

FILE COPY

DOCUMENT OF INTERNATIONAL DEVELOPMENT ASSOCIATION

Not For Public Use

Report No. P-1277-BA

REPORT AND RECOMMENDATION
OF THE
PRESIDENT
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED CREDIT
TO THE
UNION OF BURMA
FOR AN
INLAND WATER TRANSPORT PROJECT

June 11, 1973

This report was prepared for official use only by the Bank Group. It may not be published, quoted or cited without Bank Group authorization. The Bank Group does not accept responsibility for the accuracy or completeness of the report.

Currency Unit	-	Kyat (Ky)
<u>Through December 1971</u>	-	US\$1 = Ky 4.7619 Ky 1 = US\$0.21 Ky 1,000 = US\$210.00 Ky 1,000,000 = US\$210,000.21
<u>From December 1971 to February 1973</u>	-	US\$1 = Ky 5.3487 Ky 1 = US\$0.19 Ky 1,000 = US\$186.96 Ky 1,000,000 = US\$186,961.32
<u>From February 19, 1973</u>	-	US\$1 = Ky 4.8138 Ky 1 = US\$0.21 Ky 1,000 = US\$207.74 Ky 1,000,000 = US\$207,736
Fiscal Year	-	October 1 - September 30

INTERNATIONAL DEVELOPMENT ASSOCIATION

REPORT AND RECOMMENDATION OF THE PRESIDENT
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED CREDIT
TO THE UNION OF BURMA
FOR AN
INLAND WATER TRANSPORT PROJECT

1. I submit the following report and recommendation on a proposed development credit to the Union of Burma for the equivalent of US\$16.3 million on standard IDA terms to help finance a project for the rehabilitation of the fleet of the Inland Water Transport Corporation (IWTC). The major part of the proceeds of the credit (US\$15.82 million) would be relent to the IWTC for 15 years, including 4 years grace, with interest at 6 percent per annum.

PART I - THE ECONOMY

2. The latest economic report entitled "The Economy of the Union of Burma" (R72-257) was distributed to the Executive Directors on November 28, 1972. The following paragraphs reflect the Summary and Conclusions of that economic report, updated with information obtained by a mission which visited Burma in January/February, 1973. Country data are provided in Annex I.

3. Burma is the largest country in the south-east Asian mainland and the country is rich in natural resources. However, most of this wealth is yet to be developed and Burma, with a per capita income of well below \$100, is among the least developed countries.

4. Burma came out of the second World War and the struggle for independence in 1948 economically devastated and politically divided. The fifties were a period of turbulence, both political and economic. When the present government came to power in 1962, its major objectives were to unify the country and complete the social transformation of the economy which had begun in the forties. The government is acutely sensitive to foreign influence and, over the past decade, Burma isolated itself from external pressures by maintaining a policy of strict neutrality, limited use of external assistance and restrictions on travel.

5. By and large, the government has made notable progress in the attainment of its social and political objectives. Insurgency is still a problem particularly in the hill and border areas but there is probably greater stability now than at any time since independence. Nationalization of all the major sectors with the exception of agriculture has been accomplished. (Reasonable efforts have been made to settle compensation claims and progress is evident.) Agrarian reform has given the peasants virtual ownership of the land and eliminated major inequalities in the pattern of land-holdings. In the effort to attain self-sufficiency, most of what little investment there has been has gone into the development of the industrial

sector. This transformation has been accomplished at the cost of some economic disruption and its benefits are yet to be reaped.

6. The government's major success has been in the provision of advanced social services for a population of about 30 million. Efforts were made to raise the standard of living by reducing inequalities in the distribution of income, keeping the prices of basic commodities stable and widening the scope of education and health services. The uniform pricing policy for the domestic consumption of rice ensured the improvement in nutrition, particularly in the hill areas. Disparities exist but incomes are more or less equally distributed and, in the fields of health and education, Burma has achieved successes surpassing those of much richer countries. It must be pointed out, however, that these successes have been accomplished at the expense of dynamic economic growth. Over the past decade, the rate of growth barely kept pace with the population which is growing at around 3 percent per annum.

7. The performance of the major sectors has been disappointing. Agriculture directly provides about one-third of GDP and much of secondary and tertiary activity is also based on agricultural products. Over the past decade, the real rate of growth of agriculture (after allowing for fluctuations due to weather) was less than two percent per annum. The government's policy towards agriculture has been mainly dictated by equity and welfare considerations. Very little investment has gone into agriculture and the programs recently introduced to increase agricultural productivity have met with limited success.

8. Over the decade, industry received the lion's share of public sector investment and in recent years several new factories came on stream including paper, cement, textiles and fertilizer. However, most of industrial production, which accounts for 12 percent of GDP, consists of the processing of agricultural products, and the growth of industrial output is only around 4 percent per annum. The poor performance of the sector is partly due to the slow growth of agriculture and the decline in imports of producer goods. However it is also a consequence of inadequate policies governing the operation of the sector. Inadequate attention to replacement and maintenance has led to decapitalization trends in many branches of industry. The lack of financial and managerial autonomy also contribute to poor capacity utilization and low labor productivity.

