



PIDE SLUDGE SERIES | **WHEAT PROCUREMENT**

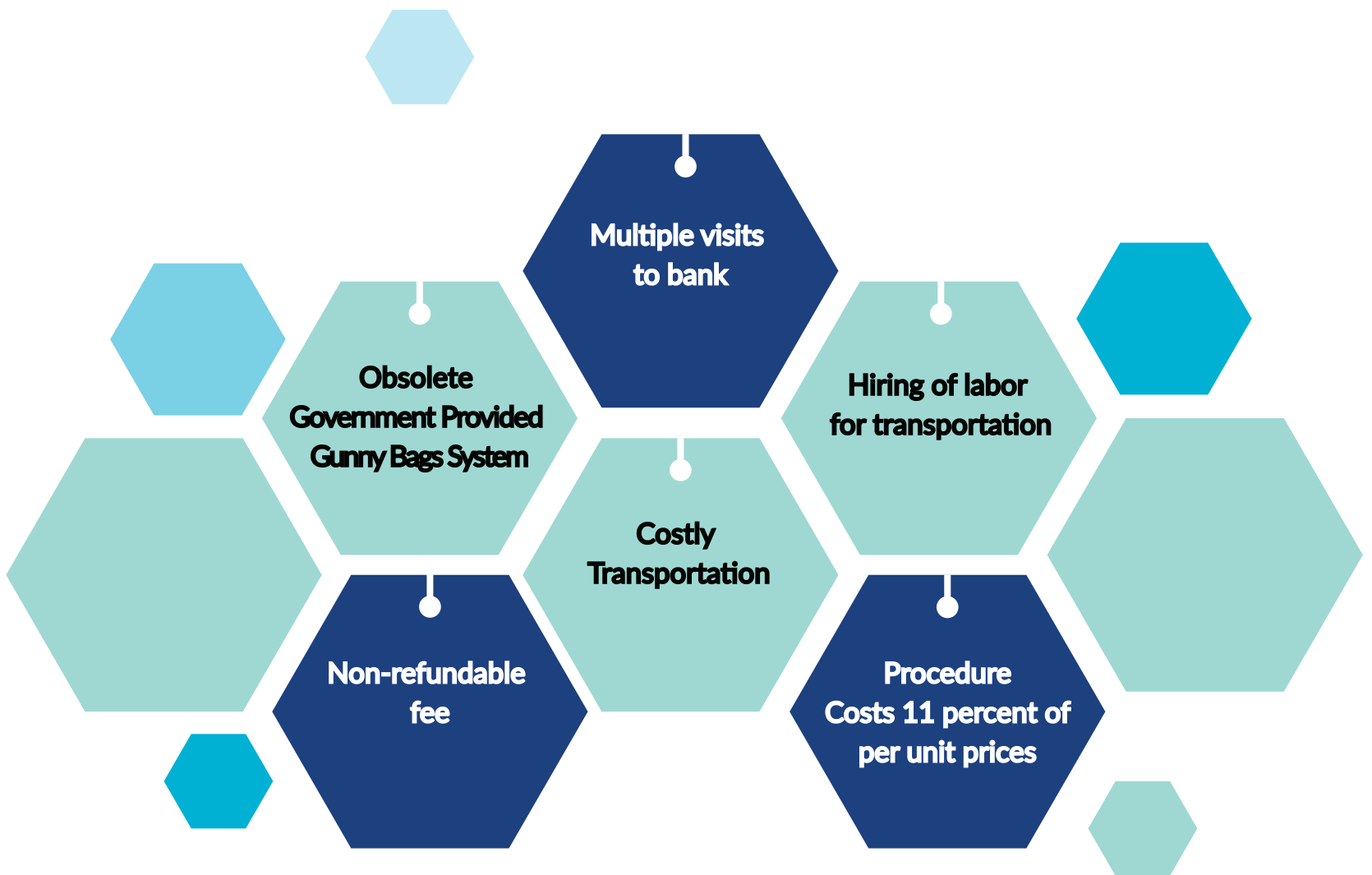
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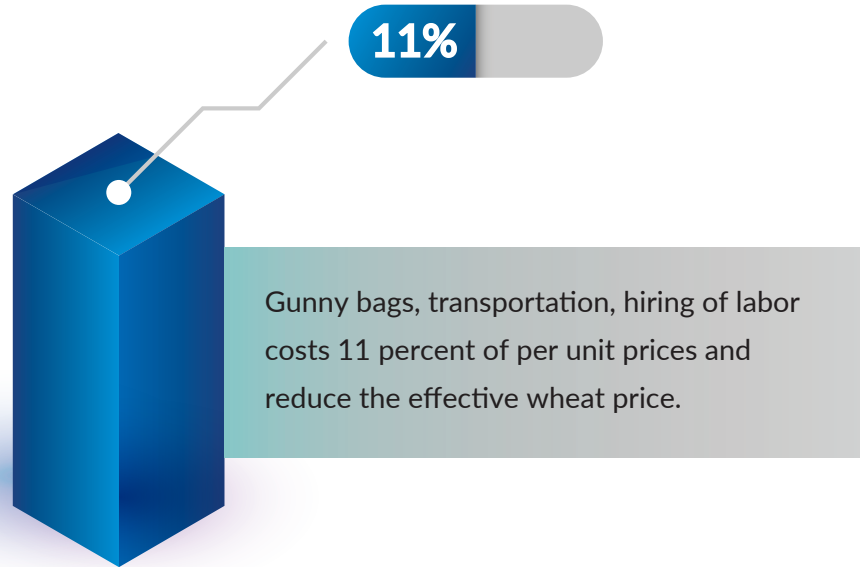
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PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS



