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DPA - WORLD DEVELOPMENT REPORT 1981/83
VOL. I

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For further correspondence, please see ERS - WDR.

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For consideration on
July 13, 1982

R82-199/1

FROM: Vice President and Secretary

June 23, 1982

WORLD DEVELOPMENT REPORT, 1982

Addendum

As noted in page (v) of the report entitled "World Development Report, 1982" distributed on June 22, 1982 (R82-199), attached is a copy of a booklet entitled "Figures for the World Development Report 1982".

As notified on June 22, this Report will be considered in a seminar of the Executive Directors to be held on July 8, 1982.

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Directors and Department Heads, Bank and IFC

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Figures for the World Development Report 1982

Discussion Proof
Scheduled for discussion with
Executive Directors, July 8, 1982

The figures for the World Development Report 1982 are grouped here by chapter, in the approximate order in which they are referred to in the text. A few were not available in color in time to be included here. In the published version of the Report, each figure will of course appear at its appropriate place in the text and will be numbered in correct sequence.



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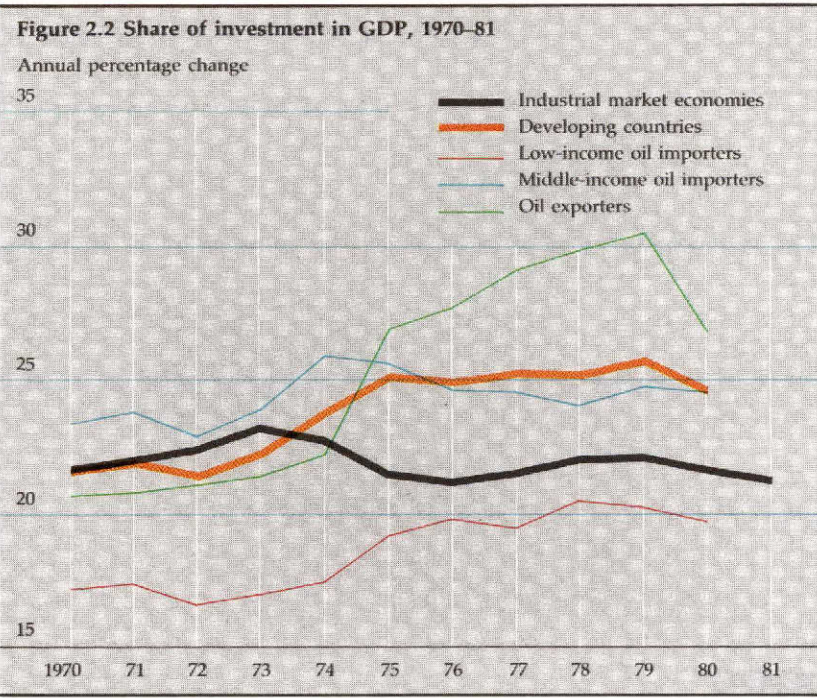
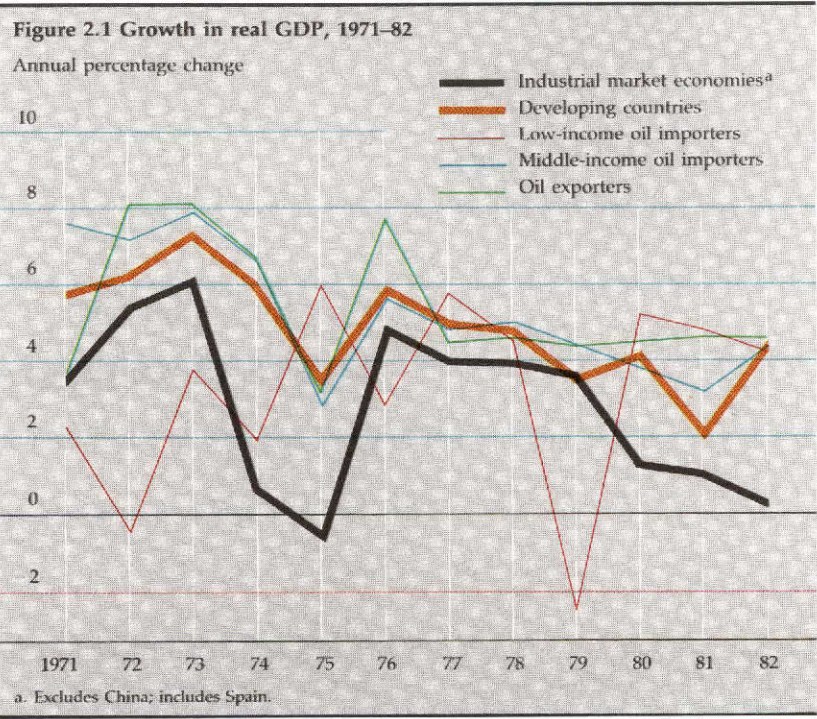


