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Report No. P-1631-BA

REPORT AND RECOMMENDATION  
OF THE  
PRESIDENT  
TO THE  
EXECUTIVE DIRECTORS  
ON A  
PROPOSED CREDIT  
TO THE  
UNION OF BURMA  
FOR A  
TELECOMMUNICATIONS PROJECT

May 14, 1975

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<b>Currency Unit</b>	=	<b>Kyat (K)</b>
US\$1	=	K 6.24
K 1	=	US\$0.16
K 1,000	=	US\$160.30
K 1,000,000	=	US\$160,300
<b>Fiscal Year</b>	-	<b>April 1 - March 31</b>

INTERNATIONAL DEVELOPMENT ASSOCIATION

REPORT AND RECOMMENDATION OF THE PRESIDENT  
TO THE EXECUTIVE DIRECTORS  
ON A PROPOSED CREDIT  
TO THE UNION OF BURMA  
FOR A  
TELECOMMUNICATIONS PROJECT

I submit the following report and recommendation on a proposed development credit to the Union of Burma for the equivalent of US\$21.0 million on standard IDA terms to help finance a project for the development of telecommunications service of the Posts and Telecommunications Corporation (P&T). The whole proceeds would be relent to the P&T for 24 years including a four year grace period, with interest rate at 8-1/2% per annum.

PART I - THE ECONOMY

1. The latest economic report entitled "The Current Situation and Prospects of the Socialist Republic of the Union of Burma" (565a-BA) was distributed to the Executive Directors on January 15, 1975. Country data are provided in Annex I.

2. Burma is the largest country in the south-east Asian mainland and is rich in natural resources. However, much of this wealth is yet to be developed and the per capita income of Burma is still well below \$100. 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.

3. After 11 years of government by the Revolutionary Council, a Constitution was adopted in a nationwide referendum in December 1973. Parliament is vested with supreme executive, legislative and judicial authority. The People's Councils, which extend down to village tracts, are the primary means of governing the nation. During the recess of Parliament, the Council of State exercises power on its behalf. On the whole, there has been little change in Government personnel. The Burma Socialist Program Party is the only authorized political party.

4. 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 major sectors with the exception of agriculture, has been

accomplished. Agrarian reform has given the peasants virtual ownership of the land and eliminated major inequalities in the pattern of landholdings. Successful efforts were also made to raise the standard of living of a population of about 30 million by reducing inequalities in the distribution of income, keeping the prices of basic commodities stable and widening the scope of education and health services.

5. However, these achievements in social fields are endangered by slow economic growth. From 1963-65 to 1972-74, average annual growth of GDP was only 2.4% in real terms, i.e. hardly above population growth which was 2.2%. Output of productive sectors was still more disappointing. The stagnation of agricultural production (which accounts for 90% of total export earnings), combined with the growth of population, has led to a steady dwindling of the export surplus. This is vividly illustrated in the case of rice which still accounts for nearly half of total exports. Before the Second World War, Burma exported 3 million tons of rice a year; in the early sixties this had dropped to 1.5-2 million tons. In 1973, the volume of rice exports was a mere 250,000 tons.

6. The volume of total exports had fallen by over 60% since the beginning of the sixties and, due to unfavorable movements in the terms of trade, the purchasing power of exports had fallen by over 70%. In 1974, there was an improvement in the terms of trade which to some extent cushioned the effect of the decline in the export volume. The resulting foreign exchange constraint has deprived the industrial sector of essential imports of raw materials, spare parts and components. From 1963-65 to 1972-74, the volume of industrial production increased by an average of less than 1% a year.

7. The root of Burma's current economic difficulties lies in the stagnation of agriculture brought about by Government's pricing policy and investment decisions. As a means to ensure a given pattern of income distribution, prices for compulsory delivery to the Government of many agricultural commodities were set at a low level. Farmers, especially paddy farmers, were left with little savings for maintenance and investment and intensive methods of cultivation were discouraged. Inadequate private investment in agriculture was not offset by investments in the public sector. Only 8% of public investment (equivalent to about 1.6% of net agricultural output) was allocated to agriculture in 1973, against 16% in 1963. In contrast, industry, which contributes 10% to GNP, received over a third of public investment in 1973. In the Burmese context, industrialization at the pace adopted was probably premature because it could only be based upon a prosperous agricultural sector.

8. Growing scarcities of domestically produced and imported goods created a flourishing black market which led to increased unwillingness of farmers to sell to the Government. This resulted in a widespread diversion of goods - including those produced by public sector undertakings - from the public sector distribution channels to the black market. Since official

distribution agencies are supposed to be the main revenue earners for the budget through the collection of indirect taxes and their operating surpluses, this development eroded Government's tax base. The current revenue/GNP ratio declined from about 18% in 1966/67, to 15.5% in 1969/70, and to 10.5% in 1974/75. The aggravation of the budgetary situation is best illustrated by the fact that in 1970/71 total Government revenue financed 75% of total Government spending (current and capital expenditure), in 1972/73 60%, and in 1974/75 only 50%, according to budget estimates. Gross domestic savings came down from an average 10% of GNP recorded in early 70's to about 7.5% in 1974.

