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THE WORLD BANK
Washington, D.C.

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McNamara Papers

Archives **1772905**
A1995-259 Other # 27 309708B
Report Tech Travel briefs 01

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WBG Archives

1. His Majesty the King

532/5/18

BANGLADESH BRIEFING

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A

PROGRAM FOR MR. R.S. MCNAMARA, PRESIDENT, WORLD BANK*

<u>Date</u>	<u>Time</u>	<u>Event</u>	<u>Dacca Office Staff in attendance</u>
Thursday April 17, 1980	1120 hrs.	Arrive Dacca from Calcutta by Bangladesh Biman chartered flight F 27	Messrs. Storrar, Denness and Islam to meet at airport
	1145 hrs.	Leave for State Guest House (Padma)	
	1200 hrs.	Arrive State Guest House	Ms. Nahar to be at State Guest House to provide secretarial assistance if required
	1215 hrs.	Discussions with Dacca Office Staff (Padma)	Messrs. Storrar, Denness and Van Nimmen to attend
	1300 hrs.	Lunch free	
	1415 hrs.	Leave for meeting at Sher-e-Bangla Nagar	
	1430 hrs.	Meeting with Dr. F. Mahtab Minister of Planning Sher-e-Bangla Nagar Block 7, Room 7 (All Members of the Planning Commission will also attend this meeting).	Messrs. Storrar, Denness and Van Nimmen to attend
	1615 hrs.	Leave for State Guest House	
	1630 hrs.	Meeting with Dr. M.N. Huda, Minister of Finance, at the State Guest House	Messrs. Storrar, Denness and Van Nimmen to attend
	1825 hrs.	Leave for Bangabhaban	
	1845 hrs.	Meeting with President Ziaur Rahman at Bangabhaban	Mr. Storrar to attend
	2000 hrs.	Dinner hosted by President Ziaur Rahman at Bangabhaban	Mr. Storrar to attend

532/5/17

*Includes Messrs. W. David Hopper and Koch-Weser.

Dacca Office Staff in attendance

Event

Time

Date

Friday

April 18, 1980

0745 hrs.

Pick up at State Guest House and proceed to the airport

0800 hrs.

Leave for Cox's Bazaar by Bangladesh Biman with President Ziaur Rahman to visit a canal digging project - lunch at Cox's Bazaar

Mr. Storrar to accompany

1500 hrs.

Return to Dacca and to State Guest House

1545 hrs.

Leave for the Secretariat

1600 hrs.

Meeting with:

(1) Major Gen. (Retd.) Nurul Islam

Minister of Agriculture & Forest

(2) Kazi Anwarul Haque

Minister of Power, Flood Control & Water Res.

(3) Capt. (Retd.) A. Halim Chowdhury

Minister of Local Govt., Rural Dev. & Coop.

Venue of meeting: Bangladesh Secretariat

1st 9 storied building

Room 240

Messrs. Storrar, Denness, Seth and Schwartz to attend

1650 hrs.

Leave for next meeting

1700 hrs.

Meeting with:

(1) Mr. Abdur Rahman Biswas

Minister of Jute

(2) Lt. Col. (Retd.) Akbar Hussain

Minister of Petroleum & Mineral Resources

(3) Mr. Saifur Rahman

Minister of Commerce

Venue of meeting: Bangladesh Secretariat

Double Protected Area

Room 216

Messrs. Storrar and Schwartz to attend

1750 hrs.

Leave for next meeting

Dacca Office Staff in attendance

Event

Time

Date

Friday
April 18, 1980

1800 hrs.

Meeting with:
(1) Dr. M.A. Matin
Minister of Health & Population Control
(2) Dr. Fazlur Karim
State Minister of Health & Population Control
(3) Mrs. Qamrun Nahar Jafar
Deputy Minister of Health & Population Control
Venue of meeting: Bangladesh Secretariat
2nd 9 storied building
Room 715

Messrs. Storrar and Pisharoti to attend

1845 hrs.

Leave for State Guest House

1955 hrs.

Leave for Hotel Intercontinental

2000 hrs.

Dinner hosted by Dr. M.N. Huda, Minister of Finance at the Hotel Intercontinental

Messrs. Storrar and Denness to attend

Saturday

April 19, 1980

0740 hrs.

Leave for meeting with Deputy Prime Minister

0800 hrs.

Meeting with Mr. Jamaluddin Ahmed
Deputy Prime Minister in charge of
Ministry of Industries
Shilpa Bhaban
Motijheel C.A.

Messrs. Storrar and Schwartz to attend

0845 hrs.

Leave for meeting with Prime Minister

0900 hrs.

Meeting with Mr. Shah Azizur Rahman
Prime Minister in charge of
Ministry of Education
Bangladesh Secretariat
Double Protected Area
Room 119

Messrs. Storrar and Ruderfer to attend

0945 hrs.

Return to State Guest House

Dacca Office Staff in attendance

Event

Time

Date

Saturday April 19, 1980	1030 hrs.	Press conference at the State Guest House - yet to be confirmed by Mr. McNamara	
	1130 hrs.	Leave for Airport	
	1200 hrs.	Depart Dacca by BG491 for Calcutta/Kathmandu	Messrs. Storrar and Islam to be at airport

April 12, 1980

ITINERARY

April 17
(Thursday)

1050	Arrive Dacca from Calcutta (possibly by charter aircraft)
1245	Briefing at McNamara's quarters (Storrar, Denness, van Nimmen)
1315	Lunch free
1430	Meeting with Minister for Planning and Planning Commission members
1630	Meeting with Finance Minister
1845	Meeting with President Zia
2000	Dinner hosted by President Zia

April 18
(Friday)

0800	Field trip with President Zia
1300	Return to Dacca
1330	Lunch at Storrar residence
1530	Meeting with Minister for Health and Family Planning
1630	Meeting with Ministers for: Agriculture; Power, Flood Control and Water Resources; and Local Government and Rural Development
1730	Meeting with Ministers for: Jute; Petroleum and Mineral Resources; and Commerce
1930	Dinner hosted by Finance Minister

April 19
(Saturday)

0800	Meeting with Minister for Industries (Deputy Prime Minister)
0900	Meeting with Minister for Education (Prime Minister)
1100	Departure for Calcutta/Katmandu

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64-68	158	77	122
69-73	155	78	139
74-78	272	79	271
79-83	1455	80	191
		81	270
		82	315
		83	378
		84	392
		85	416
		8586	600 (conditional)

AIRPORT STATEMENT

BANGLADESH

I greatly appreciate the kind invitation to visit your country. This visit will be for me an opportunity to assess at first hand the progress achieved so far and the problems and prospects for economic development.

This is my third visit to Bangladesh since Independence. We, at the World Bank, take pride in having been associated with your efforts to develop your economy since 1972. The Bank has so far committed a total of ^{over 1,250} \$1,274 million ^{in interest free 50 year loans} to assist some 50 projects in the key sectors of Bangladesh's economy--agriculture, transport, electric power, water supply, industry and population planning. ~~Some \$1,220 million of this amount has come from the International Development Association which provides interest-free loans on very long terms.~~ We have helped to organize the Bangladesh Aid Group to coordinate development assistance from several donors.

Much has been achieved by Bangladesh in the last eight years. But much more needs to be done. There is an urgent need to increase ^{net} food production and employment opportunities, ^{and reduce pop growth.} particularly in the rural areas. The potential is there. Bangladesh is currently engaged in the task of reappraising its past development strategy and preparing the Second Five-Year Plan focusing attention on the key development issues. We, at the World Bank, are ready to assist you in the immense task of improving standards of living of the people of Bangladesh.



PROGRAMME

FOR

THE VISIT OF

H. E. MR. ROBERT S. McNAMARA

PRESIDENT OF THE WORLD BANK GROUP

TO

BANGLADESH

(April 17-19, 1980)

**H. E. Mr. Robert S. McNamara, President of the
World Bank Group.**

MEMBERS OF THE ENTOURAGE

1. Mr. W. David Hopper, Vice-President, South Asia Region, World Bank.
2. Mr. C. K. Coch-Weser, Personal Assistant to Mr. McNamara.

ACCOMMODATION

**State Guest House (Padma)
Magbazar, Dacca.**

Tele ;407917

407919

407932

407936

PROGRAMME

THURSDAY, THE 17TH APRIL, 1980

Time	Schedule
1050 Hours	Arrive Dacca by Special Biman flight.
1300 ,,	Quiet Lunch.
1430 ,, to 1615 ,,	Meeting with Hon'ble Minister for Planning.
1630 ,,	Meeting with Hon'ble Minister for Finance (at State Guest House).
1845 ,,	Courtesy Call on Hon'ble President.
2000 ,,	Dinner by Hon'ble President.

FRIDAY, THE 18TH APRIL, 1980

Time	Schedule
0800 Hours	Leave for Cox's Bazar by Plane/ Helicopter to visit a Canal Digging Project (Lunch at Cox's Bazar).
1500 "	Return to Dacca.
1600 "	Meeting with Hon'ble Ministers for Agriculture, Power, Water Resources & F. C. and, L. G. R. D. & Co- operatives (in the office of Hon'ble Minister for L. G. R. D. and Co- operatives).
1700 "	Meeting with Hon'ble Ministers for Jute, Petroleum and Mineral Resour- ces and Commerce (in the office of Hon'ble Minister for Commerce).
1800 "	Meeting with Hon'ble Minister for Health and Population Control and Hon'ble State Minister and Hon'ble Dy. Minister for Health and Popula- tion Control.
2000 "	Dinner by Hon'ble Minister for Finance (Hotel Intercontinental, Dacca).

SATURDAY, THE 19TH APRIL, 1980.

Time	Schedule
0800 Hours	Meeting with Hon'ble Dy. Prime Minister In-Charge of Ministry of Industries.
0900 "	Meeting with Hon'ble Prime Minister.
1030 "	Press conference at State Guest House.
1200 (Noon)	Depart Dacca by BG-491.

IMPORTANT TELEPHONES
MINISTRY OF FINANCE
EXTERNAL RESOURCES DIVISION
PABX 315011—29

	Name	Office	Residence
1.	Hon'ble Dr. M. N. Huda, Minister for Finance.	404855	313316
2.	Hon'ble Mr. Ataaddin Khan, Minister of State for Finance.	404078	313331
3.	Mr. A.M.A. Muhith, Secretary, ERD.	314162	318222
4.	Mr. Shafiu Alam, Addl. Secretary, ERD.	318871	318923
5.	Mr. M. Lutfullahil Majid, Joint Secretary, ERD.	318188	317307
6.	Mr. M. A. Matin Laskar, Private Secretary, Minister for Finance.	404953	311243
7.	Mr. Abu Saleh, Section Officer, ERD.	317536	..
8.	Mr. Abdul Awwal, Public Relations Officer.	317930	283607
9.	Mr. Sk.M. Abdul Mannan, Protocol Officer, ERD.	317535	317793

WORLD BANK RESIDENT MISSION

222, New Eskaton Road, Dacca.

Tele: PABX Nos. 400003—5

	Name	Office	Residence
1.	Mr. Alexander Storrar, Chief of Mission.	405583	301352
2.	Mr. Alan Denness, Deputy Chief of Mission.	405405	300822
3.	Mr. Armand Van Nimen, Senior Economist.	406251	301860

OTHER TELEPHONES

Name	Office	Residence
1. Hon'ble Mr. Shah Azizur Rahman, Prime Minister.	404010	404100
2. Hon'ble Mr. Jamaluddin Ahmed, Deputy Prime Minister.	252100 242111	281596
3. Hon'ble Prof. Md. Shamsul Haque, Minister for Foreign Affairs.	404008	403315
4. Hon'ble Dr. Fasihuddin Mehtab, Minister for Planning.	314086	401388
5. Hon'ble Mr. Abdul Halim Choudhury, Minister for LGRD and Co-operatives.	404170	403748
6. Hon'ble Mr. Nurul Islam, Minister for Agriculture and Forests.	404149 404282	301018 303045

Name	Office	Residence
7. Hon'ble Kazi Anwarul Haque, Minister for Power, Flood Control and Water Resources.	404263 404188	311248
8. Hon'ble Mr. Akbar Hossain, Minister for Petroleum and Mineral Resources.	404051 404280	302275 304012
9. Hon'ble Mr. M. Saifur Rahman, Minister for Commerce.	404255	302485 302026
10. Hon'ble Mr. Abdur Rahman Biswas, Minister for Jute.	258150 281023	404044
11. Hon'ble Prof. M.A. Matin, Minister for Health and Population Control.	404260 404082	460424 402445
12. Mr. S.A.M.S. Kibria, Secretary, Ministry of Foreign Affairs.	252050 282967	310397

Name	Office	Residence
13. Chief of Protocol, Ministry of Foreign Affairs.	404204	.. ..
14. Mr. Khan-e-Alam Khan, Commissioner, Dacca Division.	242775	400249
15. Military Secretary to the President.	404191	404303
16. Mr. Faruq Ahmed, Private Secretary to the President.	404123	259068

MISCELLANEOUS

1. Bangabhaban (Exchange)	..	400141—9
2. Dacca Airport (Exchange)	..	310151
3. Bangladesh Biman (Airport)	..	312111
4. Police Exchange	..	244231—39
5. Police Control Room	..	244444
6. P. G. Hospital	..	255194—99
7. Dacca Medical College Hospital		254171—75
8. Holy Family Hospital	..	400011—3
9. Central Transport Pool	..	242209 281734
10. Time Enquiry	..	.. 14
11. Overseas Calls	..	.. 102
12. Hotel Intercontinental	..	252911—19

NOTES

- 1. [Faint text]
- 2. [Faint text]
- 3. [Faint text]
- 4. [Faint text]
- 5. [Faint text]
- 6. [Faint text]
- 7. [Faint text]
- 8. [Faint text]
- 9. [Faint text]
- 10. [Faint text]
- 11. [Faint text]
- 12. [Faint text]

H. E. Mr. Robert S. McNamara, President of the World Bank Group.

MEMBERS OF THE ENTOURAGE

1. Mr. W. David Hopper, Vice-President, South Asia Region, World Bank.
2. Mr. C. K. Coch-Weser, Personal Assistant to Mr. McNamara.

C

BANGLADESH DIVISION, DISTRICT, SUBDIVISION AND THANA BOUNDARIES

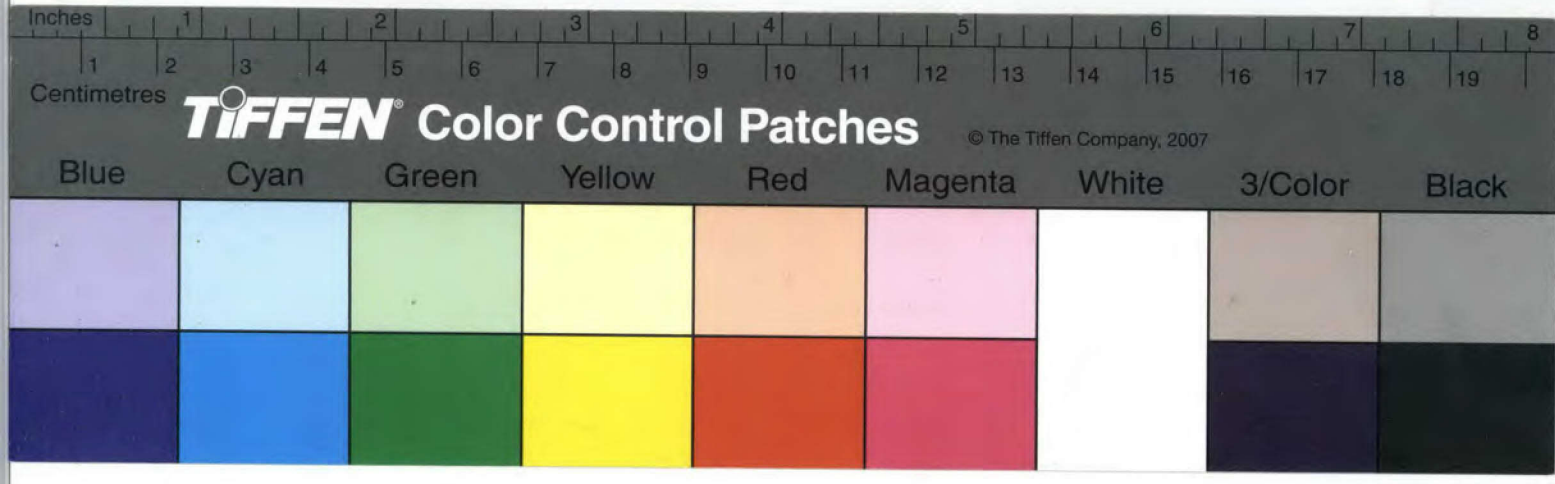
- Division Boundary
- District Boundary
- Subdivision Boundary
- Thana Boundary
- Dacca Capital
- Khulna Division Headquarters
- Rangpur District Headquarters
- Kurigram Subdivision Headquarters
- Bhaluka Thana Headquarters
- International Boundaries



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This map has been prepared by the World Bank's staff exclusively for the convenience of the readers of the report to which it is attached. The denominations used and the boundaries shown on this map do not imply, on the part of the World Bank and its affiliates, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.

IBRD 1110/RI
DECEMBER 1979



532/5/14

background NOTES

Bangladesh

department of state * december 1978

OFFICIAL NAME: People's Republic of Bangladesh

PEOPLE

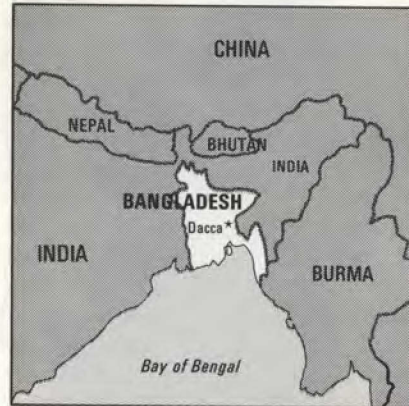
Bangladesh (literally "Bengal Nation") is the world's eighth most populous nation. Conservative projections show its population doubling by the end of this century. Average density is about 525 people per square kilometer (1,530 sq. mi). (A similar density in the United States would have all of the present world population living in the continental U.S.) The areas around Dacca and Comilla are the most densely settled; the Chittagong Hill tracts in the southeast and the Sundarbans forest areas in the southwest the least.

Citizens of Bangladesh are called Bangladeshis. About 98 percent of the

population belong to the Bengali ethnic group and speak Bangla (formerly called Bengali). Urdu-speaking non-Bengali Muslim immigrants from India and various tribal groups make up the rest. English is still used in urban centers and among the educated.

HISTORY

Although it is a young nation, Bangladesh has a rich historical and cultural past. The geographic region of East Bengal has been a racial and religious melting pot for successive influxes of disparate peoples - Dravidians, Aryans, Mongolians, Arabs, Persians, and Turks. Buddhist and



Hindu dynasties gave way to Muslim rule about 1200 A.D.

The influence of Islam played a

PROFILE

People

POPULATION: 85 million (1978 est.). ANNUAL GROWTH RATE: 2.8% (1978 est.). ETHNIC GROUPS: Bengali 98%, tribal, Muslim, non-Bengali immigrants from India. RELIGIONS: Muslim 85%, Hindu 14%, less than 1% Christian, Buddhist, animist. LANGUAGES: Bangla (official), English. EDUCATION: Years compulsory - na. Percentage attendance - 35. Literacy - 22%. HEALTH: Infant mortality rate - 140 per 1,000 (US-17/1,000). Life expectancy - 47 yrs. WORK FORCE (26.2 million): Agriculture - 78%. Industry and commerce - 8%. Service - 14%.

Geography

AREA: 142,775 sq. km. (55,548 sq. mi.); slightly smaller than Wis. CITIES: Capital - Dacca (pop. 2 million); Chittagong (890,000), Khulna (437,000), Narayanganj

(241,000). TERRAIN: Flat. CLIMATE: Tropical monsoon.

Government

TYPE: Presidential. DATE OF INDEPENDENCE: Dec. 16, 1971. CONSTITUTION: Nov. 4, 1972. BRANCHES: Executive - President. Legislative - Parliament (to be elected). Judicial - Supreme Court. POLITICAL PARTIES: 20 permitted to function. SUFFRAGE: Universal over 18. ADMINISTRATIVE SUBDIVISIONS: 19 Districts. DEFENSE AND POLICE: 11% of national budget (1978). FLAG: Bright red circle on dark green field.

Economy

GDP: \$7.2 billion (FY 1978). ANNUAL GROWTH RATE: 8% (FY 1978). PER CAPITA INCOME: \$85. PER CAPITA GROWTH RATE: 6% (FY 1978).

AGRICULTURE: Land 66%. Products - rice, jute, tea, sugar, wheat. Percentage of GDP - 60.

INDUSTRY: Products - jute goods, textiles, leather, sugar, fertilizer, paper, pharmaceuticals. Percentage of GDP: 8.

NATURAL RESOURCES: Natural gas. TRADE (1978): Exports - \$497 million: jute goods, jute, tea, leather, seafood. Partners (FY 1977) - US, UK, Italy, Pakistan, USSR, Mozambique. Imports - \$1.3 billion: foodgrains, fuels, raw cotton, yarn, manufactured goods. Partners (FY 1977) - US, USSR, Japan, United Arab Emirates, UK.

OFFICIAL EXCHANGE RATE: about 15 taka = US\$1 (linked with British pound).

ECONOMIC AID RECEIVED: Total - \$6.2 billion (Dec. 1971-June 1978) committed. US aid - \$1.275 billion (Dec. 1971-June 1978).

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: UN and its specialized agencies, Asian Development Bank, Commonwealth of Nations, IMF, World Bank Group (IBRD, IFC, IDA).

PRC - typical middle class
for ML of 50Y per year + wife 40Y = 90Y per year = 650 per year (or less) (lost)
make 7 relative equal (or less) die

2.52/2787
145
334



517800 8-75

crucial role in the area's history as a modern political state. Although the local population gradually came to accept the religion of the Muslim conquerors, Bengal's remoteness and

inaccessibility made it difficult to control. This situation changed with the arrival of the British. During the 18th and 19th centuries the British gradually extended their commercial

contacts and political alliances beyond Calcutta.

Despite British successes, the late 19th century saw the rise of the Indian nationalist movement. Antagonisms

between the Hindu and Muslim Bengalis became apparent. The Muslim League was founded in Dacca as an alternative to the Hindu-based Indian National Congress. In 1909 the British established separate electorates for the Hindu and Muslim communities throughout colonial India.

Although the subsequent history of the nationalist movement involved some Hindu-Muslim cooperation, intercommunal friction increased in the 1920's, and by the late 1930's the Congress and the League were strongly opposed political forces. The two-nation theory, which held that the Muslims of the subcontinent must have a homeland separate from that of the Hindus, gained increasing currency.

In 1940 the All-India Muslim League passed the Lahore Resolution, which declared that "the areas in which the Muslims are numerically in the majority, as in the northwestern and eastern zones of India, should be grouped to constitute 'independent states' in which the constituent units should be autonomous and sovereign." The Muslim League, campaigning on a "Pakistan" platform, won the majority of the Muslim seats contested in Bengal in the 1946 elections. When India gained its independence on August 14-15, 1947, Bengal was divided into two parts (as was the Punjab in the west of the subcontinent). Predominantly Hindu West Bengal was incorporated into India, while the Muslim majority East Bengal and the Sylhet District of Assam formed the eastern Province of Pakistan.

Movement for Autonomy

In the years following independence, notable economic development took place in East Pakistan. Factories were built to process agricultural products such as jute, which formerly were processed in Calcutta. By comparison with West Pakistan, however, development lagged, adding to political problems imposed by distance and cultural and linguistic differences between East and West Pakistanis.

In the early 1950's, Bengalis successfully agitated for coequal status for Bangla, with Urdu as an official

language. By the mid-1960's, seeming disparities between the East's and West's share of development expenditures and representation in the armed forces and civil service caused resentment and gave impetus to a movement in the East for provincial autonomy as a means of redressing these imbalances. In 1966 Sheikh Mujibur Rahman (known as "Mujib"), President of the East Pakistan Awami (People's) League, emerged as a leader and was subsequently arrested for his political activities.

Public support of Mujib helped coalesce Bengali opinion against the Ayub Khan government (1958-69). Civil unrest in both parts of Pakistan forced Ayub's government out of office in March 1969.

Ayub's successor, Gen. Agha Mohammad Yahya Khan, vowed to return the nation to democratic rule by civilians. A new Constitution was to be drafted which would grant considerable autonomy to the Provinces, especially to East Pakistan.

In the 1970-71 elections Mujib's Awami League won over 70 percent of the popular vote and 167 of the 169 seats allotted East Pakistan in the proposed 313-seat National Assembly. It also won 288 of 300 seats in the proposed East Pakistan Assembly.

The political leaders of East and West Pakistan, however, were unable to reconcile their differences over fundamental constitutional questions relating to division of power between the central government and the Provinces. On March 1, 1971, the proposed National Assembly session was postponed, which precipitated a massive civil disobedience movement in East Pakistan. When last-minute efforts at negotiation failed, the army sought to repress Bengali dissidence on the night of March 25-26. Mujib was arrested, his party banned, and most of his aides forced to flee to India, where they organized a provisional government.

In the ensuing strife between the Pakistan Army and Bengali insurgents (Mukti Bahini or "Liberation Army"), an estimated 10 million Bengalis (mostly Hindus) sought refuge in India, and countless others were displaced within East Pakistan. Following months of escalating tensions between

India and Pakistan and despite appeals by third parties for restraint, open hostilities began in late November. On December 16, 1971, Pakistani forces surrendered in Dacca, and the new but heavily war-damaged nation of Bangladesh emerged.

GEOGRAPHY

Bangladesh is a low-lying riverine country of South Asia on the northern edge of the Bay of Bengal. It is surrounded on three sides by India. The irregular border, some 2,400 kilometers (1,500 mi.) long, is not based on any natural feature of the landscape but was demarcated according to political considerations in 1947. The country also shares a 193-kilometer (120 mi.) frontier with Burma in the southeast. Its marshy coastline is about 600 kilometers (370 mi.) long.

The land is a chiefly deltaic, alluvial plain formed by the confluence of the great Ganges and Brahmaputra Rivers, the Meghna, and their tributaries. Hills rise above the plain only in the Chittagong Hill tracts in the southeast and in the Sylhet District in the northeast.

Located at about the same latitude as The Bahamas, Bangladesh has a tropical monsoon climate. The average temperature is 29°C (84°F), with some seasonal variation. It has one of the highest annual rainfalls in the world, averaging 215 centimeters (85 in.) in the northeast. Since much of the country is partially submerged or subject to flood during the rainy season, land travel can be difficult; boats are thus the lifeblood of its transportation system.

GOVERNMENT AND POLITICAL CONDITIONS

On March 26, 1971, shortly after the Pakistan Army's crackdown, Bengali nationalists declared an independent People's Republic of Bangladesh. Following the capitulation of Pakistani forces in December, the Government of the People's Republic of Bangladesh was installed in Dacca. When Sheikh Mujibur Rahman returned to Dacca from imprisonment in Pakistan in early January 1972, the government was reconstituted with Mujib as Prime Minister and Justice Abu Sayeed Choudhury as President.

Sheikh Mujibur Rahman

On November 4, 1972, the Constituent Assembly adopted a Constitution which incorporated four basic principles of state policy—nationalism, secularism, socialism, and democracy—and provided for a 315-seat Parliament. The government was nominally headed by the President; actual executive authority was exercised by the Prime Minister. The independent judiciary included a Chief Justice and a Supreme Court divided into Appellate and High Court Divisions, with the Appellate Division functioning as a constitutional court. The courts could not take any action that would interfere with the implementation of Socialist programs or development work, or otherwise be "harmful to the public interest." The new Constitution was signed and entered into effect on December 16, 1972, and the first parliamentary elections were held in March 1973.

The Bangladesh Awami League was organized in 1949 and for many years was in major opposition to the ruling Muslim League in Pakistan. After 1972 the Bangladesh Awami League existed as a mass party unifying a variety of disparate elements under the umbrella of Bengali nationalism.

None of several other political parties functioning during 1972-75 was able to duplicate the organizational structure or the broad-based membership of the Awami League. Right-wing parties had been banned since December 1971 for collaborating with the Pakistan Government. On the left, the pro-Soviet Bangladesh National Awami Party (also known as NAP/Muzaffar after its president, Professor Muzaffar Ahmed) and the traditional pro-Soviet Communist Party (CPB) joined with the government in a United Front in 1973.

The Peking-oriented National Awami Party (NAP/B) of populist patriarch Maulana Bhashani and the National Socialist Party (JSD) were vocal in criticizing the government but were unable to mobilize enough popular support to threaten the Awami League parliamentary majority in the 1973 election.

The Bangladesh Government, relying heavily on experienced civil servants and members of the Awami League, focused on relief, rehabilita-

tion, and reconstruction of its war-ravaged economy and society. By the end of 1974 Prime Minister Mujib determined that the deteriorating economic situation and civil disorder were such that severe measures were necessary. Upon his advice, President Mohamadullah, who had succeeded to office after President Choudhury, resigned in December 1973 and proclaimed a state of emergency in December 1974.

On January 25, 1975, the Fourth Amendment to the Constitution created a Presidential system and allowed for the establishment of a one-party state. All political parties were then abolished and a single new party created, the Bangladesh Krishak Sramik Awami League (BAKSAL, or Peasants', Workers', and People's Party). The judicial system and the Parliament were modified, and Mujib assumed the Presidency. These changes were called the "Second Revolution."

In the subsequent 6 months, economic measures taken by the government began to take hold, and the inflation rate lessened. Other promised reforms of a political nature were slow in being implemented, however, and as authority became increasingly centered in the President, criticism of government policies was focused on Mujib.

Mujib was killed by army officers in an August 1975 coup, and the government fell. Political activity was banned, and the leaders of the coup initiated reforms. Another military-led coup took place on November 3; 4 days later another coup took place, and Chief of Army Staff Gen. Ziaur Rahman (Zia) emerged as the leader. He pledged the army's obedience to the civilian government headed by Chief Justice A.S.M. Sayem.

President Sayem declared himself Chief Martial Law Administrator and appointed the three heads of services as Deputy Chiefs. He also replaced the Cabinet with an advisory council composed of a group of politically uninvolved senior civilians. Parliament was dissolved, and new elections were promised by February 1977.

Maj. Gen. Ziaur Rahman

Although President Sayem retained the civil authority after November 7th, the real power in the Martial Law

Administration was held by General Zia, who continued the ban on political parties. In the meantime, substantial efforts were made to bring order and responsiveness back to the demoralized bureaucracy, begin new economic development programs, and emphasize family planning programs.

In July 1976, the Martial Law Administration allowed the reorganization of political parties under strict government guidance. Eventually 21 parties were sanctioned, and electoral rolls were prepared for the parliamentary elections scheduled for February 1977. However, before active political campaigning could begin, President Sayem on November 21 postponed the elections indefinitely, citing continuing border troubles with India and the proliferation of political parties. On November 30, 1976, General Zia declared himself Chief Martial Law Administrator.

General Zia consolidated his authority further on April 30, 1977 when he was named President after President Sayem retired. Soon after assuming the Presidency, Zia promised national elections by December 1978, announced a 19-point program for economic developments, and declared that he would seek public approval of his programs through a nationwide referendum. On May 30, after extensive campaigning throughout Bangladesh, Zia and his program received an overwhelmingly favorable vote. Immediately after the referendum, Zia named Abdus Sattar, a Supreme Court Justice, to be Vice President.

In late 1977, President Zia began dismantling the Martial Law Administration by establishing civilian review of summary martial law courts and abolishing the position of Deputy Chief Martial Law Administrator.

In the spring of 1978, Zia met with a wide variety of political leaders in an attempt to form a broad-based political front. A new political party, the Jatiyabadi Ganotantrik Dal (Nationalist Democratic Party), known as JAGODAL, had been formed earlier to represent President Zia's interests, although this was never stated explicitly and he did not become a member. A number of Zia's Cabinet members became top party organizers.

On April 21, Zia used his martial law authority to announce that a Presidential election would be held on June 3 and that open politics would be allowed in phases beginning April 24. In early May, Zia was nominated for President by a political front, the Jatiyatojadi (Nationalistic) Front—composed of JAGODAL, representatives from the conservative Muslim League, and several leftist parties. Retired General M.A.G. Osmani, commander of the Liberation Forces in 1971 and later a member of both Mujib's and Mushtaque's cabinets, was nominated for President by a rival group. Their front, the Ganotantrik Oikiyo Jote (People's Democratic United Front), consisted essentially of the Awami League, the National Awami Party/Muzzafar, and individuals from the previously banned Communist Party of Bangladesh.

The brief Presidential election, primarily between Zia and Osmani, became a debate over whether President Zia's rule should be continued or whether immediate parliamentary elections should be held. Zia won the election, receiving approximately 76 percent of the vote to Osmani's 22 percent. Stable food prices following good harvests and public satisfaction with domestic stability under his government probably contributed to Zia's victory. Parliamentary elections remain scheduled for December 1978.

Principal Government Officials

President; Minister of Defense, Finance, Science and Technology—Maj. Gen. Ziaur Rahman

Vice President and Minister of Justice—Justice Abdus Sattar

Senior Minister and Minister of Roads and Railways—Moshiur Rahman

Foreign Minister—Shamsul Huq

Planning Minister—M.N. Huda

Ambassador to the UN—K.M. Kaiser
Ambassador to the U.S.—Tabarak Husain

Bangladesh maintains an Embassy in the U.S. at 3421 Mass. Ave. NW., Washington, D.C. 20007 (tel. 202-337-6644), and a Consulate General at the Bangladesh Mission to the UN, 130 E. 40th St., N.Y., NY. (tel. 212-686-5233).