9. The functioning of the nationalized trade sector is highly inefficient. This has created artificial scarcities and given rise to a flourishing black market. Inadequate transportation and power shortages are also factors adversely affecting production.

10. Price stability has been an important objective of the government and a reasonable degree of price stability was achieved over the decade. The cost of living index for Rangoon shows an average rate of increase of 4 percent per annum between 1962 and 1972. Careful management of monetary and fiscal policies was an important instrument in containing inflation. For the first half of the decade, the budget was more or less balanced and

expenditures have been invariably cut back to avoid excessive reliance on deficit financing. However, over the past five years, the budget has been showing widening deficits. The overall deficit in 1972 was 32 percent higher than in the previous year. Until 1971, the government had been able to hold monetary expansion to a modest two percent per annum. This was possible by rapidly drawing down net external reserves. In the early part of the sixties, gross reserves were at the comfortable level of nearly 8 months of imports. By 1972 gross reserves were equal to about 3 months of a much reduced level of imports and net reserves were zero. Consequently, although the level of deficit financing last year was not much higher than the average of the past three years, its inflationary impact could no longer be cushioned by a fall in reserves.

11. The foreign trade and balance of payments position provide the most striking illustration of the continued deterioration of the economy. Rice is the major export and the most serious consequence of the stagnation in rice production coupled with an expanding population has been the drying up of the export surplus. In the early sixties, Burma exported a million and a half tons of rice a year. Since then exports fell steadily to less than 400,000 tons in 1968 and 1969 which were poor crop years. In recent years, there was a recovery to about 700,000 tons but this is well below the pre-war average of 3 million tons. Exports of teak and minerals which have good market prospects have dwindled; mineral production is one-tenth the pre-war level and teak production stagnates at the pre-war level. As a result, the dollar value of Burma's exports is below the pre-war level and its purchasing power for imports is but a fraction of what it was before the war.

12. The decline in imports was less pronounced than in exports but the policy has been to restrict imports to basic essentials. In 1971, the value of imports of goods amounted to \$177 million compared to \$228 million in 1963. Consumer good imports (mainly of milk products, wheat and textiles) accounted for 15 percent of the total. Raw materials, spare parts and equipment accounted for the rest. The balance of payments in 1972 showed an overall surplus of \$8 million compared to a deficit of \$33 million in 1971. Unfortunately, this did not result from improvement in the external sector. Imports were reduced by 10 percent while exports had increased by 4 percent. The current account deficit of \$45 million was largely financed by a substantial increase in foreign loan disbursements.

13. The conclusion that economic performance has been poor is inescapable. At the same time, it must be realized that achievement of a higher growth rate has not been a major objective of the government. The level of investment and savings has been and still is low, accounting for 12 percent and 8.6 percent of GNP respectively. Moreover, resources were mobilized primarily for the accomplishment of the government's social and political objectives. The fact remains, however, that policies dictated by other priorities have had depressing effects on economic growth. More importantly, the time has come when the lack of economic growth is endangering the social progress which has been made.

14. The major economic problems are the acute shortage of foreign exchange and domestic savings, the inefficiency of state enterprises and the slow growth of production. The government is aware of these problems and during the course of last year there was further evidence of the importance which the government now attaches to economic development. Thus, acting upon the recommendations of price and wage committees, the government has substantially increased the prices of paddy and other major crops, the structure and level of wages has been revised and there is now much greater flexibility in the use of piece rates, bonus schemes and other productivity incentives. Interest rates on savings deposits have been increased and the government hopes that this measure together with the expansion of the banking network will induce more private savings. The cooperatives are taking over retail distribution and it is hoped that this will bring about some improvements through the reduction in stocks and wastage. The uniform selling price of rice has been abolished. Cooperatives are to sell rice at a price covering cost providing the price does not exceed the ceilings set by the government. In the industrial and mining sectors several schemes have been introduced, and others are under consideration for improving efficiency. Taken together, all of these measures may not be enough to reverse present trends. Most of them represent steps in the right direction. They also represent radical departures from previous policies and as such, they warrant support.

15. There are also other signs of change, as Burma emerges from its self-enforced isolation. Burma has greatly increased its diplomatic and trade representations abroad and its contact with international institutions, particularly the UNDP. Burma's approach to the Bank Group after a lapse of 10 years and its recent admission to membership of the Asian Development Bank are further indications of a renewed preoccupation with growth and of a willingness to accept foreign assistance to promote it.

16. Higher rates of economic growth will require improved policies and substantial increase in capital investment. In view of the present constraints to mobilizing greater resources for investment, reliance will have to be made on long-term concessionary finance from abroad. There is no question about Burma's need for IDA assistance nor of the country's ability to absorb foreign aid in certain sectors effectively. Burma has never come anywhere near to exploiting its enormous resource potential; and, if the country is now (as it seems to be) at a turning point, assistance at this time would be both timely and far-reaching in its effect.

PART II - BANK GROUP OPERATIONS

17. Burma became a member of the Bank in 1952 and of IDA in 1962. Between 1956 and 1961, the Bank made three loans for transportation projects totalling \$33.1 million. A loan for the Port of Rangoon (Loan 140-BA) helped finance the reconstruction of cargo berths and storage facilities, and the

purchase of cargo-handling and port equipment for harbor operations. Two loans (Loan 139-BA and Loan 274-BA) helped finance the post-war reconstruction and dieselization of the railways. All three projects were satisfactorily completed and the loans were fully disbursed by FY68. As of April 30, 1973, the amount outstanding was US\$8.6 million (Annex II). If approved, the proposed credit, together with the proposed credit for the Third Railway Project, would be the first Bank Group operations in Burma since 1961.