Figure 2.3 Trends in world trade volume, 1971-81

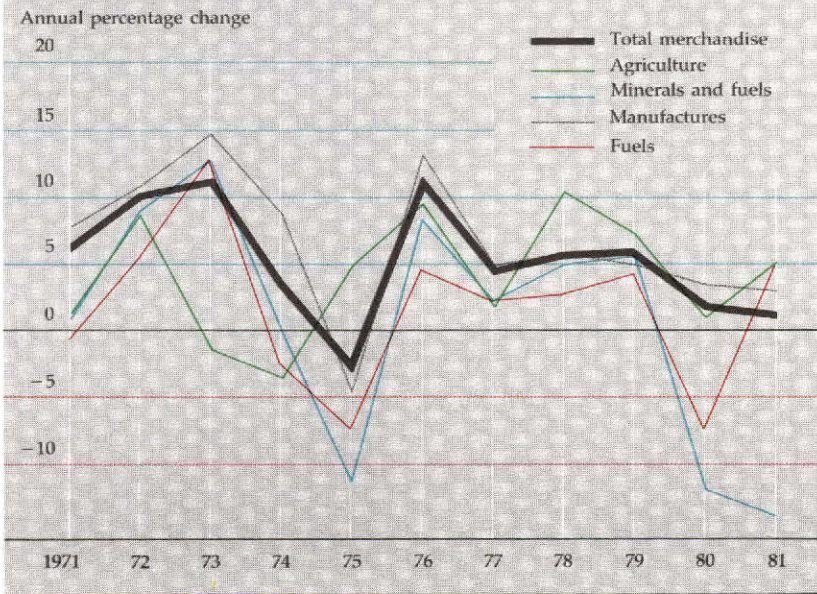
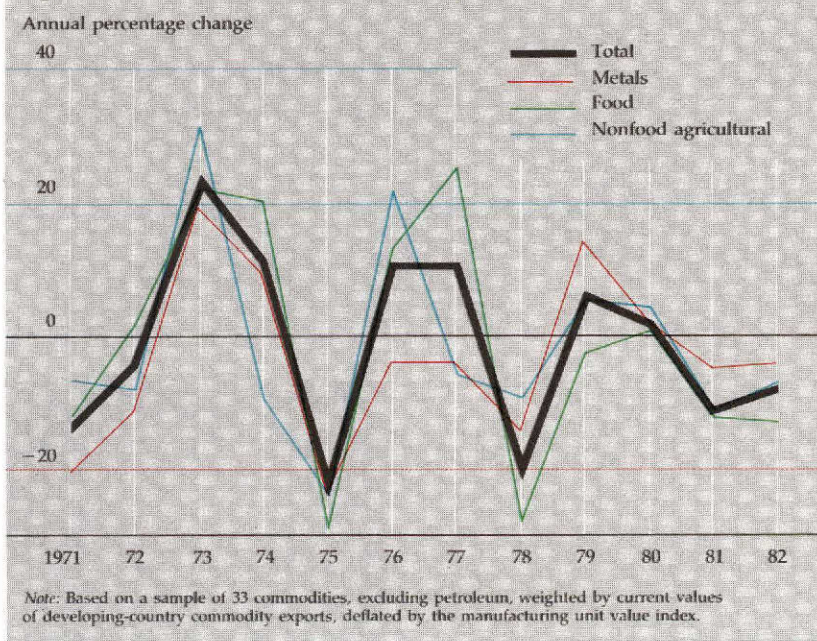


