



# THOUSAND MY LAIS

hell-Scarred Iqbal Hall : Dacca University

WORLD BANK STUDY ON BANGLA DESH

## Preface

The human tragedy that occurred in a small hamlet known as MyLai in South Vietnam is now being repeated in a whole country and upon a whole nation. A thousand MyLais are being perpetrated in Bangladesh every day, by the marauding trigger-happy gunmen from West Pakistan.

On the conclusion of an extensive study tour of Bangladesh, ten representatives of the World Bank submitted a joint report recommending an immediate suspension of aid to West Pakistan. Before dealing with the official report of the World Bank mission, the reader may find great interest in the observations of Mr. Hendrik Van der Heijden, Economist, Pakistan Division, IBRD.

Insertion of individual reports of the other members of the World Bank team would have been of great value. Nonetheless this document helps to give a complete and faithful picture. We regret our inability to process the remaining individual reports.

These reports are so graphic and authoritative that they need no preface or comments. Would it be possible for example, to surpass the following excerpts ?

"When we moved around (Kushtia), everyone fled. It was like the morning after a nuclear attack. The people were terrified and still shocked and dazed."

"It is at the Thana (village community) level where the shock waves of the army action hit the hardest. It was at this level where the hope for agricultural development was. It has been set back by at least five years."

The purpose of this preface is to request you to give this brief document your time and attention. After you have read it through, would you not do something to stop the genocide? A million people have already been bombed, bayoneted or machinegunned. Thousands of women have been raped to death, and about eight million refugees have fled to India.

Would you do your little bit to persuade your Government to cut off all economic and military aid and credits to West Pakistan?

Would you awaken the United Nations from its indifference and apathy?

Could we count on your help, material and moral?

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## “A Shattering Experience”

1. The visit to the western area of East Pakistan which took place from June 3 to June 6, 1971 centered around three major cities there : Jessore, Khulna, and Khustia. In addition, I visited Chalna Anchorage and the adjoining service city of Mangla.

2. As I left in the early morning of June 3, 1971 for Jessore—by regular PIA commercial flight—it already became apparent at the Dacca airport that the Military Law Authorities (MLA) were still keeping in force elaborate security precautions : all luggage was carefully searched, none was allowed into the airplane, passengers were carefully searched and double checked by Army Security officers. Before entering the plane, another check took place : this time to ensure that cigarette lighter and matches were not carried into the plane. To top it all, armed soldiers entered the cabin and flew as escorts, demanding that all passengers remained seated during the entire flight. The plane was fully loaded : government officials, army personnel and some civilians, including some women and children.

### THE JESSORE AREA

3. Approaching Jessore, it became soon clear that this was the area where the Army Punitive

action had been very severe : from the air, tens of totally destroyed villages were clearly visible, a building was still in fire, and to the eastern side of the runway a good many houses had been destroyed. The airport was heavily guarded by Armed Forces who also controlled access to the airport. Upon landing, soldiers moved forward to the aircraft and took position around it. A heavy military presence around the passenger terminal was noted. The car from the Khulna District Commissioner was there to take me to Jessore first, when I saw the Deputy Commissioner of Jessore, the ADC, the police commissioner and the secretary of the Peace Committee.

4. Jessore has suffered badly from the disturbances. When the Army moved out of the Cantonment area on April 5 (from March 25 until April 5 Jessore was held by the "miscreants"); it reportedly met little in the way of strong resistance from the East Pakistan forces, and most of the very heavy damage in Jessore was the result—reportedly—of the Army punitive action. The authorities estimate that the population of Jessore itself is down from 80,000 to 15—20,000. Some 20,000 people were killed in Jessore town. The city's center has been destroyed : commerce, obviously, has come to a standstill. More than 50 percent of the shops have been destroyed, all of the city's bakeries have been burned (so that bread is unavailable there, as is coffee and butter), only three out of fifteen gasoline stations have survived,

and only 5-10 percent of the shops that are there have opened. Schools remain closed for all practical purposes: about half of the teachers report for duty, but less than ten percent of the children attend. Jessore is now a male city, with most women and children having been sent to the country-side.

5. Damage to housing in Jessore District is so severe that the authorities estimate that some 450,000 people have been affected out of a total District population of 2.5 million. Half a million people have fled to India. Virtually all economic activity has come to a halt in Jessore city which in the afternoon looks like a ghost town. In the evening, no one besides Army personnel ventures into the streets. The sugar and cotton mill remain closed, the cigarette factory operates at 5 percent of its normal capacity, all public works' programs have come to halt, stocks of brick factories are very high (indicating the loss of one entire construction season), and while the Government administration is formally functioning (some 80 percent of the employees have reported for work), in practical terms it does not operate: people have ceased to come to Government offices. Since the Army action no one has come to apply for licenses, and while there normally would be heavy activity at the Justice Department (settlement of land disputes, etc.), no one is coming now. The collection of revenues had barely started. Some banks were open, but very few transactions took place.

ADBP's office was open but had not made any loans nor had it received any payments.

6. Transport has been badly affected by the disturbances : 50 percent of the stock of trucks have gone out of commission (more than 100 out of 200) with more trucks having gone to India. Many buses have been requisitioned by the Army, are now in India or are being hidden to prevent requisitioning. Train service has been partially restored : the signalling system is out of commission, but the tracks are all right. On the whole, intercity traffic is at less than 5 percent of normal. As a result of the dislocation of the transportation system, there are shortages of salt, tea, washing soap and kerosene.

7. An important aspect of the situation in the Jessore area is that the area is by no means secure. Government officers cannot any more easily enter the villages as they run the risk of being shot by the "miscreants." A number of these incidents took place in the week before I arrived, and the Army is reacting to these incidents by burning down the villages from which these shots are being fired. Generally, the Army terrorizes the population, particularly aiming at the Hindus and suspected members of the Awami League.

#### TRIP TO KHULNA

8. On the way to Khulna just a handful of trucks, buses and cars were noticed. An Army patrol moved south and whenever people were

in sight, they fled as fast as they could. Half-way to Khulna I visited the Jessore Jute Industry, a firm that in normal times employed some 2,400 workers and operated on a three-shift basis. The firm has 300 hessian looms, 100 sacking looms and 50 broad looms for the production of carpet backing. The firm now operates ( with 900 workers ) one shift of the conventional looms and two shifts of the broadlooms, although only partially ; it operates 40 narrow looms and 38 broadlooms. Consequently, production is at less than 10 percent of original capacity, for the most part occasioned by the skill-unbalance of the returning workers : there is an acute shortage of weavers who have fled to their native villages in the Noakhali, Barisal and Faridpur areas.

9. Khulna city has been substantially damaged in the center town, the approaches to it. Very heavy destruction was observed in the areas alongside the road and along the river leading up to the Newsprint Factory and the Platinum Jubilee Jute Mill. As a result of the disturbances, the destruction of houses and the continuing uncertainty regarding life and property, a large segment of the population has fled from the city : in fact, the population of Greater Khulna is down from 400,000 to 150,000. It is, as Jessore, a male city. People do not venture after dark. The area is not hundred percent secure : all through my stay in Khulna 6 Police-

men armed with rifles accompanied me. At night which I spent at the Platinum Jubilee Jute Mill's guest house, the guards were strengthened to protect from possible hazards from the river which is generally unsafe. (The week before our arrival a passenger boat (the Rocket) had been seized by the insurgents, as were some barges carrying raw jute and manufactures.)

