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McNamara papers

Contacts  
Bangladesh (1972 - 1973)

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**1770952**

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Contacts with member countries: Bangladesh - Correspondence 01



BANGLADESH



BANGLADESH

- ✓ 1. 1/31/72 Mr. McNamara's Impressions on Visit to Bangladesh  
(Dacca) *Filed in Mr. McNamara's office*
- ✓ 2. " Prime Minister Sheikh Mujibur Rahman  
Tajuddin Ahmed, Minister of Finance and Planning
- " " Tajuddin Ahmed, Minister of Finance and Planning  
A.N. Hamidullah, Governor, Bangladesh Bank  
Prof. Nurul Islam, Deputy Chairman, Planning Commission
- " " Lunch  
Toni Hagan, Acting Chief, United Nations Relief Organization, Dacca (UNROD)  
Walter Fulcheri, Deputy Chief, UNROD  
Pierre Sales, UNROD New York Office
- " Prof. Nurul Islam, Deputy Chairman, Planning Commission  
Prof. Rahman Sobhan, Economics Department, Dacca University;  
Economic Adviser to the Prime Minister
- " Muhammad Matiul Islam, Secretary, Ministry of Finance
- " Abdur Rab Chaudhury, Coordinator, External Assistance for Relief  
and Rehabilitation
3. 3/31/72 Enayet Karim, Bangladesh Mission to the U.S.
4. 9/29/72 Tajuddin Ahmed, Minister for Finance and Planning  
Dr. Nurul Islam, Deputy Chairman, Planning Commission  
Matiul Islam, Secretary, Ministry of Finance  
A.N. Hamidullah, Governor, Bangladesh Bank  
A.M.A. Muhith, Economic Minister, Bangladesh Embassy
- 10/2/72 Nurul Islam, Deputy Chairman, Planning Commission
- 2/23/73 Hussain Ali, Ambassador to the U.S.
5. 7/16/73 Obaidullah Kha, Secretary for Rural Development  
Mokammel Haque, Director General, Integrated Rural Development Program
6. 7/31/73 Tajuddin Ahmed, Minister of Finance  
Mr. Chaudhury, Private Secretary to the Minister
7. 8/30/73 Nurul Islam, Deputy Chairman, Planning Commission
8. 9/24/73 Tajuddin Ahmad, Minister for Finance and Planning  
(Nairobi) Nurul Islam, Deputy Chairman, Planning Commission
- 1/18/74 Dr. Akhtar Hameed Khan, Comilla Projects
9. 6/11/74 Tajuddin Ahmed, Finance Minister  
H. E. M. Hossain Ali, Ambassador of Bangladesh  
Mr. M. M. Islam, Alternate ED  
Mr. Nurul Islam, First Secretary, Embassy of Bangladesh  
Mr. A. M. A. Muhith, Minister, Embassy of Bangladesh  
Mr. A. S. Chaudhury, Secretary to the Finance Minister



10. 7/10/74 A.K.M. Ahsan, Planning Commission  
Ambassador Hussain Ali
11. 10/1/74 Prime Minister Mujibur Rahman  
Tajuddin Ahmad, Minister of Finance  
M. Hussain Ali, Ambassador to the U.S.  
Nurul Islam, Deputy Chairman, Planning Commission  
A. Muhith, Economic Minister, Bangladesh Embassy
12. 9/1/75 Dr. Azizur Rahman Mallick, Minister of Finance  
Muhammad Syeduzzaman, Secretary of the Planning Commission  
Anwarul Karim, Economic Minister, Embassy of Bangladesh  
A. M. Nurul Islam, First Secretary, Embassy of Bangladesh
13. 10/9/75 Mustafizur Rahman Siddiqi, Ambassador  
S. R. Karim, Minister
14. 1/13/76 Kafialuddin Mahmood, Secretary of the Ministry of Finance  
Mustafizur Rahman Siddiqi, Ambassador
15. 2/27/76 B. M. Abbas, Advisor to the President for Flood Control,  
Irrigation and Power  
Ambassador Siddiqi
16. 7/13/76 RADM Mosharrof Hossain Khan, Minister of Flood Control, Water  
Resources and Power (and Chief of Navy Staff and Deputy Martial  
Law Administrator)  
Ambassador Siddiqi
- 10/28/76 Ambassador Mustafizur Rahman Siddiqi
17. 11/3- President: Justice Abusadat Mohammed Sayem  
11/6 1976 Planning Commission  
(Dacca) Dr. M. N. Huda, Advisor in charge of Planning and Commerce Ministries  
Shafiul Azam, Deputy Chairman, Planning Commission  
S. A. Khair, Agriculture, Planning Commission  
K. Mahmood, Secy, External Resources Division, Planning Ministry  
M. Syeduzzaman, Secretary, Finance Ministry  
K. Choudhury, Secretary, Planning Commission
- Health and Population  
Dr. M. Ibrahim, Advisor in charge of Family Planning  
Col. M. M. Haque, Advisor in charge of Health  
Dr. A. Faruque, Planning Cmsm Member for Health & Family Planning  
Dr. M. A. Sattar, Secy, Population Control and Family Planning Division  
Dr. K. A. Khaleque, Secretary, Health Division
- Kazi Anwarul Huq, Advisor in charge of Jute Ministry



17. 11/3-  
11/6, 1976  
(Dacca)
- Agriculture, Food and Rural Development  
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
- Water Resources and Flood Control  
Rear Admiral M. H. Khan, Advisor in charge of 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
- Major General Ziaur Rahman, Advisor in charge of Ministries of  
Finance and Home Affairs
- Ahmadul Kabir  
A. K. M. Musa
- Tobarak Hosain, Secretary, Foreign Affairs  
Dr. Abbas, Special Advisor to Admiral Khan
18. 11/5/76  
(Dacca)
- 2/10/77
- 3/10/77
19. 3/29/77
20. 9/28/77  
(Annual  
Meeting)
21. 10/11/77
22. 1/16/78
23. 7/25/78
- RMcN Note - General Ziaur
- Nurul Islam
- Jowshan Ara Rahman, Assistant Director of Population Activities,  
National Mothers Club, Dacca
- Mohamed Saifur Rahman, President's Council of Advisers (Commerce)
- Dr. M. N. Huda, Member, President's Advisory Council in Charge  
of Ministry of Planning, and Governor, IBRD  
Mr. S. A. Khair, Secretary, Ministry of Finance, and Governor, IMF  
Mr. A.M.A. Muhith, Secretary, External Resources Division,  
Ministry of Planning, and Alternate Governor, IBRD  
Mr. M. Syeduzzaman, Alternate Director, IBRD  
Mr. S. R. Karim, Economic Minister, Embassy of Bangladesh  
Mr. A. M. Nurul Islam, First Secretary, Embassy of Bangladesh
- Tobarak Hossain - Director of the Center for New International  
Economic Order
- Dr. M. N. Huda, Council of Advisors to the President in charge  
of the Ministries of Planning and Commerce  
Ambassador Siddiqui, Ambassador to the U.S.  
Mr. Muhith, Secretary, External Resources Division  
Mr. Karim, Economic Counselor, Bangladesh Embassy  
Mr. Syeduzzaman, Alternate ED
- Ambassador Siddiqi (farewell call)  
Mr. Dunn

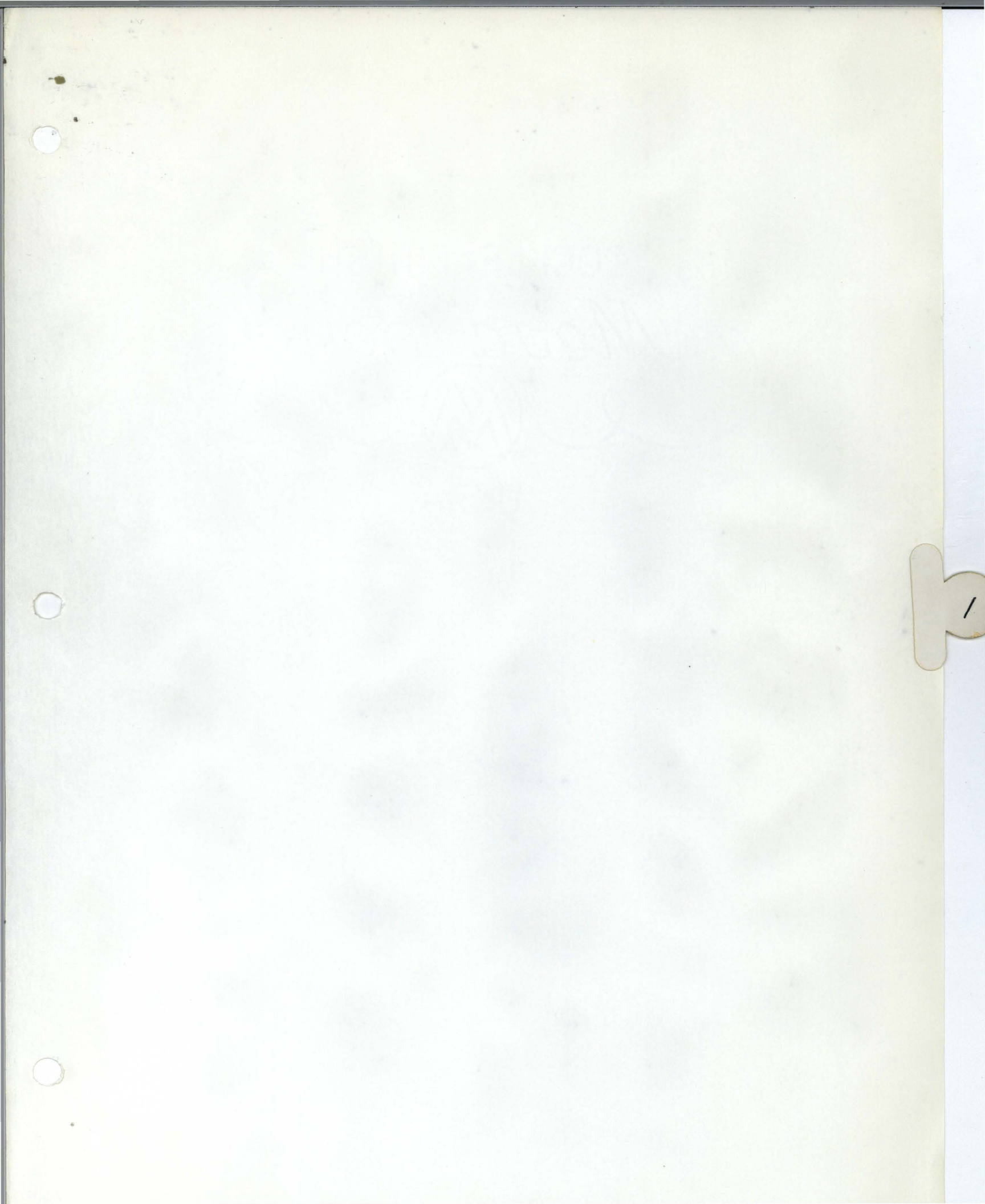


24. 11/15/78 Ambassador Husain
25. 9/27/78 Dr. M. N. Huda, Minister of Planning  
Annual Meeting  
Amb. Husain  
Messrs. Khair, Muhith, Syeduzzaman, Rahman
26. 11/15/78 Tabarak Husain, Ambassador to the U.S.
27. 6/12/79 A.M.A.Muhith, Sec, External Resources Div.  
Ministry of Finance  
Mr.Syeduzzaman
28. 9/4/79 Fasihuddin Mahtab, Minister of Planning
29. 10/2/79 Attuaddin Khan, Minister of State for Finance and  
Annual Meeting  
Governor for the Bank  
Messrs. Muhith, Razzaque, Syeduzzaman  
Amb. in Belgrade
30. 1/7/80 Tabarak Husain, Ambassador to the U.S.  
Mustafizur Rahman, Minister of the Embassy
31. 3/25/80 Minister of Commerce Mohammad Saifur Rahman  
Ambassador Husain  
Abidur Rahman, Economic Minister, Embassy
32. 4/17-18/80 Ziaur Rahman, President of the Bangladesh  
Bangladesh Dr. F. Mahtab, Minister of Planning  
Mr. A. M. A. Muhith, Secretary, ERD
- 4/19/80 Jamaluddin Ahmed, Deputy Prime Minister (Industries)  
Matiul Islam, Secretary, Ministry of Industries  
Dr. Ghani, Minister of State for Science and Technology  
Mr. Muhith, Secretary of ERD
- 4/18/90 Professor M. A. Matin, Minister of Health & Population Control  
Dr. Fazlul Karim, Minister of State w/o Portfolio  
Mrs. Kamrun Nahar Jafar, Deputy Minister  
Mr. A. M. Hyder Hussain, Secretary, PCFPD  
Professor M. A. Haleem, Secretary, Health & Pop. Control  
Mr. A.M.A. Muhith, Secretary, ERD
- Fasihuddin Mahtab, Minister for Planning  
Dr. Farouk, Member, Planning Commission  
Mafizur Rahman, Member Planning Commission  
Dr. S. K. K. Eusufzai, Member, Planning Commission  
Mr. S. M. Al-Hussainy, Member, Planning Commission  
A. M. A. Muhith, Secretary, External Resources Division  
A. Z. M. Obaidullah Khan, Secretary, Ministry of Agriculture  
A. M. Hyder Hussain, Secretary, Population Control & Family  
Planning Division  
Mahfuzul Huq, Division Chief, Planning Commission  
Dr. Shahadatullah, Division Chief, Planning Commission