Figure 2.4 Annual fluctuations in developing-country export prices, 1971-82



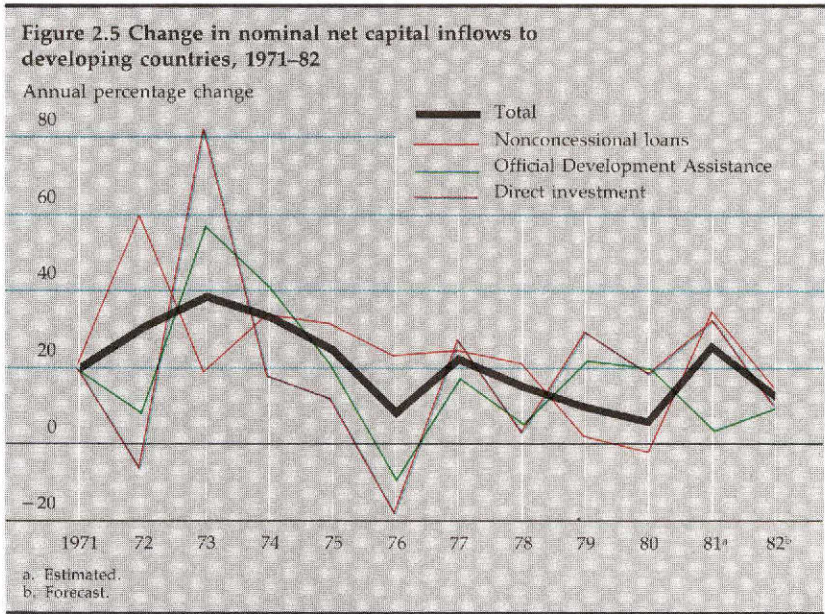


Figure 2.6 Global current account balances, 1973-82

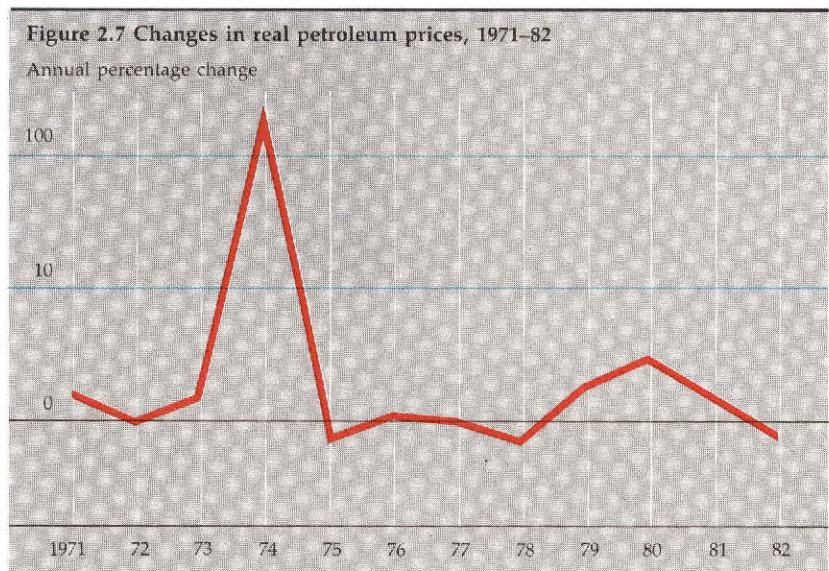


Figure 2.8 Price trends, 1970-81

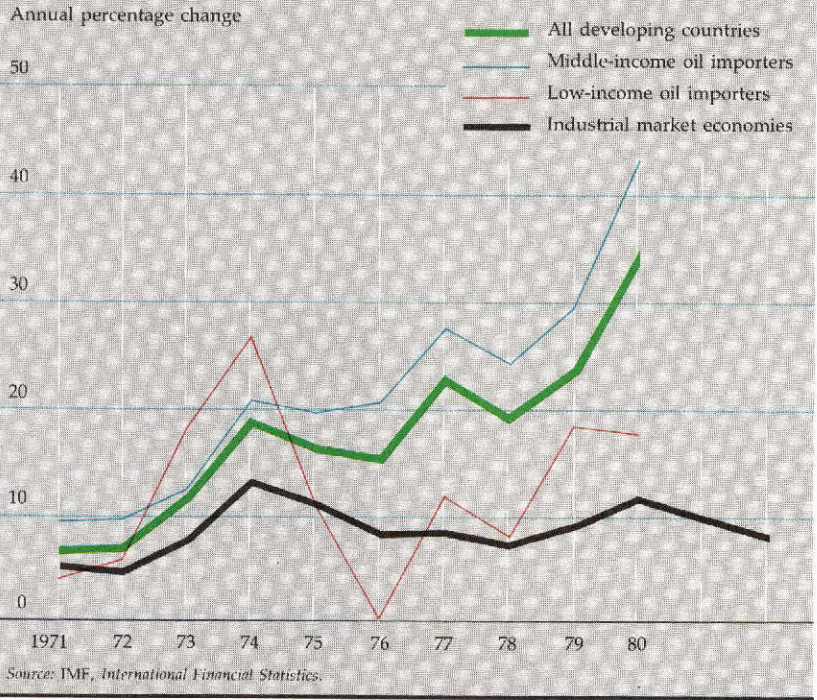


Figure 2.9 US real rate of interest, 1970-81

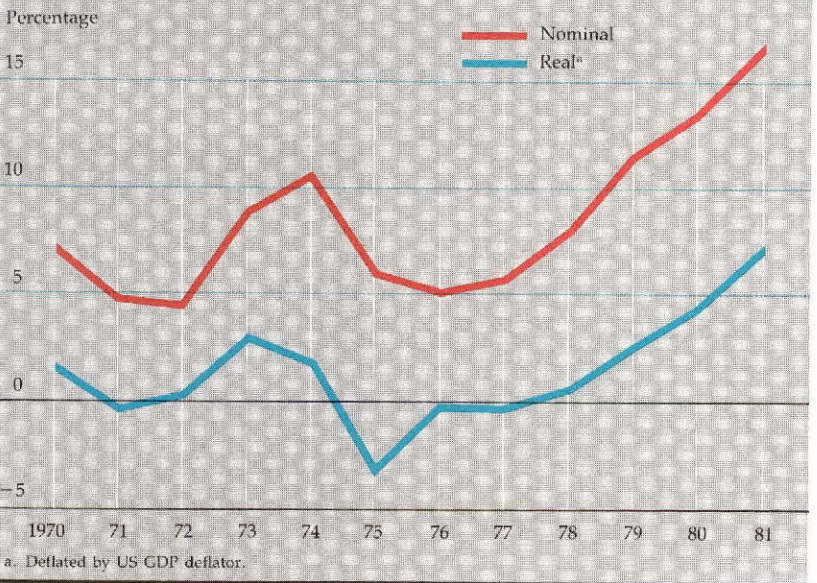


Figure 3.1 GNP per capita compared, United States and selected countries, 1899-79

