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McNamara Papers

Travel
Oct. 2

The World Bank Group
Archives
 1772834
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 Travel briefs, Burma and Bangladesh

Bangladesh

Folder 1 of 4

Folder 4

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VISIT TO SOUTH ASIA, October 28-November 14, 1976

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>	<u>REMARKS</u>	
Oct. 28 Thurs.	1700 1927	2100 0227	Depart Washington (Dulles) Arrive Los Angeles	TW19 (L10) non-stop, economy Hotel La Quinta--Palm Springs (SB will arrive L.A. Oct. 29 1301 on AA77--will stay at Marriott)
Oct. 30 Fri. SAT.	2350	0650	Depart Los Angeles	CI007 (B-747) one-stop, (Honolulu), first. Meet SB and Mr. Stern in airport.
Nov. 1 Mon.	0705 1050 1635 1700 1800	2205 0150 0935 1000 1130	Arrive Tokyo Depart Tokyo Arrive Bangkok Depart Bangkok Arrive Rangoon	JL471 (D8S), non-stop, first Thai Government plane Government Guest House
Nov. 2 Tues.	1000 0915		Leave by boat for tour of Irrawaddy Delta, accompanied by senior Burmese officials, Mrs. McNamara, Messrs. Stern, Clark, Burmester and Shibusawa. Time permitting, a stop might be made to visit rice and/or jute farms along the river. Lunch aboard.	<i>weather getting IWT Corp. Bangkok</i> (11:30)
	1330 1330		Arrive at Layainzu (near Maubin) or another appropriate village to inspect Irrigation I project (Lift Pump Irrigation).	(approx.)
	1430 1430		Depart Layainzu by helicopter for Shwelaung. Composition of party taking helicopter to be confirmed by Mr. Shibusawa upon Mr. McNamara's arrival in Burma. Mrs. McNamara will return to Rangoon by boat.	(approx.)
	1500		Arrive Shwelaung. Inspection of Delta Paddy project area and discussions with village leaders and project farmers. Tour of village. Refueling. It may be necessary instead to make a refueling stop at Pyapon as part of tour of Lower Delta Paddy Project areas.	(approx.)
	1630 1630		Depart Shwelaung for air tour of Lower Delta Paddy Project areas.	
	1745 1745		Arrive Rangoon airport (Mingaladon)	
	1815 1815		Arrive Government Guest House	<i>Call on H.E. U Nu when Pres. & Sec. Rep. of the Union of Burma # 1/2 day Rd.</i>
	2000 2000		Official Dinner to be hosted either by Prime Minister or Deputy Prime Minister.	<i>Enga Lake Hotel</i>

Visit Myanmar - 2 -

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
Nov. 3 Wed.	0830 0930	0930 0930	Meeting with Deputy Prime Minister and Minister of Planning and Finance, H.E. U Lwin.	
	1000	1045	Meeting with MinAgriculture, H.E. U Ye Coung.	
	1115		Meeting with Prime Minister, H.E. U Sein Win.	
	1200		Possible meeting with President Ne Win or Gen. San Yu, Sec.Gen of Burma Socialist Program Party.	
	1300		Official Lunch to be hosted by Deputy PM	
	1530	0900	Depart Rangoon	Thai Government Plane.
	1800	1200	Arrive Dacca Evening free	Intercontinental--small suite.
Nov. 4 Thurs.	0730-1200		Helicopter trip to Sherpur Thana (Bogra District). Mr. Weiss, Chief ResMission will accompany party and provide further details.	
	1230-1400		Private lunch (at Weiss Residence).	
	1500-1630		Field trip by car to Adamjee Jute Mill.	
	2000 1930		Dinner by Dr. Huda to meet leading Government officials (at Intercontinental Hotel). Mr. Weiss will provide further information on officials who will be attending.	
Nov. 5 Fri.	0800-1000		Meeting with MinPlanning. Mr. Weiss will accompany party (Messrs. Stern, Clark and Burmester) at these meetings.	
	1000-1100		Meeting w/MinHealth, Population Control and Family Planning	
	1115-1230		Meeting with MinAgriculture and Rural Dev.	
	1230		Private lunch	
	1500 1630		Meeting with MinFlood Control & Water Resource	
	1630-1700-1730		Courtesy call on Pres. Sayem.	
	1730-1800		Drinks with private industrialists, Messrs. Musa & Kabi	
	2000		Working dinner with Gen. Rahman	
Nov. 6 Sat.	1000	0400	Depart Dacca	BG491 (F27), non-stop, economy
	1025	0455	Arrive Calcutta	Raj Bhavan (Messrs. Stern, Clark and Sen will stay at Grand Oberoi Hotel)
	1030-1230		Visit Urban Development Project by car accompanied by Bhola Nath Sen, MinPublic Works and Housing.	
	1230-1400		Lunch (private--Gov. West Bengal & Mrs. Diaz).	

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
Nov. 6	1400-1530		CMDA briefing.	
Sat.	1545-1630		Chief Minister West Bengal (Mr. S.S. Ray)	
	1700-1800		Meetings w/individual industrialists	
	2000		Dinner at Raj Bhavan. Host: Governor of West Bengal	
Nov. 7	0830-1730		Depart Calcutta by helicopter. Full day field visit to agricultural areas, stopping at Burdwan Town and Kachrapara in Nadia District. (Chief Minister, State Ministers of Agriculture and Public Works will accompany.)	
Sun.	1800		Return Calcutta	Airport Hotel
	2000		Dinner (private)	
Nov. 8	0600	0030	Depart Calcutta	IC269 (CVL) non-stop, economy
Mon.	0815	0245	Arrive Hyderabad.	(Mr. Sen will proceed directly to New Delhi)
	0900-1200		Visit ICRISAT by car	
	1300-1400		Lunch: Host: Governor of Andhra Pradesh (Mr. R.D. Bhandare) at Raj Bhavan	
	1430-1630		Visit Bharat Heavy Electricals Ltd by car	
	1730-1830		Meeting with Chief Minister (Mr. V. Rao) and Government officials	
	1930	1400	Depart Hyderabad	IC404 (B-737) non-stop, economy
	2125	1555	Arrive Delhi	Rashtrapati Bhavan (President's House). (Messrs. Stern, Clark Sen at Oberoi Intercontinental Hotel)
Nov. 9	0800		Depart Delhi	Government plane.
Tues.	0900		Arrive Suratgarh Seed Farm	
	1130		Visit Rajasthan Canal Project by helicopter.	
			Participating Rajasthani officials: Irrigation Minister, Heerala Devpura Rajasthan Canal Bd. Chman, G.S. Shastri Chief Secretary, Mohan Mukerji	
	1330		Lunch at Chattargarh	
	1500		Visit Rajasthan Canal--second stage by helicopter	
	1600		Arrive Bikaner	
	1730		Arrive Delhi	Government plane
	2000		Dinner hosted by MinFinance Mr. C. Subramaniam	
Nov. 10	0800		Breakfast with L.K. Jha (Governor of Jammu and Kashmir)	
Wed.	1000		MinFinance (Mr. C. Subramaniam)	
	1130		MinAgriculture (Mr. Jagivan Ram), DGen, Research (Mr. M.S. Swaminathan)	
	1230		Prime Minister (Mrs. I. Gandhi)	
	1230-1400		Lunch--Prime Minister	
	1600		MinIndustry (Mr. T.A. Pai)	
	1700		MinCommerce (Mr. D.P. Chattopadhyaya)	
	2000		Dinner hosted by Mr. Jochen Kraske	

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>	<u>REMARKS</u>
Nov. 11	0830-0930		Ford Foundation
Thurs.	1000		Meetings with individual private industrialists (Bhoothalingam, Arunachalam, Bharatram, B.M. Birla, H.P. Nanda and Raunaq Singh).
	1200		Deputy Chairman, Planning Commission (Mr. P.N. Haksar)
	1230-1330		Lunch (private)
	1530		MinHealth & Family Planning (Mr. Karan Singh)
	1645		President (Mr. Fakruddin Ali Ahmed)
	1730		Return to Rashtrapati Bhavan
	1900	1330	Depart Delhi
	1950	1450	Arrive Lahore
	2030		Dinner--Punjab Gov. & Begum Mohammad Abbas Abbasi
Nov. 12	0800		Depart for Lyallpur by helicopter
Fri.	0845		Arrive Lyallpur
	0845-1015		Field visit Lyallpur University Extension Area (Dr. Mohammad Nasim, Secy., Agriculture Dept., Punjab, to accompany)
	1030-1130		Visit to Agriculture Research Institute
	1145-1245		Visit to Agriculture University Campus
	1245-1345		Lunch by Dr. Amir Mohammad, Vice Chancellor Agriculture University in Lyallpur
	1345-1415		Leave Lyallpur for Gujranwala by helicopter
	1415-1600		Visit industrial estate and small-scale enterprises (Mr. Safdar Husain Kazmi, Secy. Industries Dept. Punjab, to conduct visit)
	1600-1630		Depart Gujranwala for Lahore
	1700		Depart hotel
	1745	1245	Depart Lahore
	1845	1345	Arrive Rawalpindi
	2030		Dinner by Rana Mohammad Hanif Khan, Min. for Finance, Planning & Development. Mr. Rafi Razi, Min for Production and Mr. S.B. Awan, Secy. Production Division, will be present
Nov. 13	0730-0800		Travel by car from Rawalpindi to Islamabad
Sat.	0800-0845		Meeting with Rana Mohammad Hanif Khan, Min. Finance, Planning & Development, and Mr. A.G.N. Kazi, SecGen, Finance & Economic Coordination
	0900-1030		Joint meeting with Mr. V.A. Jafarey, Secy. Planning Division; Mr. Aftab Ahmad Khan, Secy. Economic Affairs Division; Mr. I.A. Imtiaz, Secy. Ministry Food & Agriculture; Mr. Masur Hasan Khan, Secy. Ministry Fuel, Power & Natural Resources; and Mr. Abdur Raouf Shaikh, Secy. Finance Division
	1045-1115		Meeting with Mr. Rafi Raza, Min. for Production, Mr. S.B. Awan, Secy. Production Division
	1115-1200		Return by car to Rawalpindi
	1200-1300		Meeting with Prime Minister
	1300-1445		Lunch with Prime Minister and Begum Bhutto
	1500-1530		Depart for Tarbela by WAPDA plane

*1745 Pa
1420 hr*

PK681 (F-27) non-stop, economy
Intercontinental (small suite)

PK604 (F-27) non-stop, economy

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
	1530-1615		Briefing by Mr. Abdul Hafeez Pirzada, Minister Education & Provincial Coordination and Chairman Special Cabinet Committee on Tarbela. Mr. Khattak, Min. Fuel, Power & Natural Resources, will accompany party	
	1615-1700		Visit site	
	1700-1730		Return Rawalpindi from Tarbela by WAPDA plane	
	1830-1900		Meeting with private industrialists (Messrs. Jamil Nishar and Babar Ali)	
	2030		Dinner (private)	
Nov. 14	0900	0400	Depart Rawalpindi	BA477 (V10) 1 stop (Amman) first
Sun.				
	1540	1540	Arrive London	
	1700	1700	Depart London	TW701 (B3J) non-stop, first
	2000	10100	Arrive New York (JFK)	
	2250	0350	Depart New York (JFK)	AL486 (B11) non-stop, economy (SB will go to Denmark and return to office on November 18)
	2345	0445	Arrive Baltimore	

*1720 0920
1305 1005*

cc: Mr. Knapp

SB
October 27, 1976

BURMA

Airport Arrival Statement

Burma

I am delighted to be in Burma, and greatly appreciate the kind invitation to visit your beautiful and interesting country. As this is my first visit here, I am particularly looking forward to meeting your leaders. From these discussions, I hope to acquire a deeper understanding of your problems and prospects, and of the policies you are adopting to stimulate the economic and social progress of your people.

World Bank lending to Burma has been increasing in recent years. Over the last three years, IDA has provided \$132.5 million for projects relating to agriculture, forestry, livestock and transport. I am especially pleased that this trip will include a visit to paddy areas in the Irrawaddy Delta, where we are already supporting a project and hope to be able to provide assistance for others. I am looking forward to the opportunity of learning more about your farmers, whose efforts will be of crucial importance in building a better future for your country.

As you know, the bulk of the resources -- human and material -- for development come from within the developing countries themselves. In line with your readiness to implement the necessary and often difficult measures that constitute the basis of any serious development effort, we are prepared to assist projects of high priority within the framework of Burma's development plan.

In providing assistance, our aim is to help the people of Burma to achieve the goals that they themselves have chosen. Your country has the potential for rapid as well as equitable growth, and we in the World Bank are ready to assist in any way we can.

background NOTES

Burma

department of state * may 1976

OFFICIAL NAME: Socialist Republic of the Union of Burma

GEOGRAPHY

Burma is the largest country on the Southeast Asian mainland. Facing the Bay of Bengal and the Andaman Sea on the west and south, it shares land borders with Thailand, Laos, the

People's Republic of China, India, and Bangladesh.

Burma is rimmed on the north, east, and west by mountain ranges with elevations up to 15,000 feet above sea level along the Chinese border and 8,000 feet along the Indian

border. The mountains have contributed to Burma's isolation from neighboring countries, and the rivers and dense forests have discouraged east-west movement of its people. The Irrawaddy River is the country's economic lifeline and major transportation system, connecting Rangoon with Mandalay in the central area.

Located at about the same latitude as Mexico, Burma has a tropical, monsoon climate. Annual rainfall varies from 200 inches in coastal areas to only 30 inches in the central "dry zone." Mean annual temperatures range from about 80°F in southern Burma to the middle 70's in the northern lowlands. During the hot season (March to May) temperatures often exceed 100°F in central Burma.

PROFILE

Geography

AREA: 262,000 sq. mi. (slightly smaller than Tex.). CAPITAL: Rangoon (pop. 2.3 million). OTHER CITIES: Mandalay, Moulmein.

People

POPULATION: 30.8 million (1975 est.). ANNUAL GROWTH RATE: 2.3% (1970-73). DENSITY: 117 per sq. mi. ETHNIC GROUPS: Burman 72%, Karen 7%, Shan 6%, Kachin 2%, Chin 2%, Chinese 2%, Indian 3%. RELIGIONS: Buddhist 85% Muslim, Christian, animist. LANGUAGES: Burmese (official), English, numerous dialects. LITERACY: 70%. LIFE EXPECTANCY: 47 yrs.

Government

TYPE: Independent Socialist Republic. INDEPENDENCE: Jan. 4, 1948. DATE OF CONSTITUTION: Jan. 4, 1974.

BRANCHES: Executive—President (Chief of State and Chairman of State Council), State Council, Prime Minister (Head of Cabinet). Legislative—unicameral People's Assembly. Judicial—People's Courts, Council of People's Judges, Council of People's Attorneys.

POLITICAL PARTY: Burma Socialist Program Party (BSPP). SUFFRAGE: Universal. POLITICAL SUBDIVISIONS: 7 States, 7 divisions.

FLAG: 14 white stars encircling rice stalk and industrial wheel on a blue background in upper left corner; rest of flag is red.

Economy

GDP: \$2.9 billion (1975). ANNUAL GROWTH RATE: 3.5%. PER CAPITA INCOME: \$96. PER CAPITA GROWTH RATE: Nil.

AGRICULTURE: Land 12%. Labor 67%. Products—rice, jute, sesamum, groundnuts, tobacco, cotton, pulses, sugarcane, corn.

INDUSTRY: Labor 13%. Products—agricultural processing, textiles, wood and its products, petroleum refining, construction materials.

NATURAL RESOURCES: Oil, timber, tungsten, nickel, copper, precious stones.

TRADE: Exports—\$120.7 million (1974-75): rice, teak, jute, rubber. Partners—India, Sri Lanka, Mauritius, Western Europe, Japan, UK. Imports—\$123.8 million (1974-75): machinery, transportation equipment, textiles, raw materials, manufactured goods. Partners—Japan, UK, Western Europe, India.

OFFICIAL EXCHANGE RATE: 6.239 kyats=US\$1.

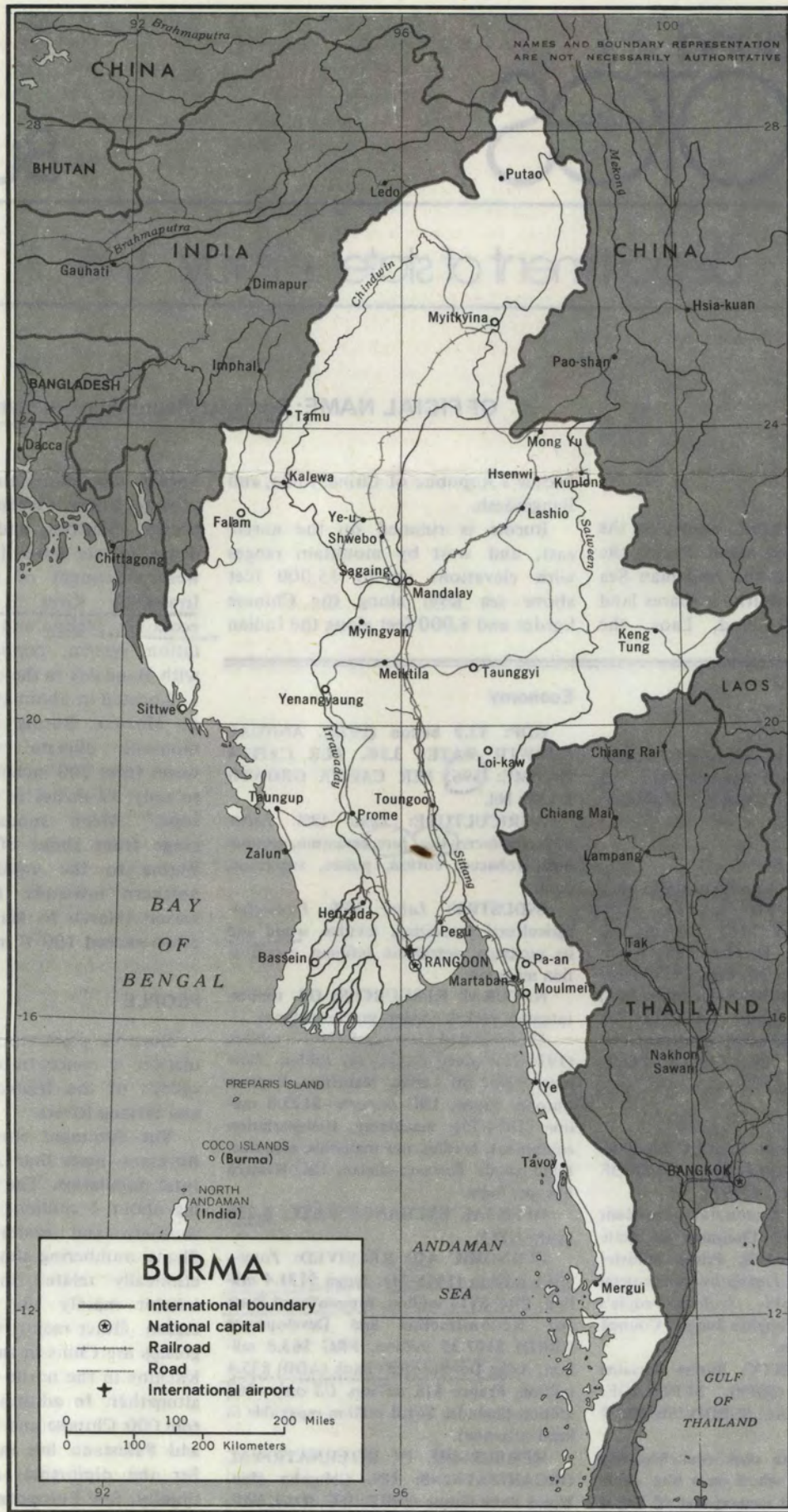
ECONOMIC AID RECEIVED: Total—\$651 million (1948-74): Japan \$131.4 million, PRC \$114 million, International Bank for Reconstruction and Development (IBRD) \$107.35 million, FRG \$63.8 million, Asian Development Bank (ADB) \$35.4 million, France \$16 million. US only—\$67 million (includes \$41.8 million repayable in local currency).

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: UN, Colombo Plan, World Bank Group (IBRD, IFC, IDA), IMF, GATT, Seabeds Committee.

PEOPLE

Burma's predominantly rural population is concentrated in the lower valleys of the Irrawaddy, Chindwin, and Sittang Rivers.

The dominant ethnic group is the Burmans—more than 22 million of the total population. The Karens, numbering about 1 million, live throughout southern and eastern Burma. The Shans, numbering about 1 million, are ethnically related to the Thai and inhabit mainly the eastern plateau region. Other major indigenous ethnic groups are Chins in the northwest and Kachins in the north—about 1 million altogether. In addition, an estimated 600,000 Chinese and 900,000 Indians and Pakistanis live in Burma. Except for the diplomatic and U.N. community, few Europeans live in Burma. About 200 Americans reside there.



Theravada Buddhism—an older form of Buddhism prevalent in most of Southeast Asia—is the faith of about 85 percent of the Burmese. Minority religions include Islam, Christianity, and animism.

Many languages and subsidiary dialects are spoken by Burma's ethnic groups. Burmese, which is related to Tibetan, is the language of most of the people and the official national language. English is still the second language among the educated and official elements of society, but its use has declined in recent years.

The Burmese Government offers free education from primary through university level and is expanding its facilities for an increased number of students. An estimated 88 percent of primary school children (ages 6-9) are now attending school (usually in half-day sessions); only a small percentage of older children, however, attend the middle and high schools. In rural areas, traditional Buddhist schools provide basic skills for primary school children. Government literacy campaigns have contributed to a rising literacy rate. Universities are located at Rangoon, Mandalay, and five other smaller cities. There also are several technical schools and three medical schools. Recent college graduates have experienced difficulties in finding employment, and the government is currently encouraging students to attend technical schools from which employment opportunities are greater.

HISTORY

Burma was unified for the first time during the 11th century by King Anawrahta. It remained independent until 1287, when Kublai Khan's Mongol hordes invaded the country and destroyed political order. Five centuries of internal disorganization followed, compounded from the mid-16th century on by intermittent wars with Siam (now Thailand). A new dynasty was established and the country was united under King Alaungpaya in the late 18th century. Under his and his successors' rule, Burma repelled a Chinese invasion and came into conflict with the British who were vying with the French for dominance in the area.

Burma was annexed to British India during the three Anglo-Burmese wars

TRAVEL NOTES

Customs—Tourist travel is restricted to several major cultural centers: Pegu, Pagan, Mandalay, Taunggyi, and the vicinity of Rangoon. Seven-day tourist visas are readily obtainable. Long-period visas for business trips can be obtained, but special arrangements must be made with approval of the Burmese Government. Due to internal security problems, travel to the border states of Burma is prohibited by the Burmese Government.

Health—All water used for drinking should be boiled. Cholera, tuberculosis, smallpox, plague, and typhoid are endemic to Burma. Malaria, a serious problem in rural areas, is uncommon in Rangoon. Bacillary and amoebic dysentery are prevalent and a variety of intestinal parasites common, but with due care, affliction can be avoided, at least in major cities.

Telecommunications—Telephone service within Rangoon is adequate; international service is available only a few hours each day. Telegraphic service to and from Burma is often slow.

Transportation—The Union of Burma Airway flies daily from Bangkok to Rangoon's international airport (Mingaladon). No American carriers have

flown into Burma since 1971. Internal air service is adequate and a convenient and comfortable way to travel. Travel by car, train, or river steamer is possible but somewhat arduous. Traffic in Rangoon is less congested than in Mandalay. Public transportation in both cities is inadequate, unsafe, and overcrowded. Three-wheeled motorcycles are used as taxis; many are in poor condition and uncomfortable.

Sightseeing—Mandalay, the second largest city and the last capital of the Burmese Kings, still has much historical and cultural interest. It is easily reached from Rangoon by plane (1½ hours), car (14-16 hours), train (16 hours), and even river steamer (8-11 days).

Pagan, the ancient capital during the golden era of Burmese history, may be reached by a daily flight from Rangoon (1¼ hours), with difficulty by car, or for very hardy adventurers, by river steamer (12 hours from Mandalay). Modern bus service is unavailable.

Inle Lake, which lies between Kalaw and Taunggyi, is a favorite tourist spot, but occasionally restricted. Sandoway, on the Arakan coast, is the finest accessible beach in Burma. Daily flights (45 minutes from Rangoon) are available in season, which usually lasts from November through April.

between 1824 and 1886. Burma's last King, Thibaw, was exiled by the British and the entire monarchical system was destroyed. During the colonial era there was a large influx of Indians and Chinese who, along with the British, came to control much of the country's economy. Burma was separated from India in 1937 and granted a constitution which provided a limited measure of self-government.

During World War II the Japanese occupied Burma and granted a fictitious independence under a puppet regime led by anti-British nationalists. These Burmese nationalists later turned against the Japanese and aided the Allied forces in retaking the country. Probably no other Southeast Asian country suffered such wholesale devastation during the war as did Burma.

A coalition of nationalist forces, the Anti-Fascist People's Freedom League (AFPFL), emerged as the principal political organization following the Japanese defeat in 1945 and the restoration of British authority. Under AFPFL leadership the various

groups and regions within British Burma eventually joined together to form the Union of Burma, which on January 4, 1948, became a fully independent nation outside the Commonwealth of Nations.

During the first decade of independence the Burmese Government was controlled by the AFPFL headed by Prime Minister U Nu who had become President of that organization following the assassination in 1947 of Burma's greatest wartime and postwar hero, Gen. Aung San. The new government carried on the tradition of parliamentary democracy inherited from the British and dedicated itself to the creation of a Socialist welfare state. It showed vigor during the early years of independence by successfully consolidating its power and holding the Union together in the face of revolts by Communists and other dissident groups. However, in 1958 the AFPFL split, precipitating a political crisis which led to an army takeover in September of that year led by the Chief of Staff, Gen. Ne Win. Preserving constitutional forms, Gen. Ne Win set

up a "caretaker" government with himself as Prime Minister and with the limited objective of restoring order and stability necessary for new elections. U Nu and his faction of the AFPFL, renamed the Union Party, won an overwhelming majority in elections held in early 1960 and took office in April of that year.

Despite its popular backing, the U Nu government proved ineffective and indecisive in coping with growing problems of internal security, national unity, and economic development. Its difficulties were compounded by factional dissension within the Union Party similar to that which had split the AFPFL in 1958. This caused Gen. Ne Win to intervene again. By a coup d'etat on March 2, 1962, he deposed the U Nu government, set aside the constitution, and established a new revolutionary government.

Twelve years later on March 2, 1974, a new constitutionally elected single party system of government was installed. U Ne Win became President, with largely the same group of military officers still in control. Many of these officers have now retired.

GOVERNMENT

Following a national referendum in late 1973, a new State Constitution was adopted on January 4, 1974, changing the legal name of the country to the Socialist Republic of the Union of Burma, effective that date. Under the provisions of that Constitution, nationwide elections were held in February to form constituent people's assemblies at the central and local levels. An estimated 250,000 persons were elected from a single party slate of candidates.

The government is headed by a 29-member State Council whose chairman U Ne Win is also President of Burma. Four subordinate bodies (Council of Ministers, Council of Attorneys, Council of Judges, Council of inspectors) implement policies set by the ruling State Council. The Prime Minister is chairman of the Council of Ministers (Cabinet) and a member of the State Council.

The unicameral People's Assembly includes 451 members elected in 1974 to serve a 4-year term of office. All senior members of the executive



Sule Pagoda in the center of Rangoon. Independence Monument in Bandoola Park is in the background. The American Embassy is the lower building between the two spires.

branch are elected from among the legislators. Though nonparty members are permitted to run for public office, lists of candidates are approved by the only legal political party, the Burma Socialist Program Party (BSPP).

The judicial branch bears little resemblance to the system established by the British almost 100 years ago. The Supreme Court and High Court were abolished in 1962 and replaced

by the Chief Court, consisting of a panel of six judges. This court in turn was abolished in early 1974 together with the Attorney General's office. Their functions have been assumed by the newly constituted Council of People's Judges and Council of People's Attorneys, respectively. A Special Crimes Court system, established by the Ne Win government, was also abolished in 1974. In their place,

a nationwide system of so-called People's Courts now functions at all government levels, and they have jurisdiction over both criminal and civil offenses. Former members of the legal profession now serve only as judicial officers and as advisers to the three-member court panels made up of ordinary citizens. Today the judiciary is regarded as an institution to serve the ends of the state rather than as an independent branch.

The Socialist Republic of the Union of Burma consists of 7 States and 7 divisions (*States*: Shan, Kachin, Chin, Arakan, Mon, Kayah, Kawthulei; *Divisions*: Rangoon, Mandalay, Pegu, Sagaing, Magwe, Irrawaddy, Tenasserin). Administrative control is exercised from Rangoon downward through a system of subordinate executive bodies. People's councils at these lower levels also have some governmental functions. In addition, a nationwide party apparatus, through a hierarchical system of party cells and committees, exercises policy control over all government activities.

Principal Government Officials

President—U Ne Win

State Council (formed March 2, 1974)

Chairman—U Ne Win

Secretary—Gen. San Yu

Members—U Kyaw Soe, Dr. Maung Lwin, Dr. Maung Maung, Dr. Hla Han, U Thaug Kyi, U Thaug Tin, U Thaug Dan, U Than Sein, U Sein Win, and 18 others

Council of Ministers (Cabinet)

Prime Minister—U Sein Win

Deputy Prime Minister—U Lwin

Agriculture & Forests—U Ye Gaung

Construction—U Htin Kyaw

Cooperatives—U Tun Tin

Culture—U Aye Maung

Defense—Maj. Gen. Kyaw Htin

Education—Dr. Khin Maung Win

Finance & Planning—U Lwin

Foreign Affairs—U Hla Phone

Health—Col. Kyi Maung

Home & Religious Affairs—U Ko Ko

Industry (I)—Col. Tint Swe

Industry (II)—Col. Maung Cho

Information—U Lwin

Labor—U Maung Maung Kha

Mines—U Maung Maung Kha

Social Welfare—Van Kulh

Trade—U Hla Aye

READING LIST

These titles are provided as a general indication of the material currently being published on this country. The Department of State does not endorse the specific views in unofficial publications as representing the position of the U.S. Government.

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Transport & Communications—Col. Sein Lwin

Council of People's Justices

Chairman—U Aung Pe

Council of People's Attorneys

Chairman—U Moug Moug Kyaw Win

Council of People's Inspectors

Chairman—U San Maung

Ambassador to the U.S.—U Tin Lat

Ambassador to the U.N.—Brig. Myint Maung

Burma maintains an Embassy in the U.S. at 2300 S St., NW., Washington, D.C. 20008. It also has a Consulate General in New York City.

POLITICAL CONDITIONS

Since seizing power in 1962 the successive Ne Win regimes have attempted to effect a thorough and radical transformation of Burmese society under a program called "The Burmese Way to Socialism." Led by a

new elite consisting of senior military officers and leftist intellectuals, the program rejects Western parliamentary democracy in favor of authoritarian political control through a single party system. These leaders hold the key positions in the Burma Socialist Program Party, which they formed in 1962 as the only political party. It was a "cadre" party until the 1971 First Party Congress, at which time the BSPP was proclaimed a "mass" party and given theoretical control of the government.

The government's economic objectives aim at virtually complete government control of economic activity, allowing a major role for private enterprise only in the agricultural sector.