32. (Con't)
- Dr. M. N. Huda, Minister for Finance  
Mr. Atauddin Khan, State Minister for Finance  
Mr. G. Kibria, Finance Secretary  
Mr. Nurul Islam, Governor, Bangladesh Bank  
Mr. A.M.A. Muhith, Secretary, External Resources Division  
Mr. A. K. Azizul Haque, Secretary, External Resources Division  
Mr. Ataul Karim, Foreign Secretary, Ministry for Finance  
Mr. Shafiul Alam, Secretary, ERD  
Mr. Mafizur Rahman, Member, Planning Commission  
Dr. A. Farouk, Member, Planning Commission  
Mr. M. L. Majid, Joint Secretary, ERD  
Mr. Syeduzzaman, Alternate ED, IBRD
- Mr. S. A. Khair, Secretary of Power, Water Resources and Flood Control  
Mr. Saifur Rahman, Minister of Commerce  
Lt. Col. Akbar Hossain, Minister of Petroleum  
Mr. Abdur Rahman Biswas, Minister of Jute
- Nurul Islam, Minister of Agriculture  
Abdul Halim Chowdhury, Minister of Local Government, Rural  
Development & Cooperatives  
Kazi Anwarul Haque, Minister of Power, Flood Control and  
Water Resources  
M. A. Samad, Chairman, Bangladesh Agri. Development Corp.  
M. A. Sattar, Dir-Gen, Integrated Rural Development Program  
Mustafizur Rahman, Chairman, Bangladesh Water Development Board
33. 4/17-19/80 RMcN Notes  
(Bangladesh)
- 5/28/80 H. E. Tabarak Husain, Ambassador to the U. S.
34. 10/2/80 Mr. Saifur Rahman, Minister of Finance  
Annual Meeting Amb. Husain  
Messrs. Kibria, Muhith  
Mr. Syeduz-Zaman, Alt. E.D.
- 4/10/81 Amb. Tabarak Husain  
(condolence call)
35. 6/15/81 Mr. A.M.A.Muhith, Sec. External Resources Div.





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## OFFICE MEMORANDUM

TO: Files

DATE: February 8, 1972

FROM: Michael H. Wiehen *MHW*SUBJECT: Mr. McNamara's Visit to Dacca

1. At the invitation of the Government of Bangladesh, Mr. McNamara visited Dacca on January 31, 1972.
2. Accompanied by Mr. Cargill, Mr. McNamara first called on the Prime Minister, Sheikh Mujibur Rahman; Mr. Tajuddin Ahmed, Minister of Finance and Planning, was also present. Mr. McNamara said he had been very pleased to accept the Prime Minister's invitation because the Secretary-General of the United Nations had asked the Bank to assist the United Nations in assessing the emergency requirements of Bangladesh, and this visit provided an opportunity to discuss the Bank's participation in this task. Mr. McNamara then explained that pending Bangladesh membership in the Bank Group, our assistance would have to be limited to technical assistance; and that, in order to allow early resumption of lending, preparations for membership in the IMF and the Bank Group should be started without delay. The Prime Minister warmly welcomed Mr. McNamara's visit and said he would be grateful for any assistance the Bank Group would be able to render to his country in these difficult times.
3. Subsequently, Mr. McNamara met with Mr. Tajuddin Ahmed, Mr. A.N. Hamidullah, Governor of the Bangladesh Bank, and Prof. Nurul Islam, Deputy Chairman of the Planning Commission; also present were Messrs. Cargill, William Clark, Blobel, Kuriyama and Wiehen. At this meeting, Mr. Tajuddin Ahmed referred to the 10 million refugees and 20 million other destitute people in Bangladesh, and listed as the country's most urgent requirements: food, agricultural inputs and implements, house building materials, raw materials to restart the industries, and materials and equipment to restore the communications system. Mr. Hamidullah added that Bangladesh had large stocks of exportable goods (mostly raw jute and jute manufactures) but that it would take some time before exports would really move and foreign exchange receipts would start. Reference was made to the role of the United Nations in providing emergency relief. Mr. McNamara suggested -- and this was fully agreed -- that the widest possible definition of "emergency relief" be used so that the United Nations could help in providing such goods as fertilizers, seeds, boats, bridge girders, and other materials and equipment needed to restore the communications system.
4. Mr. McNamara again raised the issue of Bangladesh membership in the IMF and Bank Group; he said he would, upon his return to Washington, discuss with Mr. Schweitzer the possibility of sending an IMF representative to Dacca at an early date, so that the membership process could be started promptly and delays at a later stage be minimized. This was much appreciated.

President has seen



February 8, 1972

5. During lunch at Mr. Kuriyama's house, Mr. McNamara was briefed by Mr. Toni Hagen, Acting UNROD Chief, Walter Fulcheri, Deputy UNROD Chief, and Pierre Sales, New York UNROD Office. The UNROD officials spoke of the high level United Nations mission which was to visit Bangladesh soon, and in which they hoped the Bank would participate; they also said they would like the Bank to make available to them some technical experts (e.g., on movement control and agricultural economics). At the request of Mr. McNamara, Mr. Sales undertook to prepare detailed terms of reference for the proposed high level mission and for each expert which UNROD would like the Bank to provide. Mr. Sales was planning to return to New York about February 7.

cc: Messrs. McNamara ✓  
Cargill  
Melmoth  
Shibusawa  
Kuriyama  
Ljungh

MHWiehen/lgl





## OFFICE MEMORANDUM

TO: For the Record

DATE: April 1, 1972

FROM: I.P.M. Cargill *Lau*SUBJECT: Visit of Mr. Enayet Karim, Bangladesh Mission

4/3  
Mr. Karim called on Mr. McNamara on March 31. He said that the call was being made as a matter of courtesy. In the subsequent conversation, he raised two points. First, he asked that Mr. McNamara should do whatever he could to expedite the processing of the application from Bangladesh for membership of the Fund and Bank. He sighted the conversations that Mr. McNamara had had on this point in Dacca in January. Second, he expressed the view that the Bank should even now start giving Bangladesh assistance in planning so that when the membership formalities have been completed, as little time as possible would be lost in implementing appropriate policies and plans.

Mr. McNamara replied that he would certainly do whatever he could to speed up the processing of the membership applications. With regard to assistance in planning, Mr. McNamara said that the first priority was to consider the recommendations of the recent U.N. Mission which had been manned chiefly by Bank staff and which would deal with the immediate problems of reconstruction. In the long term, the Bank would be ready to give such help as it could but given the present situation in Bangladesh, long term planning did not and should not preoccupy the minds of the authorities there for the time being.

President has seen



## OFFICE MEMORANDUM

TO: Mr. Anders Ljungh

DATE: March 30, 1972

FROM: Michael H. Wiehen *MHW*SUBJECT: Visit of Mr. Enayet Karim, Bangladesh Mission

- 3/31
1. Mr. Karim is scheduled to call on Mr. McNamara tomorrow, Friday March 31 at 5:00 p.m. A note with some biographical data is attached.
  2. I understand that the purpose of Mr. Karim's visit is primarily a courtesy call. He will, however, enquire of Mr. McNamara about the prospects for the membership of Bangladesh in the Bank and IDA.
  3. The members of the United Nations team to Bangladesh which the Bank had provided are all back in Washington, and drafting their reports. I am planning to send drafts of these reports to you around mid-day Monday for the information of Mr. McNamara before his departure for Europe. If Mr. McNamara wishes to have an oral briefing by some of the Bank staff members on this mission, this could perhaps be arranged on Wednesday.
  4. On the subject of interim financing by Sweden for IDA projects in Bangladesh, we are still holding discussions with Mr. Curt Lidgard, Commercial Counsellor of the Embassy of Sweden in Washington. It now appears that Sweden will make a credit to Bangladesh in an amount equivalent to \$11 million, of which about \$750,000 would be used for consultants' services in the period January 1, 1972 through September 30, 1972, the balance for some urgently required contractors' services and supplies. This credit will be made in the expectation that it will be refunded from the proceeds of fresh IDA credits for these projects after Bangladesh has become a member of the Association. Drafts of an agreement between Sweden and Bangladesh, a letter agreement between Sweden and the Association, and of a memorandum from the President to the Executive Directors on this subject are in preparation. The Swedish Government is expected to take a decision on this credit on April 7, and a representative of SIDA is scheduled to arrive in Dacca to negotiate the credit on April 10.

Attachment

MHWiehen/lgl

President has seen



MR. ENAYET KARIM  
HEAD OF BANGLADESH MISSION TO THE U.S.

BIOGRAPHICAL DATA

Mr. Karim was born on August 31, 1937 in Dacca, and lives in Washington with his wife and two daughters.

Education

Mr. Karim received all his formal education from Dacca University, which awarded him a degree of Bachelor of Arts in 1948 and Master of Arts in economics in 1949. Upon graduation, the university offered him a position on its faculty and he taught economics from 1950 through January 1952, when he went to the London School of Economics and read advanced economics for one year.

Career

Mr. Enayet Karim was initiated into the civil service in December 1952 when he joined the Pakistan foreign service. As a Third Secretary he served with Pakistan's High Commission in England from 1955 to 1957 and with the same office in Calcutta from 1957 to 1960. As a Second Secretary he was with Pakistan's High Commission in Tehran, from 1960 to 1963, when he was appointed Consul to Burma. He was a Counsellor to the High Commission in New Delhi from 1964 to 1967 when he returned to the Ministry of Foreign Affairs in Islamabad as Director of the unit in charge of Pakistan's affairs with India. He held this position until 1970 when he was appointed Minister of Political Affairs and Deputy Chief of Mission of the Pakistan Embassy in Washington, D. C., U.S.A. He remained with the Embassy until August 4, 1971 when, with other Bengalis in the Embassy, he defected to serve the cause of Bangladesh. He was an active participant in representing and defending the interest of Bangladesh in the U.S. from August 1971 and was the Deputy Chief (to Mr. Siddiqui) of the Bangladesh Mission in Washington. On January 15, 1972 Mr. Siddiqui returned to Bangladesh and Mr. Karim succeeded him. Having been a career diplomat all his life, Mr. Karim's political philosophy is not much publicized. It is, however, believed by many people that he is not extreme in his thinking.

South Asia Department  
N. Olu. Amusa-Shonubi:kj  
March 30, 1972



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: March 31, 1972

FROM: I.P.M. Cargill

SUBJECT: Bangladesh Membership

3/31  
Karim the local Bangladesh Representative is coming to see you at 5 p.m. today. Wiehen sent you a note about him.

Broches brought you up to date on the question of Bangladesh membership in the Fund and Bank last week. Since then the Fund staff who were with the U.N. Mission in Dacca have returned. They believe that a settlement of a quota for Bangladesh should not present many problems and say they have an agreement that as soon as an invitation is issued a high-level representative of Bangladesh will come to Washington for negotiations about the quota. Up to now Schweitzer has not established the committee of Executive Directors to handle this matter, and until he does no quotas can be made. At the Fund staff meeting yesterday Southard told Schweitzer that he would be in an awkward position if he had not taken this step before the ACC Meeting. I think it would be useful if you would call Schweitzer and urge him to get on with it.

President has seen



## OFFICE MEMORANDUM

CONFIDENTIAL

TO: Memorandum for Record

DATE: July 13, 1972

FROM: I.P.M. Cargill

*Subaru***DECLASSIFIED****SEP 19 2012****WBG ARCHIVES**SUBJECT: Bangladesh - Mr. McNamara's Meeting with Sir Robert Jackson

Jackson came down to the Bank on March 23 to talk with me and Mr. McNamara about the problems of Bangladesh. He had been appointed 8 days earlier as the Head of the Bangladesh Relief Program at U.N. Headquarters in New York, replacing Paul-Marc Henri who had taken over as the Head of the OECD Development Center.

Jackson said that he was looking very much to the Fund and the Bank for support. The most immediate need in Bangladesh was to provide relief in the form of food, medical supplies etc but the work of reconstruction could not be delayed and it was easy to see that reconstruction of physical facilities damaged during the war would merge quickly into long term development investment. He felt for this reason that the Bank should be very closely associated with the U.N. and indeed have a relationship which would be similar to the relationship which the Bank had with UNDP when it acted as executing agent.