Figure 3.2 Per capita GDP, selected countries, 1955-79, using ICP

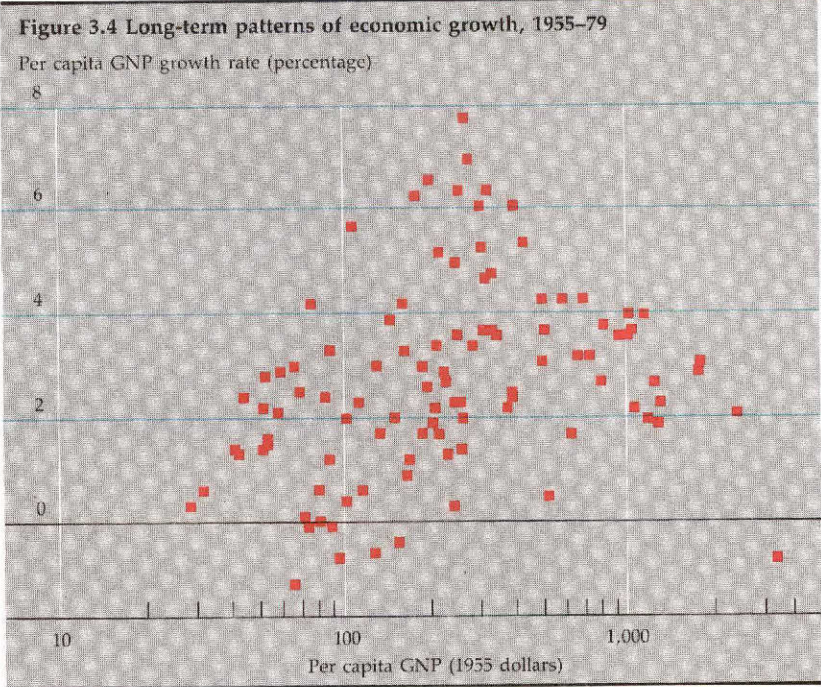
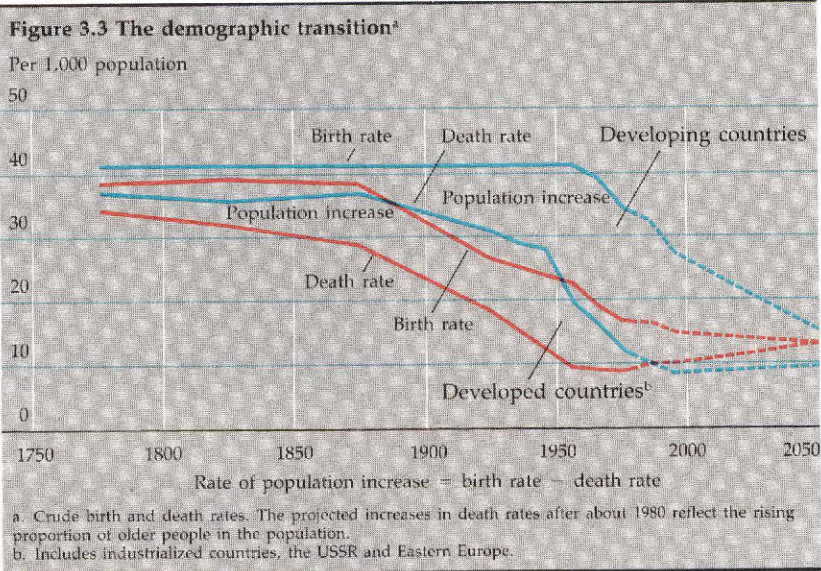


Figure 3.5 Share of imports of manufactures from developing countries as percentage of GNP of developing countries

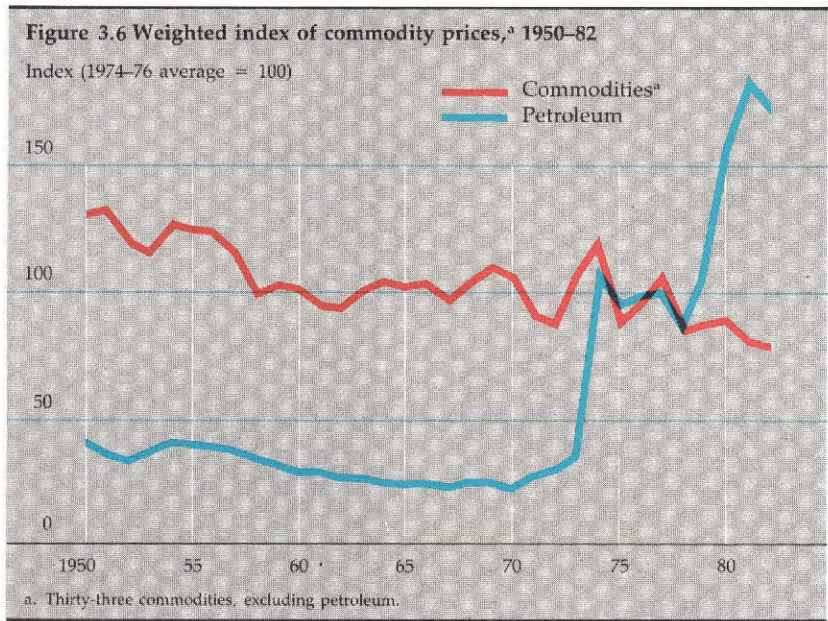
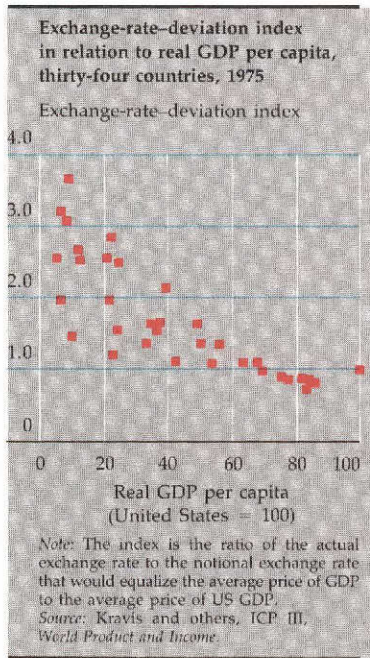


Figure 5.1 Comparative agricultural indicators for developing and developed countries, 1979-80 average

