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**Fonds:** Records of the (Staff) Economic Committee

**ISAD Reference Code:** WB IBRD/IDA WB\_IBRD/IDA\_118-03

**Digitized:** 03/17/2025

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Economic Committee Papers - EC/O/67-91 - Burma - IDA Brief

# ECONOMIC COMMITTEE

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EC/O/67 - 91

July 21, 1967

Burma: IDA Brief

1. Attached for your information is a new IDA brief on Burma, dated July 21, 1967, which replaces the one dated November 16, 1966.

2. Please note that the information contained in the brief is strictly confidential.

C. F. Owen  
Secretary

Attachment

Secretary's Department

## D I S T R I B U T I O N

The Economic Adviser to the  
President  
Director, Economics Department  
Director, Special Economic  
Studies  
Director, EDI  
Special Adviser to the President  
(Mr. Rist)  
Economic Advisers, Area and  
Projects Departments  
Senior Advisers, Economics  
Department

President  
President's Council  
Directors and Deputy Directors,  
Area Departments  
Special Adviser to the President  
(Mr. Schmidt)  
Secretary  
Director, European Office  
Chiefs, Permanent Missions in  
Eastern and Western Africa



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IDA OPERATIONS

B U R M A

I - BASIC DATA

CONFIDENTIAL

Area: 261,000 square miles

Population:

Total (1966)	25.2 million
Rate of growth	
1956-66	2.0%
1966	2.0%
Density	97 per square mile (430 per square mile of agricultural land)

Political status: Independent since 1948

Gross domestic product (1965/66): K 8,075 million

Rate of growth	
1958/59-1965/66	Probably zero <u>1/</u>
1964/65-1965/66	Negative <u>2/</u>
Per capita	US\$67

1/ No data available for GDP at constant prices in recent years.

2/ GDP at current prices decreased 3% and prices probably rose.  
Reflects decline in value added in agriculture and trade.

Gross domestic product at factor cost (1965-66): K 8,075 million

Of which: Agriculture, forestry and fisheries	30%
Trade	31%
Manufacture and construction	12%
Government services	10%
All other	17%

Percent of GDP at market prices:

	<u>1965/66</u>	<u>Average</u> <u>1964-66</u>
Gross investment	13.0	13.0
Gross savings	11.7	11.5
Balance of payments current account deficit	1.3	1.5
Investment income payments	-	-
Government current revenues	23.6	22.7

Resource gap as a % of investment: 10%

Money and credit:

Relationship to large monetary area: None 1/  
 Conversion rate: 1 Kyat = US\$ 0.21  
 1 US\$ = 4.7619 Kyats

	<u>End-1966</u>	<u>Rate of Change 1960-65</u>
Total money supply	K 2,064 million	8.9%
Time and savings deposits	K 256 million <u>2/</u>	<u>4/</u>
Commercial bank credit to private sector	K 135 million	<u>4/</u>
Other lending to private sector	N.A.	N.A.
Rate of change in prices	<u>3/</u>	3.1% <u>5/</u>

1/ In October 17, 1966 Burma officially ceased to be a member of the Sterling Area. Prior to this date most of the sterling reserves had been converted into gold and dollars.

2/ End-1965.

3/ Official consumer price index discontinued; most consumer prices are fixed; black market prices are rising.

4/ Unavailable.

5/ 1960 to 1964 consumer price index for Rangoon.

Public sector operations (million Kyats): 1/

	<u>1966/67</u>	<u>Rate of Change 1964/65-1966/67</u>
Government current receipts	11,352	23.2%
Government current expenditures	9,998	22.5%
Surplus	1,354	29.4%
Public investment expenditures	1,335	52.5%
Total external assistance to public sector	97	-10.6% <u>2/</u>

1/ Consolidated public sector accounts.

2/ Four years 1962-66.

External public debt (in million US\$):

	<u>1966</u>	<u>Average 1962-66</u>
Total debt outstanding	116	98
Total annual debt service	8	7
Debt service ratio <u>1/</u>	4.0%	2.9%

1/ To exports.