Mr. McNamara indicated, as I had previously, that the Bank would readily accept this responsibility and would wait to hear further from the U.N. Sir Robert Jackson spent some time giving his estimates of the needs of Bangladesh and it was agreed that I should be in touch with him the following week to discuss in more detail what role the Bank would play in support of the U.N.

IPMCargill:bg

**President has seen**



4-



## OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: October 10, 1972

FROM: Michael H. Wiehen *MHW*SUBJECT: Annual Meetings 1972 -- Meeting of  
Bangladesh Delegation with Mr. McNamara

1. On Thursday, September 28, at 1430 hours, the Bangladesh delegation to the 1972 Annual Meetings, comprising:

Mr. Tajuddin Ahmed, Minister for Finance and Planning;  
Dr. Nurul Islam, Deputy Chairman, Planning Commission;  
Mr. Matiul Islam, Secretary, Ministry of Finance;  
Mr. Hamidullah, Governor, Bangladesh Bank; and  
Mr. A.M.A. Muhith, Economic Minister, Bangladesh Embassy,

called on Mr. McNamara at the Sheraton Park Hotel. Also present at the meeting were Messrs. Knapp, Cargill, Diamond, Votaw, Faaland, Ljungh and Wiehen.

2. After welcoming the members of the delegation, Mr. McNamara opened the meeting by referring to his brief encounter with the Minister in the Fort of New Delhi on India's Republic Day and to his Dacca visit last January, and he asked the Minister what had happened since then. The Minister replied that Bangladesh had many problems and that the situation was serious, but that his people had made enormous sacrifices, and therefore, if compared with post-war situations in other countries, Bangladesh had indeed made good progress. He expressed his gratitude to Mr. McNamara for suggesting, last January, that Bangladesh apply for membership in the Bank Group at an early date, and he said he was happy now that they had followed this advice. Mr. McNamara said that he too was happy that Bangladesh now was a member; he added that the first two of 10 reactivated credits would be considered by the Executive Directors on October 3, and the others, plus a reconstruction imports program credit, in the next few weeks. He stressed the need for preparing, as quickly as possible, a pipeline of projects which the Bank Group could help finance. The Minister replied that he was quite heartened by the Bank's early action on the projects to be reactivated, and he agreed with Mr. McNamara that it was important to identify soon a program for assistance.

3. The Minister then continued with his description of the present situation. He said there were many problems, and priorities had to be established. The task of supplying sufficient food to the population was given highest priority. Despite enormous efforts by all those who helped in this effort, there was still a sizeable gap between total foodgrain requirements until June 30, 1973 and the supplies now in the pipeline. The gap is estimated at between 600,000 and 800,000 tons. The Minister added

President has seen



October 10, 1972

that early that same day he had asked Mr. Hannah (US AID) to supply an additional 300,000 tons. The Minister and Mr. McNamara agreed that some buffer stocks had to be built up quickly.

4. Mr. McNamara expressed concern about the still rising price level for foodgrains. The Minister said the price increases were understandable in the situation, but that the Government was making every effort to stabilize and then reduce prices. Mr. Cargill enquired whether the smuggling of grains to India was indeed sizeable enough -- as had been reported -- to contribute substantially to the price rises. Dr. Nurul Islam acknowledged that a lot of smuggling was going on, but said that this was caused not so much by the higher prices in India, but by the desire to obtain Indian rupees to purchase other consumer items which are scarce in Bangladesh.

5. The Minister then spoke briefly about the transport situation. He said the country's system pre-1971 had already been old and ill-suited to the needs, and it was in worse shape now. However, most of the links had been successfully restored; the two major gaps now were the Hardinge bridge (which is expected to be opened for single track traffic in early October) and the King George VI bridge (which would require another year for repair).

6. In reply to a question of Mr. McNamara, the Minister spoke briefly about the prospects for foreign exchange earnings from the exports of jute and jute goods. He said that, while the quantity of exports was somewhat lower this year than pre-1971, the earnings were expected to be about the same because of higher world prices. He added that drought conditions which existed at a critical moment of the new jute crop earlier this year would result in lower production of jute during the coming harvest.

7. Mr. McNamara enquired how much progress had been made in the drafting of a new Constitution. The Minister replied that a draft was ready but consideration of it had been delayed due to the illness of the Prime Minister. He said the National Assembly was scheduled to meet from October 12, the Constitution could become effective in November, and elections could be held in February or March of next year.

8. Mr. Knapp referred to the new opportunities of economic cooperation with India. He expressed satisfaction about the steps already taken with the establishment of a joint river and flood control commission, and enquired whether similar progress had been achieved in the transport sector. The Minister replied in the negative. Mr. McNamara said that while in the past the development of agriculture and water resources had to be undertaken independently, the new situation allowed an integrated approach which no doubt would be much more efficient. He added that whenever the Government of Bangladesh felt that the Bank could assist in working out such a coordinated approach, we would be happy to discuss the subject fully. The Minister thanked Mr. McNamara for this welcome indication of interest, and said that his Government was at the moment



October 10, 1972

studying all available data; he agreed that the task was of an enormous magnitude and that a prompt start was essential.

9. In relation to the subject of aid, the Minister said that the planning effort was moving ahead quite well; while this year's plan was emphasizing reconstruction, from next year on normal development would be given highest attention. He added that while Bangladesh with its large population was a resourceful country, aid in large amounts would be required, this year about \$400 million, and next year more than \$500 million.

10. The Minister referred to his earlier discussions with Mr. Cargill on the question of a consortium for Bangladesh. He said that the formation of an aid group probably had two sides, and that his country had little experience in the matter. However, he had requested Mr. Cargill to explore the possibility of convening a first aid group meeting in Dacca so that all participants could see for themselves the magnitude of the development problems, which he hoped would induce them to increase the levels of aid.

11. Mr. McNamara said that the earlier an aid group meeting could be held, the better, and he promised the Bank's full support in making the necessary arrangements. He added that irrespective of who would be chairman of the group, the Bank would be prepared to do the staff work. In answer to a question of Mr. McNamara, Mr. Cargill said he thought a first meeting could be held in December or January; Dr. Nurul Islam said a meeting in January probably would be more useful. Mr. Cargill added that a date in January would also give more time for somebody to visit the capitals of prospective member countries for preparatory discussions to assure that the right kind of aid would be available. Mr. McNamara expressed the hope that the Asian Development Bank would play an important role in stimulating bilateral members toward a generous aid effort, and he noted with satisfaction that Bangladesh expected to be a member of the Asian Development Bank in about one month.

12. Finally, the Minister said he thought it would be appropriate for IDA to lend about \$100 million to Bangladesh next year -- in view of the very special situation, considering the post-war reconstruction requirements on top of the extreme poverty of the country. Mr. McNamara said he fully understood the very special problems of Bangladesh but referred to the \$1 billion total available next year, and said lending 10 percent of the total to Bangladesh would be quite impossible. He said there were very strong competing demands, and since other regions already were getting only a small portion of IDA funds, any special increase for Bangladesh would have to come out of the shares of India and Indonesia. He concluded by saying that the Bank Group would do all



October 10, 1972

it possibly could to help Bangladesh, for example by encouraging bilateral lenders to increase their contributions to Bangladesh, but the total IDA funds available were insufficient, and therefore Bangladesh would have to make do with less than \$100 million from IDA next year.

13. The meeting closed at 1505 hours.

cc: Mr. McNamara's office (2)  
Mr. Knapp  
Mr. Cargill  
Mr. Diamond  
Mr. Weiner  
Mr. Melmoth  
Mr. Faaland  
Mr. Kavalsky  
Messrs. Sella/Goldberg  
Mr. Picciotto  
Mr. van der Meer



5



## OFFICE MEMORANDUM

TO: Files

DATE: July 18, 1973

FROM: Basil G. Kavalsky *BGK*

SUBJECT: Mr. McNamara's meeting with Messrs. Obaidullah Khan (Secretary for Rural Development, Government of Bangladesh) and Mokammel Haque (Director, Integrated Rural Development Program, Government of Bangladesh) at 6 p.m. on Monday, July 16th

2/25  
1. Mr. Khan began by reviewing the key elements of the rural development program in Bangladesh. The program combined intensive farmer training with the provision of cooperative credit and the creation of infrastructure through a works program which also provided seasonal employment. Mr. McNamara was especially interested in the credit aspects of the program and mentioned that in other places the cost of supplying short-term credit was as high as 30 percent. Mr. Khan said that in Bangladesh the charge was 15 percent for the cooperatives falling under the program and that although this fell short of being the full cost of the credit operation, his Ministry was under pressure to reduce the interest rate as it was far and away the highest for any public sector institution in Bangladesh. Mr. Haque added that the rate of recovery had been about 92 percent before March 1971, but had fallen to 60-70 percent by the end of 1972. There was some effort however on the part of the politicians to encourage repayment, and the rate was beginning to rise again.

2. Mr. McNamara asked about the progress with the preparation of the IDA project for rural development in Bangladesh. Mr. Khan indicated that there was an area still unsettled relating to whether the Bank should proceed initially with a concentrated project in selected thanas (the lowest administrative unit in Bangladesh with roughly 200,000 people), or instead support one or two broader programs such as training and rural works. Both approaches were needed and it was largely a matter of how quickly the Bank could proceed with either approach. Mr. McNamara emphasized that he hoped that the Bank would be able to move rapidly towards supporting the program in Bangladesh, not only in terms of helping to finance the program, but also in the expectation that the Bank, which was in a very early stage of its attempts to deal with rural poverty, could learn a great deal from the country's experience.

3. The meeting focussed finally on the problem of helping the poorest groups of farmers. Mr. Khan pointed out the difficulties and political constraints of doing this. He referred to his experience in China and how he had been impressed with the pragmatism of the Chinese. Both he and Mr. McNamara expressed doubts about the compatibility of the Chinese commune with the political and social systems in the sub-continent. Mr. Khan had indicated that he was preparing to publish his notes on his two years in China and Mr. McNamara expressed an interest in seeing them when available. The meeting ended with Mr. McNamara once again stating his desire for the Bank to be actively involved in the rural development programs in Bangladesh in the very near future. The meeting ended at 6.30 pm and Mr. Muhith, the Alternate Executive Director was also present.

cc: Messrs: McNamara, Diamond, Muhith

BGKavalsky:mms



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 13, 1973

FROM: William Diamond *W*SUBJECT: Your Meeting with Messrs. Khan and Haque (*6PM Monday*)

7/13

1. Mr. Obaidullah Khan, the Secretary for Rural Development in the Government of Bangladesh and Mr. Mokammel Haque, the Director General of the Integrated Rural Development Program (I.R.D.P.) will visit you at 6 p.m., Monday, July 16. I suggest that Basil Kavalsky, Senior Economist of this Department, join you. He knows the two men and is intimately familiar with their work in Bangladesh. (He wrote the CPP on Bangladesh which rightly impressed you.)

The Visitors

2. a) You should find Mr. Khan unusually interesting. He spent some time in the Embassy of Pakistan in Mainland China. One of his brothers edits the weekly Holiday, the main English language opposition newspaper in Bangladesh. Two of his brothers stood for election from opposition parties in March of this year (both lost). I am told that Mr. Khan is a sensible and pragmatic man, with a great deal of personal charm. His relationship with the Bank has been among the closest and warmest of all officials of the Government of Bangladesh. In many ways his pragmatism is at odds with his colleagues in the administration and this has contributed to his being fired and reinstated once in the past year.

b) Mr. Haque is also known as a very able and practical administrator with considerable drive and ambition. A teacher before entering the Civil Service, he has served as District Magistrate in five of the major rural districts in Bangladesh. In these districts he focused his efforts on agricultural and rural development. He was also in charge of the accelerated rice production program. He has directed the Integrated Rural Development Program since its inception.

Rural Development in Bangladesh

3. The meeting should provide you with an opportunity to find out about the progress of the various rural development programs in Bangladesh, including those developed at Comilla where Mr. Khan spent a number of years. You will recall from the CPP of January 23, 1973, that the work at Comilla has evolved into a complex of programs in Mr. Khan's Ministry comprising the Rural Works Program (R.W.P.), the Thana Irrigation Program (T.I.P.), and the Integrated Rural Development Program (I.R.D.P.).

President has seen



July 13, 1973

The Comilla approach, which these programs embody, is to create a demand from farmers for innovation through farmer training and cooperative development. This approach runs directly counter to the Ministry of Agriculture's more conventional extension service techniques which reach downwards to the farmer. As far as we are aware, the Planning Commission is at something of a loss as to which line of approach to follow. In the end both the conventional and the Comilla approaches will almost certainly continue to coexist uneasily. At least in the medium-term this is a sensible solution for, despite what you might be told, the capacity to carry out a large program is very limited in both ministries.