9. Pricing, resource mobilization and resource allocation are the three basic economic policy issues facing the Government. The Government is well aware of the problems and has recently taken measures to solve them. On pricing, the Government has been raising procurement prices of agricultural commodities so as to narrow the gap between official and black market prices; this has helped the Government to procure about 2.8 million tons of paddy in 1974/75 as compared with 1.5 million tons in 1973/74 and 1.2 million tons in 1972/73. In January 1975, the Government devalued its currency by 33% against the US dollar. Reforms are being carried out in the organization of the public sector undertakings; they are to be operated on a commercial basis and receive financial autonomy so that they will perform better both in financial and production terms.

10. Resource mobilization in Burma is closely linked to the successful implementation of the official price policy. The above mentioned reduction of price distortions will help the Government regain control of trade and therefore restore the tax base. The recent devaluation will allow the Government to raise more revenues on its external transactions. In addition, the Government has decided to introduce a turn-over tax. The Government also substantially increased interest rates on April 1, from 3.5% to 6-8% per annum for saving deposits and up to 12% for loans to public enterprises. As far as resource allocation is concerned, the 1974/75 budget has already included an increase in the share of public investment to agriculture from 8% the previous year to 13%. It is Government's declared policy to give agriculture greater priority.

11. Substantial inflows of foreign assistance would considerably help support further economic policy improvements. During the last five years aid commitments have averaged \$60 million a year. Total external debt as of July 1974 was \$482 million, including an undisbursed balance of about \$275 million. Despite this low indebtedness, debt service ratio is about 20% because of the fall in exports. In November 1974, Burma and the IMF agreed to a stand-by credit of \$38 million equivalent, of which \$29 million were withdrawn as of April 1975. Burma's gross foreign exchange reserves were estimated at \$173 million, in March 1975, equivalent to twelve months' imports, if compared to the exceptionally low level of imports last year. This favorable position is likely to be eroded quickly, with the large imports program decided by the Government to bring about an improved balance between supply and demand for consumer goods.

12. Burma's development potential is appreciable. The Burmese population is well educated. Production potential in agriculture is excellent, especially for paddy. Exploitation of forest wealth is under way and could be expanded further. Mineral resources are not yet identified sufficiently, but they are likely to be substantial. Off-shore crude oil exploration has recently been stepped up with bilateral assistance. The Bank Group in close cooperation with the IMF is pursuing discussions with the Government regarding further improvement in economic policies which would considerably help develop Burma's very promising potential for economic development. The Burmese Government is now preparing a three year economic program which will include new policies and measures aiming at more rapid economic growth. The Government has already expressed its interest in having such program be supported by the IMF Extended Fund Facility.

## PART II - BANK GROUP OPERATIONS

13. Burma became a member of the Bank in 1952, of IFC in 1956, and of IDA in 1962. Between 1956 and 1961 the Bank made three loans totalling \$33.1 million, all for transportation projects. 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. Two loans (Loan 139-BA and Loan 274-BA) helped finance the postwar reconstruction and dieselization of the railways. All three projects were satisfactorily completed and the loans fully disbursed by FY68. No lending was requested or made between 1962 and 1973. In June 1973, IDA made two credits totalling \$33.0 million, both for transportation projects. One credit (Credit 413-BA) is helping to rehabilitate the inland waterways fleet, the other (Credit 414-BA) is helping to finance the rehabilitation of the railways' assets and acquisition of locomotives and rolling stock. Implementation of both projects is proceeding satisfactorily. In June 1974, an IDA credit of US\$17.0 million was made for an irrigation project which provided small irrigation pumps and minor flood embankments to increase the production of rice and jute for export, and other crops (Credit 483-BA). In July 1974, IDA made a credit of US\$24.0 million for a forestry project. This is helping finance the rehabilitation and improvement of timber extraction to increase foreign exchange earning (Credit 493-BA). IFC has made no investments in Burma, nor are any currently planned. Annex II contains a summary statement of Bank loans and IDA credits as of March 31, 1975 and notes on the execution of the four ongoing projects. In addition, the Bank is Executing Agency for a UNDP-financed survey for the improvement of navigational channels in the Rangoon River.

14. The proposed Bank Group strategy is aimed at easing the most immediate constraints to growth and particularly at increasing and diversifying production for export in order to alleviate the critical shortage of foreign exchange. To achieve this, the Bank Group is placing primary emphasis on the development of the agriculture, forestry and mining sectors. The Bank Group is also financing infrastructure improvements, such as

the transportation projects and the proposed telecommunications project, mainly to rehabilitate the facilities whose inadequacy has been increasingly impeding economic development.