ECONOMY

Bangladesh is one of the world's poorest countries. It suffers from pressures caused by a dense and rapidly growing population, low agricultural productivity, and chronic food deficits which result in widespread malnutrition. Its monsoon climate is erratic, and the great rivers which traverse the country are subject to periodic uncontrolled flooding. Transportation, communications, and other elements of the nation's infrastructure are poorly developed. Except for abundant natural gas, Bangladesh has few mineral resources. Its industrial base is both weak and inefficient. Bangladesh's exports, primarily jute and jute products, finance only about 40 percent of import requirements, and the nation depends heavily on foreign aid to pay for imports and other costs.

After independence in 1971, Bangladesh faced the immense task of establishing its own economy while attempting to recover from the ravages of its war of liberation and the disastrous effects of a cyclone and tidal wave which struck in 1970. Nationalization of the most important industries, a serious famine in 1974, and hyperinflation compounded its problems. Since 1975—as a result of successful financial stabilization measures, a larger role for the private sector, favorable weather, and improved agricultural policies—the economy has begun to recover, inflation has been brought under control, and growth, especially in agriculture, has begun to take place. The government's 2-year plan for 1978-80 stresses rural development. However, strenuous efforts will be required for the country to keep abreast of the serious problems that remain.

Agriculture and Development

Growth of agriculture, from which 90 percent of all Bangladeshis earn their living, is the key to economic development. Bangladesh has fertile soil and ample water, and the major crop, rice, can be harvested three times a year. The country has great potential for increased food production through adequate price incentives, more intensive flood-control and irrigation measures, and the use of fertilizer and

labor-intensive, high-yield varieties of grain.

Since 1974 a strategy using these elements has achieved promising results. Although per capita foodgrain production has not yet reached 1970 levels, a record crop of over 13 million tons was harvested in 1977-78. Agricultural growth and the achievement of self-sufficiency in foodgrains can boost rural income and eliminate the need for grain imports, which have run at the rate of 1.5 million tons annually in recent years.

Higher rural income will also generate additional job-creating economic activity such as small-scale industry and food processing. Accelerated agricultural growth requires major efforts to improve rural infrastructure and increase availability of extension services, credit, and fertilizer, especially to small subsistence farmers who are not currently realizing their potential. Parallel efforts are also needed to develop additional nonfarm jobs. Because land is fragmented into tiny, inefficient plots and because up to half of all rural families are landless, agriculture alone cannot be expected to absorb Bangladesh's growing ranks of unemployed.

TRAVEL NOTES

Climate and Clothing—Lightweight clothing for most of the hot, wet period; mediumweight clothing for the short winter (Dec.-Feb.).

Customs—All visitors must have visas and smallpox and cholera immunizations prior to arrival. Health requirements may change. Check latest information.

Health—Adequate medical facilities generally available in Dacca. Pharmacies capable of meeting some prescription needs. Typhoid immunization and malaria suppressants recommended, not required.

Telecommunications—Adequate internal and external telephone, telegraph, and mail service. Bangladesh is 11 standard time zones ahead of the Eastern U.S.

Transportation—Limited railroad service; adequate road transport to major cities; river transport poor. Airline adequate. Roads crowded.

Industry

Bangladesh's largely nationalized and inefficient industrial sector produces less than 10 percent of the gross domestic product. Jute goods—mainly burlap and carpet backing—is the major industry and the nation's main foreign-exchange earner. Poor management, unreliable supplies, and synthetic substitutes have kept profits down. Lower production costs and improved marketing and research are needed to preserve this important industry. Cotton textile spinning and weaving, using imported cotton, is the second largest industry. Fertilizer, tanning, pharmaceuticals, paper, and chemicals are other significant sectors. Except for jute and leather, most industries produce mainly for the domestic market and enjoy high tariff protection. Pharmaceuticals are the most dynamic sector, and several foreign companies have invested in this field. The government encourages private domestic and foreign investment, but it maintains control over the major sectors such as jute, textiles, and sugar. The government offers special incentives to export-oriented industries to reduce its balance-of-payments problems.

Natural Resources and Power

Bangladesh has substantial quantities of natural gas. Total reserves in one offshore and eight inland fields are conservatively estimated at 255 trillion liters (9 trillion cu. ft.). Two fertilizer plants using natural gas are now operating, another is under construction, and a fourth is being studied. Bangladesh has the potential for other petrochemical industries as well as for power plants using natural gas. Bangladesh's 1977-78 petroleum imports were about \$165 million—about 33 percent of its foreign exchange earnings. No domestic oil has yet been discovered, although a number of offshore wells have been drilled by foreign companies in recent years.

Bangladesh has ample electric power from a large hydroelectric facility at Kaptai (on the Karnaphuli River) and various gas-fueled thermal plants. The government has launched a rural electrification program, and an interconnector will be built across the

Jamuna River to link separate power grids in the east and west zones. Natural gas, limestone, and deep-lying deposits of coal, which are difficult to exploit, are Bangladesh's only known mineral resources.

Trade and Aid

To overcome its large trade gap and reduce dependence on aid, Bangladesh is stressing the development of export-oriented industries. In recent years skilled and semiskilled workers have become an important "export," and remittances from Bangladeshis working abroad, especially in the Middle East, are a fast-growing source of foreign exchange. The United States is Bangladesh's largest trading partner. It buys about \$70 million of Bangladesh's exports annually, mainly jute carpet backing and sacking, and exports large amounts of wheat, cotton, edible oil, and tallow to Bangladesh, largely under AID and other donor financing.

Because of its underdevelopment, extreme poverty, and weak export base, Bangladesh has received over \$6.2 billion in aid since 1971 from all major governmental and private donors. Most large donors, except the Socialist countries and OPEC nations, participate in the Bangladesh Aid Group, which is led by the World Bank and meets periodically with Bangladesh Government officials to review development performance and aid levels. As of June 1978 the United States had provided \$1.275 billion for development to Bangladesh. In addition to food aid programs under Titles I, II, and III of Public Law 480, which are designed to help Bangladesh meet minimum food requirements and promote food production, U.S. aid

stresses agricultural research and development, fertilizer, irrigation, health, rural electrification, and family planning.

FOREIGN RELATIONS

Bangladesh follows a nonaligned foreign policy. The government's initial foreign policy objectives have been almost entirely realized: to secure recognition of the new state and government; to establish diplomatic ties with foreign countries important to Bangladesh; to obtain membership in important international organizations and associations; and to enlist international support for relief, rehabilitation, and economic development efforts. Bangladesh was admitted to the UN in 1974, and Bangladeshi officials regularly attend international conferences, particularly those concerning population and food.

India

Bangladesh has natural ties of geography, culture, and commerce with India. During and immediately after the Bangladesh liberation struggle in 1971, India actively supported the East Bengali nationalists, assisted refugees from East Pakistan, helped bring about the independence of Bangladesh, and furnished generous relief and reconstruction aid. Both countries place a high value on the continuity of strong relations; however, relations between the two entered a period of uncertainty after Sheikh Mujib was overthrown and killed in August 1975.

The two countries have been working together on problems of common concern. A permanent Joint River Commission of experts of both countries was established to survey the common river system and devise flood-control and water-resource management measures. In September 1977 the two governments signed a 5-year interim agreement apportioning the waters of the Ganges at Farakka Barrage, a newly commissioned installation in India just west of the Indo-Bangladesh border. According to the interim agreement, both governments will consider jointly permanent proposals to augment the flow of water in the Ganges River.

FOREIGN BUSINESS INFORMATION

For information on foreign economic trends, commercial development, production, trade regulations, and tariff rates, contact the Bureau of Export Development, US Department of Commerce, Washington, DC 20230. This information is also available from any of the Department of Commerce district offices located throughout the US.

The demarcation of the marine boundary between the two countries remains an unresolved issue. Since control over areas with potential oil deposits hangs in the balance, the determination of the boundary has an economic significance for both countries. Border skirmishes in the north and east have also contributed to tension with India.

Pakistan

After an initial period of hostility, several important developments in Bangladesh-Pakistan relations took place in 1973-74. Under the New Delhi agreement of August 28, 1973 between India and Pakistan, substantial numbers of individuals stranded in the 1971 war, including some 90,000 Pakistani prisoners of war, were repatriated. In February 1974 Sheikh Mujibur Rahman visited Lahore, Pakistan, for the Islamic Summit Conference, where the announcement of mutual recognition by Pakistan and Bangladesh was made.

During 1973-74 the UN High Commission for Refugees organized an airlift, funded by the international community, in which 240,000 persons were moved across the subcontinent: Bengalis from Pakistan to Bangladesh and non-Bengalis from Bangladesh to Pakistan.

Bilateral issues remaining between the two nations include the fate of approximately 300,000 non-Bengali Muslims. Sometimes called "Biharis," (since they came in 1947 from India—particularly the northern State of Bihar—to then East Pakistan), many of these people chose Pakistani citizenship after the 1971 war but still remain in Bangladesh. The division of the assets and liabilities of undivided pre-1971 Pakistan also remains an important unresolved question. Since diplomatic relations were established in October 1976 and ambassadors were exchanged in January 1977, relations between the two countries have improved.

Soviet Union

The U.S.S.R. supported India during the 1971 Indo-Pakistan war and was one of the first countries to recognize Bangladesh. The U.S.S.R. has also been an important contributor

of relief and rehabilitation aid, providing among other things salvage and minesweeping assistance to clear the port of Chittagong. U.S.S.R. commitments, both for relief and economic development activities, have totaled over \$100 million. The Soviet Union has also been active in the information and cultural fields and twice entertained Sheikh Mujibur as an official visitor to Moscow. Since Mujib's assassination, the Soviet press has been critical of developments in Bangladesh, but the Soviet and Bangladesh Governments have maintained normal relations.

People's Republic of China

The People's Republic of China extended recognition to Bangladesh after the August 1975 coup. China had supported the Pakistani position during the Indo-Pakistan war in 1971. In early 1976, however, diplomatic missions were opened in the P.R.C. and Bangladesh. Subsequently, the two countries have enjoyed friendly relations. Trade and cultural exchanges have occurred, and the Chinese have given aid for irrigation and other projects. President Zia visited China in January 1977, and Vice Premier Li Hsien-nien visited Bangladesh in March 1978.

Burma

Since diplomatic relations have been established, the two countries have been friendly. In the spring of 1978, about 200,000 Muslims from the Burmese State of Arakan crossed the Bangladesh/Burma border as the Burmese Government began an extensive effort to check the registration of its residents. The Burmese Government claimed that the Arakanese Muslims were illegal immigrants, and the Bangladesh Government claimed that since most of the Muslims had lived in Burma for generations they would have to be repatriated by Burma. Diplomatic efforts were begun between the two governments in June 1978 to resolve the issue. Agreement to repatriate the refugees was reached between the two governments in July 1978, and with the assistance of the UN High Commission for Refugees, the repatriation process has begun.

U.S.-BANGLADESH RELATIONS

U.S. foreign policy goals toward Bangladesh are: Support for the normalization of relations in the subcontinent and assistance, in cooperation with the IBRD-led Bangladesh consortium, to meet short-term humanitarian needs and to encourage and support Bangladeshi plans and programs for national economic development.

In support of these goals, the U.S. Government maintains the usual range of diplomatic activities in Dacca. U.S. diplomats meet regularly with Bangladesh officials on economic and political matters, and the U.S. International Communication Agency staff carries on an active liaison with the Bangladesh press.

In 1974 three American firms signed contracts for oil exploration in the Bay of Bengal, and surveys are now underway. In seeking to encourage a favorable climate for foreign investment, the U.S. Government has signed an Overseas Private Investment Corporation bilateral agreement with

READING LIST

These titles are provided as a general indication of the material published on this country. The Department of State does not endorse unofficial publications.

Ahmad, Nafis. *Economic Geography of East Pakistan*. London: Oxford University Press, 1958.

American University. *Area Handbook for Bangladesh*. Washington, D.C.: U.S. Government Printing Office, 1975.

Ellis, William S., and Dick Durance. "Bangladesh: Hope Nourishes a New Nation." *National Geographic*, September 1972.

Faaland, J., and J.R. Parkinson. *Bangladesh: Test Case for Development*. Boulder, Colo.: Westview Press, 1975.

Jahan, R. *Pakistan: Failure in National Integration*. New York: Columbia University Press, 1972.

Johnson, B.L.C. *Bangladesh*. New York: Barnes & Noble, 1975.

the Bangladesh Government providing for operations of OPIC in the country, with the Bangladesh Government pledging certain guarantees to foreign investment. In addition, a treaty of friendship and commerce and an agreement to exempt double taxation have been proposed.

American aid to Bangladesh has totaled almost \$1.3 billion and consists chiefly of P.L. 480 commodity assistance and development lending to increase agricultural production. In addition the two governments are

working together on population control and other programs in agriculture and rural development.

Principal U.S. Officials

Ambassador—David T. Schneider
Deputy Chief of Mission—Alf E. Bergesen
Economic/Commercial Officer—Phillip C. Wilcox
Political Officer—Carl Taylor, Jr.
Director, AID Mission—Joseph S. Toner

Public Affairs Officer—James L. Meyer
Agricultural Attache—Oldrich Fejfar
Defense Attache—Col. James R. Cochran
Administrative Officer—Grafton H. Jenkins

The U.S. Embassy in Bangladesh is located at Adamjee Court Building, Motijheel, Dacca (tel. 244220). The AID Mission is located in the Hotel Purbani, Motijheel, Dacca (tel. 256010).

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LIST OF CABINET MEMBERS

532/5/13

President: Major General Ziaur Rahman

Vice President: Mr. Justice A. Sattar

Prime Minister and
Minister for Education: Shah Mohammad Azizur Rahman

Deputy Prime Minister and
Minister for Industries: Mr. Jamal Uddin Ahmed

Deputy Prime Minister and Minister for
Development and Social Welfare: Mr. S.A. Bari A.T.

Finance: Dr. Mirza Nurul Huda

Civil Aviation and Tourism and of
Power, Flood Control and Water Resources: Kazi Anwarul Haque

Foreign Affairs: Prof. Mohammad Shamsul Huq

Food: Mr. Abdul Momen Khan

Establishment Division: Major General (Rtd) M. Majid-ul-Haque

Local Government, Rural
Development and Co-operatives: Capt. (Rtd) Abdul Halim Chowdhury

Home Affairs: Lt. Col. (Rtd) A.S.B. Mustafizur Rahman

Commerce: Mr. Mohammad Saifur Rahman

Religious Affairs, Cultural
Affairs and Sports: Mr. Shamsul Huda Chowdhury

Ports, Shipping and I.W.T.: Capt. (Rtd) Nurul Huq

Agriculture and Forest: Major-General (Rtd) Nurul Islam

Women's Affairs: Dr. Mrs. Amina Rahman

Fisheries and Livestock: Mr. K.M. Obaidur Rahman

Railways,
Roads, Highways and
Road Transport: Mr. Abdul Alim

Information and Broadcasting: Mr. Habibullah Khan

Public Works and
Urban Development: Mr. Abdur Rahman

Petroleum and Mineral Resources: Lt. Col. (Rtd) Akbar Hossain

Planning: Dr. Fasihuddin Mahtab

Health and Population Control: Dr. M.A. Matin

Youth Development: Khandakar Abdul Hamid

Jute: Mr. Abdur Rahman Biswas

Relief and Rehabilitation: Mr. Emran Ali Sarker

Land Administration and
Land Reforms: Mr. M. Abdul Haque

Textile: Mr. Mansur Ali

Posts, Telegraph and Telephones: A.K.M. Maidul Islam

Labour and Industrial Welfare: Mr. Reazuddin Ahmed

Notes: The President holds the charge of i) President's Secretariat, ii) Cabinet Division, iii) Ministry of Defence, iv) Science and Technology Division. The Vice-President holds the charge of i) Ministry of Law and Parliamentary Affairs, ii) Parliament Secretariat and iii) Election Commission.

Biographical Sketches

Major-General Ziaur Rahman, President in charge of i) President's Secretariat, ii) Cabinet Division, iii) Ministry of Defence, iv) Science and Technology Division.

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Major-General Ziaur Rahman was born in Bogra in 1936. He joined the army in 1953 and was commissioned in 1955. After two years of service in the Punjab Regiment he was transferred to the East Bengal regiment in 1957. There he received training in intelligence and served in the army intelligence from 1959 to 1964. During the Indo-Pak war of 1965 he was a Company Commander of the first East Bengal Regiment. He was appointed instructor at the Pakistan Military Academy in 1966 and in the same year he joined the Staff College. In 1969, Ziaur Rahman was appointed second in command of the second East Bengal Regiment at Joydebpur. At the end of the same year he went to West Germany for training, and subsequently, stayed with the British Army for a few months.

In October 1970, he was transferred to the newly raised eighth East Bengal Regiment at Chittagong. In March 1971 while serving in this regiment, he joined the revolt against the Pakistan Army. In August 1971 Ziaur Rahman was promoted to the rank of Lieutenant Colonel. He formed the first Brigade of the Bangladesh Army and then he served as Commander of the Comilla Brigade. In 1972 he was appointed Deputy Chief of Staff of the Army. In 1972, he was promoted to the rank of Colonel, and in 1973, Brigadier and subsequently Major-General. On August 25, 1975 (the Mujib regime was overthrown on August 15, 1975), he was appointed Chief of Staff of the Army.

General Rahman was put under house arrest for a few days during the November 3-6, 1975 coup but was released by the soldiers guarding him and took effective power in the November counter-coup.

He was appointed Deputy Chief Martial Law Administrator following the change of Government in November 1975 and became Chief Martial Law Administrator in November 1976. He was sworn in as President in April 1977.

He was voted President in the country's first ever Presidential election held directly on the basis of universal adult franchise in June 1978.

Dr. Fasihuddin Mahtab, Minister for Planning

Dr. Mahtab, a mechanical engineer by training, served as Minister of State for Agriculture in the previous cabinet and subsequently as Deputy Advisor to the President. The portfolio of Minister For Planning, to which he was appointed in March 1979, was re-established at that time. Under the prior structure, Dr. Huda held the portfolios of both Planning and Finance; Dr. Huda continues to serve as Minister of Finance. Dr. Mahtab is reported to be quite close to President Ziaur, and we are hopefully presuming that his appointment reflects President Zia's concern to strengthen the Ministry of Planning, which has heretofore been gravely lacking in intellectual and

managerial leadership. Before entering the Government, Dr. Mahtab ran an engineering and economic consultancy firm, was an active member of the Institute of Engineers, and did considerable work on rural development in cooperation with the Ford Foundation.

Dr. M. N. Huda, Minister for Finance and Governor, IBRD

Formerly: Minister for Finance and Planning; Member of the Council of Advisers to the President, with responsibilities for Planning; Professor of Economics, Dacca University; Governor of East Pakistan; Minister for Finance and Planning, Government of East Pakistan; Member of the Pakistan Planning Commission; and Reader in Economics, Dacca University.

Mr. A. M. A. Muhith, Secretary, External Resources Division, Ministry of Finance

Formerly: Executive Director, Asian Development Bank; Alternate Executive Director, IBRD; Economic Minister, Bangladesh Embassy, Washington, D.C.; Economic Counsellor, Pakistan Embassy, Washington, D.C.; Deputy Secretary to the Cabinet, Pakistan; Deputy Secretary and Chief of Programmes, Planning Commission, Pakistan; Deputy Secretary, Transport, Government of East Pakistan; Deputy Secretary to the Governor of East Pakistan; Protocol Officer to the Government of East Pakistan; Sub-divisional Officer, Bagerhat, Khulna; and Lecturer, Haragange College, Dacca.

Major General (Retd.) Nurul Islam, Minister for Agriculture and Forests

Major General Islam joined the Army at a very young age and rose to the office of the General Staff Officer in the Directorate of Internal Services Intelligence. He participated actively in the Bangladesh liberation movement. He continued his army career in the new Bangladesh government and was posted as Military Attache at the Bangladesh Embassy in Burma in early 1974. Before long he was called back and, serving in different capacities, rose to the rank of Major General in the Bangladesh Army, serving for a while as Principal Staff Officer to the President.

Mr. Kazi Anwarul Haque, Minister for Power, Flood Control and Water Resources and Minister for Civil Aviation and Tourism

Receiving his college degrees in Economics and Political Science, he served mostly in the formerly East Pakistan police force and rose to the rank of Inspector General of Police. In the early 60's he served as Secretary and Chief Secretary to the then Government of East Pakistan. In 1965 he joined the Pakistan Government as Cabinet Minister in charge of Education and Culture, Health, Labour and Social Welfare. In 1969 he took over as Resident Director of Eastern Federal Union Insurance Co.

Mr. S. A. Khair, Secretary, Ministry of Power, Flood Control and Water Resources

Formerly: Member of the Planning Commission; Secretary, Ministry of Commerce; Secretary, Finance Department of East Pakistan; Head of the Natural Resource Division, Government of Pakistan; and Chairman, Industrial Development Corporation in East Pakistan.

Capt. (Rtd) Abdul Halim Chowdhury, Minister of Local Government, Rural Development and Co-operatives

Capt. Chowdhury joined the Pakistan Army in 1950 and served as Adjutant and Quartermaster of the 1st Punjab Regiment and aide-de-camp to the GOC 14th Division in the then East Pakistan. He resigned from the Army in 1962 and joined the East Pakistan Industrial Development Corporation where he served in a managerial position. He started his active political career in 1966 after joining the National Awami Party. Capt. Chowdhury took active part in the Liberation War and was the Area Commander of Dacca.

Mr. Abdur Rahman Biswas, Minister for Jute

A lawyer by profession, he was very well known in law circles. Also active in cooperative movement in the 50's. He was elected Chairman of Barisal Central Co-operative Bank and also director of the then East Pakistan Provincial Bank. One time member of the former East Pakistan Provincial Assembly, he represented Pakistan in the UN General Assembly in 1967.

Mr. Mohammad Saifur Rahman, Minister of Commerce

Mr. Rahman, a Chartered Accountant by profession, has acted as auditor adviser and consultant to a number of national and international organizations. He is a Fellow of the Institute of Chartered Accountants of England and Wales and was President of the Institute of Chartered Accountants of Bangladesh. Among the other organizations of which he was a member were: the National Pay Commission, the Tea Industry Enquiry Committee and Industrial Workers' Wages Commission. Moreover, he was a founding member of the Bangladesh Nationalist Party as well as of the Bangladesh Institute of Law and International Affairs and President of the United Nations Association of Bangladesh. He attended many important international conferences on economic issues and was instrumental in easing the debt burden of Bangladesh through his special efforts. Before becoming Minister of Commerce, he was a Member of the President's Council of Advisers (since December 1978) in charge of the Ministry of Commerce.

Lt. Col. (Rtd) Akbar Hussain, Minister of Petroleum and Mineral Resources

Formerly Lt. Col. in the Army and was decorated for his role in the War of Liberation in 1971. Resigned from Army in 1974 and joined active politics and was the Vice-President of United People's Party. Represented Bangladesh in UN General Assembly in 1978 and was active in securing Bangladesh's Security Council Seat. Joined BNP and became Minister in 1978.

Dr. M. S. Matin, Minister for Health and Family Planning

Trained as an ophthalmologist in Edinburgh, he worked in Royal Eye Hospital and King's College Hospital of London as well as St. Alban's City Hospital. He returned to Bangladesh in 1967 and became the Professor of Ophthalmology at the Institute of Postgraduate Medicine and Research in Dacca. Later on he headed the Institute. As a very prominent ophthalmologist he served on many medical boards. In 1976, he was offered the rank and status of an Honorary Colonel and became Consultant Ophthalmologist at the Combined Military Hospital of Dacca. He was elected Member of the Parliament in 1979 and joined the Government first as Minister for Civil Aviation and Tourism.

Mr. Jamaluddin Ahmed, Minister for Industries

A Chartered Accountant by profession, he served with many multinational corporations and other corporations as a management and financial consultant. Mr. Ahmed represented Bangladesh at the ILO Conference in Geneva in 1972. He was the Vice-President of the Institute of Chartered Accountants of Bangladesh and a member of the Company Law Reforms Committee. He was also formerly the Finance Manager of Bangladesh Tobacco Co. Ltd.

Shah Azizur Rahman, Prime Minister and Minister for Education

Mr. Rahman, a lawyer by profession, has been very active in politics for 35 years, previously as a member of the Muslim League and the Awami League. He was a member of the Pakistan National Assembly and of the World Inter-Parliamentary Union. Also General Secretary of East Pakistan Lawyers Association during 1962-64. As senior lawyer of the Supreme Court and High Court of the former East Pakistan Shah Aziz defended some of the most famous cases before the bar. He was actively involved in the liberation movement and he became Minister in June 1978.

532/5/12

BANGLADESH

TOPICS FOR DISCUSSION

Introduction

The following topics for discussion are the major subjects which we expect to feature in your discussions; however, they are not arranged by meeting as many of them are appropriate for your conversations during several of the meetings. The following is a guide for suggested review of particular topics of relevance for specific meetings.

Meeting with Minister for Planning and Planning Commission

*Want to talk about...
by but must be...
looking...
They are...
note 7/11/42...
where do we...
putting...
29 142
85382*

- Planning (paragraphs 1-13) *(Plan for prep + Educ similar + med-term plan)*
- Domestic Resource Mobilization (paragraphs 14-18) *can be 8279.13285.4/2*
- Capacity Utilization and Implementation Capabilities (paragraphs 19-22) *← Agric. 2000 3.3 7.2 1.2*
- Privatization of the Economy (paragraphs 29-33) *(Dairy + Jute) ; family plan*
- Population (paragraphs 41-43) *(need a med-term pop plan) (not accept for target)*
- Medium-Term Food Production Plan (Special Subject Brief, Tab F.5)
- Bank Group Assistance (paragraphs 45-46) *- 600m 85 conditional -*

Meeting with Finance Minister

- Domestic Resource Mobilization (paragraphs 14-18) *600m in '85 conditional*
- Capacity Utilization and Implementation Capabilities (paragraphs 19-22) *improvement of pub-sec enterprises*
- Balance of Payments (paragraphs 23-28) *Efforts; un-trad 8%? val pa;*
- Proj. implementation - flow of funds*

Meeting with Ministers for: Agriculture and Forests; Power, Flood Control and Water Resources; and Local Government and Rural Development

*Landless labor...
to my small...
parties*

- Medium-Term Food Production Plan (Special Subject Brief, Tab F.5)
- Capacity Utilization and Implementation Capabilities (paragraphs 19-22)
- Food Situation (paragraphs 34-40)
- Joint Rivers (Special Subject Brief, Tab F.5)

Field Visit

The itinerary for this visit may change but at the time of writing we expect the President to take you to the Chandpur Irrigation Project and to one of his canal digging schemes.

- Project Summary for Chandpur Irrigation Project (Tab G.8)
- Canal Digging (Special Subject Brief, Tab F.5)

Meeting with Ministers for: Jute; Petroleum and Mineral Resources; and Commerce

- Jute Industry (Special Subject Brief, Tab F.5)
- Energy Sector (Special Subject Brief, Tab F.5)

*Local electricity...
for...
Earl...
use in...
power for...
other...
part of...*

You may remember that you met the Commerce Minister on March 25. A copy of Mr. Hopper's March 24 memo to you is at Tab G.4.

Meeting with Minister for Health and Family Planning

Population (paragraphs 41-43)
CPP (paragraphs 50-54, Tab F.1)
Economic Report (Chapter 4, Tab F.3)

Meeting with President Ziaur Rahman

600 in constitutional
Planning (paragraphs 1-13)
Capacity Utilization and Implementation
Capabilities (paragraphs 19-22)
Population (paragraphs 41-43)
Medium-Term Production Plan (Special Subject Brief, Tab F.5)

*stress "implementation is the key" -
on our prog. file 7 branches
resource capability
he needs a Project
Monitoring + Reporting unit
mail.
for
can be
with
T.2*

*handless
& small families*

Meetings with Minister for Industries (Deputy Prime Minister) and Minister for Education (Prime Minister)

These two meetings were added at the specific suggestion of the Government in order for you to meet the Prime Minister and the Deputy Prime Minister. There are no particular special topics to be discussed but we suggest as extra background for the meeting with the Minister for Industries the chapter on the Manufacturing Sector in the Economic Report (Chapter 3, Tab F.3).

532/5/11

upon return send
a letter to Mr. Rahman
indicating that we
are working on the
draft and on the
basis of the
information
+ the attached

BANGLADESH

BRIEFING PAPER FOR MR. MCNAMARA

TALKING POINTS FOR MEETING WITH PRESIDENT ZIAUR RAHMAN

1. At the Bangladesh CPP review you requested that talking points be prepared for you to convey to President Ziaur Rahman. We suggest that two broad categories of points be made:

- (a) The Second Five-Year Plan (SFYP) targets, if too unrealistic, could lead to waste. The Government's expressed priorities for improved agricultural production and for population control should be reflected in terms of the allocation of scarce investment and managerial resources.
- (b) Specific criteria to be conveyed to the Government as measures by which we will judge Bangladesh's eligibility for increased lending should include:
 - (i) broad improvement in economic performance; and
 - (ii) improved performance in project preparation and implementation.

In your discussion with the President, you may wish to note that whenever precise quantitative targets are mentioned, we would of course have to interpret these flexibly, as achievement of such targets is subject to factors beyond the control of the Government. What will be more important in our assessment will be the underlying policy and organizational changes made by the Government.

Economic Performance

2. Exports. If the Government wants to attract the massive foreign aid required even for a smaller, more realistic Plan, it will have to demonstrate that it is doing its share in raising foreign exchange by improving export performance. Exports of jute and jute goods are expected to grow relatively slowly. Export diversification in the form of a more rapid expansion of "non-traditional" exports (i.e., other than jute and tea) is essential. A cumulative average annual growth rate in the volume of non-traditional exports of 7% should be feasible over the next few years and this should be a measure for assessing performance.

3. Resource Mobilization and Investment Strategies. If potential dangers of overly ambitious Plan targets are to be avoided, this will imply at least two things: improved domestic resource mobilization to enable the Government to meet its projected share of Plan financing, and appropriate investment strategies. Specific criteria by which we will monitor improved performance in these two fields are as follows:

Domestic Resource Mobilization

(a) The Government should adopt measures that would serve to raise current revenues from 8% of GDP (at market prices) in FY79 to at least 13% by FY85, while the share of current expenditures (excluding the jute and food subsidies) in GDP should increase very little, if at all.

(b) Explicit targets should also be established for reducing subsidies. For example, the unit subsidy on fertilizers should be reduced by 20% p.a. in real terms and eliminated by FY85, and a similar target established for phasing out the food subsidy.

(c) GOB now needs to consolidate the findings and recommendations of the five resource committees, as part of a comprehensive fiscal strategy paper that will constitute a time-bound action program for reducing subsidies and otherwise rationalizing public enterprise and utility pricing policies. In other words, the Government needs to develop a financing plan for the SFYP. This paper should be completed by September 1, 1980.

Appropriate Investment Strategies

(a) Agriculture. The Medium-Term Food Production Plan (see the Special Subject Brief, Tab F.5) developed jointly by Bank staff and GOB agencies should be treated as the hard core of the SFYP for agriculture. We are proposing that some of the changes in investment strategy which would be required be made conditions of the next Program Credit. Some would also make appropriate criteria for monitoring the country's eligibility for increased lending:

(i) Investment Allocation to Agriculture

Generally, the Government should reverse the decline of recent years in the proportion of total resources devoted to agriculture in the Annual Development Program (from 31% in FY75 to 22% in FY80). While it is understood that overall economic development will require increased outlays in several other sectors of the economy as well, and that many other factors besides finance are important for agricultural development, the proportion of the ADP devoted to agriculture has been too low and should be raised.

Specifically, the Government should increase the allocations to agriculture (including rural development and water resources development but net of the fertilizer subsidy and Food-for-Work activities) from 22% of the ADP in FY80 to about 30% by FY85, with major increases in real terms to come in FY81 and FY82.

(ii) Water Development Board

Generally, the Government should reduce new investments in multi-year, capital-intensive irrigation schemes and concentrate instead on minor irrigation activities, schemes that entail low unit costs and rapid returns, and the rehabilitation of the existing irrigation infrastructure.

Specifically, the Water Development Board (WDB) should focus its efforts on: (i) ongoing aided projects; (ii) low unit cost new projects for which there are firm indications of external support; and (iii) rehabilitation and expansion of existing schemes (ground-water and low-lift pumps in northern districts and the Ganges-Kobadak project). The allocation of funds for major irrigation projects and programs in FY81 and FY82 budgets of WDB should be on the lines of the summary of WDB's Irrigation, Flood Control and Drainage Program as shown in Table A-3 of the Medium-Term Food Production Plan.

(iii) Minor Irrigation

Generally, the Government should make a major push during the SFYP to increase the area under minor irrigation. About 80% of the incremental irrigated area during the SFYP should come from minor irrigation (low-lift pumps, deep and shallow tubewells, hand tubewells).

Specifically, about half of the Government's total financial outlays for water resources development should be devoted to minor irrigation. Allocations for the imports of diesel fuel for irrigation pumps and spare parts of irrigation equipment should be raised to correspond to the increase in area served by diesel pump irrigation. To overcome delays in fuel delivery to the farmers, a study should be made to determine the need for bulk storage facilities for diesel fuel in the rural areas. As part of the Medium-Term Food Production Plan, project proformas have been drafted for each category of minor irrigation equipment. The FY81 and FY82 BADC budget and Annual Import Program should provide for the budgetary allocation, procurement and import of minor irrigation equipment as set out in these project proformas and also for the import of diesel fuel and spare parts required for the full operation of all minor irrigation equipment.