In implementing his program, U Ne Win has encountered a certain amount of opposition but has been able to maintain firm control. Opponents within the government resigned while all political parties, except the BSPP,

were outlawed and many politicians placed under detention and surveillance. Since 1966-67 U Ne Win has made several moves aimed at increasing civilian support for his military-dominated government, including the release of most detainees, amnesties to dissident leaders, and invitations to various prominent Burmese to participate in advising the government on various matters.

Former Premier U Nu, released from detention in 1966, left Burma in 1969. He has never relinquished his claim to being the legitimate Prime Minister of Burma and until early 1973 attempted to overthrow the Ne Win government from a base in Thailand with the cooperation of various insurgent groups within Burma. He severed connections with these groups in 1973 and is now living in India.

Problems of Insurgency

A major problem of the government, as for all Burmese governments since independence, has been disaffection among Burma's ethnic minorities and insurgent uprisings conducted by members of these minorities as well by two outlawed Communist parties ("White Flags" and "Red Flags"). Ne Win attempted to end the insurgency during 1963 by peace negotiations with the various groups. All negotiations failed before the year was over, except for those with a Karen group, the Karen National Defense Organization (KNDO), which had some limited success in reducing insurgency. Kachin, Shan, and Karen rebellions are still in progress, however, representing extremist elements who demand secession from the Union or other forms of autonomy within the Union. To find a combination of political, economic, and military measures to harmonize relations between the central government and the minorities is probably the most critical long-term problem facing Burma.

The principal insurgent group, the White Flag Communists, has been eliminated from its longstanding strongholds in central Burma. However, a more recent White Flag organization, "The Northeast Command," was formed under the leadership of a Chinese Communist-trained Kachin, Naw Seng. With some support of the

People's Republic of China, this organization has seriously limited government control along the China-Burma border in the northeastern region of the Shan State. However, neither the Communists nor other insurgencies pose a major threat to the government at this time.

ECONOMY

Burma is an agricultural country heavily dependent on rice as a source of foreign exchange. It also produces cotton, timber, and rubber and has important mineral resources (lead, zinc, tungsten, and petroleum), which provide an impressive potential for economic development. Burma's total production has been increasing at a very low rate in recent years and per capita income is one of the lowest in the world. Production in some industries and mining enterprises has declined, primarily as a result of the continued insurgencies, the drastic cutback in imports, and the unsettling impact of nationalization. Burma's few industries include agricultural and wood processing, textiles, footwear, and mining.

The government announced its first 4-year economic development plan in early 1971. Despite a 1974 revision of

the plan, economic targets are still not being fully met.

Trade

Burma's exports during 1975 were slightly higher than the immediately preceding years. Imports reflect the continually deteriorating economic health of the country.

Burma formerly led the world in rice exports, but in recent years poor crops, a growing population, and government agricultural policies have combined to cause a marked decline in rice sales. This year, however, largely due to a bumper crop and better procurement policies, exports are up sharply. Rice remains the principal foreign exchange earner.

Exports to the United States in recent years have averaged \$2.5 million a year and included lumber, ores, and precious stones. Imports from the United States have recently averaged \$10 million per year, chiefly machinery, agricultural products, and transport equipment.

Trend Toward Socialism

Since independence all Burmese economic policies have been based on socialism. Faith in socialism as an ideology has been reinforced by a



Leg rower, Inle Lake. Its villages and pagodas are built on the lake, which makes it a favorite tourist spot.

nationalistic desire to reduce, through nationalization of private enterprises, the economic power of foreign minorities (i.e., Indians and Chinese) who had long dominated private trade, finance, and industry in Burma.

This Socialist trend has been accentuated since the advent of the present regime whose program envisages almost total nationalization of industry and trade. Initial strides toward this goal were taken in 1963 and 1964 with the nationalization of all foreign and private banks, the imposition of steep tax rates on private businesses, and the nationalization of all foreign trade. By the end of 1965 the government had taken control or ownership of all important industries and domestic trade. Several hundred other commercial and industrial enterprises were taken over by the government in late 1968 and early 1969. While agriculture has not been directly nationalized, the government has a virtual monopoly of the marketing and processing of agricultural products. One direct result of the nationalization program has been the repatriation of many thousands of Indians, Pakistanis, and Chinese.

The economic policies of the Ne Win government have eliminated foreign private investment and economic or technical assistance formerly received from foreign private agencies, such as the Ford Foundation. Although Ne Win insists that Burma must rely primarily on its own resources for economic development, the government continues to accept aid from international organizations as well as from individual countries, primarily Japan and the Federal Republic of Germany. Production-sharing arrangements with foreign oil firms for offshore oil explorations were begun in 1973. The four foreign firms currently exploring for offshore oil are exceptions to Burma's normally autarchic economic policies.

FOREIGN RELATIONS

Nonalignment has been the cornerstone of Burmese foreign policy under all governments since 1948. The Burmese consider that such a policy calls for the avoidance of international commitments, except through international organizations, and an impartial approach to issues between the

major powers. It also includes acceptance of economic assistance without "strings" from any willing contributors, Communist and non-Communist.

Although President Ne Win has continued Burma's traditional neutral foreign policy, there has been some change in atmosphere as a result of his government's acute sensitivity to foreign influence and possible foreign subversive interference. This has led to a reduction in Burma's economic, political, and cultural contacts with the outside world, though limited moves toward a more open stance began in 1973. Under President Ne Win the Burmese Government has maintained its membership in many international organizations.

In their foreign relations the Burmese naturally attach special importance to their powerful neighbor, China, with which they share a 1,200-mile border. Burma was the first non-Communist country to recognize the Communist regime in China in 1949. A high point in the relations between the two countries was reached in 1960 when a historic border dispute was settled and a Treaty of Friendship and Mutual Non-Aggression was signed. China's attempt to export the "Cultural Revolution" to the Chinese in Burma led to serious riots at Rangoon in June 1967 and caused a sharp deterioration in Sino-Burmese relations. During 1970-71 there was some improvement in relations leading to an exchange of ambassadors and a visit by U Ne Win to Peking in August 1971. During that visit the suspended 1961 economic assistance agreement between the two countries was revived. Sino-Burmese relations have continued to improve, and President Ne Win again visited Peking in November 1975.

U.S.-BURMA RELATIONS

Historically, the United States and Burma have maintained friendly relations. The United States has long supported Burma's independence and nonaligned foreign policy. In the first two decades of Burmese independence, this support included substantial material assistance to promote Burma's economic development and internal security. At Burma's request, this aid was discontinued during the mid-1960's.

Bilateral relations with the Burmese Government under President Ne Win continue to be correct and friendly. In recognition of Burma's strict adherence to neutrality, however, relations have not been as close as under some previous Burmese governments. The U.S. maintains a high respect for Burmese nonalignment and wishes to see Burma's continued progress as an independent and stable country in post-Viet-Nam Southeast Asia. The U.S. supports Burmese efforts to this end through participation in multilateral programs such as the Colombo Plan, the United Nations, the World Bank, and other international financial organizations.

More specifically, U.S. interests in Burma are: (1) continued bilateral cooperation in suppressing the illicit narcotics trade; (2) equality of commercial access; and (3) continued cultural contact between Americans and Burmese.

The Burmese Government has long been engaged in efforts to suppress the illicit drug traffic in its portion of the so-called "Golden Triangle." In 1974 Burma departed somewhat from its traditional "go it alone" posture and agreed to joint cooperation with the United States in this effort. On June 29, 1974, the two countries entered into a bilateral agreement of cooperation for this purpose. Under the terms of this agreement the United States has provided the Burmese Government with approximately \$12 million in antinarcotics equipment (most of it spent on helicopters). Burmese use of this equipment in narcotics suppression is of direct benefit to the United States, as much of the "Golden Triangle" narcotics production is destined for the American market.

In 1974 the Burmese Government leased several offshore drilling tracts to four foreign oil companies—two from the United States. For the rigidly Socialist Burmese, this was a significant policy shift away from prohibitions against private foreign investment. Discovery of exploitable quantities of petroleum could mean needed foreign exchange to the Burmese and increased commercial opportunities for American business. If petroleum cooperation proves successful, it could provide the basis for similar collaboration with private

BURMA LOWER BURMA PADDY LAND DEVELOPMENT PROJECT LOCATION OF PROJECT

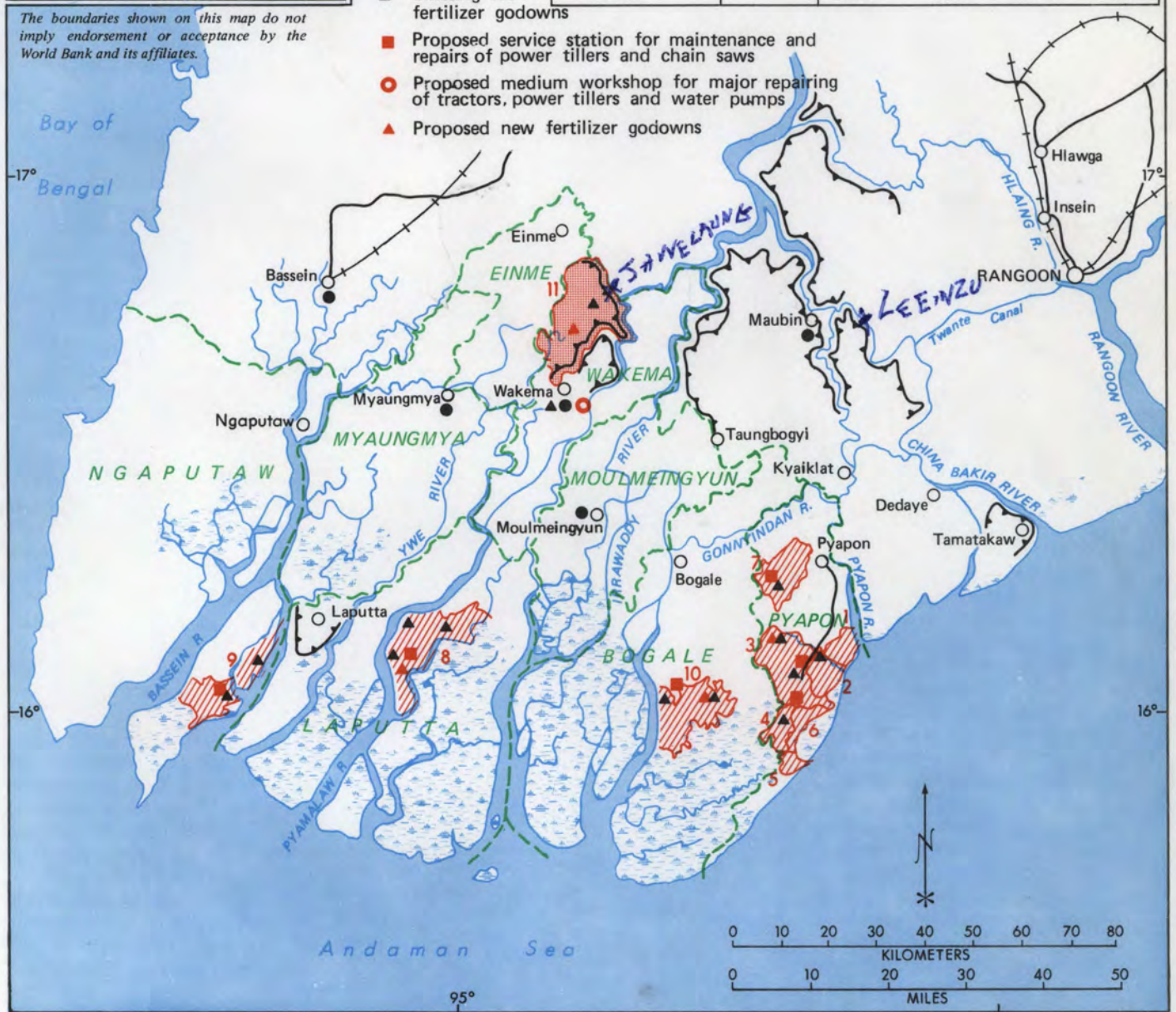


- Middle delta project area
- Lower delta project areas
- Roads
- Railways
- Embankments
- Swamps
- Rivers
- Township boundaries
- Existing tractor stations
- Existing AC fertilizer godowns

PROJECT AREAS No.	Name	TOWNSHIP Name	CULTURABLE LAND AREA (1,000 acres)			
			Cultivated	Abandoned	Waste	Total
LOWER DELTA						
1	Zinbaung	Pyapon	4.5	3.1	-	7.6
2	Letpanbin	"	4.5	4.5	-	9.0
3	Kyetpamwezaung	"	16.9	8.1	-	25.0
4	Myogon	"	1.9	5.1	-	7.0
5	Dawnyein	"	1.3	1.7	-	3.0
6	Dedalu	"	1.5	3.8	-	5.3
7	Banbwezu	"	8.0	6.8	-	14.8
8	Betut	Laputta	34.0	8.8	0.5	43.3
9	Alegyun	Ngaputaw	13.1	3.1	-	16.2
10	Daunggyi	Bogale	9.6	15.7	-	20.4
<i>Subtotal</i>			95.3	60.7	0.5	156.5
MIDDLE DELTA						
11	Shwelaung	Wakema	32.5	4.7	10.9	48.1
TOTAL			127.8	65.4	11.4	204.6

The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.

- Proposed service station for maintenance and repairs of power tillers and chain saws
- Proposed medium workshop for major repairing of tractors, power tillers and water pumps
- Proposed new fertilizer godowns



BURMESE GOVERNMENT OFFICIALS

*President - U Ne Win

State Council:

Chairman - U Ne Win

*Secretary - General San Yu
(plus 27 other members)

*Prime Minister - U Sein Win

*Deputy Prime Minister

** and Minister of Planning
and Finance - U Lwin

Minister of Defence - Maj. Gen. Kyaw Htin

Minister of Home and
Religious Affairs - U Ko Ko

**Minister of Mines - U Maung Maung Kha

Minister of Health - Colonel Kyi Maung

Minister of Foreign Affairs - U Hla Phone

Minister of Cooperatives - U Tun Tin

Minister of Labour - U Maung Maung Kha

Minister of Social Welfare - U Van Kulh

*Minister of Agriculture

** and Forests - U Ye Goung

Minister of Construction - U Htin Kyaw

Minister of Trade - U Hla Aye

Minister of Education - Dr. Khin Maung Win

**Minister of Transport
and Communications - Colonel Sein Lwin

Minister of Information - U Lwin

Minister of Culture - U Aye Maung

**Minister of Industry (2) - Colonel Maung Cho

Minister of Industry (1) - Colonel Tint Swe

*Officials with whom you are likely to have a formal meeting. Biographical sketches are attached.

**Officials likely to accompany you on field trip. Biographical sketches are attached.

BIOGRAPHICAL SKETCHES

1. U Ne Win, Prime Minister and Chairman of the Revolutionary Council.

Born in 1910 in Prome. He studied science for two years at Rangoon University, but left without a degree in 1930. He then worked as an employee in the Post Office where he became an active member of Dobama Asi Ayon (We Burmans Association), also known as the Thakin Party (Master's Party), the most militant anti-British group which worked to achieve independence. He is one of the "Thirty Comrades" who have become heroes of legend in the mythology of modern Burma. (The thirty members were secretly recruited by Aung San, the founder of independent Burma, for Japanese military training in March 1941.) Under the Japanese occupation, he was Commander of the Burma National Army during 1943-45. Taken into the post-war army as Major, he was promoted to Commander-in-Chief and Major General in February 1949, following the outbreak of a civil war in December 1948. From April 1949 to August 1950, he was Minister for Defense and Home Affairs. He was elected Prime Minister ad interim between October 1958 and April 1960. He seized power again in March 1962 and has since been firmly in command. In April 1972, most Cabinet members including U Ne Win himself relinquished their military rank.

2. General San Yu, Chief of Staff, Vice Chairman of the Revolutionary Council and Secretary General of the Burma Socialist Program Party.

Born in 1918 near Prome. Attended medical school for two years but did not graduate. He was a member of the Burma National Army under the then Commander Ne Win during World War II. He was promoted to Deputy Chief of Staff and appointed Minister of Finance and Planning during a Cabinet reshuffle in September 1964. At this time he also became the General Secretary of the Burma Socialist Program Party. He was promoted to General and Chief of Staff in April 1972 when General Ne Win relinquished his military rank.

3. U Sein Win, Prime Minister.

Born in 1919. Educated through the 10th standard in high school. Attended police training school in Mandalay and served in police force. Joined Burma Independence Army in 1942. After the war, he stayed with the Army and rose to the rank of Brigadier General. Retired from the Army in 1962 and became Minister of Public Works. In 1974, he was appointed Prime Minister.

4. U Lwin, Deputy Prime Minister and Minister for Planning and Finance.

Governor IBRD. Born in 1924. He graduated from the Japanese Military Academy during World War II. Subsequently, he received military training in the U.K. in 1952 and again in 1954-55. He also served as Military Attache in Washington (1959-63).

He was Deputy Minister of Planning and Finance from 1969 to 1972, when he became Minister. U Lwin retired from the Army in March 1973 as did General Ne Win and the other Cabinet members. He was elevated to Deputy Prime Minister in March 1974. U Lwin has led the Burmese delegation to the Annual Meeting since 1972. He has a good grasp of economic issues and is the leader of the current economic reform movement.

5. U Ye Goung, Minister for Agriculture and Forests.

Born in 1922. Did not finish high school. Underwent military training in Japan. Joined the Burma Independence Army in 1942 as a young officer in the then Colonel Ne Win's 4th Regiment. After the war, joined the British Army as a Second Lieutenant and rose to the level of Lt. Colonel. From 1962-69, was Additional Secretary, Ministry of Agriculture and also Director General of Agricultural Rural Development Corporation. In 1970, he was promoted to Secretary. In 1972, he retired from the Army and was appointed Deputy Minister for Agriculture. In 1974, he was promoted to Minister. He is dynamic and has a good grasp of agricultural matters. He has been personally involved in processing all the IDA financed agricultural projects.

6. U Maung Maung Kha, Minister of Mines.

Born in Rangoon in 1920. Studied engineering at Rangoon University. In 1942, joined Burma Independence Army. Remained in the Army until 1962, reaching the rank of Colonel. From 1963-72 he was Secretary and the Deputy Minister of Industry. In 1972 he retired from the Army and was appointed Minister for Industry and Labour. In 1974 he was appointed Minister for Mines. He is a senior minister with a good understanding of the basic problems.

7. Colonel Sein Lwin, Minister of Transport.

Born in Rangoon in 1924. Educated through the 9th standard. School teacher 1941-42. In 1942 joined Burma Independence Army. Sent to officer training school and rose to level of Colonel in 1967. From 1963-68 was Additional Secretary and then Secretary, Ministry of Home Affairs. From 1969-74, returned to active duty as Commander in Northwest Burma. In 1974 was appointed Minister for Cooperatives. In 1975 he was appointed Minister for Transport and Communications. He is still on active duty with the military and speaks no English.

8. Colonel Maung Cho, Minister of Industry II (Heavy Industries).

About 45 years old. Younger brother of Deputy Prime Minister. B.Sc. in engineering from Rangoon University. Joined Army in 1952 in engineering corporation. Promoted to Lt. Colonel in 1969. Appointed Deputy Minister for Industry in 1974. Became Minister in 1975. He is a very dynamic man.

9. Dr. Aye Hlaing, Chairman of the Union of Burma Bank (Central Bank).

Governor IMF. He is 55 years old. He graduated from Rangoon University and holds a Ph.D. from the London School of Economics. He joined the staff of Rangoon University in 1947 as a tutor and became Rector of the Institute of Economics in 1964. He was appointed Chairman of the Union of Burma Bank in 1975. He is a close adviser to U Lwin. He is polite, soft-spoken and reserved.

10. Dr. Maung Shein, Deputy Minister for Planning and Finance.

Alternate Governor IMF. He is 48 years old. He graduated from Rangoon University (B.A. in Economics) in 1952. He holds a B.Sc. in Economics from the London School of Economics (1956) and a Ph.D. from Queens College, Cambridge (1960). From 1960 to 1964 he was lecturer in Economics at the University of Rangoon and became Professor of Economics at the Institute of Economics in 1964. In November 1972, he was appointed Adviser to the IMF Executive Director and from November 1974 to January 1976, he was IMF Alternate Executive Director. He was appointed Deputy Minister for Planning and Finance in February 1976.

Burma - Topics for Discussion

Mr. McNamara's Meeting with President Ne Win*

or General San Yu*

(12:00 - 12:45 p.m., Wednesday, November 3)*

1. Since President Ne Win has been out of the country and the date of his return to Rangoon is unknown, you may know only upon arrival whether you will meet with him or the second man in charge, General San Yu. President Ne Win is unpredictable and averse to meeting foreigners, thus you may meet with General San Yu even if the President is in Rangoon. Although General San Yu is a polite individual, he will not be very talkative or informative on substantive economic issues. In either case, your meeting will be primarily a courtesy call and you should not expect any serious discussions on economic or Bank-related issues.

2. For conversational purposes you may wish to express a general interest in learning more about Burmese Socialism, especially as it affects the formation of economic policies. For reference, you may wish to see (F-4) the memorandum on Burmese Socialism. You also may wish to express in a general fashion the following points:

- (a) We are pleased with the recent improvement in the Burmese economic performance and new policy measures and are hopeful that these efforts will be continued. The Bank stands ready to help Burma's developmental effort together with other donors.
- (b) We are hopeful that the forthcoming aid group meeting in Tokyo on November 30 will be a success.

* Meeting and time to be confirmed upon arrival.

Burma - Topics for Discussion

Mr. McNamara's Meeting with Prime Minister Sein Win

(11:15 - 11:45 a.m. Wednesday, November 3)*

1. The Prime Minister is basically a politician. He has shown some interest in economic affairs and may be a supporter of the economic reform movement led by the Deputy Prime Minister U Lwin. Your meeting with the Prime Minister will be primarily a courtesy call. You should not expect any serious discussions on economic or Bank related issues.
2. For conversational purposes, you may wish to express in a general fashion the following points:
 - (a) We are pleased with the recent improvement in the Burmese economic performance and new policy measures and are hopeful that these efforts will be continued. The Bank stands ready to help Burma's developmental effort together with other donors.
 - (b) We are hopeful that the forthcoming aid group meeting in Tokyo on November 30 will be a success.

* Time to be confirmed upon arrival.

64-68 0
 69-73 33
 74-78 224
 73 33
 74 17
 75 45
 76 37
 77 45
 78 80

BURMA - Topics for Discussion

Mr. McNamara's Meeting with Deputy Prime Minister
 and Minister for Planning and Economic Affairs

(8:30 - 9:30 Wednesday, November 3)

1. U Lwin, the Deputy Prime Minister, has been a leading advocate of more pragmatic economic policies and a less autarkic approach. Topics for discussion are: (i) new economic policies (ii) proposed aid group. The deteriorating economic situation and some thawing in the strong ideological position of the Burma Socialist Program Party (the ruling and the only legal party) has made it possible for the Deputy Prime Minister to take the lead in a more pragmatic approach to solving the current economic difficulties. It cannot, however, be ruled out that the economic reform movement may face serious political opposition. The "Burmese Way to Socialism" remains powerful as an ideology. There are many in the party hierarchy and in the army who view U Lwin as a threat not only to that ideology but also to the substantial benefits, in power and material rewards, which they enjoy under the present system. If U Lwin is unable to achieve quickly a demonstrable improvement in the economy, his reform movement may be weakened seriously and prove ultimately to be shortlived.

2. The economic reform movement is connected to the proposed aid group. U Lwin may have convinced President Ne Win that a more pragmatic approach to economic matters is the price that has to be paid to get increased external assistance through the formation of an aid group. In addition, external support for specific policy issues may prove useful. As far as we are aware, U Lwin has President Ne Win's support, but this might be withdrawn should his policies fail. Moreover, the plot by a few junior officers to overthrow the government, which was aborted at an early stage in July, was the first sign of disenchantment within the military, especially about economic matters. Although its significance is uncertain, it probably was indicative of an increasing general dissatisfaction with economic conditions. There is no evidence that U Lwin's position was under attack, and in fact, his economic program may now receive even greater support, but this incident increases the uncertainty as to the course of future economic and political developments. However, most diplomatic observers tend to believe that the political establishment of the regime is presently very much in control of the situation. While the recent increase in wages and the improved income of farmers tend to reduce the likelihood of widespread discontent among the general population, the present regime could face political difficulties if the economy slides back to the pre-1976 situation.

3. Economic Performance and Policies. The Burmese economy performed poorly in the decade 1965 - 1975. During this period, real GDP growth averaged only 2.3% per annum while agriculture grew at only 1.6%. The production of paddy, the main export commodity, was virtually stagnant. The poor performance of agriculture, which accounts for 60% of exports, greatly affected the external sector. The export volume index declined from 100 in 1965 to 30 in 1975. Attempts to increase industrial output through increased allocation of public investment funds to the sector did not succeed. The

stagnation of agricultural output denied the industrial sector of an expanding supply of domestic raw material and foreign exchange for the import of intermediate inputs.

4. Meanwhile, the Government's fiscal situation deteriorated since public investments constitute a large component of total investments (due to the nationalizations of 1962-64), the deterioration of the fiscal situation led to a decline in the ratio of investment to GDP, from 12% in 1968 to 7.4% in 1975. Unrealistic pricing policies of State Economic Enterprises (SEE), the reduced growth rate of the economy, and the reduction of export duty revenues due to poor rice procurement were the reasons behind the deterioration of the fiscal situation. Because public expenditures expanded at a faster rate than revenues, the Government resorted to deficit financing which brought about an annual rate of inflation around 30% in the last three years.

5. The primary reasons for this overall poor performance were: (a) poorly conceived and rigid price policies which damaged producer incentives, reduced government revenues, and led to a misallocation of resources; (b) mismanagement of SEE; and (c) an inappropriate investment strategy which largely ignored the leading sectors of agriculture, forestry, and mining, thus restricting growth.

6. The Government, in recognition of these problems has implemented a series of reforms beginning late 1973:

- (i) Procurement prices of major agricultural commodities have over the last few years been increased substantially, and in many cases, appear to be adequate. However, with the recent inflation, procurement prices need to be reviewed carefully.
- (ii) Management and organizational reforms of the SEE have been implemented including specific guidelines directing these enterprises to operate along more commercial lines.
- (iii) There has been a shift in the investment strategy, as indicated in the investment document prepared for the aid group meeting, which accords priority to agriculture, livestock, forestry, fishery, and mining in contrast to the past emphasis on industry. (See paragraph 11.)
- (iv) Finally, in April 1976, a Commodity and Services Tax (CST) was enacted which the Government estimates will increase revenues by nearly 40% and this expectation is likely to materialize. An important by-product of the new CST has been a thorough recalculation of costs of production to be used as a basis for setting more realistic prices. In the past, costs were often inappropriately calculated and underestimated. The revised costing should manifest itself in terms of an improved financial performance of the SEE. A new Profit Tax was also introduced which aims at collecting taxes from those individuals who used to evade any taxation. Assessment is to be done by local committees based upon their intimate knowledge of members of their community and on obvious signs of wealth.

7. Based upon the findings of a Bank mission in August, it appears that the Government, with considerable effort and determination, did indeed effect a major revision of its tax system and of the costing procedures of SEE. The implementation of the CST coupled with what appears to be a genuine desire to carry through recent reforms represents a significant reorientation of Burmese economic thinking. If successful, these efforts to mobilize more resources for development, reduce inflation, and improve economic management should clear the way for more rapid growth of investment and production.

8. The economic situation in 1975/76 showed a marked improvement over the past performance. This may have been partially a consequence of recent reforms; namely, the raising of procurement prices, but was primarily due to favorable weather conditions and the resulting excellent harvest. Real GDP growth was 6%, the highest since 1968. Furthermore, investment at current prices was 50% higher than that of the previous year or about 20 to 25% higher in real terms, and this was achieved with a 40% reduction in the budget deficit. As a consequence, the rate of inflation has now been reduced to an annual rate of about 20%.

9. Despite these favorable developments, Burma remains beset with serious economic problems. It will be some time before the recent reforms are fully implemented and begin to have a significant impact. If pursued vigorously and complemented with further measures aimed essentially at raising the level of domestic savings, the Government's new policy orientation could lead to a significant acceleration of economic growth. Nevertheless, some basic problems still exist. The two most important ones are:

(i) The past unrealistic and inflexible centrally administered price system, coupled with a failure to increase production sufficiently to satisfy the increasing consumer demand, has led to the development of a pervasive unofficial or black market. The existence of such a market has deprived the government of much needed revenues, depressed the level of domestic savings, and hindered public sector control over the course of economic decision making. Although the recent tax reforms and revised costing of almost all commodities are very encouraging steps in the right direction, they are still inadequate for reducing the role of the unofficial market. In the long run, prices of many commodities should be further increased, in some cases by as much as 50-100%, not only to reduce the role of the unofficial market but also to raise additional public sector revenues.

(ii) At the current exchange rate, jute and some mineral exports have become or are becoming financially unprofitable and thus likely to be a burden on the budget. The actual or potential losses tend to inhibit the flexible use of procurement pricing for the promotion of a promising export. Moreover the over-valued exchange rate is at least partially responsible for the considerable amount of smuggling to neighboring countries. The exchange rate issue will be a major consideration of the IMF's September/October mission to negotiate a drawing from the Extended Fund Facility. As a consequence, we have not pressed the Burmese strongly on this question.

10. You may wish to explore with the Deputy Prime Minister the progress of recent reforms, particularly with respect to the new tax measures, and what additional actions are contemplated to continue the efforts so far made. We understand, for example, that the land tax which has remained unchanged for over two decades is now being revised. The fiscal situation demands particular attention; a failure to sustain the revenue efforts will cause the gains of the 1976 reform to dissipate.

11. The Proposed Aid Group. In 1972 the Burmese asked the Bank informally, at the staff level, to take the initiative in forming an aid group for Burma. During the 1973 Annual Meetings, we advised the Government to formulate a clear program of economic policies and to develop good bilateral relations with potential donors before pursuing the idea further. At the 1975 Annual Meetings, the Burmese authorities informed us that they had informally requested several countries to join an aid group and presented us with a three-year development program. Although this program had well defined objectives and the right priorities, it lacked specific policies to achieve the objectives. This was pointed out to the Deputy Prime Minister, U Lwin, who agreed that the next economic mission could assist the GOB to formulate a policy package to achieve the objectives of the three year program.

12. The economic mission which visited Burma in October/November 1975, advised the Government that the most urgent priority was to raise substantial additional public resources and that the Government should adopt more realistic pricing policies. In response to this advice the Burmese authorities introduced the new commodity and services tax in April 1976.

13. On the occasion of the India and Bangladesh consortium meetings in Paris in May, we sounded out the interest of potential members in forming a Burma Aid Group. We informed them that the proposed Burma Aid Group would be designed as a forum for periodic discussions of economic policies and would not necessarily include pledging sessions. Out of the 16 heads of delegations gathered in Paris, seven gave an affirmative indication to joining the group: Australia, Canada, Germany, Japan, U.K., U.S.A., and the Asian Development Bank. Subsequently, France decided to join the aid group.

14. The Bank agreed to convene an aid group meeting in Tokyo on November 30, 1976, subject to the findings of the mission which visited Burma in August 1976 to determine the resource mobilization efforts implied by the tax reform of April 1976. Our findings confirm that this tax reform has been successful, and preparations for the meeting are now under way. Our objective is not to seek pledges but to begin an educational effort to acquaint donors better with specific requirements.