15. In addition to the present project, three projects are being prepared in livestock, irrigation and agriculture. The livestock project would provide facilities for livestock, dairy and pasture development including veterinary and extension services. The irrigation project would consist of the construction of an irrigation dam and a new irrigation system to service 140,000 acres of land in the dry zone of upper Burma; given the large size of this project, co-financing will be required and the Bank Group has already started exploring possibilities of co-financing arrangements with bilateral sources of external aid. The agriculture project, which would be quick-yielding, would help rehabilitation of paddy land in lower Burma through construction and improvement of minor flood embankment, drainage channels, land clearing and provision of small irrigation pumps. These projects are tentatively scheduled for presentation to the Executive Directors in FY76. A UNDP-financed pre-investment and investment assistance project is also about to become operational; this, with the Bank as Executing Agency, would aim at the development of a pipeline of projects in priority areas, suitable for external assistance. For FY77, the Bank Group has under consideration a mining project which would comprise rehabilitation and expansion of small-scale tin and tungsten mining, a second forestry project, and a seed and agriculture research project.

16. The Bank Group presently accounts for about 10% of Burma's total external debt outstanding and about 8% of debt service. In five years, the Bank Group's share in the total external debt is projected to rise to 15-20% and its share in the debt service to fall to about 2-3%.

### PART III - THE TELECOMMUNICATIONS SECTOR

17. The Government-owned Posts and Telecommunications Corporation (P&T) is responsible for the provision and operation of all local, trunk and international public telecommunications in Burma. The small Posts and Telecommunications Department of the Ministry of Transportation and Communications is responsible for giving advice to the Minister on national telecommunications policy, and for providing liaison with international bodies such as the ITU. P&T is a well managed entity which will be able to execute the proposed project. However, some weaknesses are evident in their training program and accounting system. Both of these conditions will be remedied during the project with the assistance of consultants financed by UNDP and the United Kingdom under the Colombo Plan.

18. Burma, with one telephone per 1,000 of population, ranks amongst the IDA countries with lowest levels of service. Only in Rangoon are there relatively modern automatic facilities but extension has fallen

well short of demand. Elsewhere only manual service is available using obsolete and generally over-age plants. The trunk network is old, unreliable and its capacity inadequate.

19. Rangoon is served by a network of five automatic exchanges which use an earlier design crossbar switching system. The network has not been extended for more than a decade and, although it has been well maintained, the central city exchanges are overloaded in the busy periods as usage of the limited available services has risen beyond design levels. Excessive congestion is a recurrent feature causing poor service. As of December 31, 1973, there were 15,479 connected subscribers in Rangoon. Manual service is provided in 131 other towns and as of December 31, 1973, there were 7,491 connected subscribers. The larger exchange and distribution networks which serve the 12 most important towns, are old and unreliable, the latest of these being 25 years old and four dated from before World War II. The remaining 119 towns are served by small manual exchanges of 100-lines capacity or less which vary in vintage from pre-World War II to recent years.

20. The present trunk network is based principally on old pole lines which generally have been exploited with carrier systems to the limited extent permitted by their design. The capacity of the network is inadequate to meet the calling requirements of the present customers and delays are normal and can often exceed one day. Transmission quality is poor due to the age of plant and route breakdowns are frequent because of deterioration due to age and also because of theft of copper wire from pole routes. The service is thus very poor and unreliable.

21. International telephone services are operated from the Rangoon manual switchboard and connected with overseas stations by HF radio. Service is largely restricted to the Rangoon area due to the poor quality of the internal long distance network and the fact that the international circuits are operated by HF radio.

22. There are a total of 283 public telegraph offices throughout the country and transmission of messages is largely over land line Morse sounder circuits or through use of HF radio links. Overseas telegraph services operate via a main route to Colombo which is kept open throughout the day and at a fixed time schedule to Calcutta, Dacca, Karachi, Bangkok, Hong Kong, Tokyo, Shanghai, Manila and Pyongyang. Telex service is restricted to international service originating and terminating in the city of Rangoon where a 50-line concentrator with three operating positions is installed.

#### PART IV - THE PROJECT

23. In May 1974, the Government of Burma requested IDA assistance in financing the foreign exchange costs of its 1976-1979 program of telecommunications development. Following the visit of an identification mission

in June 1974, the project was appraised by a Bank mission in November/December 1974. The mission's report, "Burma Posts and Telecommunications Corporation Appraisal of a Telecommunications Project" (No. 671-BA) dated April 29, 1975, is being circulated separately to the Executive Directors. A credit and project summary is attached as Annex III

24. At negotiations held in Washington in April 1975, the Government of Burma was represented by a delegation led by U Chit MOUNG, Deputy Minister of Planning and Finance.

#### Description and Implementation

25. The four-year project (FY1976-79) proposed for Bank Group lending would be the first telecommunications lending in Burma and would comprise P&T development program for that period. The project aims to meet part of the urgent demand for new telephone connections; to improve the service to be offered to existing and new subscribers by replacing worn-out equipment and by expanding the trunk network; and to improve telegraph services by upgrading the public telegram service and by introducing a national telex service. The Government places high priority on this project as an important measure to improve the efficiency of productive sectors.