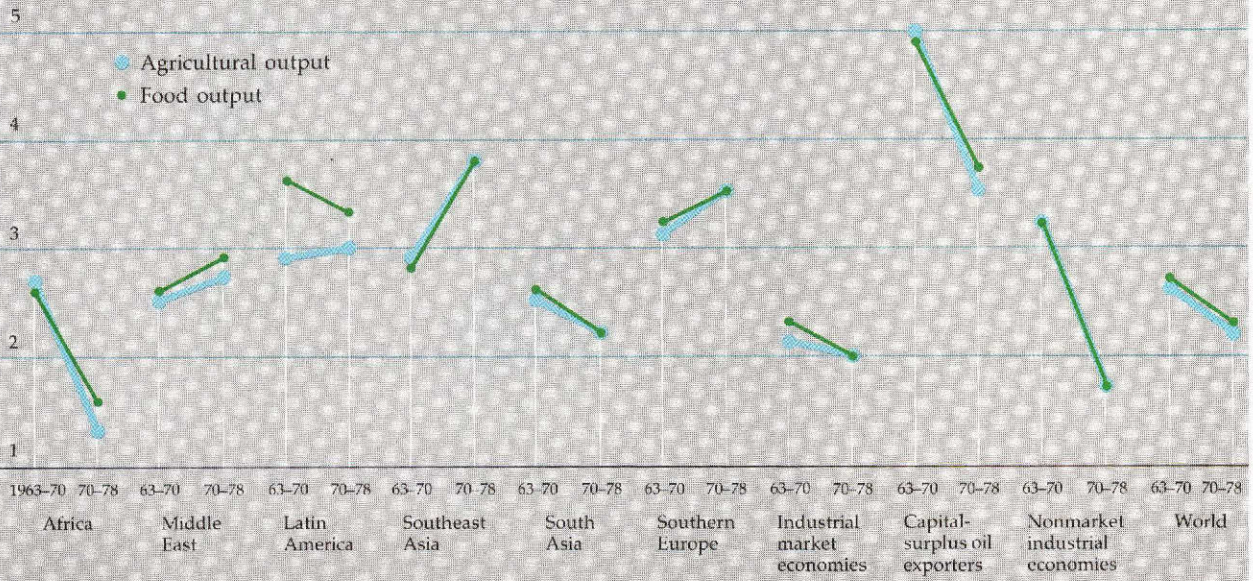


Source: FAO.

a. World distribution: developing countries, 92 percent; developed countries, 8 percent.

Figure 5.2 Agricultural and food output, by major world region and by income group, 1963-70 and 1970-78

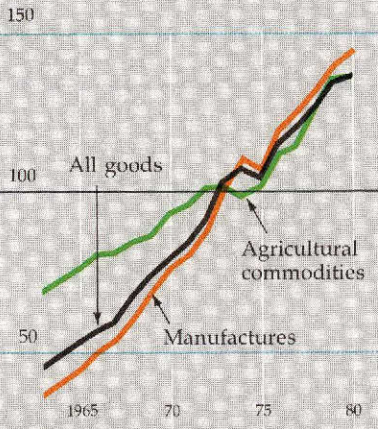
Growth rate (percentage)



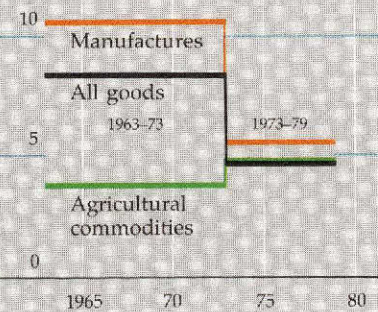
Note: Excludes China. Rates are for mid-points of five-year averages.
Source: FAO.

Figure 5.3 Index and growth rates of world exports, by volume

Volume index (1972-74 av = 100)



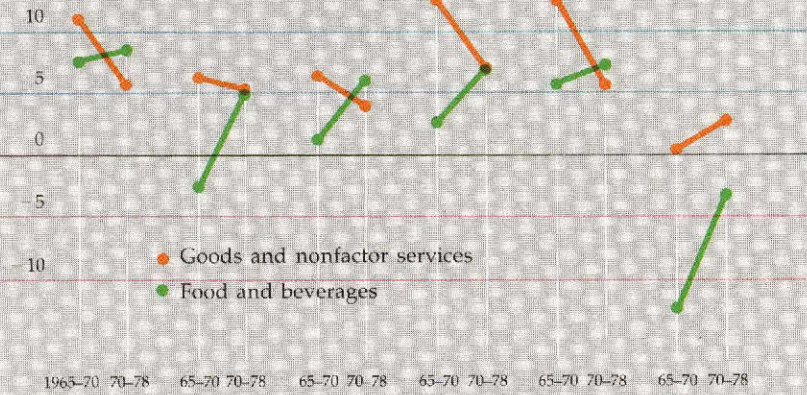
Growth rate (percentage)^a



Source: GATT.
^a Growth rates based on three-year averages around endpoints.

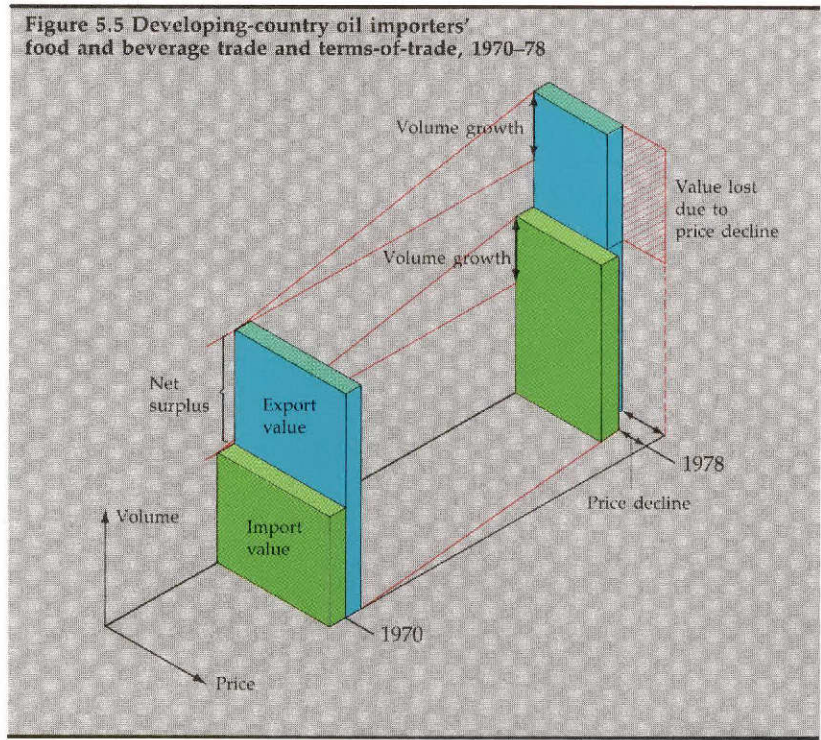
Figure 5.4 Export growth rates^a, by income group