10. The Administration of Khulna District was back to 80 percent of its original strength. There are serious police shortages, but the situation is improving. Some senior police officers have been recruited from West Pakistan. The road to Jessore and Khustia is generally unsafe, particularly at night, and there have been frequent doubts about my proposed trip to Khustia. Schools are open, but attendance is very poor. The Polytechnic Institute, as well as colleges, however, have not yet started. The main problems affecting Khulna is communications : the telephone system works all right, but mail service is very irregular. There is only marginal truck traffic on the roads : less than 5 percent of normal. In fact, the road to Jessore is normally a heavily-congested road. Now it carried only a handful of vehicles. The Army has requisitioned many vehicles and launches, including government vehicles, and many have been taken to India. As regards rail transportation, service is off by 50 percent. There are also very few buses on the road. Spare parts are a problem. In addition,

most of the buses are being used by the Army. River traffic is negligible : less than 5 percent of what it used to be. As a result, there are pockets of scarcity : shortages of kerosene, edible oil and diesel oil exist in the villages.

#### VISIT TO PLATINUM JUBILEE JUTE MILL

11. The area surrounding the Platinum Jubilee Jute Mill has undergone very substantial damage. In fact, the destruction of Pucca houses and buildings reminds of Arnhem in 1944. Also, many workers' houses were destroyed. The area is deserted now. Less than 7 percent of the mill's permanent labor force had returned to the job, but local unskilled people were hired bringing attendance up to 30 percent of the labor force which originally amounted to 4,500. The firm now operates at about 25 percent of capacity. Of the 875 narrow looms originally in operation in 2 shifts, only 420 are working on a one-shift basis. The broadlooms (32) run on a two-shift basis. The firm has started to employ women (very abnormal in East Pakistan) who have become widows in the past few months.

#### VISIT TO KHULNA NEWSPRINT FACTORY

12. This factory which produces newsprint mainly for despatch to West Pakistan was restarted at the end of April and produces now 1,500 tons per month as compared to originally 4,200 tons per month. The firm has a shortage of skilled workers,

as only 20 percent of the labor force has come back to the mill : of an original labor force of 2,100 some 380 have returned, with the remaining 600 having been recruited locally. The industry forms part of the EPIDC industrial complex, and, obviously, is running at very heavy losses.

#### VISIT TO EPWAPDA'S 60 MW KHULNA THERMAL POWER STATION

13. This thermal station was supposed to have been completed by mid 1971. However, there is now a 'six months' delay in commissioning the plant : the Czech consultants have left as have the Czech erection supervisory staff. Forty-five percent of the staff has not yet returned to the job.

#### VISIT TO CHALNA ANCHORAGE

14. A two-hour trip by launch took me to Chalna Anchorage where ships started getting in since May 12. A total of 5 ships was anchored, some having waited for two weeks to receive cargo. Traffic on the river is down to 5-10 percent of what it used to be. The project to construct a permanent port at Chalna has indefinitely delayed : all of the workers have fled, as have the Yugoslav consultants.

15. The city of Mangla, the town where the labor for Chalna Anchorage lived, has been virtually obliterated by naval shelling. The population, therefore is down from 22,000 to 1,000 and the business routine there has been completely

disrupted. Damage was extreme: houses, the market place, the telephone exchange, power distribution lines, etc. are all totally destroyed. All construction work, of course, has come to a standstill, and there is no more an economic base for the population there. The 1,000 workers suffice to unload and load the ships' contents into barges. Some port officers have fled, one tug disappeared and two of the four pilots have disappeared. When I was there, M.S. Shams arrived carrying 1,500—2,000 soldiers from West Pakistan.

#### VISIT TO KHULNA SHIPYARD

16. Works pretty close to normal. Eighty percent of the staff is on the job, probably forced. I noticed that one coaster had been requisitioned by the Navy and was being outfitted for naval duties. This was also the case with a fishing boat.

#### VISIT TO THE PHULTALA THANA, KHULNA

17. Perhaps the most impressive visit I made was the one to this Thana office. Fifty percent of the population of this Thana has fled (some 20,000 out of a total of 42,000), mostly Hindus, leaving behind unattended plots of land, houses, etc. Everything had been disrupted there: the livestock officer had been killed, the whole administration was in chaos. The people bewildered. The whole works program had come to a stop: no laborers and no construction materials. Agriculture was in a shambles, the people demoralized. It is doubtful whether any government can effec-

tively deal with these people in the near future. It is as the Thana level where the shock waves of the Army Action hit the hardest : it was at this level where the hope for agricultural development was. It has been set back by at least five years.

### TRIP TO KHUSTIA

18. Five times the trip to Khustia was off. Only in the late hours of Friday, June 4, was there a decision from the Governor that I could make the trip from Khulna to Khustia. Most of the officials were extremely nervous and all the top officials (DC, Chief of Police, etc.) accompanied me to Jessore where there were final deliberations with the DC Jessore.

19. An hour's drive north of Jessore was Jenidah, a small town of some 20,000—30,000 inhabitants. The Army was omnipresent there, and all the approaches to the city were heavily guarded. The Army was dug in and on the alert. We were met by an Army officer who told us that there was only one way to travel to Khustia : by road, but with an Army protection party. On we went : in the front the DC Jessore's Mercedes used by my counterpart and myself, a jeep with rifle-armed Policemen (8), and a truckload of heavily-armed soldiers. In convoy we drove to Khustia.

20. It was only on April 15 (some 20 days after the Army moved into Dacca), that the Army moved North from Jenidah and into Khustia.

There must have been very strong resistance from the EP Rifles as some buildings clearly showed. When the insurgents withdrew the Army Punitive action started. It lasted 12 days and left Khustia virtually deserted and destroyed. The population was down from 40,000 to 5,000. Ninety percent of the houses, shops, banks and other buildings were totally destroyed. The city looked like a WW II German town having undergone strategic bombing attacks. People were sitting around dazed. When we moved around, everyone fled. It was like the morning after a nuclear attack. I was the first foreigner to come to Khustia after the Army moved in. The people were terrified and still shocked.

21. *I met the Administration officials who were still shocked and dazed. The DC at first did not answer any of my questions. Nor did anyone else who was there. After fifteen minutes I called the meeting to a halt and went on another trip through Khustia. It lasted an hour and a half, I asked them to show me a shop where food was being sold : it was in that ninety minutes impossible to find one. Khustia, as someone told me, is the My Lai of the West Pakistan Army. There was only one reaction : to confirm that impression.*

22. The DC had been killed, as had so many other Government officials. The schools are open but nobody is attending. Even the hospital was practically deserted. The permanent staff was not

there, and there was just a handful of new staff. The Army was requisitioning a part of the building. Everything, but everything, was dislocated in Khustia. ADBP, ADC and other activities, ADC had not recalled any of the pumps it had in the field.

The farmers are not coming to the cities, and nobody goes out. Thousands of farmers have fled. Everything is abnormal there, and it was a shattering experience.\*

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\* Text of Field Report on trip to Jessore, Khulna, Chalna and Kushtia submitted by Mr. Hendrik Van der Heijden, Economist, Pakistan Division, International Bank for Reconstruction and Development, dated June 23, 1971.