26. The project consists of:

- (a) Installation of 17,000 line units of local automatic exchange equipment;
- (b) Installation of cable and associated distribution network equipment for 12,000 new direct exchange lines and for upgrading 3,400 existing lines connected to manual exchanges which are to be converted to automatic;
- (c) Provision of subscriber apparatus including 22,750 automatic telephone instruments;
- (d) Installation of trunk transmission facilities, including microwave systems interconnecting the major centers;
- (e) Installation of automatic switching centers for Rangoon and Mandalay which will provide subscriber trunk dialing to all centers having automatic service;
- (f) Installation of 120 telex and gentex exchange lines and 80 telex and gentex subscriber units; and
- (g) Construction vehicles and assorted machines.

27. P&T which is the beneficiary of the proposed credit has the capability of planning, designing and executing the project. P&T's own staff will install all local distribution networks, subscribers' apparatus and open wire carrier sets. P&T's staff will assist in the installation of the long distance transmission facilities, telephone exchange and telex exchange under supervision of the suppliers' engineers. UNDP/ITU will provide experts to assist principally with procurement of switching, radio relay and multiplex equipment, and line plant.

28. The levels of the tariffs are presently adequate and have produced acceptable rates of return on past operations and have generated adequate funds to meet the limited past expansion programs. P&T had no long-term debt as of March 31, 1974. The financial plan of the project assumes tariff increases in 1978 and 1979 and it estimates that internal generation will produce 21% of the fund requirements. During negotiations, the Government agreed to maintain tariffs at a level to produce a rate of return on average net fixed assets in operation of not less than 10%. The Government also agreed that P&T would not incur debt without the agreement of IDA unless the net revenues cover the maximum future debt service at least 1.5 times.

#### Cost and Financing

29. The total cost of the project is US\$30.9 million, of which US\$21.0 million is the foreign exchange component. The proposed IDA credit would finance the entire foreign exchange component. The total proceeds of the credit would be relent to P&T for a term of 24 years, including a four year grace period and at an interest rate of 8-1/2% per annum. The local cost of the project would be financed by P&T's internal generation (\$6.7 million equivalent) and local borrowing from the People's Bank (\$3.2 million equivalent).

#### Procurement and Disbursement

30. Procurement of all the equipment to be financed by the credit would be by international competitive bidding in accordance with IDA guidelines, with the exception of the following items (less than US\$0.4 million) which will be purchased for reasons of economy and standardization directly from suppliers of existing equipment: 1,000 lines of switching equipment to be added to the existing exchange unit in Rangoon; equipment to connect the existing automatic equipment to the new equipment; and cable network accessories.

31. The proposed IDA credit would be disbursed against the CIF cost of imported equipment and materials and the foreign exchange cost of services and training. As the project is part of a continuing investment program, it is proposed that any savings be made available after consultation with IDA for the purchase of additional items of the same type.

### Justification

32. The present very inadequate telecommunications service is a major bottleneck to the growth of productive sectors and is causing serious inefficiency in public administration and in essential economic services such as transportation and distribution. Investment in telecommunications facilities has been almost totally neglected for more than a decade. If the proposed replacement of the backbone of the trunk network is not carried out, the service will continue to deteriorate with the possibility that a complete breakdown will occur within a few years. The project is the urgent, minimum level of investment that Burma should undertake to lessen the severe current communication handicap to economic development. The project would improve the communications between the key distribution and production centers in the main production area of the country from the Lower Burma to the Upper dry zone, along the Irrawaddy River; agricultural production and distribution (essentially rice) are concentrated in this area and vital transportation activities and important industrial developments are carried on along the Irrawaddy River. The project would increase the efficiency of management in business enterprises and in public administration. In turn, it would lead to increased productivity and lower capital requirements and operating costs in most sectors. For example the project would improve the efficiency of supporting services for the agriculture sector such as the collection and distribution of agricultural commodities, the procurement of basic inputs (seeds, fertilizer, fuel, spare parts) and agricultural extension. The transportation sector would benefit from the project by being able to use the limited capacity of carriers (boats, trucks and locomotives) more efficiently.

33. The project is the least cost method of achieving service objective and is technically and financially sound. The minimum estimate of the internal economic rate of return based on expected revenue is 22%. Sensitivity analysis indicates that even with an unfavorable combination of main parameters, the rate of return should not be less than 15%.

### PART V - LEGAL INSTRUMENTS AND AUTHORITY

34. 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.

35. The special features described in paragraph 28 of this report are reflected in Sections 4.05 and 4.06 of the draft Development Credit Agreement.