High Monetary Cost



Challenges

- 01**

 Obsolete Government Provided Gunny Bags System
- 02**

 Multiple Visits to Banks
- 03**

 Charging refundable fee at time when farmers don't have money
- 04**

 Costly Transportation
- 05**

 Hiring of Labor for Transportation
- 06**

 Excessive Documentation Requirement like Fard and Ghasra Gardavery
- 07**

 Costly Transportation
- 08**

 Long Processing Time
- 09**

 Selling wheat to middle man (Arthi) takes no time, in addition, Arthi is responsible for packing and transportation.

What is Sludge

- Excessive or unjustified frictions that make it difficult for people to get things done.
- Frictions that make processes difficult to complete including; such as excessive paperwork, unnecessary.
- NOCs to be obtained,excessive hierarchy involved inapprovals, centralized decision making and rent seeking attempts– All this costs time and money and frustrates people by depriving them of access to goods, opportunities, and services.

Why it matters?

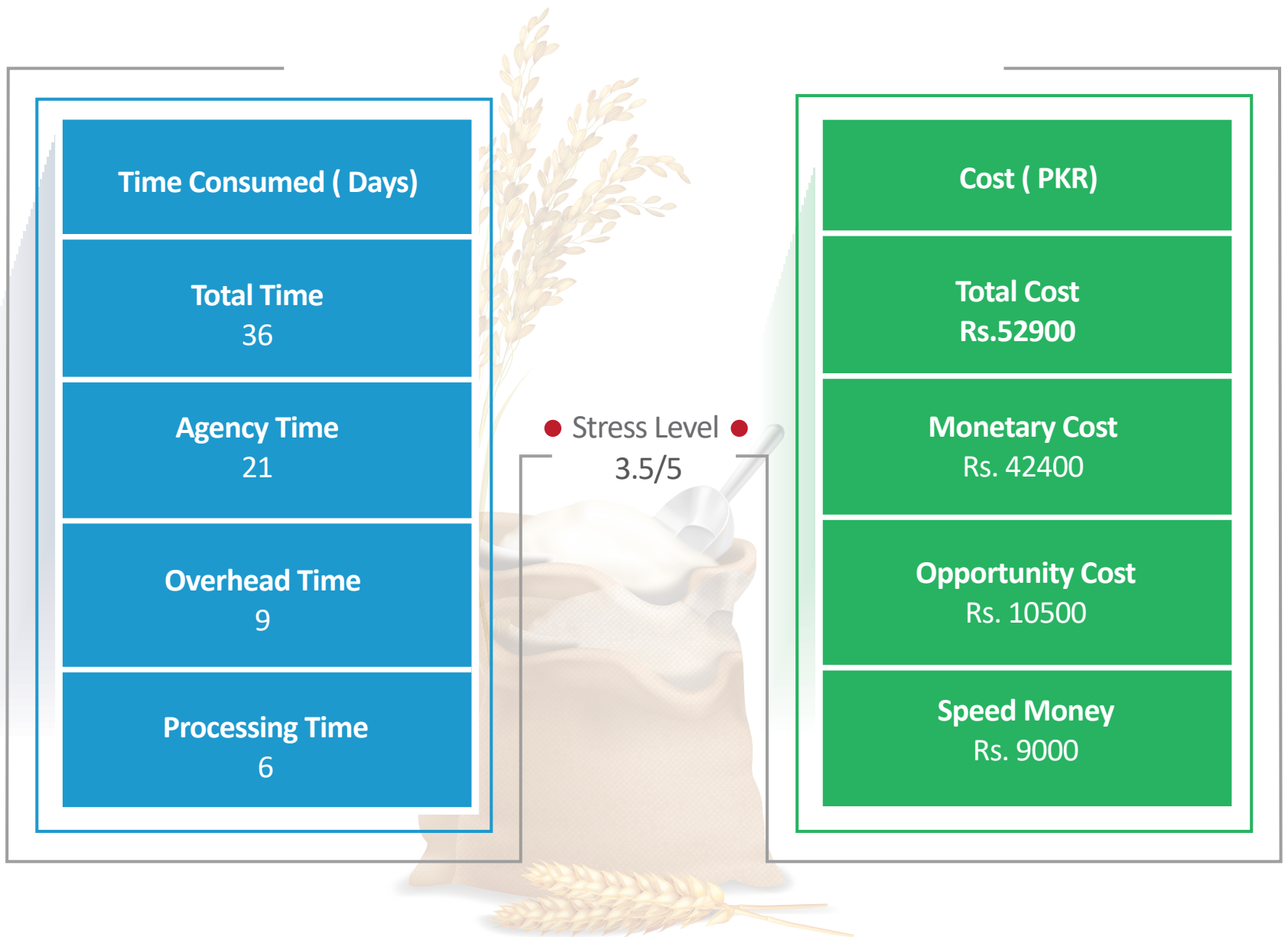
- Sludge impedes decision making by making it more difficult for people to navigate through their everyday lives.
- It imposes costs upon the economy in terms of waste of resources, and the opportunity costs incurred.This discourages investments, lowers productivity and therefore constrains GDP growth.
- It can be used to seek rents, which again constrains economy activity and GDP growth.
- It imposes psychological costs as well in the form of frustration, humiliation, and stigma.



Objective of Sludge Series

- To highlight the sludge in different activities
- Induce the concerned agencies to work for reducing sludge
- To pin down areas where sludge can be reduced by shortening the processes or reduce through digitization