Balance of payments (in million US\$):

	<u>1966</u>	<u>Rate of Change 1959-66</u>
Total exports	191	- 2.8%
Total imports	-178	- 2.2%
Net invisibles	- 35	0.3%
of which investment income	0.4	-
Net current account balance	- 22	11.7%

BURMA

	<u>1966</u>	<u>Average 1962-66</u>
Commodity concentration of exports (rice & timber)	79	77
Gross foreign exchange reserves (million US\$)	199	200
	(or 13 months' imports)	(or 11 months' imports)
<u>IMF position (in million US\$):</u>		
	<u>1966</u>	<u>Average 1962-66</u>
Quota	30	30
Drawings	-	-

External financial assistance (in million US\$):

	<u>1962-66 Disbursements</u>	<u>1966 Disbursements</u>
Total	35 <u>1/</u>	39 <u>2/</u>
Soft assistance	21	23
Hard assistance	14	16
Major donors:		
Japan <u>3/</u>	17	10
U.S.A. (grant)	3	13
U.S.A. (loan)	4	7
China (loan)	4	6

- 1/ Net of repayments 30.  
2/ Net of repayments 20.  
3/ Reparations and grants.

II - IBRD AND IDA OPERATIONS (in million US\$)

<u>A. Past Operations</u>	<u>Amount Committed</u>	<u>Amount Disbursed</u>	
IBRD	33.1	32.9	
IDA	-	-	
Total	33.1	32.9	
<u>W e i g h t e d   A v e r a g e</u>			
	<u>Rate of</u>	<u>Grace</u>	<u>Repayment</u>
	<u>Interest p.a.</u>	<u>Period (yrs.)</u>	<u>Period (yrs.)</u>
B. <u>Terms of IBRD/IDA operations</u> (Jan. 1, 1961 - April 30, 1967)	5.75	3.17	13.00
C. <u>Record of IDA transactions</u>	-	-	-
D. <u>Future operations (to end 1967)</u>			
IBRD loan	-	-	-
IDA credit	-	-	-

Per capita IDA commitments received: Nil  
 Per capita IDA commitments received and to be received: Nil



### III - QUALITATIVE EVALUATIONS

A. Poverty: Per capita income is low; official estimates place it about US\$70 but for purposes of international comparison the figure should be about \$100 i.e. above India but somewhat below Thailand. Prospects for future growth are poor given the present ineffective attempts at development.

B. Performance: a) Internal political stability. Increase in insurgency after a period of relative quiescence poses no threat to the government but is having unsettling effects on agriculture and mineral output in some areas.

b) Debt service behavior has been satisfactory. A commission established to determine the amount of compensation to be paid to the nationalized foreign banks published its findings in September 1966. Other commissions have reported on claims of other nationalized foreign firms but final action remains to be taken.

c) Growth performance and development effort remains unsatisfactory. Socialistic measures and attempts at self-sufficiency in the economic and political fields has not been accompanied by economic growth. Agricultural output is declining due in part to relatively low official fixed prices to producers. Industrial output has also stagnated. A lack of qualified technical personnel and disruptions in the distributive system are the immediate causes of this situation. The nationalization of wholesale and retail trade has had such adverse effects that some cautious moves towards private participation has occurred.

A development program covering the next several years has as its main focus the increase of agricultural output and other raw materials for export and for the promotion of domestic industrial expansion and import substitution. It is doubtful, however, that the country possesses the administrative capacity to carry out the program effectively. The repatriation of foreigners and nationalization of enterprises have eliminated a large proportion of energy and initiative in the private sector which has not been replaced from the public sector. The de-emphasis of prices and credit in favor of state-appointed supervisory committees as the principal means of resource allocation has forced an administrative burden on the public sector administrative personnel which it has not the competence nor the capacity to handle.

d) Financial and balance of payments management follows a conservative policy. The consolidated budget has been generally in balance. Internal public debt has been declining slightly over the past three years. External debt has increased modestly. Foreign exchange reserves represent a more than adequate 13 months' imports.

The burden of external debt service has increased from 2.8% of exports in 1965 to 4.0% in 1966 due largely to the sharp decline in exports, particularly rice. The additional debt burden arising out of the development program may raise this to 10% by 1970. Burma should be able to obtain and service such additional debt on conventional terms and is therefore classified as ineligible for IDA credits.

C. Criteria:

Poverty:	Eligible
Performance:	Ineligible
Creditworthiness:	Ineligible

Asia Department

July 21, 1967