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

PART VI - RECOMMENDATIONS

37. I recommend that the Executive Directors approve the proposed Development Credit.

Robert S. McNamara  
President

Attachments

May 14, 1975

## COUNTRY DATA - BURMA

AREA	POPULATION		DENSITY		
	28.9 million (mid-1972)		116 Per km <sup>2</sup> of arable land		
678,033 km <sup>2</sup>					
<b>SOCIAL INDICATORS</b>					
	Burma		Reference Countries		
	1960	1970	Indonesia 1970	India 1970	Malaysia* 1970
<b>GNP PER CAPITA US\$ (ATLAS BASIS) /1</b>	..	90 /a	90 /a	110 /a	430 /a
<b>DEMOGRAPHIC</b>					
Crude birth rate (per thousand)	40 /f,ag	40 /b	48 /b	38 /c,ag	34 /d,ag
Crude death rate (per thousand)	19 /f,ag	17 /b	19 /b	16 /c,ag	7 /d,ag
Infant mortality rate (per thousand live births)	195 /ae,ag	139 /ag	..	120-110 /c,ag	41 /d,ag
Life expectancy at birth (years)	..	48 /b	48 /b	50	59
Gross reproduction rate /2	..	2.7	3.2	2.9	2.8
Population growth rate /3	1.8	2.2 /e	2.0 /e	2.3 /e	2.9 /e
Population growth rate - urban	2 /g	4 /g	5 /g	4 /h	..
<b>Age structure (percent)</b>					
0-14	37 /h	40 /ag	45 /ag	42	43 /d
15-64	58 /h,i	57 /ag	53 /ag	55	53 /d
65 and over	5 /h,k	3 /ag	2 /ag	3	4 /d
Age dependency ratio /4	0.7 /h,i	0.8 /m	0.9	0.8	0.9
Economic dependency ratio /4	0.9	1.1	1.5	1.2	1.5
Urban population as percent of total	15 /p,q	19 /c,q	17 /g	20 /n	29 /d,r
Family planning: No. of acceptors cumulative (thous.)	..	..	175	..	220 /d
No. of users (% of married women)	..	..	..	..	15 /d
<b>EMPLOYMENT</b>					
Total labor force (thousands)	7,980 /h,ag	10,920	40,100 /c	221,000 /s	3,200 /d
Percentage employed in agriculture	63 /h,ag	70	62 /c	71 /c,ag	45 /d
Percentage unemployed	..	..	2	8	8 /d
<b>INCOME DISTRIBUTION</b>					
Percent of national income received by highest 5%	17 /m,t	..	..	25 /a,ak	22 /ak
Percent of national income received by highest 20%	45 /m,t	..	..	53 /a,ak	56 /ak
Percent of national income received by lowest 20%	6 /m,t	..	..	5 /a,ak	3 /ak
Percent of national income received by lowest 40%	17 /m,t	..	..	13 /a,ak	11 /ak
<b>DISTRIBUTION OF LAND OWNERSHIP</b>					
% owned by top 10% of owners	..	..	..	..	..
% owned by smallest 10% of owners	..	..	..	..	..
<b>HEALTH AND NUTRITION</b>					
Population per physician	12,270	8,970	27,650	4,600	3,860 /d,u
Population per nursing person	11,310	7,540 /v	8,010	5,110	1,080 /d,v
Population per hospital bed	1,980	1,200	1,720	1,620 /i,af	330
Per capita calorie supply as % of requirements /5	88 /l	103	82 /c	93	94 /d,w
Per capita protein supply, total (grams per day) /6	43 /l	49	43 /c	53	49 /d,w
Of which, animal and pulse	..	13 /w	14 /c	16 /x	20 /d,w
Death rate 1-4 years /7	..	..	..	..	6 /y
<b>EDUCATION</b>					
Adjusted /8 primary school enrollment ratio	56	94 /i	71	79 /z	89 /d
Adjusted /8 secondary school enrollment ratio	10	19 /i	12	28 /z	34 /d
Years of schooling provided, first and second level	11	11	12	12	13 /d
Vocational enrollment as % of sec. school enrollment	0.5	0.6 /i	28	6 /aa	3 /d
Adult literacy rate %	58 /h,ab,ah	70 /ah	56 /c,ad,ah	36 /a,c,ag,ah	89 /ah,ai
<b>HOUSING</b>					
Average No. of persons per room (urban)	..	..	..	2.6 /c	..
Percent of occupied units without piped water	..	..	..	..	..
Access to electricity (as % of total population)	..	..	..	..	..
Percent of rural population connected to electricity	..	..	..	..	..
<b>CONSUMPTION</b>					
Radio receivers per 1000 population	6	22 /a	114	23 /a	42 /a
Passenger cars per 1000 population	1 /ae	1 /a	2 /a	1 /a	26 /c,d
Electric power consumption (kwh p.c.)	15	27 /a	23 /a	108 /a	444 /a,d
Newspaper consumption p.c. kg per year	0.5	2.5 /a	0.2 /a	0.4 /a	3.0 /a,c

Notes: Figures refer either to the latest periods or to the latest years. Latest periods refer in principle to the years 1956-60 or 1966-70; the latest years in principle to 1960 and 1970.

/1 The Per Capita GNP estimate is at market prices for years other than 1960, calculated by the same conversion technique as the 1972 World Bank Atlas.

/2 Average number of daughters per woman of reproductive age.