# OFFICIAL REPORT

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## FOREWORD

This report is based upon information gathered during a twelve-day visit to East Pakistan in early June by a World Bank Mission consisting of the following members (length of stay in brackets) :

I. P. M. Cargill, Director, South Asia Department, IBRD (June 6-10)

John W. Gunter, Acting Director, Middle Eastern Department, IMF (June 6-10)

Manfred G. Blobel, Chief Economist, South Asia Department, IBRD (June 5-10)

William H. Edwards, Agricultural Specialist, Islamabad Office, IBRD ( May 30-June 11)

Douglas H. Keare, Economist, Dacca Office, IBRD ( May 30-June 11)

Shigemitsu Kurjyama, Asst. Resident Representative, Dacca Office, IBRD (May 31-June 10)

J. Hanns Pichler, Economist, Islamabad Office, IBRD ( May 30-June 10)

John W. Rose, Economist, IMF (May 31-June 10)

Hendrik van der Heijden, Economist, Pakistan Division, IBRD (May 31-June 10)

Michael H. Wiehen, Chief, Pakistan Division, IBRD (May 31-June 10)

During our visit we spent sometime in Dacca holding discussions with officials, travelled frequently in the immediate vicinity of Dacca and, in parties of one to three, visited twelve of the nineteen administrative districts of East Pakistan—some of them more than once. With one important exception—an intended trip to the cyclone disaster area (Noakhali

and Patuakhali) which was postponed due to monsoon weather—the list of places visited was constrained only the time available. The Government was most co-operative in accommodating our requests for trips within the province and visits within each district and in arranging transport—including use of the Governor's plane. Information concerning our visits outside Dacca and a map indicating the districts visited will be included in an Annex to the final report.

The information for this report was obtained, though not in normal circumstances, in more-or-less the normal way—that is, by travelling, observing, asking questions, filtering answers and figures obtained and evaluating the information obtained for accuracy and consistency. This was, of course a more difficult task than is confronted by most Bank Missions and it should be said that, in the absence of hard facts, we have had to draw frequently upon genenal impressions of the situation. Some information (for instance, that concerning actions by the Army and the extent of insurgent activity) is technically hearsay in that it was not contained in official statements or reports made available to us; however, some treatment of these matters is necessary in order to round out a description of the situation in East Pakistan, and we have included only information that we have seen (or heard) for ourselves or which has come from normally reliable sources and which appears consistent with the effects we have noted and observed ourselves.

## 1. THE CURRENT SITUATION

### A. Major Economic Impacts of the Conflict

1. The Mission noted four principal effects of the conflict whose inhabiting effects upon the functioning of the economy are evident at present and virtually certain to continue for at least several months into the future. The first is the general destruction of property in cities, towns and villages. This was inflicted in small part—and selectively—by the insurgents during the period in which they remained in control of certain areas, but was largely the result of military activity in the major cities and towns and along the major road arteries between them. The second is the major destruction to the transport and communications networks inflicted by the insurgents during the early days of the conflict. The third is the loss of vessels and vehicles to the economy, which occurred in a number of ways. The fourth is the general atmosphere of fear and uncertainty which persists as a result of continuing activity by the insurgents and particularly, the Army.

2. Most cities and major towns have sizable pockets of destruction where market places, small shops and workers' housing once stood, and in some, the damage has been much more severe; unauthorised homes and shops along roads and railway rights-of-way have been obliterated both within towns and along major arteries between towns; and numerous villages have suffered heavy destruction, particularly to market places and bazaars. The extent of damage and destruction varies greatly both between and within districts; however, few areas have escaped altogether. *In all cities visited there are areas that have been razed, and in all districts visited, there are villages which have simply ceased to exist.*

3. Damage to the transport and communications network was widespread and severe. Ten major roads and thirteen

major railway bridges were blown up with variable, but generally considerable, degrees of success; scores of smaller bridges and culverts were also destroyed or damaged; and rails, ties and footplates have disappeared all over the province. In addition, during the fighting, some damage occurred to locomotives and railway rolling stock, ferries and vessels; the telecommunications system was severely disrupted and railway telecommunications were put out of commission entirely.

4. The loss to the economy of vessels and vehicles occurred in a number of ways. Substantial numbers were damaged or destroyed. Others were taken across the borders by the insurgents. Some were abandoned by owners who have fled, gone underground, or are simply too frightened to venture out. Probably the largest number, particularly of trucks and land-rovers, was commandeered by the military. This holds true of the districts North and West of Dacca, where the combination of heavy fighting and disruption of transport preventing the shipment of military vehicles up from Chittagong prompted the Army to seize virtually all vehicles. "Requisitioning" occurred also, however, in areas such as Chittagong. There, contractors' new vehicles were taken from the port and, as else-where in the province, jeeps and ICTs intended for relief work in the cyclone-affected areas were also commandeered. At present, in Chittagong, while scores of Army jeeps and trucks wait for the road and railway links to be opened so they can be sent North, requisitioned vehicles have still not been returned to their owners.

5. Perhaps most important of all, *people fear to venture forth and, as a result commerce has virtually ceased and economic activity generally is at a very low ebb.* Clearly, despite improvements in some areas and taking the Province as a whole, widespread fear among the population has persisted beyond the initial phase of heavy fighting. It appears that this is not just a concomitant of the Army extending its control into the countryside and the villages off the main highways, although at this stage the mere appearance of military units

often suffices to engender fear. However, there is also no question that punitive measures by the military are continuing, as considered necessary by the Martial Law Administration; and, whether directed at the general populace or at particular elements (such as known or suspected Awami Leagues, students and Hindus), these have the effect of fostering fear among the population at large. At the same time, insurgent activity is continuing. This is not only disruptive in itself, but also offer leads to massive Army retaliation. *In short, the general atmosphere remains very tense and anything but conducive to the resumption of normal activities in the Province as a whole.*

## B. Results

6. *The first thing that strikes one—whether in Dacca or travelling in the countryside—is that there seem to be very few people about.* The situation varies greatly from Dacca, where our collective impression is that no more than 50 percent of the usual population is in evidence during the day; to Chittagong, where only a third of the population appears, and *these feel it necessary to indicate their "loyalty" by displaying Pakistani flags on their vehicles or their persons*; to Kushtia, where no more than 10 percent of the normal population remains; to Bakarganj (North Bhola), where virtually the total population seems to be in place. One ominous development is that the population is reliably reported to have doubled in areas of Patuakhali and other parts of the coastal region where the food situation is already critical and there is serious doubt that even the normal population can be supplied with adequate foodgrains over the coming months.

7. This is the impression one gains by day. *After dark the situation is more unusual still. Most areas have curfews.* In Sylhet it is 7 : 30 P.M. to 5 : 00 A.M.; in Chittagong 10 : 00 P.M. to 6 : 00 A.M.; in Dacca curfew was abolished on the 11th of June. *Whatever the curfew hours, the streets begin to clear in mid-afternoon and are completely deserted by dark.*

8. What this situation means for East Pakistan's subsistence economy—where normally the scores of thousands of small pockets (extended family, village, union, etc.) of more-or-less self-sufficient mini-economies are loosely linked together over extremely difficult terrain by a costly transport and commercial network—is that the links have been completely broken and the economy not only stopped temporally but fundamentally dislocated. *For almost three months there was virtually no movement of jute, tea or other exports from farm to factory or port, and very little from port abroad; severely limited movement of foodgrains into the country and to the Dacca area, and practically none within the province—either from central storage depots or between surplus and deficit areas. In general, intra-provincial, inter-wing and international trade ceased for a period and have so far barely begun to function again. The mini-economies have in general gone on at a reduced level; however, the setbacks to agriculture—to rice production in particular—as well as the virtual cessation of food movements for three months, mean that additional food import and distribution requirements must be imposed upon a crippled transport, commercial and administrative system that was not all that sturdy in normal times. At the same time, demands may be placed upon the system to try to move larger than normal quantities of jute, tea, etc., in an attempt to make up for the past few months.*

