

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Agriculture and Rural Development - Conferences - The White House - Correspondence

Folder ID: 1852591

Series: Subject files of the Office of the Director of the Economics and Policy Division

Dates: 01/01/1977 - 12/31/1977

Fonds: Records of the Agriculture and Rural Development Sector

ISAD Reference Code: WB IBRD/IDA AGR-4445S

Digitized: 05/04/2023

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

AGREP
DIVISION FILES

Conferences - White House

1977

DECLASSIFIED
WBG Archives



1852591

A1992-004 Other #: 10 Box # 210668B

Agriculture and Rural Development - Conferences - The White House - Correspondence

THE ROLE OF THE WORLD BANK IN AGRICULTURE AND RURAL DEVELOPMENT

by

Montague Yudelman
Director
Agriculture & Rural Development Department
World Bank

A well-balanced diet of 2,300 calories a day is essential to individual physical well-being. It is what an adult human being must consume in order to lead a productive life. Yet, tragically, almost one billion people today, that is, one-fourth of the world's inhabitants, do not get this diet. Either they are not able to grow enough food of their own to meet their basic nutritional needs or they do not earn enough to buy the food they require. These are the world's poor. Without adequate food, the poor suffer hunger, malnutrition, and attendant ill-health and disease. Life for them is a struggle of bare existence with no hope or opportunity. Their children are condemned to an early death or, if they survive, to an existence no better than the struggle their parents endured.

Most of the world's poor live in the developing countries, and are concentrated in those which have an annual per capita gross national product of \$275 or less. The poorest segments of the populations of these countries, usually comprising the majority, live in the countryside; they are the landless labor, tenant farmers, or smallholders. Their annual per capita incomes fall below the national averages--and are sometimes as low as \$50 or \$75. In spite of their hard work, these people often do not produce enough even for their own needs. They lack the very means to make their labor and their land more productive, e.g., tools, water, fertilizer, pesticides, new and better seeds, and knowledge of new techniques.

The most direct way to reduce poverty and to improve the living conditions of the majority of the people in the poorer developing countries is to help raise the productivity of the rural population. This can only come about if the poor are given access to farm inputs that will raise yields, and if employment opportunities are created for those who cannot be supported directly in farm work. In most situations, rural infrastructure and institutions have to be strengthened or built where none exist.

The World Bank and its affiliate, the International Development Association (IDA), are now devoting a large share of their resources to help the rural poor in member countries. One-third of our lending during fiscal year 1977,^{1/} or about \$2,308 million, was committed to 84 agricultural and rural development projects. The resources we provide through our lending and technical assistance for agricultural and rural development projects cover about 38 percent of the total project costs. The rest is financed principally by the borrowing member countries; sometimes, other development agencies, such as regional development banks or bilateral agencies, participate as our co-financers.

Our 84 projects in fiscal year 1977 are expected to improve the lives of some 30 million people, and increase agricultural output by nine million metric tons, half of it in cereals. About 60 percent of the lending for agriculture and rural development, amounting to \$1,452 million in fiscal year 1977, was for rural development projects aimed at helping the poorest families directly--some 18 million people. In the last three fiscal years, 1975-77, the agriculture and rural development projects we supported are estimated to have directly improved the incomes of 60 million people, of whom 40 million were among the poorest.

^{1/} The fiscal year of the Bank and IDA runs from July 1 to June 30.

The volume of lending we devote to agriculture and rural development has been increased significantly in the last five years, both proportionately and in absolute terms. The share going to agricultural and rural development projects has more than doubled from 15.5 percent in fiscal 1972 to 33 percent in fiscal 1977. In dollar terms it increased five-fold, from \$460 million to \$2,308 million. Within these totals, the percentage of lending for rural development projects in which the benefits accrue predominantly to the poorest groups has increased significantly during this period--from 28 percent in fiscal year 1972 to 63 percent in fiscal year 1977.

With the expansion in our lending and operations in agriculture and rural development we have learned some useful lessons. We have gained experience in how to design projects better to reach large numbers of the rural poor and help them increase their productivity and incomes. We have helped to demonstrate that these projects are financially viable and that the poorer developing countries can replicate them. We have also gained experience with different approaches which do work, i.e., the minimum package approach, and the comprehensive approach--whether through coordinated national programs or smaller area development schemes. The approach which is chosen will depend on the socio-economic conditions in the area, the development objectives, and the resources available to accomplish those objectives.

The minimum package approach is appropriate where low-cost, extensive coverage is to be accomplished without a great deal of institutional development. We have supported several projects in member countries where this approach has given good results, for example, in the Minimum Package Program in Ethiopia, and the seeds improvement project in the Republic of Korea. The comprehensive

approach, for example, has been applied in coordinated national programs, for example, in Taiwan, and more recently in Mexico in the PIDER integrated rural development program to which we are giving substantial support. Such programs require a careful definition of the needs and resources of the target population, detailed planning, phasing of components in many sectors, and major institutional building or restructuring. The area development schemes use the comprehensive approach but on a smaller scale, i.e., in a smaller geographical area and generally to increase production of a single crop. We have supported successful projects in many countries, among them Kenya (tea), Tanzania (groundnuts, tobacco), Mali and Tanzania (cotton), and Papua New Guinea (coffee). Land settlement schemes, such as those in the Jengka and Johore projects in Malaysia, are other successful examples of area development schemes. While geographically settlement projects may be limited to a small land area, they can be relatively expensive because generally they require large infrastructural investments, and because new institutions have to be created to implement and monitor the development of the settlement.