#### The Proposed Bangladesh Rural Development Project

4. As you know we are preparing a rural development project which may be ready for Board Presentation this year. The divergence of approach outlined above is relevant to our project, since the project will almost certainly include elements of support for both the Rural Development and Agriculture Ministries. Although we had originally anticipated financing of the three Ministry of Rural Development programs cited above (R.W.P., T.I.P., and I.R.D.P.), the FAO/IBRD cooperative program identification team, while in the field, found that the first and third of these programs needed considerable strengthening before they could take on a much more active role. Co-ordinating the three Ministries involved in agriculture (i.e. Ministries of Agriculture, Rural Development and Irrigation) is likely to be a recurrent theme in our agriculture lending in Bangladesh. The back-to-office report of the FAO/IBRD cooperative program team (copy attached), suggests the difficulties the team faced in identifying the project and the work that remains to be done.

#### Bank Program for the Two Visitors

5. Before their visit with you, Messrs. Khan and Haque will have had a meeting with relevant staff on the proposed Bangladesh Rural Development Project (10:00 a.m. Monday) and a more general meeting on the implications of the Bangladesh experience for the Bank's involvement in rural development (3:00 p.m. Monday). Also on Monday, Mr. Muhith will host a lunch for Messrs. Khan and Haque which includes as guests several interested Executive Directors, and Messrs. Knapp, Baum and Chenery. On Tuesday Messrs. Khan and Haque will meet with Bangladesh Division staff and attend a lunch hosted by Mr. Parsons.

#### Attachment

WDiamond/BGKavalsky/JQHarrison:hyn



OFFICE MEMORANDUM

To: Mr. J.M. Clark  
Chief, Service II, DDC 5 July 1973

From: G. Perrin de Brichambaut

Subject: BANGLADESH - Integrated Rural Development Project  
Identification Mission: Back-to-Office Report

The mission 1/ left Rome on 21 May 1973 for a five-week visit to Bangladesh and returned to Headquarters between 21 and 24 June.

After establishing contacts with Government agencies concerned with rural development, the Planning Commission and the Bangladesh Academy for Rural Development, three field trips were made to the districts of Mymensingh, Rajshahi, Bogra and Jessore. The mission maintained close contact with the IBRD Bangladesh office, FAO staff, the USAID personnel already involved in assisting rural development and the staff of the Integrated Rural Development Programme of the Ministry of Local Government, Rural Development and Cooperatives.

Mission Findings

The following are the main findings of the mission.

1. During the initial discussions with the Planning Commission, it became obvious that the mission was ill-timed as a number of fundamental aspects of government policies, administrative structure, agency responsibilities for rural development, selection of areas, etc. had yet to be finalized by the Government for the first five-year plan (1973-78).

The general uncertainty on the part of senior Government officials was evident when two verbal requests for assistance were made to the mission; first to evaluate IRDP and assess its capability of becoming the basic organization for rural development and, second, to carry out a rural employment survey as well as indicating methods of relieving unemployment. Except for the Secretary of Rural Development, whose Department had prepared an ambitious programme, no real interest was shown in the mission or its programme.

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1/ Mission members: G. Perrin de Brichambaut (mission leader);  
R. Lesire (Education and Training); R.G. Spinks (Marketing);  
P. Crossing (Agricultural Economist); J. Doorenbos (Rural  
Engineering - FAO); R.W. Kettlewell (Agronomist and Agricultural  
Administration Specialist - Consultant).  
In the course of the mission's work, P. Crossing returned to  
Headquarters for health reasons and was replaced by Mr. Ferreira,  
who was in the country in connection with the preparation of the  
Barisal Irrigation Project.

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cc: Huyser/Bhattacharjee  
All Team Members  
IBRD, Washington (8)  
GPB/cbg DDCB Registry (4) BK 3/2.4 BAN



2. The mission considered the possibility of preparing a project along the lines of the one prepared by two IBRD missions in 1970 and 1971. Considering the basic changes being proposed for local government and technical personnel in rural areas, the need to provide more and better facilities for training and extension, the more modest role now being assigned to IRDP, and the funds already available from numerous sources for deep tube wells, the proposals put forward in 1971 were no longer appropriate. Furthermore, fundamental changes have occurred in the Rural Works Programme (RWP) with more emphasis now being given to irrigation, flood control and drainage than to road construction. Linked to this is the need to revitalize the RWP, which has deteriorated since 1968, and to ensure more effective identification, planning, supervision and budgetary control of projects.

3. The present need is to identify a project most likely to have an immediate impact on rural development which at the same time would utilize and strengthen the proposed local government structure. It is believed that the Thana approach remains the most appropriate at this stage and during the initial development period investment should be oriented towards improving the capacity of Thana organizations to increase productivity rather than attempting to cover a wide range of social objectives, cottage industries, etc.

4. The weaknesses of the existing national agricultural credit schemes were identified. There is need for IBRD, possibly in collaboration with some bilateral agency, to review the whole system and advise on its improvement. A similar situation exists in respect of the Agriculture Development Corporation (ADC).

5. Considerable assistance is being given by bi- and multilateral agencies, private foundations and international charitable organizations in the field of rural development. These activities should be fully recognized to avoid overlap and duplication of financing.

#### Suggested Approach

The mission suggested giving priority to a rural development project along the lines indicated in a memorandum left with the Planning Commission (Annex 1). The proposed project would aim to strengthen infrastructure and local institutions at the Thana level, in a selected group of Thanas located in the 'concentration' areas. Provisionally, two groups of four and five Thanas have been proposed in the Mymensingh and Bogra districts respectively.

#### Follow-up

The mission presented its tentative proposals to the Planning Commission on 21 June. The initial reaction of Professor Musharaf Hussein, Member No. 1 of the Commission, was to suggest an additional project area, either in the Barisal or Sylhet districts, and to favour an increase in the size of the project area. Professor Hussein indicated that consideration might be given



to using the IDA Technical Assistance Fund to recruit a consulting firm for the preparation of the project and his final advice to the mission was that he would discuss, at a later date, the project proposal with Mr. Just Faaland, Head of the IBRD mission in Bangladesh.

If and when the Government shows interest in the proposals outlined in the mission document and has established an appropriate inter-governmental unit (IGU) for project preparation, the CP could guide the IGU during the initial stages of its work. The IGU could then finalize project preparation and send a request for IDA financing, or alternatively the CP could provide further assistance to put together the final project report.

Assuming that IGU is set up in September/October 1973, and that field work would be carried out efficiently during the next winter season, a request could be available by March/April 1974.

A full identification report is being prepared in Rome and is expected to be available in September/October.



GUIDELINES FOR THE PREPARATION OF A RURAL DEVELOPMENT PROJECT IN BANGLADESH

Prepared by the FAO/IBRD Cooperative Programme Mission - June 1973

The FAO/IBRD Cooperative Programme mission was requested to assist the Government in identifying and preparing a rural development project. During its stay in the country (May/June 1973) the mission made a preliminary identification of the main components of such a project, which could eventually be presented for IBRD/IDA financing, and selected tentative project areas.

The project identified consists of supporting the local government system in selected areas by improving the physical and staff inputs necessary to motivate and help the people to take full advantage of the facilities required for development. No new system or organization is intended. The object is to show that, by a reasonable concentration of coordinated effort in nucleus areas of high potential, the community will make substantial progress. This would not only demonstrate what could be done elsewhere, but it would provide a pattern for wider application while the staff and services were being worked up for it.

The project areas provisionally proposed are between three and five adjacent thanas in East Bogra and Mymensingh districts respectively. <sup>1/</sup> These are already recognized as 'concentration areas' of first priority for development, and they have good basic infrastructural facilities. The thana is seen as the key local government unit for development and the success of the project would hinge upon the selection and training of local leaders and government personnel.

The first phase of coordinated development would be 3-5 years. In it the emphasis would be on increasing production and rural employment. Full integration with the whole range of social and infrastructural services would come in a later phase as it involves preparation of long detailed feasibility studies.

The mission's report will be submitted about September; but at this stage, the potential project has only been identified: considerable work is still needed at field and central government level to confirm and define the project areas more precisely and prepare the project in detail. It is proposed that the Government appoint an Intergovernmental Unit (IGU) for project preparation. This group would require the full assistance of officers of the Ministries concerned at central, district and thana level in undertaking the field and other preparatory studies.

This note and guidelines are intended for the IGU. For preparation of the project all the points and items mentioned in the appendices should be covered and supporting documents, maps, statistics and tables provided as background material. The guidelines do not, however, cover all possible investment and organizational items, and it is likely that some new development or project components would emerge during field work. These could be inserted when fully justified.

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<sup>1/</sup> Mymensingh District: Muktagacha, Trisac, Gafargaon, Iswargans;  
Bogra District: Bogra, Shibgans, Sherpur, Gabtali, Shariakandi.



The project should be presented as one integrated scheme, in which all the complementary elements are considered, i.e. investment items, recurrent costs, credit channels and organization. The economic and financial justifications should be presented for the individual farmer or cooperative and also for the project as a whole. Detailed proposals for project organization and management and the role, responsibility, staffing and budget of each agency involved should be prepared. The success of the project depends as much on the creation of an efficient organizational framework as on the investments made.

If Government and the IGU need the assistance of FAO/IBRD during preparation this could be provided, and a full preparation mission mounted when field and basic studies are completed. On the other hand, if the IGU decide to complete preparation using the guidelines provided here, the mission would forward a more comprehensive outline for final report writing.

The preparatory work to be carried out by Government involves several steps before a full report can be put together. They include:

- (a) Selection of the precise project area following well defined criteria;
- (b) Review of the agriculture situation in the project area;
- (c) Undertaking field studies which would be concentrated on the agricultural development potential, water management, rural works, local communications, input distribution and marketing. These should form part of thana development plans. Other aspects of rural development, such as main communications, cottage industries, rural education, electrification and embankments could not be studied in sufficient detail during the preparation period. Therefore, studies of them would be carried out during project implementation for financing in a later phase;
- (d) A list of main project components, paying special attention to their complementarity; estimates of costs (local and foreign exchange) and schedules of construction and procurement, would be presented;
- (e) Estimates of production increases resulting from the investments proposed and the increased use of inputs;
- (f) Organization and management proposals should be presented, taking into account Government decisions on the role of local government, cooperatives, credit organizations, land reform, etc. 1/

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1/ A discussion on project organization will be included in the report to be prepared by this FAO/IBRD mission and proposals could be finalized during subsequent preparation missions.



- (g) Project financial and economic benefits can only be calculated after the project components are fully quantified and costed and the rate of agricultural development clearly indicated. 1/

The most important aspect of the project preparation work is identification, quantifying and costing of the project components in each thana of the project.

Due to the special characteristics of a rural development project and the number of agencies which have to cooperate closely for project preparation, it is strongly recommended that the IGU should be under the direction of the Planning Commission and should include:

- (a) group coordination from the Planning Commission;
- (b) representation from IRDP;
- (c) representation from Ministry of Agriculture;
- (d) representation from BADC.

Assistance from temporary members would be sought, including staff from WDB, BADE, Bangladesh National Cooperative Bank, TCCA's in the project area and the Comilla Academy.

For the field studies and the preparation of thana development plans the IGU would pay frequent visits to the area and make contact with all sections of the population expected to benefit from the project. They should participate actively in the preparation process, thana and union level officers being particularly encouraged to do so.

An FAO/IBRD preparation mission could, as already indicated, assist in the final report-writing; but only if and when all data and studies outlined have been completed.

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1/ The identification report to be prepared by the FAO/IBRD mission will indicate the type of economic justification to be used for project economic appraisal.








## OFFICE MEMORANDUM

TO: The Files

DATE: August 1, 1973

FROM: William Diamond SUBJECT: Visit of Mr. Tajuddin Ahmed, Minister of Finance, Bangladesh

Mr. Tajuddin Ahmed, Finance Minister of Bangladesh, called on Mr. McNamara at 6:30 p.m. on Tuesday, July 31. He was accompanied by Dr. Sen, Mr. Muhith and Mr. Chaudhury, his Private Secretary; Mr. Diamond was also present.

8/2  
Mr. McNamara opened the meeting by asking how things were in Bangladesh, with particular respect to whether it was satisfied with the Bank's role. Mr. Ahmed said that, in the opinion of the Government, the Bank had done a very good job in Bangladesh, starting right from the establishment of the Republic. He said that, for the moment, the main problem was that Bangladesh was not adequately prepared to take advantage of the Bank's goodwill and efforts. He particularly mentioned the lack of preparation of projects, etc. Mr. McNamara said he felt that this was a critical problem and he hoped that the Government of Bangladesh could focus on economic administration in general and on project development and execution in particular. Mr. McNamara said that a good many projects were in the process of preparation and appraisal (I gave a list of some of these at his request) and said he hoped that the work could go ahead with sufficient speed to be able to make full use of the IDA allocation to Bangladesh.