15. There are, however, certain risks in forming an aid group for Burma. As indicated above (paras. 1 - 2), the economic reform movement is led by a single individual, the Deputy Prime Minister. It is essentially on his political strength that prospects for an effective aid group hinge. In addition, there is a risk associated with the general feeling of restlessness and dissatisfaction among the populace. It arises partly from the dissatisfied workers whose real wages have been eroded by the recent inflation. It also stems from the militant students whose protests have led to recurrent closing of the University. Moreover, the insurgency continues to be a problem

in the border areas, although the regime appears to be in control of the more economically important areas such as the main valleys and the delta.

16. Burmese authorities are preparing an investment document to be presented at the aid group meeting. This will indicate the priority areas of investment and a list of projects suitable for foreign financing. We will circulate a short memorandum on the tax reforms which, together with the economic report, will provide sufficient background for the donor countries to evaluate the areas and the extent to which foreign assistance will be needed.

17. Preparations for the meeting in Tokyo are proceeding satisfactorily. The Government attaches considerable importance to this effort and you should express the hope that the joint efforts of the Burmese Government and the Bank will lead to a successful meeting in Tokyo. (For latest discussions on the aid group see F-5.)

South Asia Department

BURMA - Topics for Discussion

Mr. McNamara's Meeting with Minister of Agriculture and Forests

(10:00 - 11:00 Wednesday, November 3)

Three topics for discussion are suggested:

- (1) Rice production.
- (2) Teak production.
- (3) Reorganization of State Economic Enterprises.

We do not expect the Minister of Agriculture to raise any particular issues during this meeting.

1. Rice Production

(a) Performance

The production of paddy, the main export commodity, has remained virtually stagnant at around 8 million tons from 1965 to 1975. With an increase in population of 25% over the same period, rice exports have declined from over 1 million tons to less than 200,000 tons. The two major reasons have been (i) low level of investment in agriculture and (ii) unattractive prices offered to farmers in the compulsory paddy procurement system. Other factors have been the shortage of input supplies and the limited development of supporting services, especially agricultural extension.

(b) Recent Changes in Policy

The Government has made important changes in its agricultural policies which have begun to have a positive impact. The procurement price of paddy has been increased by over 150% since 1972. As a result of these increases and favorable weather, paddy production reached an all-time high of 9.2 million tons in 1976. Moreover, rice export volume doubled in 1976 to 400,000 tons. Also, the Government is now giving top priority to the agricultural sector in the allocation of public investment funds. In addition, the Government is encouraging increases in paddy yields and double-cropping through introduction of high-yielding varieties, rehabilitation of irrigation infrastructure, strengthening of extension services, and improved distribution of basic inputs to farmers. The Government recently established an Agriculture Development Bank to provide medium and long-term credit to farmers. IDA is supporting the financing of quick-yielding agricultural projects and is also encouraging flood protection and land reclamation. Chief among these are a series of paddyland rehabilitation and development projects in the Lower Burma Delta that would eventually increase arable area by about one million acres. The first in the proposed series of projects was approved by the Board in June of this year.

*DPAs "Plan calls for a 62% a
rise in rice production"
Farm families in delta farm 67 IDA
per family with 4 acres of*

*1 way crop &
that rice per
family 3,500
seasonal labor
1.50 per day*

*Teak prod plan
42% a rise -
(over 3000 defuncts)*

*There appears to be considerable
summers long because of improving
just about them, teak to rice to
Malaysia, still to this -
the rice in down. Prod. should lead to*

*102% a
rice in
exports*

(c) Next Action

In order to achieve significant and rapid increases in rice production, it is important that the Government pursue vigorously the above recent policy changes, especially those regarding pricing and introduction of new technology. With respect to the latter, it is imperative that such inputs and supporting services as high yielding varieties, fertilizer, water pumps, extension services, irrigation works, and agricultural credit be made available. It would also be useful to explore with the Minister what additional policies are being contemplated to continue the progress recently achieved and in what other ways can the Bank Group be of assistance. In particular, we would like to know how the Government plans to deal with remaining constraints, including those outside the agricultural sector such as transportation bottlenecks and non-availability of consumer goods for farmers. Transport bottlenecks, for example, have recently led to inadequate delivery of fuel oil for irrigation pumps; moreover, the lack of consumer goods in rural shops has been a major disincentive to farmers for increasing agricultural production.

2. Teak Production

(a) Performance

Teak production has declined from 360,000 tons in 1971 to 250,000 tons in 1975. The main reasons for this decline were (i) shortage of equipment for transporting teak from the hills to the Port of Rangoon, (ii) lack of extraction equipment, and (iii) incomplete Government control over important forest areas due to insurgency problems. Although teak exports declined by 16% in tonnage terms during 1971-1975, export earnings increased by 64%, reflecting a near doubling in world teak prices. With about 75% of the standing reserves of teak in the world, Burma is in a prime position to benefit from the improved prices and take advantage of excellent demand forecasts.

(b) Recent Changes in Policy

The Government has recently given increased emphasis to teak exports. Forestry is now ranked second to agriculture in the planned allocation of public investment funds. Also, with the recent reorganization of state economic corporations, the Timber Corporation is to be given more managerial responsibility and autonomy in decision-making. In an effort to remove transport bottlenecks, the Burma Railways Corporation added special trains for transporting logs stockpiled along the railway lines. In support of the Government's policy, IDA is presently financing a forestry project which is providing equipment for extraction, transport and sawmill rehabilitation as well as technical assistance.

(c) Next Action

Much more could be done to increase teak exports quickly and substantially. Largely due to procurement delays, the IDA project is being implemented at a relatively slow pace. These delays are costly, in view of the fact that the country stands to earn considerable foreign exchange from increased exports. The additional revenue could help the Government to significantly increase its mobilization of resources. It would be useful to inquire

about the Minister's views on the Government's plans to remove remaining constraints in an effort to increase teak production and to improve the processing and transportation of output. (See item 4 under G-3.)

3. Reorganization of State Economic Enterprises

The recent reorganization of State Economic Enterprises (April 1976) should improve the effectiveness of several organizations within the Ministry of Agriculture and Forests, particularly the Timber Corporation, the Salt Corporation, and the Agriculture Corporation. The reorganization includes inter alia, granting more autonomy in decision-making (including the right to hire and fire), establishment of Management Boards, more authority and accountability for financial performance, and introduction of worker's bonus system (based on the sharing of corporate net income).

In addition to its direct effect upon the agricultural state corporations, the reorganization will also affect the supporting corporations which provide inputs and marketing services to the agricultural sector. The transportation corporations, for example, are expected to improve their efficiency, thereby facilitating supply of material inputs and transport of agricultural produce. Similarly, the operations of the marketing trade corporations are expected to improve.

We would like to ask the Minister what institutional difficulties he foresees in the implementation of the reorganization and when he expects the reorganization to have its full impact on production.

September 14, 1976

FIELD TRIP - TOUR OF IRRAWADDY DELTA

(10:00 - 17:45 Tuesday, November 2)

1. You and your party will be on an all-day tour by boat and helicopter of the Irrawaddy Delta. This trip will give you an opportunity to meet with senior officials including Ministers and Deputy Ministers from the economic ministries, as well as to visit several Bank project areas. En route you will have an opportunity to engage in informal discussions with officials from the Ministries of Planning, Agriculture, Transport, Industry and Mining. (For background and discussion purposes, see attached briefing material on these sectors.) Separate formal meetings have been scheduled with the Deputy Prime Minister (see E-3 for briefing material) and the Minister of Agriculture (see E-4 for briefing material) for Wednesday.

2. The Irrawaddy Delta. The valley of the Irrawaddy River constitutes Burma proper. This river rises in Tibet and runs down the middle of Burma from the extreme north to enter the sea near Rangoon after covering a distance of over 1,000 miles. It is navigable for about 900 miles, flows through the most fertile part of the country and is considered the life-line and the main highway in Burma. The Lower Irrawaddy, en route to the sea, forms the vast flatness of the delta below the town of Prome. This fertile delta sprawls over an area of some 13,000 square miles, broken up into a network of creeks and rivulets. In the delta, the Irrawaddy branches out into eight main tributaries. Rangoon, itself, is not on the Irrawaddy but stands about 20 miles from the sea on the Hlaing River. Apart from the innumerable creeks ripping through the flat land, the delta forms a vast expanse of paddy. At the beginning of ancient Burmese history, more than 12 or 13 centuries ago, it is believed that much of the lower delta was probably still under the sea.

3. The Boat Tour. The boat trip is scheduled to last from 10:00 to 13:30. You and your party will embark at Rangoon and disembark at an appropriate village, probably Layainzu, a small village approximately 30 miles west of Rangoon. Your boat will be a special government boat used to transport visiting dignitaries and high-ranking Burmese officials.

4. At Layainzu (or another appropriate village) the party will disembark at approximately 13:30, except for Mrs. McNamara and most of the government officials who will return to Rangoon by boat. You will visit the Bank Irrigation I Project designed to supply small water pumps (see attached Annex I on the project) and also meet with local officials and farmers.

5. A helicopter will take your party to Shwelaung at about 14:30. This flight will take about half an hour and cover about 30 miles. Shwelaung is a typical medium- to large-size village in the Bank-financed Lower Burma Paddy Land Development Project (see attached Annex II). At Shwelaung you will inspect the project area and meet with village leaders and farmers. This would be a good occasion to discuss with farmers their views of the project and general aspects of paddy farming. You may wish to inquire about such matters as: (a) the importance of proper water control for paddy farming, (b) the adequacy of inputs such as fertilizer, insecticide, and credit, (c) average farm size and income, (d) the nature of extension services, (e) the introduction of high-yielding varieties, (f) the adequacy of procurement prices, and (g) the availability of consumer goods.

6. At about 16:30, you will depart by helicopter for an air tour of the lower delta paddy project areas. This tour will fly over several of the areas and may include a refueling stop. The helicopter is expected to return to Rangoon by 17:45.

Attachments:

1. Sectoral Background Information -
Transport, Industry and Mining
2. Annex I -
Irrigation I Project (water pumps)
3. Annex II -
Lower Burma Paddy Land Development Project
(including maps)

Burma - Topics for Discussion

Sectoral Background Information: Transport, Industry and Mining

Mr. McNamara's Boat Tour of Irrawaddy Delta

(10:00 - 13:30, Tuesday, November 2)

1. On your boat tour of the Irrawaddy you are likely to be accompanied by senior officials including Ministers and Deputy Ministers from the economic ministries: planning, agriculture, transport, industry, and mining. You will have formal meetings with the Ministers of Planning and Agriculture on Wednesday (separate briefing papers have been prepared) but for purposes of more informal discussions aboard the boat, this brief provides background information on the other sectors.

I. TRANSPORT

(a) Performance

2. Burma has always depended on its rivers to provide natural means of transportation. Three main rivers, the Irrawaddy, the Sittang and the Salween traverse the country in a north-south direction and are navigable for considerable distances. The largest cities are located on or close to the main rivers and it is estimated that 5,000 miles of inland waterways provide a means of transportation. Burma is furthermore served by about 2,000 miles of railway and about 17,000 miles of roads. The transport infrastructure was seriously damaged during World War II but has now mostly been repaired. The financing of reconstruction and rehabilitation was assisted by Japanese War Reparations and also by the Bank Group with three loans and two credits: two loans (1956 and 1961) and a credit (1973) to the railways, a credit (1973) to inland water transportation, and a loan (1958) to the Port of Rangoon.

3. The capacity performance of the public transport sector in terms of tonnage carried and annual ton-miles appears to have stopped its rapid decline of recent years. The railways, which now carry only half the tonnage carried in 1966, is projecting a modest, probably attainable, increase in the next few years. The Inland Water Transport Corporation, whose tonnage carried is down by 15% from 1971, is also projecting a modest increase. However, growth will probably soon level off due to capacity constraints. The Road Transport Corporation is currently carrying about half the tonnage carried in the late sixties but this decline is partly offset by the increase in haul lengths.

4. Although public transport sector performance appears to have stopped declining, there is little likelihood of a rapid increase in its capacity. By far the largest proportion of transportation is supplied by small operators in the private sector. Although in appearance private

boats and trucks seem to be in poor condition, their operators contrive to keep them running by great ingenuity. There is a thriving private sector spare parts industry in Rangoon. Spare parts are expensive, however, and the cost of running trucks is high. The situation is similar for private watercraft but, spurred by the need to earn a living and assisted by "outside market" materials, operators keep their boats functioning.

5. The current capacity limitations of the transport sector are acting as a constraint to economic development. There are identified difficulties in the movement of teak and sugar by rail and of oil, paddy, cement, fertilizer and jute by water. The principal problem with the railways is an extremely low serviceability of diesel locomotives and wagons. Only 50% of locomotives and 40% of wagons are available for commercial use. For the waterways, lack of serviceable craft and inefficient operations contribute to the inadequacy of effective capacity.

(b) Policy

6. The Government's investment policy in transportation is to support those carriers which transport most public sector goods, i.e., railways and waterways. The Government considers that the bulk of new investment should be made to rehabilitate or replace rundown equipment. This emphasis is appropriate and should be pursued with vigor. However, this policy alone will not improve the efficiency of the corporations. The capacity limitations on both railways and waterways were in the past also due to the poor institutional environment in which managers had to operate. Recent reforms in management and organization, however, give reason for encouragement as to improved performance.

7. With the private sector playing a considerable role in the transport sector it should receive appropriate support. The private sector needs basic materials such as steel, brass, copper and rubber items to service trucks and boats. Alleviation of the present bottlenecks would require a short-run import program to restore the capacity of the existing fleet (public, cooperative and private-owned) and where necessary to provide a modest expansion. The Government should accelerate its efforts to catch up with major maintenance needs on railways, highways and waterways. Improvements in transport are important for the performance of all other sectors and therefore should have high priority. IDA plans to continue assisting in implementation of essentially rehabilitation investments (Ports II, Railways III, Inland Waterways II).

II. INDUSTRY

(a) Performance

8. Output in the manufacturing sector accounted for 10% of the GDP in 1975, compared to 9% at the beginning of the 1960s. The value added by this sector increased at an annual rate of 2.9%. While the proportion of industry in total output remained almost unchanged, significant changes within this sector took place during the decade. These changes began with the nationalization of major industries in 1963 and 1964 and with

government policy aimed at industrialization. The share of public investments in industry accounted for only 3.5% of total public investments in the year immediately prior to nationalization, but reached 35% in 1973. This share declined to 26% in 1975.

9. State sector industries were established with a view toward substituting for imports. New factories were established to produce fertilizer, paper, glass, chemicals, cement, and to assemble tractors, pumps, heavy and light vehicles and a few home appliances. Investments in these industries were partly financed through foreign assistance, mainly Japanese. For the last few years, disbursements from foreign assistance amounted to an average of 45% of public investments in the sector.

10. Due to its increased capacity, the output of the industrial state sector was able to grow at about 4.4% a year between 1964 and 1972, not a particularly high rate considering the fact that large and medium scale private industries were transferred to the state sector. However, in 1974 the output of the state sector was about 25% less than the level achieved in 1972. This sharp drop was primarily due to poor crops and labor unrest. Following good harvests in fiscal year 1976, this situation is expected to improve.

11. In Burma, the links between agriculture and industry are particularly strong, since the industrial sector is largely agro-based. Food processing accounts for 60% of industrial production and cotton textiles for another 15%. With the near stagnation of the agricultural sector, the supply of domestic raw materials emerged as a limiting factor against industrial expansion. In addition, the poor performance of the agricultural sector also affected the level of export earnings which gradually deprived industry of its minimal import requirements.

(b) Potential and Policy

12. Industry's ability to generate a sizeable surplus for the Government will be a decisive factor in the effort to mobilize more resources for development. Undoubtedly a better management system would be essential for the public sector industry to fulfill one of its fundamental roles in an economy with a socialist structure: that of social accumulation. If the new guidelines for operating state enterprises on commercial lines are successfully implemented, it may be easier for industry to play this role. But at present, industry has to operate in an environment of acute scarcity of imported inputs leading to severe under-utilization of capacity, and this situation is likely to continue into the foreseeable future.

13. What is needed is a consolidation of the sector by allocating more resources to the maintenance of the existing capital stock rather than to its expansion. There may also be some instances in modern units where comparatively small amounts of additional investments, combined with improved procedures, would be quite cost effective. While the industrial structure is generally not export-oriented, there may be some cases where under-utilized capacity could be used for exports. The new guidelines for the operation of SEEs include a provision which will allow a corporation to export at a loss

(in kyat terms) and be compensated through subsidies. While this could be a good start to encourage some managers to think in terms of world markets, care should be taken to avoid exports of goods at prices below total resource cost measured in foreign exchange.

14. Industrial policy will be incomplete if it continues to ignore the small scale private sector which provides between half and two-thirds of industrial output and 80% to 85% of industrial employment. Clear guidelines are needed to clarify the future role of this sector within the socio-economic objectives of the country. One sub-sector still largely in private hands, which should receive high priority, is the rice-milling industry.

15. We would recommend limiting new investment in sub-sectors that are under-utilizing their capacity. Public resources allocated to industry should be concentrated on sub-sectors which will increase exports, directly and indirectly, and therefore allow a better utilization of capacities in the long run. With its substantial forest wealth, Burma certainly has a comparative advantage in the export of wood products and paper. A feasibility study financed under the IDA forest project has been signed in September 1976 to help prepare possible projects. With the reordering of priorities towards agriculture, the development of agro-supporting industries deserves strong support. Among them, the setting up of a urea fertilizer plant should receive top priority, if the natural gas reserves on which it will be based prove to be sufficient. The first phase of a UNDP-financed study, for which the World Bank is executing agency, was completed in October 1976. This study focused on the extent of reserves and the appropriate plant size. A second study on detailed engineering aspects is now required, and a contract is expected to be signed in November/December 1976.

III. MINING

(a) Performance

16. Before World War II, Burma ranked second in the world production of tungsten, sixth in lead and eighth in tin. Other important minerals were copper, antimony, silver, nickel, cobalt and gems. The exports of these minerals and gems amounted to about 12% of total foreign exchange earnings. (Exports accounted then for 50% of GDP.) At that time, mineral production was in the hands of British-owned companies. Most of the mines were heavily damaged or neglected during the war and mineral production came to a standstill. In the post-war period, the companies were reluctant to invest in a newly independent Burma because of the considerable insurgent activity prevailing then and the threat of nationalization. Progressive nationalization of the sector began in about 1950, and by 1965 all operations were entirely in the state sector. The only private activity is small scale "tribute" mining of tin, tungsten and antimony. (Tribute miners are individuals who are allowed to mine in certain areas, but are legally bound to sell their output to the mining corporations.) Tribute mining accounts for about 50% of all tin-tungsten produced.

17. No significant new mines have come into operation for nearly 40 years. Production of minerals for export in volume is about 10% of its pre-war level, mining contributes only 1% of GDP and mineral exports make up only 7% of exports. The only recent development is the increase in the export value of gems and pearls.

18. The mining industry provides employment to about 28,000 people. An estimated 8,000 work in mines only during the wet season when water conditions permit alluvial mining of tin. Excluding mining of gemstones and after adjustment for seasonal employment and mining of non-export commodities, such as limestone, 15,000 employees produce K 47 million of export commodities, which is equivalent to \$1.30 per day per employee, indicating low level of productivity and a high proportion of overhead staff.

19. The disappointing performance of the mining sector is due to several factors: (a) the depletion of reserves in existing mining sites; (b) the obsolete mining equipment; (c) the security problem; (d) the unattractive wage rates which make it difficult to recruit workers especially for underground operations; and (e) the low prices offered for the minerals collected by tribute miners who prefer to smuggle the ore to Thailand. Similarly a very large proportion of Burma's production of precious stones, possibly as high as 60%, is reportedly smuggled out, mainly to Thailand. Altogether, illegal exports might be somewhat in excess of one-third of the official value of mineral exports.

(b) Potential and Policy

20. The development potential of the mining sector is not well-known because of the lack of an inventory of mineral reserves, but it may be promising. A long-term strategy for development of the mining sector would require a systematic inventory of the country's mineral reserves. Insurgency, in certain potential mining areas, would however reduce the scope of such a survey for the time being. The medium-term outlook appears encouraging. Mining exports could be increased considerably with appropriate investment in the proving-up and effective development of known deposits.

21. The Government has identified the mineral sector as a potential growth sector. This policy has opened the way for external assistance and domestic credit for the sector. Major contributions in the form of technical assistance and project preparatory work have been made by the Federal Republic of Germany, Japan and UNDP. The thrust of the current development strategy is to rehabilitate old tin-tungsten mines at Heinda and Hermyingi with German assistance, to develop the Monya copper deposit (possibly with Japanese assistance) to start dredging in the Heinze Basin (with World Bank Group assistance), to rehabilitate the Bawdwin lead-zinc-silver mine and to initiate a number of smaller projects in antimony, gemstone and tin-tungsten. This approach appears to be an appropriate one.

22. Although the selected mining projects are situated in areas where security is reportedly not a major problem, their location is remote and lack of security along transportation routes may create difficulties. These projects appear to be economically attractive, but their long-term viability depends on a more realistic exchange rate. Similarly, the mining corporations

will not be able to induce tribute miners to sell them their production and reduce smuggling without exchange rate changes. Despite general overstaffing, mines have difficulties in securing personnel for underground operations, because the centralized wage structure does not allow, so far, payment of premia for difficult and dangerous jobs. With the current reorganization of public enterprises, management may have more freedom in fixing wages, provided operations can generate sufficient earnings to do so.

23. A first mining project was appraised last March, which would mainly be a tin dredging operation. A follow-up appraisal mission was sent in August, as a result of which, various changes are being made in the appraisal report. Through this first involvement, we hope to have a significant impact on the overall sector, particularly on institution-building and future investment selection/coordination.

SUMMARY AND CONCLUSIONS

i. The years since independence in 1948 have not been easy for Burma. The economy was devastated during World War II with about half the country's man-made assets destroyed and recovery was hampered by administrative bottlenecks and continuous insurgency. In 1962, a political crisis occurred and a Revolutionary Council led by the military assumed control of the Government. The Council was led by U Ne Win, who has been the head of the Government ever since. While adoption in 1973 of a new constitution allowed for popular participation in the Government, leadership has not changed and the Burma Socialist Program Party remains the only authorized political party. ←

ii. The Burmese Way to Socialism is a combination of traditional Burmese values and socialist doctrine. It aims at fashioning a new order for Burma, by reorienting the economy to benefit the masses and achieving self-sufficiency in food, clothing, shelter and at the same time providing adequate social services. The Government, however, failed to provide adequate incentives and investment resources to the mainstay of the economy, agriculture, forestry, and mining. The results have been slow economic growth, declining foreign trade, and a deteriorating financial situation. ←

iii. In its attempt to establish a new order for Burma, the Government reorganized the administrative institutions inherited from the colonial period and introduced fundamental changes in many economic institutions. Banks, large and medium industries and domestic and foreign trade were nationalized. Since most of these activities had been largely controlled by non-Burmese, nationalization achieved one of the regime's basic objectives, the Burmanization of the economy. A large part of economic activity, however, is still performed by the private sector. Although the ownership of land is vested in the State, the agricultural sector is almost fully operated by individual farmers. The long-term objective is to restructure land holdings, so that by the middle of the 1990's, 50% of farmland will be operated by production cooperatives. However, detailed plans for achieving this objective have not been worked out. Private industry still provides 80 to 85% of industrial employment and contributes well above half of industrial output. Between 70 to 80% of transportation is still provided by boats and trucks operated by the private sector.

iv. Another economic objective of the regime was to reduce dependence on foreign markets. Imports were seen as competing with cottage industries and as a means of satisfying the "extravagant" consumption demands of a small urban elite. This led Burma to diminish the importance attached to its export sectors. Additional objectives were to provide advanced social services, and at the same time, to reduce the almost exclusive dependence on agriculture and primary products and to move towards an economy in which industry was to play an important role. Development of a welfare state and industrialization were to depend upon agriculture's traditional capacity to generate surpluses. To ensure the required inter-sectoral transfers, the State took over most of the trade sector and introduced a centrally administered price system.

v. Burma's major success has been in the provision of advanced social services for its population of about 30 million. The number of hospitals, doctors, schools, teachers and students has increased markedly. Free medical care is provided to the rural population through an extensive network of rural health centers. The literacy rate among adults is about 67%. In recent years, however, progress has slackened because of the declining flow of resources reaching the social sectors, a reflection of inadequate economic performance.

vi. Over the last 10 years, real GDP grew at an average annual rate of only 2.3%. The fastest growth was in social and administrative services (6.8% annual rate) and primarily in administrative services. The growth of directly productive sectors (2.0% per annum) lagged behind population growth (2.2%). The slow rate of economic growth has been largely due to the neglect of agriculture, forestry, mining and transport. Agriculture, which accounts for 27% of GDP, received only an average of 7% of public investment during the last five years, the equivalent of 2% of its value added. Wishing to keep down food prices, the Government moreover fixed procurement prices of most agricultural commodities, especially paddy, at low levels. These low prices left little surplus in the hands of the farmers to increase or even maintain their capital stock, and critically reduced their incentives to produce a marketable surplus. Furthermore, little provision was made to develop supporting services or even to maintain them at their previous level of efficiency.

vii. Over the last decade, the rate of growth of agriculture was around 1.6% per annum. The production of paddy, the main export commodity, remained virtually stagnant in the face of rapid population growth. The sluggish performance of agriculture, which accounts for 60% of exports, greatly affected the external sector. The export volume index declined from 100 in 1965 to 30 in 1975. Terms of trade, which deteriorated gradually up to 1972, improved considerably thereafter. They stood at 144 in 1975 as against 100 in 1965, mainly on account of favorable world market prices for foodstuffs and teak. Nonetheless, the purchasing power of exports was less than half of what it was 10 years before.

viii. Public capital expenditures which gradually came to dominate total investment, were incurred mostly in the industrial and services sectors, which received between 55 and 60% of the total in recent years. The emphasis on industrialization was in accordance with the goal of reducing the country's reliance on external transactions. However, industrialization at the pace adopted could not succeed because of the depressed conditions in agriculture. Industrial expansion depended upon a growing supply of agricultural materials and imports which agriculture could not provide because of the stagnation of output and the consequent sharp decline of export earnings.

ix. During the last ten years, industrial production increased by only 2.9% a year. This was partly because the State Economic Enterprises had to operate within strict administrative rules which prevented efficient and economic management. Under these circumstances, under-utilization of capacity became a characteristic of many sub-sectors and many enterprises operated at a loss.

x. The bias in the past allocation of investments against primary production and exports had an unfavorable effect on the generation of savings for development financing. As a result, gross fixed capital formation in real terms has been declining at an annual rate of 6.3% over the last five years. Investment fell from 10% of GDP in 1972 to 7.4% in 1975. The consequences of this poor performance were particularly evident in the deterioration of the country's infrastructure. The railways and the Road Transport Corporation, for example, are currently carrying only half the tonnage that they carried in the sixties. The resulting capacity limitations restricted the movement of many important commodities such as teak, cement, and paddy. Insufficient investment has also significantly retarded growth in other sectors. In forestry, lack of transport facilities and extractive machinery is partly responsible for the backlog of ripe girdled trees to be felled. The mining sector has been comparably affected. Because of obsolete equipment, along with poor incentives and security problems, mineral production has yet to return to pre-war levels.

xi. Traditionally, the government budget derived a large part of its revenues from rice exports. The diminishing rice surplus therefore had an adverse impact on government income. The related growing scarcity of foreign exchange necessitated a marked contraction of imports which reduced custom revenues. It also led to very slow growth of industrial production which in turn reduced the growth of revenues from commercial taxes. Nationalization of large-scale private firms moreover significantly reduced direct taxation of private income. This was not replaced by a commensurate increase in government revenue from taxes and surpluses transferred by government enterprises, since many of these have been operating at a loss.

xii. The current revenue/GDP ratio declined from 16.5% in 1963, to 14% in 1973 and below 10% in 1975. Despite substantial cuts in maintenance and capital expenditures (in real terms), the budget deficit, almost entirely financed through bank borrowing, increased so much that the money supply doubled between 1972 and 1975. The deterioration of the fiscal situation is primarily responsible for the sharp inflation which currently runs at a yearly rate of over 30%.

xiii. The economic difficulties presently facing the country are partly due to the lack of attention paid in the past to the mobilization of adequate resources for the financing of the Government's socio-economic programs. One basic reason for the inability to raise sufficient resources was the Government's failure to follow appropriate pricing policies. Although the structure created by the socialization of the economy would have required a very active pricing (and indirect taxation) policy, the Government's main preoccupation has been, until recently, with price stability.

xiv. The pricing policy had three basic shortcomings. First, the necessity to provide incentives to the non-socialized sector was disregarded. Second, the policy of the State Economic Enterprises of keeping prices low

led to inadequate transfers of resources to the Government. The underpricing of the output of the State Economic Enterprises however hardly benefited the general consumer as supplies often fell well short of demand. Considerable quantities of commodities were siphoned away from the official to the unofficial market where prices were a multiple of the official prices. The margin was paid by consumers. By leaving the clearing function to the unofficial market, the Government implicitly condoned a large transfer of resources to the private sector. Finally, the ensuing distortions did not allow an appropriate allocation of resources.

xv. Recently, however, the Government has improved its pricing policy. Procurement prices for agricultural commodities were raised substantially. For instance, the procurement price for paddy in 1975 was 2.5 times that prevailing in 1972. Adequate procurement prices for farm products are essential for revitalizing private investment in agriculture. However, as long as a considerable part of agricultural output continues to be sold outside the official market at prices markedly above the procurement level, it will remain necessary to keep procurement prices under review. With the introduction of the "Commodity and Services Tax" in April 1976, a meaningful change in the indirect taxation has been effected which according to Government estimates will lead to a revenue increase of about 50% in 1977. If this resource mobilization effort materializes to the extent visualized by the Government, it could help considerably to control inflation because of the reduced need for deficit financing. The improved fiscal situation should enhance growth prospects, especially in view of the new investment strategy which is designed to reorient resource allocation in favor of the leading economic sectors.

xvi. Another major problem facing the country stems from inadequate economic administration and management. In the attempt to achieve a radical transformation of the economy in a short time, too much was expected of the ability of the administration to assume instant control of all forms of economic life, whether it be at the production or the distribution level. In response to these problems, the Government issued in 1975 guidelines to convert gradually State Economic Enterprises into commercial operations. These guidelines and the reforms introduced in the distribution system are steps in the right direction. The objective of improving economic efficiency has been accompanied recently by a reform of the banking system, which should direct more credit to priority sectors and tighten control on the end use of credit.

xvii. If successful, the Government's recent efforts to mobilize more resources for development and to improve economic management should clear the way for more rapid growth of investment and production. In this respect, it is encouraging that the Government has reassessed its objectives. According to a major policy announcement in 1973, the Government's objective remains "to transform the economy of the Union of Burma from an agricultural to agriculture-based industrial country and thence gradually to an industrial nation." The investment strategy, however, is to be altered drastically. To realize the above objective, the most feasible and economically sound projects are to be chosen. The first priority will be given to improvements in

agriculture, fishery, livestock, and forestry. The second priority is to set up consumer goods industries to substitute for imports based on the expansion of agriculture, fisheries, livestock and forestry sectors. The third priority is to raise mineral production and to lay the foundation for industries based on mineral production.

xviii. The new ranking of priorities recognizes that industrialization has to be based on prosperous agricultural, forestry, and mining sectors. In line with the new objectives, allocation of public funds to the priority sectors has been increased in the last budget. Even more important, current policies towards agriculture could help revive private investments, through adequate procurement pricing and the provision of institutional credit.

xix. Burma remains beset with serious economic problems: low growth, declining investments and sharp inflation. Certain reforms have been introduced after 1972 and the tempo of policy changes has accelerated recently. It will take time before the reforms are effectively implemented and start to have a significant impact. If pursued vigorously and complemented with further measures for improving production, resource mobilization and distribution, the Government's new policy orientation gives reason for encouragement about economic and social prospects. It would help considerably if these efforts were supported by increased foreign assistance, on concessional terms.

xx. Burma is potentially one of the richest countries in the South Asia region. It is endowed with a healthy and literate population and an impressive resource base, which includes a vast and fertile land area, and large mineral, forestry and fisheries resources. In addition, the country currently has a tolerable foreign debt burden, food surpluses and is almost self-sufficient in energy. The coming years pose a challenging opportunity to the Burmese to realize more fully the potential of their resources.