Along with the successes we have had in many of our rural development projects, our experience also indicates that the task ahead is not going to be easy. Building and improving the many components of a rural infrastructure--irrigation, roads, electrification, storage facilities, service and marketing centers--requires money and it requires skills. New institutions are needed to administer programs and to deliver the inputs and services to the farmers and producers. New methods of cultivation, new techniques for harvesting, better ways to manage pasture and raise livestock, and improved storage, processing, and transportation methods often have to be developed and taught. Old habits are not easy to change, and the advantages of new ways of doing things have to be convincingly demonstrated.

One thing is clear, however, it is that the active participation and involvement of the project beneficiaries both in the design and implementation of a project will help to assure its success. Self-help components in a project not only reduce its cost, they also produce a spirit of accomplishment and pride in the people; they ensure that the project is meeting the needs of the people for whom it is being undertaken, and they ensure their people's support for change and modernization. Hence, the Bank attempts to introduce grassroots participation, based on obvious local concerns, in all its rural development projects. For example, coffee and cocoa markets are managed by representative councils and all credit channeled through villages in a rural development project in the Cameroon, land reorganization is structured through local committees in a project in the Philippines and local communities are charged with road maintenance and education policy in a series of projects in the Northeast of Brazil.

The commitment of the host or borrowing country to the project's objectives, and to supporting measures which are often essential--such as land reform, adequate prices for farm commodities, extension of social and technical services to rural areas--is crucial to the success of the project. For the countries concerned, such projects must be part of an overall strategy to integrate the rural sector more fully into the national economy. For many of the poorer developing countries, the urban sector is not expanding fast enough to accommodate the people who need a livelihood. In these countries, especially, the rural sector must be transformed into a more dynamic one--that offers additional jobs both on the farm and off the farm for those seeking employment, and that contributes more to total national output. We are, in fact, witnessing that agricultural growth provides a strong stimulus for the growth of nonfarm activities and employment, e.g., in the development of infrastructure in rural areas, in agro-industries,

and in marketing. Our lending policy will provide greater support for these activities as part of our work to support broad-based agricultural development.

Finally, it needs to be recognized that poverty, malnutrition, illiteracy or low levels of education that describe the condition of many people in the rural areas of the developing countries go hand in hand with high fertility rates. Rural development programs, by increasing food production and incomes, and bringing better social services--especially education and health services--to the rural population, will help to break the cycle of poverty and high birth rates. Until this begins to happen, the struggle for food is not likely to be won.

Conference -
White house

FORM NO. 80
(5-84)

THE WORLD BANK/IFC
MESSAGES

DATE _____

TIME _____

TO _____

FROM _____

DEPT./OFFICE _____

PHONE _____

EXTENSION _____

☐ CALLED

☐ CALL BACK

☐ CAME TO SEE YOU

☐ WILL CALL AGAIN

☐ RETURNED YOUR CALL

☐ REQUESTS APPOINTMENT

☐ URGENT

REMARKS _____

RECEIVED BY _____

THE ROLE OF EXTERNAL ASSISTANCE IN ALLEVIATING
WORLD HUNGER WITH A PARTICULAR FOCUS ON THE ROLE
OF THE UNITED STATES*

Introduction

The United States, as the world's largest food exporter, an important repository of technical knowledge and skills in agriculture, and a major source of external financial assistance, can determine to a significant degree how well the future population of the world will be fed. I appreciate the initiative President Carter has taken in establishing a World Hunger Working Group and am pleased to have this opportunity to share my views on this important problem.

There is substantial agreement in the international community on the character and causes of world hunger and malnutrition - if not on the precise dimensions and most effective treatment. If evenly distributed, global food production in recent years would have been sufficient to provide adequate nutrition for all of the world's population. The presence of widespread hunger and malnutrition in these circumstances reflects those factors which determine demand (purchasing power, markets, distribution) more than it does the world's ability to produce sufficient supplies. While increased global production will be required, the more critical determinants of how well future generations are fed are the location of that production and the adequacy of incomes to buy it.

There exist many reasons for under-nourishment, including traditions, lack of education and inadequate supplies. But most of the malnourished people in the world are so largely because they are poor. Poverty, too, has many causes, but the poor generally have few productive resources at their command, lack the knowledge that would increase the productivity of their resources, and have little access to the services (health, education, extension, etc.) which would permit those resources to be used most efficiently. Ultimately, therefore, policies which are to deal effectively with hunger and malnutrition must be those which alleviate rural and urban poverty. This requires a degree of boldness in policy formulation far exceeding past efforts.

The Basis for Policy

Development experience in recent years suggests that the following premises are basic in designing policies to deal with poverty:

* A statement by Mr. Montague Yudelman, Director, Agriculture and Rural Development Department, World Bank, in response to a request by Mr. Peter C. Bourne, Special Assistant to President Carter. The views expressed are not necessarily those of the World Bank Group.

- rapid economic growth, while a necessary condition for alleviating poverty, is insufficient to improve the welfare of large numbers of the world's poor;
- economic conditions of the poorest groups cannot be permanently improved by distributing income to them through short-lived welfare schemes, although such income transfers may be necessary to deal with short-run food shortages caused by natural disasters;
- increased productivity by the poor is an essential part of effective poverty alleviation programs;
- free markets are not satisfactory for allocating resources when income and wealth is highly concentrated; and
- an effective attack on poverty necessitates political decisions and actions which usually require some restructuring of political and economic institutions.