18. The proposed Bank Group strategy is aimed at directly easing the most immediate constraints to growth and placing major emphasis on the development of the agriculture, forestry and mining sectors. Projects in these sectors will help to diversify production for export and thereby alleviate the critical shortage of foreign exchange. The rehabilitation of the transportation infrastructure also has high priority because inadequate transportation already forms an increasingly constraining bottleneck. The two projects presently proposed, have the added advantage that preparation work was far advanced and few institutional obstacles are anticipated. Both the Burma Railways Corporation and the Inland Water Transport Corporation are long-established institutions.

19. In preparing projects, priority will be given to projects which will be quick-yielding and quick to disburse. In addition to the two projects under consideration, three projects are currently being prepared in irrigation, forestry and mining. The irrigation project is likely to consist of the provision of pumps and the construction of minor flood protection and embankment works in the delta area. This project is being prepared with the assistance of the FAO/IBRD Cooperative Program. The forestry project is likely to consist of the procurement of logging, handling and transportation equipment, the construction of access roads and the expansion of storage facilities. The objective of the project is to speed up the flow of logs from the forest to the export market and local mills. This project is also being prepared with the assistance of the FAO/IBRD Cooperative Program. The mining project which is being prepared by the government is likely to consist of the procurement of equipment for small-scale tin mining and the establishment of collection and preparation facilities for tin and tungsten concentrates. These projects are likely to be appraised in the first half of FY74 and to be ready for presentation to the Executive Directors during the second half of FY74.

20. Looking further ahead, missions have recently been in Burma to identify projects suitable for Bank Group financing in the livestock and fisheries sector. Proposals for a possible airport and a telecommunications project have also been submitted by the government for consideration by the Bank Group. In addition, the Bank is expected to act as the Executing Agency for a UNDP-financed study of the feasibility of dredging an access channel to the Port of Rangoon.

PART III - THE TRANSPORT SECTOR

21. Rail, air and sea transport are entirely nationalized. Some private sector activity is allowed in inland water transport and trucking and it is estimated that the private sector accounts for 80 percent of total trucking and about 50 percent of inland water transport. The private sector fleets are generally quite old and in poor condition, since the owners are not allowed to purchase replacement equipment and have great difficulty in obtaining spare parts. The stated Government policy is ultimately to bring all forms of mechanized transport in the public sector. The major public sector transport agencies are the Burma Railways Corporation (BRC), the Inland Water Transport Corporation (IWTC), the Road Transport Corporation (RTC), the Burma Airways Corporation (BAC) and the Burma Ports Corporation (BPC). As far as the public sector agencies are concerned, BRC carries about 43 percent, IWTC about 32 percent and RTC about 25 percent of inland surface transport in terms of tons loaded. In terms of ton miles these figures are 48 percent for BRC, 44 percent for IWTC and 8 percent for RTC.

22. The largest cities are located on or close to the three main rivers which traverse the country in a north-south direction, and the estimated 5,000 miles of the inland waterways network are the most important mode of transportation. Before the war, the transport network also consisted of 2,100 miles of railways and 8,000 miles of roads, half of which were paved. After the war, it was estimated that as much as 60 percent of the infrastructure and equipment were either destroyed or needed repair. By 1960, most of the prewar capacity had been restored but the sector still showed two main weaknesses. Firstly, the infrastructure had been rebuilt to pre-war standards and was not suitable for modern transportation and secondly, the equipment was over-aged. The situation called for major investments both in replacement equipment and in infrastructure improvement and expansion.

23. Over the past decade, public investment in transportation doubled and accounted for 70 percent of total investment in 1971. In the first half of the decade, emphasis was given to rehabilitation projects. More recently, priority has been given to projects that enable the agencies to maintain and expand their capacity. The distribution of investment appears to have been realistic, with the three major modes of transport (rail, road and inland water transport) receiving about 90 percent of the total. However, the level of investment has not been sufficient to maintain capacity. As a result, equipment has been kept in use beyond its normal economic life and the fleet is considerably over-aged. The lack of foreign exchange has curtailed the procurement of necessary spare parts and maintenance programs have been cut back putting increasing numbers of vehicles out of use. Visible evidence of the condition of the infrastructure and equipment lends credibility to the view of the transport agencies that the actual level of investment was half of what was actually needed.

24. By 1971, railway route-miles had reached about 95 percent of the pre-war level. The railways have also undertaken a modernization program and diesel locomotives now account for 30 percent of the total. The IWTC

provides regular passenger/cargo and cargo services on the major navigable rivers. No significant developments have taken place in inland water transport although some river marking and dredging is required and many of the vessels are over-aged and in a state of disrepair due to lack of spares and workshop capacity. Over the past decade, very little attention has been given to roads, most of which are narrow, poorly aligned and incapable of accommodating modern traffic. The pre-war capacity of the Port of Rangoon has been restored and no capacity problems are foreseen, since port traffic is well below pre-war levels. However, the instability and shallow draft of the access channels have been of concern to the authorities and the possibility of dredging an access channel through the outer bar is being considered. The Rangoon International Airport was completed in 1955 and since then no major improvements have been made in civil aviation infrastructure. Of the 42 airfields in Burma, 50 percent have gravel runways and can only accommodate DC3's.