Mr. Ahmed referred to this subject again towards the end of the meeting. He said he wished that the Bank could provide some assistance in project preparation and evaluation. In this connection, he referred specifically to the possibility of assigning Bengali staff to work with the Bank and other experienced staff in project formulation and evaluation. Mr. McNamara said this was something that he would like to do, and that we would think about it. He mentioned the possibility of bringing Bengali staff here for a while or placing them in key positions in other member countries for short periods. I took the occasion to mention the proposal now under discussion for financing a six-member team to work in Dacca on the development of agricultural projects, and to work side by side with an inter-departmental group coming from various interested Bengali Ministries and Departments.

There was some general discussion of the food situation and other matters. There was no mention of debt or aid.

The meeting was a warm one. Mr. Ahmed twice took the occasion of thanking the Bank for its efforts in Bangladesh, and to thank Mr. McNamara in particular.

WDiamond:bvw

cc: Messrs. McNamara, Knapp, Cargill, Kavalsky, Dunn, Faaland

President has seen



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
DATE: 27 July 1973

FROM: William Diamond *WD*

SUBJECT: Visit of Mr. Tajuddin Ahmed, Finance Minister of Bangladesh

Attached is a brief for your meeting with Mr. Ahmed on Tuesday, July 31.

7/27  
You will recall that Tajuddin Ahmed does not see entirely eye to eye with other members of the Cabinet and with the Prime Minister. He has been critical of the planning process and of the relatively poor performance of the economic administration. Although he is very much his own man, his history and his strong personal constituency give him considerable personal influence even though not as much power as he might otherwise have.

We have no reason to believe that he will raise any significant questions with you or that his visit is any more than a courtesy call. If this proves to be correct, then your conversation might not be much more than a discussion of the general economic situation, including the problem of food and preparations for going beyond the present stage of reconstruction to the stage of development investment and dealing with poverty. On these matters Mr. Ahmed will be able to speak with considerable knowledge.

Nevertheless, we have prepared the attached brief as background in the event other questions come up in your discussions. Among these, I particularly draw your attention to the following three:

1. The need to improve economic administration is a problem of the highest priority in Bangladesh. This covers matters of coordination and planning, and project formulation and execution. It affects, among other things, our IDA program in Bangladesh. (See paragraphs 7 and 9-10 of the attachment.) Mr. Ahmed might not wish to pursue this subject since it would involve some of his on-going conflicts with others in the Government.
2. Acting for the Consortium, we have reached an interim agreement with Pakistan on arrangements with respect to debt in the coming year. In that year, again on behalf of the Consortium, we shall pursue with Bangladesh the question of Bangladesh's accepting liability for more of the debts of Pakistan incurred on behalf of what is now Bangladesh. (See paragraphs 11 to 14 of the attachment.) During the coming week, Mr. Cargill will discuss this matter with Mr. Ahmed, who is a member of the 3-man cabinet committee appointed by the Prime Minister to deal with the problem.



27 July 1973

3. Bangladesh has managed so far, in large part, because of generous aid flows: its dependence on such inflows will continue for some time to come. Since the meeting of donors which the Government held in Dacca on March 31 and April 1, there has been no news of its intentions with regard to the organization of aid flows, i.e., what it plans to do, if anything, about a consultative group or consortium. (See paragraph 8 of the attachment.) The silence may reflect the dissatisfaction felt by the Government with the fact that donors linked development aid to debt. Mr. Ahmed made no secret, in Dacca in April, of his dissatisfaction on this subject.

Attachment

WDiamond:bvw

cc: Messrs Knapp  
Cargill  
Diamond



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 27, 1973

FROM: William Diamond *WD*SUBJECT: BANGLADESH - Your Meeting with Tajuddin Ahmed

1. Mr. Tajuddin Ahmed, Minister of Finance and Jute, will visit you at 6:30 p.m. on Tuesday, July 31. He will be participating in the meeting of the Committee of Twenty. We have been informed by Mr. Muhith, Alternate Executive Director for Bangladesh, India and Sri Lanka, that Mr. Ahmed has no special issues to raise and that the meeting is a courtesy call.

Personal Background on Mr. Tajuddin Ahmed

2. Mr. Ahmed is 48 years old. He graduated in economics from the University of Dacca and later obtained a law degree. As a student he was actively connected with Muslim League politics and in 1944 he was elected to the Bengal council of the Muslim League. He took a leading part in the language movement and was one of the chief organizers of the Awami League. He has been a close associate of Prime Minister Sheikh Mujibur Rahman since 1944. In 1954 he was elected to the East Bengal Legislative Assembly on the Awami League ticket. In 1966 he became Secretary General of the party. He was imprisoned several times between 1948 and 1969 for political activities. In 1970 he was elected to the National Assembly of Pakistan. He was close to Mujib during the March 1971 negotiations.

3. After the military crackdown of March 1971, he fled to India, where he became Prime Minister of the Provisional Government of Bangladesh at Mujibnagar on April 10, 1971. He assisted in organizing the resistance movement from the former Bengali army and police forces and political elements which had little previous connection with the Awami League. He was appointed Minister of Finance and Planning upon the return of Sheikh Mujib to Bangladesh in early January 1972.

4. In March 1973, during a general cabinet reshuffle following the elections, Mr. Ahmed gave up the Planning portfolio and picked up responsibility for jute marketing, processing, export and manufacture. Some observers view this change as a decline in Mr. Ahmed's influence in the Government, but this is not necessarily the case for he has an important constituency in Bangladesh. Nevertheless, since the cabinet reshuffle, Mr. Ahmed has made several statements sharply criticizing Bangladesh's economic performance and, by implication, its planning process. By and large his criticisms are justified. It appears that Mr. Ahmed, considered to be the most powerful "leftist" force in the Government, is trying to carve out a position within the Awami League which clearly differentiates him from the present leadership. He is very much his own man.



July 27, 1973

The Economy

5. For your general background, I attach as Annex I a copy of "Part I - The Economy" and the Country Data Sheet of the President's Report on the Inland Waterway Credit, which is now being circulated to the Executive Directors.

6. In brief, during the past 18 months the economy has remained at levels of production well below those of 1969/70. In agriculture the reason for this is well-known: the 1972 monsoon was poor and the succeeding harvests were some 15 - 20 percent below expectations. In the industrial sector, low production levels reflect the squeeze on imports, labor unrest, and inexperienced management in the public sector. The foreign exchange situation was worsened by the need to buy large amounts of foodgrains. This led to cutting down on non-food imports and of course lower than expected receipts from customs duties, which are the main revenue source. This fall in revenues was unfortunately matched by a shortfall in development expenditures of 20 percent, in nominal terms. While deficit financing for the budget was thus kept at the originally estimated levels, the Government had to provide enormous operating subsidies through the banking system to keep the nationalised industrial sector from defaulting on its current obligations. The result of this was an 80 percent increase in the money supply. This combined with physical supply constraints has led to a 100 percent increase in prices over the past 18 months, and attendant political and economic complications.

7. If Mr. Ahmed and you discuss the situation of the economy, you may wish to refer to some of the priority issues which have been raised in the Economic Report and C.P.P.

- a. A principal problem is the need to gear up the economic administration (including planning and project formulation and execution) to do a much better job of project preparation and implementation. Very little has been done since independence in this respect and, as a result, it is difficult to see the Plan investment targets being met (or our lending program).
- b. The emphasis on rural development and programs with a high employment content needs to be strengthened. Lack of interministerial coordination, resources and high quality personnel are particularly serious in these areas.
- c. Improved domestic savings will require much better performance from the public enterprises and efforts to tax (or at least reduce subsidies to) the agricultural sector.
- d. The Government's wavering commitment to population planning both in terms of policy pronouncements and resource allocations, needs to be firmer and more visible.



July 27, 1973

8. Bangladesh will remain heavily dependent on external aid inflows for some time to come and should be giving thought to how best to organize and maximize such inflows. The Government held a meeting in Dacca, on March 31 and April 1, of foreign donors and international agencies, as a result of which it was believed that the Government would take steps to organize some kind of consortium or consultative group. There has been no news since then of the Government's intentions in this regard, perhaps because it was disappointed by the "conditional pledges" of development assistance. Mr. Ahmed was particularly upset or irate at the action taken by the donors.

#### The Bangladesh Lending Program

9. In the past year the Association reactivated 11 credits (to finance projects in agriculture, small scale industries, transportation, telecommunications, education, and cyclone reconstruction) first undertaken before Bangladesh's independence. The total value of these credits is \$151.4 million of which \$44.1 million was already disbursed under the previous credits and \$6.5 million represents increases in the amounts of the original credits to meet revised project requirements. In addition, the Association provided a \$50 million program credit, a \$4 million technical assistance credit and a \$7.5 million credit to finance a cereal seeds project.

10. The Bangladesh lending program provides \$80 - \$90 million in FY74 rising to perhaps \$100 million thereafter. For the next several years, program lending will probably have to be a major feature of the Association's assistance to Bangladesh, for in this way the Association can be most responsive to Bangladesh's need for foreign exchange to import components and raw materials required to utilize productive capacity more fully and to restore pre-independence levels of production. The need to purchase food on the world market has caused a sharp deterioration in Bangladesh's foreign exchange reserves this year. Moreover, due in part to the Government's overriding preoccupation with the food situation, project preparation activities have not proceeded as rapidly as anticipated. In addition to the proposed \$4.1 million credit for an inland water transport rehabilitation project which will go to the Board on August 7, and a proposed program credit (for which US \$50 million has been assumed for planning purposes), a \$15 million small-scale irrigation project and a \$12 million telecommunications project are likely to be ready to present to the Board in this fiscal year. Projects in rural development (\$15 million), population control (\$10 million), and fertilizer production (\$30 million) are being prepared for late FY74 or early FY75. Preparations will also be underway this year for several more projects in the agricultural sector including three irrigation projects (tentatively totalling \$55 million), a second foodgrain storage project (\$10 million), a fisheries project (\$10 million), and an agricultural training project (\$10 million), as well as projects in other sectors including a second inland water transport project (\$10 million), a small-scale industry project (\$15 million) and two water supply projects (totalling \$10 million).



The Debt Issue

11. On June 15, the Consortium adopted a proposal to put to Pakistan which represented a compromise between the positions taken earlier in the year by Pakistan and by the Consortium countries. The essence of the compromise was that members of the Consortium would provide Pakistan with debt relief in the current fiscal year in amounts and on terms comparable to the relief agreed upon in the previous 26 months. At the same time they assured Pakistan that as of July 1, 1974 they would cease to expect service payments for debt incurred to finance projects situated in Bangladesh. It was agreed that if Pakistan accepted the compromise the Consortium would lift the conditionality with which its aid commitments earlier in the year had been hedged. It was hoped that, in the year thus gained, arrangements could be made with Bangladesh to accept liability at least for the project debt. Moreover, during the year, Pakistan's debt would be studied with a view to considering whether long-term relief is needed.

12. Simultaneously, the Consortium agreed also to lift the condition for development assistance to Bangladesh, which had been expressed at the meeting of donors in Dacca on April 1. This subject would be reviewed before new commitments were made for development assistance to Bangladesh for the period after July 1, 1974 and in the process of the review account would be taken of the success of the efforts that would be made in the intervening year to persuade Bangladesh to assume liability for debt arising from projects located in Bangladesh. The Bank was specifically asked to make representations to Bangladesh on this matter, if negotiations with Pakistan were successful.

13. Following adoption of the compromise proposal in mid-June, we reached agreement with Pakistan on the proposal. That agreement will be signed in Washington next week by Mr. Qamarul Islam, the Deputy Chairman of Pakistan's Planning Commission, and by the Bank on behalf of the Consortium. We must now turn to the task of pressing Bangladesh to continue the process already begun of assuming liability for appropriate segments of Pakistan's debt.

- a. As you know, Bangladesh adopted the principle last year, that it would accept liability for indebtedness incurred for projects still in process of execution, if, on re-examination, it concluded that those projects were in Bangladesh's best interest. To our knowledge there has so far been no diversion from this principle. And, one by one, Bangladesh has been assuming liability for such debts under new contracts. In the case of IDA, we have already transferred from Pakistan to Bangladesh liability for all such projects, involving a total of around \$150 million.