9. Though the last large pockets of “organized resistance” were eliminated by early May, and the entire country has been under firm Martial Law Administration since then, the disruption of communications has persisted. Telecommunications and mail services have been partially restored to most areas, but people aren't travelling—except within urban areas—and goods are not moving even there. Our estimates for Dacca are that perhaps half the rickshaws and one-third of the mini-taxies, cars and buses are back on the roads; while no more than 15 percent of the carts and trucks are back to moving goods. Everywhere else the figures are lower, but

the phenomenon is particularly marked between population centres. *Nowhere is vehicular traffic along the roads at more than 5 to 10 percent of normal levels. And, except for some fishing activity, the waterways appear deserted. The country boats have disappeared.*

10. The disruption of commerce was just as complete and fundamental, and here too, the road to "normalcy" has proved elusive. During the period of conflict, many village markets were destroyed and economically important groups within the population—such as Beparis, or up-country jute traders—have virtually disappeared. During and since the conflict there has been widespread looting, and so far traders have been reluctant to return to work. In this situation, a jute buyer, who was trying hard to get jute moving again, felt compelled to carry Rs. 500,000 (in Rs. 10 and Rs. 50 notes) up-country very recently in his quest for traders with jute to sell.

11. It was difficult to obtain figures about banking; however, it is known that there were substantial withdrawals in March and looting and loss of staff from late March to late April. Since then, most bank branches in the cities and probably more than half of those in outlying areas have been "opened" but deposits of the system have not been restored to prior levels and activity has remained very low.

12. In all spheres, the severity of the disruption—and its persistence—are due much more to psychological than to physical factors. This is nowhere more true than in industry. With very few exceptions—a couple of jute warehouses burnt in Chittagong, one tea factory in Sylhet, one tea chest factory in Chittagong, the paper mill at Tongi—the damage to physical plant of large factories has been slight. In fact, most of that which has occurred since 25 March has been inadvertent: many electric motors were burnt out by unusually severe voltage fluctuations during the early weeks, the rayon plant at the Karnaphuli Paper Mill was badly damaged by sulphuric acid left in the system for several days and several plants have

suffered from reduced or faulty maintenance. Damage and destruction of smaller industrial enterprises such as saw mills, brick kilns and handlooms—particularly around Narsingdi and in Northwest Bengal—was probably more significant, but detailed information is not available. In any case, the major factors affecting industry now, and likely to persist for some time to come, are loss of management and labor, financial problems, the inability to obtain supplies, and the inability to sell and transport finished product.

13. Managerial staff and labor who have fled to the villages have been slow to return. They are probably intimidated both by the continuing presence and actions of the Army and by threats from the insurgents that they should not support the latter's cause by returning to work. Those who have returned remain frightened ; and the appearance of threatening posters put up by the insurgents has caused serious setbacks to recruiting efforts, e.g., in Ghorasal and Chittagong, and reportedly also elsewhere in the Province. In some instances, management and technical personnel—especially non-Bengalis and Hindus—were killed, with the result that many others have left East Pakistan and, in part at least, are unlikely to return.

14. In these circumstances, the failure of the administration to function properly is understandable. Most Class I and II officers are back on the job ; and the continued absence in most areas of perhaps half the Class III and IV officers may well increase rather than harm efficiency. However, for a number of reasons, most of the officers who back are functioning perfunctorily at best. Since communication are disrupted they are barely in touch with the next higher or lower level of administration and, because of threats from the insurgents, they fear to travel. At the same time, the inevitable military intervention in matters normally dealt with by the civil administration and the continued military presence are inhibiting factors ; while the appointment of several West Pakistanis to important posts in the provincial administration, the drastic curtailment of the development program, and the fact

that decisions about the budget—and probably also about measures intended to reactivate the economy—are being taken in Islamabad without their involvement, have tended to reduce interest.

15. The nature and course of the fighting varied greatly from one part of the province to another, and there have been associated differences in the persistence of insurgency and economic inactivity. The border is more-or-less open along its entire length and adjacent areas are therefore particularly vulnerable. Most of the early damage took place and much of the continuing insurgency is taking place in the crescent from Ramgarh to Srimangal along the eastern border and in the inaccessible area along both sides of the Mymensingh/Sylhet division. The heaviest fighting and greatest destruction by the Army took place West of the Jamuna/Padma—with the trail of devastation running from Khulna to Jessore to Kushtia to Pabna, Bogra, and Dinajpur. This is the area of greatest population loss at present and where agriculture has been most retarded and activity most disrupted. Least affected apparently were the southern and coastal areas of Noakhali, Bakarganj and Patuakhali. Though the fighting started there, Dacca, as the capital city and administrative center, is probably closest to "normal" at present; however, one similarity for all districts is that all had remained very far from normal up to the time of our departure from East Pakistan on June 11.

### C. Effects On the Major Economic Sectors

#### (i) Agriculture

16. Although the Mission did not observe major physical damage to this sector, it is clear that agriculture has suffered badly as a result of the conflict. Many farmers have fled; others have been killed; all farmers have lost some time in the fields; and, in all areas there have been in all farm operations delays, unavoidable neglect and a lack of inputs.

17. In the case of rice, the boro crop (which last year accounted for about 16% of production) was very good—up

about 15%, on average, over last year. There is, however, some late boro still in the ground and, with the early rains and disappearance of many farmers, it is not certain that all of this will be harvested. The aus crop is generally much later planted than in normal years, weeding has been neglected in areas where farmers have been harrassed or have fled, and there is much yellowing, probably due to shortage of fertilizer. According to field staff of the ADC and Department of Agriculture and our own observations, the acreage planted is some 15% below normal and the average yield on this reduced acreage is also likely to be down by a minimum of 15%. This works out to a minimum drop in production of 28%.

18. More seriously, it appears from all indications that the important aman crop may also be considerably depleted. If this is to be avoided, severe problems of delay, lack of seed and difficulty in providing inputs will have to be overcome. In general, the entire process of aman planting appears to be seriously behind schedule. For highest yields transplanting from mid-July to mid-August—but preferably in mid-July—is recommended. Allowing for one month in the nurseries, this means that seedlings should have gone into the nurseries by mid-June; however, very little preparation of fields or nursery beds was observed during our various tours of the Province. An additional factor, is that, owing to heavy early rains, late transplanting has been attempted on much of the aus acreage and this late aus is not likely to be off the fields before late August. This means, as a minimum, that aman planting may be further postponed and yields correspondingly reduced. In some areas, the planting of aman may be precluded altogether.

19. For a variety of reasons—The firing of farmers' houses and market places, Army "requisitioning", the flight of refugees who have taken seed stock with them for food, etc.—much aman seed appears to have been lost throughout the Province. And, given the disruption of administration and the transport and distribution system, it appears vain to hope that all the

lost seed can be replaced or that sufficient seed can be supplied to normally deficit areas in time for the aman planting. Though fertilizer is available in the province, point-of-use storage is in most cases adequate for only a few days' requirements during the growing season. As the entire process depends so critically upon the transport and distribution system it appears most unlikely that fertilizer will be available in all the right places at the right times. Timely pesticide application, which is difficult in normal times, can hardly be relied upon.