25. There is little reliable information on traffic flows and transport demand in terms of ton and passenger miles. Most of the traffic flows along the valleys of the main rivers. Agriculture, including livestock, forestry and fishery, accounts for 70 percent of the tonnage moved, with industry and mining accounting for the remaining 30 percent. According to official estimates, the total demand for transportation has been growing at 4.7 percent per annum, but overall the volume of traffic handled by the public transport agencies has been declining over the past five years. This is mainly due to the decrease in serviceable capacity. So far major disruption has only been avoided because of the slow growth in production but inadequate transportation is a serious obstacle to growth and unless a major rehabilitation program is undertaken soon, even the modest 4 percent annual growth of output envisaged over the next four years will be unachievable.

26. The problem is primarily one of lack of foreign exchange as management and technical standards are generally good. However, some improvements in operational efficiency and transport planning are called for. The three main agencies (BRC, IWTC and BPC) inherited a sound organizational structure and, faced with the constraints of insufficient capital and a lack of financial and managerial autonomy, the agencies have done extremely well in keeping their equipment running and maintaining the quality of service. Any major investment in transportation will bring into focus the need for improved planning and coordination. So far, this has not been much of a problem because there was so little investment. As an initial step, the proposed credits make provision for technical assistance in improving both operational efficiency and investment policy. IWTC will receive assistance in improving accounting, costing and management information. In the case of the Railways, studies will be carried out on the optimum timing for phasing out steam locomotives, the adequacy of facilities for the maintenance and overhaul of diesel locomotives, and the necessity for track doubling. BRC will also be required to improve the preparation of operational and management statistics and appoint a working group to recommend operational improvements.

PART IV - THE PROJECT

27. In recognition of the urgency to undertake the rehabilitation and modernization of the railway and inland water transport sectors, the Government submitted proposals for consideration by the Bank Group in September 1971. Following the visit of an economic mission in the spring of 1972 and a project preparation mission in September 1972, two missions visited Burma in January/February 1973 to appraise the projects. A report entitled "Appraisal of an Inland Water Transport Project" (No. 171-BA) is being circulated separately. A summary of the credit and project is attached as Annex III.

28. At the negotiations, held in Washington in April, 1973, the Government of the Union of Burma was represented by U Chit MOUNG (Deputy Minister of Planning and Finance), U MAUNG MAUNG HLA (Deputy Executive Director, Union of Burma Bank), U HLA MAUNG (Director General, Planning Department), U TUN SHEIN (Managing Director, Burma Railways Corp.), U HLA WIN (Managing Director, Inland Water Transport Corp.), U KYAW KHINE (Deputy General Manager, Burma Railways Corp.) and U NGWE NYUNT (Deputy General Manager, Inland Water Transport Corp.).

29. The Inland Water Transport Corporation's (IWTC) Investment Plan for the 1971/72-1974/75 period calls for an outlay of about US\$25.8 million equivalent with a foreign exchange component of US\$17.5 million. The proposed project consists of the last two fiscal years, from 1974 through 1975 (and spillover to 1976), of the investment plan of the IWTC, and costs US\$24.0 million equivalent with a foreign exchange component of about US\$16.5 million equivalent, of which US\$15.82 million would be covered by the proposed credit. The balance of the foreign exchange requirement would be provided from the Government's own resources for on-going operations. In addition, the proposed credit would finance the procurement of essential navigational aids costing about US\$0.48 million for the Waterways Department (WD) of the Ministry of Transport and Communications (MOTC). The total proposed credit would, therefore, amount to US\$16.3 million equivalent.

30. The main purpose of the project is to enable IWTC to rehabilitate its vessels and to provide adequate facilities for repairs and maintenance. The project includes: rehabilitation of the fleet through procurement of engines, spare parts and materials; rehabilitation of dockyard facilities through procurement of equipment, machinery and tools; procurement of six new passenger vessels to replace vessels that are obsolete or which were lost in a 1968 cyclone; provision of radio communications equipment and accounting machines, and technical assistance in management accounting and modern welding techniques for the dockyards. The procurement of navigational aids and equipment for the Waterways Department is designed to improve the river system. (For details see Annex III.)

31. The IWTC, which would be responsible for the execution of the bulk of the project, is a state-owned corporation operating on Burma's major navigational waterways. On the Irrawaddy and Chindwin rivers, and in the

agriculturally rich areas of the Delta, the Arakan and Moulmein, where inland water transport is virtually the only surface mode, IWTC provides regular passenger and cargo services. Like BRC, IWTC functions as a department of the government for all practical purposes within the Ministry of Transport and Communications (MOTC). The Managing Director exercises his power through various departments.