/3 Population growth rates are for the decades ending in 1960 and 1970.

/4 Ratio of population under 15 and 65 and over to population of ages 15-64 for age dependency ratio and to labor force of ages 15-64 for economic dependency ratio.

/5 FAO reference standards represent physiological requirements for normal activity and health, taking

account of environmental temperature, body weights, and distribution by age and sex of national populations.

/6 Protein standards (requirements) for all countries as established by USDA Economic Research Service provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are somewhat lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.

/7 Some studies have suggested that crude death rates of children ages 1 through 4 may be used as a first approximation index of malnutrition.

/8 Percentage enrolled of corresponding population of school age as defined for each country.

/a 1972; /b 1965-70, UN estimate; /c 1971; /d West Malaysia; /e 1960-72; /f 1960-64; /g Municipalities, regional capitals and other places with urban characteristics; /h 1954; /i 1969; /j 15-59 age group; /k Sixty years and over; /l 1961; /m 1958; /n For the definition of urban, see UN Demographic Yearbook 1972, p. 154;

/o Ratio of population under 15 and 65 and over to labor force in 15-59 age group; /p 1955; /q 252 towns approximating the urban area of the union; /r Gazetted areas with population of 10,000 or more; /s 1971, AID estimate of labor force in age group 15-59. IERD report gives a figure of 180.4 mill. based on 1971 census. Difference due to changes in the definition of "worker". In 1971 census, persons were classified only on the basis of their main activity; this led to the exclusion of several categories such as housewives; /t Rangoon - urban households only; /u Number on register, not all working in country; /v Personnel in government services only; /w 1964-66; /x 1969-70; /y 1968;

/z Includes overage students; /aa 1965; /ab 16 years and over; /ac Population of 10 years and over based on one percent sample data of 1971; /ad 15 years and over; /ae 1962; /af Including rural hospitals; /ag Estimate;

/ah Definition unknown; /ai 1966; /aj 1967-68; /ak Households.

\* The selection of Malaysia as an objective country is based on its ability to combine a high rate of economic growth with an adequate level of welfare.

## COUNTRY DATA - BURMA

<u>AREA</u>	<u>POPULATION</u>	<u>DENSITY</u>
678.033 km <sup>2/</sup>	28.9 million (mid-1972)	43 per km <sup>2/</sup>
	Rate of Growth: 2.2% (from 1962 to 1973)	148 per km <sup>2/</sup> of arable land

POPULATION CHARACTERISTICS (1973)

Crude Birth Rate (per 1,000)	35.8
Crude Death Rate (per 1,000)	11.1
Infant Mortality (per 1,000 live births)	56.8

HEALTH (1973)

Population per physician	6757
Population per hospital bed	1383

INCOME DISTRIBUTION (year)

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

DISTRIBUTION OF CROPLAND OWNERSHIP (1971)

% owned by top 13% of owners	42%
% owned by smallest 36% of owners	8%

ACCESS TO PIPED WATER (year)

% of population - urban	..
- rural	..

ACCESS TO ELECTRICITY (year)

% of population - urban	..
- rural	..

NUTRITION (year)

Calorie intake as % of requirements	..
Per capita protein intake	..

EDUCATION (1973)

Adult literacy rate %	84%
Primary school enrollment %	..

GNP PER CAPITA in 1973<sup>1/</sup>: US \$85

GROSS NATIONAL PRODUCT IN 1972/73

	US \$ Mln.	%
GNP at Market Prices	2,458	100.0
Gross Domestic Investment	263	10.7
Gross Domestic Saving	227	9.2
Current Account Balance	-36	-1.5
Exports of Goods, NFS	154	6.3
Imports of Goods, NFS	191	7.8

ANNUAL RATE OF GROWTH (% constant prices)

	1962-68	1968-72	1972/73
GNP at Market Prices	2.7	3.6	1.0
Gross Domestic Investment	7.9	-3.0	-24.4
Gross Domestic Saving	5.7	1.0	-17.0
Current Account Balance	-	-	-
Exports of Goods, NFS	-21	15.6	-17.6
Imports of Goods, NFS	-11	3.4	-27.7

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1972/73

	Value Added		Labor Force <sup>2/</sup>		V. A. Per Worker	
	US \$ Mln.	%	Mln.	%	US \$	%
Agriculture <sup>3/</sup>	945.6	38.5	8.0	69.0	118.2	55.8
Industry <sup>4/</sup>	332.3	13.5	1.1	9.5	302.1	142.6
Services	1180.1	48.0	2.5	21.5	472.0	222.8
Unallocated	-	-	-	-	-	-
Total/Average	2458.0	100.0	11.6	100.0	211.9	100.0

GOVERNMENT FINANCE

	General Government			Union Government		
	(Kyats Mln.)	% of GDP		(Kyats Mln.)	% of GDP	
	1973	1973	1971-73	1973	1973	1971-73
Current Receipts <sup>5/</sup>	7213	61.0	66.2	1355	11.5	12.3
Current Expenditure <sup>6/</sup>	7149	60.5	64.4	1975	16.7	17.9
Current Surplus	64	0.5	1.8	-620	-5.2	-5.6
Capital Expenditures	843	7.1	8.5	352	1.9	2.1
External Assistance (net)	175	1.5	2.6	..	..	..