Average annual growth rate (percentage)



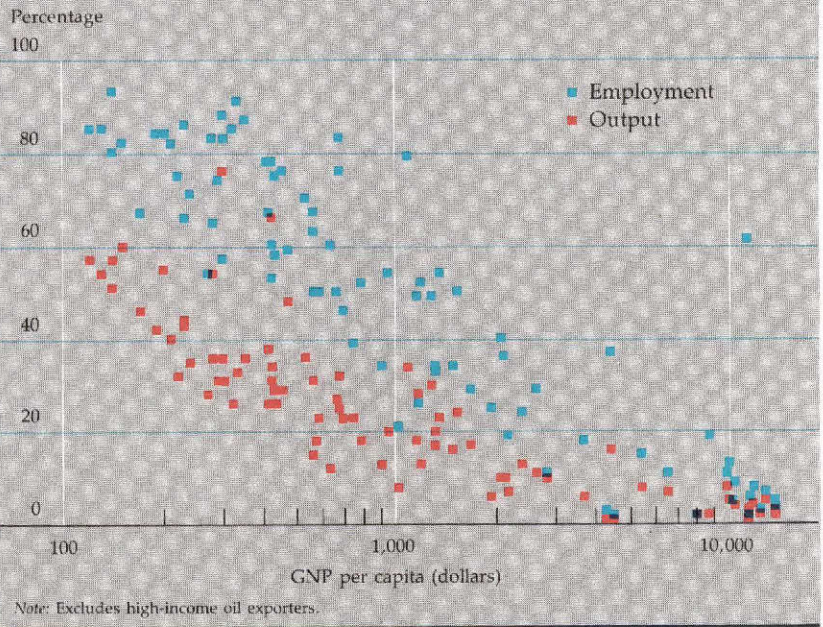
a. Constant 1978 prices.
b. Newly industrializing countries.

Figure 5.5 Developing-country oil importers' food and beverage trade and terms-of-trade, 1970-78

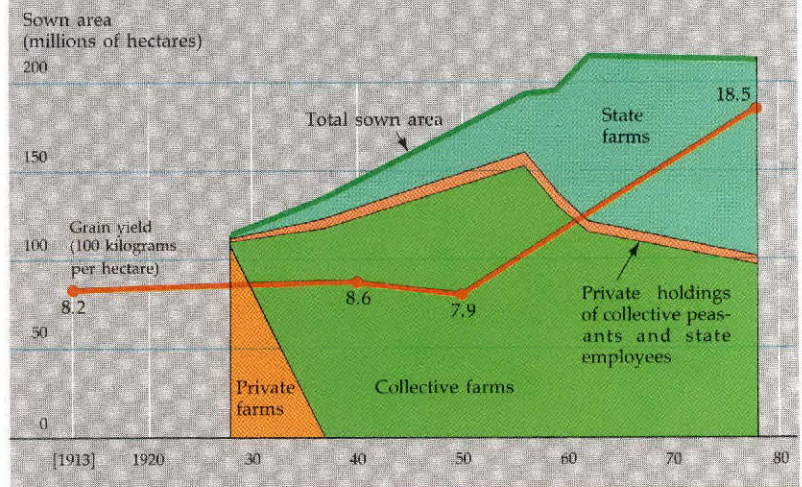


Food and beverages (billion 1978 dollars)	Low-income oil importers			Middle-income oil importers		
	Exports	Imports	Net	Exports	Imports	Net
Value, 1978	5.98	3.04	2.94	38.79	20.90	17.89
Value, 1970	5.03	2.91	2.12	30.38	16.65	13.73
Difference	0.95	0.13	0.82	8.41	4.25	4.16
Value change due to:						
Volume growth	2.22	0.24	1.98	16.19	6.36	9.83
Price decline	-1.27	-0.11	-1.16	-7.78	-2.11	-5.67