20. Areas where the situation is particularly serious are the cyclone disaster area and the western border areas. In the former area, the supply of draft animals for land preparation remains drastically below requirements, while people are already going hungry and—unless an effective relief operation is mounted immediately—unlikely to turn to seed stocks for food. In the latter area, cultivation is being considerably reduced by the absence of many farmers and the continuing harassment by both sides of those remaining. If conditions conducive to normal pursuit of agricultural activities were restored promptly, and all efforts made to supply farmers with the necessary inputs, the adverse effects of the present situation on the aman crop could perhaps be contained. However, on the basis of present conditions, it is the missions's estimate that total aman acreage may be 20—30% below normal, and that some drop in the yield is also likely. All factors considered, *the drop in overall production may well be of the order of 30%.*

21. *The effect upon the total foodgrain picture is that net availability within the Province may be down by 2 million tons from 1970/71 and 3 million tons from 1969/70. Therefore, if a daily supply of 15.4 oz. per caput is to be maintained and overall stocks kept at reasonable level, import requirements during the period July-December 1971 will be about 2 million tons, including some 550,000 tons backlog from the 1970/71 program. Unless effective steps are taken promptly to improve the aman crop over our present estimates, another 2 million*

tons of imports may be needed during January-June 1972, raising the total for 1971/72 to about 4 million tons. Whatever the total requirements during the next year or so, internal distribution of the imported food would constitute an extraordinary burden on the transport system of the Province, even if it were in a position to operate at its normal capacity and efficiency.

22. *The picture with respect to jute varies considerably from district to district ; however, acreage is widely reported to be down substantially. In addition, during the fighting and the ensuing period of fear and uncertainty, weeding and thinning operations in many of the fields have been neglected. Fertilizer application, if it has occurred at all, has been minimal and cultivation has been sparse. In many areas, the heavy early rains and neglect have led to considerable weed growth—and, in some areas (notably Mymensingh District) unusually heavy rains have caused water-logging and further reduction of yields. Our overall judgement is that acreage is down by some 20%, while the yield on that acreage will be down by a minimum of 10%. Applied to the 1970/71 target figure of 6.9 million bales, this composite reduction of 28% gives a crop of 5 million bales. Since there is no guarantee that cultivation will proceed normally from this point or that adequate labor will be available for harvesting and retting, this figure must be regarded as a maximum for agricultural output. Even then, it is by no means certain that all of this reduced crop can be moved by the crippled transport system to mills and ports.*

23. Until quite recently the situation in the tea gardens appeared to be surprisingly good. There was virtually no plucking during April and May—the first two months in the tea year—and that tea which was plucked was either not processed. However, despite the surrounding border, the heavy fighting that has occurred in the area and the very high proportion of Hindus in the labor force, the bulk of the population appeared to be in place at the time of our visit and approximately two-thirds of estate labor was present. Only half of

field, factory and office staff were available for work by the first week of June, while management (including assistant managers) was still largely absent but beginning to return in large numbers.

24. During the first ten days of June, however, two expatriate tea planters disappeared, and the second is reliably reported to have been murdered by the insurgents as part of a beginning campaign to dissuade expatriates—as well as locals—from collaborating with the present Government in its efforts to restore “normalcy”. As a result, and on the advice of the UK High Commission, those expatriate planters who were working in the gardens have now left Sylhet.

25. Without qualified management, it is most unlikely that tea production can go on at all efficiently. Probably it cannot occur at all. At the very least, therefore, production for April through July—or about 40 percent of the normal annual output—will be substantially or completely lost. What happens thereafter will depend, firstly, upon whether security can be restored sufficiently to persuade management to return and labor to remain on the job. Even if this can be accomplished fairly soon, formidable start-up problems will have to be overcome. The labor force will have to be re-organized and the backlog of weeding and pruning—which also have been largely neglected since March 25th—will have to be eliminated before production can start. *Perhaps the most optimistic outcome would be that half the normal output for the remainder of the year could be achieved—which would give a total of some 20 million pounds, as opposed to 69 million pounds, last year.* Less optimistically, it remains possible that substantially the whole year's output will be lost and that, for want of pruning, the productivity of the plants will be reduced for subsequent years as well.

## (ii) Transport

26. This is probably the most affected, and therefore the most important sector. As the major dislocations to the

system have been discussed in general terms in the introduction, the analysis here will be by mode.

27. Facilities at the two major ports of Chittagong and Chalna were not damaged in the fighting; however, they operated at only 40 percent normal during March, and virtually not at all during April. During April administration of the ports was taken over by the military and in May operations returned to about 40 percent normal and a portion of the backlog of work and blockage of godowns and the port areas was cleared up so that the ports are now in a position to operate more efficiently. At present the ports are operating with about 45 percent of normal labor supply. The Navy administrators claim that more labor is available, but is not needed—that, with their superior management, they can operate more efficiently and handle normal work loads with the reduced labor force. This is probably true to some extent; however, it should be said that these “ports under new management” with their partly new and inexperienced labor forces have not yet been put to the test, as ships are not yet calling at the ports with anything approaching normal frequency.

28. What can be said at the juncture is that the ports are probably capable of operating at up to two-thirds of normal capacity and do not, therefore, constitute a bottleneck in the system—nor will they until such time as the internal transport system is able to generate something approaching normal volume for them. A few qualifications are called for in the case of Chittagong. Firstly, in connection with foodgrain imports, all incoming vessels for both Chalna and Chittagong must be lightered at Chittagong—and, for this, the same “coasters” (or coastal steamers) and “bay-crossing” barges that are used for movement to inland ports are required. Secondly, the efficiency of use of these coasters and barges is limited by the fact that only one of three gantries at the Chittagong silo is operating. Thirdly, at present only 40% of port handling machinery is operating, probably due mainly to the continuing absence of trained operators and mechanics.

Fourthly, and most important, imports cannot really be brought into Chittagong Port at a faster rate than they can be taken off by the combined modes of internal transport—for additional storage space is not available.

29. So far as internal movement to and from the ports is concerned, both the railway and road transport are in very poor shape—placing, at present, an impossible burden on water transport. Except for limited lightering capacity and the strong possibility that lightered goods may pile up and create an added bottleneck at Chittagong as a result of the inability to move them up country, the situation at Chalna port is probably manageable—or will be in the fairly near future. Here—as opposed to Chittagong—the inbalance between imports and exports is not extreme, the *traditional* role of water as the mode of internal transport is relatively more important and the connecting railway and roads suffered less damage and will probably remain less vulnerable to insurgent activity in the future. At Chittagong, however, the situation is much less promising. This is almost exclusively an “imports” port, relying in normal times upon the vital Chittagong-Dacca railway link to move more than half and upon road and rail combine to move perhaps three-fourths of all cargo up-country to Dacca and other points. Until these two vital lands have been restored and something approaching normal traffic is moving over them, there is no hope that water transport can take up the remainder of the burden.

30. On the railway, 13 major bridges were damaged. Most of these have been repaired or will be by the end of June. One notable exception is the bridge near Fenchuganj in Sylhet on which work has not even commenced. Girders must be moved by rail and the railway is not yet operating over the entire Chittagong-Sylhet line. In addition, the Vital Feni River Bridge remains a substantial question-mark; the truss has been jacked up but not yet repaired, and it remains likely that—once repaired—it will again become a target of the insurgents. Numerous small bridges and culverts have also been knocked

out and are being knocked out every week. These are being repaired with bundles of rails in order to conserve girders; however, rails too continue to disappear all over the province.