Food Production and Consumption in Developing Countries

These considerations have policy implications for aid donors, both multilateral and bilateral. The policy suggestions related to food production and consumption include:

- while food aid will continue to be an essential component of external assistance (as discussed below), the basic objectives of all aid efforts must be to sharply increase the growth rate of local food production and increase the ability of the poor to purchase larger supplies;
- the major focus of those efforts therefore, must be on those countries, regions and economic groups where poverty is the most pervasive - within most countries this implies expanded assistance to increase the productivity of smaller farmers and to increase their access to resources;
- these efforts must be supplemented by broadly-based development programs to increase employment and income-earning opportunities for the growing numbers of urban poor and rural landless - it also requires programs which provide improved access by these groups to basic needs such as potable water, health, family planning and education services;
- production programs, in most instances, must be complemented by institutional change which leads to more equitable access to resources and improved distribution of incomes. At the highest

political level donors must strengthen, or in some cases establish, new alliances with those groups in the recipient countries which support measures to redistribute resources and income and reach the poor with social services;

- in most low-income countries, the distribution of land holdings is the most important determinant of the pattern of income distribution - without effective measures to reduce the concentration of land holdings, most other development efforts to reach the poor and landless will be frustrated. While the influence of donors in this politically sensitive area will remain limited, they must play a more active role, both in encouraging policy changes leading to meaningful tenure reform and supporting reform programs after they are initiated. This will require generous assistance to provide adequate agricultural support services to beneficiaries and may well imply the provision of funds to finance land purchase and development;
- traditional thinking regarding rural institutions needs re-examination, e.g., individual land ownership in orthodox freehold tenure systems may be less appropriate in circumstances where equality of opportunity and assured access to land by low-income groups are important policy objectives. In some cases, cooperative tenure systems in well-managed development programs may be the most effective way to promote these objectives;
- new approaches are required in the organization of supporting services (credit, extension, marketing) to small-farm agriculture - these services must be low in cost and accessible to all farmers. Without more effective delivery systems for these services, national development strategies to improve the welfare of the poor will achieve little;
- external financial assistance will have to be increased with special emphasis on those countries which have a strong political commitment to broadly-based agricultural and rural development;
- increased food production and more rapid agricultural growth in the poor countries may be viewed as threats to traditional agricultural export markets of donor countries - the pattern of external resource flows should reflect broad development concerns, such as hunger and malnutrition, rather than narrow economic interests. Efforts by special producer groups in donor countries to restrict such flows or divert them from potentially competitive production must be resisted. For many of the world's poor, improvement of their agriculture is virtually the only means of improving their welfare.

Research and Technical Collaboration

Research and technical cooperation to promote the widespread application of science-based agricultural technology must be accorded high priority in support of this broader strategy. A stepped-up program of research and development activity is essential to ensure that food production in the developing countries can expand at the rate required to meet increasing food requirements from population and income growth, and that the productivity of small-scale farmers can be increased. This is an area where the U.S. has particular advantages and considerable expertise - and where it has contributed substantially in the past. It should be noted, however, that not all technology available from the U.S. is likely to be appropriate for developing countries.

It is important to realize that the indiscriminate use of technology developed in the western countries would exacerbate the adjustment problems associated with rural to urban migration in many developing countries. Because of differences in social institutions and the rate of change required, our western experience is not a reliable indicator of how we should go about promoting the expansion of a science-based technology in the developing countries. There is a tendency, in this respect, to see technological change as a once-over change from an old to a new set of practices, rather than a continuing phenomenon - following a development path from present circumstances to a more satisfactory future situation.

There is also a frequent lack of recognition that technology is more than techniques. Technology has to be recognized as "the way that we do things", which includes the manner in which we organize ourselves to achieve various tasks as well as the tools and procedures we use. In other words, technology embraces both institutions and techniques. Promoting technological change is consequently a very subtle process, requiring careful design of technical packages, thorough preparation of the institutional context into which they are to fit, and the management of the resultant changes through time to ensure that beneficial effects predominate.

The consideration of highest importance in this respect, is the need to build on what is there in the developing country situation, rather than attempt to introduce something that is alien. The need for local level adaptive research, supported by international research work on basic issues and problems, together with a pragmatic approach to the introduction of technology into existing situations, is of the utmost importance in our current development work.

At the international level the institutions to do this are substantially in place in the form of a global chain of high calibre institutions which examine basic problems. Through the Consultative Group on International Agricultural Research, these centers are supported by bilateral and multilateral agencies. The system seems to be working very well and has produced valuable results.

But at the national level, research and development - including the adaptive research that is essential - is frequently inadequate. A recent initiative in this respect would create an international institution (which would be a member of the CGIAR) to support the development of national agricultural research and development capability. This initiative deserves strong support and the United States would seem well placed to play a valuable role in this regard.

There is also a need for training programs to provide the staff for such national level research and development. Such training should preferably be in the developing country, to provide maximum opportunity for taking existing technology and building on it. The funding through USAID for university work in developing countries is of vital concern in this respect. Such collaboration with U.S. universities has a double benefit - it provides opportunities for developing country nationals to pursue research interests in their own countries, and also enables U.S. citizens to achieve a better understanding of the problems of the developing countries and the role the United States can play in their solution.

Finally, there is a need for a multi-dimensional approach to the implementation of technology change. The recently-founded Institute for Appropriate Technology in Washington provides the opportunity to synthesize a new, pragmatic, management-oriented development approach which recognizes development as changes in the way that we do things. Such an approach must include attention to both the hardware and software of techniques as well as the institutional dimensions of technology change. It is vital that this institution recognizes technology as the engine of development and does not develop a too narrow focus on technology as hardware. The fostering of a broad-based multidisciplinary approach to technology change deserves the highest priority in this area of research and technical cooperation.