Wheat Procurement



Agency Time:

The time consumed by the department/agency concerned in processing an activity.

Overhead Time:

Part of the day lost due to being involved in this activity for a fraction of the day.

Opportunity Cost:

Income earned if the time consumed in this activity is put on an alternative use. It is measured by multiplying total processing time with the hourly per capita Gross National Income

Sludge in Wheat Procurement



Sources of Sludge

The major source of sludge is in the documentation preparation, wheat bag collection, obtaining wheat receipts and monetary cost which is needed for these steps. The major cost that a farmer face includes cost of purchasing wheat bags (refundable), cost of hiring labour for preparing wheat bags, loading and unloading and finally the cost of transportation of wheat bags to government wheat store. The major hurdle in this procedure is that farmers don't have adequate cash at this stage. Moreover, the majority of farmers are either illiterate or they are unfamiliar with banking sector. When they receive cross cheque, it is difficult job for them to open a bank account.

Cutting Sludge

Eliminating Unnecessary Steps

01

The property document (Ghasra Gardavery) create hurdle in obtaining wheat bags, ultimately farmers avoid selling wheat to government food store.

02

Wheat bags are available only at government wheat store, and the process of obtaining bags is unnecessarily long.

03

Monetary cost of obtaining bags, preparation of wheat bags and transportation, all of these is born by farmers. This monetary cost eliminates poor farmers from selling wheat to government.

04

Only 160 bags (i.e. 200 mounds) are issued per CNIC, so big farmers are unable to completely sell their wheat to government.