- b. As a result of the new agreement between Pakistan and the Consortium, Consortium members would cease to receive service on debt incurred for projects located in Bangladesh, whether these projects were completed or were still in process of execution but not yet re-negotiated (as per a. above). Our next task, therefore, is to try to persuade Bangladesh to assume such liabilities.
- c. Bank loans and IDA credits for completed projects are not affected by the agreement with the Consortium; that is, we expect service to continue. But I believe that we ought to press Bangladesh to assume these liabilities as soon as possible.
- d. I am not sure that it will be possible to persuade Bangladesh to take on liability for non-project assistance, but I think that this is, in any event, a secondary priority and this matter can be discussed in the context of long-term arrangements for the debt of Bangladesh later in the year.

14. Mr. Cargill, in a private meeting with Mr. Ahmed, hopes to discuss the debt question in detail. In the meantime, you may be interested in Annex II which is a report from Just Faaland on the status of his discussions on this subject with Bangladesh authorities.

#### Other Issues

15. Since Mr. Ahmed has responsibility for non-agricultural aspects of jute trade and industry, he may ask about the Bank's interest in jute. A grey cover report on the World Jute Economy has just been prepared. In addition a UNDP/IBRD mission has recently reported its findings concerning the support likely from jute producing countries and potential donor countries for proposals for an international jute research and marketing center (Jute International) agreed upon in principle during an intergovernmental meeting in Dacca in January 1973. The Bank has significant interest in a jute research and development program, for two reasons. First, jute is very important in the economies of five member countries (Bangladesh, Burma, India, Nepal and Thailand) and of crucial importance to one of them (Bangladesh). Second, the Bank has a general interest in assisting countries highly dependent on exports of primary products. The proposed jute center seems to provide the basis for a manageable pilot project in this area: the number of producers is small; political cooperation among them is feasible; there are already elements of an active research program; and a reasonably well defined proposal is emerging and attracting some support. Provided India as well as Bangladesh accepts the Jute International proposals, the Bank has agreed that UNDP proceed with a preparatory assistance project designed to spell out the structure and organization of Jute International and to develop the research and development and promotion programs to be sponsored by it in the first three years.



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16. Another issue which Mr. Ahmed may raise is a controversy between the Association and the Government of Bangladesh over the Government's proposal to split the award of a \$10 million contract for pumps and engines under our Northwest Region Tubewells Project. The split would be between the lowest evaluated bidder (KSB-Dacca, a West German firm which would manufacture a portion of the equipment in Bangladesh) and the next lowest evaluated bidder (Dacca Fibers, which would import most of the equipment), provided Dacca Fibers would match KSB's price and equipment. The Association has told the Government that this proposal is not acceptable. The memo attached as Annex III contains a brief analysis of the bids. What the memo doesn't say is that the owner of Dacca Fibers is one of Bangladesh's foremost businessmen and a substantial contributor to the Prime Minister's Awami League Party. Mr. Ahmed sits on the cabinet level subcommittee which reviews contracts and which made the proposal to split the award.

Attachments

cc: Mr. J. Burke Knapp  
Mr. I.P.M. Cargill

JQHarrison/WDiamond:hyn







## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: August 28, 1973

FROM: William Diamond *WD*SUBJECT: BANGLADESH - Your Meeting with Dr. Nurul Islam

1. Dr. Nurul Islam, Deputy Chairman of the Bangladesh Planning Commission, is scheduled to lunch with you on Thursday, August 30 at 12.30 p.m. Earlier the same day, he is scheduled to hold extensive discussions (on the pattern of the India "Sen" meetings) with Mr. Cargill and myself. A copy of the "Operations Program" portion of the briefing paper prepared for our meeting with him is attached as Annex I. Nevertheless, you may wish to raise with him the issues discussed below in paragraphs 6a to 6d and 8 through 12. Dr. Islam will be the guest of Mr. Knapp at another luncheon on Friday, August 31 at 1 p.m.

Biographical Information.

2. Nurul Islam is an economist of international repute. He is 43, and holds an M.A. from Dacca University and a Ph.D. in economics from Harvard. He joined the Department of Economics of Dacca University in 1955, becoming full professor in 1960 and Chairman of the Department in 1962.

3. In 1965 he was appointed Director of the Pakistan Institute of Development Economics, a post which he held until the 1971 military crackdown. He has served on several economic commissions investigating prices and finance in Pakistan, and on panels of economists assisting in the preparation of Pakistan's various economic plans. He has also worked as a Consultant to UNESCO, UN/ECAFE and FAO and was a Visiting Professor at the Economic Development Institute. In recent years he has been one of Sheikh Mujib's chief economic advisors.

4. After March 1971, Nurul Islam worked briefly on a research program at Yale University. He returned to Dacca after the liberation of Bangladesh and was appointed to his present post in January 1972.

The Economy.

5. A Basic Economic Mission is scheduled to visit Bangladesh in September/October to undertake a comprehensive and in-depth review of the economy. The mission will need close cooperation from the Planning Commission. Until the findings of the mission become known, our knowledge of the performance of the Bangladesh economy will remain the same as I described to you late last month in a briefing paper dated July 27, 1973 for your meeting with Mr. Tajuddin Ahmed. In that paper, I said that during the past 18 months the economy has remained at levels of production well below those of 1969/70. In agriculture the reason for this is well-known: the 1972 monsoon was poor and the succeeding harvests were some 15-20 percent below expectations. In the industrial sector, low production levels reflect the squeeze on imports, labor unrest and inexperienced

President has seen



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management in the public sector. The foreign exchange situation was worsened by the need to buy large amounts of foodgrains. This led to cutting down on non-food imports and of course lower than expected receipts from customs duties, which are the main revenue source.

6. The July 27 brief also suggested that you raise certain economic matters with Mr. Ahmed. Those matters are still relevant and you may wish to raise them with Dr. Islam :

a. A principal problem is the need to gear up the economic administration (including planning) to do a much better job of project preparation and implementation. Very little has been done since independence in this respect and, as a result, it is difficult to see the Plan investment targets being met. You will recall that Mr. Ahmed was particularly forthright in bringing up this problem himself.

b. The emphasis on rural development and programs with a high employment content needs to be strengthened. Lack of interministerial coordination, resources and high quality personnel are particularly serious in these areas.

c. Improved domestic savings will require much better performance from the public enterprises and efforts to tax (or at least reduce subsidies to) the agricultural sector.

d. The Government's wavering commitment to population planning both in terms of policy pronouncements and resource allocations, needs to be firmer and more credible.

7. For your general background, I attach as Annex II a copy of "Part I - The Economy" and the Country Data Sheet of the President's Report on the Inland Waterway Credit, which was approved by the Executive Directors on August 7.

#### Other Issues for Discussion.

8. The Debt Issue. As you know, the Consortium and Pakistan signed an agreement on July 31, 1973 under which the country members of the Consortium would provide Pakistan with debt relief during this fiscal year and under which, from July 1, 1974, the country members would cease to expect service payments for debt incurred to finance projects "visibly located in Bangladesh" whether these projects were completed or still being executed. Between the signing of the agreement and July 1, 1974, efforts would be made by individual Consortium members to persuade Bangladesh to assume liability for outstanding debt arising from projects located in its territory. The agreed minute also states that "appropriate representation consistent with this minute would be made by the Bank on behalf of the represented Governments". So far, Bangladesh has followed the principle that it would accept liability for indebtedness incurred for projects still in process of execution, if, on reexamination, it concluded that those projects were in Bangladesh's best interest. At the Annual Meeting we will now wish to pursue the question of



Bangladesh's accepting liability for more of the debts of Pakistan incurred on behalf of what is now Bangladesh - specifically for completed projects. You may wish to apprise Dr. Islam of this at this time. Bank loans and IDA credits for completed projects are not affected by the agreement with the Consortium - that is, we expect service by Pakistan to continue. But I believe you should press Bangladesh, now and at the Annual Meeting, to assume these liabilities within the year. Liabilities for non-project assistance will pose a more difficult problem, but I think this is a matter of secondary priority which can be discussed later in the context of long-term debt arrangements.

9. Aid Group. For the next several years, Bangladesh will remain heavily dependent on external aid. It is appropriate and necessary that the Government think of how best to expand and effectively organize such aid inflows. I believe that some kind of consortium or consultative aid group would be very useful to Bangladesh in this regard. The Government held a meeting of donors in Dacca on March 31 and April 1 but was extremely dissatisfied that almost all of the countries represented linked development aid to a settlement of the debt question. We have not received any information on the Government's intentions on this subject since then. I suggest that you stress to Dr. Islam the need for aid coordination.

10. Project Execution. The rate of project execution in Bangladesh remains very poor. The procedures for approving project contracts are cumbersome and usually require the actions of too many officials. Delays have also resulted from tedious procedures adopted in approving specific consultant personnel once a consulting firm has been retained. The problems here vary from obtaining the necessary permits to the releasing of local currency funds. We are convinced that streamlining these procedures will improve the overall performance a great deal. Of the \$217.0 million of IDA credits approved for Bangladesh so far, only about \$47.3 million had been disbursed as of August 1, 1973. Of this, \$44.1 million represented amounts already disbursed under the predecessors of the reactivation credits, and \$1.6 million was repayment to SIDA, so that only \$1.6 million represent actual disbursements for project expenditures. (The figure has increased slightly in August because of program credit disbursements - see below). We should ask Dr. Islam to give his personal attention to improving project implementation.

11. Program Credit. The progress of utilization of the first program credit to Bangladesh is poor. We believe that this is largely due to the cumbersome procedures adopted by the Government for the allocation and administration of the credit funds. The Government did not start to allocate these funds until February/March this year and has also not chosen to utilize the option provided in the agreement which allows disbursements for any eligible items paid for after November 1972 even if

See An. III



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all procurement actions took place before then. We have been informed that a "reimbursement" package is being prepared, but it has not arrived as yet. There have been delays in allocating the Credit amount to users, in issuing licences, and in processing applications for letters of credit in Bangladesh. There have been complaints of delays caused by IDA procedures, but the only substantial point that has been made is that it takes time for the mails to reach us. We have processed almost all applications in a day or two. As of August 23, only \$4.2 million of the \$50 million credit have been disbursed.

12. In September/October, Mr. David Dunn will lead a mission to Bangladesh to appraise a second imports program credit. During the appraisal, he will discuss procurement and disbursement procedures thoroughly with the Government. Two members of the Controllers Department will be part of his mission. It would be helpful if you would stress to Dr. Islam that we will be willing to do all we can on our side to expedite utilization, but that we will have to demonstrate to Executive Directors that there is reason to expect substantial improvement in the speed of utilization on the Bangladesh side.

#### The Bangladesh Lending Program.

13. In the past year the Association reactivated 11 credits which had been approved before Bangladesh's independence. The total value of these credits is \$151.4 million of which \$44.1 million was already disbursed under the previous credits and \$6.5 million represents increases in the amounts of the original credits to meet revised project requirements. In addition, the Association provided a \$50 million program credit, a \$4 million technical assistance credit and a \$7.5 million credit to finance a cereal seeds project.

14. The lending program provides \$80 - \$90 million in FY 74. A program credit will take the lion's share. This is still the best way for the Association to respond to Bangladesh's priority needs, which at this time are the requirements for foreign exchange to import components and raw materials required to utilize existing productive capacity more fully. In addition to the \$4.1 million credit for an inland water transport rehabilitation project which was approved by the Board on August 7, and the proposed \$50 million program credit, a \$15 million irrigation project and a \$12 million telecommunications project are likely to be presented to the Board this fiscal year. Projects in rural development (\$15 million), population control (\$10 million), and fertilizer production (\$30 million) are being prepared for late FY 74 or early FY 75. Preparations will also be under way this year for other future projects, including in the agricultural sector three irrigation projects (tentatively totalling \$55 million), a second foodgrain storage project (\$10 million), a fisheries project (\$10 million), and an agricultural training project, (\$10 million), and projects in other sectors including a second inland water transport project (\$10 million), a small-scale industry project (\$15 million) and two water supply projects (totalling \$40 million).



Mr. Robert S. McNamara

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15. A lot of hard work remains to be done if this program is to be achieved. Adequate project preparation is a major problem. We are hoping that the Technical Assistance Credit will help. In particular, after discussions with the Government, we have drafted at their suggestion a proposal to create a project preparation cell for agriculture in the Planning Commission which would include a number of foreign consultants to be financed under the Technical Assistance Credit.