(b) Population. Spending levels on population control programs are broadly appropriate. The main problem has been poor performance by field workers. Measures designed to improve staff discipline and organization were agreed during negotiations of the Second Population Project. Progress in implementing them, and the civil works components in both Population Projects, should be one measure of performance. Another problem has been inadequate management. Many senior posts have been unfilled for long periods, and much time was spent in quarreling with the Health Department. We should look for rapid staffing up of the Population Department and an end to the bickering. The Government's target for the SFYP is to reduce the birth rate from somewhere around 45 per thousand to 32 per thousand by 1985. Meeting this target would require attaining rates of decline much higher than achieved in even the most successful programs in other countries. Clearly the target should not be regarded by the Bank as a performance criterion, but we should look for the targetry to be supported by a greater sense of urgency in implementing the program effectively.

Project Performance

4. Development of Realistic ADPs. In their recent visits both Mr. Stern and Mr. Hopper stressed the need to shore up the "political manifesto" SFYP with a realistic two or three year "rolling" plan implementation program. Such a program should contain a financing plan (as mentioned above) and a proper monitoring component as well as a detailed investment plan. Development of such a detailed program is necessary for our continued lending, for implementation of the SFYP itself, and to enable us to play a constructive role in the Aid Group. The Government has promised to have a "two-year ADP" ready by the time of your visit and for consideration of the Aid Group in May 1980. However, we think it would be completely unrealistic, given the present state of disarray in the planning process, to expect to have a useful document available by mid-April. What you may suggest is that such a document should be prepared by September 1, 1980, to be reviewed by a Bank mission in September/October to provide the basis for discussion of the SFYP at the next regular Aid Group meeting in April 1981.
5. Project Preparation and Implementation Capacity. The Government should strengthen its capability to prepare projects and programs, monitor progress in implementation, identify bottlenecks, formulate measures to overcome them, enlist the cooperation of relevant ministries and agencies of the Government in furthering implementation and, at budget time, determine the level of appropriations needed for the implementation of each major project or program.
6. Specific measures in the agricultural sector may be proposed under the next Program Credit based on the recommendations of a consultant who has just undertaken a review of the project preparation and implementation capacity of the agricultural ministries and their need for technical assistance in this area. One major proposal is likely to be the strengthening of the largely ineffective Planning and Evaluation Cells in the ministries and agencies concerned with agriculture (Agriculture, Food, Flood Control, Local Government, BADC) and enlarging their responsibilities to include project preparation and implementation, or the establishment of a single, powerful Project Preparation and Implementation Cell in the Agriculture Ministry with suitable links to other parts of the Government including the Planning Ministry. Acceptance by GOB of expatriate advice for agriculture projects in implementation and generation will be another test of GOB's readiness to enhance its absorptive capacity.
7. It is difficult to establish meaningful but quantitative measures in this area. While the absolute level of IDA project disbursements has gone up over the last three years, and project disbursements as a percentage of the amount outstanding at the beginning of the year also has increased, these are not really meaningful measures. You may wish to say that we will look for evidence on more qualitative terms: closer adherence to agreed implementation schedules; fewer and shorter delays in the appointment of consultants and in procurement decisions; timely and adequate provision of local currency funding; quicker resolution of problems when they arise.

Bangladesh Division
April 4, 1980

BANGLADESH

TOPICS FOR DISCUSSION

This note outlines several topics for Mr. McNamara's discussions with Government of Bangladesh (GOB) officials. The topics discussed below, which may be appropriate subjects of discussion in several meetings, concern the country's Second Five-Year Plan, domestic resource mobilization, capacity utilization and plan implementation capabilities, the balance of payments, the food situation, the family planning program, and the role of the private sector.

Other specific topics (jute, the energy sector, the new medium-term food production plan, and the status of negotiations in the Joint Rivers Commission) are covered in special subject briefs in Section F.5.

Recent economic developments are discussed in more detail in the latest Economic Report (dated March 21, 1980, see Section F.3) and our lending strategy and program were discussed in the latest CPP (see Section F.1) reviewed on March 26, 1980.

A. The Second Five-Year Plan (FY81-85)^{1/} and Related Issues

1. In late 1977, i.e., during the last year of the First Five-Year Plan, the Government decided that circumstances were not opportune for launching a new five-year plan, and that more time was required to formulate a long-term development strategy. Consequently, an interim Two-Year Plan for FY79-80 was adopted, with the intent that these past two years would provide the Government an opportunity for stock-taking, project pruning, and policy re-appraisal.

2. In the event, these past two years have been a period of continuing disarray in the planning process. Various background studies were prepared, within and for the Planning Commission, on a variety of economic and social issues. But throughout this period, the Planning Commission lacked the intellectual and managerial leadership required to produce a Second Five-Year Plan (SFYP) that would constitute a credible and feasible program of action to effect the needed structural changes. It was intended that a Perspective Plan for the period 1980-2000 would also be produced by now, establishing the longer-term framework within which the SFYP would be set. But mainly because of a lack of consensus on some politically sensitive issues -- e.g., the need for land reform and the prospective role of the private sector in industrial development -- the only product of the perspective planning exercise was the publication in late 1979 of a 68-page brochure entitled "Preliminary Thoughts on a Perspective Plan". Since then, under pressure of producing the SFYP, the perspective planning exercise has been shelved.

3. The process of preparing the SFYP itself has been rather tumultuous. Delays were occasioned by political factors prior to the 1979 elections and appointment of the new cabinet (including the new Minister of Planning) in

^{1/} The Bangladesh fiscal year (FY) runs from July 1 to June 30. Thus, FY81-85 refers to the period beginning July 1, 1980 and ending June 30, 1985.

early 1979, and since then, inter alia, by the diversion of policy-makers' attentions from medium-term planning to short-term food crisis management. Moreover, the President himself had meanwhile become convinced that Bangladesh's desperate demographic, economic and social conditions required that the SFYP be an extremely ambitious program of development on multiple fronts. In May 1979, the President virtually dictated the main targets of the SFYP. During the SFYP period, the President intended in particular that Bangladesh should: (i) double its foodgrain production (from 13 M tons to 26 M tons); (ii) increase its fisheries output five-fold; (iii) electrify 60% of all villages; (iv) increase domestic cotton textile production by 70% (based upon moving from near zero raw cotton production to near self-sufficiency); and (v) "remove illiteracy" in the shortest possible time.

4. Throughout the past year, there has been a deep tension between the President and the bureaucracy concerning the Plan and its targets. Much of the bureaucracy (including some members and key staff of the Planning Commission) felt that the President's objectives were unrealistically ambitious and that a Plan predicated upon their pursuit would lack credibility, both within the country and among the donor community. In December 1979, the President despatched letters to Heads of Governments and to Presidents of multilateral aid agencies comprising the donor community in which he requested a doubling of aid flows (in real terms) in support of what he characterized as the impending Plan's "modest" objectives.

5. In recent months, however, in response to both internal and external pressures (including urgings of Bank officials), the President appears to have reluctantly agreed to scale down both the physical targets and the corresponding financing requirements of the SFYP. Although some last-minute changes were still being effected as of mid-March 1980 (two months after the draft Plan was originally scheduled to be completed), our most recent discussions with staff of the Planning Commission indicate that the main contours of the Plan are likely to be as follows:

- a. An annual GDP growth target of about 7%.
- b. First priority to accelerated food production, but with a scaled-down target of about 20 million tons by 1985 (as distinguished from the Presidential doubling target of 26 million tons which may be retained as a seven-year target).
- c. An overall Plan size of about Tk 27,100 crores^{1/} of which Tk 20,100 crores would be in the public sector and Tk 7,000 in the private sector.

1/ A crore is equal to 10 million. At an exchange rate of Tk 16=\$1, Tk 1 crore is therefore equivalent to \$625,000. Thus, the total size of the SFYP would be about \$17 billion and public sector outlays would be \$12.5 billion. All figures in this section are given in constant FY80 prices unless otherwise indicated.

- d. The targeted public sector development expenditure^{1/} to be financed 70% (Tk 14,000 crores, equivalent to \$8.75 billion in FY80 prices) by foreign capital (net) and 30% (Tk 6,100 crores) by domestic resources.

6. The following table summarizes the broad sectoral allocations likely to characterize the SFYP. For illustrative purposes, a comparison is drawn with the corresponding allocations in this year's (FY80) Annual Development Program (ADP):

SECTORAL ALLOCATION UNDER FY80 ADP AND SFYP
(in Taka crores in constant FY80 prices)

	<u>ADP: 1979/80</u>	<u>%</u>	<u>SFYP</u>	<u>%</u>
Agriculture, Rural Development and Water	560.4	27.1	6,500	32.4
(Agriculture)	(262.3)	(12.7)	(2,700)	(13.4)
(Water & Flood Control)	(212.3)	(10.3)	(3,000)	(15.0)
(Rural Development)	(85.8)	(4.1)	(800)	(4.0)
Industry	342.0	16.5	3,200	16.0
Power	303.3	14.7	2,864	14.3
Transport	346.7	16.7	2,587	12.9
Physical Planning and Housing	137.6	6.5	1,247	6.2
Health and Population	134.2	6.5	1,210	6.0
Communication	84.5	4.1	750	3.7
Socio-economic infrastructure	91.1	4.4	1,477	7.4
Others	70.2	3.4	229	1.1
Total	2,070.0 ^{1/a}	100.0	20,064	100.0

^{1/a} The FY80 ADP has been raised to Tk 2,213 crores, but no breakdown of this revised ADP is available as yet.

7. As indicated in the following table, this SFYP would still comprise a very ambitious program (the President originally wanted a plan at least twice as big) both in terms of the domestic resource mobilization effort and the level of foreign aid disbursements required to finance it.

^{1/} Development expenditure is defined as expenditure budgeted in the Annual Development Program (ADP). This is not identical to public investment, as some 20% of the ADP comprises current expenditure as distinguished from expenditure on fixed capital formation.

MAIN MACROECONOMIC VARIABLES IN THE SFYP
(in US\$ billions, at constant FY80 prices)

	Base year	Terminal year	Annual rate of growth	As % of GDP	
	(FY80)	(FY85)		FY80	FY85
GDP	11.46	16.24	7.2%	100.0	100.0
Gross Investment	1.61	3.23	14.9%	14.0	19.9
Net Capital Inflow	1.23	2.06	11.4%	10.7	12.7
Gross Domestic Savings	.38	1.17	25.1%	3.3	7.2
ADP	1.38	3.50	20.5%	12.0	21.5

8. Some specific issues relating to domestic resource mobilization will be discussed below. As may be inferred from the table, however, the implied savings effort would be a heroic one in the circumstances of Bangladesh, given the country's poverty and the starting point: the narrowness of the tax base; the limited scale of private sector activity; the inefficiency of public enterprises; and the likelihood that the terms of trade will worsen in the coming years. The marginal savings rate implied in this macro-framework would be 16.5%, as compared to a 5% rate at present. It may be noted that Bangladesh's First Five-Year Plan (1973-78) proved to be much too optimistic with respect to the potential growth of domestic savings as well as GDP. History may well repeat itself in this regard.

9. In the current year (FY80), aid disbursements to Bangladesh will reach some \$1.4 billion^{1/} comprising \$400 million food aid, \$500 million commodity aid, and between \$450-500 million project aid. The SFYP calls for aid disbursements totalling \$8.75 billion over five years, an annual average of \$1.75 billion (in constant FY80 prices). Assuming that aid disbursements were to grow at a constant rate over the SFYP period and that the need for food aid were to disappear completely by FY85 (as implied by food production targets), then the requirements of both commodity and project aid in FY85 would be on the order of \$1 billion each, i.e., twice the current level in real terms - implying an annual growth rate of 15% per year. The implied growth rate in current prices would of course be substantially higher, as would the growth of near-term project aid commitments needed to facilitate the indicated growth of project aid disbursements. As will be discussed below, actual project aid disbursements have increased at an impressive rate in recent years, reflecting improved implementation capabilities and enlarged absorptive capacity. But the donor community as a whole remains doubtful that Bangladesh could absorb effectively the indicated volume of project aid even if it were made available. Moreover, the overall aid climate is such that one must question also the preparedness of donors to increase their commitments at the rate indicated unless there are rapid and dramatic improvements in the Government's implementation capabilities and in its own domestic resource mobilization efforts. Limitations in these areas, rather than the scarcity of foreign exchange, appear likely to be the binding constraints to realization of the Plan's objectives.

1/ The table above shows \$1.2 billion in FY80 aid disbursement. This represents a "normalized" figure; the difference stems from the unusually large food aid provided in FY80.

10. These issues were broached among representatives of donors during the January 1980 Food Aid meeting in Paris. While it was agreed that a detailed discussion must await publication of the draft SFYP, a number of participants emphasized the need for Bangladesh to exercise greater realism in setting objectives and for the SFYP to reflect more accurately what is truly achievable in the light of Bangladesh's own implementation constraints and the aid flows likely to be made available. Further discussion of these issues may take place during the upcoming regular meeting of the Bangladesh Aid Group scheduled to be held in Paris on May 12-13, 1980.

11. As of mid-March 1980, the draft SFYP was in the final stages of editing and clearance, and it was expected that the draft Plan would be presented to the National Economic Council in April 1980. Meanwhile, the Government was also engaged in preparing a "Plan Implementation Program", initially in the form of a modified Annual Development Program (ADP) for the first two years (FY81-82) of the SFYP period. This represents a constructive first step towards the formulation of a detailed implementation program needed to translate the SFYP's objectives into specific, time-phased operations and to provide an instrument for: (i) linking physical and financial programming; (ii) monitoring implementation in terms of macro-economic, sectoral and project performance; and (iii) gearing the timetable of policy actions to the requirements of plan implementation. A sectoral implementation program for the key agricultural subsector has already been produced in the form of a Medium-term Crop Production Plan, prepared jointly by the Government and IDA. It is intended that similarly detailed implementation programs will be prepared for other key sectors as well. At the outset, however, the Government is currently concentrating on translating its traditional one-year ADP into a two-year "performance budget" wherein physical as well as financial investment targets are to be specified. The Government intends to present its draft two-year (FY81-82) investment budget for consideration at the May 1980 Aid Group meeting, but given the disarray in the planning process, it would be unrealistic to expect this to be a really useful document; more time will have to be spent on this after the SFYP itself is finished.

12. As the Government prepares to launch its ambitious new Plan, the major concern is that - in light of its seemingly unrealistic assumptions about resource availabilities - it will spread its resources (institutional and managerial as well as financial) too thinly. This has been a problem in the past, and it may well become more serious in the future unless greater restraint is exercised in commissioning new projects, especially large, long-gestation, capital-intensive projects such as the Teesta barrage and LNG development. GOB's very limited success in pruning the existing project pipeline, a principal stated objective of the Two-Year Plan, is itself a reflection of this problem. Moreover, even with much improved plan implementation capacity, the inherent limitations of the public sector to manage the required development effort point to the need to engage to the fullest the underutilized capabilities of the private sector.

13. The needs to carefully and realistically balance resource sources and uses, to make fuller use of existing capacity in the private as well as public sector, to intensify the domestic resource mobilization effort and to avoid starting too many new projects too soon, are all themes of the latest Bank economic report. These themes might usefully be resounded in your own discussions of the SFYP and its prospects for successful implementation.

B. Macroeconomic Issues

14. Domestic Resource Mobilization. Although Bangladesh's domestic resource mobilization efforts have improved somewhat in the past two years, tax revenues still constitute less than 9% of GDP and the current surplus is only around 3% of GDP. The present tax structure relies excessively on import duties and other levies dependent upon the volume of imports - which is itself largely a function of the volume of foreign aid. There is widespread tax evasion. Individual income taxes comprise only 7% of total revenues and company income taxes only 2%; agricultural income is virtually untaxed. Because of their general inefficiency combined with administered prices that do not fully reflect costs, most public enterprises and utilities have constituted a net drain on the public finances, as have the large subsidies on publicly-distributed food and on fertilizer. Consequently, despite the large and growing volume of foreign aid in support of current as well as capital expenditure, the implementation of many projects (both aided and non-aided) has been hampered by insufficient or tardy allocation of domestic funds. Domestic resource mobilization will therefore need to be improved substantially if the public investment ratio is to be raised above the current 10% level of GDP. Furthermore, this effort will have to be all the greater as Bangladesh approaches self-sufficiency in foodgrain production, since food aid, one of the main sources of GOB's Taka revenues, would necessarily decline.

15. The task of raising additional domestic resources is wide-ranging, involving not only a strengthening of the tax effort, but in addition improved performance of the public sector business enterprises and utilities and reduction of the three key subsidies (on jute,^{1/} food and agricultural inputs). The Government has shown growing awareness of the problem. In April 1979 the Taxation Enquiry Commission submitted its report, although this has not yet been made public nor made available to the Bank. However, several of the measures suggested by the Commission's interim report of 1978 have been implemented, particularly with regard to tax administration. Similarly, five committees formed to study aspects of domestic resource mobilization have completed their reports. While IDA has also not obtained these studies, it is evident that a start has been made to implement some of their recommendations. In FY79 and thus far in FY80, a wide range of producer and consumer prices were raised substantially in an effort to contain or reduce subsidies. In some cases these price adjustments only kept up with inflation, but in others they served to reduce the subsidy burden in real terms.

16. The tax effort has improved in recent years, but much more needs to be done. Improvement in tax administration is probably the most promising avenue for raising, in the short run, additional revenue from indirect taxes and the income tax. The agricultural sector remains substantially undertaxed.

1/ The jute subsidy averaged nearly Tk 700 million (\$45 million) annually during FY77-79. The jute mills are expected to earn a substantial profit in FY80 due partly to the devaluation of the Taka and mainly to the large rise in world prices of jute goods this year. This recent profitability may well prove to be a very temporary phenomenon (see Section F.5).

Specific new measures could include an increase in land revenues (graduated according to the size of holdings) together with a phased reduction in input subsidies, especially those on fertilizers and irrigation water. Additional measures would also be necessary to restrict access to the ration system to the very poor, or to convert it into a genuine relief operation.

17. In view of the preponderant role of public sector enterprises and utilities in the economy, it will not be possible to improve resource mobilization commensurate with the requirements unless a substantial contribution can be secured from these units. To this end, the financial return on capital invested needs to be improved through a combination of pricing policies to reduce subsidies and action programs to achieve greater efficiency. Steps need to be taken to eliminate the widespread cross-subsidization which continues to distort cost structures and financial results.

18. Bank economic reports have drawn attention to the need for improvements in government accounting, auditing and financial management. Actual expenditure data continue to be late and incomplete, including those for the development budget. The recurring Taka shortage for financing of the local currency component of certain development projects stems primarily from the general scarcity of funds, but is aggravated by inflexibility in reallocating budgeted funds from slower to faster-moving projects. Consolidated and clarified public sector accounts and flow-of-funds analyses, detailing the fund flows between the public sector enterprises and the Central Government would provide a valuable instrument for managing the public finances. The preparation of the Second Five-Year Plan provides a new opportunity to take stock of such issues and to propose an action plan aimed at improvements.

19. Capacity Utilization and Implementation Capabilities. A major problem underlying the disappointing overall performance of the economy - and particularly the performance of agricultural output and the record to date of the family planning program - has been a low rate of capacity utilization. And this has generally stemmed not so much from inadequate resources as from administrative bottlenecks and lack of adequate management. In the agricultural sector, for example, existing irrigation equipment continues to operate far below designed capacities, mainly because of the failure of the public distribution agencies to deliver adequate spares, diesel fuel and maintenance services. Available data also suggest that whereas the Government has had some success in generating demand for family planning services (about 25% of eligible couples have expressed a demand for such services), the actual distribution of contraceptive materials and services falls far short of such demand. Failure to satisfy this demand has not been because of a lack of financial resources, but rather is attributable to poor management, administrative bottlenecks, inadequate visitation of households by field workers, poor coordination among concerned government agencies and inadequate transport and other logistical support services.

20. In the industrial sector, despite a gradual improvement in production since independence, many enterprises continue to suffer from low rates of capacity utilization. There has been an overall improvement in recent years as average capacity utilization rates have risen from 56% in FY74 to an

estimated 65% in FY79, but rates of capacity utilization remain particularly low in chemicals (50%), engineering (50%), steel (50%) and food processing (40%). Factors underlying the problem include: irregular and insufficient raw materials supply; equipment breakdowns and poor maintenance; insufficient labor training and migration of key personnel to the Middle East; administrative delays linked to excessive centralization; frequent power cuts; inadequate transportation; lack of spare parts and components linked to foreign exchange shortage; and lack of working capital (causing insufficient procurement of spares, components and, in some cases, raw materials). Thus, low capacity utilization is only a symptom of a variety of serious problems affecting production efficiency.

21. GOB is cognizant of the above deficiencies and has been working closely with the Bank and other donor aid agencies to try and correct them. For example, IDA is currently financing a pilot project for command area development which should establish the basis for a more effective use of irrigation facilities, both in terms of raising the capacity utilization of such facilities and of improving access to irrigation water by small and marginal farmers. Implementation of action programs developed under IDA-financed imports program credits have resulted in significant improvements in the performance of various manufacturing industries, notably in the jute, textile and export-oriented industries. GOB has also taken a number of significant steps in recent months to streamline the administrative arrangements for its family planning program in an effort to accelerate the program's implementation. In all of these sectors, however, high rates of return would pertain to intensified efforts to improve the performance of existing programs and projects.

22. While this demonstrates that relatively poor project planning, preparation and implementation capacity remains a principal constraint to more rapid economic growth, there are signs of encouraging improvements. Disbursements of project aid (in current US\$) increased steadily and at a rapid rate, from \$147 million in FY77 to \$255 million FY78 to \$357 million in FY79. Another significant increase, to between \$460-490 million, is projected in the current year. Total Government "development expenditures" (i.e., ADP expenditures) also increased rapidly over this period, from Taka 10.4 billion in FY77 to Taka 12.5 billion in FY78 to Taka 16.5 billion in FY79 and are projected to reach about Taka 22 billion in FY80. Disbursement on IDA projects (excluding program credits) has also shown significant improvements, increasing to over \$56 million in FY79, as compared to \$38 million in FY78 and around \$25 million in each of the preceding three years. IDA disbursements as a percentage of the amount outstanding at the beginning of the year reached the respectable level of 19% in FY79, as compared to 14% in FY78 and 10% in FY77. The corresponding ratio of total project aid disbursements to the "opening pipeline" has similarly increased significantly in recent years, from 15%-16% in FY76 and FY77 to between 22%-25% in the period FY78-80.

23. Balance of Payments. Bangladesh's balance of payments continues to be characterized by a massive structural trade deficit and a heavy dependence on foreign aid. Export earnings in FY79 represented less than 7% of GDP and less than 40% of the import bill. Moreover, Bangladesh's export structure continues to

be dominated by raw jute and jute goods, which together accounted for 70% of total export earnings. The FY79 current account deficit of \$865 million was equivalent to about 9% of GDP. Assuming that 75-80% of the ADP constituted real capital formation, foreign aid (according to the balance of payments) was equivalent to between 119% and 127% of the investment component of the ADP. International reserves at the end of FY80 are expected to be equivalent to only one month of projected FY81 merchandise imports, while debt service currently claims 16% of merchandise exports. Unfortunately, the outlook for the balance of payments in the years ahead is not favorable. The world demand for jute and jute products is not buoyant, and the terms of trade -- following some improvement in recent years -- are likely to deteriorate in FY81. Supply constraints and other limitations hinder the development of non-traditional exports, while the possibilities for rapid import substitution (in sectors other than agriculture) are also limited in the short run. The OPEC price increases of 1979 and early 1980 are already having a serious impact; Bangladesh's FY80 petroleum bill is expected to exceed its FY79 bill by over \$200 million, and this bill is projected to increase by at least another \$40 million in FY81. In the short run, therefore, a substantial increase in foreign aid (particularly commodity aid) appears to be required even to permit the economy to grow at a very modest rate.

24. The following table summarizes the evolution of the balance of payments as realized in the years FY78-79 and as projected for FY80 and FY81.

BALANCE OF PAYMENTS, FY78-81
(in millions of US dollars)

	e/	e/	p/	p/	Growth Rate (%)		
	FY78	FY79	FY80	FY81	FY78/79	FY79/80	FY80/81
Merchandise exports, fob	497	603	743	835	21	23	12
Merchandise imports, cif	-1,349	-1,603	-2,497	-2,740	19	56	10
<u>Trade Balance</u>	<u>-852</u>	<u>-1,000</u>	<u>-1,756</u>	<u>-1,905</u>	17	76	8
Services (net)	-17	-5	-16	-1	-	-	-
Private transfers	83	140	162	186	69	16	15
<u>Current Account Balance</u>	<u>-736</u>	<u>-865</u>	<u>-1,610</u>	<u>-1,718</u>	17	86	7
Amortization of MLT debt	-35	-55	-37	-40	-	-	-
Other capital (net) <u>a/</u>	-1	-28	145	20	-	-	-
<u>Disbursement of</u>							
<u>External Aid</u>	797	1,016	1,366	1,760	28	34	29
of which: Food aid	182	187	394	500	2	111	27
Commodity aid	352	472	512	660	34	8	29
Project aid	255	357	460	600	40	29	30
Change in reserves							
(-- increase)	25	-124	136	-22	-	-	-
Reserve level (end of year)	269	393	257	279	-	-	-

e = estimated actuals.

p = projected

a/ Including IMF transactions.

25. Between August 1978 and August 1979, the Government undertook a series of exchange rate adjustments whereby the Taka was devalued by about 24% against the Pound Sterling. These adjustments served to strengthen the profitability of the jute sector and the allocation of resources within the economy. In July 1979, the IMF approved a Stand-by Arrangement for a period of one year in an amount equivalent to SDR 85 million.

26. The terms of trade, having improved somewhat (5%) in FY79, are expected to remain unchanged in FY80 as rising export prices for jute goods help to offset the impact of rising petroleum and other import prices. Total FY80 merchandise exports are expected to increase by about 24% and imports by over 50%; foodgrain and petroleum purchases alone are expected to account for over three quarters of the increase in imports.

27. Exports and Export Policies. Exports account for about 8% of GDP and play a relatively minor role in the economy. Export earnings (in current prices) increased at an average annual rate of only 10% between FY73 and FY79; the growth in real terms, therefore, was negligible. Only in FY78 did export proceeds exceed the average level of earnings of the 1966/70 pre-liberation period. Six products accounted for 95% of total exports between FY73 and FY79 namely, jute goods, raw jute, tea, tanned and semi-tanned leather, frozen marine products, paper and newsprint. Of these, raw jute and jute goods continue to dominate, although their share in total export earnings has declined from 89% to 69% over the same period, while the other four product groups have grown in importance from 9% to 27%. Manufactured goods (primarily jute products) account for about 60% of total exports and the public sector is responsible for nearly 85% of manufactured exports. Details on the structure of exports and on the recent performance of the export sector are provided in Table 11 (page 61) of the Bank's recent economic report (Section F.3).

28. Major constraints and problems in the export development effort include the inadequacy of supplies for export and the need for active product development. This applies to new products, but is also important for established non-traditionals such as leather, marine products, and tea. The Bank has been assisting GOB to identify projects in the non-traditional areas, but progress has been slow. The Bank has also been cooperating closely with GOB in its efforts to develop an appropriate institutional and policy framework to foster export growth. In 1979, an Export Development Program was launched with the aim of (i) strengthening the institutions responsible for export promotion, particularly the Export Promotion Bureau, (ii) initiating actions to develop export policies and to streamline and rationalize procedures, and (iii) initiating market studies to determine potential export items. On the basis of studies already completed under the above Program, a draft Export Strategy Statement for FY81-85 has been prepared for incorporation in the SFYP. Needless to say, in view of the structural characteristics of the economy as a whole and of the external sector in particular, the Government should be urged to make every possible effort to promote domestic and foreign private investment as well as further public investment in the export sector. The Bank will continue to collaborate in such efforts, including through the provision of technical and other forms of assistance as may be necessary.

C. Privatization of the Economy

29. Since independence, which was followed by the nationalization of most industrial assets, banks, and many service industries, the private sector has played a very limited role in capital formation in Bangladesh. Successive governments have moved progressively, albeit slowly, towards encouraging greater privatization of the economy. Particularly in the last two years, however, the Government has increasingly recognized the inherent limitations of the public sector's capacity to manage the development effort on the scale required, and it has taken a number of constructive steps (some at the urging of IDA and AID) to foster an enlarged role for the private sector. These steps include: the elimination of limits on foreign investments; increased investment incentives; the opening up of sectors previously reserved for public enterprises for private sector participation; simplification of licensing procedures; and an enlarged availability of long-term credit facilities to the private sector.

30. In agriculture, GOB has similarly encouraged private sector provision of irrigation equipment and other essential inputs. Specifically, GOB is moving to divest itself of the responsibility for the provision and maintenance of irrigation equipment. For example, deep tubewells, as in the case of shallow tubewells, are now being offered for sale to farmers and a major private sector sale program is expected to be launched over the next year under the recently approved IDA-assisted Low Lift Pump project. Furthermore, fertilizer distribution at the wholesale level has now been opened up to the private sector in three of Bangladesh's four divisions, and there are plans to expand this coverage to the entire country by the end of June 1980. In addition, the distribution and sale of pesticides is currently being handled by the private sector.

31. In spite of these trends, private sector involvement, particularly in manufacturing, remains modest. Constraints to a more rapid growth of private sector investment in the industrial sector include: administrative bottlenecks and cumbersome procedures for obtaining credit and import licenses; the lack of adequate information available to entrepreneurs on realistic investment opportunities; and a lingering mistrust among potential investors regarding GOB's bona fides in wishing to guarantee a long-term role for the private sector in the economy.

32. GOB is cognizant of these deficiencies and has adopted some measures to correct them. For example, a high-level Board has been established within the Ministry of Industries to review and streamline administrative procedures, a duty-free Export Processing Zone is in the planning stage, and a revised Foreign Investment Bill is currently being debated by the Parliament.

33. Much more, however, needs to be done if the level of private sector investment is to approximate that envisaged under the SFYP. The transition from a predominantly public sector economy to a mixed economy, in which foreign as well as domestic private enterprises are able to make a significant contribution, cannot be achieved easily. The Bank Group and, in particular, the IFC could play a significant role in helping to engender greater confidence in the private sector and in assisting GOB to develop appropriate policies for the future growth of the sector. We should therefore continue to encourage GOB to make greater use of Bank Group assistance and facilities in these areas.

D. The Food Situation

34. Beginning in late 1978 and continuing through mid-1979, Bangladesh experienced an extremely severe drought. This, together with a shortage of diesel fuel for irrigation pumps in the first half of 1979, led to the stagnation of foodgrain production between FY78 and FY80, and in calendar year 1979 to an estimated 7% drop in production as compared with calendar year 1978. Combined with a serious slippage in food aid arrivals in the first half of 1979, this production decline led to a drop in per capita food availability and soaring rice prices. Meanwhile, low domestic foodgrain procurement combined with high offtakes under the ration system (also consequences of the production shortfall) depleted public food stocks. In contrast to the targeted level of one million tons, stocks fell to the dangerously low level of 209,000 tons at the end of June 1979.

35. These difficulties were increased by GOB's lack of an effective early warning system and inadequate food policy coordination and management. Once the full dimensions of the problem were appreciated, GOB moved quickly to arrange direct foodgrain purchases, to obtain additional food aid, and to accelerate deliveries. An estimated 1.7 million tons of foodgrains were delivered over the lean period June-November 1979, GOB managed their arrival and distribution expeditiously, and a potentially calamitous food scarcity situation was avoided.

36. In May 1979, as the impending crisis unfolded, GOB requested the Bank to convene a special Aid Group meeting to consider Bangladesh's food situation. As the urgency of the situation progressively diminished, however, the focus of the meeting shifted from the consideration of immediate needs to the establishment of a medium-term perspective and framework for evaluating key food policy issues. A Bank mission visited Bangladesh in September/October 1979 and prepared a report which was distributed as background material for the special Aid Group meeting that was convened in January 1980. That report represented a proposed food policy package that comprised the following main components:

- a. Those principal existing channels of the public food distribution system which do not benefit the needy classes should gradually be closed down. Only those components which reach the poor - such as Food-for-Work and some modified rationing - should be retained.
- b. Pending this total transformation of the public distribution system, the subsidy component of the distribution system should be reduced, and rice should be gradually substituted by wheat.
- c. The main focus of food policy should shift from public distribution to market stabilization. Such a stabilization mechanism should be based on two elements: an effective procurement system and quick-response open market sales, whenever necessary.

- d. To rationalize food policy, a Food Policy and Monitoring Unit should be established.

37. In broad lines, the Government accepted these policy recommendations, and it so stated in its own memorandum prepared for the special Aid Group meeting. More specifically, the Government announced (in confidence) that ration prices would be increased on March 22, 1980 and that the composition of the ration entitlement would be shifted from a 1:1 wheat/rice ratio to a 2:1 wheat/rice ratio.

38. As of March 26, however, this much-needed ration price increase had not yet been effected. The Government has stated that this time was inopportune in view of the fact the Parliament was still in session and because a strike of low-level Government workers was underway. In the event that the ration price has not been increased by the time of your visit, however, it would be appropriate to express grave concern about the implications of further delay for donor credibility.

39. Although there was a large measure of agreement expressed at the January 1980 meeting about the principles of food policy reform, a significant shift from public distribution to a market price stabilization system appears unlikely to materialize in the very near future. The Government argues - and the Bank's food policy report concurs in this view - that such a shift would require foodgrain stocks of at least 1.0-1.2 million tons. But such stock levels seem unlikely to be attained in the near future unless the donors prove willing to provide a significant amount of additional food aid. Very little additional aid was in fact forthcoming at the January 1980 meeting as the donors, on their part, expressed both their skepticism about the Government's ability to run an open market sales system and their concern that additional food aid might be dwindled away in the traditional channels of the public distribution system. In a sense, therefore, the January 1980 meeting concluded in stalemate, with the Government arguing that it needed more food aid in order to acquire the level of stocks that would facilitate its taking the needed reforms, while the donors were inclined to press for reforms (particularly in terms of the ration system) before committing more food aid. Having failed to obtain such additional aid commitments, the Government has undertaken large commercial purchases - notwithstanding its very tight foreign exchange budget position - in order to avoid a possible repetition of the 1979 food crisis.