Food Reserves

Food reserves have two basic purposes: (i) to overcome acute food deficits caused by general crop failures or balance of payment difficulties; and (ii) to stabilize prices or revenues of the agricultural sector. For both purposes the establishment of food reserves is a valuable policy, not because it is necessarily (if ever) the best policy, but because it is one of the few forms of market intervention available to a government. Food reserves may be established both at international and national levels, and in both cases can be managed in a centralized or a decentralized fashion.

A combination of an internationally-held buffer fund and decentralized (among or within countries) buffer stocks under national control seems particularly desirable for foodgrains. At a country level it is important to stress the need for small-scale storage facilities in rural areas and for an appropriate procurement policy to ensure stable and remunerative farmgate prices. If carefully managed, local storage facilities scattered in rural areas could also

constitute a dependable and accessible source of supply during periods of emergency.

Important questions remain about the distribution of gains and losses from reserve schemes. These concern both the distribution of gains and losses between exporting and importing countries, and the distribution of the gains and losses among economic groups within these countries. Price stabilization of major food commodities tends to stabilize the incomes of the poor, and food deficit farmers, but to destabilize the revenue of farmers with a marketable surplus. A program of food reserves and appropriate procurement policies may have desirable income distributional effects within rural areas of countries with a high proportion of subsistence farmers (e.g., India, Indonesia, UAR), but have less desirable effects in countries with more advanced agricultural sectors. At the international level, worldwide food reserve and buffer stock schemes could provide a basis for improving the average terms of trade of producing countries. This, too, would pose questions as to the appropriate distribution of gains and losses among participants.

These issues must be resolved as quickly as possible. World grain trade has become significantly less stable in recent years, with the poorest countries most adversely affected. There is need for the international community to move from the conceptualization of the food reserve issue to design and implementation of a practical system. Given the dominant United States role in food trade and aid, vigorous action by the U.S. is essential if such a system is to become a reality. There is perhaps no other food-related issue where the U.S. role is more important.

Food Aid

At least four basic purposes for food aid can be identified - political, humanitarian, relief, and economic. The political function may carry both positive and negative connotations, with the negative connotation frequently relating to food aid used as a tool of foreign policy. The positive function sees food aid as an instrument of international peace and political stability. This positive role is to be emphasized. Over the past few years, in more than a few countries, an important underlying cause for civil unrest, violence and economic disruption was public discontent over the prices and availability of food. Peace cannot be built with hungry people whatever the nature of the government.

The humanitarian objective of food aid is linked to its normative role of meeting a basic human need. The most basic of human rights is the right to survive with dignity. The policy implication is clear: when food is provided for humanitarian reasons it should flow to economically-disadvantaged and nutritionally vulnerable groups - lactating mothers, children and the elderly poor.

The economic rationale may be assessed in terms of potential benefits for both donor and recipient countries. From the donor's perspective food aid

is potentially beneficial because of its impact on exports. In the short term the impact is direct. In the longer run the donor country's exports may increase because of the effect of carefully-designed food aid programs in accelerating growth and raising the import capacity of the recipient countries.

From the perspective of the recipient country, food aid can be an important means to development for several reasons:

- it can augment domestic food supplies, moderate prices, and thereby contribute to political stability;
- it can free foreign exchange normally required for commercial food imports;
- it can build up stocks, reduce price fluctuations and thereby contribute to consumer and producer welfare;
- it represents a real resource to augment local resources, including labor.

But it must be emphasized that food aid is a two-edged sword. Indiscriminate shipments of donor country surpluses under the guise of "food aid" have reduced incentives to expand domestic production in some poor countries. Policy makers in donor countries must be continually aware of these dangers. And governments of recipient countries must resist the soft option of larger food aid when that jeopardizes domestic agricultural development. Food aid may be invaluable in meeting food shortages growing out of natural disasters in localized situations. But it generally is not an effective means to alleviate persistent hunger in the rural areas of poor countries. There is truth in the view that aid to expand food production is more beneficial in the longer term than food shipments at concessional terms.

If food aid is to make its maximum possible contribution to development, it must be available when needed and it must be managed effectively to avoid disincentives. This requires careful forward planning in conjunction with recipient governments. It also requires commitments of food aid over multi-year periods. The U.S. should establish, as a minimum, indicative targets for food aid programs on a 3-5 year basis. Planning should be flexible and provide for a periodic assessment of need. For the shorter term, donor countries including the U.S., could agree to earmark from their stocks, a certain tonnage which would be available on short notice to meet emergencies.

Trade and Investment

For the middle-income countries expansion of exports and greater receipts of foreign private capital have great potential to speed economic growth. To the extent that this expands employment and income of the very poor, poverty and hunger in these countries will be reduced. However, in the

poorest countries, where poverty and hunger are much more extensive, the alleviation of malnutrition within the next decade will depend much more on the amount and character of official development assistance than upon growth of exports and private capital flows. The annual flow of direct private investment to these countries is very small, and their net overall private capital receipts have been negative in recent years.

Trade liberalization by donor countries and greater public and private capital flows are important elements in the fight against hunger in both middle- and low-income countries. These developments would assist in providing jobs and incomes in middle income countries and hence would free a greater proportion of official development assistance to flow to the poorest countries. Furthermore, greater emphasis in foreign assistance on agricultural development and the growth of efficient local manufacturing could speed the growth of food production, exports and employment in these countries.