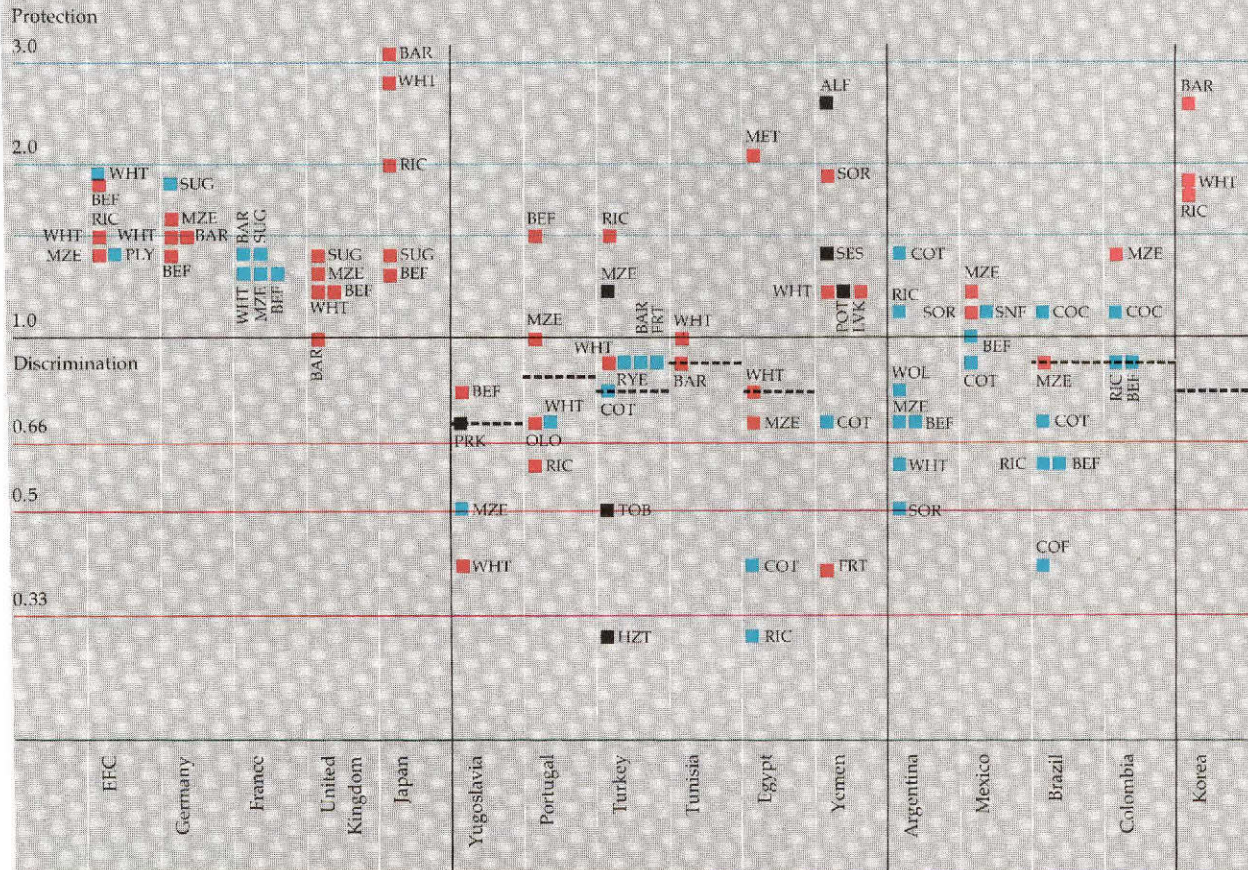
Figure 5.6 Cross-country share of employment and output in agriculture, 1980



Course of collectivization, 1913-78



Adjusted nominal agricultural protection coefficients, by country, late 1970's



Note: ALF is alfalfa; BAR, barley; BEF, beef; BEN, beans; COC, cocoa; COF, coffee; COP, copra; COT, cotton; FRT, fruits; GRT, groundnuts; GUA, gum arabic; HZT, hazelnuts; LVK, livestock; MET, meat; MLT, millet; MZE, maize; OLO, olive oil; OLS, oilseeds; PLY, poultry; POT, potatoes; PPR, palm products; PRK, pork; RIC, rice; RUB, rubber; RYE, rye; SES, sesame; SNF, sunflower; SOR, sorghum; SUC, sugarcane; SUG, sugar; TOB, tobacco; WHT, wheat; WOL, wool.