OAmusa-Shonubi/DADunn:lhv



BANGLADESH - SUMMARY OPERATIONS PROGRAMA. FY 1974

<u>Project</u>	<u>Probable Amounts in US \$ millions</u>	
1. <u>Rural Development I</u>	IDA	15.0
<p>FAO/IBRD cooperative program identification mission, which visited Bangladesh in May, outlined the information required to be prepared by the Government. An agriculture credit mission scheduled for September/October will assist the preparation of the project. A second-stage FAO/IBRD preparation mission is scheduled for October. Depending on the outcome of these, the project may be appraised late this calendar year.</p>		
2. <u>Barisal Irrigation</u>	IDA	15.0
<p>Project preparation is expected to be completed by the Government and the FAO/IBRD cooperative program by mid-October, in time for an appraisal mission scheduled for October 15.</p>		
3. <u>Telecommunications II</u>	IDA	12.0
<p>Pending our receipt of Government project proposal, this project is tentatively scheduled for appraisal in September/October.</p>		
4. <u>Inland Water II</u>	IDA	4.1
<p>The Credit was approved on August 7 but is not yet effective.</p>		
5. <u>Import Program II</u>	IDA	50.0
<p>Appraisal is scheduled for September/October.</p>		
6. <u>Population Control</u>	IDA	10.0
<p>Basic appraisal of the project was done in May/June this year. The appraisal will be completed by a second mission scheduled for September/October. The amount earmarked for the project is inadequate; determination of the eventual credit amount will depend upon further review of the appropriate size of the project, availability of IDA funds and the amount of financing which can be arranged from other donors.</p>		
<u>TOTAL:</u>		<u>IDA 106.1</u>



B. FY 1975

<u>Project</u>	<u>Probable Amount in US \$ millions</u>	
1. <u>Agricultural Training</u>	IDA	10.0
FAO/IBRD cooperative program had agreed to prepare this project, but timing of possible preparation mission expected this fall, is now uncertain.		
2. <u>Karnafuli Irrigation</u>	IDA	30.0
Project preparation by consultants financed under IDA Credit S-114 BD. scheduled to be completed by March 1974, followed by appraisal in April.		
3. <u>Foodgrain Storage II</u>	IDA	10.0
Project preparation by consultants financed under Foodgrain Storage I. is expected to start in September.		
4. <u>Inland Fisheries I</u>	IDA	10.0
The project was identified and partially prepared by IDA/FAO joint mission. A second IDA/FAO preparation mission is scheduled for October/November, 1973.		
5. <u>Muhuri Irrigation</u>	IDA	15.0
Project preparation by consultants financed under IDA Engineering Credit S-114 BD scheduled to be completed by December 1973. Appraisal should follow in January 1974.		
6. <u>ADC Shallow Tubewells</u>	IDA	10.0
The Government intends to prepare this project mainly with its own staff, with some assistance from FAO.		
7. <u>Small Industries II</u>	IDA	5.0
The timing for the preparation of the project depends on the progress made under Small-Scale Industry I.		
8. <u>Chittagong Water Supply II</u>	IDA	4.0
Preparation by consultants financed under Chittagong I (367-BD) should be started this fall.		



B. FY 1975

<u>Project</u>	<u>Probable Amounts in US \$ millions</u>	
9. <u>Dacca Water Supply II</u>	IDA	6.0
Association has approved, in principle, Government request to use funds from technical assistance credit to hire consultants to prepare feasibility study.		
10. <u>Imports Program III</u>	IDA	40.0
Timing depends on progress made with disbursements under Program Credits I and II.		
11. <u>Industry - Fertilizer Production</u>	IDA	30.0
Appraisal tentatively scheduled for October/November provided preliminary data are submitted on time. Meanwhile, the Association and Government will have to approach other donors to obtain the remaining \$50-60 million in foreign exchange required to finance the project.		
12. <u>Inland Water III</u>	IDA	10.0
Timing depends on findings of EIU general survey, further studies of inland water transport requirements currently under discussion for possible financing by NORAD or IDA, and progress of execution of Inland Water II.		
TOTAL:		IDA 180.0



THE ECONOMY

Background

On December 16, 1971 the Government of Bangladesh assumed control of the territory comprising the former East Wing of Pakistan. Even in the best of circumstances Bangladesh would constitute a complex development problem. The people are poor (per capita income of US \$50 to US \$70 per annum, a figure which has not risen over the past 20 years), overcrowded (population density is nearly 1,400 per square mile), short-lived (life expectancy at birth is well under 50 years), in many cases unemployed (perhaps 25-30 percent), and largely illiterate (under 20 percent literacy rate).

The physical problems of Bangladesh -- its precarious environment, lack of natural resources, and alluvial terrain with resultant high cost of infrastructure -- have been compounded by poorly chosen and implemented investment programs in the past. Perhaps the most striking failure lies in the increasing gap between foodgrain production and requirements. Bangladesh, a predominantly agricultural country, must import about 15 percent of its food requirements even in years of "normal" production such as 1969/70 when 1.5 million tons of foodgrains were imported. Bangladesh today is one of the most extreme examples of rural poverty in the world.

The year and a half in which the Government of Bangladesh has been in control of the country has been dominated by the need to tackle the urgent rehabilitation tasks arising out of the cyclone of November 1970 and the political struggles and war of 1971. First, law and order had to be re-established, political stability achieved and the administrative framework reconstituted. Second, refugees had to be resettled, relief provided and the transport system reconstructed to permit the distribution of food. Third, the economy had to be restored to pre-war levels of output and employment.

Two of the principal achievements of the Government since independence have been the progress towards restoration of law and order to the countryside and the formulation of a new constitution. The constitution, which came into effect on December 16, 1972, provides for the establishment of a parliamentary democracy in which the President is the constitutional Head of State and executive authority is exercised by the Cabinet under the Prime Minister. The Cabinet collectively is responsible to Parliament, which consists of 300 members elected by the people from single territorial constituencies by direct election. The first parliamentary elections were held in March 1973.



Most of the refugees have been resettled, relief has been provided and the widely feared famine has not materialized, thanks in part to massive assistance initially from India and subsequently from a number of other countries, mostly under the auspices of UNROD, now UNROB (United Nations Relief Operation in Bangladesh). The Port of Chittagong was restored to 90 percent of its pre-war capacity by the end of June 1972. The roads were quickly repaired and ferries brought in to substitute for damaged bridges. The vital Bhairab bridge which links Chittagong to Dacca by rail will not, however, be usable until October 1973. The reconstruction process is now well in hand and aid commitments have been received for meeting the most urgent needs.

#### Food and Other Production

The gravest problem confronting the Government since independence has been the food situation. The 1970/71 crops were poor and the crop of December 1971 was disrupted by the war. Record levels of food imports of about 2.5 million tons in 1972 prevented famine from occurring. Nevertheless, per capita foodgrain availabilities in 1972 were well below 1969/70 levels and this, combined with internal transport difficulties, widespread hoarding, and smuggling of foodgrains to India, led to a 50 percent rise in prices over the year. By October 1972 it was apparent that the monsoon had been exceptionally poor and that a critical situation was likely to develop once again. According to the most recent estimates the main rice crop was 20 percent lower than the original estimates. In addition, there was a slight shortfall on the winter rice crop, so that total foodgrain import requirements in 1973 will again be about 2.5 million tons. However, the prospects for the 1973/74 crops look more promising as a result of the good start of the monsoon.

Non-agricultural sectors have also been slow to recover. Industrial activity came to a virtual standstill from November 1971 to January 1972. Since then, production in general seems to have returned to about 70 percent of pre-war levels, though there is considerable variation among industries. Many industries have experienced serious shortages of raw materials (such as cotton, yarn, chemicals and cement), spare parts and capital goods. In large part this is due to the disruption of trade both during the war and, subsequently, with new Government licensing and importing institutions not operating effectively. In addition industrial production has been affected by a variety of problems ranging from lack of demand (especially for those industries formerly exporting to West Pakistan) to labor problems. Low output, combined with the Government's inability to get a substantial amount of imported consumer goods flowing into the country, has been a major factor contributing to the rapid price increases.



Trade

One of the first acts of the Government was to devalue the Taka by 53 percent at official rates, to establish it as par with the Indian rupee. The bonus voucher system for exports was removed and this, combined with the devaluation, had the important effect of offering a higher effective exchange rate for raw jute and a somewhat lower rate for locally manufactured jute goods. Exports increased fairly rapidly after the resumption of trade in February 1972. The recovery was made possibly by the existence of large inventories of jute and jute products at a time when the prices fetched on world markets still reflected the severe shortages of 1971. The subsequent fall in jute prices provided a reminder of the difficult world market position of jute, with clear evidence of European raw jute importers switching to synthetics and of declining demand. As a result, earnings from jute exports in 1972/73 are estimated at roughly the same (US \$350 million) as in 1969/70. Total exports of the country over the year are estimated at about US \$400 million, which compares with about US \$500 million exported to West Pakistan and other countries in the pre-war period. Most of this decline is on account of items such as tea, matches and paper products, which were formerly exported to West Pakistan.

The Annual Plans, 1972/73 and 1973/74

In July 1972 the first Budget and Annual Plan were presented. The 1972/73 Plan proposed some US \$430 million of public development expenditure and a further US \$160 million for reconstruction. About half of the development expenditure was for agriculture, rural institutions, and water and flood control. The revised estimates for the 1972/73 Annual Plan show a 20 percent shortfall in development expenditure. If account is taken of the price rises during the year, then the shortfall in real terms is certainly far higher. The need to provide substantial subsidies for public sector enterprises has led to larger than budgeted deficit financing through net credit to the public sector. The money supply expanded by 82 percent between January and December 1972. This has combined with commodity shortages to cause serious price problems, which, because of their political implications, loom largest in the short-term economic concerns of the Government at present.

The Budget and Annual Plan for 1973/74, which appeared in July 1973, show an increase in projected development expenditure of 30 percent over the revised estimates for last fiscal year. As compared to the 1972/73 Annual Plan, the priority given to agriculture in the new Plan remains unchanged. The volume of aid disbursements is estimated to be at the same level as in 1972/73 and the Plan places heavy reliance on mobilizing domestic resources. Given the shortfall that took place last fiscal year, the achievement of these targets would require improved performance both on the fiscal and project implementation sides.



### Priorities for Growth

The elections of March 1973 and the publication of the Five-Year Plan expected for late July signal the end of the "reconstruction" phase and the beginning of the Government's attempt to come to grips with the long-term development problems. The authorities are faced with a host of fundamental decisions concerning policies and programs. The Plan will provide the basis for analysing the quantitative dimensions of the development problem. The following is an attempt to delineate the issues in general terms, drawn mainly from the report on "Reconstructing the Economy of Bangladesh" (R72-30, October 13, 1972).

Perhaps the highest priority attaches to gearing up the economic administration to prepare and implement development projects in a manner quite different from the past. While the Planning Commission is now technically well prepared to devise economic plans, the need for effective coordination and improved project preparation and implementation has not yet been met. The operating ministries and autonomous institutions, which were already weak, were in many cases weakened still further as a result of changes in key personnel during 1971 and the unsettled period in early 1972. It will be necessary to face these problems squarely, identify the gaps in personnel and prepare for the combination of training and technical assistance which will be necessary to close these gaps.

The urgent need to engineer a rapid and visible improvement in rural living standards points to a rapid expansion of programs related to rural development. These programs are central to future development, and development activities in all sectors should be designed to reflect the crucial importance of rural development. The programs evolved at the Comilla Academy for Rural Development are especially promising and deserving of support.

In view of the great technical difficulties arising in the construction of large-scale water control projects, Bangladesh's urgent need to increase food production requires emphasis to be placed initially on less ambitious projects with greater immediate impact in increasing yields. Emphasis should be placed upon: improved distribution of inputs; appropriate pricing policies for both inputs and agricultural products; much more research than hitherto on developing new varieties, improved methods of cultivation, input requirements and alternative cropping possibilities; attention to such currently neglected areas as livestock production and fisheries; encouragement to private investment in agriculture; and extension of credit facilities to smallholders.

Products such as leather goods, fish and paper products are minor export items at present, but represent possible growth opportunities for the economy. A proper system of incentives for these and new export items need to be considered. Marketing and promotion activities need to be undertaken both to redirect the products formerly exported to West Pakistan and to increase and diversify exports.



There is no easy way to increase public savings in the short-run. A program of taxation needs to be drawn up which will be elastic to growth in income. An essential element in any such program will be the efficient operation and economic pricing of public utilities and enterprises. There should be flexibility and experimentation to provide financial incentives to management and labor, and improved financial reporting to enable authorities to make necessary changes.

Programs with a high employment content should be emphasized. The rural works program has the potential for creating productive infrastructure in the rural areas, through hiring seasonally unemployed workers; small-scale industries can have an impact on both output and employment if promotion, financing and incentives are adequate; and the high labor content of jute production increases the importance of efforts to keep jute price competitive.

The education system, based on traditional models, has over-emphasized theoretical formal education and has been excessively concentrated in urban areas. Education must be reoriented towards a better-educated rural population and skilled manpower in the modern sector. Proposals for mass education have been put forward which, while far from being fully worked out, represent a step in the right direction. The deterioration of quality in higher education and the divorce of the universities from the real development situation are problems requiring urgent attention.