31. Even on sections where the line is intact, the PER is confronted with formidable obstacles preventing the operation of trains with normal frequencies, at normal speeds and carrying normal loads. In the first place, the repairs which have taken place are temporary measures only, and in most cases trains will be able to operate over these bridges and culverts only at reduced speeds and loads. Secondly, there is the problem of security. It is almost certain that small bridges will continue to be blown up, leading to interruption of service over the section in question for two days to two weeks; that rails will continue to disappear throughout the province, forcing operation at reduced speed; and that operations over sections running close to the border will be difficult if possible. So long as operations are confined to daylight hours, the capacity of the system by this one fact alone is reduced to less than one-half normal. In addition, the destruction of the railways's telecommunications system—now reported to be half repaired—reduces capacity by perhaps as much as half again by restricting the speeds at which trains can operate.

32. On balance, it is our assessment that there are no operations over about one-third of the PER trackage, while operations over the remainder are at no more than 15 percent of normal. This means that the PER is presently performing at 10 percent of capacity at best, and this capacity is not necessarily in the right places *or* being used to move goods. Of greatest importance, the railway will not be able to begin to perform its normal function until such time as the vital Chittagong-Dacca link has been physically restored and something approaching normal operations over the line has been achieved; and fulfillment of this objective is not presently in sight.

33. In the case of roads, the damage to the system was similar to that to the railways. Ten major bridges and nume-

rous minor bridges and culverts were blown—and, being mainly of reinforced concrete, those cannot be repaired quickly. Instead, diversions in the form of Bailey Bridges, pontoons or ferries must be installed. These will force some restrictions on speeds and reductions of loads. In addition, at least one ferry was lost and several were damaged. While these are now partly back in operation, the damage to engine room and steering of some was extensive and will take several months to repair. It is therefore likely that overall ferry capacity will remain at reduced levels at most crossings. However, the major problem with road transport is that most of the trucks in the province have been withdrawn from commercial use. Neglecting restrictions upon operation over certain sectors, it is our observation that trucking operations throughout the province as a whole are currently at a level no higher than 5 to 10% of normal.

34. Water transport is the surface mode least affected by the conflict. Of the 24 coastal vessels which provide year-round connections between Chittagong and the river ports, one was apparently sunk. Minor damage was suffered by a few other vessels, which may account for the fact that only 16 are presently in operating condition, though officials insisted repeatedly that it is normal for approximately one-quarter of the fleet to be out of operation at any time. Initially the entire motor-power inland fleet was commandeered by the military; however, about half the operating vessels are now available for commercial use. During the conflict, country boats virtually disappeared from East Pakistan's waterways, and very few of these have returned. All told, the inland fleet may be operating currently at about 50 percent normal for cargo carrying.

35. PIA has escaped destruction and damage entirely; however, its operations are limited to a handful of major towns. Domestic service is being operated with high load factors on a considerable reduced schedule (about 30 percent normal) from Dacca to Chittagong, Jessore, Sylhet, Ishurdi

and Comilla. This low service level is not explained by any loss of aircraft, nor is it commensurate with the 65-70 percent of employees reportedly back to work. Probably it is explained by the reduction of hours to avoid any operations after dark, the limited supply of mechanics and a military requirement to maintain some "slack" in the event of urgent need. Even this reduced schedule is occasionally interrupted in order to use the Fokkers and STOL planes in support of military operations—as occurred once during our stay. And, as a security precaution, the commercial flights are not permitted to carry cargo.

36. In brief, as of 10 June, our assessment is that provincial cargo-carrying capacity is at present no more than one-fourth normal. And, because this capacity is badly placed in relation to demand and not properly intergated, it is not all being used. In the realm of inter-city people movement, few people are moving by road; some by rail and air, but only between a limited number of points; and the bulk by water. If the program of bridge repair is completed on schedule, cargo capacity might be raised to one-third by July and—without substantial foreign assistance—to no more than two-thirds by the end of the year: however: the problem of imbalance will remain.

### (iii) Commerce

37. Very little hard evidence about the commercial sector was obtainable during our visit; however, along with the sectors concerned with commodities and their transportation, the financial and trading sectors have also suffered severe physical and particularly, psychological dislocation, with serious implications for the pace of economic recovery. This dislocation is observable at the level of the local retail and wholesale establishment; in the rupture of normal relationships in internal, inter-wing and external trade; and in the banking system and the realm of financial transactions generally.

38. The destruction of bazaars, shops and village markets—with their stocks—has been recorded ; as a result of this and for other reasons, many small traders have fled. This disruption of the internal distributive trade has persisted, as is evidenced in the towns by the large proportion of retail stores and business premises which still remain shuttered. In most places visited it appeared to the Mission members that less than half those establishments left standing were open for business and those that were open seemed to be conducting very little business.

39. One result of the severe psychological impact of the conflict is a general loss of confidence which affects both trading and financial relationships. Numerous traders have disappeared, at least temporarily ; but, even for those who have remained trading links and concomitant extension of credit facilities between importers, manufacturers, distributors and retailers have been disrupted ; in circumstances where the settling of outstanding commitments has been prejudiced, creditors are unable or reluctant to extend new facilities. This has repercussions also in inter-wing and external trade relations. Apart from transport problems, trade with the West wing has been affected by the uncertainties (especially of West Pakistan exporters) over credit risks ; similarly, foreign exporters are presently requiring special payment guarantees for shipments to East Pakistan.

40. The extent of the damage to trading links has not yet been tested because of the primary transportation dislocation in the distribution of goods and the decline in the demand for goods. But trading links between jute farmers, the intermediate markets, domestic jute manufacturers and jute shippers will be put to a test in the near future, with serious implications if they should prove to be inadequate.

41. At the center of the credit system, the posture of the banks is vital. The banking system was seriously disrupted during the first week of March and again in the period after

March 25 ; though it is now functioning in the main urban areas, the country branch network is still far from restored as a result of absence of staff, damage to property and records and lack of communication ; and—depending upon the bank—20 to more than 50 percent of branches are still not open. While the banks may be expected to restore their services and facilities within a reasonable period, the full restoration of the trading structure, probably involving the mobilization of new traders with financial resources, will no doubt be a longer process.

42. Banking statistics for East Pakistan separately are not available ; however, it appears that the banks are currently operating under serious constraints. Deposits apparently declined between the beginning of the year and the end of March by some 10 to 50 percent, depending on the bank ; however, a calamitous run on the banks was avoided. By the end of May, a substantial portion of total deposits had apparently been restored to the system, but the deposits of Pakistani banks in particular remained depressed. With an inadequate local deposit base and a need to obtain additional resources from their head offices even in normal times, the Karachi-based banks are particularly constrained in these circumstances ; and the Dacca-based banks are also reported to be in a precarious condition. The resulting liquidity problem is not yet a very worrisome feature given the absence of activity (National and Grindleys processed one bill of lading during May vs. hundreds normally) and the very low demand for new finance ; however, it may prove a serious constraint at the first requirement for substantial new credit—as may occur in-perhaps two month with the normal jute cycle—or attempt by the economy to recover.

(iv) **Industry.**

43. Manufacturing in general is in a very bad state. In early March, many plants shut down and others operated at low levels. During April and early May, there was practically

no production. Since then, a number of factories have resumed operations ; however, the regional variation in performance is considerable. In Chittagong and the Tongi industrial area outside Dacca industrial activity is starting up only slowly. In Chittagong less than 25% of factories are open but far less than that are really operating ; at Tongi it is reported that only about 2,000 out of 12,000 workers are back on the job. In the Dacca-Narayanganj area and in Khulna most factories are open. In Jessore, Bogra and Comilla half may be open. It is evident that, of those factories which have resumed production, most are operating at very reduced levels of efficiency and output, many at only 10 to 20% of their former levels. Only a handful of industries are working at more than 50% their previous levels, and these essentially expatriate-owned firms with relatively capital-intensive production are not now selling all of their output, and may be forced to shut down due to insufficient demand and storage space if the dislocation of the economy continues much longer.