These considerations suggest several trade and private investment measures to help reduce world hunger:

- prevent new tariff restrictions from being placed on U.S. and OECD imports of either agricultural or manufactured goods, and seek to ease present restrictions;
- prevent new restrictions from being imposed on U.S. support for developing country production of commodities potentially competitive with U.S. production, and work for softening or removal of those now existing (such as on sugar, palm oil and citrus fruit);
- encourage the promotion of agricultural and manufactured exports by U.S. private investment abroad and by its development assistance programs;
- reduce U.S. import restrictions (mostly non-tariff barriers) on agricultural products from the developing countries and encourage European countries to do the same;
- reduce tariffs on processed agricultural imports which now often result in high effective rates of protection for processing industries in developed countries;
- liberalize textile and clothing import restrictions and link this with greater adjustment assistance to affected U.S. industries; and
- adjust the U.S. sugar import quota to give larger shares to the poorest countries.

Although your request was for suggestions related to the future role of the United States, much of my response is, I believe, equally relevant to other aid donors, including the World Bank.

No File

OFFICE MEMORANDUM

TO: Mr. Graham Donaldson

DATE: October 14, 1977

FROM: Jim Goering *JG*

SUBJECT: Draft Integrated Paper in Response to Bourne

1. Here is the draft as requested. Not all contributors will be pleased, but it does provide a basis from which to work.
2. You will note I have framed this as a personal response from Monty Yudelman, an approach which would facilitate clearance and which seems to be consistent with the tone of Bourne's letter.

TJGoering:oh

- DRAFT -

THE ROLE OF EXTERNAL ASSISTANCE IN ALLEVIATING
WORLD HUNGER WITH A PARTICULAR FOCUS ON THE ROLE
OF THE UNITED STATES*

Introduction

The United States, as the world's largest food exporter, as a major source of financial resources for external assistance and as an important repository of technical knowledge and skills in agriculture, can determine to a significant degree how well much of the future population of the world will be fed. I appreciate the initiative which President Carter has taken to establish a World Hunger Working Group to formulate policy options on this issue and am pleased with the opportunity to share my views on this important problem. Although your request was for suggestions related to the future role of the United States, much of my response is, I believe, equally relevant to other aid donors, including the World Bank.

There is substantial agreement in the international community on the character and causes of world hunger and malnutrition, if not on the precise dimensions and most effective treatment. In global terms food production in recent years would have been adequate, if evenly distributed, to provide minimally-necessary nutrients to virtually all of the world's population. The presence of widespread hunger and malnutrition in these circumstances reflects more those factors which determine demand (purchasing power, markets, distribution) than it does the world's ability to produce sufficient supplies. While increased global production will be required,

* A statement by Mr. Montague Yudelman, Director, Agriculture and Rural Development Department, World Bank, in response to a request by Mr. Peter C. Bourne, Special Assistant to President Carter. The views expressed are not necessarily those of the World Bank Group.

the more critical determinants of how well future populations are fed are where that production takes place and whether incomes are adequate to buy it.

Numerous reasons exist for under-nourishment, including culture, education and lack of adequate supplies. But the majority of the world's malnourished are in this condition largely because they are poor. Poverty, too, is attributable to many causes, but dominant among these is that the poor generally have few productive assets at their command and have little access to the services (health, education, agricultural credit, extension, etc.) which would permit those assets to be used most efficiently. Ultimately, therefore, policies which are to deal effectively with hunger and malnutrition must be those which alleviate rural and urban poverty. This requires a degree of boldness in policy formulation which exceeds that which characterizes much of our development efforts in the past.

The Basis for Policy

Development experience in recent years suggests that the following considerations are relevant in designing policies to deal with the poverty problem:

- rapid economic growth, while a necessary condition for alleviating poverty, is of itself generally inadequate to improve the welfare of large numbers of the world's poor;
- economic conditions of the poorest groups cannot be effectively improved simply by distributing some purchasing power to them through short-lived welfare schemes, although such income transfers may be necessary to deal with short-run food shortages growing out of natural disasters;

- increased productivity by the poor is a necessary part of effective poverty alleviation programs;
- free market mechanisms frequently are not satisfactory means to allocate resources when income distribution is highly concentrated; and
- a direct attack on poverty is essentially a political decision which usually requires some restructuring of political and economic institutions.

Food Production and Consumption in Developing Countries

These considerations have policy implications for aid donors, both multilateral and bilateral. The policy suggestions related to food production and consumption include:

- While food aid will continue to be an essential component of external assistance (as discussed below), the basic objectives of those aid efforts must be to sharply increase the growth rate of food production and increase the ability of the poor to purchase larger supplies;
- The major focus of those efforts therefore, must be on those countries, regions and economic groups where poverty is the most pervasive. Within most countries this requires expanded assistance to the smaller farmers to increase the productivity of their assets and, in many circumstances, to increase their stock of assets;
- These efforts must be supplemented by broadly-based development programs to increase employment and income-earning opportunities for the growing numbers of urban poor and rural landless. It also requires programs which provide improved access by these

groups to basic needs such as potable water, health and education services;

- Production programs, in most instances, must be complemented by institutional change which leads to improved distribution of incomes. At the highest political level donors must strengthen, or, in some cases, establish new alliances with those groups in the recipient countries which support measures to redistribute income (or productive assets?) and reach the poor with social services;
- In most low-income countries, the distribution of land holdings is the most important determinant of the pattern of income distribution. Without effective measures to reduce the concentration of land holdings, most other development efforts to reach the poor and landless will be frustrated. The influence of donors in this politically sensitive area will remain limited. But they should play a more active role, both in encouraging policy changes leading to meaningful tenure reform and supporting reform programs after they are initiated. This will require generous assistance to provide adequate agricultural support services to beneficiaries and may well imply the provision of funds to finance land purchase and development;
- Donors' traditional thinking regarding rural institutions should be re-examined. Individual land ownership in orthodox free-hold tenure systems may be less appropriate in circumstances where equality of opportunity and assured access to land by low-income groups are important policy objectives. In some cases, coopera-

tive tenure systems in well-managed development programs may be the most effective way to promote these objectives;