40. The food problem of Bangladesh is of course at base a production problem, and most of the distortions in food policy stem from GOB's attempts to reconcile conflicting objectives in dealing with the overall scarcity situation. Hence, the issues relating to procurement, the ration system and its structure, the burden of food and agricultural input subsidies, the design of an open market sales system, the establishment of an adequate food security stock, etc., must all be appraised in the context of food production programs and policies. The thrust of our prospective negotiations of Imports Program Credit IX will be on these dual sets of issues, i.e. food production and food policy issues. With respect to the former, our objective will be to accelerate the detailed programming and implementation of the joint GOB/IDA Medium-Term Food Production Plan (see Section F.5, Tab 4). With respect to the latter, our objective will be to establish with GOB an agreed agenda and timetable for implementation of some of the key recommendations of the Bank's recent food policy report.

E. Population Control and Family Planning

41. The population of Bangladesh is growing at a rate estimated between 2.5 - 2.7% per annum; there are no clear indications yet that this growth rate is declining. The Government's official target is to reduce fertility to the replacement level by 1990, a slight backing off from an earlier target (incorporated in a Seven-Year Population Control and Family Planning Program, FY79-85) which was to reach that level by 1985. In view of Bangladesh's socio-economic conditions, current administrative realities, and most of all in light of the slow improvement in the performance of the family planning program to date, there is no prospect that such an ambitious target will be attained. The Government frequently expresses its concern with and political commitment to population control, and family planning is expected to receive high priority in the SFYP. Yet much remains to be done to strengthen the performance of existing programs. Their principal shortcomings are (i) managerial inadequacies underlying the failure of field workers to deliver services effectively, and (ii) insufficient cooperation among the Government agencies involved.

←
VSDP = 145
Stabil = 334

42. In some respects, progress has been achieved. A large cadre of field workers has been hired, trained and put in place. Partly due to Government efforts, the demand for services is increasing. Two IDA-assisted population projects (totalling \$37 million) are currently underway. Marked progress in their implementation has been achieved over the past six months, although such progress has not been reflected in the level of disbursements because of the slow rate of civil works construction. GOB has also recently taken some measures to improve staff discipline and organization (including through the preparation of a newly developed time-phased annual "Work Plan" for program implementation) and to intensify the sterilization effort currently underway.

43. The overall results of the Government's program, however, are still far short of target, the supply of services is well below the level of demand (which demand itself has been created in part by the program), and the birth rate remains very high. Hence, there is a need for an ever-greater sense of urgency to implement the program more effectively.

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F. Bank Group Assistance to Bangladesh

44. Bangladesh became a member of the Bank and IDA in 1972. Initially, Bank Group operations in Bangladesh concentrated on the reactivation of eleven credits, amounting to US\$148.6 million, made originally to Pakistan before 1971. In addition, 40 new credits have been approved, totalling US\$1,146.7 million. Of these, US\$575 million have been for program credits (eight import program credits and one fertilizer imports credit). A Statement of Bank Loans and IDA Credits as of March 25, 1980 is contained in Section G.1. A copy of the

proposed Lending Program as given in Attachment 1 of the March 5 CPP is at F.1. Of the 40 new credits, 14 credits totalling US\$258.5 million have been directed towards agriculture and rural development, excluding subprojects under various Technical Assistance credits allocated to that sector. On June 18, 1976 Bangladesh became a member of the IFC, and IFC's only investment (High Speed Shipbuilding and Engineering Co., Ltd.) was approved on May 10, 1979.

G. Amount of Lending

45. The issue of an increase in IDA lending to support GOB's SFYP has been raised repeatedly in recent discussions. The CPP recommended that we inform GOB that IDA could increase Bangladesh's shares of IDA resources (the CPP suggested from 8% up to about 10% of total IDA) given improved performance on three specific criteria:

- (a) measures to improve absorptive capacity and continued improved implementation performance;
- (b) appropriate investment strategies, particularly in the agricultural sector; and
- (c) domestic resource mobilization.

(See paragraphs 98-103 of CPP at Tab F.1.) Support for the agricultural sector would be the cornerstone of project lending. (See paragraphs 82-94 of CPP.) This was the subject of President Ziaur Rahman's letter of December 22, 1979 to Mr. McNamara which requested an annual IDA commitment of US\$600 million in support of Bangladesh's SFYP efforts. In both his discussions with Ambassador Husain on January 7, 1980 and his formal reply, Mr. McNamara reiterated the position IDA has consistently taken for some years now: IDA lending can be increased if GOB improves its overall project preparation and implementation capacity. In his remarks to the Ambassador Mr. McNamara indicated that in response to significant improvements in these areas, the Bank Group could approach the \$600 million target in FY85, the last year of the SFYP period. Mr. Stern repeated this amount in Dacca in February, but it was not mentioned in Mr. McNamara's letter reply to the President.

H. Program Lending

46. GOB is also likely to raise the issue of program lending and request that future amounts of this form of assistance be increased beyond current approved levels (US\$75 million p.a.). As stated in the CPP (paragraphs 85-89), while continued program lending will be necessary, in the absence of conditions conducive to structural adjustment lending, we do not now recommend an increase.

BANGLADESH: Country Program Review Meeting, March 20, 1980

Present: Messrs. McNamara, Stern, Baum, Gabriel, Haq, Waide, Horsley, Yang, Robless, Hopper, Wiehen, Picciotto, Holsen, Dunn, Slade, Armstrong

Mr. Stern commented that this CPP was the first produced under new CPP guidelines. While the document was very complete and persuasive in its assessment of the country's many problems, it was not very strong in its underlying policy analysis. As to the lending program, Mr. McNamara had already informed President Ziaur Rahman about the Bank's willingness to increase its lending level if the country's economic performance improved; however, the paper's criteria for evaluating country performance were rather imprecise. The analysis of program composition was also rather imprecise; while the paper put emphasis on agriculture and population, only two agriculture projects were in the program for FY81, raising questions with regard to the Bank's preparedness and pipeline. He concluded that (a) the Bank should not go up to 100% in project cost financing; (b) the Bank should not take the initiative of telling the Government anything further with respect to its intentions; during his forthcoming visit, Mr. McNamara should only restate that the Bank could increase lending if the Government improved performance; and (c) program lending should be maintained at a rather modest level and the suitability of structural adjustment lending in the case of Bangladesh should not be considered because, in the case of this country, structural adjustment was indistinguishable from the general development process.

Mr. Baum commented that he had also been struck by the lack of definition and the imprecision of the criteria for measuring performance. CPS strongly disagreed with many elements of the Government's overblown investment program. He agreed with the country's emphasis on agriculture but observed that the Government would have to discontinue its large uneconomic water schemes. He recommended that the Bank assist the Government in strengthening the administration of its population programs. Finally, he said that the paper was rather weak on the country's energy situation and program.

Mr. Gabriel commended the Region for an unusually candid assessment of the country's difficulties and suggested that the Bangladesh aid group be emphasized as a good vehicle for the Bank to influence the other donors. Mr. Waide commented that the Bank should not limit its assessment of the country's performance to just three criteria; a broader set of criteria was needed.

Mr. McNamara made the following points:

- (a) He asked Mr. Hopper for a statement in writing on the performance criteria to be used by the Bank which he could use during his forthcoming visit. Project preparation and implementation performance were the central elements for the Bank's further involvement and management had to be very clear about what constituted good performance.
- (b) Program lending should not exceed 20% and should not be as high as 20% if there were no good performance in terms of macro-economic policies as well as project preparation and implementation.
- (c) As to project financing, the Bank should maintain its present policy, i.e., total foreign exchange financing should not exceed 90% or total cost financing should not exceed 75%.

(d) He was worried about the unrealistic targets of the country's development plan which was, as the paper put it, a political manifesto rather than a plan.

(e) He asked Mr. Hopper for a brief statement on talking points for his meeting with President Ziaur Rahman during his forthcoming visit.

(f) The next CPP review should assess more carefully the Government's program for the landless.

With regard to project cost financing, Mr. Hopper replied that the shortage of local currency funds was a serious limiting factor. Other donors had gone up to 100% of project cost financing; he enquired whether the Bank could go as high as 100% in the case of cofinanced projects. Mr. McNamara disagreed; lack of domestic resource mobilization was one aspect of poor country performance. It would be wrong for the Bank to be financing 100% of project costs.

Mr. Hopper agreed with Mr. McNamara's statement on the lack of realism of the five-year plan. The document was a political statement made by the President and the Region was trying its best in its dialogue with the Government to introduce realism into the annual investment programs. If these annual plans turned out to be as unrealistic as the five-year plan, the Region would have to come back for a review of its program.

CKW
March 31, 1980

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COUNTRY PROGRAM PAPER

BANGLADESH

	<u>FY75-79</u>	<u>FY80-84</u>	<u>FY81-85</u>
January 1, 1980 Population:			
89.1 million /a			
1979 per capita GNP: \$90 /b			
IDA	869.1	1,552.0 /c	1,771.0

Current population growth rate: 2.5% p.a.

No. of Credits	29	43	45
No. of Credits per million pop.	.33	.48	.51

Current Exchange Rate:
Taka 15.5 = US\$1.00

Average Lending Per Capita Per Annum: Current \$ (Const. FY79 Commitment \$)

IDA	1.9 (2.2)	3.5 (2.9)	4.0 (3.2)
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/a Based on population estimate in Bangladesh: Staff Appraisal of a Second Population and Family Health Project, Report No. 2323-BD, May 16, 1979.

/b 1979 World Bank Atlas Methodology.

/c The FY80-84 lending program proposed in this CPP compares with the program for the same period approved at the last Bankwide lending program review (December 1979) as follows:

	<u>FY80-84 Lending Program</u>		<u>Percentage Change Proposed/Approved</u>
	<u>Approved</u>	<u>Proposed</u>	
No. of Credits	39	43	+10%
Current \$ million	1,546.5	1,552.0	+0.3%
Constant FY79 Commitment \$	1,287.4	1,292.5	+0.4%
Per capita per annum (Constant FY79 Commitment \$)	2.9	2.9	-

I. BACKGROUND

A. Introduction

1. The last CPP for Bangladesh was dated December 22, 1977 and reviewed on January 13, 1978. The most recent Economic Report (Bangladesh: Current Trends and Development Issues) was distributed on December 15, 1978 and subsequently published as a World Bank Country Study in March 1979. An economic updating mission was in the field in September/October 1979 and will complete a report in March 1980 for the May 1980 regular meeting of the Bangladesh Aid Group. A food policy review mission was in the field at the same time; its report which was issued in December provided the background for a special meeting of the Aid Group in January 1980 to discuss food aid and policy.

2. On the basis of the normal DPS guidelines for the allocation of IDA funds, Bangladesh should be receiving about 10 percent of IDA resources. In fact, this was the share which Bangladesh did receive during its first years of membership. Thereafter, as the difficulties of project implementation and preparation in Bangladesh became more apparent, it was decided to reduce its share below what would otherwise be justified. Bangladesh is therefore scheduled to receive only about 8 percent of IDA resources under the Fifth IDA replenishment and is projected in the current matrix to maintain the same share in IDA Six. While Bangladesh has shown some significant progress over the past few years, we are not yet ready to recommend an increase in the currently authorized lending levels to Bangladesh. However, in line with our repeated statements to the Government that improved performance would bring about increased IDA resources, if current positive trends continue, we would expect our next CPP to recommend that Bangladesh's share of IDA resources be increased progressively to the share it would receive based on IDA allocation guidelines. This CPP recommends specific criteria to be communicated to the Government for judging whether Bangladesh's performance merits such an increase in its share of IDA resources.

3. The major positive factors which, if continued, would justify an increased share for Bangladesh in IDA resources are as follows:

- (a) increased absorptive capacity as indicated by significant increases in project disbursements by IDA and other lenders (see paragraphs 55 and 56);
- (b) improved domestic resource mobilization, and reduction in subsidies (see paragraph 11);
- (c) improved export performance (see paragraph 12);
- (d) improvements in overall agricultural policy and performance, taking account of weather variations (see paragraph 14);
- (e) improved policy toward the private sector (see paragraph 13); and
- (f) improved project generation (see paragraph 56).

These were backed by increased political stability and positive and dynamic political leadership setting goals which, while unrealistically ambitious, are generally in line with economic priorities.

4. One of the areas where there has been little if any improvement is in planning. The Government will launch its Second Five Year Plan (SFYP) in July 1980, but current indications are that it will set unrealistic targets and will lack a consistent macroeconomic framework or a suitable set of policies for implementation. The projections contained in this CPP are our own; these set forth a normative and reasonably dynamic scenario (as reviewed in the light of past performance) 1/ but still a much less ambitious program than is expected to emerge in the Government's SFYP. Plan preparation has been made more difficult due to conflicts between the President and the planners themselves, who have argued for more modest goals. We do not consider it feasible to persuade the President to change his targets, nor do we see any advantage in openly opposing them. In most cases the areas of concentration enunciated by the President are correct. It will be more fruitful to support efforts to achieve as rapid progress as possible in priority areas by providing assistance to the concerned Government officials in developing action programs and carrying them out, e.g., in increased agricultural production, improved domestic resource mobilization, and improved implementation of development projects. We appear to be achieving positive results in our efforts to assist the Government in development of a medium-term crop production plan, and we expect to continue to make agriculture a cornerstone of our assistance to Bangladesh. We have also recently been requested by the Minister of Planning to provide technical assistance in the development of policies and programs for accelerating plan implementation. We have responded favorably to this request and are working out arrangements for identifying more precisely the type of assistance required. Given the sensitivities involved in assistance to planning in Bangladesh, this effort (like previous ones) may be stalemated, but it is worth pursuing. Through these and similar efforts it is hoped that we can work around the difficulties caused by the overly ambitious plan.

5. Our ability to influence policies in a positive direction will be strengthened if we indicate that further improvements in performance will bring increased lending activity and that deterioration would reduce the amount of assistance which Bangladesh could expect. It is proposed (see paragraphs 98-103) that we inform the Government of three specific criteria for evaluating whether Bangladesh's performance justifies increasing or decreasing its share of IDA sources:

- noted
clear
more interest
more for monitoring*
- (a) improved absorptive capacity, as indicated inter alia by disbursement performance and project generation capacity;
 - (b) appropriate investment strategies, e.g. progressive increases in agriculture's share of investment, and

1/ Five percent annual real growth in GDP and 4 percent annual growth in value added in agriculture.

avoidance of low-return, capital intensive, long gestation projects; and

- (c) domestic resource mobilization, particularly growth in the Government resources made available for development purposes, strengthening the revenue structure, and efforts to stimulate private sector activity leading to greater private sector savings and investment.

The above criteria have been selected because they are prerequisites to increased productive lending by IDA to Bangladesh.

B. Recent Major Political Events

6. The most important political phenomenon of the last three years has been the gradual and peaceful transition of President Ziaur Rahman's government from a martial law regime to civilian rule. The President, having had his position endorsed by a 99 percent vote in a referendum on May 30, 1977, won a Presidential election with 76 percent of the vote in June 1978. Parliamentary elections were held in February 1979. The President's new Bangladesh Nationalist Party (BNP) won 68 percent of the 300 seats contested although it polled only 41 percent of the votes. A faction of the Awami League (the party of the assassinated Sheikh Mujibur Rahman) received 24 percent of the votes but only 13 percent of the seats. The Parliament was convened in March. It has substantial powers on paper, but so far it has been allowed only a figure-head role, serving mostly as a debating arena.

7. The President's political performance has been impressive in some respects. He has gained a significant measure of genuine political support, but this has been at the cost of wooing and including in his Government representatives of almost every part of the political spectrum. Most of his popular support seems to come from the urban middle class and the rural power elite, the landed and wealthy in towns and villages. A major factor in his success in establishing the BNP came from the backing of many former members of the Muslim League, a hard-line, conservative Islamic party. The President is seeking to obtain broader support from the rural masses and appears to be genuinely popular with the people. However he lacks the political organization in the countryside established by the older political parties. In the meantime, the President's real power remains substantially based on the army. This is still in essence an authoritarian, military regime. The President is turning more and more to trusted military friends to fill key positions in the cabinet and the bureaucracy. Some dissension in the army remains, in the form of remnants of the radical left, "soldier's army" revolutionaries who originally put the President in power in 1975. The army's support for the President may be waning, and thus his campaign to gain ground at the grass roots level seems even more important.

8. This presents the President with a formidable problem in providing a policy focus for his Government. On the one hand, he needs to placate the rural masses and the lower ranks in the military, but on the other hand

he can't do much to really improve their lot without alienating his carefully acquired backers from the urban and rural elites. This will affect the Government's ability to move in certain directions, e.g., towards redistribution of income, through land reform or a more equitable food distribution policy. Thus, while a real degree of stability has been achieved, there remain areas of strain. It is conceivable that a severe crisis, poorly managed, could bring down the Government. Over the longer run, the need for significant growth of production to keep pace with population growth and avoid a further decline in rural living standards, and the need for policies to cope with the growing problem of rural landlessness, provide serious challenges to the stability of any Bangladeshi Government.

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C. Recent Major Economic Events

9. The performance of the economy and policy-makers over the last two and one-half years has been reasonably good. Foodgrain output reached a record level of 13.1 million tons in FY78, partly as a result of constructive government measures to increase the supply of inputs and to maintain incentive output prices. Industrial output grew by 10 percent, again partly because of government policies such as increased investment and liberalized imports. GDP grew by an estimated 8 percent in real terms.

10. However, a prolonged drought was the major cause of successive crop failures in FY79. A serious potential food shortage situation, which was not well foreseen, arose in mid-1979. Notwithstanding the decline in agricultural output, other sectors, notably manufacturing and construction, showed continuing growth momentum. Faced with a potential food crisis, the Government performed well in mobilizing additional imports and coping with the logistical problems of emergency food transportation requirements. But while the danger of famine was overcome, the food crunch did lead to inflation, and the need for emergency food imports required a slowdown in other imports reducing the rate of growth in other sectors of the economy. Over the last eighteen months, then, there has been little growth in per capita income, and inequity in income distribution may have increased.

11. On the bright side, there have been several positive policy steps, particularly in domestic resource mobilization and reduction in subsidies. Agricultural input subsidies have been reduced--for example on fertilizer, an action advocated by IDA. Foodgrain ration prices have been increased and the wheat/rice ratio improved. Procurement prices for rice and wheat have been increased to maintain adequate farmer incentives. In the public utilities sector, most entities have increased their prices substantially. Tax administration has improved significantly, although there is still substantial scope for further improvement. Overall, Government revenues increased by 20 percent in FY79 and a further 20 percent increase is projected for FY80. The rise in current expenditures (excluding those included in the development budget) was limited to 9 percent in FY79 and is budgeted at less than 6 percent in FY80. The percentage of development expenditures financed by the current budget surplus increased from 17 percent in FY78 to 23 percent in FY79, despite a 30 percent increase in development expenditure. The current budget surplus is projected to finance 29 percent of development expenditure in FY80.

12. Relations with the IMF have been good, and agreement on policy measures including a series of mini-devaluations led to an IMF standby in September 1979; an EFF mission is proposed in early 1980. Remittances from Bangladeshis working abroad have continued to increase. Foreign exchange reserves increased temporarily in spite of emergency cash food imports and the familiar imbalance between exports and imports, but still comprise only two months imports equivalent. Total exports increased by about 20 percent (in current US dollars) in FY79. The trend to diversification continues with the share of non-jute exports in total exports increasing progressively from 10 percent in FY73 to over 30 percent in FY79. The institutional support in the Export Promotion Bureau has improved considerably and the Bureau is working on proposals for improving export incentives. Nevertheless export earnings in FY79 were still less than 40 percent of imports and the Bangladesh economy must continue to be expected to be heavily dependent upon foreign aid.

13. Government policy in recent years has attempted to expand the role of the private sector. Measures taken during FY79 for encouraging private industrial investment include improvements in the incentive structure for investment, simplification in the industrial licensing procedures, waiving of the previous \$6.7 million maximum ceiling on private investment, and the establishment of a special group within the Ministry of Industries to expedite administrative approvals. In the agricultural sector, the private sector's role in fertilizer distribution has been substantially increased: based on the experience gained last year in one quarter of the country, incentives were introduced in January 1980 in three of the country's four divisions to encourage the private sector to take over most fertilizer distribution activities, expanding previous retail activities to the wholesale level. Efforts are also underway to increase the role of the private sector in the sale and maintenance of irrigation pumps.

14. The keystone of Bangladesh's economic performance for the foreseeable future must be the rate of growth of agricultural production, particularly food production. Bangladesh's performance in this field is still dominated by the effects of weather, and the statistical analysis of trends gives results varying greatly depending upon which years are taken. Nevertheless note should be taken of record setting foodgrain crops of 12.8 million tons in FY76 and 13.1 million tons in FY78, and of an average 17 percent per annum increase in fertilizer use since independence, with a 40 percent increase recorded in FY78. Measures taken in recent years to improve input availability and to maintain incentive pricing are believed to have been helpful in producing these record crops, although much more can be done in these fields. The recent steps referred to above to free the distribution of inputs from the constraints of an inefficient bureaucracy are a positive development, both in their expected short-term effects and as an indication of the Government's increased pragmatism in its efforts to increase agricultural production. Other positive signs include the results of a joint Bangladesh/IDA review of the Water Development Board leading to official endorsement of a strategy of small, quick-yielding, low-capital intensity investments, and the progress being achieved in the joint exercise to produce a medium-term crop production plan. The President's public commitment to achieving very high rates of

growth in foodgrain production may aim too high (the Plan target will probably be at least 20 million tons per annum, or a 50 percent increase in five years) but it still may be useful in achieving appropriate increases in resources being devoted to this key sector.

15. A major disturbing aspect of the economic scene is the status of planning in Bangladesh. FY79 and FY80 were designated as a Two-Year Plan (TYP) period. The two years were meant to offer an opportunity to focus on longer-term development needs and priorities, to reorient policies, and to think out the strategy and actions to be incorporated in the Second Five Year Plan (SFYP) period, to begin in July 1980. Old projects were to be finished off or weeded out, to clear the decks for new schemes supporting the revised strategy. The results of this two year interim period have been disappointing. Certain fundamental questions posed in the TYP document about the direction economic development would take (such as the respective roles of the public and private sectors, and policies regarding land ownership and tenurial patterns to ensure rapid growth with equity) have not yet been answered in the course of SYFP preparation. Virtually nothing has been achieved in terms of the announced goal of selecting lower priority projects to be terminated or deferred.

16. Preparations for the SFYP itself were somewhat delayed, by political factors prior to the 1979 elections and appointment of the new cabinet in April 1979, and by the diversion of policy makers' attentions from medium-term planning to short-term food crisis management through the summer and fall of 1979. In December 1979, with the first draft of the SYFP due in March 1980, several vital decisions had not yet been made. The overall size of the SYFP was still in doubt, as were the targets for GDP and the GDP growth rate. Sector agencies had been asked to draw up their plans, but they had not been given sectoral output or growth targets, overall or sectoral employment targets, or guidelines for likely sectoral resource allocations. Underlying the Plan's preparation has been a political conviction that a break has to be made with the past and a more vigorous development policy pursued during the plan period. There is a set of objectives, set out in the form of Guidelines and National Economic Council decisions - in effect, directives from the President. First priority is likely to be assigned to agriculture, and within agriculture to the production of food. Since only one objective can receive the highest priority, it may be argued that family planning should take first place. The Government also has indicated its intention to intensify its family planning efforts. In any event, in view of the country's economic, social and political circumstances, these are the appropriate first two priorities. Emphasis in the next five years also is likely to be placed on the satisfaction of a number of basic needs, including the provision of adequate clothing and primary education; rural electrification also will receive higher priority. Given the delays experienced in the Plan's preparation, together with the mixed signals received by the planners with respect to the politically-determined plan targets and parameters, the draft SFYP cannot comprise the detailed action programs that are required to translate an inspirational set of targets into a truly operational instrument of economic management. Nor is the draft Plan likely to clarify the relative priorities between the various targets, the means to achieve them or the instrumentalities to resolve potential conflicts between them.

17. Preliminary indications of the likely size of certain key parameters of the SFYP are unsettling. The overall size of the Plan is likely to be about US\$17.6 billion, of which \$12.5 billion will be in the public sector. The private sector investment target of roughly \$5 billion during the plan period includes an estimated \$1 billion in the form of non-monetary capital formulation (canal digging and the like). Nevertheless, it implies that private monetized investment will have to be raised to 6 or 7 times its present level (in real terms) by the end of the plan period. Net foreign aid inflows are expected to be targeted at about \$9-10 billion--or 70-80 percent of public sector outlays. ^{1/} The President reluctantly allowed his original food production target - doubling to 26 million tons in five years - to be reduced to something over 20 million tons, with doubling now targeted for seven years. The extremely ambitious, in fact unrealistic, nature of these targets, and how to deal with them, will be the key determinants of IDA's country strategy and plan for the next year or so. It is obvious that the SFYP will be, at best, a political manifesto and not an economic guideline. How to deal with this situation is a central question in the review which follows of Bangladesh's country objectives.

II. GENERAL REVIEW OF COUNTRY OBJECTIVES

18. While the SFYP is still being prepared, the direction the Government intends to take is clear enough. The keystone of the SFYP will be the large targeted increase in foodgrain production. The official target is likely to be the achievement of foodgrain production of roughly 20 million tons per year in FY85, compared to the latest estimate of roughly 13.0 million tons in FY80. This revised target is technically achievable but would require significant improvements in institutional performance and resource allocation.

19. The second principal feature of the Plan will be its large size. \$12.5 billion of public sector investment, the lowest figure likely to be accepted, compares to current actual Annual Development Plan (ADP) expenditure of about \$1 billion per year.

20. The third main feature of the SFYP is that this outlay would be made possible by continued reliance on, and availability of, massive foreign aid, which would finance \$9-10 billion or 70-80 percent of the total. The President of Bangladesh has written to major bilateral and multilateral donors mentioning these numbers and requesting commensurate aid pledges which total to at least \$30 billion. Achieving the likely SFYP target aid level would require a significant increase in net transfers. The plan also would require that significant efforts be made to mobilize domestic resources and increase exports.

^{1/} Even at this late date there is ambiguity about this crucial number. The latest (February) drafts we have seen say \$9 billion, but the Planning Minister still talks of \$10 billion.

21. While such goals of significant increases in the rate of growth of foodgrain production and concomitant overall growth and aid are laudable, and may even be technically conceivable under optimistic assumptions, they are also unrealistic in the Bangladesh context.

22. An evaluation of Bangladesh's development strategy and performance must be set in the context of this SFYP. Some key implementation questions, yet to be answered in Government documents and which feature in the discussion, include the following:

- (a) The targets for food production necessitate an increased proportion, and large absolute amounts, of investment for agriculture and supporting infrastructure. Will it be possible to achieve this and at the same time avoid an unbalanced investment pattern which could lead to less rather than more growth?
- (b) The rapid rate of growth targeted will require greatly increased absorptive capacity. How will this be achieved?
- (c) The plan will require significant progress in improving domestic resource mobilization, while maintaining incentives for increased private sector production and investment. How will this be reconciled?
- (d) The Government's stated policy is to give a larger role to and rely on the private sector to assist in achieving the ambitious targets for investment. How will this be done?

23. Further, the SFYP will have to be evaluated within the familiar context of constraints to growth in Bangladesh: a large population in a small area; meager natural resources; inadequate infrastructure; and frequent natural disasters. To this must be added a growing concern of recent years: that the poverty problem is increasing. Landlessness seems to be on the rise; fragmentation is certainly a problem and income distribution may be getting worse. Another vital question then, is whether dramatic changes in the rate of growth can be achieved without worsening the equity position. Can rapid agricultural growth be matched by equally rapid rates of growth of rural employment?

III. EVALUATION OF BANGLADESH'S STRATEGY, PLANS AND PERFORMANCE

A. Appropriateness of GOB's Development Objectives and Strategy

24. The Government's intended heavy emphasis on agriculture and rural development in the SFYP, and especially a big push for accelerated growth in foodgrain production, is surely appropriate. For many years IDA economic Reports have taken the Government to task for failing to match rhetoric about

the importance of agriculture with actual cash outlays. Agricultural investment as a percentage of the ADP has declined over time, from roughly 30 percent in the early years after independence to roughly 25 percent now, and a large part of even that inadequate allocation has been consumed by the subsidy on fertilizer.

25. Bangladesh should be poised for large gains in agricultural productivity from the technical point of view. Crop yields (especially in rice) have shown little or no increase in spite of the development of modern techniques, and are the lowest in Asia. With a concerted, well-planned, and coordinated effort, dramatic gains and high rates of growth can, no doubt, be achieved. IDA should support a major effort to increase foodgrain production, but not endorse targets that are unattainable. The primary risk is that the Government will embark on an investment program that is either so unbalanced, or so in excess of available resources, that investment will be dissipated and result in slower, rather than faster, growth.

26. "Self-sufficiency" in foodgrains is a somewhat imprecise target, depending as it does on the assumptions made about the requisite number of ounces of consumption per capita per day, or the elasticity of demand for foodgrain of people whose production and incomes are rising, or the rate of population growth. A low estimate of gross production required in FY85 would be 18 million tons, and a high 22 million tons, compared to the probable SFYP "self-sufficiency" goal of over 20 million tons.

27. The recent "Report on Food Policy Issues" presented an illustrative scenario for moving from 13.0 million tons in FY80 (the official estimate) to a little over 18 million tons in FY85. This would require a growth rate of nearly 7 percent a year, but this may overstate the difficulty of the task. If FY78, a better weather year, is used as the base, the total growth required is only about 4.5 percent a year. Realization of such a scenario would represent a sharp break with past performance and would require substantially increased development allocations to agriculture, reordering of investment priorities within agriculture, and above all a greatly improved capacity for planning, monitoring and implementing programs for supplying the various supporting services to the farm population. Most of the increase will have to come from increased HYV cultivation, which is still constrained by lack of suitable varieties, inadequate water control and periodic shortages of agricultural inputs. Consideration of these facts makes it clear that achievement of the highly desirable goal of food self-sufficiency in the medium term will require significant increases in the resources made available for grain production and improvements in the distribution of agricultural inputs. Recent measures to increase the role of the private sector in input distribution are important positive developments. One of the principal conclusions of this paper is that IDA should continue to assist the Government in drawing up an implementation plan designed to reach its foodgrain production targets. A start has been made in this direction with IDA efforts to help prepare a medium term crop production plan. The next phase of this work should lead to development of a detailed program of investments. We should carry on, to assist in working out the associated implementation plans and required policy changes.

*in 1980
result
now self-suff-
date for 1985*

28. It is clear that the main element of any strategy will have to be to get as many inputs - fertilizers, HYV seeds, and irrigation facilities - into the field as rapidly as possible. Rough estimates of the resources required indicate that agriculture's share of total investment may have to increase to 35-40 percent. Such a reordering of priorities is feasible, but it will require a great deal of discipline in rationing expenditures in other sectors.

29. Whatever foodgrain production objective is adopted, its attainment will be made difficult by constraints, other than input availability, which have held back growth up to now and which may be more difficult to attack. However great the effort to provide increased modern inputs and protective investments, the weather - floods, droughts, and cyclones - will still constitute a threat to foodgrain production targets. It may be hard to find the political will, or strength, to counter well known socio-economic impediments: e.g., tenancy arrangements which provide inadequate incentives to invest in modern inputs, and inter-group rivalries which get in the way of effective cooperative movements. Inefficient Government support institutions are another familiar problem, but recent progress in expanding the role of the private sector in providing inputs to the farmers, if continued, could overcome a good deal of the bottlenecks holding up input supplies. Given adequate assured inputs, Bangladeshi farmers have indicated an ability to learn new techniques (e.g. the rapid growth of wheat production) despite the lack of effective extension or research support.

30. Apart from obtaining rapid agricultural growth, the other clear and necessary objective for any development plan for Bangladesh must be to reduce population growth. The Government used to state that this was the number one problem, and its solution the number one priority, for the country. In the SFYP Guidelines, however, population control has been slightly downgraded to "equal number one" with food production. This may be both reasonable and understandable; the trouble is that the control of population growth is given only passing reference in the Guidelines. In contrast to other objectives such as food production, universal primary education, and rural electrification, no targets are given, although they already had been set in earlier statements. As for implementation, while population control still figures predominantly in public and private statements by the President and other leading members of his Government, performance is poor. Most observers, including workers in the program as well as external aid agencies, agree with the analysis of the appraisal of IDA's Second Population Project, that the main problem is that field workers are undisciplined and ineffective, partly because of weak direction and inadequate supervision by the central administration (see paragraphs 50-54 for further discussion of population matters).

31. Looking at these and the rest of the Government objectives as expressed in the SFYP Guidelines, they would please almost anyone. The problem is the absence of implementation or investment programs to achieve these objectives. While it may be premature to say that the SFYP will definitely not provide such supporting plans, it seems very likely that it will not, and that it will have to be judged instead simply as a statement of appropriate goals. Planning Ministry officials recognize this gap and have requested IDA

assistance in arranging for appropriate technical assistance in developing their ability to prepare such programs and in supervising their implementation. We are following up on this request and hope we can work out an effective assistance proposal, but even if the Government continues to follow up on this matter with determination, it will take sometime before any improvements can be effective.

B. Efficiency of Resource Use

32. Historically this has been one of the biggest problem areas in Bangladesh's economic performance. The country's record will have to improve if there is to be any chance of accelerating the pace of economic development. There are three aspects to the problem: the choice of appropriate individual investment schemes; the allocation of resources between sectors so as to achieve a balanced program in support of primary goals; and the effective utilization of existing capital formation.