32. The management of IWTC is generally satisfactory, although there is some scope for improving operations, particularly through a better management information system. The proposed credit provides for technical assistance for this. While IWTC has a skilled maintenance staff, maintenance is hampered by insufficient spare parts, materials, and essential equipment. Technical assistance is also called for to introduce modern welding techniques. With the technical assistance proposed in the project, the IWTC will be competent to carry out the project.

33. The revenue and expenditure accounts of the IWTC show improving net results from operations during the years 1967-1972. During this period, gross revenue increased by 27 percent, while operating costs have increased by 11 percent. Cash generation from operations amounted to K 100 million during this period, but after providing for increased working capital and debenture interest payment, only K 50 million remained. On the other hand, capital expenditure during the period amounted to K 98 million. Therefore the IWTC's own cash generation has been sufficient to meet one half of its capital expenditure. The financial prospects of IWTC are satisfactory. The forecast revenues are based on an expected growth of passenger and freight traffic at 5 percent per annum. No provision has been made for an increase in rates and fares. During negotiations, agreement was reached that during the period 1973/74 - 1975/76 operating expenses would not exceed 90 percent of operating revenues, and would not exceed 85 percent thereafter. It was also agreed that IWTC would incur further debt only if net revenues were at least 1.5 times debt service requirements.

34. All the items to be financed by the proposed credit would be procured through international competitive bidding except for spare parts for engines already in service (about US\$1.6 million). In estimating the cost of the six passenger vessels, it has been assumed that they would be constructed abroad at a cost of US\$2.85 million. However, some of these vessels could be assembled at a Government dockyard which has capacity but does not qualify for bidding in its own name. In order to encourage foreign bidders to make use of local dockyard facilities, the Association has agreed to allow a 15 percent preference margin on the portion of the work done locally. If as many as three vessels are assembled locally, the credit proceeds would finance local expenditures of not more than US\$0.8 million. The procurement of navigational aids will be effected by the IWTC which will hand them over to the Waterways Department for installation.

35. The rehabilitation of IWTC's fleet would generate savings in the form of reduced maintenance costs and deferment of the procurement of new vessels. Rehabilitation of the dockyards will improve fleet maintenance and availability. The economic rate of return on the project is estimated at 24 percent.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

36. The draft Development Credit Agreement between the Union of Burma and the Association, the Recommendation of the Committee provided for in Article V, Section 1(d) of the Articles of Agreement and the text of a resolution approving the proposed credit are being distributed to the Executive Directors separately. Article VIII of the draft Development Credit Agreement sets out the execution and delivery of the Subsidiary Loan Agreement between the Government and the IWTC as a condition of effectiveness. The provisions of the draft agreement conform to the normal pattern for credits for transport projects.

37. I am satisfied that the proposed development credit would comply with the Articles of Agreement of the Association.

PART VI - RECOMMENDATION

38. I recommend that the Executive Directors approve the proposed development credit.

Robert S. McNamara
President

Attachment

June 11, 1973

COUNTRY DATA - BURMA

<u>AREA</u>	<u>POPULATION</u>	<u>DENSITY</u>
678.528 km ²	28.9 million (1971/72) Rate of Growth: 2.3% (from 1965/66 to 1971/72)	42 per km ² 148.0 per km ² of arable land

POPULATION CHARACTERISTICS 1970/71 (Selected Urban Areas)

Crude Birth Rate (per 1,000)	38.8
Crude Death Rate (per 1,000)	11.1
Infant Mortality (per 1,000 live births)	59.8

HEALTH 1970/71

Population per physician	9,177
Population per hospital bed	1,370

INCOME DISTRIBUTION

% of national income, lowest quintile	::
highest quintile	::

DISTRIBUTION OF LAND OWNERSHIP

% owned by top 10% of owners	::
% owned by smallest 10% of owners	::

ACCESS TO PIPED WATER

% of population - urban	::
- rural	::

ACCESS TO ELECTRICITY

% of population - urban	::
- rural	::

NUTRITION 1969/70

Calorie intake as % of requirements	124
Per capita protein intake	60

EDUCATION 1970/71

Adult literacy rate	70%
Primary school enrollment	88%

GNP PER CAPITA in 1972^{1/}: US \$ 88

GROSS NATIONAL PRODUCT IN 1971/72

	<u>US \$ Mln.</u>	<u>%</u>
GNP at Market Prices	2011	100.0
Gross fixed Investment	241	12.0
Gross National Saving	172	8.6
Current Account Balance	-45	-2.2
Exports of Goods, NFS	136	6.7
Imports of Goods, NFS	191	9.5

ANNUAL RATE OF GROWTH (% constant prices)

	<u>1962-66</u>	<u>1966-71</u>	<u>1971-72</u>
	2.6	4.1	2.8
	5.2	3.9	5.8
	::	-4.1	13.3
	::	::	::
	-9.0	-10.6	16.3
	-8.0	-0.7	2.6

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1970/71

	<u>Value Added</u>		<u>Labor Force</u>		<u>V. A. Per Worker</u>	
	<u>US \$ Mln.</u>	<u>%</u>	<u>Mln.</u>	<u>%</u>	<u>US \$</u>	<u>%</u>
Agriculture	829.8	37.7	7.6	69.7	109.2	54.0
Industry	275.2	12.5	0.8	7.3	344.0	170.0
Services	1094.4	49.8	2.5	23.0	437.8	217.0
Unallocated	.	.	.	.	.	.
Total/Average	2199.4	100.0	10.9	100.0	201.8	100.0

