than internationally for a manager are the considerable options.

Table 6.3 Proposed Recruiting Schedule

Title	1 st Year	2 nd Year	3 rd Year
General Manager	1	1	1
Manager	2	2	2
Assistant Manager	0	2	3
Secretary	1	2	2
Total	4	7	8

6.2.6 Financial Plan

(1) Principle of Cost Sharing of the Pilot Project

ASEAN + 3 countries share cost of the pilot project voluntarily. Rice and storage cost are voluntarily provided, while transport (shipment) cost is borne by either donor country recipient country. Since the stockpiling rice is donated from certain member countries, the location and cost of stage is dependent upon donor countries. Accordingly, the cost of EAERR to be borne by MTEAERR is only management cost.

Table 6.4 Principle of Cost Sharing

	Earmarked Reserve		Stockpiled Reserve Tier 3 (Under the grant aid)
	Tier 1 (Under the forward contract)	Tier 2 (Under the food aid)	
Rice fee	Recipient Country (Short term loan)	Recipient Country (Long term loan)	Donor Country
Storage Cost 1) In Supplying or Donor country 2) In Recipient country	Recipient Country	1) Supplying or Donor Country	Donor Country
		2) Recipient Country	Recipient Country
Shipment cost	Recipient Country	Donor Country	Donor Country
Transport cost (In recipient country)	Recipient Country	Recipient Country	Recipient Country

The pilot project is managed with revenue from recipient country. When the recipient country receives rice reserve (in both use of rice reserve under emergency purpose and under poverty alleviation food aid purpose), the recipient country should release own national reserve rice equivalent to 10% of rice amount received through the pilot project. The revenue from this counter release of rice goes to MTEAERR. Revenue and cost items of the pilot project are shown in Table 6.5.

Table 6.5 Revenue and Cost Items of the Pilot Project

Revenue of Pilot Project	Expenditure of Pilot Project
Release of national reserve equivalent to 10% of rice amount received from Pilot Project	<ul style="list-style-type: none"> • Remuneration • Office • Inspection Trip • Regular Meeting (ASEAN+3) • Research/ Studies

(2) Cost of the Pilot Project

For implementing the pilot project, it is estimated that the cost of approximately USD 686,000 in the first year and USD 765,000 in the third year are required. The difference depends upon number of staff recruited.

Table 6.6 Cost of Pilot Project

		(USD)		
		1	2	3
Remuneration	General Manager	150,000	150,000	150,000
	Manager	200,000	200,000	200,000
	Assistant Manager		54,000	81,000
	Secretary	8,000	16,000	16,000
	Total	358,000	420,000	447,000
Office	Office Rent	14,400	14,400	14,400
	Furniture and Equipment	10,200	0	0
	Office Supplies	17,976	17,976	17,976
	Total	24,600	14,400	14,400
Direct Cost	Inspection Trip	42,000	42,000	42,000
	Meeting	61,760	61,760	61,760
	Research/Studies	200,000	200,000	200,000
	Total	303,760	303,760	303,760
Total		686,360	738,160	765,160

(3) Necessary Stockpiling Rice Reserve to Manage the Pilot Project

Since the revenue from recipient country is a single income source of the pilot project, it is necessary to gather reserve rice to cover the cost of pilot project. In this sense, 23,000 tons of rice reserve should be voluntarily gathered from ASEAN+3 in the first year. Similarly, 24,000 tons and 25,000 tons of rice reserve are necessary for the second and third years, respectively. These are equivalent to USD 6.9 million of contribution in the first year, USD 7.2 million of contribution in the second year and USD 7.4 million of contribution in the third year.

This amount can serve approximately 2.3 ~ 2.5 million persons per month in emergency case under calamity.

Table 6.7 Anticipated Cash Flow of the Pilot Project

Contribution of ASEAN+3 for Pilot Project		(USD)		
		1	2	3
Rice for Tier 3 (Ton)		23,200	24,000	25,000
Contribution from ASEAN+3	Cost of Rice	6,192,080	6,405,600	6,672,500
	Storage	779,520	779,520	779,520
	Total	6,971,600	7,185,120	7,452,020
Cash Flow of Pilot Project		(USD)		
Revenue	Counter Payment of Recipient Country	721,520	746,400	777,500
	Total	721,520	746,400	777,500
Expenditure	Management Cost	686,360	738,160	765,160
	Rice Reserve Operation	0	0	0
	Contingency	34,300	7,400	7,700
	Interest	0	0	0
	Total	720,660	745,560	772,860
Net Balance		860	840	4,640
Supplement form Capital		0	0	0
Short Term Loan from Commercial Bank		0	0	0
Balance		860	840	4,640
Income of Interest		69	101	557
Accumulation		929	1,030	1,586
		(person.months)		
Beneficially		2,320,000	2,400,000	2,500,000

6.2.5 Further Schedule until the Pilot Project

Pilot project should be commenced as soon as possible, when ASEAN + 3 countries are ready. After this study, pilot project should be formally discussed in SOM-AMF+3 and AMAF+3 as well as AFSRB, which may play a major role in the EAERR. On the other hand, in prior to commencing the pilot project, ASEAN + 3 countries will be required to complete:

- Domestic procedure for agreement on pilot project; and
- Confirmation of contribution.

After formulating a framework of the special steering committee for the pilot project, the special steering committee should start preparing to set up MTEAERR. Then, MTERARR will prepare the detailed operational plan and procedure.

Proposed schedule until commencement of the pilot project in July 2003 is shown in Table 6.8.

Table 6.8 Schedule until the Pilot Project (Tentative)

Necessary Actions	Responsible (Relevant) Organization
<ul style="list-style-type: none"> • Discussion in AFSRB Meeting to confirm implementation of Pilot Project with the +3 countries 	AMAF+3
<ul style="list-style-type: none"> • Agreement on establishing Special Steering Committee for the Pilot Project 	AMAF+3
<ul style="list-style-type: none"> • Agreement on the implementation of the Pilot Project 	AMAF+3
<ul style="list-style-type: none"> • Domestic Procedure to carry out the Pilot Project/EAERR 	Each ASEAN+3 country
<ul style="list-style-type: none"> • Establishment of Special Steering Committee for supervising Pilot Project 	AMAF+3
<ul style="list-style-type: none"> • Establishment of MTEAERR 	Special Steering Committee
<ul style="list-style-type: none"> • Confirmation of Contribution to the Pilot Project 	ASEAN+3, MTEAERR
<ul style="list-style-type: none"> • Formulation of Work Plan of MTEAERR 	MTEAERR
<ul style="list-style-type: none"> • Formulation/ Agreement on Implementation Plan of the Pilot Project 	MTEAERR, Special Steering Committee