- New approaches are required in the organization of supporting services (credit, extension, marketing) to small-farm agriculture. These services must be low in cost and accessible to all farmers. Without more effective delivery systems for these services, national development strategies to improve the welfare of the poor will achieve little;
- External financial assistance will have to be increased with special emphasis on those countries with strong political commitments to broadly-based agricultural and rural development;
- Increased food production and more rapid agricultural growth in the poor countries may be viewed as threats to traditional agricultural export markets of donor countries. The pattern of external resource flows should reflect broad development concerns, such as hunger and malnutrition, rather than narrow economic interests. Efforts by special producer groups in donor countries to restrict such flows or divert them from potentially competitive production must be resisted. For many of the world's poor, improvement of their agriculture is virtually the only means to improve their welfare.

Research and Technical Collaboration

Given that a large proportion of the developing countries have inadequate funds to buy food on international markets, and since it is necessary to have food produced locally in order to ensure it is consumed by the rural poor, research and technical cooperation to promote the widespread application of science-based agricultural technology must be accorded

high priority. A stepped-up program of research and development activity is essential to ensure that food production in the developing countries can expand at the rate required to meet increasing food requirements from population and income growth. This is an area where the U.S. has particular advantages and considerable expertise - and where it has contributed substantially in the past. It should be noted, however, that not all technology available from the U.S. is likely to be appropriate for these countries.

It is important to realize that the indiscriminate use of technology developed in the western countries would exacerbate in many developing countries the adjustment problems associated with rural to urban migration. Consequently, our western experience is not a reliable indicator of how we should go about promoting the expansion of a science-based technology in the developing countries. There is frequent failure to see technological change as a continuing phenomenon which follows a development path from present circumstances to a more satisfactory future situation. Technological change is not just a once-over change from an old to a new set of practices.

There is also frequent lack of recognition that technology is more than techniques. Technology has to be recognized as "the way that we do things" and therefore includes the manner in which we organize ourselves to achieve various tasks as well as the tools and procedures we use. In other words, technology embraces both institutions and techniques. Technological change, then, is recognizable as a very subtle process requiring careful design of technical packages, thorough preparation of the institutional context into which the techniques are to fit, and the management of the process of introducing these changes through time to ensure that beneficial effects predominate.

The consideration of highest importance is to endeavour to build on

what is there in the developing country situation, rather than attempt to introduce something that is alien. The need for local level adaptive research, supported by international research work on basic issues and problems together with a pragmatic approach to the introduction of technology into existing situations, is of the utmost importance in our current development work.

At the international level the institutions to do this are substantially already in place in the form of a global chain of high calibre institutions which examines basic problems. Through the Consultative Group on International Agricultural Research, these centers are supported by bilateral and multilateral agencies. The system seems to be working very well and has produced valuable results.

But at the national level research and development, including the adaptive research that is essential, is frequently inadequate. A recent initiative in this respect would create an international institution (which would be a member of the CGIAR) which would endeavour to support the development of national agricultural research and development capability. This initiative deserves strong support and the United States would seem to be able to play a valuable role in this regard.

There is also a need for training programs to provide the staff for such national level research and development. Such training should preferably be in the developing country to provide maximum opportunity to take existing technology and build on it. The funding through USAID for university work in developing countries is of vital concern in this respect. Such collaboration with US universities has the double benefit that it provides opportunities to developing country nationals to pursue research interests in their own countries and also enables US citizens to achieve a better understanding of the problems of the developing countries and the role the United States can play in their solution.

Finally, there is a need for a multi-dimensional approach to the implementation of technology change. The recently-initiated Institution of Applied Technology in Washington provides the opportunity to synthesize a new pragmatic, management-oriented development approach which recognizes development as changes in the way that we do things. Such an approach must include attention to both the hardware and software of techniques as well as the institutional dimensions of technology change. It is vital that this institution recognize technology as the engine of development and does not develop a too narrow focus on technology as hardware. The fostering of a broad-based multi-disciplinary approach to technology change deserves the highest priority in this area of research and technical cooperation.

Food Reserves

Food reserves have two basic purposes: (1) to overcome acute food deficits caused by general crop failures and/or balance of payment difficulties; and (2) to stabilize prices and/or revenues of the agricultural sector. For both purposes the establishment of food reserves is a valuable policy, not because it is necessarily (if ever) the best policy, but because it is one of the few forms of market intervention available to a government or international agency.

Food reserves may be established both at international and country level and in both cases could be managed in a centralized or a decentralized fashion. A combination of an internationally-held buffer fund and decentralized (among or within countries) buffer stocks under national control seems particularly desirable for foodgrains. At a country level it is important to stress the need for small scale storage facilities in the rural areas and for an appropriate procurement policy to ensure stable and remunerative farmgate prices. If carefully managed, local storage facilities scattered in rural areas could also constitute a dependable and accessible source of supply during periods of emergency.

Important questions remain about the distribution of gains and losses from reserve schemes. These concern both the distribution of gains and losses between exporting and importing countries, and the distribution of the gains and losses among economic groups within these countries. Price stabilization of major food commodities tends to stabilize the incomes of poor, food deficit farmers, but to destabilize the revenue of farmers with a marketable surplus. A program of food reserves and appropriate procurement policies may have desirable income distributional effects within rural areas of countries with a high proportion of subsistence farmers (e.g., India, Indonesia, UAR), but have less desirable effects in countries with more advanced agricultural sectors. At the international level, worldwide food reserve and buffer stock schemes could provide a basis for improving the average terms of trade of producing countries. This, too, would pose questions of the appropriate distribution of gains and losses among participants.