Key Way Forwards



Wheat bags should readily be available to farmers without any document requirement.



Financial burden of bags preparation and transportation should be reduced; they may be provided services on these issues.



Limit on maximum number of bags per CNIC should be eliminated.

Color Legend



Table 1: Steps and Time Consumed in Wheat Selling to Government Wheat Store

Steps	Description	Time (minutes)						
		Travel/Approch	Waiting / Queue	Transaction / Process	Total	Overhead Time	Agency Time	
Information gathering	Travel to Govt Wheat Store	90			90	480		
	Meet Food Inspector to Gather Information		30	30	60			
	Finish the day	90			90			
Document Preparation	Fard					1440	1440	
	a) Visit Patwarkhana	90			90			
	b) AksShajra		30	30	60			
	c) Copy of Registry		5	15	20			
	d) Finishing the Day	90			90			
	e) Visit-2 Patwarkhana	90			90			
	f) Collect Documents After 3 Days		30	30	60			
	Ghasra Gardavery							
	a) Ask to Prepare Ghasra			60	60			480
	b) Finish the Day	90			90			
Collection of Wheat Bags	Travel to Govt. Wheat Store	90			90	480		
	Prepare CDR (Call Deposit Receipt)		30	30	60			
	Visit to Bank	90			90			
	Fee submission		45	5	50			

	Travel to Govt. Wheat Store	90			90	480	
	Collect Bags for Wheat			45	45		
	Finish the Day	90			90		
Preparing Wheat Bags	Hire Labor	90			90	480	
	Bag Filling			480	480		
	Finish the Day	45			45		
Wheat Transportat ion to Govt. Wheat Store	Hire a Truck	90		45	135	480	
	Loading the Bags			120	120		
	Travel to Wheat Store	180			180		
	Unloading			60	60		
	Inspection and Weight			180	180		
	Cross Cheque Preparation			45	45		
	Finish the Day	90			90		
Open account in BOP	Travel to Bank	45			45	480	6720
	Account Opening		30	60	90		
	Finishing the day	45			45		
	Travel to Bank	45			45	480	1440
Cheque Submission	Travel to Bank	45			45	480	1440
	Cross Cheque Submission		60	30	90		
	Finish the Day	45			45		
Total Time (Minutes)					3100	4320	10080
Total Time (Hours)					52	72	168
Total Time (Days)					6	9	21
Aggregate Time	36						

Table 2: Monetary and Opportunity Cost in Wheat Selling to Government Wheat Store

Steps	Description	Cost (PKR)			Opportunity cost (PKR)
		Travel/Approach	Fee	Total	
Information gathering	Travel to Govt. Wheat Store	500		500	303
	Meet Food Inspector to Gather Information			0	202
	Finish the day	500		500	303
Document Preparation	Fard				
	a) Visit Patwarkhana	500		500	303
	b) AksShajra		100	100	202
	c) Copy of Registry		100	100	67
	d) Finish the Day	500		500	303
	e) Visit-2 Patwarkhana	500		500	303
	f) Collect Documents After 3 Days			0	202
	Ghasra Gardavery				
	a) Ask to Prepare Ghasra		100	100	202
	b) Finish the Day	500		500	303
Collection of Wheat Bags	Travel to Govt. Wheat Store	500		500	303
	Prepare CDR (Call Deposit Receipt)			0	202
	Visit to Bank	500		500	303
	Fee submission		8000	8000	168
	Travel to Govt. Wheat Store	500		500	303
	Collect Bags for Wheat			0	152
	Finish the Day	500		500	303
Preparing Wheat Bags	Hire Labor	500		500	303
	Bag Filling		6400	6400	1616
	Finish the Day			0	152
Wheat Transportation to Govt. Wheat Store	Hire a Truck	500		500	455
	Loading the Bags		1600	1600	404
	Travel to Wheat Store	8000		8000	606
	Unloading		1600	1600	202