33. With respect to the first, the Government will have to defer large, capital intensive projects. There will have to be a premium in all sectors on short-gestation, labor intensive, low capital-cost projects. The country inherited at independence a legacy of dinosaurs - large scale, long-gestation, high cost, capital intensive schemes - like the steel mill, the world's second largest machine tool factory, and major gravity irrigation schemes. Since independence Bangladesh has avoided such major uneconomic investments, but this may reflect more the growing maturity of the aid community than the increased discipline of Bangladeshi planning authorities. A disturbing element of recent months has been the birth of several new grandiose schemes, and the resurfacing of some old, which even in the past could not find financing because they were so obviously uneconomic. New proposals include a billion-dollar liquefied natural gas plant and the purchase of an extensive ocean cargo fleet; some dusted-off old ones are several barrage schemes on the major rivers, another steel mill, and mining of the deeply buried, poor quality coal and limestone deposits. Continued dialogue within the Aid Group to avoid offers for financing of such investments should be helpful in strengthening the hand of those within the Government striving for rational planning priorities.

34. One bright spot is the agreement finally reached with the Water Development Board, and recorded in the recent joint GOB/IDA report on its activities, (Review of the Bangladesh Water Development Board, Report No. 2327-BD, April 2, 1979) that the WDB will in future concentrate on small, low-cost-per-acre schemes. But even here (as noted above) a potential problem lurks: the Guidelines to the SFYP contain an addendum in Bengali, not translated into English, which makes it clear that construction of the Teesta Barrage will be in the Plan. The President already has officially inaugurated the project. Under the timetable and priorities supposedly agreed in the Joint Report, only design work should be done now, and construction of this very expensive scheme would be deferred for five years. Drafts of the water sector portion of the SFYP indicate that more such big schemes also may be started during the Plan period.

35. As for intersectoral balance, the push for increased production of foodgrain will mean that the relative investment shares of some other sectors will have to be reduced. The emphasis in those sectors should be on schemes which complement the agricultural thrust or which contribute to a reduction in the balance of payments gap. Industries should be stimulated in rural areas to provide employment, to manufacture items needed for the new technology, to meet the consumption demands of higher rural incomes, and to process agricultural products. Export oriented industries also have priority particularly if they are labor intensive. Unfortunately, little is known about exactly what kinds of things should be manufactured, what plant sizes are appropriate, and how to get entrepreneurs to set them up. Similar questions arise in other sectors, of which transportation is the most obvious. The Planning Ministry must now concentrate its efforts on finding the answers to these and similar questions, and developing appropriate policies and strategies.

36. Bangladesh also has had problems with respect to the economic use of existing resources, as measured by the rate of utilization of existing capital. The familiar case is the low percentage of capacity utilization in public sector industries. There has been some improvement over time, partly as a result of action programs under IDA program credits, but performance is still less than desirable. Basic problems are overcentralized control, the lack of personnel incentive systems which base promotion or reimbursement on good performance, and pricing decisions dictated by political motivation. Utilization rates are also low in the agricultural sector. Tubewells and pumpsets reach only about 50 percent of their potential irrigated acreage. Several reasons have been advanced for this, and all probably account in some part for the phenomenon: poor extension and repair services and socio-economic constraints are examples. An important cause may be that pricing policies give inadequate incentives to put facilities to full use in order to generate income, whereas lack of certainty of spare parts and fuel supplies gives a positive incentive to minimize use of equipment.

C. Effectiveness of Domestic Resource Mobilization

37. Bangladesh's domestic resource mobilization effort is inadequate but improving. Current revenues are low (although some sources, e.g. tax revenue, are rising rapidly). Current expenditures are growing less rapidly, however, so that the current surplus increased by almost 80 percent in FY79. However, current surplus is still less than 3 percent of GDP. Furthermore, development expenditure is expanding, so that the increase in the current surplus could only raise the percentage of domestically financed Government investment from 17 percent to 23 percent. This is projected to increase to 29 percent in FY80. In spite of these improvements, unusually large proportions of any investment plan must be financed by foreign assistance. Large subsidy items, including those on fertilizer and publicly distributed food, and the negative contribution of the public sector enterprises as a whole, exacerbate the problem. Finally, the difficulty is accentuated because the inadequate funds are spread over too many development schemes and projects.

38. The Government's strategy of making rapid strides in food production will provide a further test for the adequacy of efforts at domestic resource

mobilization. For years, the receipts from the sale of aid-financed, often donated, food aid have been a mainstay of GOB revenue raising. If food production rises and receipts of food aid decline, greater burdens will be placed on other sources of revenue. Further, if total aid disbursements are to increase in order to continue to finance the bulk of significantly increased development expenditures, disbursements of project and commodity aid will have to grow even more rapidly as food aid declines.

39. It is doubtful that the aid community will support Bangladesh's ambitious SFYP targets with the aid inflows asked for, if the Government does not make substantial strides towards achieving greatly increased SFYP financing from domestic sources. The first real test of the seriousness of the Government's intentions will be provided in the FY81 Annual Development Plan (ADP). Donors will look for specific measures. Particular areas which must be addressed are:

- (a) The contribution of the agricultural sector. If agriculture is to provide the basic momentum for growth, and the biggest absolute share of GDP growth, the sector must directly and indirectly make a larger contribution to the increase in internal resources. Agriculture will have to bear a larger tax burden, especially if it proves difficult to guarantee a larger than proportional share of increases in productivity to the lowest income groups. At the same time, prices of agricultural inputs must be further rationalized. Current large unit subsidies cannot be sustained, both because of their budgetary impact, and because there is evidence that large farmers reap the greatest share of benefits of current subsidies, and that prices which are not cost-based result in uneconomic use of assets. The agriculture sector thus presents a very difficult task for planners and policy-makers: how to increase input prices and the agricultural tax burden, and still provide the incentives necessary to accelerate growth. It is possible in theory, of course, but achieving the right balance between policies and maintaining a favorable psychological attitude amongst farmers will not prove easy in practice.
- (b) The other side of the food picture is the public distribution system. At the moment, the ration system represents a drain on public revenues to finance a subsidy which is believed to benefit the relatively well off more than the poorer segments of society. As food production increases, and the needs of the system have to be met increasingly from internal procurement, it will become more necessary to reduce costs and convert the public distribution of foodgrain into a true relief operation and/or a tool for income redistribution to the poor.
- (c) Improvement in the financial performance of public sector enterprises in transport, industry, and public utilities is another potential source of savings/earnings which must be tapped.

While some progress has been made, particularly in the industries which have been the subject of action programs agreed with IDA, more fundamental changes are needed, such as: granting of financial and managerial autonomy to individual units; cost based pricing; financial rewards to staff for good performance; possible return of units to the private sector.

D. Effectiveness of Trade and Exchange Policies

40. The structural imbalance between domestic revenues and expenditures is reflected in the balance of payments by the serious disparity between imports and exports. Economic managers in Bangladesh deserve some credit for the fact that exports now finance over 35 percent of the import bill, instead of about 30 percent as was the case three or four years ago, and that the share of non-jute exports has increased from 10 percent in 1973 to over 30 percent. Whatever the overall size of the SFYP, the import bill will have to be high, if acceleration in growth is to be achieved. An expansion in development spending will create enhanced demand for capital goods imports. This will affect agriculture as well as industry until local manufacture of fertilizer and irrigation equipment can be built up, which also will require considerable capital infusion. Raw materials, spare parts, and capital goods imports still will be required in large amounts to facilitate further improvement in rates of capacity utilization in existing industries. Higher income levels may necessitate more imports for consumption. Energy costs will be higher, at least in the short run. Finally, the Government should continue its recent cautious but real steps toward liberalization of import policies.

41. The terms-of-trade are projected to deteriorate sharply in FY81 and to remain relatively constant thereafter. The trade deficit is expected to increase by about 3.5 percent per year in real terms even with good performance. This should be accommodated by donors in the form of enhanced aid flows. At the same time, the Government must do its share by stepping up its export efforts. Significant export growth can only be expected through progress in Bangladesh's export diversification efforts. Nevertheless, jute will continue to dominate the export ledger over the SFYP period. In this sector, exchange rate policy and international price trends are adequate and favorable for the moment. A 15 percent decline in jute export prices can be expected in FY81 but the increase in oil prices should permit jute to compete sufficiently effectively with synthetics over the long run to enable jute exports to maintain current levels (in real terms) and perhaps even show some modest growth. Problems continue in adjusting domestic pricing policy to the changes in supply due to weather variation and avoiding the wide fluctuations in price which have characterized recent years. A jute buffer stock may be worthy of consideration in order to produce stable and adequate raw jute supplies.

42. While Bangladesh's export efforts should not be expected to show great results in the next five years, Bangladesh should be in a good, albeit not excellent, position to launch a viable export drive. Low-wage labor is readily available. There is a considerable degree of commercial, and even

industrial, experience in the private sector. Banking services are reasonably well-developed and experienced. The policy framework is good, although more could be done. An Export Performance Licensing Scheme, and an Export Promotion Bureau, have been established and the latter institution has shown good progress. An Export Processing Zone has been started in Chittagong. Rebates, tax reductions, subsidies and preferential financing rates are available, but could be improved. Yet, an acceleration in manufacturing exports has occurred in only a few instances.

43. The real problem seems to be that potential manufacturers, in both the public and private sectors, don't really know what they ought to make, or how to market it. Another difficulty, discussed separately in this paper, is the continued reluctance of the private sector to respond to Government attempts to revitalize it. As for demand and marketing, something must be done to provide more effective export promotion services. Knowledge of international opportunities must be expanded. Entrepreneurs should be granted easier access to foreign exchange to acquaint themselves with products and potential customers abroad. In this respect, studies launched or planned under the Export Development Program agreed in connection with IDA Import Credits should help to identify new product lines. More attention should be given to possibilities for industries based on the processing of imported raw materials.

44. Exchange rate policy is reasonably adequate. A major improvement occurred with the 1975 devaluation. Since then the Government has shown a readiness to make repeated marginal adjustments to keep the rate appropriate. A series of "mini-devaluations" in 1979 preceded a standby agreement with the IMF.

E. Effectiveness of Programs Aimed at the Alleviation of Poverty

45. This is perhaps the area of Government strategy which is the most difficult to evaluate. There is no doubt that the Government's intentions are good, in the sense of setting targets and establishing priorities. The SFYP Guidelines cover the basic needs adequately in terms of goals: food self-sufficiency by FY85; achieving universal primary education by 1990 or earlier; electrification of all villages by 1987 and 60 percent by FY85; provision of safe water supplies in all villages by FY85; construction of housing for the urban workers. But even to make a good start towards attaining all these targets will strain the human and financial resources of the country.

46. The starting point is certainly discouraging. Poverty levels are bad and may be getting worse. It is estimated that 75 percent of the rural population and 55 percent of the urban population are below the absolute poverty line. Data show that landlessness and sharecropping are on the rise, and that nutrition levels are falling. In a bad crop year (and usually in the year that follows, for example FY79 and FY80), per capita consumption of foodgrains falls below even the controversially low Government "minimum" level of 15.5 ounces per day, in spite of massive food imports. The data base is admittedly bad, but the trend seems to be there. The one slightly optimistic result of recent studies is that employment in rural industries may be higher than had previously been thought.

47. Although it has specified various basic needs targets, the Government is still struggling to devise a workable program for poverty alleviation; given the enormity of the problem, however, hope appears to rest primarily on the expectation that the rural thrust by itself will provide employment. The employment problem is recognized, but policies to address it are only suggested, and then not always consistently. For instance, the Guidelines speak of building rural and urban infrastructure through "mass participation", but in different places the labor is described as both voluntary and involuntary, and paid and unpaid.

48. In the circumstances, the Government has chosen to put first priority on increasing food supplies. Of course, if access to development possibilities is captured mainly by the better off, inequality may grow and the poverty of the poor will restrict demand and thus overall growth. In Bangladesh, high levels of agricultural growth can be achieved only if the poor have better access to the means to increase production. But it is also true that in the absence of fundamental land reform the "rich" must be allowed to have their share if there is to be rapid growth. It must also be remembered that the "rich" farmer in Bangladesh with eight acres would be considered poor in most other countries, and that although some large landholdings do exist, the opportunities for meaningful land reform in Bangladesh (beyond improved security of tenure and regulation of share-cropping arrangements) are limited. In a country as poor as Bangladesh, then, the concentration on food production is as good a way as any to improve the lot of the poor, at least for the next few years.

49. Attention must be paid, however, to ensuring that the programs adopted do not make income distribution worse. Smaller farmers must have real access to modern agricultural inputs, at incentive prices; that is more likely to happen if subsidies are reduced and supplies increased. In the current situation of high subsidies and scarce supplies, the large farmers corner the market, while the small farmers must pay a black market rate to get any inputs at all. Improved practices should concentrate on labor-intensive technologies. Mechanization of farming should be adopted only where it increases employment (as with irrigation) and not when it is labor-displacing (as with mechanized harvesting). There are some recent data to show that increased production by itself will help to ease the problems of the poor. The employment elasticity of foodgrain production has been estimated as high as .5, if processing, transportation, and marketing activities are included. So the emphasis on a rapid increase in food production, for its own sake, seems to be an appropriate first line attack on poverty in Bangladesh, so long as the policies adopted do not discriminate against the poor and the landless. The use of labor intensive rural works in increasing agricultural production opportunities while alleviating poverty should be expanded, with improved direction and complementary investments to make the rural works more productive.

F. Effectiveness of Bangladesh's Population Control Program

50. The basic population situation in Bangladesh is well known. The population is estimated to be about 89.1 million as of January 1, 1980 ^{1/}

^{1/} Based on population estimate in Bangladesh: Staff Appraisal of a Second Population and Family Health Project, Report No. 2323-BD, May 16, 1979.

and to be growing at a rate which is 2.5 percent per annum at least and is declining slowly, if at all. (Basic data are given in Attachment 5). The implications are staggering for the standard of living, employment, meeting basic needs, land ownership, and indeed every aspect of life in the country.

51. The Government's official target now is to reduce fertility to the replacement level by 1990. This represents a slight backing off from the earlier target, which was to reach that level by 1985. To call even the more modest target extremely ambitious is an understatement. Reaching it would require a rate of progress greater than that achieved in any other developing country, even those whose economic and social development offered much more favorable environments. While it might not be demographically impossible if draconian measures were adopted, it is inconceivable in the light of past experience on the Indian subcontinent, of the religious makeup of the population, and most of all, the slow pace of performance of the family planning program to date.

52. In some ways, the foundations for a sound program have been laid. A large cadre of field workers has been hired, trained, and put in place. Demand for services is increasing due in part to the efforts financed under the first IDA population project. There are data to show that the number of acceptors is increasing, but there is little evidence yet to demonstrate that fertility is declining. The truth is that the program isn't working well because the field workers don't work well.

53. Why this is so is a matter of some dispute. There are still those who say it is unrealistic to expect female workers in a Muslim country to do the kind of daily trekking around which is required. Others point to the inadequacies of training, lack of technical supervision, and inadequate logistical support. But one of the principal reasons is that there has been no real effort made to enforce discipline upon the field staff. This is acknowledged by high level members of the Government and administration, but so far they have either lacked the power, or the will, to do anything about it. Much of the energy of upper and middle echelon managers has been absorbed in internal squabbles, among themselves and with the Health services, for control of resources. Senior officials said the situation would change when the President had secured his political position; that he would take over, and reform the cadre of workers as he had reformed the army, and force them to work. This has not yet proved to be the case; so far, directives to "do better" have not addressed the real problems. A set of measures designed to increase the performance of field level workers was agreed during negotiations of the Second Population Project; it remains to be seen whether these will address and correct the real factors which underlie the present torpid working pace. Particularly close supervision by IDA and the other major donors is envisaged to keep track of progress under an agreed timetable of key project activities.

54. The Government's ability to turn this program around will be another key test of its seriousness under the SFYP. It is widely accepted that the efficient delivery of services is the primary task, but this is exactly where the program fails now. Progress will depend in part on the Government's willingness to devote greater resources to family planning. In financial

terms, the costs of the program through FY85, partly financed by IDA's Second Population Project, will require an increase in the sector's share of development expenditure, and of current expenditure levels. Managerial resources will be at least as important. More and better staff at upper and intermediate levels will have to spend more time on training and supervising in the field the workers who constitute the primary contact with the populace.

G. Evaluation of Absorptive Capacity

55. The description of some of the factors inhibiting execution of agricultural and family planning programs demonstrates that a dramatic improvement in absorptive capacity is needed. Performance in project preparation and implementation is a reasonable proxy for this criterion. Bangladesh needs to make considerable progress in this respect if there is to be any chance of approaching the levels of external resource transfer envisaged in preliminary SFYP projections, or indeed if there is to be any real increase in the rate of growth of the economy. Project aid disbursement is a rough indicator of such progress, and the record shows significant recent improvement. Disbursement of foreign project aid (in current US dollars) increased by 41 percent in FY79 to \$357 million as compared to \$254 million in FY78 and \$147 million in FY77. Total Government "development expenditures" also increased by about 40 percent in FY79. Some caution is needed in interpreting this result since some current expenditures, such as the fertilizer subsidy, are classified as developmental. Nevertheless the increase in development expenditure is estimated to be real and significant.

56. Disbursement on IDA projects (excluding program credits) also has shown significant progress, increasing to over \$56 million in FY79 as compared to \$38 million in FY78 and about \$25 million in FY75, 76, and 77. Disbursement as a percentage of the amount outstanding at the beginning of the year reached the respectable level of 19 percent in FY79 as compared to 14 percent in FY78 and 10 percent in FY77. The pipeline is also in better shape now, although it is still thin. The pipeline development may owe less to the Government's project preparation capacity than it does to IDA staff work, technical assistance financed by external agencies including IDA, and inputs from other agencies such as the FAO/CP; nevertheless, the cooperation given to such efforts has shown significant improvement, without which these efforts would have continued to founder. While credit must be given to Bangladesh for the improving trend in disbursements, much more could and must be done to achieve higher levels. Some of the continuing constraints to absorptive capacity in Bangladesh are discussed in the following paragraphs.

BANGLADESH DISBURSEMENTS

(Figures in parenthesis are net of Program Lending)

	<u>FY79</u>	<u>FY78</u>	<u>FY77</u>	<u>FY76</u>
1. Undisbursed balance as of July 1	374.1(290.5)	321.5(264.1)	287.5(242.0)	228.0(182.6)
2. Commitments during FY/a	271.0(171.0)	139.0(64.0)	122.0(47.0)	184.3(84.3)
3. Total disbursements during FY	152.5(56.3)	86.4(37.6)	88.0(24.9)	124.8(24.9)
4. Disbursement rate (3+1) x 100	40.8(19.4)	26.9(14.2)	30.6(10.3)	54.7(13.6)
5. Comparators' disbursement rates				
(a) All other countries				
in S. Asia Region	21.3	23.1	32.2	35.3
(b) Bank-wide IBRD/IDA average/b	27.4	26.3	31.1	35.1
(c) Selected comparators				
India (IDA only)	19.8(19.8)	23.3(23.0)	40.2(32.9)	41.7(28.4)
Sri Lanka (IDA only)	12.3(12.3)	19.0(19.0)	22.3(22.3)	21.1(21.1)
Indonesia	15.0	19.3	26.2	35.9
Egypt	18.3	15.9	19.1	25.1

/a For FY76 commitments are shown net of cancellations

Bank-wide data exclude approved but not yet effective loans/credits from the undisbursed balance, and disbursement rates are therefore somewhat higher than would be the case if such loans/credits had been included similarly to the other data in this table. Bank-wide average also includes program lending.

57. Institutions. Most administrative and industrial institutions in the public sector are weak. Ministries and agencies, as well as public corporations and enterprises, suffer from overcentralized control. Insufficient delegation of responsibility is a problem at almost every level of management. Organizational responsibilities are splintered and fragmented, and yet at the same time overlapping. Managers of public sector manufacturing and financial institutions are bureaucrats, not businessmen, and behave accordingly.

58. Sector agencies and ministries, with a few exceptions, have no organization for, nor expertise in, project preparation. IDA's efforts to assist the Government in building up project preparation cells with technical assistance have met with little success in the past. Whatever the reasons (disagreements over the necessity for detailed preparation, a reluctance to accept high paid foreign experts in essentially Government jobs, belief that domestic abilities are adequate to do the job) Bangladesh has not yet been willing to make a real effort to set up such cells. In recent months, the Government, through the new Planning Minister, has said again that it would welcome technical assistance for this purpose. Despite the frustrating experiences of the past, the importance of the task is such that we are trying again.

59. Once projects are prepared, approved, and funded, there is no adequate mechanism for control and monitoring of physical and financial progress. This is true of individual projects, organizations, and the Government as a whole. The Project Implementation Bureau, originally created for this purpose, has not functioned effectively. It was never given the power to order corrective action, and it became a recipient of hastily prepared, incomplete progress reports which were not taken seriously. During the first years of the current Government, it became too closely associated with the Martial Law apparatus and lost its credibility with civil servants; it is questionable whether it can now obtain the confidence of the bureaucrats. An important task of the SFYP period will be to establish some other control and monitoring mechanism; this will have to include the establishment somewhere in the administration of a focus of power which can direct corrective action once problems are identified. Given the lack of experience in this field and overall manpower constraints, it will probably be best to begin in a limited way.

60. Social. We have inadequate knowledge of how local power structures in the rural areas of Bangladesh affect the development effort. It does appear that there is little village cohesion. Villages seem to be divided into several factions, often very antagonistic to each other. The factions each appear to be headed by a better off village member and include dependents loyal to the faction leader based upon his providing protection, access to Government benefits, loans and other financial support. In this atmosphere of factional competition, efforts to form village wide institutions (such as cooperatives) are likely to fail; those in control of a pump may be unwilling to share the water with farmers belonging to another faction.

61. Financial. At the current, inadequate, levels of development expenditure, available resources are already spread too thinly over too many projects. In the SFYP period, it will be essential to restrict the project list to the real priorities. Unfortunately, the prospects for this are uncertain. Efforts to prune the list in the TYP have had meager results.

62. The Government economic ministries (Planning and Finance) appear to lack the ability to exercise strict control to ensure that only high priority schemes are financed. The Government in general seems to be unable to rank priorities - everything seems to be highest priority. All ministries are seeking, and seem to think they have, the President's support for all of their pet projects, especially the large and newsworthy ones. The chaotic process of plan preparation in recent months has contributed to the problem. In the absence of a macroeconomic framework, or sectoral investment targets, ministries were in effect asked to submit their shopping lists and thus encouraged to shoot for the moon. The danger is that if unpopular choices are not made, the problem of too little money to finance too many projects will become even worse than it is now.

63. Private Sector. Since independence - and the nationalization of most industrial assets, banks, and service industries - the private sector has played a very limited role in capital formation in Bangladesh. In accelerating the rate of investment as planned, the private sector could be a substantial instrument for mobilizing and utilizing resources. President Rahman's

Government has made some significant moves in this direction (see paragraph 13). While response of the private sector to new opportunities in such fields as fertilizer distribution and pump maintenance has been reasonably good, progress in new manufacturing investment has been slow. Private sector representatives are reluctant to articulate their reservations, but these seem to boil down to not trusting the Government. They don't accept assurances that there will be no more nationalizations; they say they would be more likely to do so if the Government returned some assets to former owners. They aren't sure the Government is really serious about a big role for the private sector, and they note that whenever something comes to the test the advocates of the public sector seem to have more favor. They argue that they aren't clear which kinds of manufacturing the Government would like them to pursue, but that in any case the areas which are open to the private sector, or to "joint ventures", are too narrow to allow room for a major expansion of private activity.

64. The task for the future will be for the Government to show its bona fides by meeting some of these points. An attempt should be made to define some precise areas in important and financially attractive sectors where private investment should be directed. It may prove necessary to reduce the sectors restricted to or requiring public sector investment, or indeed to reserve some sectors for private investment. The proposal (recently approved for negotiations by IFC) for an investment promotion company for the private sector is expected also to be helpful in encouraging the private sector to invest and in identifying and preparing suitable projects.

65. Administration and Manpower. Underlying most of the other absorptive capacity problems is the shortage of trained and competent administrators. The reward structure in ministries and agencies as well as in public sector corporations is not geared to give managers incentives to run their operations efficiently. In the public enterprise sector, salaries are not allowed to reflect good performance; and within the Government, salary levels are not sufficiently competitive to attract enough first rate individuals. Promotion is based almost entirely on seniority, and not on merit. The results are well known: even amongst the competent, complacency and corruption are common.

66. Training is another problem. There is no real program to develop the large cadre of trained personnel needed at all levels of government and public enterprise. Training is also a problem in terms of technicians and skilled workers. Even where personnel development schemes exist, they are generally inadequate. Emigration of skilled workers, especially to the Middle East, has put a further strain on the already meager manpower resources. While the foreign exchange revenues sent back have become a significant and useful "plus factor" in the balance of payments, the tradeoffs in this area need to be more closely studied than the Government has done in the past.

67. The President has recognized the existence of the administrative problem, at least to some extent. He seems to have become exasperated by the senior levels of the civil service. Frustrated by their doubts and questions about some of his targets, and the lack of immediate action and success on some of his programs, he appears to attribute blame to the civil service for

lack of dynamism and for opposition to his goals. So he is deliberately trying to break the hold on senior positions of the old Civil Service of Pakistan (CSP) generalist cadres who have dominated for so many years under the system inherited from the British. He is trying to give a bigger role to technocrats from the other streams of the civil service and from outside, including the military. Many middle level CSP managers, i.e. at the Joint and Deputy Secretary levels, have been told they can no longer expect to make it to the top.

68. It would be an important achievement if the President could break the grip of the corrupt, the complacent, and the mediocre on so much of the public administration. But attainment of his praiseworthy objective is threatened by serious risks in execution. His campaign seems to be demoralizing much of the bureaucracy. This may produce less rather than more action. In the absence of changes in the incentive and promotion system, it may be the best who choose to leave government service and the worst who lumber on.

IV. ASSESSMENT OF BANGLADESH'S EXTERNAL ASSISTANCE REQUIREMENTS

69. The official government target for aid disbursement during the SFYP is likely to be \$9-10 billion in FY80 prices. Gross disbursements reached \$1 billion in FY79, and are projected to be \$1.45 ^{1/} billion in FY80 and \$1.7 billion in FY81 (in current prices). If a rate of increase of 10 percent could be sustained, disbursements would be about \$2.25 billion in FY85 and a figure between \$9 and \$10 billion for the five years would be reached. It is possible that this could be done, but it would require a great effort to overcome the absorptive capacity constraints enumerated in the previous section. A major complication will be caused by the changing composition of aid flows. The record of previous years makes it extremely difficult to project the future. While a significant positive trend appears to have been established for project aid disbursements (see paragraph 55) there have been wide fluctuations on a yearly basis in the other major categories of aid - food and commodity aid. While no clear trend lines are derivable from past experience, some generalizations are possible, and it is possible also to draw some valid conclusions from them.

70. Food aid will decline if the food production program is successful. Disbursements of program and project aid thus will have to grow at rates faster than the overall rate. Disbursements on food aid have been roughly 25 percent of the total in recent years. If self-sufficiency in food is achieved and food aid disappears, disbursements of program and project aid combined would have to grow at an annual rate of about 20 percent in real terms, compared to less than 5 percent per annum over the last 5 years. (In real terms project aid disbursement has increased at an average rate of about 8 percent per year, while non-food commodity aid has shown no increase in real terms

^{1/} This substantial increase over FY79 reflects largely the effect of inflation (\$150 million) and the 140 percent increase in real terms of food aid disbursements in FY80 (i.e., roughly \$135 million). Project disbursements grew by 15 percent in real terms while non-food commodity aid disbursements grew at only 2 percent.

between FY75 and FY79). Further, if investment strategy is successfully centered on agriculture, imported capital goods will decline as a percentage of the total. The shares of local currency and commodity financing will have to increase.

71. Another limiting factor will be the willingness of donors to "foot the bill". The scenario in the recent IDA report on domestic resource mobilization assumed that aid might continue to finance 10 percent of GDP and 60 percent of investment. The Government's scenario assumes that external finance will cover 70-80 percent of public investment. That would mean that aid disbursements would grow to about 15 percent of GDP. It is questionable whether this would be accepted. X

72. Given all these considerations - the doubtful absorptive capacity, seen in the context of the extremely rapid growth rates which would be needed in program and project aid, and the burden which aid donors would have to bear, it might be more realistic to plan on a more modest, but still ambitious, target. \$8 billion in disbursements over the SFYP period would be more realistic, and would imply annual rates of growth of about 6-7 percent overall and about 11-12 percent in project and program aid in real terms.

73. An unknown quantity, which might assist Bangladesh in reaching the higher level in spite of existing obstacles, is the amount of aid it will be able to attract from Arab countries, which are now outside the Bangladesh Aid Group. It is hard to guess what may happen. Aid flows from this source have increased in the last few years, but in a very sporadic way. The form of aid has also varied widely - from cash donations, to financing of projects that other donors were not willing to take up. Fitting aid from the Arab world into the overall framework will pose a difficult problem in aid coordination during the SFYP.

V. IDA'S ASSISTANCE STRATEGY AND PLAN

A. Strategy

74. This paper has presented a frank assessment of the Government of Bangladesh's development strategy and plans. While there has been significant progress in Bangladesh's economic performance and in its absorptive capacity, implementation remains a problem. Moreover, while the Government's objectives are generally correct in emphasis, its targets are unrealistic and there is as yet no thought-out strategy or plan to achieve them. IDA's role for the next few years, as an individual aid giver and as leader of the Bangladesh Aid Group, will be delicate.

75. The essence of the strategy proposed here is simple. Since it makes sense for Bangladesh to give high priority to increasing the production of food, IDA's economic work and lending program should concentrate on helping the country prepare and implement a concrete, detailed food plan. Such a plan would include action programs for the provision of inputs, specific projects

and timetables, detailed elaboration of the necessary investments for complementary infrastructure, and precise policy measures. To ensure that agricultural investment targets would be consistent with available resources, we should also require that the Government prepare (and we should be ready to help) a two or three year financial resource plan, including especially a targeted contribution of domestic resources, again supported by a specific delineation of the required policy actions. Finally, we should try to assist the Government in improving its implementation capability and thus its absorptive capacity.

76. The existing approved levels of IDA lending are significantly below the levels justified by Bangladesh's poverty and population. They represent a deliberate reduction of Bangladesh's share of IDA resources below the level of about 10 percent justified by the DPS guidelines. This policy was established, and has been maintained, through years when Bangladesh's implementation capacity and economic policies were significantly worse than they are today. While problems remain, the Region believes that continuation of recent improvements would justify progressively increasing Bangladesh's share of IDA resources from the roughly 8 percent shown in the current matrix to the level provided in the DPS guidelines.

77. Progress in three areas (improved absorptive capacity, appropriate investment strategies, and domestic revenue mobilization) should be the basis for establishing criteria for monitoring and evaluating the Government's performance. Criteria are proposed in paragraphs 98-103. It is recommended that the Government should be informed of the precise nature of the evaluation criteria and that increased levels of lending (up to about 10 percent of IDA resources) can be expected if the evaluation criteria are met. The Government should also be warned that failure to maintain recently achieved progress would result in a reduction in its share of IDA resources.

78. Aid Coordination. As Chairman of the Bangladesh Aid Group, we will be asked by other donors what attitude to take towards the ambitious goals of the Government. We should indicate to them the strategy which we ourselves intend to follow. Reporting to the Aid Group should focus on the Government's progress in meeting IDA's evaluation criteria, as a measure of whether the Bangladesh development program justified enhanced international aid flows. The donor community should be urged to provide aid commensurate in quality to IDA's, in terms of commodity and local currency financing, and untying.

79. A special effort should be made to influence the project financing activities of other donors. Our advice to them should be as specific as to the Government in exercising selectivity to make sure that only the highest priority projects are supported. The Aid Group forum should be used much more than in the past to discuss and coordinate project financing. A start has been made already by using meetings of local representatives, in Dacca, to review specific sectors and subsectors. This should be expanded, with the intention of guiding investments in the right direction. Consideration should be given to the preparation of papers for such meetings, and greater participation in them, by headquarters staff. The Resident Mission has also made a start in collecting and disseminating information on who is doing, or being asked to do, what. This should be intensified.

80. The Arab States and Funds present a special problem. They are not now members of the Aid Group, and show no interest in joining. Some of them came to earlier meetings, but they did not like the emphasis on discussing the Government's economic programs and performance. They expected more in the way of being told how much finance was needed, and especially for what purpose, than in criticism (as they saw it) of the aid recipient they were being asked to help. It is precisely the kind of aid coordination they sought - helping to select appropriate applications of funds - that has been identified above as deserving increased attention in the Aid Group. It is doubtful, however, that the Arabs can be persuaded to join or rejoin the Aid Group. Other ways will have to be found to improve our dialogue with them, although it should be recognized that they and the Government of Bangladesh may resist attempts to include them in aid coordination. In the past, the Arabs have shown a tendency to finance dinosaurs and it is important to try to steer them away from such projects in the future. There have been some recent signs that they welcome and will heed such advice. This indicates the direction our future efforts should take: we should try to increase our bilateral contacts with them, and help them to answer the questions - what to finance and how much - that are important to them. It might also be possible to get them to associate a little more closely with the rest of the donor community, perhaps by attending some of the more informal meetings of the local representatives in Dacca when these kinds of questions are discussed.

B. IDA Assistance Plan

Amount of Lending

81. As stated above, the Region recommends that Bangladesh's share of IDA resources be maintained at its current level of about 8 percent of IDA resources as authorized under the current matrix. However, if current progress should continue, based upon the criteria described in Section C below, the Region would recommend in its next CPP a progressive increase in Bangladesh's share of IDA resources to the level indicated by DPS guidelines, that is, up to about 10 percent of IDA resources.