GOVERNMENT FINANCE 1971/72

	<u>General Government</u>			<u>Union Government</u>		
	<u>Kyats Mln.</u>	<u>% of GDP</u>	<u>% of GDP average last three years</u>	<u>Kyats Mln.</u>	<u>% of GDP</u>	<u>% of average GDP last three years</u>
Current Receipts	8372	77.5	82.4	1959	18.1	18.7
Current Expenditure	8336	77.1	82.1	2429	22.5	23.2
Current Surplus	36	0.3	0.4	-470	4.3	4.5
Capital Expenditures	852	7.9	8.4	228	2.1	2.2
External Assistance (net)	222	2.0	2.2			

^{1/} The per capita GNP estimate is at 1972 market prices, calculated by the same conversion technique as the 1972 World Atlas. All other conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

COUNTRY DATA - BURMA

MONEY, CREDIT and PRICES

	1965	1969	1970	1971	1972
		(Million Kyats outstanding)			
Money and Quasi Money	1896	1910	1881	1822	2119
Bank Credit to Public Sector	2012	2397	2616	3126	3759
Bank Credit to Private Sector	114	517	537	557	668

(Percentages or Index Numbers)

Money and Quasi Money as % of GDP	24.5	19.6	18.5	17.4	19.6
General Price Index (1963 = 100)	..	..	..	..	..
Annual percentage changes in:	..	..	..	..	..
General Price Index	..	..	..	..	..
Bank credit to Public Sector	..	16	9	20	20
Bank credit to Private Sector	..	422	4	4	20

BALANCE OF PAYMENTS 1969/70-1971/72

	1969/70	1970/71	1971/72
	(Millions US \$)		
Exports of Goods, NFS	130.3	131.1	135.7
Imports of Goods, NFS	212.4	209.0	190.8
Resource Gap (deficit = -)	-82.1	-77.9	-55.1
Interest Payments (net)	+0.4	-2.1	-8.8
Workers' Remittances	.	.	.
Other Factor Payments (net)	.	.	.
Net Transfers	22.1	23.5	18.5
Balance on Current Account	-59.6	-56.5	-45.4
Direct Foreign Investment			
Net MLT Borrowing			
Disbursements	22.9	38.7	45.8
Amortization	-19.7	-15.3	-17.9
Subtotal	3.2	23.4	27.9
Capital Grants	.	.	.
Other Capital (net)	22.7	5.0	29.2
Other items n.e.i	-11.3	-4.5	-3.8
Increase in Reserves (+)	-45.0	-32.6	+7.9
Gross Reserves (end year)	101.1	63.9	61.9
Net Reserves (end year)			

MERCHANDISE EXPORTS (AVERAGE 1968/69-1971/72)

	US \$ Mln	%
Rice & Rice Products	55.1	46.3
Pulses & Beans	8.5	7.2
Animal Feedstuff	8.1	6.9
Teak	28.1	23.7
Base metal	5.8	4.9
All other commodities	13.0	11.0
Total	118.6	100.0

EXTERNAL DEBT, DECEMBER 31, 1972

	US \$ Mln
Public Debt, incl. guaranteed	163.5
Non-Guaranteed Private Debt	
Total outstanding & Disbursed	163.5
DEBT SERVICE RATIO for 1971/72 ^{1/}	%
Public Debt, incl. guaranteed	18.0
Non-Guaranteed Private Debt	
Total outstanding & Disbursed	18.0

RATE OF EXCHANGE ^{2/}

Through December 1971	
US \$ 1.00 = 4.76 Kyats	
1.00 = US \$ 0.21	
Through February 1973	
US \$ 1.00 = 5.35 Kyats	
1.00 = US \$ 0.19	

IBRD/IDA LENDING, March 1973 (Million US \$):

	IBRD	IDA
Outstanding & Disbursed	10.2	.
Undisbursed	.	.
Outstanding incl. Undisbursed	10.2	.

^{1/} Ratio of Debt Service to Exports of Goods and Non-Factor Services.

^{2/} Since February 1973, US\$1.00 = 4.81 Kyats
1 Kyat = US\$0.208

.. not available

. not applicable

June 11, 1973
South Asia Department

STATUS OF BANK GROUP OPERATIONS IN BURMAStatement of Bank Loans as of April 30, 1973

				US\$ Million	
				Amount (less cancellations)	
<u>Loan No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Bank</u>	<u>Undisbursed</u>
139	1956	Burma Railway Board	Railways	5.3	-
140	1956	Union of Burma	Port	14.0	-
274	1961	Union of Burma	Railways	<u>13.8</u>	<u>-</u>
		Total		33.1	
		of which has been repaid		24.5	
		Total now outstanding		8.6	
		Amounts sold	2.7		
		of which has been repaid	<u>2.7</u>	<u>-</u>	
		Total now held by Bank		<u>8.6</u>	
		Total Undisbursed		<u>-</u>	<u>-</u>