44. As stated previously, physical damage was relatively slight and the major problems confronting the industrial sector are those of labor, management, finance, transport and demand. In most factories visited, less than half the labor force had returned to work. In many cases, the figure was as low as 10 to 15 percent. Low attendance is further aggravated by the small proportion of trained workers among the returnees. There has been some movement back to the factories during the past few weeks ; however the movement has been gradual and sporadic. Hindu workers (often constituting a large proportion of the skilled labor force) are unlikely to return, and others will be slow to return because of such factors as the destruction of laborers' colonies, the continuing search of workers' buses by the Army and the massive presence of the Army near many industrial centers—coupled with numerous reports of uncontrolled, irresponsible behavior by Army personnel. At the same time, the appearance around factories in recent weeks of posters threatening workers

with retaliation by the insurgents if they work too hard and receipt by employees of letters containing a similar message, have in some areas (e.g. Ghorasal and Chittagong) reversed the flow of workers and reduced still further the productivity of those remaining.

45. In many factories, non-Bengalis have constituted a high proportion of management and supervisory staff. Some of these were killed and many more fled during the disturbances, and are returning only at a slow rate. To find satisfactory replacements for those who have been killed or choose *not* to return will be a very difficult task.

46. Disruption of transport and commerce is affecting most industries and factories by restricting movement of raw materials and supplies as well as finished products.

47. For the jute industry in particular, obstacles to the normal supply of raw jute to the mills do not as yet pose a serious constraint, as the months of April through June normally coincide with the phasing out of the crop year and a seasonal slackening of raw jute movements; furthermore, most mills—except for a few special cases—appear to have sufficient stocks for three to four months' *normal* operation. Also, with some effort and support by the authorities (which in the case of jute is particularly emphasised), adequate transport facilities can probably be arranged for the small quantities currently being produced. Thus, transport at present does not appear to be a crucial constraint to jute production; it is, however, already a problem for the movement of the remainder of the last jute crop from secondary markets to terminals as well as for exports of raw jute and jute goods. The outlook for the coming season (to start in July/August) is not encouraging and the lack of transport may well pose a serious problem for the jute industry as a whole in the period ahead.

48. For the tea industry, transport is already a serious problem. In the event that plucking is resumed on any scale,

POL will be needed for internal movement on the estates and to operate the factories. This is now in short supply, and resupply is a definite problem. Sylhet is virtually isolated so far as land transport is concerned. Both the railway and the *only* road connection pass close to the border at many points, have suffered heavy damage and are likely to remain subject to frequent harrassment. As a result, both POL supply and the shipment of processed tea are in doubt ; one further factor is that capacity for making tea chests is currently down to one-half normal with the destruction of one factory of four and the flight of management from one other.

49. Several large factories, though producing only at reduced rates, have very large stocks of finished goods on hand with no possibility of lifting them soon. Chattack Cement and Fenchuganj Fertilizer have nearly exhausted their storage facilities, and soon may have to reduce production further. Eight EPIDC sugar mills have very large stocks which they can't move despite shortages and demand all over the province. Without sales, EPIDC cannot pay farmers in full for their cane and will soon be unable to meet payrolls. Untill its labour scare during the week of 7th June, the steel mill in Chittagong was operating at about 20 percent of capacity, producing forever increasing stocks of raw steel. while re-rolling mills in Khulna remain closed due to non-receipt of billets from Chittagong. Pakistan Tobacco is one of the few factories operating at a respectable level in Chittagong, while the cigarette factory in Jessore reports a severe shortage of paper. And there are countless other example of problems caused for industry by the disruption of the transport network.

50. Considering that many factories apparently have been "encouraged to reopen irrespective of economic and financial considerations, there are two additional effects of the disturbances which have not had a great impact as yet, but are likely to assume major proportions in the near future. These are the disruption of short term credit facilities and the certainty

that—at presently reduced levels of production, reduced productivity and restricted sales—many companies which are attempting to operate will do so only with heavy losses and even greater negative cash flows. As a result, they will be unable to meet payrolls, taxes and debt service payments.

(v) **Other Sectors.**

51. The major utilities appear to be functioning satisfactorily; however, they are not yet under any pressure to produce in large quantities due to reduced demand and have not yet been operating long enough to run into the maintenance problems which will eventually arise due to absence of key staff and inability to obtain necessary materials and spares due to the disruption of transport. The supply of power and gas was interrupted in many cases, but supply of gas now seems to have been restored fully; and, with some exceptions, present demands for power (totalling only 40 percent of demand six months ago) are being met. Water supplies, at least in Dacca and Chittagong, are functioning adequately.

52. Communications other than transport were also severely disrupted, and have not yet been fully restored. Telecommunications are reported to have been restored to all but one district and to all but 6 of 60 subdivisions; however, service levels over these main lines—never high in the best of circumstances—are now very low, and service *within* districts and subdivisions remains largely disrupted. Mail service was completely disrupted and is being restored only gradually. Communication with most villages, especially in the cyclone disaster area, remains difficult.

53. The contracting industry lost the major portion of the construction season, many trucks and some other equipment. Its financial position always precarious, is now critical and most firms are unable to establish contact even with their normal work force. Thoroughly demoralized and afraid, the firms appear unable to return to work and, with a few exceptions, they are unwilling to even think in these terms as yet.

54. Primary and secondary schools are now open in most areas, but attendance is very low. Most college and university teachers had returned, as requested, by early June, but they are demoralized and afraid and no one is predicting that the students will return in large numbers for the scheduled reopening on 2nd August.

#### **D. Public Resources and Investment**

##### **(i) Current Situation.**

55. Natural calamities coupled with political uncertainties which ultimately climaxed in the recent conflict have severely affected the provincial resource position and the pace of public investments throughout this fiscal year.

56. Provincial tax revenues are likely to amount to only about 50 percent of budget estimates (down from Rs. 380 million to some 190 million), and may still fall below that. Receipts other, than taxes are also reduced considerably. The most drastic setback has been registered in land revenue, the most important single tax; collections by mid-May amounted to no more than Rs. 23 million and for the fiscal year as a whole may, at best, yield some Rs. 40 to 50 million, compared to Rs. 150 million budgeted. This particularly bad record is due to various political influences and agitations in connection with the elections which have especially affected land revenue collections since the beginning of the fiscal year—not just since the time of the more recent events.

57. Tax collections generally came to a halt in early March. They have only gradually been resumed at a much reduced scale in parts of the province since the second half of May. Apart from provincial taxes, this disruption of tax collections—closely linked with the general disruption of the overall administrative system—has further affected the generation of centrally-collected taxes with direct repercussions on public resources at the national level. Preliminary estimates indicate that provincial generation of central taxes this year

is less by at least some 40 percent than in 1969/70 ; this is reflected in turn in a reduction in the share of central taxes for the province.

58. As a consequence of these developments, the current surplus originally budgeted for the province has turned into a sizable deficit on the order of Rs. 200 million. In addition, the financial position of the railways and other public entities (such as EPWAPDA, EPIDC, EPADC, IWTA, EPSIC, EPRTC, etc.)—notoriously precarious in any case—has been severally affected. Their combined current deficits are now expected to be well above Rs. 300 million, thus adding further to the stringent resource position of the province.