These issues must be resolved as quickly as possible. The world grain trade has become significantly less stable in recent years, with the poorest countries most adversely affected. There is need for the international community to move from the conceptualization of the food reserve issue to design and implementation of a practical system. Given the dominant United States role in food trade and aid, vigorous action by the US is essential if such a system is to become a reality. There is perhaps no other food-related issue where the US role is more important.

Food Aid

At least four basic purposes for food aid can be identified - political, humanitarian, relief, and economic. The political function may carry both positive and negative connotations, with the negative connotation frequently relating to food aid used as a tool of foreign policy. The positive function sees food

aid as an instrument of international peace and political stability. This positive role is to be emphasized. Over the past few years in more than a few countries an important underlying cause for civil unrest, violence and economic disruption was public discontent over the prices and availability of food. Peace cannot be built with hungry people whatever the nature of the government.

The humanitarian objective of food aid is linked to its normative role of meeting a basic human need. The most basic of human rights is the right to survive. The policy implication is clear: When food is provided for humanitarian reasons it should flow to economically-disadvantaged and nutritionally vulnerable groups - lactating mothers, children and the elderly poor. Increases in food prices are particularly cruel to these groups.

The economic rationale may be assessed in terms of potential benefits for both donor and recipient countries. From the donor's perspective food aid is potentially beneficial because of its impact on exports. In the short term the impact is direct. In the longer run the donor country's exports may increase because of the effect of carefully-designed food aid programs in accelerating growth and raising the import capacity of the recipient countries.

From the perspective of the recipient country, food aid can be an important means to development for several reasons:

- it can augment domestic food supplies, moderate prices, and thereby contribute to political stability;
- it can free foreign exchange normally required for commercial food imports;
- it can build up stocks, reduce price fluctuations and thereby contribute to consumer and producer welfare;
- it represents a real resource to augment local resources, including labor.

But it must be emphasized that food aid is a two-edged sword. Indiscriminate shipments of donor country surpluses under the guise of "food aid" have reduced incentives to expand domestic production in some poor countries. Policy makers in donor countries must be continually aware of these dangers. And governments of recipient countries must resist the soft option of larger food aid when that jeopardizes domestic agricultural development. Food aid may be invaluable in meeting food shortages growing out of natural disasters in localized situations. But it generally is not an effective means to alleviate persistent hunger in the rural areas of poor countries. There is truth in the view that aid to expand food production is more beneficial in the longer term than food shipments at concessional terms.

If food aid is to make its maximum possible contribution to development, it must be available when needed and it must be managed effectively to avoid disincentives. This requires careful forward planning in conjunction with recipient governments. It also requires commitments of food aid over multi-year periods. Planning should be flexible and provide for a periodic assessment of need. Donors should be encouraged to establish as a minimum indicative targets for food aid programs on a 3-5 year basis. For the shorter term, donor countries could agree to earmark from their stocks, a certain tonnage which would be available on short notice when emergencies occur.

Trade and Investment

For the middle-income countries expansion of exports and greater receipts of foreign private capital have great potential to speed economic growth. To the extent that this expands employment and income of the very poor, poverty and hunger in these countries will be reduced. However, in the poorest countries, where poverty and hunger are much more extensive, the alleviation of malnutrition within the next decade will depend much more on the amount and character of official

development assistance than upon growth of exports and private capital flows. The annual flow of direct private investment to these countries is very small, and their net overall private capital receipts have been negative in recent years.

Trade liberalization by donor countries and greater public and private capital flows are important elements in the fight against hunger in both middle- and low-income countries. These developments would assist in providing jobs and incomes directly and would free official development assistance to flow to the poorest countries. Furthermore, greater emphasis in foreign assistance on agricultural development and the growth of efficient local manufacturing could speed the growth of food production, exports and employment in these countries.

These considerations suggest several trade and private investment measures to help reduce world hunger:

- prevent new tariff restrictions from being placed on US and OECD imports of either agricultural or manufactured goods, and seek to ease present restrictions;
- prevent new restrictions from being imposed on US support for developing country production of commodities potentially competitive with US production, and work for softening or removal of those now existing (such as on sugar, palm oil and citrus fruit);
- encourage the promotion of agricultural and manufactured exports in US private investment abroad and in its development assistance programs;
- reduce US import restrictions (mostly non-tariff barriers) on agricultural products from the developing countries and encourage European countries to do the same;
- reduce tariffs on processed agricultural imports which now often result in high effective rates of protection for processing industries in

developed countries;

- liberalize textile and clothing import restrictions and link this with greater adjustment assistance to affected US industries; and
- adjust the US sugar import quota to give larger shares to the poorest countries.

THE WHITE HOUSE

WASHINGTON

October 5, 1977

Dear Mr. Yudelman:

President Carter has formed a World Hunger Working Group made up of members of his Senior Staff and affected Cabinet Departments and Agencies. The task of the Working Group is to formulate policy options on world hunger and malnutrition that might become the basis of a Presidential World Hunger Initiative. One of the essential elements in this Working Group process is the participation of the private sector.

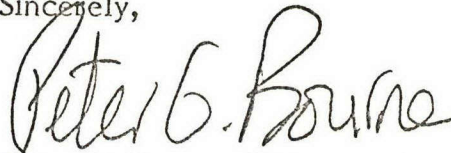
We believe that efforts to relieve hunger and malnutrition need to be based on a precise understanding of why people are hungry. Hunger, in our view, is essentially and inextricably linked to the conditions of poverty and underdevelopment. One of the basic human needs -- indeed, perhaps the fundamental one -- which development tries to meet is the need for food.