F. Reference Material

1. Political Situation
2. Economic Situation
3. Foreign Assistance and Debts
4. Burmese Socialism
5. Annual Meeting - Discussions on Aid Group

BURMA

Political Situation

1. As in the past, Burma continues to face two serious insurgency problems mainly in the frontier areas: (i) ethnic minorities which struggle against Rangoon centralism and seek autonomy or even independence, and (ii) the ideological rebellion from the North supported by the People's Republic of China. The communist rebellion poses by far the most serious threat to Rangoon. However, the rebellion is not without its weaknesses. While its leaders are mostly of Burman origin, the rank and file is largely of Chinese origin; this, added to the fact that the rebellion is apparently aided by a foreign power, makes it very difficult for the movement to draw any meaningful support from the majority of the people. Moreover, the communist movement is no less willing to have a strongly centralized government than the Rangoon regime and cannot therefore form lasting alliances with ethnic rebellions. The Burmese army is a poor man's army and is reportedly very effective. In areas of insurgency, it controls the main towns and means of communication and wherever necessary protects sites of economic importance (such as mines and hydro-power stations). The main success of the regime in recent years has been clearing the rebels from the Delta.

2. The Burman ethnic group, which represents 70% of the population and is concentrated in the large valleys and the Delta, has remained obedient to Rangoon. Its attitude vis-a-vis the "Burmese Way to Socialism" has, however, been apathetic. The Party, despite some appearances to the contrary, is a party of cadres and not of masses. In Burma there is no real mobilization of masses, nor was this mobilization ever seriously attempted. With the deterioration of the economic situation, especially after 1972, the regime began to face growing popular discontent in urban areas which eventually manifested itself in the workers/students riots in June 1974. While discipline has been gradually restored in factories, the student population has remained restive and the University, which had to be closed four times in the last two years, is again closed.

3. To most observers this urban agitation was not considered to be a serious threat to the regime whose power base is the army, because the army was thought to be absolutely loyal. This conviction was badly shaken when a plot involving young officers was discovered in early July of this year. Their purpose was to assassinate or remove from office (this point is not yet clear) Chairman Ne Win, General San Yu (number two man in the regime) and Col. Tin Oo (Chief of Security). Their prime motivation was reported to be their discontent with economic conditions. While this first crack in the loyalty of the army is significant, most observers speculate - judging from the amateurish way the plot was initiated - that there is as yet no organized and structured opposition in the army.

4. When the trial opened beginning September, it came as a surprise that ex-General Tin Oo was among the accused. General Tin Oo was dismissed last March from his position as Chief of Staff on the charge of "economic crimes" committed by his wife. Extremely popular with the Army, General Tin Oo (who was formerly number three in the regime) was a strong contender to succeed President Ne Win and was in competition with General San Yu. His

dismissal was reported to have been resented by many in the army and bringing him to trial is meant to further discredit him. He is not accused of having participated in the plot, but is being charged with not reporting his knowledge of it.

5. The regime appears to be in full control of the situation, but it has also sensed that its survival is dependent upon economic revival. The effect of the plot has been to give the pragmatists a better opportunity to implement their policies. U Lwin, the Deputy Prime Minister and Minister of Planning and Finance, has been the leading advocate of more pragmatic economic policies and a less autarkic approach. It cannot, of course, be ruled out that his economic reform movement may face serious political opposition. The "Burmese Way to Socialism" remains powerful as an ideology of the political elite. There are many in the party hierarchy and in the army who view U Lwin as a threat not only to that ideology but also to the substantial benefits, in power and material rewards, which they enjoy under the present system. If U Lwin is unable to achieve quickly a demonstrable improvement in the economy, his reform movement may be weakened seriously and prove ultimately to be short-lived. For the time being, it is fair to say that U Lwin's position has been strengthened and that he is the undisputed economic czar, although he has to operate within the Party's constraints.

BURMA - ECONOMIC SITUATION

For information regarding the economic situation, please see:

1. Tab E-3 briefing material for meeting with Deputy Prime Minister.
2. Summary and Conclusions of the economic report, "Development in Burma: Issues and Prospects" (No. 1024-BA), dated July 27, 1976 (attached).

BURMA - FOREIGN ASSISTANCE

1. Grants, largely Japanese war reparations, made up the major share of foreign assistance Burma received through 1971. Until then, grants and long-term capital combined, averaging \$50 to \$60 million a year, financed less than 30% of the import bill. Since late 1972 Burma rapidly increased its utilization of loans and long-term credits, particularly from Japan and the Federal Republic of Germany and resumed relations with IDA and subsequently joined the AsDB in 1973. Also, with the signing of a new large commodity loan, disbursements from Mainland China resumed. Total financing of imports through foreign assistance has, therefore, substantially increased to about 40%. Gross foreign assistance amounted to around \$90 million in 1974/75 and 1975/76.
2. By the end of March 1975, total external loans contracted with an original maturity of one year or more, amounted to US\$537.2 million out of which US\$319.9 million has been disbursed. Starting in 1972, Burma has been contracting substantially higher amounts of new loans, particularly from international organizations with which active relations were resumed or membership was started. Since 1973 IDA has made seven credits totalling US\$132.5 million. Except for a few small new loans during the past three years, the country has generally consciously, and rather successfully avoided burdening its debt profile with short maturing debt on commercial terms.
3. The debt service burden has gradually increased from rather low levels in its sixties to an estimated amount of US\$33 million in 1975. Due to the weak export performance, the debt service ratio has increased somewhat more rapidly to about 20% at present and is expected to stay at roughly the same percentage in the coming years. The debt service is, however, modest compared to Burma's GDP (around 1% only) and its considerable export potential. The Bank Group presently accounts for about 15% of Burma's total external debt outstanding and about 5% of debt service. In five years, the Bank Group's share in the total external debt is projected to rise to about 20% and its share in the debt service to fall to about 2-3%.

Attachments: Table 1 - Foreign Loans Contracted
Table 2 - External Debt Service

BURMA: FOREIGN LOANS CONTRACTED ^{1/}

(In millions of U.S. dollars) ^{2/}

	<u>1970/71</u>	<u>1971/72</u>	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>
	(Oct.-Sep.)	(Oct.-Sep.)	(Oct.-Sep.)	(Oct.-Mar.)	(Apr.-Mar.)	(Apr.-Mar.)	four months
China (PR)	--	24.2	--	--	--	--	--
Czechoslovakia	--	--	--	0.4	--	--	--
France	--	11.2	--	--	--	--	--
Germany (FR)	4.1	--	--	--	30.7	--	29.1
India	--	--	--	--	9.6	--	--
Italy	--	0.1	0.4	--	--	--	--
Japan	7.1	39.3	57.1	3.4	--	21.7	--
Netherlands	--	--	2.1	--	2.4	--	--
Switzerland	3.5	--	--	--	--	--	--
UK	0.3	0.2	--	--	--	--	--
USA	6.8	1.3	--	--	--	--	--
USSR	--	--	1.0	0.4	--	--	--
Yugoslavia	--	0.3	--	--	--	--	--
AsDB	--	--	--	19.1	16.3	31.4	45.9
IDA	--	--	<u>33.0</u>	--	<u>41.0</u>	<u>28.5</u>	<u>30.0</u>
Total	21.7	76.5	93.7	23.3	100.0	81.6	105.0

^{1/} With an original maturity of one year or more.

^{2/} Converted at exchange rates prevailing at end of period.

Source: Ministry of Planning and Finance, Rangoon.

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BURMA: EXTERNAL DEBT SERVICE

(In millions of U.S. dollars)

Calendar Years	1965	1970	1971	1972	1973	1974	1975
Repayment of Principal	<u>6.7</u>	<u>12.4</u>	<u>13.6</u>	<u>11.1</u>	<u>22.7</u>	<u>21.0</u>	<u>19.0</u>
On loans received by Central Government	5.4	6.0	6.5	3.8	6.3	6.1	6.6
France	(--)	(--)	(--)	(--)	(0.1)	(0.8)	(1.2)
Germany (GDR)	(--)	(--)	(0.7)	(0.8)	(1.5)	(0.6)	(0.6)
Germany (FRG)	(--)	(0.6)	(0.6)	(0.5)	(1.1)	(1.1)	(1.0)
IBRD/IDA	(1.7)	(2.3)	(2.1)	(1.5)	(2.1)	(2.4)	(2.5)
India	(3.5)	(2.2)	(2.2)	(--)	(--)	(--)	(--)
USA	(0.2)	(0.6)	(0.6)	(0.7)	(0.7)	(0.8)	(0.9)
USSR	(--)	(0.3)	(0.3)	(0.3)	(0.7)	(0.4)	(0.4)
On deferred payment liabilities	1.3	6.4	7.1	7.3	16.3	14.9	12.4
Interest Payments ^{1/}	<u>4.0</u>	<u>6.8</u>	<u>9.1</u>	<u>6.8</u>	<u>13.2</u>	<u>14.7</u>	<u>14.0</u>
Total debt service as % of exports)	10.7 (4.5)	19.2 (15.8)	22.8 (18.3)	17.9 (14.3)	35.9 (23.4)	35.7 (17.8)	33.0 (21.1)

^{1/} Includes charges and interest paid to IMF. May include minor amounts of interest paid on short-term monetary liabilities.

Sources: Union of Burma Bank; IMF: Balance of Payments Yearbook, various issues.

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I. The Burmese Way to Socialism: its Emergence

1. At independence (1948), Burma selected "pragmatic" socialism within the framework of a parliamentary democracy as a response to the conditions left by colonialism and the extensive domination of the economy by aliens. The first Prime Minister of independent Burma, U Nu, tried to promote the development of a mixed economy. Strategic industries were nationalized. Land reform laws were enacted but without much success, as the Indian minority continued to control much of the fertile land. During the parliamentary period (1948-1962), some economic growth was achieved despite continuous and serious insurgency problems.

2. In 1952, U Nu was able to reach a compromise with the ethnic minorities who then agreed to join the Union of Burma, provided they could secede from the Union if they so wished, after a period of 10 years. This provision was included in the 1952 Constitution. In 1962, it became apparent that most of the minorities were going to choose secession from the Union: an unbearable thought to the Chief of Staff, General Ne Win, one of the 30 Thakins (comrades) who struggled for independence against the British. In addition, the Army was angered by the prevailing political factionalism, lack of unity of the country's civilian elite and the rampant corruption. Furthermore, Ne Win resented the fact that the economy was still dominated by and large by British, Indian and Chinese interests. He also resented the fact that the emerging Burmese bourgeoisie allied itself with foreign interests while imitating the "extravagant" consumption patterns and manners of the British. Thus in 1962, General Ne Win ousted U Nu in a bloodless coup.

3. Ne Win, however, had to legitimize his coup de force by giving an ex-post ideological justification. 1/ Thus there evolved at first a systematic rejection of foreign influence and the search for purely Burmese values, dressed in a socialist ideology: the Burmese Way to Socialism. One can distinguish two main periods since 1962 in the political evolution of the country: (a) The revolutionary period which lasted up to 1973, when a constitution was adopted in a nationwide referendum. This period was characterized by strict centralism, xenophobia and pervasive statism not unlike the Burmese monarchy period (the last King, Thibaw, was removed from the throne in 1885). Economically, this period was an unqualified failure. (b) The constitutional period, which began in 1973, was characterized by attempts to decentralize the institutional set-up and the decision making process. It also coincided with the realization among the party leadership, that the country had to open itself to the outside world, if its economy were to be made viable. Given its vagueness, the Burmese Way to Socialism can easily accommodate various economic policies provided they respect certain rules and dialectics.

II. The Burmese Way to Socialism: its Philosophy

4. The political philosophy of the Burma Socialist Programme Party, "The Burmese Way to Socialism", was developed shortly after the 1962 coup. It attempts to accommodate socialist but non-Marxian ideals within the framework

1/ It is still debated today whether Ne Win is a true believer or not of the Burmese Way to Socialism.

of traditional Burmese-Buddhist values. Socialist ideals are espoused in this philosophy because a free enterprise capitalist system was associated with foreign domination of the economy. Since the ruling party is dominated by military personnel with middle class background it had also an intrinsic fear of Marxism.

5. The rationalization of the anti-capitalist position of the philosophy follows from the perception of man as an "egocentric and self-seeking being" 1/ who, if left to his own devices, would exploit his fellow men for profit. However, if the society is organized in such a way as to solve the problem of his livelihood and to protect him from the forces of nature, man will be ready to serve social interest in order to serve his own. The anti-Marxian bent of the philosophy is derived from appealing to the Buddhist ideals of anti-materialism. By combining spiritual elements with matter, materialism aspects of life are downplayed and Marxism is rejected. Man is described in the following way: "In him are combined the material body with life, mind and matter in their correlation, and the ceaseless process of mutation. The mind of man cannot exist without his aggregate of matter, but the matter is not the sole source of the states of consciousness, because matter and mind in man are inseparably linked on the ever-turning wheel of change". 1/

6. This quotation highlights the spiritual element in man as described in Theravada Buddhism. The concept of the "ever turning wheel" is a central tenet of the Buddhist philosophy. It appeals to the spiritual nature of man to counter Marxian materialism. The Burmese Way to Socialism however is not presented as a spiritual schema. It is intended to be very much a practical and worldly code of conduct for the masses to follow. Arising from the view of man as a self seeking being, state ownership of means of production becomes in principle a necessary attribute of the Burmese Way to Socialism.

III. The Burmese Way to Socialism: Political Reforms

Reform of the Judiciary and of the Administration

7. The first action taken by U Ne Win in 1962, even before he banned political parties (the Burma Socialist Programme Party is now the only authorized party) was to terminate the Supreme and High Courts, symbols of the old order (colonial, then national bourgeois). The new "people's judicial system", under the Constitution is consistent with U Ne Win's idea to have laymen rather than lawyers serve as judges. Judges are now elected by the People's Councils at every level of the administrative structure.

8. The second important step (in 1962) was the abolition of district units of administration, and therefore of the position of the powerful District

1/ "The System of Correlation of Man and his Environment. The Philosophy of the Burmese Socialist Programme Party". January 17, 1963.

Commissioner, a direct inheritance of the British colonial era. This was replaced by Security and Administration Committees (SACs) which were set up at every level of the administration, i.e., from the State to the villages. Initially, the SACs were dominated by the military, but as U Ne Win was patiently building political institutions, membership was extended to include a few representatives of the Party, Workers' and Peasants' Councils. With the adoption of the 1973 Constitution, SACs have been abolished and replaced by elected People's Councils.

9. The new regime abolished the Secretariat, administrative heart of the government under both British and subsequent Burmese rule. The Secretariat comprised the Permanent Secretaries of the various ministries which were grouped together in a single administrative structure which largely governed the country. This citadel had to be destroyed, so that the power exercised by the Revolutionary Council on the principle of centralism could not be challenged. The secretaries and their staff were therefore incorporated into the various government departments, directorates, corporations and boards. Civil servants are now required to follow ideological training: high ranking civil servants must attend a 4-month course on a full time basis at least once during their career. By now, almost all the high-ranking civil servants are Party members or candidate members.

Party Building

10. Party membership grew very slowly. During a seven-year period beginning in 1962, party membership did not amount to more than a half dozen full members. By 1971, however, it had over 70,000 full members, over half of them members of the armed forces and 260,000 candidate members. The reason for the initial slow growth of the Party and the dominating role of the military in it, was its transitional character. U Ne Win had to construct his Party from scratch and use his soldiers to govern the country through the Revolutionary Council while party cadres were "mobilized, trained, tested, and assigned." Work towards creating Peasants' Councils and Workers' Councils also went slowly because of the need to train cadres first. Needless to say, these Councils constitute the main political arm of the Party and the country's new political elite.

11. After approximately 10 years of party building, patient creation of Workers' and Peasants' Councils which brought the new leaders of the workers and the peasants under strict control of the Party, and the ideological alignment of the civil servants, U Ne Win apparently felt secure that the Party could stand on its own feet. He relinquished his military rank in 1972 as an important symbolic gesture which implied that "power had to be returned to the people." The adoption of a Constitution in 1973 completed the first phase of the political consolidation. It is too early to evaluate the competence and dedication of the new civilian elite which includes an important number of ex-soldiers. It is possible that it is composed mostly of "yes" men; and it is not certain that the soldiers (or ex-soldiers) as a class are ready to share power with true civilians.

The Military Influence

12. It is important to remember that the Burmese Way to Socialism is the brain-child of the military. As elsewhere when the Army gets involved in politics, it tends to reproduce its own structures which are supposed to bring

order and discipline and, therefore, bring about efficiency. For instance, the political, administrative and judicial organization of the country which results from the Constitution, resembles a general staff exercise: the logistic appears sound on paper but unduly complicated if applied to a large civilian organization.

13. The economic organization reflects military influence as it is characterized by a strict division of tasks. The infantry fights, the artillery supports the infantry, transport corps move goods, signal corps transmit information, etc. Similarly, a factory is expected to concentrate exclusively on production. Procurement of inputs and disposal of output is not a factory's responsibility. Since there are 21 general sets of commodities and services to trade, there are 21 trade corporations. Industry produces, trade distributes and transport corporations move the goods. This inflexible organizational set-up has fortunately changed substantially recently. Professional soldiers (or ex-professional soldiers) are in charge of nearly all key economic posts. While they have learnt by practical experience, they were initially ill-prepared to take over responsibilities such as managing a factory or conceiving a coherent economic policy. Many managers remained for a long time under the illusion that certain economic parameters, such as prices, would obey orders. As late as April 1975, the official policy was to bring down prices to their 1969/70 levels!

IV. The Burmese Way to Socialism: Economic Reforms

14. Economically, no less than politically, U Ne Win attempted to fashion a new order for Burma to reorient the economy to benefit the masses and achieve for them sufficiency in food, clothing, shelter and social services. His response was to restructure the economy totally. Banks and industries were nationalized, and so were wholesale and retail trade. Tens of thousands of Indian and Chinese businessmen were deprived of the opportunity of earning their livelihood, thus achieving the first objective: "Burmanization" of the economy. The second economic objective was to reduce dependence on foreign markets. Imports were considered to be required only to satisfy the "extravagant" consumption of the urban elite. The agrarian disaster of the 1930's brought about by the collapse of export prices was also still fresh in the minds of policy makers and basing economic development on exports was considered dangerous; thus the neglect of export sectors, particularly evident in paddy, timber and minerals.

A Simple Development Model

15. Autarky was to be achieved with austere and frugal reliance on Burmese production for Burmese requirements. The resulting development model was simple: in order to move the economy away from primary production to a balanced industrial growth (mostly light industry) and the development of social sectors, the country had to depend upon agriculture's traditional capacity to furnish a surplus for social accumulation. To ensure these intra-sectoral transfers, it was felt necessary to set up a "command economy". Centralized administration of prices and generalized State trading for most commodities followed logically from these basic premises. Only perishables were left to the market.

With Mixed Results

16. Burma's economy has been reclaimed from foreigners and "saved" from Burmese capitalists. Health and education have made considerable progress, and Burma's achievements in these fields are substantial. Land reforms have been implemented and Village Land Committees are vigilant to see that the law is subsequently respected. Yet, the image of an egalitarian society is being blurred by the rapidly expanding activities of the black market. The gradual emergence of a pervasive black market reflects the extremely poor economic performance of the regime which in turn is seriously threatening achievements in social sectors. The initial purity of the Burmese Way to Socialism has been eroded by the malfunction of the economy and has developed into bureaucracy with extensive petty corruption. Redistribution of wealth has become sharing of poverty. Frugality, instead of being the result of a voluntary policy, has become a matter of necessity.

Some Reasons for the Poor Economic Performance

17. There are probably many reasons which could explain the failure of the Burmese Way to Socialism in the economic field. The most important explanation is that socialism has been imposed from the top with no active popular participation or even from a dedicated small popular minority. Through a tight military rule, a new political superstructure was set up by a handful of soldier-idealists with middle-class backgrounds. The masses for whom the Revolution was accomplished have been given free education, free health, and effective land reforms, but they have not had to fight for it and remained passive onlookers. Being imposed exogenously to the social body, Burmese socialism has not modified social values (attitude toward manual work, for instance, remains negative); extreme individualism remains the characteristic of the Burmese. In other words, Burmese socialism failed to mobilize people. Even the new elite which may be sincere in its devotion to the Burmese concept of socialism, is nevertheless, a privileged group with few revolutionary instincts. It may be able to administer a Burmese socialist economy, but is unlikely to take the lead in a movement which may mobilize the masses.

18. The elite does not swim like fish in water; the water is dormant, and the elite sit on the beach, occasionally jumping in for the purpose of preaching. Moral suasion seems indeed to be the only weapon used for convincing people to help actively build Burmese socialism. It does not mean that the majority of people have an aversion towards socialism. The majority (i.e. the poor) certainly takes some satisfaction from the fact that the wealth of a tiny, but powerful, minority has been confiscated. The lack of popular mobilization alone would not have condemned the system to failure in the economic field. The lack of ideological motivation could have been substituted by material incentives. Instead, in its haste to establish socialism, the regime destroyed market mechanisms overnight, fixed prices and wages (which for long remained unchanged) and the country was left with no growth generating mechanism.

V. The Burmese Way to Socialism: The 1972 Economic Charter

19. The gradual realization that the existing economic policy and organization led to an impasse, came at the beginning of the 1970s. In late 1972, the Burma Socialist Program Party (BSPP) adopted the "Long Term and Short Term Economic Policies of the BSPP" ^{1/} which can be regarded as the Economic Charter of the Burmese Way to Socialism. While this document is rather vague and suffers from some apparent inconsistencies, it reveals the regime's intentions as far as the management of the economy is concerned. Its preamble is full of startling, genuine and well-directed self-criticisms. In general, the guidelines of the Economic Charter provide the ground for pragmatic policies. Needless to say, there is still an immense gap between economic policy objectives and the definition of concrete economic measures to attain these objectives.

20. (i) Autarky is now disregarded as an economic aim and exports are given top priority. It follows logically that leading sectors with export potentials (agriculture, forestry, fishery and mining) are to receive an increased share of developmental resources; also, "more use" should be made of foreign assistance. (ii) Material incentives are reinstated as a legitimate tool for encouraging production. (iii) The State Economic Enterprises (SEEs) are to be reorganized and made responsible for their financial and production performances through a decentralization process. SEEs are even expected to compete among themselves.

21. This economic reorientation indicates a sharp departure from the past. Old habits, however, die slowly. Ten years of nearly complete isolation from the outside world (and the often nonsensical economic rhetoric which prevailed until 1972 and put fear into the hearts of economic managers) encouraged escapism and irresponsibility. Many economic managers now find it difficult to face reality and to adjust emotionally and politically to the new tasks expected of them. It is therefore not surprising that some managers are confused and their decisions sometimes inconsistent. Yet, beyond this resulting confusion one can perceive encouraging developments, especially after 1975. Many measures seem to have been taken in an ad hoc and disorderly manner. On looking back, however, a more coherent pattern seems to emerge. But the pressures for a return to the old ways seem to be still present.

Possible Structural Changes

22. One of the most important features of the Economic Charter is the objective to help "the emergence of socialist agricultural production" ^{2/}

1/ This document covers a 20-year period ending March 1994.

2/ Structural organizations of agriculture (in %)

	<u>As of now</u>	<u>End of 20-year Plan (1994)</u>
State Sector	0.2	10.0
Cooperative	negligible	50.0
Private	<u>99.8</u>	<u>40.0</u>
	100.0	100.0

by encouraging the gradual development of production cooperatives and of State farming. Bank missions have often been reminded of this objective. Without exception, Bank missions were unable to get any kind of information about the way this gradual socialization is to be implemented. Probably, the Burmese do not know it themselves. This crucial matter which is at the heart of Burmese economic development remains clouded by total uncertainty.

23. The regime's attitude towards the private industrial sector, (essentially small scale) which provides over 80% of employment in that sector and well over half of industrial output, will be important. So far, the small scale sector has been entirely neglected, and even discouraged by the threat of nationalization or amalgamation into cooperatives. The Economic Charter recognizes that this policy has to change if employment opportunities and production are to increase. So far no effective action has been taken. A draft law, however, is being prepared which will spell out clearly the role and scope of private sector activities as envisaged under the Constitution. The Cabinet has decided that this law should come into effect before March 1978. In Burma a return to a mixed economy in industry should be excluded because the regime is afraid that a liberal policy will mostly benefit the industrious entrepreneurs of Chinese and Indian origin who are still numerous.

October 14, 1976

1976 ANNUAL MEETING MINUTES

BURMA

1. On October 5, 1976, representatives of the Government of Burma met in Manila with representatives of the Bank Group. Present were U Lwin, Deputy Prime Minister and Minister for Planning and Finance; Dr. Maung Shein, Deputy Minister for Planning and Finance; and U Hla Maung, Director General, Planning Department, Ministry for Planning and Finance, representing the Government of Burma; and Messrs. Stern, Blobel, and Brighish of the South Asia Region of the Bank.

Aid Group

2. Mr. Stern said that the arrangements for the November meeting of the Aid Group were well underway. Invitations to participants had been issued and the preparatory work undertaken thus far had had encouraging results. He emphasized, however, that all concerned should have modest expectations regarding the results of the November meeting. The meeting should not be expected to produce substantial additional aid commitments to Burma. Aid budgets in donor countries were at present constrained, and there was considerable competition among recipient countries for those limited resources. Recipient governments would, therefore, need to present claims that were based on an ordered set of priorities consistent with an articulated development strategy. In this regard Burma faced difficulty, in that donors were not well informed about the country's situation, either with respect to the availability of investment projects suitable for financing, or about the Government's development strategy. The Aid Group meeting should serve as an occasion on which to outline the direction in which the Government intended to move the economy and point to areas within that strategy which would be susceptible to external assistance.

3. The Deputy Prime Minister responded that local representatives of current and potential donors had begun to question the Government on its views as to the priority investments that were in need of support, and had asked whether the private sector was to be given a share of these investment opportunities. The Deputy Prime Minister remarked that the requests for information had hitherto emanated from ambassadors and commercial attaches rather than from local representatives of aid agencies. The Government was in the process of responding to the requests and he expected similar questions to emerge during the Aid Group meeting. On some issues, however, the Government was not yet able to furnish definitive responses, since it intended to take further measures (for example on the imposition of a land tax and water charges for irrigation usage) only after Parliament had convened. Parliamentary approvals were needed for the supplementary budget that was now in an advanced stage of preparation, and if these approvals were forthcoming some data being requested by the donors would need revision. Supplying

this information was, of course, only the preliminary stage of the dialogue that had commenced. Donors should recognize that improvements resulting from the reforms recently undertaken by the Government would necessarily take some time in making themselves felt.

4. Mr. Stern suggested that the Government should, in responding to donor requests both now and at the Aid Group meeting, concentrate on emphasizing the broad objectives of the Government's policies rather than specific aspects of them. Some donors were doubtful about how far they could go in assisting Burma with the economic framework that had existed over the past several years. The most appropriate way for the Government to allay these concerns would be for it to lay emphasis in presenting its policies on the start it had made on rationalizing the structure of prices, on promoting exports, and on taking measures to increase productivity in agriculture and industry. Mr. Blobel said that a useful way of presenting to the donor community the next steps it intended to take in pursuit of its development strategy would be to describe in outline the agreement currently under discussion with the International Monetary Fund on the use of the IMF's Extended Fund Facility. As the Government's development strategy began to unfold and as the Government began to indicate priority areas which would benefit from external assistance, the political goodwill shown by donor countries thus far would begin to be translated into specific aid programs. It could then be expected that the communications between the Government and the donors which had initially been conducted at the ambassadorial level would begin to take place through aid agencies. The Aid Group meeting would hopefully initiate this process.

Mr. McNamara's Visit

5. Mr. Stern said that the President hoped that in Burma he would learn of the Government's intentions with respect to the direction in which the Government expected to direct the economy over the coming years. Dr. Maung Shein said that the program of visits that had been arranged -- such as to the (Lift) Irrigation Project and the Lower Burma Paddy Project -- would enable the President to discuss with the concerned Ministers concrete issues of mutual concern to the Government and the Bank.

Lending Program

6. Mr. Stern noted that execution of Bank Group financed projects was proceeding satisfactorily. If issues concerning the feasibility of the Nyaunggyat Dam were to delay its implementation, other projects could be substituted for it. The Deputy Prime Minister emphasized the importance his Government placed on the Tin and Tungsten Mining Project. Mr. Stern noted that in the Bank Group's view, the projects proposed to improve port facilities, to develop forestry resources and to improve and expand irrigation facilities, all constituted an encouraging part of a set of policies geared towards increasing productivity and promoting exports.

BANGLADESH

BANGLADESH

Country Briefing

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MR. MCNAMARA'S SCHEDULE

Wednesday, November 3, 1976

1745 - Arrive Dacca by special flight.

Thursday, November 4, 1976

0730 - Leave State Guest House for Dacca airport.

0745 - 1215 - Field trip to Sherpur, Bogra to visit population and rural development activities. (See attachment for details of Sherpur visit.)

1230 - 1400 - Private lunch for McNamara party at Weiss residence.

1420 - Meet Kazi Anwarul Huq, Advisor in charge of Jute Ministry, in his office at Secretariat.

1435 - 1630 - Visit to Adamjee Jute Mill. Mr. Huq to accompany. Briefing on Jute Action Program and Bangladesh Jute Mills Corporation.

1645 - 1715 - Visit to Narayanganj Foodgrain Silo.

1930 - Dinner at Intercontinental Hotel by Dr. and Mrs. M.N. Huda for Mr. and Mrs. McNamara, followed by a cultural show.

Friday, November 5, 1976

0830 - 1000 - Planning Commission (Dr. Huda's Office)
Dr. M.N. Huda, Advisor in charge of Planning and Commerce Ministries;
Shafiul Azam, Deputy Chairman, Planning Commission;
S.A. Khair, Member (Agriculture), Planning Commission;
K. Mahmood, Secretary, External Resources Division, Planning Ministry;
M. Syeduzzaman, Secretary, Finance Ministry;
K. Choudhury, Additional Secretary, Planning Commission.

Friday, November 5, 1976 cont/...

- 1000 - 1055 - Health and Population (Dr. Huda's Office)
Dr. M.N. Huda;
Dr. M. Ibrahim, Advisor in charge of
Family Planning and Population Control;
Col. (Retd.) M.M. Haque, Advisor in
charge of Health;
Dr. A. Faruque, Planning Commission
Member for Health and Family Planning;
Dr. M.A. Sattar, Secretary, Population
Control and Family Planning Division;
Dr. K.A. Khaleque, Secretary, Health
Division.
- 1115 - 1230 - Agriculture, Food and Rural
Development (Air Commodore Mahmood's
Office)
Air Commodore A.G. Mahmood, Advisor
in charge of Food Ministry;
A.K.M. Azizul Huq, Advisor in charge
of Agriculture Ministry;
Obaidullah Khan, Secretary,
Agriculture Division;
Khorshed Alam, Secretary, Local
Government, Rural Development
and Cooperatives Division;
M. Murshed, Food Secretary.
- 1230 - 1400 - Mr. and Mrs. McNamara private lunch
at State Guest House.
- 1430 - 1600 - Water Resources and Flood Control (Rear
Admiral Khan's Office)
Rear Admiral M.H. Khan, Advisor in
charge Ministries of Communication,
Flood Control, Water Resources, and
Power;
S.M. Al-Hussainy, Member, Planning
Commission;
Sultanuzzaman Khan, Secretary, Ministry
of Flood Control, Water Resources
and Power;
M. Asafuddowla, Chairman, Bangladesh
Water Development Board;
Concerned Member of Water Development
Board.
- 1630 - 1700 - Courtesy call on President Sayem at
Banga Bhavan.