1/ The Per Capita GNP estimate is at 1970 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.

2/ Total labor force; unemployed are allocated to sector of their normal occupation. "Unallocated" consists mainly of unemployed workers seeking their first job.

3/ Including livestock, fishery and forestry.

4/ Including mining, power and construction.

5/ Includes cash receipts of the Public Boards and Corporations.

6/ Includes operational expenditures of the Public Boards and Corporations.

COUNTRY DATA - BURMA

<u>MONEY, CREDIT and PRICES</u>	<u>1965</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
		(Million Kyats outstanding end of September)			
Money and Quasi Money	1896	2486	2511	2906	3703
Bank Credit to Public Sector	2012	2616	3043	3676	4342
Bank Credit to Private Sector	114	537	557	668	1000
		(Percentages or Index Numbers)			
Money and Quasi Money as % of GDP	24.5	24.2	24.1	27.0	31.3
GDP Price Deflator (1969/70=100)	85.0	100.0	100.5	101.2	109.9
Annual percentage changes in:					
GDP Price Deflator	← 3.3 →		0.5	0.7	8.6
Bank credit to Public Sector	← 5.4 →		16.3	20.8	18.1
Bank credit to Private Sector	← 36.3 →		3.7	19.9	49.7

BALANCE OF PAYMENTS <sup>1/</sup>

<u>Ending September 30</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
	(Millions US \$)		
Exports of Goods, NFS	131.1	135.7	153.2
Imports of Goods, NFS	209.0	190.8	190.4
Resource Gap (deficit = -)			
	-77.9	-55.1	-37.2
Interest Payments (net)	-2.1	-8.8	-7.9
Workers' Remittances			
Other Factor Payments (net)			
Net Transfers	23.5	18.5	21.2
Balance on Current Account	-56.5	-45.4	-23.9
Direct Foreign Investment	-	-	-
Net MLT Borrowing			
Disbursements	38.7	45.8	63.6
Amortization	-15.3	-17.9	-25.4
Subtotal	23.4	27.9	38.2
Capital Grants	-	-	-
Other Capital (net)	5.0	29.2	7.9
Other items n.e.i	-4.6	-3.7	-0.2
Increase in Reserves (+)	-32.6	8.0	22.0
Gross Reserves (end calendar year)	66.5	52.4	100.5
Net Reserves (end calendar year)	13.4	-2.1	32.9

MERCHANDISE EXPORTS (AVERAGE 1970-73)

	<u>US \$ Mln</u>	<u>%</u>
Rice and Rice products	49.5	39.2
Pulses and Beans	10.5	8.3
Animal Feedstuff	10.0	7.9
Teak	30.0	23.8
Base metals	6.7	5.3
All other commodities	19.6	15.5
Total	126.3	100.0

EXTERNAL DEBT, SEPTEMBER 30, 1973

	<u>US \$ Mln</u>
Total Outstanding	417.4
Total outstanding & Disbursed	208.0
<u>DEBT SERVICE RATIO for 1973</u> <sup>2/</sup>	%
Total Outstanding and Disbursed	17.7

RATE OF EXCHANGE

<u>From December 1971 to February 1973</u>
US \$ 1.00 = 5.35 K
K 1.00 = US \$ 0.19
<u>From February 19, 1973 to January 23, 1975</u>
US \$ 1.00 = 4.81 K
K 1.00 = US \$ 0.21
<u>From January 24, 1975</u>
US \$ 1.00 = 6.24 K
K 1.00 = US \$ 0.16

IBRD/IDA LENDING, MARCH 31, 1975 (Million US \$):

	<u>IBRD</u>	<u>IDA</u>
Outstanding & Disbursed	4.5	4.3
Undisbursed	-	69.7
Outstanding incl. Undisbursed	4.5	74.0

- 1/ On a payments basis as distinct from the foreign trade data of page 1 which are the customs data.  
2/ Ratio of Debt Service to Exports of Goods and Non-Factor Services.

.. not available  
.. not applicable.

STATUS OF BANK/IDA OPERATIONS IN BURMA

A. Statement of Bank Loans and IDA Credits as of March 31, 1975

<u>Loan or Credit No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	US\$ Million		
				<u>Amount (less cancellations)</u>		
				<u>Bank</u>	<u>IDA</u>	<u>Undisbursed</u>
Three loans fully disbursed				33.1		
413	1973	Burma	Inland Water Transport	-	16.3	14.8
414	1973	Burma	Third Railways	-	16.7	13.9
483	1974	Burma	Lift Irrigation	-	17.0	17.0
493	1974	Burma	Forestry	-	24.0	24.0
Total				33.1	74.0	
of which has been repaid				28.6		
Total now outstanding				4.5		
Amounts sold				2.7		
of which has been repaid				2.7		
Total now held by Bank & IDA				4.5	74.0	
Total Undisbursed					69.7	69.7

B. Statement of IFC Investments

None

C. Projects in Execution <sup>1/</sup>

Cr. No. 413      Inland Water Transport Project, US\$16.3 Million Credit  
of July 2, 1973; Closing Date: June 30, 1977

Procurement was slow at the beginning because the Inland Water Transport Corporation's management was not familiar with IDA procedures. However, procurement has picked up in recent months. \$4.8 million was committed by end of March 1975.