Lending Program

82. General. Support for the agricultural sector should be the cornerstone of project lending, based upon the medium-term crop production plan. The Region recommends that at least 35 percent of the lending program should go for projects in the agricultural sector. About 20 percent should go to program lending required to provide imports to permit increased utilization of Bangladesh's existing productive facilities. About one third of this program lending would be expected to be directed to imports of agricultural inputs or of spare parts and raw materials for industries serving agriculture (e.g. fertilizer manufacture) or processing agricultural products (e.g. jute). The remainder of the lending program, roughly 45%, would be allocated to projects selected to:

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- (a) provide the infrastructure to support the agricultural thrust of the SFYP (e.g. manufacture of fertilizer and transport of agricultural inputs or commodities);

- (b) reduce population growth or provide basic human needs (e.g. water supply, primary education, textiles);
- (c) strengthen the private sector and/or reduce the balance of payments gap; and
- (d) improve project implementation and preparation capacity (e.g. vocational and management training, technical assistance).

83. Agriculture. The central thrust should be to provide the inputs required to support HYV grain production: irrigation, fertilizer, pesticides, seeds, extension and research. As noted above some of the required imports will be supported through program lending. As the food production strategy will depend in large measure upon increases in imported inputs (at least at the outset), it will be essential to assure adequate supplies; program credits can supplement project lending in accomplishing this. In the field of irrigation, to the maximum extent possible we will support expansion of irrigation through low-lift pumps and tubewells. In line with our support of an increased role for the private sector, we would expect to finance most of this type of equipment in the future (with the possible exception of deep tubewells) through agricultural credit projects. A first phase credit project is currently being prepared for FY81 and we would expect to continue work to strengthen the credit institutions to enable them to undertake an increasing load. We would also support civil works irrigation projects of the kind normally carried out by the Water Development Board (WDB) with emphasis on low costs per acre. In Attachment I, these are divided into four types of such projects:

- (a) Small Scale Drainage and Flood Control. As with the FY80 project, these would provide structures for rural works done under other programs such as Food for Work.
- (b) Sector Credits. Collections of very small scale subprojects to be appraised in a DFC-type operation by WDB.
- (c) Drainage and Flood Control. As with the FY79 project, coverage of a small number of medium-sized (approximately \$5-10 million each) subprojects.
- (d) "Large Scale" Projects. Schemes whose components would be similar to one of the other categories but which for other reasons, e.g. geographic or political, it will be useful to finance separately. The Government's Barisal/Patuakhali project (a lot of minor irrigation disguised as a regional development project) is a good example.

We will attempt to establish criteria which would guarantee large-scale participation of small farmers. Finally we will be working to develop methods to improve the efficiency of existing irrigation resources and hope to prepare a command area development scheme to demonstrate methods for use in future irrigation projects.

84. In addition, there would be a few projects designed to support high priority agricultural development outside the foodgrain sector (e.g. jute and fisheries). In connection with our recent report on Food Policy Issues, we would try to reach agreement with the Government on the improvements in the foodgrain pricing, marketing and distribution systems. In this context we would expect to finance additional grain storage and perhaps driers and marketing facilities. Finally we would expect to finance agricultural training facilities to increase the supply of manpower required for the various projects.

85. Program Lending. Bangladesh will need continued program assistance because of the gross inadequacy of its domestic savings to finance its investment and the equal inadequacy of its export earnings. A large inflow of external capital is required merely to achieve a very modest growth of per-capita income. At present, national savings constitute about 3 percent of GDP. Thus, although investment is quite inadequate at around 14 percent of GDP, external assistance is financing about 80 percent of that. In the public sector, foreign capital, directly and indirectly in the form of counterpart funds generated by commodity aid, contributes about 75 percent of the development budget.

86. The corollary of this savings/investment disequilibrium is a similarly severe imbalance in the country's external payments position. A marked shift in the terms of trade against Bangladesh, that began in 1973, further exacerbated an already very difficult situation as world prices for jute and tea, which together make up about 70 percent of the country's exports, weakened while essential imports of energy, food and fertilizer became considerably more expensive. Export earnings in FY79 were equivalent to about 38 percent of imports (up from 30 percent in 1975) but would have financed only about 35 percent if not for delays in receipt of normal food imports. The share of capital goods in total merchandise imports has increased to 24 percent as contrasted to 12 percent in 1975. However, this is still inadequate. The remainder consisted of food (16 percent, but likely to increase temporarily to 30 percent in FY80), other essential consumer goods (18 percent), fertilizer (8 percent), industrial raw materials (22 percent), and petroleum products (12 percent).

87. These structural characteristics, both internal and external, make it impossible to transfer to Bangladesh the amount of external assistance required to sustain a modest rate of growth by means of project financing alone, even if it includes a substantial provision for financing local currency expenditures. It is generally recognized that there are limits to the extent that the components of a country's development or investment program can be formed into projects suitable for external financing. Usually, it is not possible to push the share of projects beyond one half the total program. As external financing rarely goes beyond 70 percent of total project cost, the limits of project financing are usually reached when it approaches an amount equivalent to 35-40 percent of total development or investment expenditures. In Bangladesh the limit may be lower, because of the relatively small proportion of large projects, and because of the still limited administrative capacity for project formulation.

88. Similar structural constraints exist in the composition of imports. Export earnings, after covering service payments, including debt service,

are sufficient only to finance about 55 percent of imports other than food and capital goods. Without program assistance to finance imports of general commodities, the supply of non-agricultural goods to the economy would be reduced greatly. In particular, production in the industrial sector, which provides commodities essential to the livelihood of the population and to exports and which constitutes the beginning of the productive base on which the economic future will depend, would be reduced substantially.

89. Despite the fact that the case for program lending in Bangladesh is based on structural problems, we do not expect to be able to propose "structural adjustment" lending for Bangladesh in the immediate future. We have had considerable success in affecting short term policy decisions, but it will be more difficult to achieve agreement on a broad package of longer term policies; also, the nature of the problems is so fundamental that it will be very difficult to formulate a comprehensive program to overcome them, but we propose to work in this direction. Consequently, at least the next few credits are expected to focus on shorter-term economic issues. As noted in paragraph 72, if Bangladesh succeeds in substantially increasing its foodgrain production, reducing the need for food aid, the rate of growth of program and project assistance will have to increase by about 6-7 percent per year in real terms to produce the \$8 billion of external assistance included in our projections. Even assuming a 15 percent per year increase in project disbursements, programs assistance would have to grow by about 5 percent per year in real terms and about 14 percent per year in current terms. For the above reasons, we recommend that, assuming reasonably good performance, we should at a minimum maintain program lending at the \$75 million per year average of the past and we should urge other donors to increase their program assistance. For FY81 we intend to make the proposed \$50 million credit ^{1/} conditional upon reaching agreement on policy improvements in agricultural production and food distribution, building on our work on the medium-term crop production plan and on our recent report on food policy issues. For subsequent years we would expect to make our lending conditional upon similar improvements in sectoral or macro-economic policies, possibly focussing on domestic resource mobilization. If it should be possible to reach agreement on a set of basic policy changes suitable to form the justification for a structural adjustment credit, we would propose at that time that additional program credit resources, beyond what is currently proposed, be made available to Bangladesh. Further, if sufficient progress is made on economic management in general or towards a structural adjustment program, we may request an additional program credit toward the end of FY81.

90. Supporting Infrastructure. This category would comprise projects needed to facilitate or complement the agricultural sector push and to reduce

1/ As stated, approved levels of program lending have been \$75 million per annum. In FY79, the Region requested additional program lending for fertilizer. It was decided that two \$25 million fertilizer credits could be made in FY79 and 80, but that total program lending could not be increased. As the FY79 program credit had already been signed for \$75 million, this meant that the FY80 and FY81 program credits had to be reduced to \$50 million.

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bottlenecks interfering with the economy's overall performance. In transportation, for example, improvements are required to facilitate the movement of agricultural inputs and to bring the products to market. There would be projects for rural roads (farm to market roads in particular) and minor inland waterways (channel improvements, terminals, etc. in rural areas). With respect to the main transportation arteries, we would concentrate on removing key bottlenecks, improving the maintenance of facilities or augmenting services, and not on major new capital investments. Assistance to private sector truck and barge operators to increase their capacity would be provided through our DFC or small industry credits. In the power sector we would concentrate on rural electrification or on areas where increasing generation or distribution would be required to support ongoing bilaterally financed rural electrification programs or where frequent breakdowns have been a major impediment to utilization of existing industrial capacity. Education as a sector would fit partially into the "supporting infrastructure" category and partially in the other categories. Primary education, management and public administration training, and especially training of workers for agricultural support services and rural industries should be emphasized. In the industrial sector supporting infrastructure would include fertilizer production and small and cottage industry projects designed to reach rural industry. As evident from the description of civil works irrigation projects above and supporting infrastructure transport projects, rural works will constitute a major element of the investment to be supported through project lending. Most of what would normally be included in a "Rural Works Project" will be covered in this way, but it may be necessary to develop specific new projects if key facilities, e.g. markets, are left out.

91. Basic Needs. Paramount here should be support of the "equal number one" priority sector: population control. We would expect, as in the case of the first two population credits, that we could attract bilateral financing amounting to two to three times the amount of our credit. The proposed third population project would be expected to finance a time slice of the Government's population program, with emphasis on increasing the number and efficiency of field staff and the development of appropriate supporting facilities and services. Primary education financing would begin in FY81 with a 40 thana project designed to demonstrate methods for improving both quality and coverage within affordable costs. Another main concern would be for supply of safe water and sewerage facilities, with our attention widening to include smaller towns and even villages as well as major urban centers. Finally we would try to improve the efficiency of the existing textile facilities, with emphasis on the production of yarn for the handloom sector.

92. Other. In addition to the above, some projects are proposed because of their contribution to strengthening the Government's project planning and implementation capacity, strengthening the private sector, or reducing the balance of payments gap. Technical assistance should be provided for planning improvement, project preparation, and project implementation. Management and civil service training in our education lending would also support this goal. DFC and small industry lending would be directed towards creating a strong private sector. Specific larger scale industry lending (i.e., for cement or rayon) may also be proposed if feasible projects can be found to assist in reducing the balance of payments gap. Similarly oil and gas investments would

reduce requirements for imports as well as (in the case of gas) providing feedstock for the fertilizer industry. If appropriate institutional improvements can be achieved, some telecommunications investment would be useful in improving the Government's ability to manage and monitor project implementation.

93. Local Cost Financing and Cofinancing. Financing of expenditures in local currency will continue to be justified, but there is no need to change the guideline adopted in the last management review: IDA financing now covers 75 percent of total costs net of taxes and duties, except where there are special project circumstances or when foreign costs exceed 75 percent of the total, in which case IDA financing covers either all foreign costs or up to 90 percent of total costs. The Region recommends, however, that the "special project circumstances" exception be flexibly interpreted, so as to allow high percentages of financing if it appears that this will be helpful in securing Government acceptance of important policy changes.

94. The Region intends to pursue cofinancing possibilities more actively, especially with Arab sources, in order to achieve better coordination of aid in support of appropriate strategies and projects. In such cases IDA will reduce its own share of project financing in order to accommodate other donors, but also should be prepared to have external financing from all sources cover up to 100 percent of total costs (net of taxes and duties) for high priority projects.

Economic and Sector Work Program

95. In addition to meeting to needs of the Aid Group, the economic and sector work program should have two main objectives. The first should be to provide support for the IDA Assistance Plan. The second should be to provide the basis for a policy dialogue with the Government; the dialogue itself should concentrate on helping the Government to overcome its problems in planning and to develop suitable policies to pursue appropriate goals. These two objectives will overlap to some extent. Within them, we should concentrate most of our efforts on a few main subjects, including especially those on which we have already done considerable work. Experience shows that we have the best results in terms of influencing policy when we hammer away year after year on the same points. Eventually, the message gets across. The need for a particular action is usually recognized by those in Bangladesh nearest the issue, but persistent persuasion on our part helps to get difficult decisions taken.

96. To support IDA's lending strategy, there will be, initially, two main tasks. First, we should build on the work done on preparing a medium-term foodgrain production plan, and help the Government draw up an implementation program, with detailed policies, projects, and time-bound physical and financial targets, for the food production effort. Second, we should assist in the delineation of a domestic resource mobilization strategy, again with specific targets for achievement as well as agreed policy directions. This should start with a realistic financing plan, which is a necessary base for considering resource needs.

97. Both of these tasks will also support our general economic policy dialogue with the Government and help to provide the economic program underpinning our program lending. When these are well underway, we should broaden our attention. We should seek eventually to help the Government produce a plan implementation program for the entire SFYP. On the policy side, we should try to fill in major gaps, especially in the area of poverty alleviation. Some of the missing links we should address are: how to match big increases in food production with employment and income generation for the poor; how to build up rural industries; and how to revitalize the private sector and build up exports.

C. Targets for Monitoring the Government's Development Effort

98. In the discussion in the preceding sections of this paper of Bangladesh's objectives, and assessment of their appropriateness and the effectiveness of the Government's pursuit of them, a number of critical points have emerged, where the Government's efforts will be vital to the success of its development program. These clearly suggest themselves as providing suitable subjects for formulating measures which can be used to evaluate the adequacy of the country's performance and its eligibility for higher levels of IDA lending.

99. Improved Absorptive Capacity. Further improvements in project implementation are needed. There are still important areas where Government performance is poor - procurement, appointment of consultants, adequate and timely funding. While the main effort here must be the Government's, IDA should be willing to provide assistance in improving project execution capability. Admittedly, we have not been immediately successful when we have tried to do this in the past, through technical assistance. In spite of the support of some civil servants, resistance from most of the Government was strong enough to delay implementation of some recommendations and to defeat some technical assistance proposals entirely. However, some of our institutional interventions, particularly in the agricultural sector, appear to have borne fruit in readiness to look at institutional problems (e.g. the role of BADC, the types of projects financed by WDB, the need for decentralization within the jute industry) and to take corrective action. Similar efforts to assist in planning have been failures, so far. However, the new Minister of Planning, who has the personal backing of the President, says he is willing to try again. Because of the importance of the task, we must do the same. Our strategy should be to build up project execution capabilities in the short term. This should include:

- (a) building project preparation cells with expatriate expertise and by training Bangladeshis; and
- (b) creating a monitoring and review mechanism.

It will be necessary to get the Government to change its attitude, and be more willing to accept expatriate consultants in project execution. At the same time, there must be a major program to train Bangladeshis. Finally, it would be prudent to start in a limited way. Given the importance of agriculture, and our commitment to help prepare the food plan, we should begin by trying

*best of samples
found:
this is a success*

to build up project preparation, planning, and monitoring mechanisms in the agricultural ministries.

410 -
likely a
sensible
measure
variation
upward
movement

100. As noted in paragraph 56, IDA disbursements for projects increased in FY79 to 19 percent of the amount outstanding at the beginning of the year. Even in the absence of IDA technical assistance for implementation, it would not be unreasonable to expect disbursement performance to improve further. However, disbursement as a percentage of the amount outstanding at the beginning of the year is an imprecise criterion dependent upon differences in the age and sectoral composition of the portfolio. A computer program was used to calculate expected disbursements based upon Bank wide averages by sector and year of investment. The results indicated that Bangladesh's disbursements in FY79 (excluding program lending) reached 86 percent of the Bank-wide average, up from 62 percent in FY78 and even lower figures in earlier years. Continuation of disbursement performance on project lending at no less than 80 percent of the Bank wide averages by sector and year of investment would be a criterion for judging Bangladesh's eligibility for an increased share of IDA resources.

101. Appropriate Investment Strategies. The sectoral allocations in the annual development plans which will be the working documents of the SFYP will have to be gradually restructured to channel more investment to agriculture and food production. It will be hard, if not impossible, to make dramatic changes quickly. How much it will be practical to do will be one of the real limiting factors affecting whether or not the Government can meet its objectives, but the effort will have to be made. The Region recommends that a second criterion for judging eligibility for an increase in Bangladesh's share of IDA resources should be annual increases in the agriculture sector's share of investment in accordance with the targets specified in the Medium Term Crop Production Plan. It would also be a criterion that the composition of agricultural investment was considered by IDA to be reasonably appropriate.

102. A qualitative aspect of the general subject of making appropriate investments could also provide a monitoring criterion. The overall project list should be watched closely. The Government should be asked to avoid capital intensive, long gestation projects which sensibly should be deferred until later. It would be possible to specify some investments which are not appropriate at this time, but it probably would be better to express this criterion in general or illustrative terms, and tell the Government that the exercise of discipline in this respect will be treated as a crucial test of its seriousness and its eligibility for higher IDA allocations.

103. Domestic Resource Mobilization. The Government proposes that 20 to 30 percent of the SYFP be financed from domestic resources. This would require substantial increases in domestic resource mobilization and preparation of a more concrete financing plan. Performance measures in the form of quantitative targets could be unrealistic given the dependency of the economy on year to year variations in the weather affecting crop production and upon fluctuations in the export prices of jute and jute products. However, short term objectives can be set each year, in coordination with the IMF, as to measures which the Government could reasonably be expected to take to improve domestic resource mobilization, and which under "normal" circumstances could

what day
for this year

reasonably be expected to result in the desired improvements. Further economic work in this field is planned to improve our ability to make specific recommendations.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. Summary Statement of Recommended Assistance Strategy

104. Bangladesh's economic performance and project preparation and implementation capacity have shown significant improvements. However, one major area of weakness is in planning. While the priorities set forth in the SFYP are generally correct in emphasis, the plan is expected to be a political document providing unrealistic targets, and lacking in a set of projects and policies to achieve its objectives. However, it would not appear to be fruitful to attack the plan's targets. Instead it is proposed that we continue our efforts to assist the Government in preparing projects and policies to increase food production as quickly as possible over the next two to three years. We would also try to help the Government prepare a two to three year financial resource plan to assure that the agricultural sector gets the resources required to support the food production plan. Finally we would continue our efforts at assisting the Government to improve its implementation capability and its absorptive capacity.

105. No increase in Bangladesh's share of IDA resources is proposed in this CPP. However, if recent improvements in performance are sustained we would expect to recommend that Bangladesh's share of IDA resources be increased progressively from about 8 percent to about 10 percent of total IDA availability. It is proposed that we inform the Government that our decision to increase or decrease Bangladesh's share of IDA resources would be based primarily on the following three criteria:

- (a) measures to improve absorptive capacity and continued improved implementation performance;
- (b) appropriate investment strategies, particularly in the agricultural sector; and
- (c) domestic resource mobilization.

Program lending is proposed to be maintained at current levels averaging US\$75 million per year. However, if we succeed in reaching agreement on a set of policies justifying a structural adjustment credit, we would propose at that time an increase in program credit financing.

106. Management's approval is requested for the above assistance strategy and specifically for following lending economic and and sector work programs substantially similar to those set forth in attachments 1 and 4.

B. Next CPP

107. In about a year, in mid FY81, we should be able to determine whether Bangladesh's recent improvements in performance have been sustained sufficiently to justify an increase in lending. A short paper would be prepared emphasizing an evaluation of the Government's progress in accordance with the criteria described above. A more extensive evaluation, in the form of another CPP strategy paper, should await one year's experience under the SFYP; that is, preparation should begin early in FY82 for review in mid-FY82.

1979 Population: 89.1 million: 2.5%
1979 GNP per capita: US\$90
Area: 144,000 sq. km
Literacy: 22% of adult population (1978)

BANGLADESH - ACTUAL AND PROPOSED PROGRAM OF LENDING OPERATIONS THROUGH FY85
(\$ million)

	Thru FY74	Actual					Current FY80	Program					Total FY70-74	Total FY75-79	Total FY80-84	Total FY81-85	Reserve Projects
		FY75	FY76	FY77	FY78	FY79		FY81	FY82	FY83	FY84	FY85					
Agricultural Development Bank [I]	IDA	10.0															
Agricultural Development Bank [I]	IDA	0.5															
Foodgrain Storage I	IDA	19.7															
Irrig. - Chandpur I	IDA	9.0															
Irrig. - Chandpur II	IDA	13.0															
Irrig. - Dacca	IDA	1.0															
Irrig. - Dacca Southwest Engineering	IDA	0.5															
Irrig. - Karnafull Engineering	IDA	2.4															
Reconstruction Cyclone	IDA	25.0															
Seed Production & Distribution I	IDA	7.5															
Technical Assistance - WAPDA	IDA	2.0															
Tubewells - ADC I	IDA	14.0															
Water Dev. - S.W. Region I (Barisal)	IDA	27.0															
Rural Development I	IDA		16.0														
Water Dev. - Karnafull	IDA		22.0														
Extension and Research I	IDA			10.0													
Shallow Tubewells I	IDA			16.0													
Water Dev. - Mubhuri	IDA			21.0													
Foodgrain Storage II	IDA				25.0												
Jute Development I [I]	IDA				11.0												
Agricultural Research	IDA				5.0												
Fisheries I	IDA					5.0											
Drainage & Flood Control I	IDA					19.0											
Small Scale Drainage & Flood Control I	IDA						15.0										
Low Lift Pumps	IDA						17.0										
Seeds II	IDA							10.0									
Forestry (Mangrove)	IDA							11.0*									
Agricultural Credit I	IDA								50.0								
Drainage & Flood Control II	IDA								35.0*								
WDB Sector Credit I	IDA								30.0								
ries II	IDA									20.0							
ai/Patuakhali I	IDA									55.0*							
Extension and Research II	IDA									30.0							
Foodgrain Storage III	IDA									40.0							
Agricultural Credit II	IDA										50.0						
Small Scale Drainage & Flood Control II	IDA										15.0*						
Drainage & Flood Control III	IDA										45.0*						
Command Area Development	IDA										25.0						
Extension and Research III	IDA											40.0					
WDB Sector Credit II	IDA											45.0*					
Barisal/Patuakhali II	IDA											46.0					
Fisheries III	IDA											30.0					
Old Rivers/Gorai	IDA																30.0(81)
Sugar	IDA																12.0(81)
Fertilizer Storage	IDA																30.0(82)
Jute Development II	IDA																25.0(84)
Education I	IDA	21.0															
Rural Training I (Education II)	IDA		12.0														
Education III	IDA				25.0												
Education IV	IDA							39.0*									
Education V	IDA									30.0*							
Agricultural Training	IDA										30.0*						

BANGLADESH - SUMMARY OF BANK GROUP AND OTHER OFFICIAL LENDING

	Through	FY75	FY76	FY77	FY78	FY79	Current					Total FY70-74	Total FY75-79	Total FY80-84	Total FY81-85	
	FY74						FY80	FY81	FY82	FY83	FY84					FY85
SECTORAL DISTRIBUTION OF BANK GROUP COMMITMENTS (1)																
Agriculture	25	18	20	39	37	9	32	3	36	38	42	39	31	22	33	34
Education	5	-	-	-	-	9	-	14	-	8	8	-	2	4	5	5
Gas	-	-	-	-	-	-	-	30	-	-	10	-	-	-	8	7
Industry	20	22	13	-	-	11	-	-	-	-	-	-	-	-	-	-
Population	-	10	-	-	5	12	15	25	14	-	-	33	2	11	9	14
Power	-	-	-	-	-	10	-	-	-	-	10	-	-	5	3	2
Transport	14	-	3	-	4	-	5	4	13	21	-	10	-	3	3	5
Telecommunications	6	-	-	-	-	-	-	-	-	-	-	-	3	1	11	9
Water and Sewerage	5	-	-	-	-	-	-	-	-	-	-	-	10	-	-	-
Program Lending	24	50	53	51	54	37	38	18	24	20	19	18	50	49	22	20
Technical Assistance	1	-	4	-	-	4	-	-	5	-	-	-	2	2	2	2
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
BANK GROUP DISBURSEMENTS (US\$M)																
IBRD o/s /1 incl. undisbursed	-	35.5 ^{/2}	53.3 ^{/3}	55.6 ^{/4}	51.1 ^{/5}	42.9 ^{/6}	62.9	62.9	62.9	62.9	62.9	62.9	62.1	-	-	-
excl. undisbursed	-	55.5	53.3	55.6	51.1	42.9	62.9	62.9	62.9	62.9	62.9	62.9	62.1	-	-	-
IBRD Gross Disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
less: amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
equals: net disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
less: interest and charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
equals: net transfer	-	-	5.0	3.3	4.7	3.9	0.9	1.2	1.2	1.2	1.2	1.2	1.2	-	-	-
IBRD/IDA Gross Disbursements	58.1	112.4	124.7	88.2	86.2	152.5	148.9	149.7	192.0	235.6	288.9	299.5	58.1	-	-	-
less: amortization	-	0.2	0.2	-	-	-	-	-	-	1.6	3.1	6.3	-	-	-	-
equals: net disbursements	58.1	112.2	124.5	88.2	86.2	152.5	148.9	149.7	192.0	234.0	285.8	293.2	58.1	-	-	-
less: interest and charges	0.3	0.9	7.0	6.4	8.5	8.3	8.3	8.0	9.3	10.8	12.8	14.9	0.3	-	-	-
equals: net transfer	57.3	111.3	117.5	81.8	77.7	144.2	142.6	141.7	182.7	223.2	273.0	278.3	57.8	-	-	-
COMMITMENTS FROM OFFICIAL SOURCES (US\$M)																
Grants		329.4	423.9	5.2	471.0	990.9	1225.0	845.0	1045.0	1225.0	1355.0	1455.0				
Concessional loans		959.7	524.3	389.5	514.1	392.9	975.0	1185.0	1340.0	1530.0	1450.0	1595.0				
Total bilateral		727.6	315.6	178.0	376.0	378.6	323.0	580.0	645.0	720.0	805.0	895.0				
Germany, Fed. Rep. of		38.4	41.2	27.4	71.5	-	-	-	-	-	-	-				
Japan		39.3	43.2	55.6	90.6	183.9	-	-	-	-	-	-				
United States		324.3	158.6	72.4	81.4	92.1	-	-	-	-	-	-				
Others		325.6	62.6	12.6	132.5	102.9	-	-	-	-	-	-				
Total multilateral		232.1	208.7	211.5	238.1	514.3	652.0	605.0	695.0	810.0	645.0	700.0				
ADB		82.1	21.6	68.5	69.8	90.3	-	-	-	-	-	-				
IDA		150.0	187.1	122.0	139.0	271.0	225.0	270.0	315.0	378.0	392.0	416.0				
Others		-	-	21.0	29.3	153.0	-	-	-	-	-	-				
Non-concessional loans		-	-	-	-	-	-	-	-	-	-	-				
TOTAL COMMITMENTS		1289.1	948.2	754.7	1085.1	1883.8	2200.0	2030.0	2385.0	2755.0	2805.0	3050.0				

/1 As of the end of the fiscal year.
 /2 The exchange adjustment of 30.6 million as of June 30, 1975 has been included in these figures.
 /3 The exchange adjustment of 3-1.5 million as of June 30, 1976 has been included in these figures, with a decrease of 32.2 million since FY75.
 /4 The exchange adjustment of 30.7 million as of June 30, 1977 has been included in these figures, with an increase of 22.3 million since FY76.
 /5 The exchange adjustment of 36.2 million as of June 30, 1978 has been included in these figures, with an increase of 35.5 million since FY77.
 /6 The exchange adjustment of 38.1 million as of June 30, 1979 has been included in these figures, with an increase of 31.9 million since FY78.

TABLE 3A
BANGLADESH - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)	BANGLADESH			REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE) /a		
	TOTAL	144.0		SAME	SAME	NEXT HIGHER
	AGRICULTURAL	99.9		GEOGRAPHIC	INCOME	INCOME
	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	REGION /c	GROUP /d	GROUP /e
<u>GNP PER CAPITA (US\$)</u>	40.0	60.0	90.0	191.1	209.6	467.3
<u>ENERGY CONSUMPTION PER CAPITA</u> (KILOGRAMS OF COAL EQUIVALENT)	..	..	33.0	69.1	83.9	262.1
<u>POPULATION AND VITAL STATISTICS</u>						
POPULATION, MID-YEAR (MILLIONS)	51.4	68.3	81.2	.	.	.
URBAN POPULATION (PERCENT OF TOTAL)	5.2	7.6	9.3	13.2	16.2	24.6
<u>POPULATION PROJECTIONS</u>						
POPULATION IN YEAR 2000 (MILLIONS)			145.0	.	.	.
STATIONARY POPULATION (MILLIONS)			334.0	.	.	.
YEAR STATIONARY POPULATION IS REACHED			2165.0	.	.	.
<u>POPULATION DENSITY</u>						
PER SQ. KM.	357.0	474.0	564.0	86.6	49.4	45.3
PER SQ. KM. AGRICULTURAL LAND	540.0	683.0	813.0	330.2	252.0	149.0
<u>POPULATION AGE STRUCTURE (PERCENT)</u>						
0-14 YRS.	44.3	46.4	46.0	44.3	43.1	45.2
15-64 YRS.	52.5	51.0	51.0	52.4	53.2	51.9
65 YRS. AND ABOVE	3.2	2.6	3.0	3.1	3.0	2.8
<u>POPULATION GROWTH RATE (PERCENT)</u>						
TOTAL	2.4	2.9	2.5	2.4	2.4	2.7
URBAN	..	6.7	6.3	4.1	4.6	4.3
<u>CRUDE BIRTH RATE (PER THOUSAND)</u>	49.0	48.0	46.0	44.4	42.4	39.4
<u>CRUDE DEATH RATE (PER THOUSAND)</u>	23.0	20.0	18.0	16.4	15.9	11.7
<u>GROSS REPRODUCTION RATE</u>	3.5	3.1	3.2	3.2	2.9	2.7
<u>FAMILY PLANNING</u>						
ACCEPTORS, ANNUAL (THOUSANDS)	..	345.6	1103.1	.	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	..	8.9	7.9	12.2	13.2
<u>FOOD AND NUTRITION</u>						
<u>INDEX OF FOOD PRODUCTION</u> PER CAPITA (1969-71=100)	107.3	101.0	98.0	99.4	98.2	99.6
<u>PER CAPITA SUPPLY OF</u> <u>CALORIES (PERCENT OF</u> <u>REQUIREMENTS)</u>	89.0/e	89.0	93.0	93.0	93.3	94.7
<u>PROTEINS (GRAMS PER DAY)</u> <u>OF WHICH ANIMAL AND PULSE</u>	42.6/f	..	58.5	56.1	52.1	54.3
	9.2/g	..	8.0	10.4	13.6	17.4
<u>CHILD (AGES 1-4) MORTALITY RATE</u>	29.0	25.0	23.0	19.2	18.5	11.4
<u>HEALTH</u>						
<u>LIFE EXPECTANCY AT BIRTH (YEARS)</u>	42.0	45.0	47.0	49.1	49.3	54.7
<u>INFANT MORTALITY RATE (PER</u> <u>THOUSAND)</u>	..	153.0	140.0	..	105.4	68.1
<u>ACCESS TO SAFE WATER (PERCENT OF</u> <u>POPULATION)</u>						
TOTAL	..	45.0	53.0	31.5	26.3	34.4
URBAN	..	13.0	15.0	63.9	58.5	57.9
RURAL	..	47.0	55.0	20.1	15.8	21.2
<u>ACCESS TO EXCRETA DISPOSAL (PERCENT</u> <u>OF POPULATION)</u>						
TOTAL	..	6.0	5.0	15.7	16.0	40.8
URBAN	..	..	40.0	66.8	65.1	71.3
RURAL	..	..	..	2.5	3.5	27.7
<u>POPULATION PER PHYSICIAN</u>	..	7600.0/g	11350.0	7107.9	11396.4	6799.4
<u>POPULATION PER NURSING PERSON</u>	..	72030.0/g	53700.0	12064.0	5552.4	1522.1
<u>POPULATION PER HOSPITAL BED</u>						
TOTAL	11000.0/h	8120.0/h	4430.0	2738.4	1417.1	726.5
URBAN	..	..	..	..	197.3	272.7
RURAL	..	..	..	..	2445.9	1404.4
<u>ADMISSIONS PER HOSPITAL BED</u>	..	..	..	..	24.8	27.5
<u>HOUSING</u>						
<u>AVERAGE SIZE OF HOUSEHOLD</u>						
TOTAL	..	..	..	..	5.3	5.4
URBAN	..	..	..	..	4.9	5.1
RURAL	..	..	..	..	5.4	5.5
<u>AVERAGE NUMBER OF PERSONS PER ROOM</u>						
TOTAL	..	..	..	..	..	..
URBAN	..	..	..	..	..	..
RURAL	..	..	..	..	..	..
<u>ACCESS TO ELECTRICITY (PERCENT</u> <u>OF DWELLINGS)</u>						
TOTAL	..	..	..	..	22.5	28.1
URBAN	..	..	3.0/m	..	17.8	45.1
RURAL	..	..	..	..	..	9.9

TABLE 3A
BANGLADESH - SOCIAL INDICATORS DATA SHEET

	BANGLADESH			REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE) /a			
	1960 /b	MOST RECENT		SAME GEOGRAPHIC REGION /c	SAME INCOME GROUP /d	NEXT HIGHER INCOME GROUP /e	
		1970 /b	ESTIMATE /b				
EDUCATION							
ADJUSTED ENROLLMENT RATIOS							
PRIMARY:	TOTAL	47.0	61.0	83.0	59.5	63.3	82.7
	MALE	66.0	80.0	106.0	74.9	79.1	87.3
	FEMALE	26.0	42.0	60.0	43.7	48.4	75.8
SECONDARY:	TOTAL	8.0	19.0	23.0	19.5	16.7	21.4
	MALE	14.0	30.0	34.0	27.8	22.1	33.0
	FEMALE	1.0	8.0	11.0	10.0	10.2	15.5
VOCATIONAL ENROL. (% OF SECONDARY)		1.0	1.0	1.0	1.3	5.6	9.8
PUPIL-TEACHER RATIO							
PRIMARY		..	49.0	55.0	42.2	41.0	34.1
SECONDARY		..	26.0	24.0	..	21.7	23.4
ADULT LITERACY RATE (PERCENT)		21.6/1	..	22.0	25.5	31.2	54.0
CONSUMPTION							
PASSENGER CARS PER THOUSAND POPULATION							
		..	0.4	0.4/1	2.3	2.8	9.3
RADIO RECEIVERS PER THOUSAND POPULATION							
		..	6.0	..	15.5	27.2	76.9
TV RECEIVERS PER THOUSAND POPULATION							
		..	..	..	..	2.4	13.5
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION							
		..	..	5.0	6.2	5.3	18.3
CINEMA ANNUAL ATTENDANCE PER CAPITA							
		..	..	..	..	1.1	2.5
LABOR FORCE							
TOTAL LABOR FORCE (THOUSANDS)		18516.0	23402.0	29900.0	..	..	..
FEMALE (PERCENT)		15.2	16.5	17.0	21.4	24.8	29.2
AGRICULTURE (PERCENT)		86.8	85.9	78.0	66.3	69.4	62.7
INDUSTRY (PERCENT)		3.3	3.5	7.0	9.6	10.0	11.9
PARTICIPATION RATE (PERCENT)							
TOTAL		36.0	34.6	34.4	35.8	36.9	37.1
MALE		58.7	55.8	55.3	52.3	52.4	48.8
FEMALE		11.4	11.8	12.1	15.7	18.0	20.4
ECONOMIC DEPENDENCY RATIO		1.3	1.4	1.3	1.3	1.2	1.4
INCOME DISTRIBUTION							
PERCENT OF PRIVATE INCOME RECEIVED BY							
HIGHEST 5 PERCENT OF HOUSEHOLDS		18.3/1	16.7/k	..	..	..	15.2
HIGHEST 20 PERCENT OF HOUSEHOLDS		44.5/1	42.3/k	..	..	..	48.2
LOWEST 20 PERCENT OF HOUSEHOLDS		6.9/1	7.9/k	..	..	..	6.3
LOWEST 40 PERCENT OF HOUSEHOLDS		17.9/1	19.6/k	..	..	..	16.3
POVERTY TARGET GROUPS							
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)							
URBAN		..	..	110.0	86.5	99.2	241.3
RURAL		..	..	91.0	74.2	78.9	136.6
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)							
URBAN		..	..	..	..	91.9	179.7
RURAL		..	..	..	50.4	54.8	103.7
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)							
URBAN		..	..	55.0	44.3	44.1	24.8
RURAL		..	..	74.0	52.4	53.9	37.5

.. Not available
. Not applicable.