Friday, November 5, 1976 cont/...

- 1730 - 1800 - Meeting in Mr. McNamara's suite in State Guest House with Ahmadul Kabir and A.K.M. Musa.
- 2000 - Working dinner by Major General Ziaur Rahman, Advisor in charge of Ministries of Finance and Home Affairs (at State Guest House);
Admiral Khan;
Shafiul Azam, Deputy Chairman, Planning Commission;
K. Mahmood, ERD Secretary;
M. Syeduzzaman, Finance Secretary.

Saturday, November 6, 1976

- 1000 - Depart Dacca.

November 1, 1976.

MR. MCNAMARA'S VISIT TO SHERPUR, BOGRA

Thursday, November 4, 1976

- 0800 - Leave Dacca by helicopter. (See following page for Bangladesh officials accompanying.)
- 0840 - Arrive Sherpur, Bogra. (Land on Sherpur College playing field.)
- 0845 - Arrive Sherpur Thana Headquarters. Introduction of thana officers. Briefing on Local Government and Thana Training and Development Centre (TTDC) by Deputy Commissioner, Bogra. Briefing on Rural Development-I. Discussions using maps and charts on landmap, land register, cattle register, reorganization of cooperatives and re-scheduling of overdue loans. Briefing on Population Control Project by the Secretary, Population Control and Family Planning Division. Briefing on Thana irrigation program and fertilizer distribution program by Deputy Commissioner.
- 0925 - Visit Sterilization Camp at Thana Health Center.
- 0945 - Journey to Chandpur Village. Meet members of Village Cooperative (KSS) - Briefing by Chairman of the Cooperative on credit, input distribution, weekly meetings, extension, rural capital formation by farmers.
- 1020 - Journey to Sonkha Village. Briefing on Social Welfare Activities. Meet family planning field workers, members of Women's Cooperatives and of Mothers' Club to discuss the Family Planning Program in the village. Short presentation on zero population growth project.
- 1120 - Return to Sherpur.

- 1135 - Leave Sherpur for Dacca by helicopter
overflying IDA embankment project
on right bank of Brahmaputra River.
- 1215 - Arrive Dacca.

BANGLADESH OFFICIALS ACCOMPANYING MCNAMARA
PARTY ON HELICOPTER TRIP TO SHERPUR

- 1, 2. Dr. M.N. Huda (accompanied by Mrs. Huda).
3. Mr. A.Z.M. Obaidullah Khan.
4. Dr. K.A. Khaleque.
5. Dr. M.A. Sattar.
6. Mr. L.R. Khan.

November 1, 1976.

Airport Arrival Statement

Bangladesh

Mrs. McNamara and I are very grateful for the opportunity extended by your Government to visit Bangladesh and to become better acquainted with its Government and people.

This is my second visit to Bangladesh since independence. I first came here in ^{Jan} 1972, just when you were starting to reconstruct your country. Your Government structure had to be put in place. The economy was dislocated. You had little experience in the difficult task of running a country. Since then, I know that much has been achieved and this visit will be for me an opportunity to assess firsthand the progress achieved so far.

We, at the World Bank, take pride in having been associated with your efforts to develop your economy. ^{To date, have loaned 650 million for you, tile, paper, roads, etc.} The tasks ahead are, as you know, immense. Bangladesh's struggle for development requires further progress in increasing agricultural production and employment opportunities in the rural areas, improving the efficiency of its industrial undertakings, and of expanding exports. In parallel with this, continued progress in family planning is essential if the efforts at economic development are to have an impact on improving standards of living. I know that the Bangladesh people at large are participating in these efforts. Let me assure you of our desire to continue helping Bangladesh in its efforts. During this visit I have hope to learn more about your plans for the future and about the problems with which you must deal.

background NOTES

Bangladesh

department of state * april 1976

OFFICIAL NAME: People's Republic of Bangladesh

GEOGRAPHY

Bangladesh, literally "Bengal Nation," 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 1,500 miles 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 120-mile

frontier with Burma in the southeast. Its marshy coastline is about 370 miles long.

The land is chiefly deltaic, an 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 in the northeast.

Located at about the same latitude as the Bahamas, Bangladesh has a

tropical monsoon climate. The average temperature is 84°F, with some seasonal variation. It has one of the highest annual rainfalls in the world, averaging 85 inches 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.

Until the middle of this century, the area of Bangladesh produced an agricultural surplus, and the fertile soil earned it the nickname *Shonar Bangla*, or Golden Bengal. In recent years, however, agricultural productivity has not kept pace with the steady population growth. Annually the nation faces the threat of famine and disaster from drought or flooding. The pressure of increasing numbers has forced people into southern deltaic areas, formerly considered uninhabitable, and made them vulnerable to the devastating cyclones which sometimes strike the country.

PROFILE

Geography

AREA: 55,126 sq. mi. (slightly smaller than Wis.). CAPITAL: Dacca (pop. 1.3 million). OTHER CITIES: Chittagong (400,000), Khulna (436,000), Narayanganj (177,000).

People

POPULATION: 80 million (1974 census). ANNUAL GROWTH RATE: 3% (1974 est.). DENSITY: 1,360 per sq. mi. ETHNIC GROUPS: Bengali 98%; Bihari. RELIGIONS: 85% Muslim; 14% Hindu; less than 1% Christian, Buddhist, and animist. LANGUAGES: Bangla (official), English. LITERACY: 20%. LIFE EXPECTANCY: 49 yrs.

Government

TYPE: Presidential. INDEPENDENCE: Dec. 16, 1971. DATE OF CONSTITUTION: Nov. 4, 1972.

BRANCHES: Executive—President. Legislative—Parliament. Judicial—Supreme Court.

POLITICAL PARTIES: None. SUFFRAGE: Universal over 18. POLITICAL SUBDIVISIONS: 19 Districts.

FLAG: Bright red circle on dark green field.

Economy

GNP: \$6.3 billion (FY 1974). ANNUAL GROWTH RATE: Negative. PER CAPITA INCOME: \$70. PER CAPITA GROWTH RATE: Negative.

AGRICULTURE: Arable land 66%. Labor 80% (of 27 million total). Products—rice, jute, tea.

INDUSTRY: Labor 6.9%. Products—jute goods, textiles, leather goods.

NATURAL RESOURCES: land, extensive natural gas, possible petroleum.

TRADE (1974): Exports—\$337 million: jute, leather, tea. Partners—India, US, Belgium, UK. Imports—\$1.19 billion: food-grains, fuels, raw cotton, yarn, manufactured goods. Partners—India, US, Japan, FRG.

OFFICIAL EXCHANGE RATE: Approx. 14 taka=US\$1 (linked with British pound).

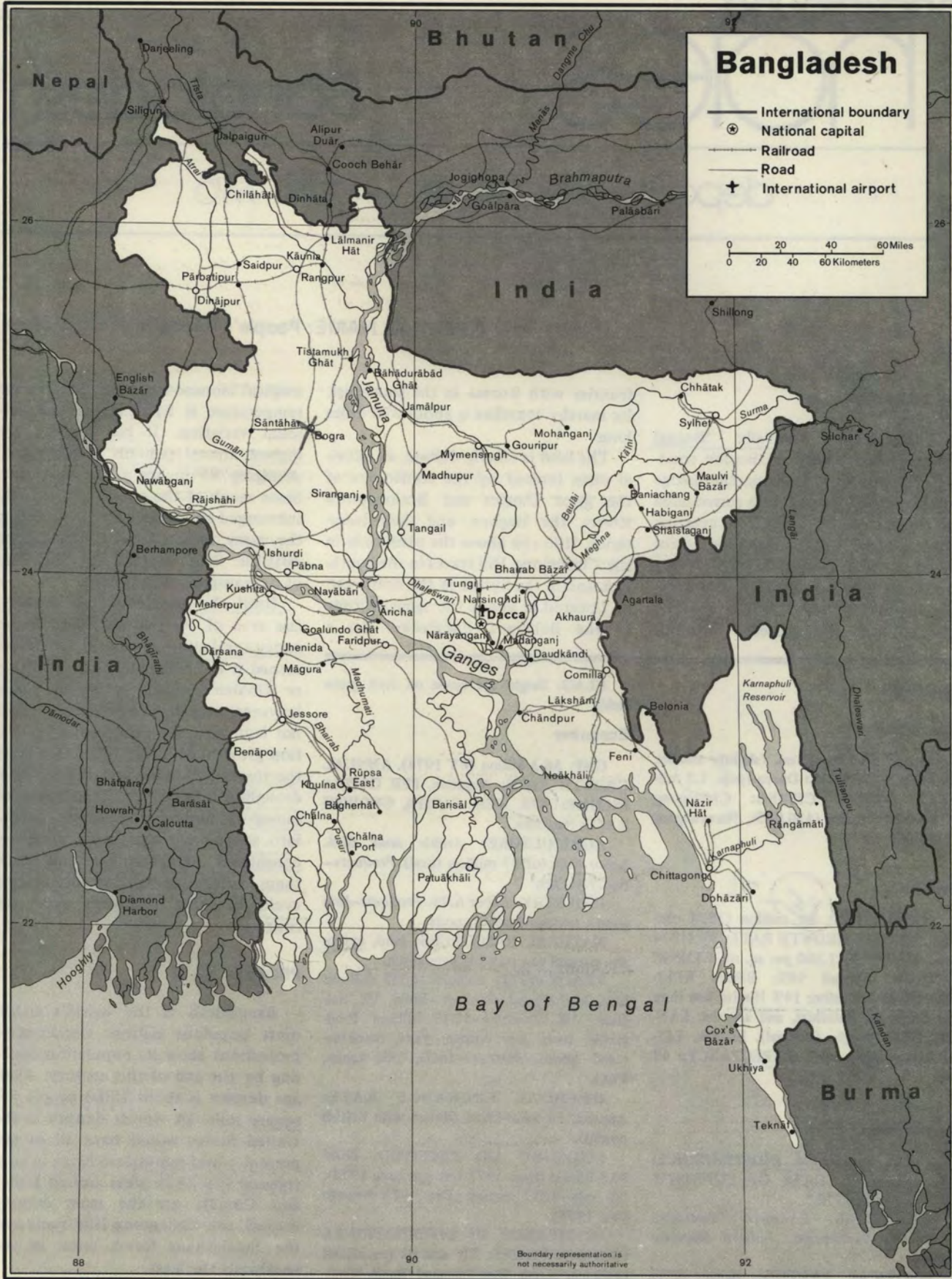
ECONOMIC AID RECEIVED: Total \$3.5 billion (Dec. 1971 through June 1975). US only—\$822 million (Dec. 1971 through Dec. 1975).

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

PEOPLE

Bangladesh is the world's eighth most populous nation. Conservative projections show its population doubling by the end of this century. Average density is about 1,360 people per square mile. (A similar density in the United States would have all of the present world population living in continental U.S.) The areas around Dacca and Comilla are the most densely settled; the Chittagong Hill tracts and the Sundarbans forest areas in the southwest the least.

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



517800 8-75

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 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, the instability and conflict which characterized successive dynasties located in Delhi was reflected also in the political arena around Dacca. Bengal's remoteness and inaccessibility made it difficult to control. Even the great 16th century Emperor Akbar could only partially integrate Bengal into the Empire. The area was important as a source of grain, war elephants, and fabrics (Dacca muslins were known even in Europe), but it always remained independent to some degree.

This situation changed with the arrival of the British. During the 18th and 19th centuries they gradually extended their commercial contracts and their political alliance beyond Calcutta. They mapped the area and laid down the administrative divisions which still define the structure of the civil government in Bangladesh. The roads, bridges, canals, and drains also date from the 19th century.

The late 19th century saw the rise of the Indian nationalist movement. Antagonisms between the Hindu and Muslim Bengalis became apparent, and the partition of Bengal into two separate states in 1905 provoked additional controversy. The Muslim League was founded in Dacca shortly thereafter 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, and the partition of Bengal was rescinded 2 years later.

The subsequent history of the nationalist movement saw some Hindu-Muslim cooperation; however, 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 shall 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 by 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

TRAVEL NOTES

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

Customs—All visitors must have visas and smallpox and cholera immunizations prior to arrival.

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.

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

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, announced a six-point constitutional plan for reallocating powers between the central government and the Provinces. Subsequently, however, he was arrested for his political activities.

While in jail, Mujib was implicated in the so-called "Agartala Conspiracy Case" in which the government accused a number of persons of plotting rebellion with Indian connivance. The trial was eventually abandoned but helped coalesce Bengali opinion against the Ayub Khan government (1958-69). After several months of growing turmoil and civil unrest throughout both wings of Pakistan, Ayub's government was forced out of office on March 25, 1969.

Mujib'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 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.

READING LIST

These titles are provided as a general indication of the material published on this country. The Department of State does not endorse the specific views in unofficial publications as representing the position of the U.S. Government.

- American University. *Area Handbook for Bangladesh*. Washington, D.C.: U.S. Government Printing Office, 1975.
- Ellis, William S., and Dick Durrance. "Bangladesh: Hope Nourishes a New Nation." *National Geographic*, September 1972.
- The Events in East Pakistan, 1971: A Legal Study by the Secretariat of the International Commission of Jurists*. Geneva: 1972.
- Khan, Zillur Rahman, with A.T.R. Rahman. *Provincial Autonomy and Constitution-Making in Pakistan*. Dacca: Green Book House, 1971.
- Zaidi, S.M. Hafeez. *The Village Culture in Transition: A Study of East Pakistan Rural Society*. Honolulu: East-West Center Press, 1970.

The political leaders of East and West Pakistan, however, were unable to reconcile their differences over fundamental constitutional questions relating to division of powers 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 were forced to flee to India where they organized a provisional government.

In the ensuing strife between the Pakistani 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.

GOVERNMENT AND POLITICAL CONDITIONS

On March 26, 1971, shortly after the Pakistani 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 in early January 1972, the government was reconstituted with Mujib as Prime Minister and Justice Abu Sayeed Choudhury as President.

While a new constitution was being drafted, the Provisional Constitution of Bangladesh Order of January 11, 1972, provided the legal basis for the new country's government. The President, as Chief of State, fulfilled primarily ceremonial functions. The Prime Minister, as Head of Government, was the key figure in this provisional arrangement. He and the Cabinet Ministers were drawn from the Constituent Assembly (*Gonoparishad*), which comprised representatives elected to the proposed National and Provincial Assemblies in the East Pakistan elections of December 1970 and January 1971.

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 won an overwhelming victory in those elections—307 of the total 315 seats. The Awami League had been organized in 1949 and for many years was in major opposition to the ruling Muslim League in Pakistan. Although it was strongest in East Pakistan, it also had representation in West Pakistan. For a brief period in the mid-1950's its noted Bengali statesman, H.S. Suhrawardy, served as Prime Minister of Pakistan. During the same period the Awami League headed the provincial government in East Pakistan. Its student affiliate, the East Pakistan Students' League, greatly assisted in the 1970 and 1971 election campaigning and dominated student politics in the immediate pre-independence period. In this period a pro-Awami League labor organization, the Jatiyo Sramik League (National Workers' League), was created and became an influential force in organized labor.

After 1972 the Bangladesh Awami League existed as a mass party unifying a variety of disparate elements under the umbrella of Bengali nationalism. Its chief assets were the mandate it received in the 1970 and 1971 elections and the popular appeal of Prime Minister Bangabandhu (Friend of Bengal) Sheikh Mujibur Rahman, who retained the party presidency. In the economic sphere the League favored moderate socialism, with state control over key industries and financial institutions.

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. Extremist Maoist elements, sometimes known as "naxalites" after the Indian group from which they take ideological inspiration, are not significant in numerical terms, though as underground radicals they have some disruptive potential.

In organizing itself after 1971 the Bangladesh Government relied heavily on experienced civil servants and members of the Awami League. Its chief immediate internal focus was relief, rehabilitation, and reconstruction of its war-ravaged economy and society. Other concerns included law and order; constitution-making; minority problems; and administrative reforms of policy, civil service, and local government.

By 1974 the government faced a difficult domestic situation brought on by worldwide inflation; petroleum and food price increases; and law-and-order problems complicated by labor unrest, unemployment, and food shortages. 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), 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" and had the stated purpose of achieving agricultural and industrial self-sufficiency, controlling population growth, eliminating corruption, and strengthening national unity.

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 were focused on Mujib.

On August 15, 1975, a group of majors killed Mujib and his immediate family, and the government fell. The majors asked Khondaker Mushtaque Ahmed, the Commerce Minister and a long-time Awami League politician, to become President, and the armed forces were declared subservient to the civilian regime. Although the coup took them by surprise, the leaders of the three services quickly pledged allegiance to the new government. The Jatiya Rakkhi Bahini, a paramilitary force established by Mujib, was disarmed and later integrated into the army command. President Mushtaque banned political parties and dissolved BAKSAL. He also asked all officials of the former regime as well as members of Parliament to remain in office and stated that his chief task was to root out corrupt elements from the government. New martial law regulations were promulgated to deal with both past and present instances of corruption; and within 24 hours, 26 persons were arrested, among them a former vice president, a former prime minister, and two other former ministers of Cabinet rank.

On November 3, 1975, the army's third-ranking officer, Brig. Gen. Khalid Mosharraf, led a second coup. The four high-level officials cited above were killed at the Dacca Central Jail, and the leaders of the first coup departed the country with their families. On November 6 President Mushtaque resigned in favor of an interim government headed by Chief Justice A.S.M. Sayem. The next day a soldiers' mutiny forced Mosharraf out, and he was killed. His successor, Chief of Army Staff Gen. Ziaur Rahman, once again pledged the army's obedience to the civilian government headed by 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, with new elections promised by February 1977.

Principal Government Officials

President—A.S.M. Sayem
Deputy Chiefs—Maj. Gen. Ziaur Rahman, Comdr. M.H. Khan, Air Vice Marshal M.G. Tawab
Ambassador to the U.S.—M.R. Siddiqu
Ambassador to the U.N.—S.A. Karim

Bangladesh maintains an Embassy in the U.S. at 2123 California St., NW., Washington, D.C. 20008.

ECONOMY

Bangladesh is among the world's least developed countries. Its economy is based almost exclusively on agriculture, but for many years it has not been able to produce enough food to meet the needs of its population. Each year the country must acquire enough foodgrains from abroad to cover the shortfall in domestic production. Critical near-term problems include implementing policies to increase rice production and to maximize earnings from jute sales abroad, which now account for 90 percent of foreign exchange earnings. Over the longer period Bangladesh must increase the productivity of its land, reduce its dependency on jute exports, and reduce the growth rate of its population.

The unit of currency is the taka, pegged to the British pound sterling at TK30=£1; about TK14=US\$1. The May 1975 decision to devalue the taka from the previous TK8=US\$1 and to apply strict credit controls were part of the government's attempt to cope with the difficult economic situation.

Resources, Agriculture, and Industry

Bangladesh's chief natural resources are its fertile soil and hard-working people, most of whom are farmers. Water supply is abundant throughout most of the country, but floods and untimely drought periods make it an unreliable resource for farmers and for river transport.

Extensive deposits of high quality gas constitute the chief mineral resource. Natural gas is exploited for domestic fuel and fertilizer production, but other mineral resources are lacking. The geological structure of the Bay of Bengal and inshore areas has given rise to hopes that oil may be discovered in significant amounts. In

1974 the government signed offshore oil exploration contracts with six foreign firms, including three from the United States. Exploration contracts for a seventh offshore area and several onshore blocks may also be signed.

Except for natural gas fields, Bangladesh has no commercially exploitable minerals. Even building materials must be imported, except for the mud bricks and grasses used in constructing traditional village housing. The alluvial soil is almost completely lacking in stone, as well as in metals such as iron or aluminum.

In view of its geographical limitations, Bangladesh must plan its economic development almost exclusively around agriculture. The staple foodgrain is rice, which is harvested in three seasons: aman (rain-fed rice harvested in Nov.-Jan.); boro (irrigated winter rice harvested Apr.-June); and aus (harvested June-Aug.). The aman harvest accounts for about 60 percent of annual production.

Bangladesh continues to be a major importer of foodgrains. In postwar 1973. However, in 1974 it was plagued by the extraordinary need of that year by providing 2.3 million tons of rice, wheat, edible oil, and other foodstuffs on grant or highly concessional loan terms. A similar quantity was provided in 1973. An outstanding 1973-74 aman crop led to hopes that 1974 food imports could be reduced somewhat, and a larger share of imports were expected to be purchased on commercial terms. However, high world commodity prices threatened to bankrupt the country in its attempt to purchase the necessary grains, and it was forced to revert to concessional sales.

The war-damaged jute industry made a partial recovery in 1972 and 1973. However, in 1974 it was plagued by a shortage of raw materials as farmers, wherever possible, shifted from jute to rice cultivation in response to shifts in relative domestic prices. The industry, which was nationalized after independence, has also suffered from the previously overvalued exchange rate and from economic mismanagement. Hence, it has not been able to capitalize on the improvement in its international competitive climate as a result of higher prices for substitutes made synthetical-

ly from petroleum. The United States is the leading buyer of jute manufactures, spending some \$50 million per year chiefly for carpet backing.

The secession of Bangladesh from Pakistan and the subsequent delay in negotiating economic issues outstanding between them has created further disruptions for the economy. Tea formerly sold to West Pakistan has slowly found alternative markets in the U.K. and elsewhere, but Pakistani rice and cotton are no longer provided to Bangladesh. Thus, the Bangladesh textile industry is left with considerable idle capacity, while cloth and rice are in extremely short supply. Shortages of consumer goods has led to smuggling of rice and jute from Bangladesh into India in return for cloth, sugar, and other items. This illegal trade has been greatly reduced by devaluation and demonitization of the taka and by increased border security.

There has been an imbalance of trade with India ever since independence, but there are hopes that this can be righted in the future through Bangalee exports of such products as fish, newsprint, and perhaps natural gas products.

Rehabilitation and Development

In the critical period from independence in December 1971 through mid-1973, the international community provided more than \$1.5 billion in relief and rehabilitation assistance to Bangladesh, most of it in grant form. Of this total the United States provided about one-third, or \$500 million.

In addition to large contributions of foodgrains, especially from India and the United States, projects were immediately begun to rehabilitate the war-damaged economic infrastructure. India undertook to restore much of the transportation system, especially river service, to prewar conditions. This included major repairs to the Hardinge and Bhairab Bridges over the Ganges and Meghna Rivers. The U.S.S.R. offered to clear the chief port, Chittagong, of mines and wrecks. Many voluntary agencies, their own resources supplemented by government grants, financed the rebuilding of village housing for families displaced by the war.

The U.S. Government was the largest donor to the relief and rehabilitation effort in 1972. A portion of this assistance was channeled through the United Nations Relief Operation, Dacca, but the largest element consisted of a bilateral grant of \$203 million for purchasing nonfood commodities (fertilizers, pesticides, cotton, and tallow) needed to restore agricultural and industrial capacity and for high-priority rehabilitation projects. The largest of the projects involved reconstruction of the Dacca-Aricha road and its bridges, construction of coastal embankments to make land arable by eliminating incursions of saline water, restoration of power-generating facilities, and restoration of educational facilities and equipment. In some instances, assistance was focused on the completion of activities begun with U.S. assistance prior to 1971 and suspended during the period of conflict.

Since 1974 the United States has shifted its economic assistance emphasis in Bangladesh from humanitarian grants in the immediate postwar period to development loans and concessional sales of foodgrains. A development loan of \$25 million was provided in FY 1974 to finance fertilizer imports, and an additional \$60 million in development loans was provided in FY 1975. The program for FY 1976 slates another \$60 million in development loans. Under P.L. 480 Title I program in FY 1975, 890,000 metric tons of foodgrains were provided, and 850,000 metric tons are planned for FY 1976. The concessional sales program helps to meet a substantial portion of Bangladesh's food deficit.

The economic problems faced are too many and complex to be overcome quickly. In its discussions on foreign assistance, the Bangladesh Aid Group (see p. 8), has emphasized the necessity for vigorous action by the Bangladesh Government, particularly on the twin problems of agricultural productivity and population control. The dialogue between representatives of the donor nations and of the Bangladesh Government continues to be an important means of coordinating foreign assistance within a long-range planning context.

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 U.N. in 1974, and Bangalee officials regularly attend international conferences, particularly those concerning population and food.

India

Bangladesh has natural ties of geography, culture, and commerce with India. India has strengthened its political standing by its active support of the East Bengali nationalists, its assistance to refugees from East Pakistan, its military intervention to help bring about the independence of Bangladesh, and its 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 April 1975 the two governments signed a temporary agreement apportioning the waters of the Ganges at Farakka Barrage, a newly commissioned barrage in India just northwest of the Indo-Bangladesh border. However, relations were considerably strained in early 1976 by continuing disputes over division of the waters. The demarcation of the marine boundary between the two countries also remained an unresolved issue in early 1976. 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, 1973-74 saw several important developments in Bangladesh-Pakistan relations. 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, and the announcement of mutual recognition by Pakistan and Bangladesh was the conference's success.

During 1973-74 the U.N. High Commission for Refugees organized a massive 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. On April 9, 1974, as part of a tripartite agreement among India, Pakistan, and Bangladesh, the Bangladesh Government decided not to proceed with the trials of any Pakistani prisoners of war. In June 1974 Pakistani Prime Minister Zulfikar Ali Bhutto visited Bangladesh.

Bilateral issues remaining between the two nations include the fate of approximately 300,000 non-Bengali Muslims. Sometimes called "Biharis," since many of them came in 1947 from India—particularly the northern state of Bihar—to then East Pakistan, 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. The establishment of diplomatic relations, which was announced in October 1975, and an exchange of ambassadors in January 1976 may hasten the resolution of these issues.

Soviet Union

The degree of warmth of Bangladesh-U.S.S.R. relations is largely determined by the state of Bangladesh-India relations, since the U.S.S.R. remains an ally of India. The U.S.S.R. supported India during the 1971 Indo-Pakistan war and recognized Bangladesh relatively early. 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. By the end of 1975 U.S.S.R. commitments, both for relief and economic development activities, totaled over \$100 million. The Soviet Union has also been active in the information and cultural fields and twice entertained Sheikh Mujib 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 coup in late August 1975. China had supported the Pakistani position during the Indo-Pakistan war in 1971. In August 1972 the P.R.C. vetoed Bangladesh's initial application for U.N. membership, claiming that Bangladesh was impeding the return of Pakistani prisoners of war and thus not observing the December 1971 U.N. resolutions. In early 1976, however, diplomatic missions were opened in the P.R.C. and Bangladesh.

U.S.-BANGLADESH RELATIONS

U.S. foreign policy goals toward Bangladesh are:

1. Maintenance of effective relations with the Bangladesh Government and encouragement of an atmosphere favorable to the U.S. mission presence and to American citizens and their business, academic, and private pursuits;
2. Support for the normalization of relations in the subcontinent;
3. Promotion of cooperative, politically noncompetitive relations among other countries involved in Bangladesh, particularly those assisting in its development effort;
4. Assistance to develop a stable political and economic system, which neither threatens neighboring countries nor invites external intervention, through support of well-reasoned Bangladeshi plans and programs for national economic development; and
5. Assistance to meet short-term humanitarian needs and to encourage economic development.



In support of these goals, the U.S. Government maintains the usual range of diplomatic activities in Dacca. The Ambassador and Foreign Service officers meet regularly with Bangladeshi officials on economic and political matters, and the United States Information Service (USIS) 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 OPIC bilateral agreement with the Bangladesh Government providing for operations of the Overseas Private Investment Corporation 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.

Since the U.S. AID mission shifted its emphasis from relief and rehabilitation to development programs, it has engaged in a continuing dialogue with other donors and with the Bangladesh Government on economic development. This dialogue has been fostered by semiannual meetings of an aid group under World Bank chairmanship, formed in 1974 at the request of Bangladesh. The group considers economic performance and requirements for foreign assistance on a comprehensive basis.

American aid to Bangladesh, which will total more than \$300 million in FY 1975, consists chiefly of P.L. 480 commodity assistance and develop-

ment 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—Davis Eugene Boster
Economic/Commercial Officer—
Donald W. Born
Political Officer—Douglas M. Cochran
Administrative Officer—William
Murphy
Public Affairs Officer—William F.
Gresham
Director, AID Mission—Joseph Toner

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

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BANGLADESH GOVERNMENT OFFICIALS

PRESIDENT: Justice Abusadat Mohammad Sayem

<u>MINISTRY</u>	<u>ADVISER</u>	<u>SECRETARY</u>
Agriculture, Forests, Fisheries and Livestock	* Azizul Haque	* AZM Obaidullah Khan (Agriculture) Quazi Jalaluddin Ahmed (Forests, Fisheries and Livestock)
Commerce and Foreign Trade	* Dr. Mirza Nurul Huda	Matiur Rahman
Communications	* Rear Admiral M. H. Khan	M. M. Zaman (Railways, Roads, Highways) A. M. Ahsanullah (Posts, Telegraph & Telephone) M. Siddiquer Rahman (Ports, Shipping & IWT)
Aviation and Tourism	Air Commodore A. G. Mahmood	A. M. Hyder Hossain
Defence	* President Sayem	Fayezuddin Ahmed
Education	Prof. Abdul Fazal	M. Mujibul Haque (Education) M. F. Khan (Cultural Affairs & Sports) A. M. Sharfuddin (Science & Technology)
Finance	* Maj. Gen. Ziaur Rahman	* M. Syeduzzaman
Flood Control, Water Resources and Power	* Rear Admiral Mosharraf Hossain Khan	* S. Z. Khan
Food	Air Commodore A. G. Mahmood	M. Murshed
Foreign Affairs	* President Sayem	Tobarak Hossain
Health	Col. M. M. Haque	Dr. K. A. Khaleque
Population Control and Family Planning	* Dr. M. Ibrahim	* Dr. M. A. Sattar
Labor and Social Welfare	Col. M. M. Haque	A. M. Mesbahuddin
Home Affairs	* Maj. Gen. Ziaur Rahman	Salahuddin Ahmed
Industries	A.K.M. Hafizuddin	Gen. M. Majid-ul Huq
Information and Broadcasting	Akbar Kabir	A.B.M. Ghulam Mostafa
Jute	*Anwarul Haque	S. H. Chisty

BANGLADESH GOVERNMENT OFFICIALS

<u>MINISTRY</u>	<u>ADVISER</u>	<u>SECRETARY</u>
Law, Parliamentary Affairs and Justice	* President Sayem	A. R. Choudhury
Land Administration, Local Government, Rural Development and Co-operatives	* Anwarul Haque	Bahauddin Ahmed (Land Adm.) *Khurshed Alam (Local Govt., Rural Dev. & Co-ops)
Planning	* Dr. Mirza Nurul Huda	A.K.M. Kamaluddin *K. Mahmood (External Resources Division)
Petroleum and Mineral Resources	Air Commodore A. G. Mahmood	K. F. Rahman
Public Works and Urban Development	Dr. Md. Abdur Rashid	Borhanuddin Ahmed
Relief and Rehabilitation	Mrs. Benita Roy	S. A. Khasru
Bangladesh Agricultural Development Corporation (BADC) (Ministry of Agriculture) Chairman: A. M. Anisuzzaman		
Water Development Board (WDB) (Ministry of Flood Control and Water Resources) Chairman: M. Asaffudowlah*		
Planning Commission (Ministry of Planning) Deputy Chairman: S. M. Shafiul Azam Members: S. A. Khair* S. M. Al-Hussainy* A. Farouk*		
Project Implementation Bureau (Ministry of Planning) Director: Brigadier (ret.) M.R. Majumdar		
Integrated Rural Development Program (IRDP) Director General - L.R. Khan Director Training, Extension and Special Projects - A. Khan*		

*Officials with whom you are likely to have a formal meeting. Biographical sketches are attached.