The population will double by the year 2000 if present growth rates are maintained. The population control program needs a completely new approach with proper political backing and a sense of real urgency. It must not be merely the particular program of one department, but a concern permeating the entire administration.

#### External Aid and Growth

Bangladesh will require large and continuing external assistance to achieve an acceptable growth rate. Long-term projections suggest that, even to maintain the existing per capita income level in the face of continued population growth, net aid disbursements of between US \$100 million and US \$200 million per annum would be required. Aid disbursement levels of about US \$300 million would permit imports of only about US \$700 million which, given the higher foodgrain component, would allow for no more investment goods and raw materials than were imported in 1969/70 into the area that became Bangladesh. Average aid disbursements of US \$500 million per year over the five-year plan period would be required to permit imports to be maintained at a level of US \$900 million and the rate of investment at the 12 - 15 percent of GDP figure which is needed for a 5 percent per annum growth of GDP. There is little prospect for substantial



domestic financing of investment in the short-term given the depressed levels of income. In time, of course, the substitution of domestically grown foodgrains for imports would release foreign exchange for expanded capital and raw materials imports.

Aid disbursements in the current fiscal year are likely to be limited by the capacity to import efficiently rather than by inadequate commitment levels. Commitments, which were at about US \$1.3 billion as of the end of 1972, have been ample, reflecting the sympathetic response from donors to the needs of the critical food situation and reconstruction program. While levels of aid commitments during the next few years will certainly be lower, it is essential for disbursements to be maintained well above pre-war levels if Bangladesh is to make any significant progress in raising living standards.

With an adequate aid flow and better economic management, Bangladesh should certainly improve on past growth rates. A sustained growth rate of close to 5 percent should be possible, although it would need good fortune as well as exceptionally good management to get above that level, given the unfavorable ratio of population to resources. The keys to growth will probably be increased agriculture production on the one hand, and good export performance on the other. An overall growth rate of 5 percent would mean that, if population growth remained at 3 percent per annum, GDP per capita would grow only at 2 percent. This would mean that by the end of the century per capita income in Bangladesh would be about US \$120. Given the difficult circumstances of Bangladesh, this would be a major achievement.



## COUNTRY DATA - Bangladesh

<b>AREA</b>	<b>POPULATION</b>	<b>DENSITY</b>
141,131 km <sup>2</sup>	75 million (mid-1973) Rate of Growth: 2.7%	530 per km <sup>2</sup> 840 per km <sup>2</sup> of arable land
	(from 1965 to 1970)	

**POPULATION CHARACTERISTICS 1972**

Crude Birth Rate (per 1,000):	45
Crude Death Rate (per 1,000):	18
Infant Mortality (per 1,000 live births):	141 (1970)

**HEALTH 1970**

Population per Physician:	8,800
Population per Hospital Bed:	9,400

**INCOME DISTRIBUTION 1970**

% of National Income, Highest Quintile:	46
Lowest Quintile:	7

**DISTRIBUTION OF LAND OWNERSHIP 1971**

% Owned by Top 10% of Owners:	35
% Owned by Smallest 10% of Owners:	1

**NUTRITION 1970**

Calorie Intake as % of Requirements:	90
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**EDUCATION 1970**

Adult Literacy Rate:	18
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GNP PER CAPITA IN 1971: US\$70-

**GROSS NATIONAL PRODUCT IN 1971**

	US \$ Mln.	%
GNP at Market Prices	4,485	100.0
Exports of Goods/NFS	327	7.3
Imports of Goods/NFS	581	13.0

**ANNUAL RATE OF GROWTH (% Constant Prices)**

	1961-65	1965-70	1971
GNP at Market Prices	4.4	2.5	-8.2
Exports of Goods/NFS	4.4	0.7	-16.5
Imports of Goods/NFS	10.3	5.1	-2.8

**OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1970**

	Value Added		Labor Force Million	V.A. per Worker US \$
	US \$ Mln.	%		
Agriculture	2,704	56.6	..	..
Industry	613	12.8	..	..
Services	1,462	30.6	..	..
Unallocated	..	..	..	..
Total/Average	4,779	100.0	24.6	194

**GOVERNMENT FINANCE**

	General Government	
	(Rps. Mln.)	% of GDP
	1970	1970
Current Receipts	2,396	7.5
Current Expenditure	1,184	3.7
Current Surplus	1,212	3.8
Capital Expenditures	2,939	9.3
External Assistance (net)	1,524	4.8

**MONEY, CREDIT AND PRICES**

	1965	1969	1970	1971	Dec. 17, 1971	June 1972
		(Million Tks. Outstanding End Period)				
Money and Quasi Money	..	..	..	..	5,393	7,052

(Percentages or Index Numbers)

Money and Quasi Money as % of GDP	..	..	..	..	16	21
General Price Index (1963 = 100)	111	127	138	143	..	..
Annual Percentage Change in General Price Index	8	9	9	4	..	..

**BALANCE OF PAYMENTS**

	1969	1970	1971
	(Millions US \$)		
Exports of Goods/NF	380	412	327
Imports of Goods/NF	544	619	581
Resource Gap (Deficit = -)	-164	-207	-254

**MERCHANDISE EXPORTS (AVERAGE 1969-72)**

	US \$ Mln.	%
Raw Jute	132	30.1
Jute Manufactures	147	33.5
Tea	44	10.0
All Other Commodities	116	26.4
Total	439	100.0

**RATE OF EXCHANGE**

	Through - May 1972	As of May 1973
US \$ 1.00 =	7.28 Takas	7.55 Takas
T 1.00 =	US \$ 0.14	US \$ 0.13

.. not available  
 . not applicable



BANGLADESH: STATUS OF DISBURSEMENTS AS OF AUGUST 1, 1973  
(\$ Million)

<u>Project</u>	<u>Credit Amount</u>	<u>Date Effective</u>	<u>Repayment for Previous IDA Credit to Pakistan</u>	<u>Repayment to SIDA</u>	<u>Disbursement Other Than Repayment Since Reactivation</u>
Cyclone Area Rehabilitation	25.0	1/17/73	0.000	0.000	0.044
Chandpur II Irrigation	13.0	1/17/73	0.595	0.064	0.204
N.W. Region Tubewells	14.0	1/17/73	0.118	0.055	0.151
Telecommunications	7.3	1/17/73	2.086	0.000	0.000
Reconstruction Imports I	50.0	1/30/73	N.A.	0.000	0.921
Small-Scale Industry I	3.0	5/14/73	0.186	0.065	0.017
Chittagong Water Supply I	7.0	6/7/73	3.303	0.191	0.028
Dacca Water Supply I	13.2	6/7/73	6.036	0.639	0.219
Food Storage I	19.7	7/17/73	18.449	0.000	0.000
Education I <u>1/</u>	21.0	Not Yet	7.683 <u>1/</u>	0.102 <u>1/</u>	0.000
Highways	25.0	8/7/73	3.627	0.136	0.000
Technical Assistance I	4.0	Not Yet	N.A.	0.000	0.000
Cereal Seeds <u>1/</u>	7.5	Not Yet	N.A.	0.000	0.000
Inland Water <u>1/</u>	4.1	Not Yet	N.A.	0.000	0.000
Engineering Credit	3.2	7/9/73	2.040	0.308	0.000
<b>TOTALS</b>	<b><u>217.0</u></b>		<b><u>44.123</u></b>	<b><u>1.560</u></b>	<b><u>1.584</u></b>

1/ These repayments have not been made yet but will be made when credit becomes effective.

South Asia Department  
August 28, 1973








## OFFICE MEMORANDUM

TO: Files

FROM: William Diamond 

SUBJECT: Annual Meeting 1973  
Bangladesh Meeting at 2 p.m., Monday, September 24, 1973

DATE: September 25, 1973

1. The Bangladesh delegation met Mr. McNamara at 2 p.m., Monday, September 24.
2. The Finance Minister opened by saying that Mr. McNamara's address in the morning had deeply impressed and inspired the delegation. Mr. McNamara took the occasion to elaborate on the IDA problem which he characterized as a serious one. Although he expected that agreement would be reached at the executive level, here in Nairobi during this week, it was highly unlikely that ratification by legislatures would be completed by the end of the fiscal year. Consequently, there was grave risk of an extensive wait. It was vital, he said, to concentrate the process to the greatest degree possible and to start an emergency program to advance funds for the period from July 1, 1974 until the legislative process is complete, whenever that may be. Mr. McNamara said he was calling the Minister's attention to this problem so that the Minister will be fully aware of its possible consequences and will take the occasion, if he sees fit, to express his views on the subject to other delegations.
3. Mr. McNamara then asked how the Bank could be more helpful to Bangladesh.
4. The Minister referred to the fact that Mr. McNamara had highlighted the importance of rural development during his morning address. This pleased him very much. With the leadership now given, it was vital that such experts as Mr. Knapp and Mr. Cargill should carry out the new instructions to the best of their ability. Nurul Islam took the occasion to say that 19th century expertise would not do in dealing with such a problem as rural development and that the crucial matters involved areas of activities which were relatively new to the Bank. In dealing with the rural sector, methods of appraisal were vital and the Bank would have to be prepared to take risks. Mr. McNamara said that we will be prepared to do so although it was the function of careful study to reduce the risks to a minimum. He referred in particular to the question of high administrative costs, stating that he did not care how high the cost were so long as the benefits were proportional. Nurul Islam said, and Mr. McNamara agreed, that institutions and policies were critical in this area.



5. Mr. McNamara referred to the population project in Bangladesh stating that we would be ready to push ahead with it. Nurul Islam said that he was aware of this and welcomed the mission that would be coming in October. In this connection, he repeated Bangladesh's anxiety to minimize the volume of financing it gets from the Bank for this project in order to maximize the use of special funds available from other sources for population projects, while specifically keeping the Bank in the key position of organizing the arrangements for the project. Mr. McNamara agreed; Mr. Knapp stressed that we should be involved to a significant degree. In this connection, Mr. McNamara said that the project should contain a provision for evaluation of its results. He pointed to the wide-spread lack of knowledge of the effect of population control programs and wanted to be sure that critical evaluation takes place in this one. Nurul Islam said it would be included. Mr. McNamara also hoped that the project would contain a nutritional element in order to provide evidence of the interplay, if any, between nutrition and fertility.

6. Mr. McNamara said he would like to raise the level of IDA lending to Bangladesh. He felt the situation was such as to justify such action. However, he thought it would be impossible to do so because projects were not available in sufficient quantity. He stressed the importance of project preparation. He noted that the Bank could not accept program loans as a substitute for projects. Nurul Islam agreed, pointing to the technical assistance credit that we have provided last year as a crucial element in the process of project preparation in Bangladesh. Mr. McNamara said he would be prepared to consider another such credit when the time is ripe. Nurul Islam stressed, however, the importance of continuing program lending, especially in the next 3 to 4 years. Mr. McNamara said that his comments with special reference to project preparation were not meant to prejudice the case for program lending but it must be clear that greater stress needs to be placed on developing a pipeline of projects. Matiul Islam commented on the need to use project lines as a device for generating local currency for investment in public works, etc. Mr. McNamara said he could much more readily justify local currency lending than he could program lending, and he recognized that local currency financing was crucial in Bangladesh.

7. Mr. McNamara asked about the state of long-term river and water planning development between Bangladesh and India. The Finance Minister said he had nothing to report. The joint India-Bangladesh River Commission was meeting, but nothing tangible had yet emerged. Nurul Islam would stop in New Delhi on his way home to sort out some issues that had arisen. Mr. McNamara stressed the importance of this work, noting that the Bank would be ready to assist the two governments in their planning, whenever they wished, and to provide capital.

8. Mr. Cargill called attention to the significance of the decision taken last week by the Bangladesh Government to accept liability for loans visibly located in Bangladesh. Mr. McNamara said that this had been a very important and welcome decision.


cc: Mr. McNamara, Mr. Dunn

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## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara DATE: September 24, 1973

FROM: William Diamond 

SUBJECT: Bangladesh Meeting at 2 p.m., Monday, September 24, 1973

The principal development since your brief was prepared is that the Government of Bangladesh has agreed to accept liability for external debt incurred for projects physically located in Bangladesh. This is an important breakthrough. There will remain considerable work in negotiating with individual countries and we shall be involved with the agreement with Bangladesh in assisting and assuring a uniform approach by the creditor countries to the debt problem.

The Government welcomes the population mission scheduled for next month which will work up the population project scheduled for financing in the next fiscal year. Because of special funds available for such projects from other sources, Bangladesh welcomes our organizing financing of the project but would prefer the bulk of the funds to come from other sources.

The delegation noted that a \$50 million program credit for this fiscal year will, because of higher prices, mean less real aid than last year's program credit. The delegation may bring this up again.

WDiamond:ad

cc: Mr. Knapp

President has seen



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cc: Mr. Knapp