NOTES

/a The adjusted group averages for each indicator are population-weighted geometric means, excluding the extreme values of the indicator and the most populated country in each group. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1974 and 1977.

/c South Asia; /d Low Income (\$280 or less per capita 1976); /e Lower Middle Income (\$281-550 per capita, 1976); /f Av. 1961-65; /g Registered, not all practicing in the country; /h Govt. establishments only; /i 1972; /j 1963-64; /k 1966-67; /l 1962; /m 1973.

Most Recent Estimate of GNP per capita is for 1978.

August, 1979

SELECTED INDICATORS	1970-78	1978-80	1980-85	1985-90
ICDR	3.09	2.64	3.25	3.74
M=ELAS	-1.53	3.53	0.57	1.06
AVG. NAT. SAV. RATE	0.02	0.01	0.02	0.05
MARG. NAT. SAV. RATE	-0.25	...	0.19	0.12
M/GDP	0.14	0.22	0.22	0.22
I/GDP	0.08	0.15	0.17	0.19
R/GDP	0.07	0.15	0.15	0.15

(1) COMPONENTS MAY NOT ADD UP BECAUSE OF ROUNDING

STATISTICAL INFORMATION
1990 1980 1970 1960 1950

INDICATORS
ICDR
M=ELAS
AVG. NAT. SAV. RATE
MARG. NAT. SAV. RATE
M/GDP
I/GDP
R/GDP

STATISTICAL INFORMATION
1990 1980 1970 1960 1950

INDICATORS
ICDR
M=ELAS
AVG. NAT. SAV. RATE
MARG. NAT. SAV. RATE
M/GDP
I/GDP
R/GDP

BANGLADESH

ATTACHMENT 3A

ECONOMIC DEVELOPMENT DATA SHEETS

GROWTH RATES

	1970 1978	1978 1980	1980 1985	1985 1990	1977 SHARE OF GDP
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NATIONAL ACCOUNTS (1)
(MILL. OF US\$ AT 1978 PR.)

GDP	2.2	4.9	5.2	5.0	100.0
GAINS FROM TT.	-1.4
GDY	1.6	5.1	5.0	5.0	99.9
IMPORTS	-0.9	16.5	2.9	5.3	13.1
EXPORTS = VOLUME	-5.3	1.0	3.6	9.7	8.8
EXPORTS = TT, ADJ.	-8.7	3.6	1.7	9.1	7.4
R, GAP	11.1	24.0	3.4	3.6	5.7
CONS.	2.3	0.2	4.0	4.5	94.3
INV.	-2.7	16.3	9.4	6.1	10.0
NAT. SAV.	-22.2	...	...	12.8	5.1
GDS	-38.0	...	...	16.6	4.2
GDP AT CUR, US\$	5.0	15.7	13.0	11.3	

PRICES (1978 =100)

EXP, PI	6.0	18.9	6.3	6.9	
IMP, PI	11.5	15.9	8.3	7.5	
TTI	-18.2	2.5	-1.8	-0.6	
GDPDEFI	2.7	10.3	7.5	6.0	

BANGLADESH

ATTACHMENT 3 B

 IMPORT DETAIL

	1974	1975	1976	1977	1978	1979	1980	1981	1985
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CONSTANT 1978 PRICES (MILLIONS OF DOLLARS) *****									
1,1 FOOD						149,7	427,8	245,8	58,3
1,2 OTHER CONS. GDS						182,6	200,9	209,9	250,3
2, PETR. OIL, LUBR.						172,0	182,1	192,7	242,0
3, OTHER INTM. GDS						523,2	578,0	607,4	722,7
4, CAP. GDS						394,0	462,9	538,4	848,6
5,1 TOTAL GDS (CIF)	1062,2	1173,5	1164,3	323,8	1349,0	1421,3	1851,5	1794,2	2121,9
5,2 TOTAL GDS (FOB)	934,7	1032,7	1024,6	724,9	1187,1	1421,5	1851,5	1794,2	2121,9
6, NFS	187,2	161,9	188,2	153,2	245,9	88,2	92,6	97,2	118,2
7, TOTAL GOODS AND NFS	1121,9	1194,6	1212,8	878,1	1433,0	1509,7	1944,1	1891,4	2240,1
PRICE INDEX 1978 = 100 *****									
1,1 FOOD						129,95	151,37	172,91	233,07
1,2 OTHER CONS. GDS						114,18	128,61	140,00	186,00
2, PETR. OIL, LUBR.						115,73	163,57	212,64	322,81
3, OTHER INTM. GDS						113,28	122,96	134,70	179,66
4, CAP. GDS						114,18	128,61	140,00	186,00
5, TOTAL GDS	87,08	119,50	108,70	104,95	100,00	115,89	134,83	150,52	200,73
6, NFS	87,08	119,50	108,70	104,95	100,00	114,18	128,61	140,00	186,00
7, TOTAL GOODS AND NFS	87,08	119,50	108,70	104,95	100,00	115,81	134,43	149,98	199,96
CURRENT VALUES (MILLIONS OF US\$) *****									
1,1 FOOD						194,5	647,3	425,0	135,9
1,2 OTHER CONS. GDS						208,5	254,3	293,9	465,6
2, PETR. OIL, LUBR.						199,1	297,8	409,8	781,0
3, OTHER INTM. GDS						592,7	710,7	818,2	1298,4
4, CAP. GDS						449,9	588,1	753,7	1578,5
5,1 TOTAL GDS (CIF)	925,0	1129,0	1265,7	884,6	1349,0	1644,6	2496,3	2700,6	4259,3
5,2 TOTAL GDS (FOB)	814,0	993,5	1113,8	760,8	1187,1	1644,6	2496,3	2700,6	4259,3
6, NFS	163,0	193,5	204,6	160,8	245,9	100,7	117,3	136,1	219,8
7, TOTAL GOODS AND NFS	977,0	1187,0	1318,4	921,6	1433,0	1745,3	2613,6	2836,7	4479,1

	1974	1975	1976	1977	1978	1979	1980	1981	1985
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1.6 COMMODITY 6: Other					40.0	34.0	44.0	52.8	105.1-
1.7 COMMODITY 7					.0	.0	.0	.0	.0
2. MANUF. GDS					.0	.0	.0	.0	.0
3. ALL OTHER GDS	43.6	59.0	77.3	136.8	152.0	183.9	186.0	225.2	404.5
4. TOTAL GDS (X08)	361.6	358.0	380.6	460.0	497.0	603.0	720.0	747.0	1143.3
5. NFS	30.0	82.0	65.0	59.0	63.0	75.5	87.9	102.1	184.9
6. TOTAL GDS&NFS	391.6	440.0	445.6	519.0	560.0	678.5	807.9	849.1	1308.2

TRANSIT: BY THE AIR
 THROUGH TO PHOENIX

DATE: 10/10/80
 TIME: 10:00 AM
 FROM: PHOENIX
 TO: PHOENIX

DATE: 10/10/80
 TIME: 10:00 AM
 FROM: PHOENIX
 TO: PHOENIX

DATE: 10/10/80
 TIME: 10:00 AM
 FROM: PHOENIX
 TO: PHOENIX

BANGLADESH

ATTACHMENT 3B

EXPORT DETAIL

	1974	1975	1976	1977	1978	1979	1980	1981	1985
CONSTANT 1978 PRICES (MILLIONS OF US\$)									
1.1 COMMODITY 1: Raw Jute	154.8	90.2	136.7	136.7	97.0	113.6	133.6	134.9	140.4
1.2 COMMODITY 2: Jute Goods	209.0	180.6	207.6	215.7	248.0	217.1	218.5	220.7	229.7
1.3 COMMODITY 3: Leather, Hides					45.0	51.5	51.5	53.8	60.1
1.4 COMMODITY 4: Tea					45.0	42.0	35.7	45.7	51.0
1.5 COMMODITY 5: Fish					21.0	28.9	24.3	30.0	43.9
1.6 COMMODITY 6: Other					40.0	32.3	38.5	42.3	61.9
2. MANUF. GDS					-	.0	.0	.0	.0
3. ALL OTHER GDS	34.7	85.2	135.4	217.6	-	.0	.0	.0	.0
4. TOTAL GDS (FOS)	448.5	356.0	479.7	570.0	152.0	155.3	150.0	171.9	222.9
5. VFS	34.5	68.6	39.8	56.2	497.0	486.2	502.1	527.5	593.0
6. TOTAL GOS&VFS	483.0	424.6	539.5	626.2	63.0	66.2	69.5	72.9	88.6
PRICE INDEX (1978 = 100)									
1.1 COMMODITY 1: Raw Jute	80.10	95.29	88.74	91.45	100.00	125.00	107.79	124.00	168.70
1.2 COMMODITY 2: Jute Goods	92.81	117.94	87.63	91.90	100.00	127.12	178.45	160.61	218.51
1.3 COMMODITY 3: Leather, Hides					100.00	147.51	157.22	169.80	248.00
1.4 COMMODITY 4: Tea					100.00	96.13	86.80	89.69	109.02
1.5 COMMODITY 5: Fish					100.00	114.29	123.43	133.30	181.36
1.6 COMMODITY 6: Other					100.00	105.24	114.40	124.69	169.65
1.7 COMMODITY 7					100.00	115.00	120.00	152.84	179.05
2. MANUF. GDS					.00	.00	.00	.00	.00
3. ALL OTHER GDS	51.51	69.20	57.06	62.84	100.00	118.45	124.00	131.02	181.50
4. TOTAL GDS (FOS)	80.62	100.53	79.32	80.69	100.00	124.01	143.39	141.60	192.80
5. VFS	86.96	119.53	108.70	104.98	100.00	114.18	126.61	140.00	186.00
6. TOTAL GOS&VFS	81.08	103.63	82.59	82.88	100.00	122.83	141.35	141.41	191.92
CURRENT VALUES (MILLIONS OF US\$)									
1.1 COMMODITY 1: Raw Jute	124.0	86.0	121.3	125.0	97.0	143.1	144.0	167.3	230.9
1.2 COMMODITY 2: Jute Goods	194.0	213.0	182.0	198.2	248.0	276.0	390.0	354.5	501.9
1.3 COMMODITY 3: Leather, Hides					46.0	76.0	81.0	91.4	164.2
1.4 COMMODITY 4: Tea					45.0	40.9	31.0	41.0	55.5
1.5 COMMODITY 5: Fish					21.0	33.0	30.0	40.0	79.7

BANGLADESH

ATTACHMENT 3C

BALANCE OF PAYMENTS AND EXTERNAL ASSISTANCE

	1974	1975	1976	1977	1978	1979	1980	1981	1982
	ACTUAL				EST.		PROJECTED		
SUMMARY OF BALANCE OF PAYMENTS									
1. EXP. (INCL. NPS)	391.6	468.7	445.6	519.0	560.0	678.5	807.9	849.1	944.7
2. IMP. (INCL. NPS)	977.0	1187.0	1318.4	921.6	1433.0	1745.3	2613.6	2836.8	3232.6
3. RES. BAL.	-585.4	-718.3	-872.8	-402.6	-473.0	-1066.8	-1805.6	-1987.7	-2287.9
4. NET FACT. SERV. INC.	19.7	21.9	25.4	62.3	87.1	114.9	139.6	150.4	162.0
1. NET INT. PYMT	.7	-12.1	-36.6	-18.7	4.1	-40.1	-45.4	-51.1	-61.9
OF WHICH ON PUB. LOANS	-7.3	-10.1	-21.9	-28.4	-32.1	-40.1	-51.6	-66.6	-77.2
2. DIR. INV. INC.	.0	.0	.0	.0	.0	15.0	23.0	25.3	27.8
3. WORK. REM.	19.0	34.0	62.0	81.0	83.0	140.0	162.0	178.2	196.0
5. CUR. TRANSF.	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. CURBAL	-565.7	-696.4	-847.4	-340.3	-785.9	-951.9	-1666.0	-1837.3	-2126.0
7. DIR. PRIV. INV.	.0	.0	.0	.0	12.0	15.0	20.0	25.0	30.0
8. GRANTS & GRANT-LIKE FLOWS	347.0	395.6	244.5	229.7	386.1	495.3	870.5	967.0	1166.7
PUBLIC M&T LOANS									
9. DISB.	285.1	529.1	569.3	276.1	434.4	520.7	932.4	354.3	1062.7
10. AMT.	-10.7	-20.9	-66.4	-30.1	-35.4	-55.3	-71.4	-72.2	-67.3
11. NET DISB.	274.4	508.2	502.9	246.0	399.0	465.4	861.0	282.1	995.4
OTHER M&T LOANS									
12. DISB.	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. AMT.	.0	.0	.0	.0	.0	.0	.0	.0	.0
14. NET DISB.	.0	.0	.0	.0	.0	.0	.0	.0	.0
15. USE OF IMF RES.	35.2	69.7	71.3	-4.9	-12.9	27.0	59.0	100.0	.0
16. SHRT-TRM CAP.	.0	.0	.0	.0	.0	.0	.0	.0	.0
17. CAP NET	-33.2	-428.5	81.8	-211.2	26.9	73.2	.0	.0	.0
18. CHNG IN RES. (=INCR.)	-57.8	151.3	-53.1	80.7	-25.2	-124.0	-145.0	-37.3	-66.1
19. RES. (END OF PER.)	115.0	266.3	213.2	293.9	258.7	393.0	538.0	575.3	641.4

	1974	1975	1976	1977	1978	1979	1980	1981	1982
GRANT AND LOAN COMMITMENTS									
1. OFF. GRT.	.0	.0	.0	.0	.0	640.0	957.3	800.0	880.0
2. TOT. PUB. LOANS	454.3	975.0	533.3	324.6	709.8	907.7	1195.5	1186.9	1433.5
1 IBRD	.0	.0	.0	.0	.0	.0	.0	.0	.0
2 IDA	78.1	150.0	187.1	50.0	211.0	271.0	225.0	270.0	315.0
3 OTH. MULTILAT.	17.3	82.1	21.8	89.5	99.1	243.3	168.0	186.3	206.7
4 GOV.	285.8	727.6	315.6	178.0	378.0	378.6	522.0	581.4	647.6
5 OF WHICH CPE (2)	37.7	130.7	11.0	1.3	61.0	20.9	82.0	88.6	95.8
6 SUPPLIERS	55.1	15.3	.1	1.9	11.0	.0	10.0	11.0	12.1
7 FIN. INST.	21.9	.0	8.8	5.1	12.7	14.8	.0	.0	.0
8 BONDS	.0	.0	.0	.0	.0	.0	.0	.0	.0
9 PUBLIC LOANS NET	.0	.0	.0	.0	.0	.0	270.5	44.0	163.7
3. OTHER M< LOANS	.0	.0	.0	.0	.0	.0	.0	.0	.0
MEMORANDUM ITEMS									
1. GRANT EL. OF TOTAL COM.	.490	.653	.717	.728	.720	100.000	82.497	80.605	80.536
2. AVG. INT. RT.	.031	.019	.017	.015	.016	.000	.019	.017	.018
3. AVG. MAT. (YEARS)	25.300	35.500	71.700	72.800	38.900	.000	35.321	36.153	36.052

BANGLADESH

ATTACHMENT 30

BALANCE OF PAYMENTS AND EXTERNAL ASSISTANCE

1983 1984 1985 1990 1995

PROJECTED

SUMMARY OF BALANCE OF PAYMENTS

	1983	1984	1985	1990	1995
1. EXP. (INCL. NFS)	1052.5	1172.9	1308.2	2903.7	
2. IMP. (INCL. NFS)	3546.5	3946.6	4479.2	8338.2	
3. RES. BAL.	-2494.1	-2773.6	-3171.0	-5434.5	
4. NET FACT. SERV. INC.	171.3	178.5	183.3	204.8	
1. NET INT. PYMT	-74.9	-92.4	-114.6	-267.3	
OF WHICH ON PUB. LOANS	-93.5	-113.6	-139.2	-320.0	
2. DIR. INV. INC.	30.6	33.7	37.0	51.9	
3. WORK. REM.	215.6	237.2	260.9	420.2	
5. CUR. TRANSF.	.0	.0	.0	.0	
6. CURBAL	-2322.7	-2595.2	-2987.6	-5229.7	
7. DIR. PRIV. INV.	34.5	39.7	45.6	91.8	
8. GRANTS & GRANT-LIKE FLOWS	1197.9	1326.8	1523.2	2685.6	
PUBLIC M&T LOANS					
9. DISB.	1221.2	1401.1	1649.9	2987.7	
10. AMT.	-78.2	-105.1	-141.3	-361.4	
11. NET DISB.	1143.0	1295.9	1508.7	2626.3	
OTHER M&T LOANS					
12. DISB.	.0	.0	.0	.0	
13. AMT.	.0	.0	.0	.0	
14. NET DISB.	.0	.0	.0	.0	
15. USE OF IMP RES.	.0	.0	.0	.0	
16. SHRT-TRM CAP.	.0	.0	.0	.0	
17. CAP NET	.0	.0	.0	.0	
18. CHNG IN RES. (=INCR.)	-52.4	-66.8	-88.9	-169.5	
19. RES. (END OF PER.) (1)	693.8	760.6	849.6	1494.0	

	1983	1984	1985	1990	1995
GRANT AND LOAN COMMITMENTS					
1. OFF. CRT.	968.0	1064.8	1171.3	1886.4	
2. TOT. PUB. LOANS	1652.6	1831.1	2103.8	3712.0	
1 IBRD	.0	.0	.0	.0	
2 IDA	378.0	392.0	416.0	570.0	
3 ITH, MULTILAT.	229.4	254.9	282.8	481.2	
4 SOV.	721.5	803.9	895.9	1543.6	
5 OF WHICH CPE	103.3	111.6	120.5	177.0	
6 SUPPLIERS	13.3	14.6	16.1	25.9	
7 FIN. INST.	.0	.0	.0	.0	
8 BONDS	.0	.0	.0	.0	
9 PUBLIC LOANS NET	255.5	290.2	382.9	349.1	
3. OTHER M< LOANS	.0	.0	.0	.0	
MEMORANDUM ITEMS					
1. GRANT EL. OF TOTAL COM.	90.485	80.392	80.313	79.981	
2. AVG. INT. RT.	.018	.018	.018	.019	
3. AVG. MAT. (YEARS)	36.167	35.944	35.724	35.442	

BANGLADESH

ATTACHMENT 3 C

DEBT AND CREDIT WORTHINESS

	1974	1975	1976	1977	1978	1979	1980	1981	1982
	ACTUAL					EST. PROJECTED			
	-----	-----	-----	-----	-----	-----	-----	-----	-----
MED. & LONG-TERM DEBT (DISS. ONLY)									
TOTAL DDD (END OF PERIOD)	490.6	1359.2	1808.5	2068.1	2539.7	3005.2	3866.7	4649.3	5644.7
INCL. UNDISS.	1080.8	2392.4	2759.2	3079.1	3942.3	4652.6	5775.7	6797.1	8074.9
PUB. DEBT SER.	=18.0	=31.0	=88.3	=58.5	=67.4	=95.4	=123.0	=138.8	=144.5
INT.	=7.3	=10.1	=21.9	=28.4	=32.1	=40.1	=51.8	=66.5	=77.3
OTHER M< DEBT SER.	.0	.0	.0	.0	.0	.0	.0	.0	.0
TOTAL DEBT SER.	=18.0	=31.0	=88.3	=58.5	=67.4	=95.4	=123.0	=138.8	=144.5
DEBT BURDEN									
DEBT SERV. RATIO	4.6	6.6	19.8	11.3	12.0	14.1	15.2	16.3	15.3
DEBT SERV. RATIO(I)	4.6	6.6	19.8	11.3	12.0	11.9	12.4	13.4	12.4
DEBT SERV./GDP	.2	.3	1.3	.9	.9	1.1	1.3	1.3	1.1
PUB. DEBT SER./GOV. REV.	.0	.0	.0	.0	.0	10.0	10.7	10.3	9.2
TERMS									
INT. ON TOTAL DDD/TOTAL DDD	1.5	.7	1.2	1.4	1.2	1.3	1.3	1.4	1.4
TOTAL DEBT SER./TOTAL DDD	3.7	2.3	4.9	2.8	2.6	3.2	3.2	3.0	2.5
DEPENDENCY RATIOS FOR M&LT DEBT									
GRSS DISS/IMP	29.2	44.6	43.2	30.0	30.3	29.8	35.7	30.1	32.9
NET TRANSF./IMP	27.3	42.0	36.5	23.8	25.6	24.4	31.0	25.2	29.1
NET TRANSF./GRSS DISS.	93.7	94.1	84.5	78.8	84.5	81.7	86.8	83.8	88.5
EXPOSURE									
M&K+IOA/GRSS TOTAL DBT	.0	.0	.0	.0	.0	.0	.0	.0	.0
M&K+IOA DBT/GRSS TOTAL DBT	17.9	21.3	22.5	31.2	20.3	29.3	19.8	22.2	20.6
M&K+IOA DDD/TOTAL DDD	.0	4.0	3.0	2.7	2.1	1.8	1.4	1.2	1.0
M&K+IOA DDD/TOTAL DDD	21.5	22.8	24.1	25.2	24.0	25.3	24.5	24.4	24.0
M&K DEBT SERV/TOTAL DEBT SER.	.0	.0	1.8	5.7	5.0	4.1	2.8	2.5	2.4
M&K+IOA DEBT SERV/TOTAL DBT	1.3	3.1	4.4	11.0	10.6	8.7	7.6	7.5	8.1

1/ Including net direct investment income

BANGLADESH

ATTACHMENT 3 C

DEBT AND CREDITWORTHINESS

1983 1984 1985 1990 1995

 PROJECTED

MED. & LONG-TERM DEBT (DISB, ONLY)

	1983	1984	1985	1990	1995
TOTAL DDD (END OF PERIOD)	6787.7	8083.6	9592.3	20309.8	
INCL. UNDISB,	9594.3	11244.6	13097.0	26134.7	
PUB. DEBT SER,	-172.0	-219.3	-281.3	-685.9	
INT,	-93.8	-114.1	-140.1	-324.6	
OTHER M< DEBT SER,	.0	.0	.0	.0	
TOTAL DEBT SER,	-172.0	-219.3	-281.3	-685.9	

DEBT BURDEN

	1983	1984	1985	1990	1995
DEBT SERV, RATIO	16.3	18.7	21.5	23.6	
DEBT SERV, RATIO(1)	13.4	15.8	18.7	21.8	
DEBT SERV, /GDP	1.2	1.4	1.6	2.2	
PUB. DEBT SER, /GOV. REV,	9.5	10.5	11.8	15.1	

TERMS

	1983	1984	1985	1990	1995
INT, ON TOTAL DDD/TOTAL DDD	1.4	1.4	1.5	1.6	
TOTAL DEBT SER, /TOTAL DDD	2.5	2.7	2.9	3.4	

DEPENDENCY RATIOS FOR M< DEBT:

	1983	1984	1985	1990	1995
GRSS DISB/IMP	34.4	35.5	36.8	35.8	
NET TRANSF/IMP	29.6	29.9	30.6	27.6	
NET TRANSF, /GRSS DISB,	35.9	84.4	82.9	77.0	

EXPOSURE

	1983	1984	1985	1990	1995
#BKDBT/GRSS TOTAL DBT	.0	.0	.0	.0	
#BK+IDA DBT/GRSS TOTAL DBT	18.8	18.2	17.5	16.8	
#BKDDD/TOTAL DDD	.8	.7	.6	.2	
#BK+IDA DDD/TOTAL DDD	23.3	22.7	22.1	20.3	
#BK DEBT SERV/TOTAL DEBT SERV	2.0	1.6	1.5	.7	
#BK+IDA DEBT SERV/TOTAL DSR	8.2	7.8	7.7	6.7	

1/ Including net direct investment income

OUTSTANDING June 30, 1979

EXTERNAL DEBT (DISBURSED ONLY)	AMOUNT	PERCENT
IBRD	54.9	1.8
BANK GROUP	761.6	25.3
OTHER MULTILATERAL	189.3	6.3
GOVERNMENTS	1905.6	63.4
OF WHICH CENTRALLY PLANNED ECONOMIES	38.1	2.9
SUPPLIERS	126.9	4.2
FINANCIAL INSTITUTIONS	21.8	0.7
BONDS	.0	.0
PUBLIC DEBT NET	.0	.0
TOTAL PUBLIC M< DEBT	3005.1	100.0
OTHER PUBLIC M< DEBT	.0	.0
OTHER M< DEBT	.0	.0
TOTAL PUBLIC DEBT (INCLUDING UNDISBURSED)	4652.6	154.8
TOTAL M & LT DEBT (INCLUDING UNDISBURSED)	4652.6	154.8

DEBT PROFILE

TOTAL DEBT SERVICE 1979-83/TOTAL DDD END OF June 1979 22.4

(Faint, illegible text, likely bleed-through from the reverse side of the page)

BANGLADESH

COUNTRY ECONOMIC AND SECTOR WORK PROGRAM

FY80-82

1. The principal objectives of our Economic and Sector Work Program (ESWP) are set out in Section V of the text. The cornerstone of the ESWP is an annual Country Economic Memorandum. The members of the Bangladesh Aid Group are a major audience for this report, as are the Bank management and staff, and the Government. In the past we have found it difficult to forecast accurately beyond one or two years ahead what will need to be the main themes of our ESWP; this difficulty is accentuated just now by the uncertainty surrounding the FY81-85 Second Five Year Plan (SFYP). Therefore, we have not tried to define a detailed ESWP beyond FY82. For most of the reports, other than annual CEM's, the audience would be the Bank staff and the Government. However, as we have done in the past, we would expect in the process of completing some of the major studies to decide, on an ad hoc basis, to give them a wider circulation to the senior management and Executive Directors. The Medium Term Agricultural Production Plan may be a candidate to follow the example of the FY79 Review of the Water Development Board and the FY80 Food Policy Review.

2. During FY81, the Government of Bangladesh (GOB) will launch the SFYP. It is envisaged that the Medium-Term Agricultural Production Plan, jointly prepared by GOB and Bank staff, will become an integral part of the SFYP. The keystone of the SFYP will be an extremely ambitious program to increase food production and this will require greatly increased domestic resource mobilization and project implementation capabilities. One major problem is likely to be an intensification of GOB's propensity to start too many new and/or overscaled projects, thereby stretching its financial and administrative resources too thinly. Another problem we anticipate is that the SFYP will be very weak in its policy content. A central objective of our ESWP, therefore, is to address several of the key unresolved issues relating to the SFYP and its implementation. For example: how to improve GOB's financial programming and allocation procedures; how to increase domestic resource mobilization; how to achieve a sectorally-balanced investment program; how to mobilize private sector investment and economic activity; and how to develop non-traditional exports.

3. Several of the programmed activities for FY81 and FY82 bear directly upon these issues. The FY81 Country Economic Memorandum (CEM) will focus primarily upon the SFYP, as will the FY81 Aid Group meeting for which the CEM will be prepared. Work to be done in connection with Import Programs Credits IX and X (which will claim a large share of the manpower available for all tasks) will be focused mainly upon the above-mentioned issues, as will several of the other programmed tasks. This work will be coordinated closely with the IMF's work on a prospective EFF for Bangladesh, especially with respect to taxation, pricing and subsidy policies.

4. In view of the emphasis to be given to agricultural (and especially foodgrain) production in the SFYP, another major objective of our ESWP will be to follow up on the considerable work already done in this sector. A substantial share of the proposed program will be directed at following up on our recent work on food policy, medium-term agricultural production planning, the investment program of the Water Development Board, and minor irrigation works. The program also reflects our concern to know more and to understand better the nature of the social and institutional constraints to growth imposed by the prevailing agrarian structure. It is also recognized, however, that even rapid agricultural growth will not solve the problems of creating both sufficient employment opportunities and effective demand for the increased agricultural output. Hence, another facet of our work on rural development will concentrate on analyzing ways and means by which non-farm rural employment can be stimulated, and on related distributional issues relatively neglected by GOB.

5. If Bangladesh is to succeed in approaching self-sufficiency in food production during the next five years, greatly increased volumes of inputs (fertilizers, seeds, pumps, tubewells, pesticides, etc.) will have to be distributed far more effectively than the public sector has been able to do. The private sector will have to be induced to play a far more active role in this area. Similarly, the development of small-scale rural industries and non-traditional exports will also be highly dependent upon whatever role the private sector is prepared to play. Yet the Government lacks not only a coherent strategy and set of policies aimed at stimulating this sector but also the requisite information base for devising such policies. Several of the proposed tasks are, therefore, concerned with these issues: tariff structure review, foreign investment act review, export processing zone and private sector studies.

6. A continuing objective of our ESWP will be to provide support for the design of Bank lending activities, particularly in the more important sectors of agriculture and water resources, rural development, industry and transport. These are sectors in which both our lending activity and our economic and sectoral work has been concentrated in the past and will continue to be concentrated in the foreseeable future, in keeping with the priorities of GOB's own development strategy. Moreover, experience has demonstrated that our efforts tend to be more productive and our dialogue with GOB more effective when we follow-up on prior analysis rather than diversify into new activities. By-and-large, the ESWP adheres to this principle, the major exceptions being our proposed new work on the private sector, energy, and plan implementation programming.

Work Program for FY80-82

7. A program for the current year, FY80, and the first two years of the SFYP is given below. Because of the number of tasks, we have chosen not to present a summary table but to describe ongoing work in FY80 and the tasks for FY82 by topic name alone giving detailed descriptions of the studies for FY81 only. Further details including manpower estimates were given in the Region's Indicative Statement of Budgetary Needs. In that submission, however, economic work to support program lending is designated as operational, not

economic work. For that reason, the lists of specific tasks given below have one outstanding omission: they do not contain detailed write-ups for domestic resource mobilization, following up on our earlier work. However, we have shown such work by topic name below, even though it does not appear in the Bank-wide ESWP.

FY80

1. CEM/Planning Technical Assistance
2. Food Policy Review
3. Medium Term Agricultural Plan
4. Food Policy Review Follow-up
5. Initial Draft SFYP Review
6. Appraisal/Preappraisal Imports Program Credit IX
7. Rural Non-Farm Employment Study
8. Labor Migration Study
9. Trade/Industry Study
10. Minor Irrigation Sector Review
11. Water Development Board Review - Follow-up
12. Industry Sector Review - Follow-up

FY81

1. CEM/Final Plan Review

The FY81 Aid Group meeting tentatively has been scheduled for early 1981. Since the May 1980 Aid Group meeting is expected to focus on the draft SFYP to only a limited extent if at all, the FY81 meeting would concentrate mainly upon the final Plan and its implications for donors. By then, GOB would have had sufficient time to prepare at least some key elements of a Plan Implementation Program (PIP) which would, *inter alia*, comprise the requirements for its FY82 investment program. The CEM, therefore, would include both a review of recent economic developments and an appraisal of the final SFYP and related policy measures. Particular attention would be given to: the food situation and food policy development since the January 1980 Aid Group meeting; the FY81 budget and ADP; measures taken with respect to Imports Credit IX and a possible EFF; progress in improving domestic resource mobilization and in stimulating private sector activity; and the Plan Implementation Program, including the scale and composition of projected FY82 investment.