Biographical Sketches

Justice Abu Sadat Mohammad Sayem, President and Chief Martial Law Administrator (CMLA) in charge of Ministry of Defense, Ministry of Foreign Affairs, and Ministry of Law, Parliamentary Affairs and Justice

Justice Sayem was born in 1916 at Rangpur. He received his law degree from the University Law College, Calcutta and was enrolled as an Advocate in Calcutta High Court in 1944. In 1947 he joined Dacca High Court and began his legal career. At the same time he was associated with the Law Department of the University of Dacca. He was elected member of the Legal Board of the State Bank in the then East Pakistan. He was an active sponsor of the East Pakistan Lawyer's Association and served the Association as its Secretary, General Secretary and Vice President. He was enrolled as an Advocate of the then Federal Court of Pakistan in 1951 and as a Senior Advocate of the Supreme Court of Pakistan in 1959. He was a Member of the Bar Council until his elevation to the High Court Bench in July 1962.

He was sworn in as the first Chief Justice of the High Court in Bangladesh on January 12, 1971, and on December 17, 1972 as the first Chief Justice of the Supreme Court of Bangladesh. He held the latter office until he became President on November 6, 1975.

Major-General Ziaur Rahman, Chief of Army Staff and Deputy Martial Law Administrator (DCMLA) in charge of Ministry of Finance and Ministry of Home Affairs

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 soliders guarding him and took effective power in the November counter-coup. However he has maintained Chief Justice Sayem as President and Chief Martial Law Administrator, and has limited his official title to being one of three Deputy Chief Martial Law Administrators.

Rear Admiral Mosharraf Hossain Khan, Chief of Naval Staff and Deputy Chief Martial Law Administrator (DCMLA) in charge of Ministry for Flood Control, Water Resources and Power and Ministry of Communications

Rear Admiral Mosharraf Hossain Khan is 44 years old. He graduated from the training ship "DUFFERIN" in Bombay in 1949 and in 1951 he joined the Pakistan Navy in Karachi as a Naval Cadet. Later that year he proceeded to the United Kingdom for training with the Royal Navy at Dartmouth. He was commissioned in the Royal Navy in 1954 and continued to serve in it, receiving further training through a course in the Royal Naval College, Greenwich near London. Admiral Khan then held various operational appointments including the command of destroyers and other vessels. He was withdrawn from the Command of "P.N.S. KHAIBAR" on April 14, 1971 because he was a Bengalee, and subsequently he was interned in Karachi. On his return from Pakistan he was appointed Chief of Naval Staff, Bangladesh Navy, in 1975. He was appointed to his present position of Deputy Chief Martial Law Administrator in August 1975. Admiral Khan met you in your office in Washington on July 31, 1976.

Dr. Mirza Nurul Huda, Advisor in charge of Ministry of Planning and Ministry of Commerce and Foreign Trade

Dr. Huda is 57 years old. He received a Ph.D. in agricultural economics from Cornell in 1949 and was at one time professor of economics at Dacca University. He was appointed Minister of Finance and Planning in the East Pakistan Government in 1965 and was appointed Governor of East Pakistan in March 1969. He resigned from Government service in July 1969 and rejoined Dacca University, later becoming Chairman of the Economics Department. In 1973 he was appointed Vice Chancellor of Chittagong University. He was appointed a Member of the Council of Advisors to the President in November 1975. He is the Governor for the Bank.

Dr. Mohammad Ibrahim, Advisor in charge of Population Control and Family Planning Division (Ministry of Health, Population Control and Family Planning)

An eminent physician, Dr. Mohammed Ibrahim was born in 1911. He has medical degrees from Calcutta and London.

He was attached to the Calcutta Medical College Hospital until August 1947. Between 1950 and 1964 Dr. Ibrahim held the post of Civil Surgeon and Superintendent of Chittagong General Hospital and also worked as a Clinical Medicine Professor and Principal of Sir Salimullah Medical College, Dacca. From 1964 to 1971 he served as the Professor of Medicine and Director of the Post-Graduate Medical Center at Karachi. Dr. Ibrahim was the Chairman of the Medical Research Council and the National Science Council and a member of the Medical Reforms Commission in Pakistan. He was also a member of the Public Service Reorganization Committee.

Dr. Ibrahim established the Diabetic Association in 1956 and Applied Nutrition Project in 1969. Both institutions are now functioning as national organizations. Dr. Ibrahim has travelled extensively: he has visited the United States, USSR, Latin America, the Middle East, Japan, Europe and Far Eastern countries and has participated in many international conferences and presented research papers on medical problems. He is the President of the College of Physicians and Surgeons and the President of Diabetic Association of Bangladesh. Dr. Ibrahim was appointed Advisor - first in charge of Health, Family Planning and Population Control and subsequently of Family Planning and Population Control only - after the November 1975 coup.

Azizul Haque, Advisor in charge of Ministry of Agriculture

Azizul Haque is in his early fifties. In 1960 he obtained a masters degree in public administration from Harvard University. Some of the posts he held in the immediate past were Chairman, East Pakistan Small Industries Corporation, Director of East Pakistan Development Corporation and Director of Bangladesh Academy for Rural Development, Comilla. Mr. Haque did not hold Public posts during the Mujib period. At that time he was a special consultant to the UNICEF in Dacca. He was appointed Advisor in charge of the Ministry of Agriculture in 1976.

Kazi Anwarul Haque, Advisor in charge of Ministry of Jute, and
Ministry of Land Administration, Local Government, Rural Development
and Cooperatives

Mr. Haque was born in Dacca in 1909. He graduated from Dacca University in 1931, with Honours in Economics and Political Science. In 1932, he passed with distinction the entrance examinations for the Federal Public Service Commission. He joined the Police Service in 1933. He served as Superintendent of Police in different districts of Bengal under British India until 1947 when he opted for Pakistan. In 1958 he was appointed Inspector General of Police of East Pakistan. He also held several important posts including those of Director, Bureau of National Reconstruction in 1959, Chief Secretary in the Government of East Pakistan and Chairman Civil Service Commission. He retired from Government service in 1965. In 1969 he became Resident Director of the Eastern Federal Union Insurance Company Limited in Dacca and in 1970 Chairman of the Equity Participation Fund and Director of PICIC. After the November 1975 coup, he was appointed Advisor in charge of the Ministry of Local Government, Local Government, Rural Development and Cooperatives, and Ministry of Jute.

Mr. Muhammad Syeduzzaman, Secretary, Ministry of Finance

Mr. Syeduzzaman, in his early 40's, graduated from Dacca University in economics. He joined the civil service in 1956 and held various posts in the East Pakistan Government. Prior to independence he was Joint Secretary of the Ministry of Finance of Pakistan. He was appointed Secretary of the Planning Ministry in 1973. He was the mainstay of the Planning Ministry, especially during the period when the Planning Commission was without members, until he was appointed Secretary of the Ministry of Finance in January 1976. Mr. Syeduzzaman is considered to have close connection with General Rahman and it is reported that he was asked by the General to tutor him weekly in economics following General Rahman's coming into power. Mr. Syeduzzaman is also the Governor for the Fund.

A. Z. M. Obaidullah Khan, Additional Secretary, Agriculture Division. Previously he was a special consultant at the World Bank, preparing a report on "Poverty Oriented Rural Development" for the A.C.C. of U.N. (1975 - March 1976); Secretary, Rural Development and Cooperatives Division, Government of Bangladesh (1972-74); and Economic Counsellor to the then Embassy of Pakistan in Peking (1970-72). He joined the civil service of Pakistan (CSP) in 1957 and during the period from 1965-1970 worked in The Pakistan Planning Commission, as Secretary in the Department of Local Government of the Government of East Pakistan; District Officer in two districts; and Additional Director, Pakistan Academy for Rural Development, Comilla. He received his M.A. in English Literature from Dacca University in 1954. Other training programs include studies at Cambridge University in Development Administration (1958-59) and at Harvard University where he was a Fellow at the Center for International Affairs (1974-75). Other experience includes working in Chinese communes. He has written a book on the communes and articles on China in various journals including China Quarterly. He is 42 years old.

Khorshed Alam, Additional Secretary-in-Charge, Local Government, Rural Development and Cooperatives Division. Mr. Alam is 41 years old. Previously he was Secretary, Ministry of Information and Broadcasting (August 1972 to May 1974); Secretary, Basic Democracies and Local Government Department of the Government of East Pakistan (August 1969 to August 1970); District Officer in three districts (1966-1969). He joined the civil service of Pakistan (CSP) in 1957 and worked for the Government of Pakistan through 1966 in various capacities as sub-divisional officer and as deputy registrar and joint registrar of cooperative societies. He received an M.A. in Economics from Dacca University in 1955; a diploma in Public Administration from Oxford University in 1959; and a Masters in Public Administration from Harvard University in 1971. He passed a Ph.D. comprehensive examination in Economics from Tufts University in 1972. He also studied cooperative institutions in Switzerland, West Germany, Denmark, Sweden and the UAR during July through October 1962 on an FAO Fellowship and studied Chinese Communes as a member of Government delegation in July-August, 1965. He participated in the seminar on Research Agenda for Rural Development at East-West Center, Hawaii in January 1975 and attended the seminar "Approaches to Rural Development in Asia" at Kuala Lumpur in May-June, 1975. He was leader of the team which negotiated the IDA credit for the agricultural and rural training project in August, 1975.

S. A. Khair, Member, Planning Commission in Charge of Programming and Evaluation Division, Industries Division, Administrative Division and Agriculture Division. Mr. Khair is 54 years old. He had left the Government service in 1973 after having served the Bangladesh Government as Secretary, Ministry of Trade and Commerce and as Chairman, Bangladesh Industrial Development Corporation (BIDC). He joined the civil service of Pakistan (CSP) in 1952 and served the Government in various capacities including during the

period 1968-70 in the central Government as Additional Secretary in the Secretariat of the President; Additional Secretary, Ministry of Commerce; and Joint Secretary, Ministry of Industries and Natural Resources. He received an M.A. in Economics from Calcutta University in 1945. He received administrative training in Australia for 4 months in 1952 and was a Fellow of the EDI in 1956/57. He was on deputation to U.S.A. for 7 months in 1968 under an Eisenhower Exchange Program in Economic Development.

Dr. A. Farouk, Member, Planning Commission in charge of General Economics Division and Manpower and Employment and Social Infrastructure Division. Dr. Farouk, age 48, was appointed to his present position in July of this year after serving as Director of the Bureau of Economic Research of the University of Dacca and as chairman of the Department of Commerce at Dacca University. He studied research methodology at the Institute of Social Research at the University of Michigan; at London School of Economics; the Indian Statistical Institute at Calcutta; and Harvard Business School. He has worked in the Bureau of Economic Research since 1956 and his major contributions are in the field of agricultural marketing, rural credit, and modernizing subsistence agriculture in Bangladesh. He is the author of at least three books known to us, namely, Irrigation in a Monsoon Land, Economics of Farming in the Ganges-Kobadak and Economic History of Bangladesh. He has also edited "The Hard Working Poor" in collaboration with others.

S. M. Al-Hussainy, Member, Planning Commission, in charge of Power and Natural Resources Division and Physical Infrastructure Division (Transport, Communications, Physical Planning, Inland Water and Tourism). Mr. Al-Hussainy is 48 years old. Previous positions include service in the Bangladesh Government as Secretary, Power Division under Ministry of Flood Control, Water Resources and Power; Secretary, Ministry of Natural Resources, Scientific and Technological Research and Atomic Energy; and Secretary, Ministry of Flood Control, Water Resources and Power. Mr. Al-Hussainy joined the Electricity Directorate of East Pakistan Government in 1951 as Executive Engineer and continued till 1966 as Chief Engineer. From 1966-71 he served in the East Pakistan Water and Power Development Authority in various managerial positions, rising to General Manager of the Power Wing. Mr. Al-Hussainy graduated in Electrical Engineering (First Class) from Shibpur Engineering College in 1950 under Calcutta University and took some post-graduate studies on practical aspects of electrical engineering. He also received administrative training at Lahore Staff College and at Newcastle University, U.K. He has been a member of various international professional bodies and has represented Bangladesh at a large number of international forums and seminars.

M. A. Sattar, Additional Secretary-in-Charge, Population Control and Family Planning Division. Mr. Sattar, age 40, was appointed to his current position in January 1976, after having served since 1974 as Secretary (Economic and Development Affairs) to the then Presidents and Prime Minister (1974-1976). After fifteen months in prison in Pakistan during 1972-73,

(including seven months solitary confinement) he was appointed secretary in the Ministry of Planning when he returned to Bangladesh in 1973. From 1963 to 1971 he had worked in the Pakistan Planning Commission as Deputy Chief, General Economics Division and Foreign Trade Program; and Chief International Economic Section. He joined the civil service of Pakistan (CSP) in 1958 and served as district officer up to 1963. He received a B.A. (Honors) in Economics from Dacca University in 1956, a M.A. in Public Administration from Karachi/Pennsylvania University in 1958, a Diploma in International Relations from the University of Cambridge, U.K. in 1959-60, a Masters in Development Economics from Williams College, U.S. and a Ph.D. in Economics from Harvard/Tufts in 1969.

Lutfur Rahman Khan, Director-General, Integrated Rural Development Program(IRDP) with the rank and status of an Additional Secretary to the Government. Mr. Khan is 41 years old. Previous positions include service as Joint Secretary, Ministry of Agriculture (1973-74); Registrar of Cooperative Societies for the Government of East Pakistan and later for the Government of Bangladesh (1969-73); Deputy Commissioner, Chittagong Hill Tracts (1966-69); and Deputy Director, Local Government Department, Government of East Pakistan (1960-64). He joined the civil service of Pakistan (CSP) in 1958. Mr. Khan received a B.A. (Honors) in Political Science from Dacca University in 1955, an M.A. from Dacca University in 1956, and a Diploma in Public Administration from the University of Cambridge, U.K. in 1960. He attended the World Conference on Agricultural Education and Training sponsored by FAO, ILO and UNESCO in Denmark during July-August, 1970, represented Bangladesh in FAO Committee on Agriculture in April 1974, attended the World Food Conference convened by UN General Assembly as a member of the Bangladesh Delegation in November 1974. He visited United States at the invitation of the U.S. Government under International Visitors' Program during April-May 1975. Mr. Khan was Chairman of Project Preparation Committees for the Rural Development Projects which were financed by IDA and by the Asian Development Bank.

Anwaruzzaman Khan, Director (Training, Extension and Special Projects), IRDP. Mr. Khan, who is 50 years old, has been in his current position since November 1972. He is also working as member-secretary of the IDA financed Rural Development I Project and is responsible for its implementation. Previously he has worked as Director, Agricultural Development Estates under BADC (1967-72); Instructor in Rural Economics, Rural Development Academy, Comilla (1959-67); and Instructor in the Dacca Agricultural School and in the Bangladesh Agricultural Institute, Dacca and National Development Training Institute (1950-59). He received a B.Ag. degree from Agricultural Institute, Dacca in 1949; M.Ag. (Agronomy) from Agricultural Institute, Dacca in 1954; and a M.Sc. (Ag. Econ) from A and M College Texas, U.S.A. in 1957. He has written about 30 booklets, leaflets and pamphlets on improved methods of agriculture; a survey of winter crops in seventy cooperative villages of Comilla Kotwali Thana; the Agricultural Extension Chapters of the Annual Reports of BARD (Comilla Academy); a study of the introduction of tractors in a subsistence farm economy; various case studies of enlightened farmers and others in different publications of BARD. While serving in the Comilla Academy, he organized the extension activities of the Kotwali Thana and

contributed to the "Comilla Approach" which was later accepted by the Government as IRDP. He is responsible for the introduction in Comilla of various improved crops and practices including the first high-yielding varieties of Irri rice in Bangladesh, the deep tubewell irrigation, and a number of improved winter vegetables and water melon.

M. Asafuddowlah, Chairman, Bangladesh Water Development Board (BWDB). Mr. Asafuddowlah, age 38, has been in his present position since 1975. Previously he has served as Joint Secretary, Ministry of Flood Control, Water Resources and Power (1973-75); Secretary, Services and General Administration and Home, Government of Baluchistan, Pakistan (1972); Chief Economist and additional Secretary (Planning and Development), Government of Baluchistan (1971-72); and various positions in the district administration of the Government of East Pakistan beginning in about 1961 when he joined civil service of Pakistan (CSP). He received a B.A. (Honors) in English Literature from Dacca University in 1957 and a M.A. in English Literature from Dacca University in 1958. He also received inservice training in the field of Rural Development for three months at BARD, Comilla in 1962. He is the author of a book of poems published in 1970 and of various poems and articles published from time to time in leading journals of Bangladesh. A novel is currently under publication.

Kafialuddin Mahmood, Secretary of the External Resources Division of the Ministry of Planning. Mr. Mahmood is the Government officer officially responsible for relations with the Bank. He is 48 and was educated at Dacca University in political science. His career as a civil servant started in 1950, making him one of the most senior civil servants in Bangladesh. He served in Pakistan days as Director of Village Aid, Secretary of the Departments of Health and Finance, and Chairman of the Industrial Development Corporation. After independence, he became the Chairman of the National Board of Revenue and then, in 1973, Secretary of Finance. Mr. Mahmood was appointed to his current position in January 1976.

Sultan-Uz-Zaman Khan, Secretary, Ministry of Power, Flood Control and Water Resources. Mr. Khan is 44 years old. He had served previously as Ministry of Shipping and Aviation (1972-74); Chairman, Jute Marketing Corporation (1971-72); Administrator, Cyclone Reconstruction Board (1971); Commissioner, Khulna Division (1970-71); and Secretary, Department of Health (including Family Planning) and Social Welfare (1967-70). He joined the civil service of Pakistan (CSP) in 1955. He did graduate work at Harvard in 1964-65 and studied at Oxford in 1956/57.

E. Topics for Discussion

1. Outline of Points for Discussion at Working Dinner
with General Ziaur Rahman
2. Outline of Points for Discussion with Planning Ministry
3. Outline of Points for Discussion on Health, Population
Control and Family Planning
4. Outline of Points for Discussion on Agriculture and
Rural Development
5. Outline of Points for Discussion with Ministry of
Flood Control and Water Resources
6. Outline of Points for Discussion at Courtesy Call to
President Sayem

1. Outlines of Points for Discussion at Working Dinner
with General Ziaur Rahman

1. There are two broad subjects on which we should focus: (a) the Eastern Waters, (b) economic policy. Since the economic policy issues will have been discussed with others and since General Rahman is the only one who can assure progress on the Eastern Waters we should spend as much time on this issue as necessary. Material on it is in Section G of this Country Briefing. The economic policy issues are discussed below.

2. Economic Policy. Since the present Government took power in November 1975, many significant reforms have taken place, including reduction in subsidies for food and agricultural inputs, introduction of charges for irrigation services, steps taken to improve the investment climate for private enterprise, and efforts at simplifications of administrative procedures. Other promising indications of intent include the broad political support given to population control efforts, the adoption of guidelines for improving efficiency of public sector enterprises through reductions in bureaucratic controls and decentralization of decision making, and requests for technical assistance in improving the organization and administration of the Ministry of Agriculture and the Agricultural Development Corporation. While appreciation should be expressed at these developments, it should be noted that further effort must be put into the implementation of these policies, which in some cases still remain as statements of intent. The Government so far has not developed a clearly articulated development strategy for tackling the difficult problems which Bangladesh faces. The medium-term development policy issues facing Bangladesh should be the focus of your conversation with Major General Rahman.

3. We think that in working out a medium-term strategy Bangladesh should concentrate on the following priority tasks:

- a. developing a coherent foodgrain policy, including production, pricing, procurement, and storage;
- b. identifying and promoting export potentials;
- c. accelerating family planning programs;
- d. improving the efficiency of industry; and
- e. attacking administrative problems of vital agencies.

4. At both the 1975 and 1976 Aid Group meetings, the Government made much of their jettisoning of their unrealistic First Five Year Plan, in favor of a "Three Year Hard Core Plan" which emphasized quick-yielding investments and which was to be based on realistic assumptions about resource availabilities. However, neither the Bank nor other members of the Bangladesh Aid Group have seen the Plan, and some of the Government's attitudes - such as the desire of at least one member of the Advisory Council to build mainstream projects on the Ganges River - leads us to suspect that the Plan will not demonstrate a clear commitment to small, quick-yielding investments which fall within Bangladesh's implementation capabilities. We do not know which three years the Plan is meant to cover, but if, as stated in 1975, they are the last three years (FY75-78) of the original First Five Year Plan, then the period is already almost half over. In any case, we feel the Government's most urgent task is to develop its medium-term strategy, along the lines described above, and then to adopt a new investment plan based upon the strategy.

What is it?

5. Over the last few months the IMF and the Government have been consulting on a possible new stand-by arrangement. The IMF is pressing hard for a further devaluation and for increased domestic resource mobilization. We do not think the former is a very useful tool just now, and Mr. Stern has said so to Tun Thin, but of course we do not comment publicly on these IMF matters.

stress this

6. In agriculture, there is opportunity for obtaining increased yields through applying existing low cost technologies (improved seeds, fertilizer, pesticides) together with developing a very large number of labor intensive small-scale irrigation and drainage projects. The larger scale polder, embankment and reservoir projects, which would be costly and have a long gestation period, should be postponed until full advantage has been taken of the more quick-yielding opportunities for increased production. This means that the government should concentrate on improvements in the arrangements for distribution of fertilizer and pesticides, distribution and repair of low-lift pumps and shallow tubewells, improving the extension service and the agricultural credit institutions. Simultaneously, the Government must review its agricultural pricing, procurement, and foodgrain distribution policies which benefit the wrong people, misallocate resources, reduce production incentives, and cost the Government funds it can ill afford. (The Government has made progress in reducing subsidies but more is required in this field, combined with food-grain pricing and procurement policies to ensure an adequate incentive to agricultural production. The Bank is organizing a sector study to assist the Government in examining these policy issues.)

7. In the field of industry the key emphasis must be on putting existing capital to work and making it more efficient. The increased freedom provided to private enterprise and the guidelines for public enterprise designed to allocate greater

decision making responsibility to corporation and enterprise management are steps in the right direction. Further efforts must be made to try to allocate new investment to export-oriented industries and to industries serving the agricultural sector. Incentives to overinvestment (such as import allocation policies geared to one shift production capacity) need to be eliminated.

8. Bangladesh depends extensively on external sources to supplement its foreign exchange earnings and to generate domestic revenues. Between FY73 and FY76 Bangladesh's resource gap amounted to about 12% of its GDP. Allowance has to be made for the high levels of reconstruction expenditure that were necessary in the years following independence, but even so, the dependence of Bangladesh on external resources is exceptionally heavy. External assistance still finances over three-fourths of domestic development expenditures and a substantial component of the annual food subsidy.

9. Bangladesh relies extensively on a range of indirect taxes (foreign trade and domestic sales) for its revenue. The scope for extending the tax base towards direct taxes is limited, but some scope exists for increased taxation of agricultural incomes. Of greater importance is the reduction of the subsidies on agricultural inputs. This requires an adequate price for grain output and appropriate price support, procurement and distribution policies. Some further reduction of the subsidy in the food ration system is required both to reduce the burden on the treasury and to improve farmers incentives to increase production. The ration system should be confined to those portions of the population who are most needy. These changes are naturally politically sensitive. Some progress has been made but more is required. Another major potential source of revenue, the nationalized enterprises, have up to now failed to contribute sufficiently to domestic resource mobilization efforts: principally due to inefficient management and inappropriate pricing policies. The principal industry, jute, has required large annual subsidies to sustain itself. Unless the Government makes serious efforts to broaden the tax base, improve national savings, and make nationalized enterprises more efficient, it will have to depend on increasing levels of external assistance which are unlikely to be achievable. The level of assistance which Bangladesh can expect to receive will depend on the progress it demonstrates in improving its own efforts at mobilization of resources.

10. The slow growth in the volume and value of exports perpetuates Bangladesh's dependence on external assistance to meet essential consumption and development needs: exports now finance only one-third of annual import requirements. Jute and jute manufactures provide over 75% of annual export earnings, but due

studies this

reduced subsidies further

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to slow growth in international demand, import controls in major consumer countries in Europe, and deterioration in competitiveness of jute, Bangladesh's share of international trade in jute declined in recent years. The devaluation of 58% in May 1976 restored some competitiveness of Bangladesh jute in international markets, but long term prospects are not promising. Bangladesh has few alternatives and must pursue aggressive policies to keep its jute prices competitive with synthetics, to improve marketing, and to increase efficiency of jute production, collection from the farmers, and manufacture. Research to develop new uses and improved overseas marketing also have priority. Simultaneously Bangladesh needs to expand and diversify the range of exports: reasonably good prospects exist for leather, sugar, paper and tea.

stress this

11. To sum up, Bangladesh should:

- i. Follow a development policy which emphasises quick yielding investments in the foodgrains and export sectors.
- ii. Intensify its efforts to generate foreign exchange resources through expansion of exports.
- iii. Improve its budgetary position by broadening the revenue base, increasing the contributions by nationalized enterprises to revenue, and reduction of subsidies.
- iv. Accelerate its family planning program.
- v. Strengthen its administrative and technical cadres through reduction in red tape and simplification of administrative procedures, organizational reforms, application of incentives, and the provision of training, so as to carry out the chosen development strategy.

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2. Outline of Points for Discussion with Planning Ministry

1. Size of Lending Program - We should inform Bangladesh officials of news concerning the IDA replenishment and its implications for Bangladesh. You should thank Dr. Huda for his remarks Annual Meeting in support of quick and full agreement on IDA V. We should stress that the amount of assistance which Bangladesh can expect to receive also will depend on progress in improving project implementation performance and project preparation capacity. *stress*

2. Effective Project Implementation and Project Preparation - The Government instituted various administrative reforms in January 1976 designed to remove bottlenecks to project implementation identified by us and other donors. More recently, the Project Implementation Bureau of the Ministry of Planning has been reactivated, as the staff arm of a new body, the Interministerial Coordinating Committee, which has held meetings with every implementing agency to identify bottlenecks. The Project Implementation Bureau has asked each ministry or agency to submit a month-by-month schedule of implementation for each project currently in operation and to submit monthly reports on progress of implementation.

3. We should express appreciation of actions taken to improve project implementation performance but note concern that in spite of these actions, disbursements have not yet picked up. For instance project disbursements were lower in FY76 than FY75. We should inquire as to possible reasons for this and what further plans the Government may have to improve the situation. We should also express interest in progress in staffing the Project Implementation Bureau. The Government has stated that it would improve project preparation through the establishment of project preparation cells in all appropriate ministries and agencies. However little progress has been made. We should inquire about the expected timetable for staffing the cells. We have agreed, in principle, to consider financing for a Project Preparation Advisory Cell in the Planning Commission and a mission visited Bangladesh in October to assist the Government in developing terms of reference and staffing requirements for this cell. Nonetheless, the administrative machinery remains very weak and the problem is not recognized adequately by the Government. It has not yet acted on a long standing offer from the U.K. to support an Administrative Staff College; its frequent reshuffling of senior staff is counter-productive and, perhaps most important, the limits on the role that Government can play with this limited capacity must be recognized in expanding the role of the private sector and decentralizing the Government decision making process.

Need for a Medium-Term Policy

4. The medium-term growth prospect (FY77-81) for Bangladesh is not an encouraging one. Given existing resources and policies, overall growth is projected at no more than 4% annually; the agricultural sector may expand by 3.5%, while the industrial and service sectors may grow by 4.5% and 5%, respectively. The implications of these rates of growth for per capita income are rather bleak; an envisaged annual increase of 1.0% will not do much to improve living standards for the masses, let alone provide a cushion of resources for improved income distribution or expansion in investment for future growth. Sustaining a per capita income growth of even 1.0% will not be possible without substantial annual aid inflows: the annual resource gap is estimated to be about 7% of Bangladesh's GDP and will necessitate annual disbursements growing from \$1.0 billion in FY77 to \$1.5 billion in FY81.

5. The unfavorable rate of growth and the large resource gap derive from inadequate performance in agriculture (especially foodgrains) and exports. Substantial improvements in these sectors could raise the rate of growth of the economy. It is vital, therefore, that medium-term policy focus on measures to improve performance in the foodgrains sector as well as exports. Increasing the output of foodgrains requires an integrated foodgrain policy, while improved export performance requires expeditious reforms in the jute manufacturing sector, combined with measures to stimulate production of non-traditional exports through appropriate investments and incentive measures.

6. A medium-term strategy which aims at improving the country's external resources base will need to be complemented by action to expand the level of domestic resource mobilization. National savings which amount to 2% of GDP will need to be increased significantly through improvements in the efficiency of state enterprises and reductions in current expenditures. Concurrently a schedule of investments that are complementary to the nation's priorities will need to be devised and speedily implemented. The focus must remain, for some time, on quick yielding programs. In recent months, Bangladesh has demonstrated its commitment to the goal of accelerating economic development. As a first step, it implemented an economic stabilization program and has supplemented it by improving the institutional framework for project preparation, approval and implementation and intensifying its population planning programs. More work has to be accomplished on all these fronts. It is vital that a medium-term Development Plan reflect required priorities and a determination to implement required measures.

7. Development of a Foodgrain Strategy - Bangladesh produces about 11-13 million tons of foodgrain annually. Until last year the

Government had not procured more than 137,000 tons domestically relying on imports of 1.5 to 2.0 million tons annually to meet its food deficit. Last year the Government procured about 400,000 tons, and for this year the Government aims at procuring 500,000 to 600,000 tons domestically to be supplemented by imports of 1.0-1.5 million tons of foodgrains (mainly wheat), to meet obligations under the foodgrains ration system. The offtake of foodgrains from the ration system varies, depending on the size of domestic foodgrain harvests and open market prices. In years of scarcity and high prices, there is heavy pressure on the ration system (which sells foodgrains at subsidized prices). However, when harvests are good (as has been the case in FY76), the demand for subsidized foodgrain sold through ration shops declines considerably, leading to the accumulation of stocks and straining the Government's storage capacity (estimated at 800,000 tons of usable capacity). However, a substantial portion (about 75%) of imported foodgrains is aid-financed, from which the Government derives counterpart funds which are used partly to meet losses incurred in connection with the foodgrains subsidy and partly for financing development expenditures. This dependence on imports for generating domestic revenues weakens the Government's efforts to accelerate foodgrains production and to initiate a dynamic procurement program that offers farmers an attractive price for their output.