BURMA - INLAND WATER TRANSPORT PROJECT

CREDIT AND PROJECT SUMMARY

- Borrower: The Union of Burma
- Beneficiary: The Inland Water Transport Corporation (IWTC) and the Waterways Department (WD) of the Ministry of Transport and Communications (MOTC)
- Amount: US\$16.3 million equivalent
- Terms: Standard
- Relending Terms: The Government would relend US\$15.82 million out of the proposed credit to the IWTC at 6 percent per annum for 15 years including 4 years grace period. The remaining US\$0.48 million would be utilized by the WD.
- Project Description: The project consists of the last two years, 1973/74 and 1974/75 (and spillover to 1975/76), of the four-year Investment Plan of the IWTC. The project is designed to rehabilitate the fleet and to provide adequate facilities for vessel repair and maintenance. It includes the following items:
- I. The purchase of:
 - (a) about 120 engines for the rehabilitation of up to 90 vessels of various types with a view to standardizing equipment;
 - (b) about 40 outboard engines for conversion of about 20 dumb barges of 600-ton capacity each into self-propelled barges for cargo transportation;
 - (c) spare parts required for main and auxiliary engines of the IWTC fleet;
 - (d) vessel repair materials, including steel plates and sections, electrodes, copper piping, foundry material, marine paints, etc., all urgently required to remedy a backlog of repairs;

- (e) various types of equipment, machinery and tools required for rehabilitation and modernization of IWTC dockyards and other vessel repair facilities;
- (f) six passenger vessels to replace obsolete vessels and those lost in the Arakan area in the 1968 cyclone;
- (g) new accounting machines for the IWTC head office;
- (h) about 70 sets of ship-to-shore radios with accessories;
- (i) navigational aids for the river system for the Waterways Department in MOTC.

II. The construction of buildings for office use and training purposes.

III. The improvement of management operations and the implementation of a management information system, and the introduction of modern ship repair and welding techniques, with appropriate technical assistance to accomplish these improvements.

Estimated Cost:

(A) <u>Inland Water Transport Corporation</u>		US\$ Million			IDA Credit
<u>Item</u>	<u>Foreign</u>	<u>Local</u>	<u>Total</u>	<u>Amount</u>	
1) Re-engining program	5.89	2.70	8.59	5.89	
2) Spare parts and repair materials	4.00	0.99	4.99	4.00	
3) Dockyard equipment	1.11	0.29	1.40	1.11	
4) 6 passenger vessels	2.85	0.80	3.65	2.85	
5) Accounting machines	0.28	0.07	0.35	0.28	
6) Radio communication equipment	0.23	0.06	0.29	0.23	
7) Technical assistance	0.09	0.04	0.13	0.09	
8) Others	0.70	2.03	2.73	-	
9) Price contingencies	1.37	0.53	1.90	1.37	
Total	16.52	7.51	24.03	15.82	

(B) <u>Waterways Department</u>		US\$ Million			IDA Credit
<u>Item</u>	<u>Foreign</u>	<u>Local</u>	<u>Total</u>	<u>Amount</u>	
1) Navigational Aids	0.41	0.32	0.73	0.41	
2) Price Contingencies	0.07	0.04	0.11	0.07	
Total	0.48	0.36	0.84	0.48	

Financing Plan:

	US\$ Million		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
IDA	-	16.30	16.30
Government	-	0.37	0.37
IWTC	<u>7.87</u>	<u>0.33</u>	<u>8.20</u>
Total	7.87	17.00	24.87

Estimated Disbursements:

<u>IDA Fiscal Year</u>	<u>US\$ Million</u>
FY1973/74	3.900
FY1974/75	6.750
FY1975/76	5.490
FY1976/77	0.160

ProcurementArrangements:

All items would be procured on the basis of international competitive bidding, except for certain spare parts for various engines estimated to cost about US\$1.6 million. With regard to the evaluation of bids for vessel procurement, foreign bidders will be allowed a 15 percent preference margin on that portion of the work proposed to be performed in Burma to encourage use of a Government-owned dockyard. The credit could therefore finance local expenditures of up to US\$0.8 million.

Consultants:

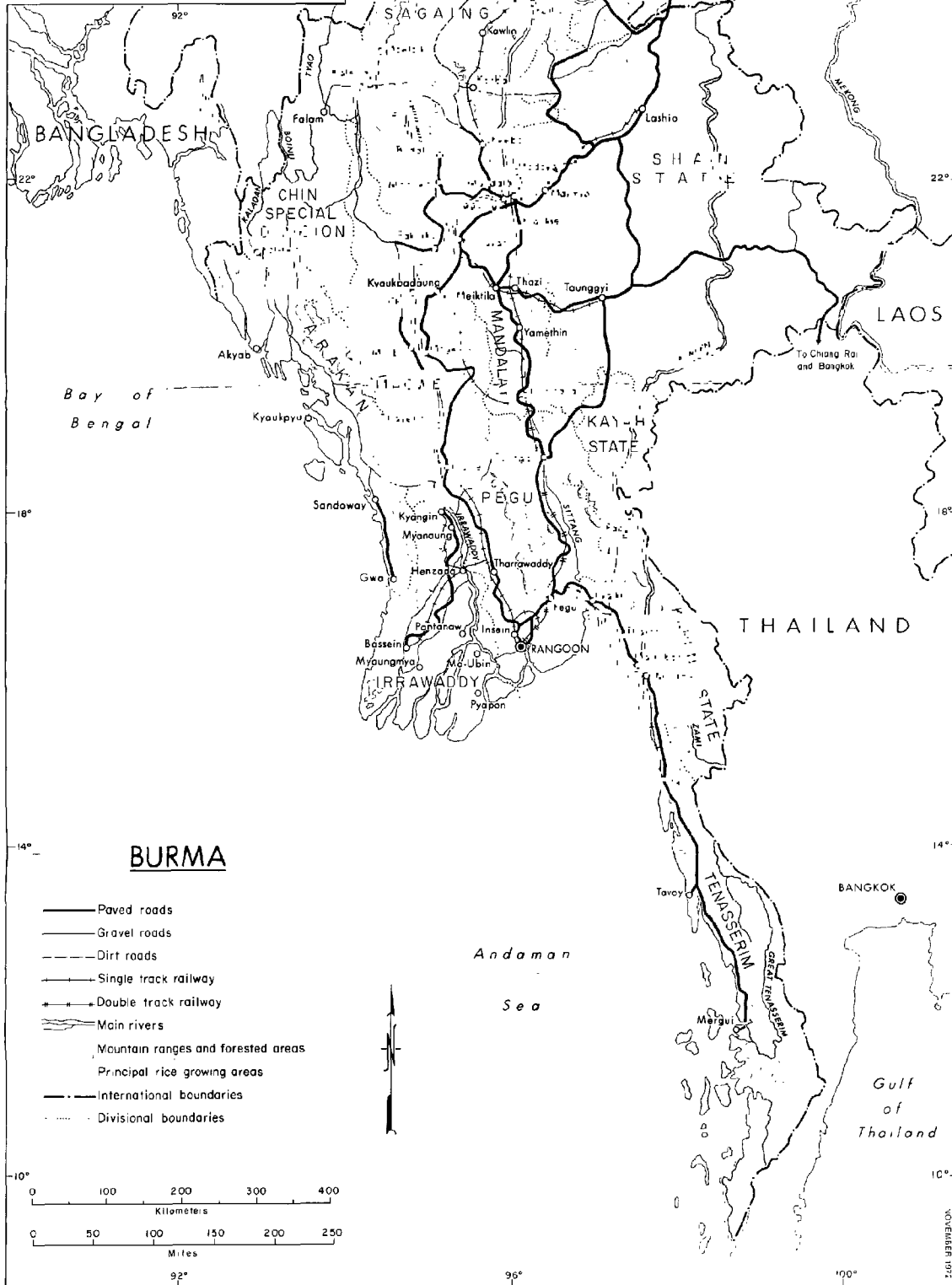
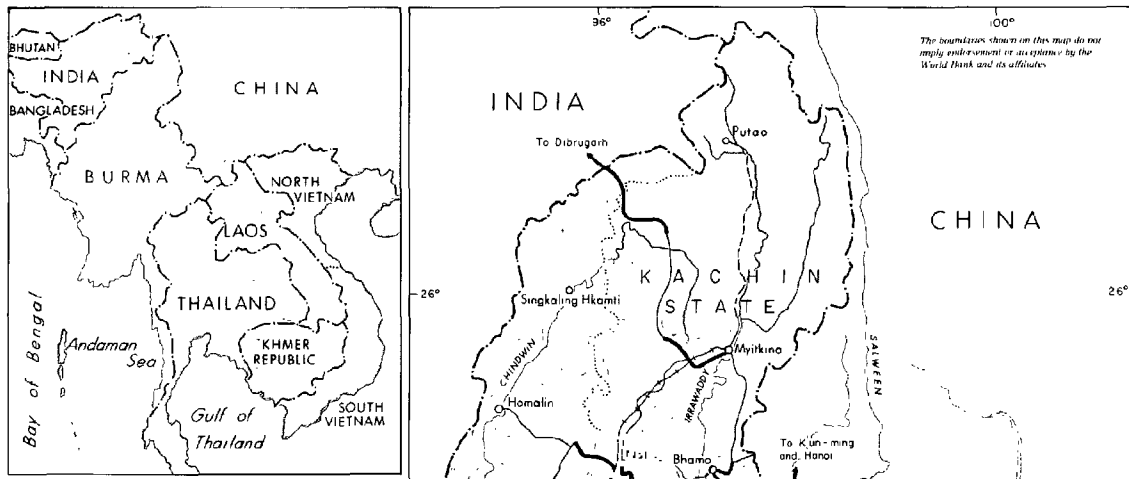
Expert services for improvement of processing of accounting and statistical information, and for modern welding techniques for the dockyards.

Economic Rate of Return:

24 percent

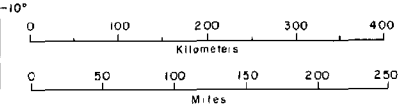
Appraisal Report:

No. 171-BA, Dated May 31, 1973



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

- Paved roads
- Gravel roads
- - - Dirt roads
- + + Single track railway
- + + Double track railway
- ▨ Main rivers
- ▨ Mountain ranges and forested areas
- Principal rice growing areas
- International boundaries
- - - Divisional boundaries



IBRD 10044R
 NOVEMBER 1972