2. Program Lending/Domestic Resource Mobilization Follow-up
3. Plan Implementation Programming

This activity will comprise follow-up to work to be initiated in FY80 aimed at assisting GOB to prepare an action program for implementing the SFYP. Evidently in response to an informal draft IDA staff paper entitled "A Plan Implementation Program," the Minister of Planning has requested Bank technical assistance in this area. It remains to be seen how much and which kinds of assistance will be requested and warranted; discussions of these

matters are proceeding currently. In any event, Bank manpower constraints as well as other considerations point to our playing a very limited role with respect to providing or supervising this assistance. We should be prepared, however, to advise GOB at least on the appropriate terms of reference for domestic or foreign staff to be recruited for plan implementation programming, and perhaps also to advise on related organizational and procedural aspects of this exercise. It is likely that we will concentrate on two areas where we have a "head-start": agricultural investment for a food production strategy; and domestic resource mobilization. We may also add assistance in investment plan monitoring, again concentrating on agriculture. Bank staff inputs would be limited to modest contributions from ASADD and Planning Advisory Division.

4. Medium-Term Agricultural Production Plan: Follow-up

The Joint GOB/Bank Medium-Term Agricultural Production Plan is expected to be ready by June 1980. Implementation of the recommendations on institutional development for preparing detailed investment programs, and for monitoring of sectoral policies and programs will require a continued dialogue with GOB.

5. Rural Non-Farm Employment Study

The objectives of this study are: (i) to assist GOB in developing a need-based long-term strategy for rural development and non-farm employment creation; and (ii) to develop new operational approaches for integrated rural development projects. This work will follow-up on investigations begun in FY79/80 on such dimensions of rural poverty as land and income distribution, the structure of household expenditure, and institutional constraints to rural development. The investigations to be carried out in FY81 will focus on the following issues: sources of income of the rural poor; real wage rates in rural areas and their determinants; rural non-farm employment/under-employment; feasibility of small-scale rural industries and prospects for raising the productivity of existing cottage industries; regional differences in the above and their significance; and problems associated with GOB's announced intent to effect decentralization of decision-making and to strengthen the economic and political role of local institutions. It is envisaged that the study of some of these issues can be contracted out to local Bangladeshi institutions (e.g., BIDS, Dacca University). Some of the information/analysis generated will be used in the FY81 CEM. This activity is highly complementary to the Agrarian Structure and Agricultural Growth Study described below. These two studies (or sets of studies) may be merged into a single activity.

6. Food Policy Follow-up

During the course of preparing the FY80 Food Policy Review (FPR), the mission collected and compiled a considerable volume of disaggregated data concerning a number of key variables relating to food policy. Given severe time constraints, however, only a small fraction of these data was processed and analyzed in time to be incorporated into the FPR Report. In brief, the data relate to the following variables (by months and by districts) for the

five years since 1974/75 for rice (by varieties) and wheat: production prices; wholesale and retail prices; procurement; public distribution; stock levels; storage capacity; and milling capacity. The proposed activity would comprise a follow-up analysis, making use of these data, to provide answers to such questions as: what levels of procurement and open market sales are required to achieve certain targets of price support and price stabilization; and what are the recommended levels and locations of foodgrain stocks and the implied storage requirements to achieve both food security and price stability. The proposed analysis of the detailed regional data (employing only relatively simple statistical techniques) will relate the above-mentioned variables to price variations by location and over time and indicate the implications for storage requirements and stock levels.

7. Private Sector Study

As indicated in Part A above, it seems necessary that the private sector must be induced and helped to play a much more active role in Bangladesh's development if the ambitious targets of the SFYP are even to be approached. Yet, the Government is still ambivalent, uncertain and even contradictory in its policies concerning the private sector. The proposed study would aim first to provide a more adequate information base concerning the present status of private sector economic activity (and constraints thereto) than is now available. It would then proceed to appraise alternative policy options (e.g., incentive packages) and make recommendations to both GOB and donors concerning the kinds of investments and technical assistance that might best stimulate private sector initiatives and channel them in socially desirable directions. Considerable additional work needs to be done to design this task. Much of the required research might be carried out by local researchers (e.g., the Institute of Business Administration) financed through IDA's technical assistance credit. It is envisaged, however, that the study would focus on some of the following issues: the sources and uses of existing private savings, and the flow of funds between the public and private sectors; the composition of existing private investment activity, and determinants thereof; capital and credit markets and the structure of interest rates in both the formal and informal sectors; legal and bureaucratic impediments to private sector activity; fiscal incentives and disincentives to private sector investment; requirements for an expanded private sector role in the distribution of agricultural inputs; determinants of monopoly/monopsony conditions in the trading sector; political constraints to the emergence of a resurgent entrepreneurial class and to private foreign investment; import licensing criteria and procedures; price controls and distortions, and other determinants of discrepancies between social and private profitability; ways and means to foster the adoption of appropriate technologies, especially in small-scale manufacturing and transportation; and identification of potentialities for joint ventures with foreign investors.

Although this is only a very preliminary listing of important issues, it may readily be seen that SW requirements would greatly exceed prospective availabilities -- even if most of the work were subcontracted to Bangladeshi institutions. A partial solution might be to induce IFC, USAID and other interested donors to undertake some of this work.

8. Rural Roads Study

This (desk) study would comprise a review of available documents concerned with the rural roads subsector, with a view to identifying projects suitable for IDA financing.

9. Minor Irrigation Review

This would be a continuation of a study which is to begin in FY80. Key study objectives are to: strengthen the capacity of GOB to plan and execute small-scale irrigation schemes; improve the utilization and coordination of public and private entities to enhance subsectoral performance; and improve on farm water use efficiency and distribution of benefits from minor irrigation facilities. To achieve these objectives, the study would operate intermittently, over two to three years (embracing FY80-82) to: identify institutional and socioeconomic constraints to minor irrigation development; propose remedies; and monitor results and propose adjustments.

10. Water Development Board Review Follow-up

The Joint GOB/World Bank Review of the Bangladesh Water Development Board (Report No. 2327-BD) recommended two sector studies to be funded by UNDP with the World Bank as Executing Agency. Project documents are being prepared following general GOB/UNDP/World Bank concurrence on details. These sector studies are identified as: Improving Water Sector Planning; and BWDB Task Force on Organization and Implementation.

11. Engineering/Leather Industries Study

This study, to follow up on our work on the Machine Tool Factory, would extend our knowledge of the engineering goods industry (e.g. GEM plant, dock year, diesel plant, etc.) and its problems. The study would also focus on the potentialities of the leather industry created by changed incentives and the work of the Leather Committee; the latter may be covered partly by supervision of Imports Program Credit VIII.

12. Intermodal Container Study

At present, few containers are entering Bangladesh. However, a project is now under preparation for the construction of two multipurpose berths which will allow for the possible future development of container traffic. In order to obtain the full benefits of using containers, arrangements will be needed to handle containers to or near their final destination. This will involve railroad and road transport and storage facilities. What is needed is a phased program which will minimize expenditure for the handling of containers, yet allow Bangladesh to participate economically in trade with the developing countries. It is therefore proposed that an intermodal study be undertaken which would encompass transport, handling and storage of containers through the port to inland destinations, with a view to identifying priorities and a phased development program.

13. Tariff Structure Review

This follow-up on the Boston University Study of DRCs and trade policy would comprise a review of the tariff structure, with an aim to improve the uniformity of effective protection. Such a review was previously recommended in the 1978 Industry Sector Report (2191-BD). The final design of the review will depend upon the quality of the final report submitted by the Boston University Group. GOB's receptivity to such a review will also have to be ascertained. (GOB has already done a "review" of nominal tariffs, mainly for revenue purposes).

14. Study of Agrarian Structure and Agricultural Growth

Recent analyses of Bangladesh agriculture have given increasing emphasis to the constraints imposed on growth by the prevailing agrarian structure in the country. Patron-client relationships, based on a skewed land distribution and reinforced by differential access to factor and product markets, are conjectured to dominate the rural social structure and claimed to be key obstacles to better utilization of the country's agricultural potential. Most existing analyses are, however, impressionistic, i.e., based on fragmentary and questionable empirical evidence. The nature as well as the magnitude of the problems related to agrarian structure -- not to mention the policy options for overcoming/circumventing the related constraints -- are at best only partially understood. The objective of the study, therefore, will be to develop a better understanding of the problems and policy options concerning the agrarian structure. The study should also be useful for sharpening our lending strategy for Bangladesh agriculture. The first phase of the study would largely be a desk review involving a critical assessment of the available evidence concerning land distribution, landlessness, sharecropping and tenancy, tenurial arrangements, farm and non-farm employment, rural wage rates, and the extent of inter-relatedness in factor and product markets. Differences in productivity, input usages rates and production incentives among various farm sizes and tenurial arrangements will also be reviewed and analyzed. Areas of agreement and disagreement as well as gaps and definitional ambiguities will be identified. Subsequent work would largely depend upon the results of Phase I. It is tentatively expected that Phase II would involve some field data collection work to fill critical data gaps for resolving disagreements on the nature and magnitude of the problems. (The data collection work could possibly be combined with surveys for some ongoing projects in Bangladesh.) The last phase will concentrate primarily on analysis of the policy options for dealing with the constraints related to the agrarian structure. Given the sensitive nature of the underlying issues, the study will have to kept "low-key" and will preferably involve local institutions and agencies.

FY82

1. CEM
2. Program Lending/Domestic Resource Mobilization Follow-up
3. Agricultural Sector Taxation Study
4. Regional Development Study
5. Statistical Review
6. Public Administration Review
7. Public Enterprise Pricing
8. Fisheries Sector Survey
9. Minor Irrigation Review
10. Engineering/Leather Industry Study
11. Intermodal Container Study
12. Tariff Structure Review
13. Foreign Investment Act Review
14. Agrarian Structure Study
15. Country Boats Study

Attachment 5

BANGLADESH: POPULATION BASIC DATA

Total Population (January 1, 1978, estimate)	84.8 million
Area	144,000 sq. km.
Density of Population (1976)	
per km ² of total area	558
per km ² of agricultural land	795
Birth Rate (1978 estimate)	44
Death Rate (1978 estimate)	19
Growth Rate (1978 estimate)	2.5
General Fertility Rate	200
Total Fertility Rate (1975)	6.3
Total Eligible Couples (1974 estimate)	15.7 million
Life Expectancy (1975)	42 years
Infant Mortality (1975)	140
Population Rural as Percentage of Total Population (1975)	91%
Population Below Age 15 as Percentage of Total Population (1975)	46%
Dependency Ratio (1975)	95
Per Capita Income (1977 estimates at current prices)	US\$91
Labor Force (1972/73 estimate)	26.2 million
Unemployment Rate	30%
Labor Force Engaged in Agriculture (1975)	77%
Adult Literacy Rate (1974)	23%
Primary School Enrollment as Percentage of Age Group (1975)	73%
Population per Physician (1976) (000)	9.6
Population per Hospital Bed (1976) (000)	2.0
Population per Nurse (1976) (000)	62.7
Percentage of Population with Adequate Protein Intake (1977)	50%

G

532/5/7

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
(Through Mr. E. Stern, VPO)

FROM: W. David Hopper, VP, South Asia *WDH*

SUBJECT: BANGLADESH: Your Meeting with the Commerce Minister

DATE: March 24, 1980

1. You are meeting Mr. Mohammad Saifur Rahman, the Bangladesh Minister of Commerce, at 6:30 p. m., Tuesday, March 25. Mr. Stern will meet the Minister at 11:30 a. m., Wednesday, March 26. Mr. Rahman will have opened a Bangladesh Trade Fair in New York the previous Sunday. He is a close friend and advisor of President Ziaur Rahman. Although we have no close dealings with his Ministry, he has been used on occasion as an emissary of the President to amplify the President's views. I went to Dacca in early February at the request of the Aid Group to convey some concern about the overly ambitious Second Five Year Plan targets, and especially about the levels of aid requested in the President's letters to heads of state. The President had by then received many replies (including yours) to his letters. Most of the replies were noncommittal, at best, and the President was disappointed. He told me that he intended to send personal envoys to all of the original recipients of his letters to seek more affirmative statements. Apparently, that is the purpose of Mr. Rahman's meeting with you. We are informed by the Embassy that the Minister wishes to discuss the Plan with you and to explain to you some of the "political necessities" which underlie the President's goals. Since my visit, Mr. Stern has been in Bangladesh, and once again reiterated that the Bank Group could increase its lending to Bangladesh if project implementation improved. Mr. Stern said that in such circumstances the level of \$600 million per annum requested by the President could be approached in the last year (FY85) of the GOB Second Five Year Plan, a figure you mentioned to Ambassador Husain when he delivered the letter, but which was omitted in your written reply to President Zia.

2. An official GOB descriptive biography of Mr. Rahman is attached, as is a copy of the President's letter to you, your reply, and the background note I sent you at the time. When the Aid Group met in Paris in January (on food aid and policy) a quick survey of heads of delegations revealed that the total aid commitment requested in the President's letters for the five years was over \$30 billion. The Plan draft is still not available but our latest information is that the targets are likely to be increased, if anything, beyond those indicated so far.

3. Finally, may I remind you that Wednesday, March 26, is Bangladesh Independence Day.

attachments

Cleared with & cc: Mr. Wiehen

DADunn:c

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Ernest Stern, VP, Operations *ES*

SUBJECT: My Recent Visit to Bangladesh

DATE March 12, 1980

My visit to Bangladesh left me with an unusually encouraging view of the economic management and prospects. The development problems are obviously as immense as ever, the Government service on the whole as inadequate, and the political situation only slightly more stable. But there is now a reasonably clear set of priorities. There are managers in major ministries and agencies which are more capable and action-oriented than before. There is a strong drive from the President to act expeditiously and to focus efforts, and there is a new sense of confidence - perhaps slightly excessive - created by recent achievements. The political institutions are being shaped with appropriate emphasis on local government and on getting central ministries into field operations. The development priorities focus on foodgrain production, population control and education. In agriculture, there is a long overdue focus on minor irrigation, quick-yielding investments, motivating farmers to undertake land improvement and canal clearance, and on broadening the services to the farmer by, on the one hand, strengthening research and extension through reliance on the T & V approach and, on the other, by shifting the distribution of pesticides and small pumps to the private sector. The result is that a scenario which includes an agricultural growth in foodgrain output of 5.5% is considered feasible, albeit optimistic.

There is also a much improved willingness on the part of the Government to take advice. The dispute about the realization of the Plan targets, particularly for agriculture, seems to be satisfactorily resolved.

In population, the targets may not yet fully reflect the objectives of the President and the Planning Commission. The Health Ministry staff, which is new, promised to review them to see what obstacles there might be to more rapid progress. Our own contribution to this exercise and to the establishment of very ambitious family planning objectives needs to be strengthened. There is, at the moment, no lack of political emphasis on family planning, but the Ministry is weak. It is being reorganized in an effort to strengthen it.

Absorptive capacity has improved, both as measured by disbursements and by better economic management. Our willingness, as expressed in your letter to President Zia, to gradually increase our lending is fully warranted. However, we shall have to keep progress under careful review and be sure that the progress remains focused on high priority investments. But within that, I believe it may now be timely to broaden our investment in the economy. There are major institution-building objectives with which we might be able to assist but have not yet done so. These certainly include the oil and gas exploration program (on which work has started), energy planning, power system maintenance and transportation.

As I mentioned to you, the Government is looking forward to your visit and I think this can be structured in such a way to strengthen the momentum which is being built up.

cc: Mr. Hopper
EStern/lms

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return to
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should
we do*

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: January 15, 1980

FROM: W. David Hopper *WDH*SUBJECT: BANGLADESH: Meeting with His Excellency, Ambassador Husain, and
Mr. Al-Hussainy, Member of the Planning Commission

1. Mr. McNamara met with His Excellency, Ambassador Tabarak Husain, on Monday, January 7, at 6:00 p.m. Mr. S.M. Al-Hussainy, a member of the Planning Commission, was also present at the meeting. He was here to negotiate the Bangladesh Eighth Imports Credit.
2. After appropriate New Year's greetings, Ambassador Husain indicated that he hoped 1980 would be a better year for South Asia than the close of 1979, but that he was apprehensive of the present circumstances. He went on to indicate that since Mr. McNamara's last visit to Bangladesh the nation had attained modest economic gains and the Government was appreciative of the assistance and support it had received from the World Bank.
3. The Ambassador then turned to the main purpose of his visit which was to give Mr. McNamara a letter from President Ziaur Rahman, of Bangladesh, seeking assistance of \$600 million per year for the next five years at the Bank's constitution to the proposed Bangladesh Second Five Year Plan. The proposed plan calls for external assistance of approximately \$10 billion over the Plan period. The Ambassador pointed out that the new Five Year Plan had a targeted rate of growth of approximately seven percent. He indicated that this was regarded as a "modest" rate of growth for a nation of 85 million people whose present per capital income is very low. He further added that in the past year the Marshall Law regime in Bangladesh had given way to the establishment of a Parliamentary democracy based on adult franchise, and that there is strong political support in Bangladesh for rapid economic progress. The Second Five Year Plan, which is still under preparation, will have a target investment level of between \$15 billion and \$18 billion. He added that the Plan is within the range of the guidelines suggested by UNCTAD.
4. The Ambassador said that while the external assistance required by Bangladesh in support of their Plan would be sizeable, Bangladesh has a substantial resource base upon which to found a strong economy. He pointed out that his nation has adequate supplies of surface and general water for an advanced agriculture, proven reserves of natural gas, coal and limestone, and that the development of these resources is the central feature of the Plan. He indicated that the Plan will have as its objective the creation of employment opportunities that would reduce the present high rates of under- and unemployment in the nation; that the Plan will strive to build urban and rural industry to improve conditions in the rural areas and to provide both urban and rural job opportunities.
5. He then passed Mr. McNamara President Ziaur's letter expressing the hope it would receive the consideration it deserves.

continued

6. Mr. McNamara assured the Ambassador that he would give the letter every possible consideration. Mr. McNamara went on to point out, however, that it was inconceivable that the Bank could provide an average of \$600 million per year over the next five years, particularly as the present level of Bank assistance to Bangladesh is only \$225 million. Nevertheless, Mr. McNamara indicated that the Bank would, with the authorities in Bangladesh, strive to develop a program to move from present levels of Bank lending to, say, \$600 million in 1985-86, the last year of the Plan. Mr. McNamara pointed out that he has given assurances to the Government of Bangladesh many times that if good projects were forthcoming, the Bank would not hesitate to provide more IDA assistance for the nation's economic development. He made the point that project implementation problems seemed greater in Bangladesh than in many other countries, and for Bank levels of lending to reach \$600 million by mid-1985 would depend upon the Government of Bangladesh developing a suitable pipeline of projects and improving its present implementation capability. He added that if these improvements are made he would be willing to try to reach levels of assistance requested in President Ziaur's letter.

7. Mr. McNamara gave the Ambassador his assurance that the Bank would do all it could to assist Bangladesh in developing projects suitable for Bank assistance. But he emphasised expanded Bank assistance rested on the work to be done by the people and Government of Bangladesh.

8. After a brief discussion of the general problems facing developing countries, the Ambassador turned to seek Mr. McNamara's assistance in discussions with the U.S. on additional food for Bangladesh to be supplied under PL-480. Mr. McNamara indicated that he would provide what assistance he could in this matter.

9. In closing the meeting, Mr. McNamara assured the Ambassador again that he would consider President Ziaur's letter most carefully. He added that he was disappointed in the present level of aid which is too low for a country of the size and poverty of Bangladesh. He said it was his desire to do all that is needed to respond to the efforts of the Government of Bangladesh to open the way for economic improvement with Bank help.

The meeting concluded at 6.30 p.m.

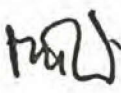
c.c. Messrs. Stern, Wiehen, Dunn

WDHopper#pve

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE October 15, 1979

FROM: Michael H. Wiehen, Director, ASA SUBJECT: 1979 Annual Meetings - Meeting of Bangladesh Delegation with Mr. McNamara

1. The head of the Bangladesh Delegation, Minister of State for Finance and Governor of the Bank for Bangladesh, Attuaddin Khan, called on Mr. McNamara on October 2, accompanied by Messrs. Muhith, Razaque, Syeduzzaman and the Bangladesh Ambassador in Belgrade. Also present were Messrs. Stern, Hopper, Koch-Weser and Wiehen.
2. Mr. McNamara started by thanking the Bangladesh Government for voting for the CCI at an early date.
3. He then asked the Minister what he could tell him about the country and its economy, particularly the status of food production. The Minister began by congratulating Mr. McNamara on his opening day address. He explained that his country had prepared a first 5-year Plan right after Independence but had been unable to achieve its goals. His Government was now preparing a new Plan, and he expressed his gratitude for the Bank's assistance in this process. The most important target of the new Plan was to double food production and to increase internal resource mobilization substantially.
4. Mr. McNamara said a doubling in five years would require an annual increase of 14%, which no country has ever done, and which was not likely to be achieved, but any increase in food production was so important that the Bank would welcome and support any investment program towards that end. He added that it was absolutely essential that Bangladesh increase its efforts at mobilizing more domestic savings, even though this required a reduction in domestic consumption, and offered again that the Bank would give any advice desired by the Government in this regard.
5. Regarding the levels of IDA lending, Mr. McNamara suggested that the IDA program could be expanded provided (i) existing commitments were carried out well and (ii) the project pipeline were strengthened. He said the Bank, through the Aid Group, was also putting pressure on other donors to increase their commitments to Bangladesh. However, he remarked that even in the IDA replenishment discussions Bangladesh was being cited as a bad example as regards the utilization of aid and therefore tremendous efforts had to go into improving that past record. In response to Mr. Syeduzzaman who thought that the project pipeline for FY80 and 81 was all right, Mr. McNamara said he hoped Mr. Syeduzzaman was correct, but that Bangladesh in general should prepare at least 50% more projects than they thought the Bank Group could finance, and thus put the pressure on us.
6. Mr. Muhith expanded further on the Plan target of doubled food production, admitting that it was extremely ambitious (the highest increase Bangladesh had yet achieved in any one year was 8%) but stating that the

Government had to try for it. Even if they achieved 20 million tons rather than the 26 million tons targeted, they would be pleased. On this Mr. McNamara commented that an overambitious target could easily lead to serious and costly imbalances in the investment program, e.g. storage capacity being built for 26 million tons while irrigation investments were geared to a production level of only 15 million tons, etc. Mr. Muhith acknowledged this danger but assured Mr. McNamara that his Government would continue to work closely with Bank Staff toward a total integrated investment program which would be adjusted on a five year rolling basis.

7. As regards mobilization of domestic resources, Mr. Muhith said that last year Bangladesh had mobilized internally 6% of the investment program, and that the target was to reach 20% in five years. In the last six months alone, the tax burden on a family earning 1000 Taka a month had been increased by 27%. All subsidies on food were to be eliminated by the end of the Plan.

8. As regards the project pipeline, Mr. Muhith said they were working hard on it, and he expressed his hope that Bangladesh would not be held back, due to shortage of IDA funds, if projects were ready for financing. He stated his dismay that the lending program in FY80 was scheduled to go down to \$175 million, from \$275 million in FY79. Mr. McNamara responded that he would favor a larger program in FY80, and asked Mr. Sterr to "find the funds", provided sufficient projects are ready for financing.

9. Mr. Muhith also commented on project implementation performance and acknowledged that there were problems. However, he argued that Bangladesh was a new country and that, apart from those inherited from the previous Government, new projects were only 3 years old or younger. A disbursement percentage of 20% was low, and they were trying for 25%, but he thought some improvements were already visible, and Mr. McNamara agreed that there were.

10. Mr. Muhith further argued that despite strong efforts at accelerating disbursements his Government would have a net transfer problem in FY80 and 81 and he asked the Bank Group to assist with a higher level of program lending. He pointed at the recent IMF agreement with Bangladesh and suggested that that agreement merited additional program lending support. Mr. McNamara responded that an IMF agreement was a necessary but not the only element in a case for program lending, and that the absence of a comprehensive development program was a major problem. He said that, as he had stated in the Development Committee, the Bank would like to increase program lending in general but that there was resistance from Germany and Japan. Besides, the Articles of Agreement limited program lending to "exceptional circumstances", and he did not wish to see the whole Bank program for program lending endangered because of a disproportionately high level of such lending in Bangladesh.

At the conclusion of the meeting, the Minister, on behalf of the President of Bangladesh, extended an invitation to Mr. McNamara to visit Bangladesh again and expressed the hope that Mr. McNamara could come before the end of the year. Mr. McNamara thanked the Minister for the invitation and replied that he would gladly visit Bangladesh, though he would be unable to do so in the near future, due to other commitments.

cc: Messrs. Stern
Hopper
Picciotto
Koch-Weser
Storarr
Bangladesh Division

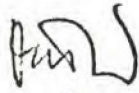
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OFFICE MEMORANDUM

532/5/3

TO: Files

DATE: September 21, 1979

FROM: Mr. Michael H. Wiehen, Director, ASA SUBJECT: BANGLADESH - Meeting of Petroleum Minister with Mr. Stern

1. Lt. Col. (Retd.) Akbar Hossain, Minister for Petroleum and Mineral Resources, met with Mr. Stern on Wednesday, September 19, 1979; the Minister was accompanied by Messrs. A.S.H.K. Sadique, Secretary, Ministry of Petroleum; Nazul Islam, Chairman, Petrobangla; Sirajul Majid Mamoon, Senior Executive, Petrobangla; The Bangladesh Ambassador in Washington, D.C.; and Mr. Syeduzzaman, Alternate Executive Director.
2. The Minister explained to Mr. Stern the present attitude of his Government on the utilization of the country's gas resources. He said the Government saw the natural gas as a major resource earner for the economy and was planning to push ahead with exploration and exploitation as quickly as possible. Gas would be sold "in whatever form" to domestic users (including industry, the power sector and any other customer that could be developed) and the export of gas in the form of LNG would also be considered. He acknowledged that many investments necessary for the utilization of natural gas were capital-intensive but he felt that due to the very quick pay-off of many such schemes the investments were justified and investors could be found. Mr. Stern expressed his agreement with the Minister's statement that the utilization of hydrocarbons was a matter of international rather than simply national interest and he reiterated the Bank's offer to Bangladesh to assist the Government in both exploring and exploiting its oil and natural gas resources. He only cautioned the Minister that gas, being the only significant natural resource of the country, should be exploited very carefully, balanced, and should not be used up too fast. He pointed at the population growth problem, the increasing labor pool and the traditionally low productivity in agriculture and said that these obviously long-term problems required very careful utilization of a depletable resource such as gas. The Minister responded that he understood the long-term nature of Bangladesh's development problems but that in view of the high rate of undernourishment and poverty in Bangladesh, the need for resources was now, and he could not afford the luxury of carefully phasing the use of gas resources.
3. The Minister also made reference to the forthcoming pipeline project, in particular the dialogue between the Bank and Bangladesh on the size of the pipeline, and pleaded that an argument that could make a difference of perhaps \$5 million in the total capital cost of the project should not cause a delay in construction leading to a loss of benefits that would far outweigh the possible savings. He explained in this context that the Government was planning to interconnect all nine gas fields, in order to optimize the use of gas resources, and that this objective should also be kept in mind in designing the pipeline.

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4. The meeting broke up before Mr. Stern had the opportunity to respond on this last point; subsequently he called me to urge us to proceed with the appraisal as quickly as possible and, on the pipeline size issue, to bear in mind the foregone benefits which a protracted discussion on design criteria might cause.

cc: Mr. Stern
Mr. Hopper
Mr. Dunn

MHWiehen:lah

532/5/2

OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: W. David Hopper, VP, South Asia *W.D.H.*

SUBJECT: BANGLADESH - Meeting with Dr. Fasihuddin Mahtab,
Minister for Planning

DATE: September 21, 1979

Mr. McNamara met with Dr. Mahtab on Tuesday, September 4, 1979 at 5.30 p.m.

Dr. Mahtab informed Mr. McNamara that Bangladesh had managed to ride through the consequences of a severe drought that had lowered domestic food production and reduced availability to a critically low level. He added that though the stock position was presently low, food aid arrivals were running ahead of offtake and the Government was overcoming many of its internal transportation problems. The monsoon this year has been fairly good after a slow start, and it looks as if the main crop, about to be harvested, has been reasonably good. There is the promise that the harvest and the Government's stock position will carry the nation satisfactorily through the dry season ahead.

Dr. Mahtab went on to explain that the drought this year has emphasized the importance of agricultural development to the President and the Cabinet. He pointed out that at present only eight percent of Bangladesh's land is irrigated and it is planned that this percentage should rise to 25 or 30 percent under the new Five Year Plan now under preparation. The Minister mentioned that in a simulation study of the Northwestern Region of Bangladesh it was found upwards of 75 percent of the land could be irrigated from appropriately located and designed tubewells. To facilitate the expansion of irrigation, Bangladesh was turning to collaboration with the German firm of Deutsche for the manufacture of diesel engines within the country. Plans were also under way to use a machine tool factory for production of pumps and engines (as well as equipment needed by the jute and textile industries). The Minister pointed out that with an expansion of irrigation there will be a simultaneous need to meet a larger demand for agricultural inputs, such as, fertilizer, seed, extension services, credit, etc., and that the nation's ability to provide these inputs will depend very much on the building of a stronger, more comprehensive institutional base servicing agriculture.

The Minister then turned to the population question. He pointed out that Bangladesh's own projections are that population will reach 212 million people by the year 2005, a year when they expect the net reproduction rate to have fallen to 1.0. The Minister indicated that this was very much larger than they hoped. Indeed, it was hoped that Bangladesh could stabilize its population around 100 million. He expressed his concerns that population control had not been given the priority in the past that it should have received and pointed out that it was now "high time to tackle this problem". He commented that "the situation is grim, with more and more people unemployed, and with stagnant agricultural investment there is little chance for them to find work". The Minister pointed out that in the last few years

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there has been little investment in agriculture and that there "must be a break-through in the next 5 years or Bangladesh will not survive - it is simply a question of survival". The Minister went on to point out that the needs of the country are for the early development of its infrastructure. This meant irrigation, powered by electricity produced by using domestic gas resources; it meant also fertilizer and the manufacture and distribution of modern plant nutrients and plant production materials; in turn, this required the development of agricultural support industries and an extensive network of rural electrification. He stated that the Bangladesh marketable grain surplus is about 10 percent and that the transportation of this small proportion of domestic output (1.3 million tons) is even now a problem. If agricultural production is to increase, investments must be made in transport facilities, storage facilities, the production of assured inputs to farmers and the assurance of an economic incentive to farmers to encourage output growth. He pointed out that the Government's procurement program in the past had been focused on benefits accruing to urban consumers through cheap food, and that while this program has provided the nation and the farm community with some price stability, the price level to cultivators has not been high enough to provide the incentive to expand output. He indicated that Bangladesh would need at least another half million tons of high quality food storage to add to its present facilities of a little over one million tons.

Returning to irrigation, the Minister pointed out that crop intensity on irrigated land is close to the factor of 3.0, whereas on non-irrigated land it is about 1.5, but that the expansion of irrigation will depend very much on the availability of locally manufactured pumps and engines and spare parts.

The Minister turned from agriculture to a discussion of small scale industry where the GOB plans to promote the use of handlooms as soon as more industrial spinning facilities are available to provide the yarn for the weavers. He indicated that with the help of ILO and UNDP, a Human Resource Study is under way that is to complement an experimental project in the Comilla area where a T&V approach to small industry development extension is being undertaken. It is anticipated that this experiment will lead to a package program of price supports, of technology, of tools and other hardware, and of skill training that will be made available to small entrepreneurs to complement credit facilities now being extended by various Bangladesh institutions.

From small industry he turned to the need to build local leadership and to revitalize local institutions. He pointed out that little effort had been made for many years to encourage local planning and to assist the Union (a circle of about ten villages) and the Thana (a circle of about ten unions) Councils in undertaking local development programs.

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The Union and Thana Councils should be more effective in raising domestic resources, including resources in kind, for the planning and execution of local development. The Minister referred to resource constraints and promised that the GOB would do its best to increase the availability of local resources, but that there were limits because of the extent of the non-monetarization of the economy.

The Minister indicated that this was the thinking providing the foundation of the present approach to developing a second Five Year Plan. He asked for Bank help in both the planning process and in Plan implementation.

Mr. McNamara responded that he was delighted with the directions that the Minister indicated that the planning process in Bangladesh was taking. The President went on to point out the development of sound projects of the kind the Minister was referring to would justify an expansion of IDA assistance for Bangladesh. The President also pointed out that domestic resource constraints were a major problem that would have to be overcome soon if the Plan targets were to be met. Mr. McNamara also pointed out that he hoped the planning process in Bangladesh was not going to result in targets that were overly ambitious and incapable of attainment. He took the position that targets should be established that would put the nation under some stress as it reached for the projected goals, but that the targets should not be so far beyond attainment that national morale was made cynical or destroyed. The President also indicated the importance of developing in Bangladesh well prepared projects for submission to the Bank and other donors.

Minister Mahtab responded that Bangladesh was attempting to initiate its own project designs and he cited the Northwest Tubewells Project as an example of the Bangladesh conceived and prepared project. He pointed out that this project was now with the Bank for its consideration.

In closing, the Minister acknowledged that Bangladesh had not done an outstanding job in implementing projects. He said that Bangladesh would have to improve its implementation capacity in the years ahead, but he was sure this would be done. He pointed out that very frequently Bangladesh's projects were built around one conception, but that the donors had a different conception or point of view and the resulting project was an unhappy compromise that was difficult to bring to fruition. He hoped that this would not constrain project development and implementation in the future. He conceded that internal discipline within Bangladesh was the most needed aspect of their economic development implementation, and that this included discipline at the project site, as well as discipline between ministries and Government agencies involved in the project implementation.

The meeting adjourned at 6.30 p.m. with Mr. McNamara extending his good wishes to the Minister and to President Zia.

cc: Messrs. Wiehen, Dunn ✓

WDHopper/vm