8. The Government needs to articulate a foodgrains strategy very early if it is to make a serious attempt to solve its foodgrains imbalance. This involves important decisions with respect to such matters as foodgrains procurement, prices, the volume to be purchased annually and the mechanism for achieving it, the distribution of this grain (primarily through open market operations to stabilize grain prices or through ration shops as at present), the proportion of the population which should receive subsidized rations of grain, the appropriate storage required for normal and contingency needs, and the restructuring of the budget to reduce the dependence on foodgrain assistance for generating domestic counterpart funds to meet budgetary needs. The Government has indicated that it is thinking out a foodgrain strategy. It should be encouraged to complete this very early. We propose to send a mission early in calendar 1977 to assist the Government in identifying and analyzing policy options.

3. Outline Points for Discussion on Health, Population Control and Family Planning

1. Population growth is Bangladesh's overriding problem. While its current leaders are committed and a program exists, the level of political commitment and program activity is far below what it should be. At the present growth rate of close to 3%, Bangladesh's population - now 81 million - will double in about 23 years. The current Government has stated its political support to the population program and has outlined ambitious targets in line with the seriousness of the problem. The aim of the Government is to reduce the present population growth rate to 1.3% in the next 25 years and to reach zero population growth late in the first half of the next century. The immediate targets are to bring the population growth rate down to 2.4% in 1978 and 2% in 1980 (by then Bangladesh's population would be 88 million). 1/ To meet these targets, the Government estimates that 12% of couples (2.2 million) will need to practice family planning continuously by 1978 and 20% (3.8 million) by 1980 - this compares with current Government estimates of 4.7% of couples (0.8 million) now practicing family planning.

2. What is needed is an overall effort, involving all segments of the administration and mobilizing the whole population. Population control must be granted the priority status it requires and cannot be treated as just another Government program. Although progress has been achieved in the last year, the administration in charge of Population must continue to be strengthened. Bangladesh's general deficiencies in human and material resources and weaknesses in Government administration are certainly constraints affecting the proper implementation of population programs, as they do in the case of any other sector. Given the seriousness of the population problem, special effort must be made to overcome the constraints affecting the population program. Consonant with the importance granted to Population Control, sufficient local resources must be mobilized to fund the local cost requirements of the program, in particular its current expenditure requirements, which should be increasing as the program expands itself. To some degree, filling staff vacancies has been impeded by lack of sufficient local currency allocations. There is no doubt that substantial amounts of aid, over and above what is already available from foreign sources, will be forthcoming if Bangladesh's capacity to

1/ The 3% population growth rate results from a crude birth rate of 47/1,000 and a crude death rate of 17/1,000. A population growth rate of 1.3% is based on a crude birth rate of about 20.5/1,000 and a crude death rate of about 7.5/1,000.

implement is strengthened and if Bangladesh commits the required staff and local currency resources to the program. The existing population program, of which the IDA supported project finances a large part (this project is also financed by six other donors), has started to be implemented after some initial delays.

3. The Population Control and Family Planning Division (PCFPD), in the Ministry of Health, Population Control and Family Planning (MOHPCFP) is the main organization responsible for the implementation and coordination of a multi-ministry program. Besides the PCFPD, a National Population Council, responsible for overall policy matters, has been set up and Interministerial Coordination Committees, in charge of looking after day to day program implementation matters at all levels of administration are being established. The Health Division of the MOHPCFP and five other ministries (Rural Development, Labor and Social Welfare, Agriculture, Education and Information and Broadcasting) are involved in the population control effort. These five ministries support family planning motivation and education elements in schemes dealing with raising the economic and social status of women and training village leaders in charge of rural development programs in population matters. For instance, model farmers, cooperative society managers and agriculture extension workers are used as agents for family planning; Mother's Clubs and producer's cooperatives for rural women are used as vehicles to convey the family planning message. In addition, the program also calls for the involvement of the media, especially through an extensive use of films and radio, in the family planning effort. Many of these innovative schemes, particularly those geared toward the improvement of the living conditions and status of rural women and those involving the media are at rather advanced stages of implementation.

4. A first batch of family planning field workers (about 1,300 males and 2,000 females) were trained and posted in April/May 1976; a second batch is expected shortly (about 9,000). These workers are responsible for delivering basic maternal and child health services and family planning services (e.g. distribution of contraceptives), family planning motivation, follow-up of acceptors and gathering of service statistics. A number of sterilization camps have been organized and additional ones are being planned for the immediate future.

5. One of the causes for the delays in the implementation of the program has been the frequent changes in policies and organizational arrangements and it is imperative that the present policy and organizational arrangements be given a chance to prove themselves. The relationship, especially at the field level, of the Health Division with the PCFPD, must be worked out with more precision; we understand that the Government is currently reviewing the details of such a relationship.

6. Although the PCFPD appears to be staffed with sufficient people at headquarters, the field structure is still being established. It is important that the PCFPD field positions be filled with properly trained staff as soon as possible. Parallel with this effort, it is essential that implementation of the program, especially the tasks of the field workers, be supervised and monitored regularly. The Government has to complete arrangements for the evaluation of program activities and establish a solid data base (through a carefully worked-out service-statistics system) for proper feedback.

7. While the multi-ministry approach to Population Control has started to generate an increased demand for family planning services, the supply of services has not improved as rapidly as it would have been required and it remains very weak. Government should focus on a better utilization of existing capacity. The Health Division must be in a position to offer the clinical services to perform the sterilizations, abortions and the necessary follow-up of cases. More family planning clinics, and other medical facilities, in particular sterilization camps, have to be established and sufficient contraceptive supplies have to be accessible to the rural population.

8. We are prepared to start formulating a second Project - possibly for FY79 - which would be based on the institutions and programs that the first Project helped develop and which would emphasize the service delivery side of the program. We have indicated to the Government that our further assistance to the sector will be dependent on improvements in the Government's capacity to implement.

9. The areas now requiring special attention are therefore as follows:

- i. statements of political support must be matched by providing adequate priority to population in the allocation of staff and budgeting resources;
- ii. concentrate on the implementation of the ongoing program;
- iii. improve the capacity to implement and strengthen the coordination among all the agencies involved in the Population effort (in particular work out a better definition of the relationship between Health Division and PCFPD);
- iv. strengthen the delivery of services;
- v. complete training and posting of field staff; and
- vi. establish a sound system of program supervision and of data collection and analysis.

4. Outline of Points for Discussion on Agriculture and Rural Development

General Background

1. Agriculture is by far the dominant sector in the Bangladesh economy and its poor performance in recent years has been one of the main obstacles to economic growth. Foodgrain production, growing at an average rate of 2% over the last ten years, has lagged behind the population growth rate of 3% per year. This has led Bangladesh to an increasing reliance on imported foodgrains to feed its people, with imports supplying 16% of the consumption since independence in 1971. Jute, the source of 80% of Bangladesh's exports and the second most important crop after rice, has declined markedly in recent years with production averaging less than 5 million bales for the last three years compared to more than 6.5 million in the five years preceding independence.

2. In the last year there was a reversal of this trend with unusually favorable weather leading to a record foodgrain crop that was 15 percent above the 1974/75 level. However, this high production level led to a precipitous drop in prices, which fell as low as one-third of the previous year's level. The Government tried to support the paddy price at Tk. 74 per maund, but a lack of funds, storage capacity and organizational ability made the program ineffective and prices were generally Tk. 45-50 per maund. This level of prices is too low to act as a sufficient incentive to the rapidly expanding production that Bangladesh needs.

Current Problems

3. The Government plays a major role in agriculture with the public sector having a monopoly on the supply of fertilizer, seeds and irrigation equipment. Inefficiencies and inequities in the distribution of production inputs, ineffective supporting services and lack of cooperation among the multiplicity of agencies and ministries involved in agriculture have been major causes of the poor performance of the agricultural sector. With virtually all of the arable land already under cultivation, the strategy for increased foodgrain production is based on increasing yields through the adoption of HYV seeds and modern input packages and increasing cropping intensity through flood control and irrigation. The Government plans to deliver credit and inputs to the farmers through the two-tiered cooperative system developed at the Bangladesh Academy for Rural Development at Comilla. Approximately 170 of the 420 thanas in the country are now under the Comilla system and more are expected to be organized this year. IDA is in general agreement with the strategy and our recently signed and effective Rural Development Project is designed to strengthen the Integrated Rural Development Program (IRDP), the agency responsible for implementing the new cooperative system.

4. A second Rural Development Project is now being identified, and we are discussing with the Government proposals for coordinating aid for rural development, following their request that we do so. The inability of the Bangladesh Agricultural Development Corporation (BADC) to deliver fertilizer, quality seeds and irrigation equipment efficiently has been a major bottleneck. Only 10% of the total rice area of 24 million acres is under HYV cultivation, and fertilizer usage at 25 lbs./acre is well below recommended levels. IDA has recently agreed to a Government request to finance consultants to assist in improving the administration and organization of BADC and its parent, the Ministry of Agriculture. The initial consultants began work in August. They have made some preliminary recommendations on some consolidation in the Ministry of Agriculture and inventory control financial management of BADC. Terms of reference for consultants to formulate more complete recommendations for streamlining the organization and functions have been written. The Government is also considering increasing the role of the private sector in the distribution of agricultural inputs. IDA is also financing a Cereal Seeds Project to improve the quantity and quality of HYV seeds available and a Fertilizer Marketing and Distribution Study.

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5. Expansion of irrigated land has been mostly through the use of low-lift pumps and available surface water, but there remains little scope for further expansion of this program. There is great potential for development of ground water and IDA has a deep tubewell project and is appraising a shallow tubewell project. We also have three irrigation projects and a fourth has been appraised. IDA has been following the strategy outlined in the Land and Water Sector Survey, a major Bank Report issued in 1972, calling for small-scale irrigation and drainage projects away from the major rivers. Unfortunately, the Bangladesh Water Development Board still favors large-scale flood control projects, despite the grave difficulties the BWDB has had in implementing its on-going schemes of this type. Their huge costs and long gestation period make their further expansion inappropriate for Bangladesh at this time. Both low-lift pumps and tubewells are not used efficiently because of limited coverage due to the difficulties of organizing farmer groups, poor management and maintenance, and political pressure leading to improper siting. There is a need to strengthen BADC's management and maintenance programs and also to involve the private sector.

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6. Agricultural extension and research are weak. Extension workers lack proper training, have no housing or transportation, are poorly supervised and are often diverted to other bureaucratic tasks instead of extension work. Research institutes are often lacking in equipment or trained manpower, and there is a lack of communication between the researchers and the extension agents. This prevents the research results from reaching the farmers and also prevents the researchers from appreciating the problems they should be addressing. IDA is working to strengthen the service through a Rural and Agricultural Training Project and will be appraising a Minimum Package

Project that will strengthen the extension and research services along the lines already successfully introduced with Bank help in India. The Government has already begun to reorganize its extension service along the lines of the "Benor System," but until proper teaching materials and extension packages are available through the proposed Minimum Package IDA project, caution must be used to be sure that extension workers do not become discouraged and farmers skeptical.

7. The weakness of the agricultural credit system is another handicap. The principal Government institutions (the Bangladesh Krishi Bank (BKB) and the Bangladesh Jutiya Samabaya Bank (BJSB)) have weak financial structures, little capital, few deposits and are heavily dependent on advances at concessional rates from the Government. Their equity position has been greatly weakened by borrowers' defaults. Significant improvement in agricultural credit will be a long-term task. The Government is following an interim strategy of getting greater commercial bank involvement in agricultural credit. We had earlier reached agreement with the Government to finance under the technical assistance credit consultants services to improve policies and strengthen institutions in this field. However, this program was delayed by the discovery of an overlap between our proposed study and part of a study being financed by the ADB. The ADB has now informed the Government that it prefers for us to finance the overall study and the Government has indicated at the Annual Meeting that it intends to request us to do so. We consider such a study to have high priority.

8. The Government's implementation difficulties are well known. IDA and other projects have suffered from lack of key personnel, failure to release Government funds, disputes between agencies, poor management, etc. All of this has led to slow disbursements and has kept Bangladesh from utilizing the funds that are available. It is doubtful that the resources available to agriculture are adequate and certainly as long as the available resources are not utilized the sector cannot hope to fulfill its potential. The Government has taken some steps to improve project implementation, such as establishing a Project Implementation Bureau (PIB), revising its Project Evaluation Proforma (PEP) (the document for the approval of development projects) and instituting new procedures for release of funds. Project Planning Cells are to be established in the ministries and the Planning Commission. The PIB, eighteen months after its creation, still does not have a clearly defined role and powers. Only ten of the fifteen positions have been filled and only one of the three in the agricultural sector. Indeed, lack of key personnel at all levels of government seems to be a persistent problem in Bangladesh, and frequent changes at senior levels exacerbate the problem.

Issues for Discussion

9. Against the background noted above, we suggest that you emphasize our interest in the Government's rural development and our willingness to assist the Government in this sector. Before we can help coordinate donor activities in the rural development field we need a firm policy statement from the Government on their intentions in this sector as well as the preparation of a development plan for the next three to five years for the sector. We initiated discussions on this at the annual meeting. While we welcome the decision to reorganize the extension service, you might caution against too rapid implementation before proper preparation of suitable teaching materials and extension packages and training of staff.
10. Secondly you may wish to stress the need to improve the distribution of agricultural inputs, the maintenance of pumps and other equipment, and the area of coverage of existing pumps and tubewells. There is also a great need to improve the debt collection of cooperatives and you might inquire as to the progress of the drive to collect or reschedule past due debts. You could indicate our pleasure at learning that the Government intends to request our assistance in its efforts to strengthen the agricultural credit system.
11. Thirdly you might emphasize the importance we are placing on the Rural Development Project. If it can be successfully implemented in the current seven thanas, both IDA and other donors would be willing to help replicate it over a much wider area. However, this project will still affect only marginally the landless laborers and near-landless farmers and there is a need to address the problems of this group through expanded rural works, rural industries, development of market towns, etc. We hope to include some of these components in our Second Rural Development Project.
12. Basic policy decisions must be reached in such areas as foodgrain procurement and distribution, pricing and subsidies, and resource mobilization in the rural sector.
13. Finally, despite the positive steps taken by this Government there is still a need to greatly improve project preparation and implementation. There is a need for a clearly defined rural development strategy and a plan to implement that strategy. Indeed the whole Government needs a much stronger orientation towards development. There must be much more coordination and cooperation among the implementing ministries and agencies rather than the bickering that goes on now. There is a need for delegation of authority, better training and evaluation of staff, and the many vacant positions should be filled. Only when the planning and

administration of the concerned ministries and agencies have been greatly strengthened can the agricultural sector hope to begin to fulfill its potential role in the Bangladesh economy.

5. Outline of Points for Discussion with Ministry
of Flood Control and Water Resources

1. A separate brief is included which covers the Farakka Barrage and the development of the Ganges Basin (Section G of this Country Briefing).

2. Apart from these issues, we suggest that you note current progress in expediting project implementation but express concern at continuing problems, including the long time required to negotiate and review consultants' contracts and to evaluate and review tender awards. One example is the long delays in initiating the urgently required Southwestern Region Water Development study, intended to develop remedial measures to assist Bangladesh in mitigating the effects of the lower flows in the Ganges. While the latest delays reflects the inability of the initially selected consultant to provide the promised Project Director for contract negotiations, many of the preceding delays are clearly a reflection of the slow workings of the Water Development Board (WDB). A chronology of events concerning this study is attached. Further efforts by the Government are needed to strengthen WDB's management and implementation capacity.

3. In addition to the difficulties resulting from deficiencies in WDB's implementation capacity, development in the irrigation and drainage projects is impeded by the WDB's preference for large scale works, and its reluctance to cooperate with other agencies (e.g. Ministries of Agriculture and Rural Development) unless WDB remains clearly in control of other agencies' staff and programs. We do not consider large scale water development projects with high investment costs and long gestation periods to be appropriate at this time to Bangladesh's needs for meeting the foodgrain demand of a rapidly increasing population. Quicker yielding and less expensive irrigation opportunities through low lift pumps, tubewells, and minor irrigation works (such as the ongoing Barisal and Karnafuli Irrigation projects) and minor flood embankments with drainage sluices for protecting less deeply flooded areas have higher priority. The overambitious and outdated IECO Master Plan for water development needs to be reviewed in a more realistic context. Greater efforts are also required to develop cooperative working relationships with the Ministries of Agriculture and Rural Development so that WDB projects remain more than mere engineering exercises.

Attachment

SOUTHWEST REGION STUDY

Chronology

February 27, 1976	B.M. Abbas visits Bank - offer of assistance in data collection and development of an investment plan for S.W. Region, the area affected by Farakka diversions.
March 1976	Blobel, Picciotto and Dunn visit Dacca - offer use of technical assistance credit for study of adverse effects of low flows and possible remedial measures - precludes assessment of damages.
April 2, 1976	Suggested TORs cabled to GOB.
April 9, 1976	Suggested short-list of consulting firms cabled to GOB.
April 15, 1976	Directorate of Special Studies set up.
May 5, 1976	GOB requests individual consultants rather than firm.
May 17, 1976	Water levels rise. GOB proposes October commencement of studies.
June 4, 1976	GOB proposal, based on our TORs, issued to ten consulting firms.
June 18, 1976	GOB requests \$1.4 million plus \$2.2 million allocation under Technical Assistance Credit to finance two-phased study.
June 29, 1976	Bank agrees to \$500,000 allocation for consulting services and \$100,000 for equipment for Phase I of study covering data collection, development of short-term remedial measures and development of terms of reference for Phase II feasibility study for longer-term measures and related priority investments.
July 13, 1976	Admiral Khan visits Bank - requests financial assistance for mainstream project, i.e., Ganges Barrage.
September 1976	GOB invites NEDECO for negotiations. Latter finds difficulty in providing Project Director to negotiate. GOB advised to invite second firm.

6. Outline of Points for Discussion at Courtesy Call
to President Sayem

We suggest that you indicate appreciation of progress made by Government since November in improving economic conditions and efforts to improve economic management and Government efficiency. Since Bangladesh basic resource is its people, it must make the most effective possible use of them. You should emphasize that such progress is watched carefully by those providing assistance to Bangladesh and that their attitudes is dependent upon evidence of such progress and indications that assistance will be used efficiently. The fact that commitments at the Aid Group meeting did not decrease in this first year that Bangladesh was not coping with a major disaster indicates that assisting countries and agencies appreciate what the Government has accomplished so far. However further progress is essential in such fields as reducing dependence on foodgrain imports, increased reliance on domestic sources of revenue, improved efficiency of public enterprise, and speedier project implementation if standards of life are to be improved.

Resident Mission Presentation on
The Economic Situation in Bangladesh in the
Meeting of the Local Consultations Group on
October 15, 1976.

It is about a year since we first met here to review the economic situation of Bangladesh. Since then, the process of stabilisation of the economy has been continuing successfully. During the year 1975/76, Gross Domestic Product grew by about 10 percent, though a part of this excellent growth was due to good weather. In terms of fundamental growth strategy, policy changes have been in the right direction (and this is an important achievement) though the actual pace of improvement has not been as rapid as one would have liked.

Availability of Foodgrains

On the food front, the situation looks comfortable by the standards hitherto applied in calculating food requirements in Bangladesh. The per capita availability of food in 1975/76 was the highest since Independence. The problem now is not so much the availability of food but the low prices farmers are getting for their products. It is apprehended that these low prices will discourage adoption of high-yielding varieties and adversely affect longer term food prospects.

However, so far in this year, crop prospects look encouraging. The sale of fertiliser for aus 1976 was 34% higher than for aus 1975. As a result, in spite of some switch of land from aus to jute, the production of aus in 1976/77 is expected to be about the same as last year. For aman, fertiliser distribution during July-September is about 94 thousand tons as against 96 thousand tons in the same period last year. However, it is reported that after poor sales in August, sales are picking up and for the aman crop as a whole, fertiliser offtake may not be lower than last year's. Our field reports suggest that prospects for aman are also good. At present it appears that the foodgrain production in 1976/77 should be approximately 13.3 million tons, about the same as last year. The outlook on food imports is not clear; neither the Government nor WFP ^{1/} has of late produced figures on import estimates. If 1 million tons of imports come this year, the per capita availability of foodgrains in 1976/77 should be above the norm used in calculation of food requirements in Bangladesh.

The falling prices of foodgrains are causing concern to the Government. Since there is considerable amount of undernourishment in Bangladesh, it seems desirable to improve prices by increasing effective demand (e.g. through rural works) rather than by decreasing supply. The Government is envisaging a higher level of public procurement than last year. It is also considering ways of extending credit to the private sector for foodgrains trade so as to stimulate procurement and storage by private sector.

^{1/} "WFP" stands for "World Food Program".

Foodgrain Distribution

As a result of improved availability and lower prices of foodgrains in the open market, offtake from the Government distribution system has declined considerably. At present the monthly rate of offtake is more than 70 thousand tons below the rate for this time last year. If these trends continue, the annual offtake for 1976/77 (including the food-for-work program) may be only about 1.2 million tons as against the Government target of 2 million tons.

The Government has set a target of 500,000 tons for procurement of foodgrains in 1976/77. If this target materialises and imports and offtake are as discussed above, foodgrains stocks at the end of the year 1976/77 should be around 1 million tons.

In this connection, it may be useful to note the implications of this foodgrain outlook on the GOB budget. It is sometimes noted that counterpart funds from food account provide the bulk of the finance for development expenditure. Actually, if one considers the foodgrain account as a whole, it was a drain on the public treasury in 1975/76 to the extent of Tk.2060 million. In other words, the budget expenditures incurred in cash purchases of foodgrains, freight charges and other incidental expenses more than balanced the budget revenue obtained from sale of food, including food received on foreign aid. In 1976/77, the situation is expected by the GOB to be better. The budget expects about Tk.850 million of net receipts from food account. However, considering the present low offtake rate, it will not be surprising if the net receipts from food account in 1976/77 turn out to be nil or even negative.

Jute

As a result of improvement in the jute/rice price ratio, the jute acreage in 1976 is estimated to be 1.7 million acres (as against 1.45 million in 1975) and production between 5.3 to 5.5 million bales. The increase in raw jute production, the increase in private sector participation, and the improvement in the economy in the western world have led to a large increase in raw jute exports. In 1975/76 export shipments were 2.35 million bales, 52 percent higher than in 1974/75. For 1976/77 the season has just started and so far sales and shipments are higher than in 1975/76. The quality of jute this year is reported to be inferior and is likely to affect exports adversely.

For jute goods, the situation continues to be difficult. In spite of some improvement in efficiency of jute goods production, the losses of BJMC¹ in 1976/77 are expected to be around Tk.370 million. This is partly because of the higher cost of raw jute but the main problem is the decline in jute goods prices. With the continuing economic recovery in the industrialised countries, one would have expected improved demand for jute goods. However, the amount demanded for jute goods exports has remained more or less stagnant and prices have declined. Bangladesh's share of the market has improved but export receipts declined.

1/ "BJMC" stands for "Bangladesh Jute Mills Corporation".

Industries

On the industrial front, the situation with respect to the supply of raw materials and spare parts is improved. However, demand continues to be sluggish. The industrial production has shown only some slight improvement. Stock levels of many commodities, e.g. textiles and edible oil, continue to be high and the Government Budget for 1976/77 does not expect any increase in contribution to the public exchequer from the nationalised industries sector as compared with last year.

Regarding the private sector, the Government is pursuing with increased vigour its policy of disinvestment. Terms and conditions of disinvestment have been liberalised. An Investment Corporation has been set up to encourage investment and mobilise savings. The stock exchange has been reactivated. The investment schedule for the private sector is also more liberal.

There are as yet no figures available as to the extent of private investment taking place. However, the general atmosphere is more conducive to private sector investment, (both domestic and foreign) than before. It will take time, however, before investor confidence is well-established and much investment actually takes place. One interesting indicator of the buoyancy of demand for investment is that the \$25 million IDA credit to the Bangladesh Shilpa Bank, which was signed a few months ago, is reported to be nearly fully committed even though it is not yet effective.

Money, Credit and Prices

Monetary stabilisation policies have been continuing successfully. The deficit financing by the Government in 1975/76 amounted to about Tk.1170 million as against the revised budget target of Tk.1000 million. However, in terms of monetary effects, the credit expansion was neutralised to some extent by the net deficit in the balance of payments. The actual development expenditure was also considerably lower than the Tk.8500 million estimated to have been released by the Government for development expenditure. For the first two months of 1976/77 for which figures are available, the pace of credit expansion is quite moderate; in fact, it is below the GOB targets for credit expansion.

The rate of monetary expansion (15 percent) was higher than the growth in GDP in 1975/76. However, prices declined by a considerable amount. The country average of cost of living indices showed a decline of 20 percent in June 1976 over June 1975. In the first two months of 1976/77, there has been some seasonal increase in prices but the overall rate of inflation for the year looks like it will be moderate.

The level of prices of agricultural goods is now too low and is likely to have disincentive effects for future agricultural production.

The money and price trends indicate that the velocity of circulation of money which rose to abnormal level in 1974/75 (as a result of inflationary psychology, "black money", etc.) is now declining to a normal level. The real cash balances in the economy now are considerably less than what they were in 1969/70. The economy is now moving from the situation of negative savings towards positive savings and as a result, demand is now sluggish.

Budget

The GOB budget for this year was discussed in this Group a few months ago. As mentioned above, the receipts from food account may be less than budgeted by about Tk.850 million but overall the budgetary situation does not seem to be out of control. In the first quarter of 1976/77, the revenue collection was 22 percent higher than collections in the first quarter of 1975/76. This increase was higher than the 12 percent rise expected in the Budget of 1976/77 over the revised estimate for 1975/76. The pace of development expenditure is, however, reported to be very slow. In 1975/76, the project aid disbursement was \$129 million as against \$145 million in 1974/75. The Government, however, is fully aware of the problem of slow disbursement on development expenditures and is addressing itself to it.

Balance of Payments.

The balance of payments situation appears to be under control. The foreign exchange reserves end September 1976 were \$254 million as against \$159 million end September 1975. The pace of utilisation of import licenses has been slow and in the January-June 1976 shipping period the value of licenses utilised was considerably lower than funds allocated. During the first two months of 1976/77 for which data are available, the pace of utilisation of import licenses has also been slow.

As a result of lower food imports, sluggish industrial demand resulting in lower commodity imports and slow project implementation, the level of imports in 1976/77 may be significantly lower than the \$1350 million estimated by the Government (may be about \$1.1 billion). For the same reasons, foreign aid disbursement may be only about \$750 million. Given the outlook on exports, aid availability, debt servicing burden, etc., there does not seem to be any serious problem on the balance of payments side; in fact gross foreign exchange reserve may increase in 1976/77. The main problem now is sluggish demand and low level of development expenditure. In view of the urgent development needs of the country, efforts at improvement in the pace of developmental expenditure continue to deserve the highest priority.

OFFICE MEMORANDUM

TO: Mr. R. S. McNamara
Mr. E. Stern

DATE: November 1, 1976

FROM: Leonard Weiss *lw*

SUBJECT: Political Notes

1. The internal political situation has steadily improved over the past year. Law and order has been increasingly restored and the country is presently enjoying a substantial measure of stability. One cannot, however, rule out the possibility of deterioration in this volatile country so beset by problems. There are still reports of incursions of Bangladesh dissidents from Indian territory across the border into Bangladesh. The Government alleges that these incursions are supported by the GOI and that even Indian border troops have at times participated in them. Despite the incursions the Government appears in control of the situation. A midnight to 5 a.m. curfew is still in effect.

2. Major General Ziaur Rahman has consolidated his position. The JSD (Jatiya Samajtantrik Dal) party and its leaders, who originally restored General Zia to power but then proved to be a disruptive influence, has been rendered ineffective. The young Army officers who engineered the original coup overthrowing the Sheikh on August 15, 1975, are out of the country and have been debarred from returning. Air Vice Marshal Tawab, who had originally been part of the present Government and had come to differences with General Zia, has also been forced out. There does not appear to be any other person on the scene to threaten General Zia's position, and the General remains personally popular in the country.

3. The main political question of the day is whether the elections scheduled for next February will, or should, take place. The Government pledged that there would be elections at that time and is currently proceeding on that basis. While the Government is thus taking the position of wanting to put itself out of business, a very large, probably predominant, part of the electorate, seems to want to retain it. Economic conditions have improved along with political conditions and the people feel the Government has done a good job. One commonly hears that the people are sick and tired of the corruption and lawlessness of the past and are less interested in democracy than in meeting their basic human requirements - food, clothing and shelter and personal safety - and welcome the progress this Government has made in these respects.

4. Considerable apprehension exists of the possible instability which may result from elections. Under the procedures established by the Government some 55 political groupings have applied for approval as parties eligible to contest the elections. The Government has approved 16 of them. The approved parties include all of the previous important political groups with one exception, the original Awami League founded by Sheikh Mujibur Rahman. With at least 16 parties in the field there

is concern whether there would be sufficient political cohesion to provide a new stable government with an effective governing mandate. No new leaders have appeared on the scene and there is thus also concern that the people who might get back into power are those who proved ineffective and corrupt in the past.

5. The predominant view of the diplomatic community in Dacca and the view of many other observers is that the country is not ready for elections, that elections at this stage would result in political fragmentation and instability and that it would be better to defer them for a year or so to consolidate and strengthen the present stability and constructive efforts of the existing regime and build a better institutional framework and political base for an elective, democratic government.

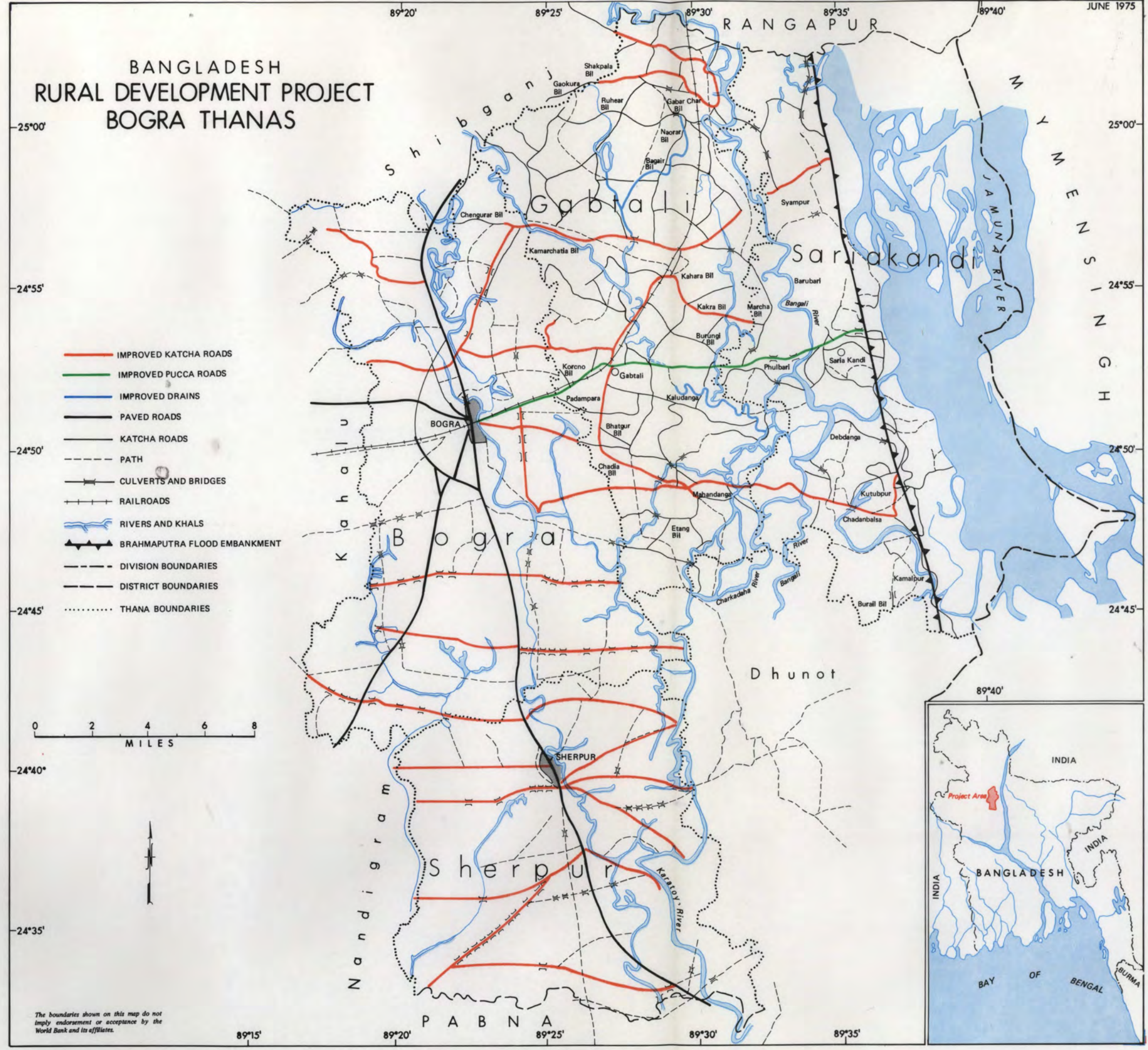
6. Most people feel, perhaps wishfully, that elections, at least at the national level, will not take place, or that some other type of election, such as a referendum as to whether there should be elections, may be held. Another possibility is holding elections at the local level; a recent newspaper report stated that the Government has definitely decided to hold elections at the union level (a union is a collection of villages).