Cr. No. 414      Third Railways Project; US\$16.7 Million Credit  
of July 2, 1973; Closing Date: December 31, 1976

Despite some problems, such as thefts of spare parts, which is adversely affecting the Railways' operations, procurement and implementation of the project are proceeding at a reasonable speed. The total commitment made as of March 1975 was \$12.9 million.

Cr. No. 483      Lift Irrigation Project, US\$17.0 Million Credit  
of June 21, 1974; Closing Date: December 31, 1978

This Credit became effective in August 1974. The project has made a very good start. Within three months of the signing of the Credit Agreement, the Project Committee was established and functioning effectively; procurement actions were initiated for \$11.5 million of equipment and spare parts. The contract for procurement of 10,000 pumps was awarded in January 1975.

Cr. No. 493      Forestry Project; US\$24.0 Million Credit  
of July 10, 1974; Closing Date: March 31, 1981

This project became effective in February 1975. The four specialists appointed to assist in project implementation assumed their posts in March. Specifications for the first lot of equipment procurement are now being prepared by the Project Unit with the assistance of the specialists and bid invitations are expected to be issued in May. Four shortlisted firms have been invited to submit proposals for the forestry based industry feasibility studies. Proposals are expected to be received in June.

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<sup>1/</sup> These notes are designed to inform the Executive Director regarding the progress of projects in execution and in particular to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

BURMA - TELECOMMUNICATIONS PROJECT

- Borrower: The Socialist Republic of the Union of Burma.
- Beneficiary: The Posts and Telecommunications Corporation (P&T).
- Amount: US\$21.0 million equivalent.
- Terms: Standard.
- Relending Terms: The Government would relend the entire proceeds to the P&T at 8-1/2% per annum for 24 years, including, a four year grace period.
- Project Description: The project is designed to rehabilitate and expand the telecommunications system in Burma including:
- (a) Installation of 17,000 line units of local automatic exchange equipment;
  - (b) Installation of cable and associated distribution network equipment for 12,000 new direct exchange lines; and for upgrading 3,400 existing lines connected to manual exchanges which are to be converted to automatic;
  - (c) Provision of subscriber apparatus including 22,750 automatic telephone instruments;
  - (d) Installation of trunk transmission facilities, including microwave systems interconnecting the major centers;
  - (e) Installation of automatic switching centers for Rangoon and Mandalay which will provide subscriber trunk dialing to all centers having automatic service;
  - (f) Installation of 120 telex and gentex exchange lines and 80 telex and gentex subscriber units; and
  - (g) Construction vehicles and assorted machines.

Estimated Costs:

	US\$ million		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
<u>Local Telephone Facilities</u>			
Exchange equipment	0.91	3.85	4.76
Distribution networks	1.65	2.40	4.05
Subscriber apparatus	0.08	0.40	0.48
<u>Trunk Line Facilities</u>			
Switching	0.25	1.93	2.18
Trunk routes	1.55	7.40	8.95
<u>Telegraph &amp; Telex</u>			
Switching	0.04	0.22	0.26
Teleprinters	0.04	0.27	0.31
<u>Buildings</u>	3.38	-	3.38
<u>Vehicles, Construction</u> )	<u>0.46</u>	<u>0.26</u>	<u>0.72</u>
<u>Machines &amp; Misc. Equipment</u> )			
Subtotal	8.36	16.73	25.09
<u>Contingencies</u>			
Price	1.50	4.03	5.53
Physical	<u>0.06</u>	<u>0.21</u>	<u>0.27</u>
PROJECT TOTAL	<u>9.9</u>	<u>21.0</u>	<u>30.9</u>

Financing Plan:

	US\$ million		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
IDA Credit	-	21.0	21.0
P&T Sources (Internal Generation)	6.7	-	6.7
Local Borrowing (People's Bank)	<u>3.2</u>	-	<u>3.2</u>
	<u>9.9</u>	<u>21.0</u>	<u>30.9</u>

Estimated Disbursements:

<u>IDA Fiscal Year</u>	<u>US\$ '000</u>
1976	27
1977	5,295
1978	12,085
1979	3,193
1980	400

Procurement  
Arrangement:

All procurement under the project would be by international competitive bidding with the exception of some switching equipment to be added to the existing exchange unit and accessories to the existing cable network costing about US\$380,000.

Rate of Return:

The internal rate of return is estimated at 22%.

Appraisal Report:

No. 671-BA, Dated April 29, 1975.