Because of your concern with world hunger and malnutrition and your experience in development, we would appreciate your recommendations on what key actions you and your associates believe the U.S. Government should undertake to alleviate world hunger and malnutrition. In specifying such actions, it would help us if you would indicate the nature and causes of the specific hunger-related problem being addressed, its priority relative to other problems, recommended short and long-term objectives, probable budget impact, and the steps needed to implement your recommendations. Please select from the five policy areas described in the attachment those most relevant to your interests -- mentioning any additional areas you believe also pertinent to this issue.

If you are able to assist us, we hope that by October 21st you will send us a basic statement (of no more than five pages) that highlights specific policy actions that you recommend. Supporting documents or papers you feel are necessary to supplement your statement may be forwarded to us as well.

We appreciate your cooperation and look forward to hearing from you.

Sincerely,



Peter G. Bourne, M.D.
Special Assistant
to the President

Mr. Monty Yudelman
World Bank (IDA)
1818 H Street, N.W.
Washington, D.C. 20006

Enclosure

POSSIBLE HUNGER POLICY AREAS

The questions noted in each policy area illustrate the types of concerns which we hope you will ask and answer.

1. FOOD PRODUCTION AND CONSUMPTION IN DEVELOPING COUNTRIES

Food production inputs
Consumption considerations
Income/distribution requirements
Institutional/structural factors (e.g. credit, land tenure)

How can U.S. government policies be shaped to convert nutritional needs into effective economic demand in developing countries?

2. RESEARCH AND TECHNICAL COLLABORATION

Priorities
Institutional arrangements
Levels

How do we support a vigorous internationally conducted research program which leads to effective application of appropriate food-related technologies at local levels in developing countries?

3. FOOD RESERVES

Purposes
Institutions and methods
Levels
Special financing for LDC food imports

How can international measures regarding grain reserves best benefit the neediest countries and individuals?

4. FOOD AID

Functions
Recipient countries and individuals
Financial Terms
Programming approaches
Levels

How can U.S. food assistance be utilized to help increase the purchasing power and enhance the nutritional status of the poor in lower income countries?

5. TRADE AND INVESTMENT

Market access for LDC exports

U.S. private investment in low-income countries

How can U.S. trade and investment policies
facilitate access of the poor to food?

THE WHITE HOUSE

WASHINGTON

October 5, 1977

Dear Mr. Yudelman:

President Carter has formed a World Hunger Working Group made up of members of his Senior Staff and affected Cabinet Departments and Agencies. The task of the Working Group is to formulate policy options on world hunger and malnutrition that might become the basis of a Presidential World Hunger Initiative. One of the essential elements in this Working Group process is the participation of the private sector.

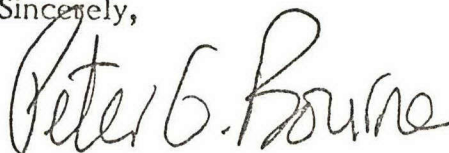
We believe that efforts to relieve hunger and malnutrition need to be based on a precise understanding of why people are hungry. Hunger, in our view, is essentially and inextricably linked to the conditions of poverty and underdevelopment. One of the basic human needs -- indeed, perhaps the fundamental one -- which development tries to meet is the need for food.

Because of your concern with world hunger and malnutrition and your experience in development, we would appreciate your recommendations on what key actions you and your associates believe the U.S. Government should undertake to alleviate world hunger and malnutrition. In specifying such actions, it would help us if you would indicate the nature and causes of the specific hunger-related problem being addressed, its priority relative to other problems, recommended short and long-term objectives, probable budget impact, and the steps needed to implement your recommendations. Please select from the five policy areas described in the attachment those most relevant to your interests -- mentioning any additional areas you believe also pertinent to this issue.

If you are able to assist us, we hope that by October 21st you will send us a basic statement (of no more than five pages) that highlights specific policy actions that you recommend. Supporting documents or papers you feel are necessary to supplement your statement may be forwarded to us as well.

We appreciate your cooperation and look forward to hearing from you.

Sincerely,



Peter G. Bourne, M.D.
Special Assistant
to the President

Mr. Monty Yudelman
World Bank (IDA)
1818 H Street, N.W.
Washington, D.C. 20006

Enclosure

POSSIBLE HUNGER POLICY AREAS

The questions noted in each policy area illustrate the types of concerns which we hope you will ask and answer.

1. FOOD PRODUCTION AND CONSUMPTION IN DEVELOPING COUNTRIES

Food production inputs
Consumption considerations
Income/distribution requirements
Institutional/structural factors (e.g. credit, land tenure)

How can U.S. government policies be shaped to convert nutritional needs into effective economic demand in developing countries?

2. RESEARCH AND TECHNICAL COLLABORATION

Priorities
Institutional arrangements
Levels

How do we support a vigorous internationally conducted research program which leads to effective application of appropriate food-related technologies at local levels in developing countries?

3. FOOD RESERVES

Purposes
Institutions and methods
Levels
Special financing for LDC food imports

How can international measures regarding grain reserves best benefit the neediest countries and individuals?

4. FOOD AID

Functions
Recipient countries and individuals
Financial Terms
Programming approaches
Levels

How can U.S. food assistance be utilized to help increase the purchasing power and enhance the nutritional status of the poor in lower income countries?

5. TRADE AND INVESTMENT

Market access for LDC exports

U.S. private investment in low-income countries

How can U.S. trade and investment policies
facilitate access of the poor to food?