7. General Zia's intentions are unclear. He has been holding his own views very closely and has not interfered with the present electoral process.

8. Rumours are currently circulating around Dacca of some major political developments in the next week or so. It is rumoured that on November 7, the anniversary date of the coup which put the present Government into power, General Zia, who is now only Chief of Staff of the Army, will be elevated to the post of Commander in Chief of all Bangladesh Armed Forces. This would be a new position in Bangladesh. It is the position which Ayub Khan assumed when he came to power in Pakistan. President Sayem is reported planning to leave shortly on a religious pilgrimage ("haj") to Jeddah. When he leaves for Jeddah, General Zia will presumably be designated Acting President. There is some speculation that he may stay on in that post indefinitely.

LWeiss:lhv

BANGLADESH RURAL DEVELOPMENT PROJECT BOGRA THANAS



The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.

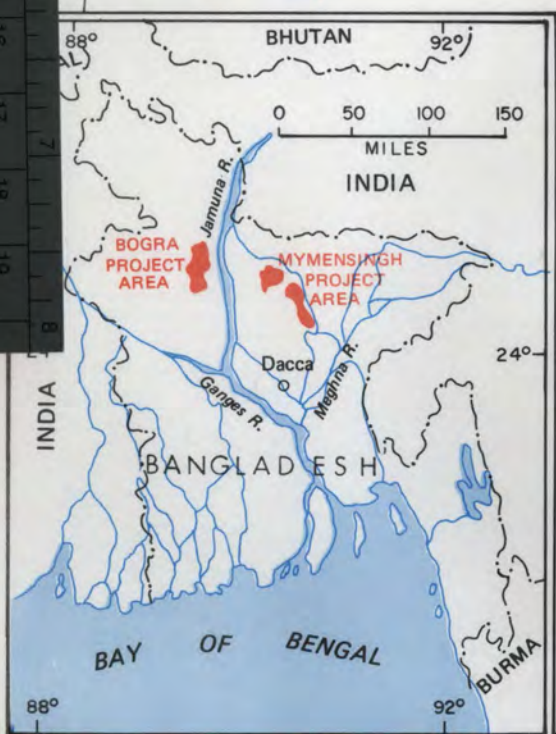
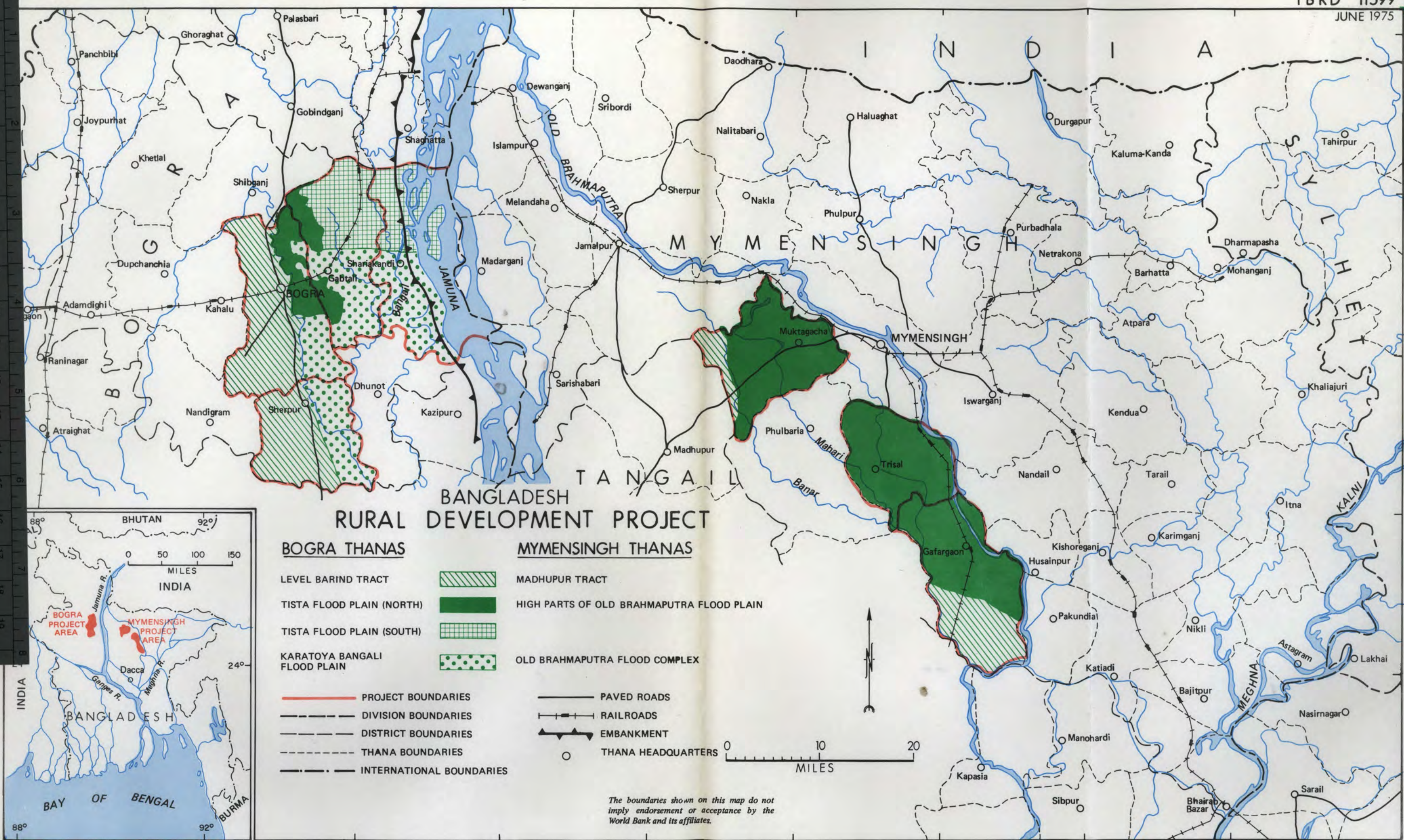
Color Control Patches

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INCHES
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F. Reference Material

1. Economic and Political Situation
2. Foreign Assistance and Debt
3. Subject Briefs on Special Issues
 - a. Field Visit to Sherpur Thana (Bogra District)
 - b. Field Visit to Adamjee Jute Mill
 - c. Roads and Highways Department Building

1. Economic and Political Situation

General Situation

1. This past year has been the first year since independence that Bangladesh has not had to contend with serious natural disasters or financial crises. Food supplies have been adequate to feed the population, the foreign exchange position has been comfortable with import levels not severely constrained, and inflation has been contained. As a consequence of these developments and of Government policy statements providing for a greater role for private enterprise the investment climate has improved. Bangladesh has just become a member of IFC and a first fact-finding mission visited Bangladesh a few weeks ago. The Government has basically adhered to the financial program agreed between the IMF and the Mujib Government in May 1975 at the time that the Taka was devalued. Overall, prices have decreased by about 10% on average and subsidies on foodgrain and fertilizer have been reduced. The Government has also initiated a program for improving the efficiency of the public corporations through reduction of bureaucratic controls and decentralization of decision making authority. The Aid Group has recognized the thrust of the Government's attempts so far and has maintained a level of aid commitments to Bangladesh which we consider adequate, although the Government has pressed for additional commodity aid. (Annex I lists the main economic measures adopted by the Government during 1975 and 1976.)

2. In January 1976 the Government introduced measures to streamline administrative procedures, in an attempt to improve implementation of development projects. We have seen some progress in project implementation in particular cases, resulting from a combination of intensive Bank Group supervision, the development by the Bank Group of detailed improvement programs, and increased Government readiness to adopt such programs. In addition the Government has begun to resuscitate the Project Implementation Bureau to monitor project performance and to eliminate bottlenecks (see paragraph 2 of brief for discussion with Planning Minister (Tab E.2)). Unfortunately, the net result of all of these efforts was a small drop in project disbursements in FY76 compared to FY75. We can only hope that the removal of bottlenecks will lead to faster disbursements in the future. While we do not yet have an analysis as to why disbursements have not reflected the apparent improvement in project performance, this may be a result of delays in submitting withdrawal applications for completed civil works and other eligible local expenditures.

3. When evaluating progress since November 1975 when the current Government took power, the change in attitudes is more significant than actual achievements. The Government still has to operate through the weak administrative machinery it has

inherited and there is often a serious lag between a decision in principle and working out the details of implementation. Requests to IDA to provide technical assistance in the re-organization of the Ministry of Agriculture and BADC, establishing a Planning Commission Project Preparation Advisory Cell and the adoption by the Government of our proposals for the reform of the agricultural extension system are indications of Government awareness of areas of weakness and an eagerness for advice in solving some of their problems. The atmosphere for IDA to influence policy decisions in Bangladesh appears to be better than it has been at any time, but the speed of implementation must still be expected to be slow, and we should be careful in responding to appeals for help, remembering our own limited capabilities.

4. The direction of future policies is made more uncertain by the elections scheduled for February 1977. While there is speculation that many of the people in current positions of leadership will manage to maintain their positions following elections, there is as yet no public announcement that currently influential figures - in particular Major General Ziaur Rahman - intend to run for office. The party alignments for the election are also very unclear at this time. In any case the prospect of elections places some limits on the freedom of action of the Government in dealing with such issues as food and fertilizer subsidies and imposition of new taxes. There has been speculation that the Government may decide to postpone elections "to give the political parties more time to organize" or to develop a new constitution. One 90 year old political leader has advocated such a postponement. There has also been talk of a referendum to decide whether elections should be held. However to date we have little information to back up such speculation.

5. At the time of last year's Annual Meetings there were some grounds for believing that, despite an unsettled political situation, some progress could be made in placing the country's economy on a sound footing. These hopes, as they apply to the short-term, have been partially fulfilled. However, looking beyond the immediate situation it is difficult to sustain this optimism. Basic imbalances remain - imports are roughly double exports, and foreign aid finances roughly three quarters of development expenditure. The most important issues which confront IDA in its relationship with Bangladesh are discussed below. These points for discussion are not new, but rather extensions of our ongoing dialogue with the Government.

Economic Management

6. The Government does not have a clearly articulated development strategy (Section E 1, paragraph 2 of brief for discussion with General Rahman). Much needs to be done to increase the

Government's contribution to the country's investments. This year's budget was a disappointment. While lip service is paid to needed improvements, such as attempting for the first time since independence to collect very modest agricultural income tax, the budget figures show little progress in mobilizing additional domestic resources. Revenue collection from the agricultural sector will fall far short of potential, and the continuing disappointing financial performance of the nationalized enterprises will not result in significant additions to resources. Additional steps to improve economic performance, outlined below, are needed:

- i. The full range of subsidies on agricultural inputs must be further reviewed with an eye to their elimination, in accordance with the Government's stated intention, while delivery systems should be simultaneously improved.
- ii. The Government must develop coherent policies for foodgrain pricing; this encompasses issues of procurement, stocks, sales and imports.
- iii. Existing population programs need to be accelerated and the requisite staff hired and trained quickly. (After an initial slow start, progress of our population project over the last six months has been reasonably good.)
- iv. A comprehensive plan must be devised for increasing the volume of export earnings.

Project Execution

7. During the past year the Government took action to streamline its decision-making process with regard to project preparation and implementation. In consultation with the Bank Group it revised its Project Evaluation Proforma to make it more simple and easier for the relevant project-sponsoring ministry and agency to complete. In addition we are currently reviewing with the Government the approval procedures which will govern the sanctioning of development projects. In March 1976 the Government set up an Implementation Coordination Committee, to be serviced by the Project Implementation Bureau, with the power to take decisions on required actions and to set target dates for their completion, all of which are binding on the concerned ministries and agencies. Appropriate project monitoring arrangements are also under review and IDA might be asked to finance the requisite technical assistance -- e.g., establishing and operating a central monitoring unit. Reforms were also instituted designed to reduce delays in procurement decisions, release of local funds, and appointment of project staff.

8. All these measures will take time to produce results and we should not expect an immediate impact on our projects which, for the most part, still suffer from serious delays. Nevertheless they demonstrate a more open attitude of the Government in recognizing the problems and either moving or seeking assistance in resolving them. Further progress is required in such fields as the strengthening of the Project Implementation Bureau, the implementation of the decision to establish project preparation cells in the relevant ministries, and the reduction of the time required for negotiation and approval of consultants contracts and for evaluation of tenders and approval of the selection.

South-West Region Water Development

9. We have included a separate brief (Section G of this Country Briefing) on the Ganges waters question, which affects India, Bangladesh and Nepal. Pending a solution of both the long-term problem of development of the Ganges Basin, and the short-term problem of sharing the low flow in coming years, Bangladesh should examine seriously possibilities for quick-yielding remedial measures (such as tubewells and estuary enclosures) to reduce the problems resulting from withdrawals by India from the Farakka Barrage. The identification of such remedial measures is intended to be the main focus of the South-West region water development studies being financed under our Second Technical Assistance Credit. Initiation of this study has not yet started due to delays by the Government in initiating the consultant selection process and to the inability of the selected consultant to provide the team leader specified in their proposal. A second consultant firm has now been invited to negotiations.

ANNEX I

LIST OF MAIN ECONOMIC MEASURES ADOPTED BY GOB DURING
1975 AND 1976 (TO DATE):

MAIN ECONOMIC MEASURES IN 1975

1. Credit Restraints (throughout year)
2. Demonetisation (April 1975)
3. Devaluation of the Taka (May 1975)
4. Agreement with IMF in letter of intent on money supply ceilings, expansion of development budget, public sector reform, reduction in foodgrain and other subsidies, increased domestic resource mobilization, etc. (May 1975)
5. Balanced Budget for 1975-76 (June 1975)
6. 25 percent real increase in annual development plan, 1975-76 (June 1975)
7. Liberalization of Import Policy (June 1975)
8. Increase in Autonomy of Bangladesh Water Development Board through appointment of full-time Executive Chairman (August 1975)
9. Emphasis on Rural Development and Self-help Campaign (+SWANIRVAR+) (September 1975)
10. Finalization of arrangements for Management Assistance to Adamjee Jute Mills (representing about 29 percent of jute industry (September 1975)
11. Partial Liberalization of Jute Trade (September 1975)
12. Initiation of Study for Simplification and Liberalization of Import Control System (October 1975)
13. Adoption of Rice Procurement/Price Support Program (November 1975)
14. Reduction in Foodgrain Subsidy (December 1975)
15. Liberalization of Private Investment Policy (December 1975)

ANNEX I

16. Payment of Compensation for Nationalized Industries (December 1975)
17. Liberalization of Distribution System, including greater role for private trade and relaxation of price controls (December 1975 and earlier)
18. Intensified Efforts in the Population Planning Field (December 1975)
19. Reorganization of National Economic Council (December 1975)
20. Streamlining of Administrative Procedures for Execution of Development Projects (December 1975)

Main Economic Measures in 1976 (to Date)

1. Tight Monetary Policy (continued from 1975)
2. Continued Efforts to Strengthen Population Planning Program
3. Further Liberalization of Jute Trade (January)
4. Further Reduction in Food Subsidy (February)
5. Announcement of Minimum Price for Jute (February)
6. Announcement of Minimum Price of Wheat (February)
7. Strengthening of Project Implementation Machinery, including reorganization of PIB and establishment of Implementation Coordination Committee (April-July)
8. Agreement with IDA on Technical Assistance for Agriculture Ministry and BADC (April-May)
9. Issue of Guidelines Governing Relationships between Ministries/Corporations and Corporations/Enterprises (May)
10. Announcement of Balanced Budget for 1976-77, including Measures to Increase Domestic Resource Mobilization (such as agricultural income tax and reduction of subsidy on agricultural inputs) and further increase in Annual Development Program (June)

ANNEX I

11. Announcement of a Liberal Import Policy for the Shipping Period, July-December 1976 (July)
12. Announcement of Export Policy with Liberal Incentives to Promote Exports (July)
13. Increase in Interest Rates on Deposit Accounts in Banks and Post Offices (July)
14. Reactivation of Dacca Stock Exchange (August)
15. Setting up of Investment Corporation of Bangladesh (September)
16. Relaxation of Terms and Conditions for Disinvestment of Industries by the Government (September)
17. Announcement of Tea Policy Incorporating an Intensive Tea Cultivation Scheme and Disinvestment of Some Tea Estates (September)
18. Announcement of Wheat Policy Incorporating Large Increase in Target Acreage and an Attractive Procurement Price (September)

SHERPUR THANA AT A GLANCE

1. Area	-	115 sq. miles. 73,223.77 acres.
2. No. of municipality	-	1 (one)
3. No. of union parishad	-	9 (nine)
4. No. of Villages	-	224
5. No. of Mouzas (revenue unit)	-	236
6. Population (total)	-	1,34,220
Male	-	67,509
Female	-	66,711
7. No. of families	-	24,538
8. No. of farm families	-	18,277
9. Cultivable land	-	58,973.00 acres.
10. Waste land	-	14,223.77 acres.
11. Average area per family	-	2.40 acres.
12. Average area per farm family	-	3.37 acres.
13. <u>Population, Farm Size & Land Tenure</u>		

<u>Farm Size</u>	<u>% Holding</u>	<u>% Area</u>	<u>Av. Family Size</u>	<u>% Literacy</u>	<u>Av. No. of Livestock</u>	<u>% Coop Member</u>	<u>Area Irrig. ARR</u>	<u>%</u>
0 - 0.25	31.5	.8	3.84	5.2	0.36	5.8	.01	16.7
.25 - 1.00	12.7	3.4	5.63	14.2	1.82	17.8	.13	20.6
1.00 - 2.50	16.3	12.1	5.49	12.7	2.43	22.2	.17	9.2
2.50 - 5.00	27.8	42.2	6.47	23.1	3.33	25.2	.28	7.9
5.00 - 10.00	9.4	27.0	6.00	37.3	5.15	23.8	.71	10.7
10.00 -	2.3	14.00	8.40	30.9	8.00	50.00	.43	2.9
	100	100						

Av. Amt. Institutional Credit per family (Taka)

	<u>Coop</u>	<u>BKB</u>	<u>Taccavi</u>
0 - 0.25	Nil	Nil	Nil
.25 - 1.00	13	18	9
1.00 - 2.50	26	41	1
2.50 - 5.00	16	166	2
5.00 - 10.00	37	494	2
10.00 +	106	863	Nil

14. General Facilities:

Metalled Road	-	18 miles
Kutchha Road	-	65 miles
River	-	2
(a) Korotoya	-	19 miles
(b) Banglee	-	11 miles
Hat Bazar	-	14
(a) Hat	-	9
(b) Bazar	-	5

Educational Institutions

No. of
Inst's.

No. of
Enrol.

(i) Primary schools	-	76	
(ii) Junior high schools	-	2	
(iii) High schools (Boys)	-	12	
(iv) High schools (Girls)	-	2	
(v) College	-	1	
(vi) Senior Madrasha	-	1	
Community centre	-	9	
Hospital	-	2	(Boys)
Dispensary	-	3	
Tahshil Office	-	4	
TTDC	-	1	

Godowns (Agril./Non Agril.)

(i) Fertilizer godown (BADC)	-	1	
(ii) Food storage at Mirzapur	-	1	
(iii) Irrigation workshops	-	2	
(iv) Union Seeds storage	-	9	
(v) Thana godown for agril. crops	-	1	
(vi) TCCA Godown	-	1	

15. Organisation of farmers:

(i) KSS (TCCA)	-	146	
(ii) Total cooperative members	-	3902	

16. Fisheries:

(i) Derelict tanks	-	69	
(ii) Area of Ponds	-	199.46	acres.

17. Livestock:

(i) Cattle	-	82,737	
(ii) Goat	-	18,718	
(iii) Sheep	-	12,429	
(iv) Duck	-	3,242	
(v) Poultry	-	78,256	

17. Agriculture:

A. Classification of land (1000 acre)

(i) High land	-	20
(ii) Medium land	-	40
(iii) Low Land	-	13

B. Acreage under different crops (1000 acre)

	<u>Total</u>	<u>HYV</u>
(i) Aus	- 21	-
(ii) Aman	- 36	4.0.
(iii) Boro	- 6.5	2.5
(iv) Wheat	- 0.4	-

18. Rural Social Service:

(i) Mother's club	-	12
(ii) Youth Club	-	13
(iii) Childrens club	-	13
(iv) Landless and day-labour organisation	-	5
(v) Multipurpose Community Centre	-	1

19. Irrigation facilities:

	<u>Number</u>	<u>Area (1000 acre)</u>
(i) Power pump	- 166	4.0
(ii) Shallow Tubewells	- 69	0.7
(iii) H and Tubewells	- 543	0.3
(iv) Country Method	- -	1.0

20. Fertilizer Use (1000 tons)

(i) Urea	-	0.63
(ii) TSP	-	0.19
(iii) MP	-	0.04

3. Subject Briefs on Special Issues

3(a). Field Visit to Sherpur Thana (Bogra District)

Rural Development Project

Cr. No. 631

Rural Development Project; US\$16.0 Million
of May 20, 1976; Effective Date: August 3,
1976; Closing Date: December 31, 1981

1. Sherpur Thana is one of the seven thanas covered by the First IDA Rural Development Project (see attached maps). The Rural Development Project is the first project of this type assisted by IDA in Bangladesh. The project adopts the integrated approach conceived in the early 1960's at the Comilla Academy for Rural Development. The Comilla approach, now administered by the Integrated Rural Development Program (IRDP, an agency of the Ministry of Local Government, Rural Development and Cooperatives), includes labor intensive rural works, minor irrigation, promotion of HYV technology and the two-tiered cooperatives - village cooperatives grouped under Thana Central Cooperatives Associations (the TCCA-KSS system). Farm inputs and rural credit are channeled through such cooperatives. Cooperative officers are trained by thana officers.
2. In the limited area covered, the project encompasses the activities of a large number of agencies involved in rural development. The project consists of a rural works program (rural roads, drains, rural markets, fish ponds), minor irrigation (low lift pumps, shallow tubewells, hand pumps), thana facilities (office and living quarters of thana officers, cooperative godowns), and strengthening of rural institutions and services (Comilla-type cooperatives, as well as extension, animal health services, fisheries and credit facilities). Total project cost is estimated at US\$24.7 million equivalent.
3. The project is designed to strengthen existing rural institutions, which are vital to improving the conditions of the rural people. the traditional cooperatives and irrigation pump groups will be reorganized into Comilla-type cooperatives, through which medium and short-term credit will be channeled. Special measures and procedures, carefully worked out in detail jointly by the Government and IDA, were introduced to improve the basic Comilla model. These supplemental measures are designed: (i) to ensure that each thana level officer does his share of village work on time and in coordination with officers of other agencies; (ii) to make joining TCCA-KSS cooperatives highly attractive to small farmers; (iii) to tighten cooperative discipline, particularly with regard to repayment of loans; (iv) to ensure full participation of cooperative members, large or small, in processing applications

for equipment, inputs and credit and receipt of same equitably; and (v) to ensure that funds spent for rural works and thana facilities provide employment to landless families. These special measures and procedures represent an attempt to prevent big farmers from dominating the rural institutions supported under the project. In addition, the project is expected to help the landless rural workers and marginal farmers through increased employment opportunities, intensified agricultural and fishery activities (special fishery cooperatives will be organized for rural landless people), rural works programs and secondary activities such as transportation, marketing and processing.

4. The project by "working within the system" does not require the creation of special project entities, or the appointment of project implementation personnel. The only requirement is that special coordination committees be created, which will include officers at all level of administration involved in the area: the main emphasis is on improved working procedures (with emphasis on interagency cooperation and coordination, and clear terms of reference for officers involved in project implementation). This project is designed so as to provide the basis for similar thana development projects over wide areas of Bangladesh. Therefore, the project attempts to minimize capital investment, concentrating instead on improvements in the functioning of on-going rural programs. In order to assist in the design of future projects, the project has an important evaluation component; this evaluation will be based on surveys which have been carried out in the project area, financed under the Technical Assistance Credit.

Population Project

Cr. No. 533

Population Project: US\$15 Million Credit of February 11, 1975; Effective Date: September 25, 1975; Closing Date: December 31, 1982

5. It is also important to note that the IDA Population Project covers an important number of activities in the Rural Development Project thanas in the Bogra District. Sherpur Thana is a Population Project "concentrated Thana" in which seven pilot schemes (which otherwise are tried-out separately throughout the country) are implemented together. These schemes include activities in the fields of rural development, agricultural extension, education, information and social development programs for rural women. The aim is not only to motivate rural people toward small families, but to assist development programs contributing to the socio-economic development of the area (which by itself should be conducive to fertility reduction). A Family Welfare Visitor Training School is also to be located in another Rural Development Project Thana, Bogra, which is adjacent to Sherpur.

3 (b) Field Visit to Adamjee Jute Mill

1. The jute industry contributes more than one half of Bangladesh's export earnings and about one third of the value added in the manufacturing sector, and provides about 200,000 workers with employment. Since independence, the Government nationalized all jute mills and the Bangladesh Jute Mills Corporation (BJMC) was created as a holding company under the Ministry of Jute to run the mills. Following the expansion of jute goods exports at a rate of 9% per annum during the sixties, the exports of jute goods in the years since independence fell behind the peak level achieved during 1969/70 by 12-25%. Major factors adversely affecting the export performance by the jute industry were high export prices of jute goods vis-a-vis synthetic substitutes, lack of aggressive marketing, low production efficiency and a recession in the world economy. The May 1975 devaluation of the Taka was intended inter alia to improve the competitive position of Bangladesh jute in international markets and to help the jute industry solve serious financial difficulties resulting from huge operating losses incurred since independence. The devaluation has resulted in sharp declines in export prices of jute goods and jute goods are now priced highly competitively vis-a-vis synthetic substitutes. Benefitting from this improved price competitiveness as well as a recent economic recovery in world markets, the performance of the jute industry has improved significantly; the export sales of jute goods during 1975/76 amounted to 543,000 tons, an increase of 40% over the previous year's level. Total exports (shipment) reached about 440,000 tons during 1975/76, recording the highest level in terms of volume since independence but still remaining at a lower level than the peak reached in 1969/70. In spite of the large decline in export prices, the financial situation for the jute industry seems to have shown a marked improvement although the financial accounts for the full FY76 are not yet available. However, the jute industry is requesting a subsidy from the Government to meet its projections of expected losses in 1976/77.

2. Considering the importance of the jute sector for Bangladesh, IDA undertook detailed sector studies in 1973 1/ and 1975. 2/ Much can be done to improve the efficiency of this industry. A number of critical areas for improvement were identified and the action program, encompassing a series

1/ The World Jute Economy (Report No. 114a-BD; July 12, 1973).

2/ Bangladesh: Survey of the Jute and Cotton Textile Industries (Report No. 883-BD; September 25, 1975).

of specific measures designed to deal with the critical problems identified, was formulated and agreed with the Government for implementation in connection with the Fourth Imports Program Credit. The first phase of the action program consisted of the creation of a Production Planning Directorate, the compilation of the inventory of installed and available capacity, the formulation of the FY77 production plan based on a detailed study of export markets, the preparation of financial statements and projections required for sound financial management, and the organization of four task forces to improve maintenance programs in the selected mills. While the first phase of the action program has been implemented satisfactorily, the second phase has been developed and is expected to be agreed upon in connection with the negotiation of the Fifth Imports Program Credit. External assistance to the jute industry is also being provided by UNDP/UNIDO, CIDA and UK.

3. The Adamjee Jute Mill, which began production in the early fifties, is the second oldest in Bangladesh and the largest jute mill in the world with 2,192 hessian, 826 sacking and 225 broad looms. In 1975/76 production by the Adamjee Jute Mill was 58,000 tons, constituting about 12% of total production of the jute industry. Largely due to its size, the Adamjee Jute Mill has been given substantial autonomy in operations and UK has provided technical assistance in the fields of management, marketing, production and financial reporting. The Adamjee Jute Mill incurred sizable losses in the years following independence but showed a sign of significant improvement in 1975/76 when it reported profits at a rate of 9% of its sales during the period of July-December 1975.

3. (c) Roads and Highways Department Building

1. We have been warned that you or your wife may encounter protests from a group of Dacca women opposed to the proposed location of an IDA financed Roads and Highways Department (RHD) headquarters building on land owned by RHD which is used as a nursery for plants and shrubs originally intended to decorate roadsides. The land is used as a park by Dacca citizens, and contains old trees and rare shrubs.

2. The proposed RHD headquarters building was included in the Highway Project (Credit 408-BD) since the location of RHD personnel in various buildings scattered around Dacca is a major impediment to the Department's efficiency. The site was proposed by the Bangladesh Government and we engaged a consultant to assist the local architects in the design of a functional building appropriate to Bangladesh's conditions rather than a sixteen story hotel type building which the Government originally wished. We have been aware of the importance the Government had placed on keeping the old trees on site undisturbed as far as possible. In reviewing the design and draft tender documents for the building we have endeavored to save as many trees and plants as possible, and the tender documents include requirements concerning protection and replanting of those trees and shrubs which can be moved.

3. In July 1976, with the proposed building about to go to tender, the Government reacted to protests about the site by proposing that IDA instead finance the first five floors which would house the headquarters of RHD, of a proposed 15 story building on another site. We did not agree to this proposal, due in part to the higher cost (e.g. elevators and foundation) of a fifteen story building, the difficulties in segregating expenditure on five floors from other expenditure on the proposed building, and the delays substantially beyond the Closing Date which would result from the need to redesign the structure. Construction of the building is already two years behind appraisal estimates. Even without this delay it is expected that we will have to postpone the Closing Date by one year from December 31, 1977 to December 31, 1978 to complete the building and other key project works. We expressed our willingness to finance the proposed basic four story design agreed for the headquarters building at any suitable site suggested by the Government. We also offered that if the Government preferred we would delete the building from the project and try to find other suitable components which could be financed under the project description. The Government then decided to keep the building at the nursery site but to move it back toward the edge of the site by seventy feet. The Government stated that this shift in location would protect all the rare trees on the site and would in general minimize damage to trees and shrubs.