59. In these circumstances, the public investment program could not remain unaffected—quite apart from other factors which have hampered, physically or otherwise, the execution of projects. As a result, this year's development program (including flood control) now stands reduced by about one-fourth—down from around Rs. 3400 (after allowing for budgeted shortfalls) to Rs. 2600 million. After deducting another Rs. 580 million for liabilities of autonomous bodies *vis a vis* the Government (largely for debt service but also for other claims) which due to lack for own resources tends to be financed, through the budget mechanism, out of investment allocations, actual net investments come down to a level not higher than Rs. 2000 million ; and this may yet turn out to be an optimistic estimate for this fiscal year.

#### (ii) The Outlook.

60. Prospects for the coming fiscal year are shrouded with many uncertainties. There can be little doubt, however, that present conditions do not augur well for a rapid recovery in fiscal performance, unsatisfactory as it was even under "normal" circumstances.

61. Preliminary budget estimates of the Government for 1971/72 suggest a recovery in provincial revenues (taxes and other) to somewhat above this year's budget estimates. While

taxes proper are projected slightly lower, other revenue receipts are expected to exceed the 1970/71 budget level. By all indications, such estimates—even for the reduced tax receipts—appear to be highly unrealistic. They imply that revenues in 1971/72 will be nearly 50 percent higher than the amount actually collected in 1970/71. Clearly they suggest an almost miraculous pace of economic revival throughout the province, assume that the basis of taxation as well as capacity to pay revenues has been left more or less unimpaired, and furthermore, presuppose normal functioning of the entire tax administration and collection system.

62. Little evidence is there, however, for the Mission to assume that any such conditions are likely to prevail in the near future. It is thus difficult to accept the above estimates. Merely as a rough guess, even a recovery in provincial revenue performance to about two-thirds of the 1970/71 budget estimates would in our present judgment still imply a commendable effort based on fairly rapid economic recovery and by no means pessimistic assumptions. It may indeed be too optimistic and leaves no room for any tax relief measures which in the circumstances may well be required to revive economic activity.

63. Projections for next year's development program reflect to some degree the prevailing overall constraints; the focus is primarily on the implementation of on-going projects. The proposed level of about Rs. 2350 million (including Rs. 300 million for Flood Control, but excluding Rs. 100 million for Cyclone Reconstruction) represents a substantial reduction—about one-third—compared to the original 1970/71 target; deducting again an estimated Rs. 700 million for "built-in" liabilities of autonomous bodies, the actual net level comes to about Rs. 1650 million (vs. some Rs. 2000 million in 1970/71, and Rs. 1,704 million in 1969/70). However, given a more stringent immediate outlook for public resources based on the Mission's own impressions and assessment, even such a reduced level of investment may prove out of reach; in view of

the overall resource prospects it is no doubt an ambitious target.

64. Viewed against East Pakistan's development requirements and the objectives set in the Fourth Plan, the above curtailment in the investment program is a drastic setback. It represents a reduction to a level woefully inadequate in terms of actual development needs ; in fact, the proposed program no longer provides any scope for development proper. Moreover, a rehabilitation program for the province, which is now being planned and to which no doubt certain priority is to be attributed, will entail an additional drain on resources. Very tentative cost estimates for public sector rehabilitation only amount to Rs. 330 million. This is, however, hardly more than a guess. A thorough and comprehensive assessment has yet to be made, and actual requirements may turn out considerably higher ; and, even at that, the present calculation does not account in any way for rehabilitation of even part of the widespread damage inflicted on other sectors of the economy.

65. Apart from this very dismal state of public finances, not only on the provincial level, but for Pakistan as a whole, there is also the question of the degree to which East Pakistan's absorptive capacity and ability to implement projects will ultimately be affected by the recent events. This has yet to be determined in order to provide some basis for any realistic assessment of future resource requirements.

## II. THE NEAR TERM OUTLOOK

66. The situation, as recorded above, is very far indeed from normal ; nor are there any signs that normality is being approached or that matters are even moving in that direction. For this picture to be changed, it appears that, as a minimum two formidable constraints must be removed or overcome.

### A. Two Major Constraints

- (i) The General Sense of Fear and Lack of Confidence on the Part of Most of the Population.

67. The immediate manifestations of this fear and absence of confidence are the persistent failure or refusal to report for duty which is particularly prevalent among the lower grades of civil servants and workers but is far from absent at the higher levels, and the general hesitation of those who have returned to expose themselves either physically or in the realm of policies and ideas. Few are functioning properly. Officers are not in proper contact with those at the next higher or lower level of administration and are not thinking imaginatively about, or working effectively to solve, the numerous serious problems confronting the economy. The effects are evident throughout the administration and the private sector, as well as in the (lack of) interaction between the two ; and the result is recorded in the non-resumption of normal activity throughout the economy.

68. Furthermore, there are no signs that the situation will improve significantly or rapidly. Two dates—April 21 and June 15 were set by the Government for all worker to return to their jobs without prejudice. The second date has now passed, and still the calls and professions of "normalcy fast returning to *complete* normalcy" are going out. But people remain afraid and untrusting, and it is most unlikely that *economic* pressures can or will be generated which are sufficiently strong to overcome this reserve. The normal urban/rural ratio in East Pakistan is such that those who have left the cities and towns and so far stayed away can be rather easily absorbed in the countryside, and there is no strong 'pull' to entice low wage and low salary workers back to the cities and towns—particularly to areas where large concentrations of the military exist. In addition, for many workers (i.e., household servants and those engaged in the service trades) the demand has largely evaporated for the time being.

69. The only incentives which might come to operate with sufficient force are negative ones which may operate to reduce greatly the relative attractions of the rural areas. If the condition of fear in the countryside should come to exceed that in the cities or if there should be a general failure to solve the

food problem, resulting in widespread starvation, workers and people generally might be forced back into the cities and towns in large numbers. But neither of these solutions is in any way desirable; nor would they fit anyone's description of normality.

(ii) **The Complete Dislocation of the Communications System**

70. This has been discussed at some length above. Its major manifestation is the almost complete absence of movement of people (except within towns) and of the exchange of goods between regions and sectors anywhere within the province. So long as it continues, this situation will exert a strong negative effect upon all efforts to revive the economy and to meet the basic needs of the population—including, in particular, their food requirements.

**B. Minimum Conditions for Normalization**

71. In the present political circumstances, it is impossible to predict what might constitute a sufficient set of conditions for a normalization process to begin. There are, however, a number of necessary conditions which—it would seem—would have to be put in any case.

72. *Firstly, it is most unlikely that any significant movement in the direction of normality will occur until there is a drastic reduction in the visibility—and preferably, even the presence—of the military and a re-establishment of normal civilian administration in East Pakistan. Secondly, the food problem must be solved. For the present, this means programming the massive imports which will be required over the next six—and perhaps the next twelve—months, and re-establishing—by some combination of permanent and temporary measures—an adequate transport and distribution system. Thirdly, any remaining available resources must be directed first to rehabilitation and reconstruction—and to breaking the most important and most persistent physical and organizational bottlenecks impeding efforts to get the economy going again.*

73. One implication of this set of priorities is that the development effort will have to remain in a state of suspension for at least the next year or so. On the whole, this is certainly inevitable; however, there are some areas of extremely high priority where development programs should be resumed at their previous—or even higher—levels at the earliest opportunity. A list of such areas would include as a minimum, rice research, jute research (market) and promotion, seed production and improvement (rice and jute), food storage and distribution and rural infrastructure—including the rural works, thana irrigation and integrated rural development programs.

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