	Inspection and Weight		8000	8000	606
	Cross Cheque Preparation			0	152
	Finish the Day	500		500	303
Open account in BOP	Travel to Bank	500		500	152
	Account Opening			0	303
	Finish the day	500		500	152
Cheque Submission	Travel to Bank	500		500	152
	Cross Cheque Submission			0	303
	Finish the Day	500		500	152
Total				42400	10437
Total Cost				52837	
Receipt from Selling Wheat				360000	
Bag Refund Receipt				8000	
Total Receipt				368000	
Total Earnings after Explicit Cost				325600	
Total Earnings after Explicit & Opportunity Cost				315163	
wheat Earnings per 40 Kg (After Explicit Cost)				1628	
wheat Earnings per 40 Kg (After Explicit & Opportunity Cost)				1576	



Box- 2: Stress Percentage

The distribution of stress across steps has been calculated by multiplying the total process time (including travel, waiting, and transaction time) of each step with the stress level. The Stress % column in the table contains a percentage representation of stress distribution

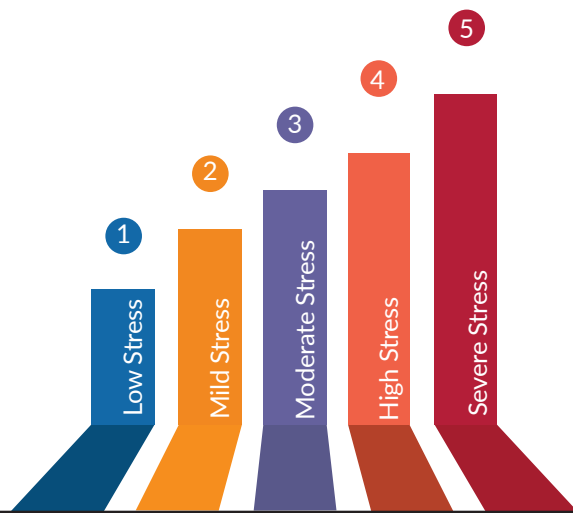


Table 3: Stress Level in Wheat Procurement

Steps	Description	Stress Level out of 5	Stress %
Information gathering	Travel to Govt Wheat Store	2	2.13%
	Meet Food Inspector to Gather Info	4	2.83%
	Finish the day	2	2.13%
Document Preparation	Fard		0.00%
	a) Visit Patwarkhana	2	2.13%
	b) AksShajra	4	2.83%
	c) Copy of Registry	5	1.18%
	d) Finishing the Day	2	2.13%
	e) Visit-2 Patwarkhana	2	2.13%
	f) Collect Documents After 3 days	3	2.13%
	Ghasra Gardavery		0.00%
	a) Ask to prepare Ghasra	3	2.13%
	b) Finish the Day	2	2.13%
Collection Of Wheat Bags	Travel to Govt. wheat store	2	2.13%
	Prepare CDR(Call Deposit Receipt)	3	2.13%
	Visit to Bank	3	3.19%
	Fee Submission	3	1.77%
	Travel to Govt. Wheat Store	2	2.13%
	Collect Bags For Wheat	4	2.13%
Finish the Day	2	2.13%	

Preparing Wheat Bags	Hire Labor		4	4.25%
	Bags Filing		2	11.33%
	Finish the Day		1	0.53%
Wheat Transportation to Govt. Wheat store	Hire a Truck		4	6.38%
	Loading the Bags		3	4.25%
	Travel to Wheat store		3	6.38%
	Unloading		2	1.42%
	Inspection and Weight		4	8.50%
	Cross Cheque Preparation		5	2.66%
	Finish the day		2	2.13%
Open Account in BOP	Travel to Bank		2	1.06%
	Account Opening		5	5.31%
	Finishing the Day		2	1.06%
Cheque Submission	Travel to Bank		2	1.06%
	Cross Cheque Submission		3	3.19%
	finish the Day		2	1.06%



Notes:

The information used in the report has been collected through multiple interactions and in-depth interviews with stakeholders including concerned government agencies and private entities. Applicants were key informants and were also interviewed in-depth.

Assumptions:

1. Travel time is assumed 90 minutes one-way for wheat store
2. Travel time is assumed 45 minutes one-way for bank
3. Travel time is assumed 180 minutes one-way for wheat store with loaded truck
4. Overhead time: For instance, though it takes 150 minutes to gather information, but the entire day (480 minutes) of the applicant are consumed in the process. The analogy remains same in the remaining steps.
5. Agency time: the time taken by the concerned department to process/approve the transaction.



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