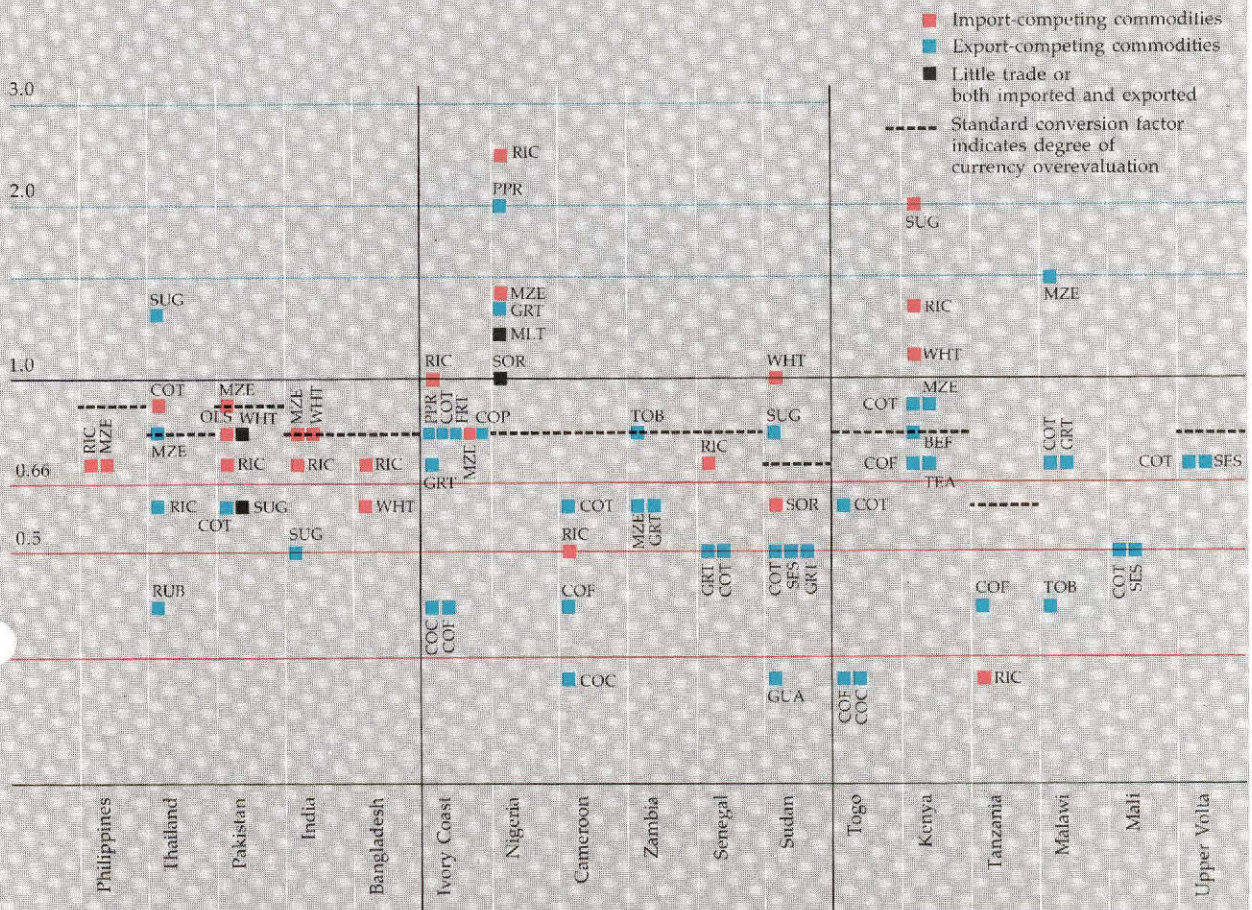
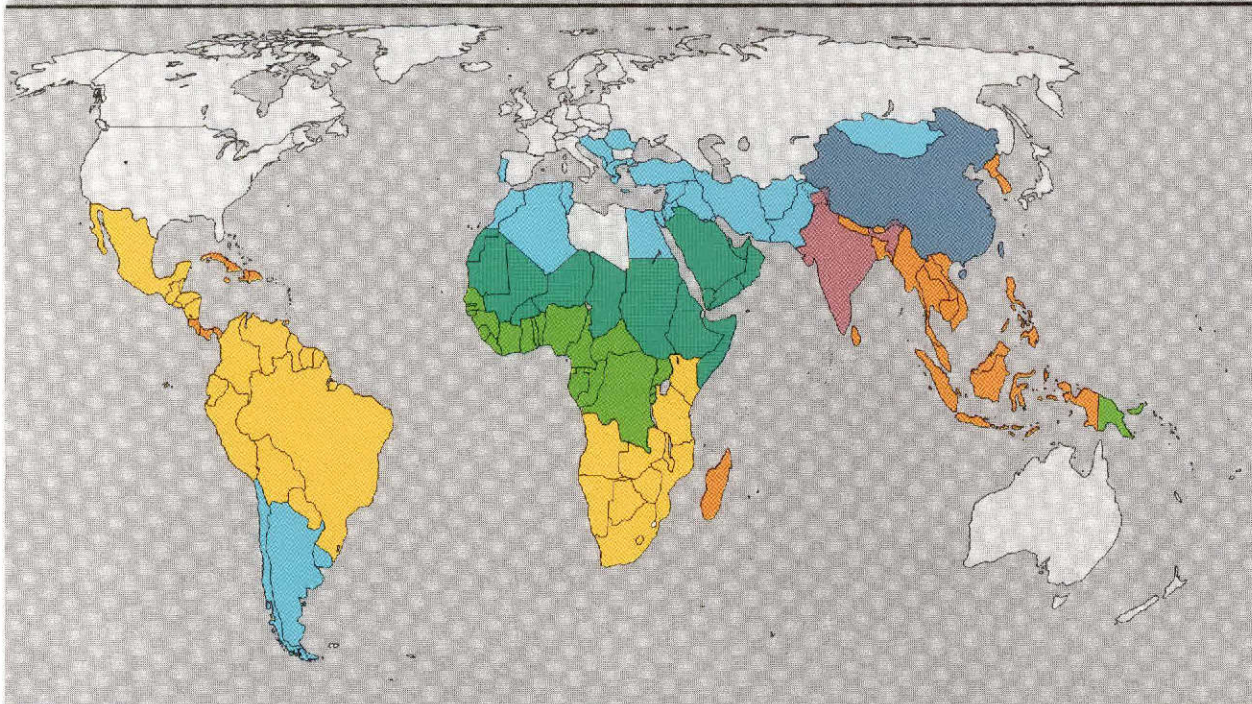


Figure 6.1 Major crop zones in developing countries



Key	Crop zone	Predominant agroclimatic condition	Total population (millions)	Agricultural population persons/ha.	Agricultural population density kg/ha.	Average yield of primary cereals	Arable land reserves
	Root crop zone	Humid tropical	193	120	1.6	753	Abundant
	Rice zone	Humid tropical and humid temperate	574	358	3.5	2047	Moderately abundant
	Maize zone	Subhumid tropical	353	161	1.1	1445	Abundant
	Sorghum and millet zone	Semi arid tropical	86	70	1.6	666	Moderately abundant
	Wheat zone	Temperate/mediterranean	395	182	1.0	1845	Scarce
	Mixed (India)	Warm temperate and arid to humid tropical	673	439	2.5	1307	Very scarce
	Mixed (China)	Cold temperate to subhumid tropical	977	572	5.8	2696	Very scarce

Sources: IFPRI; FAO.

Figure 6.2 Features of major crop zones, 1978

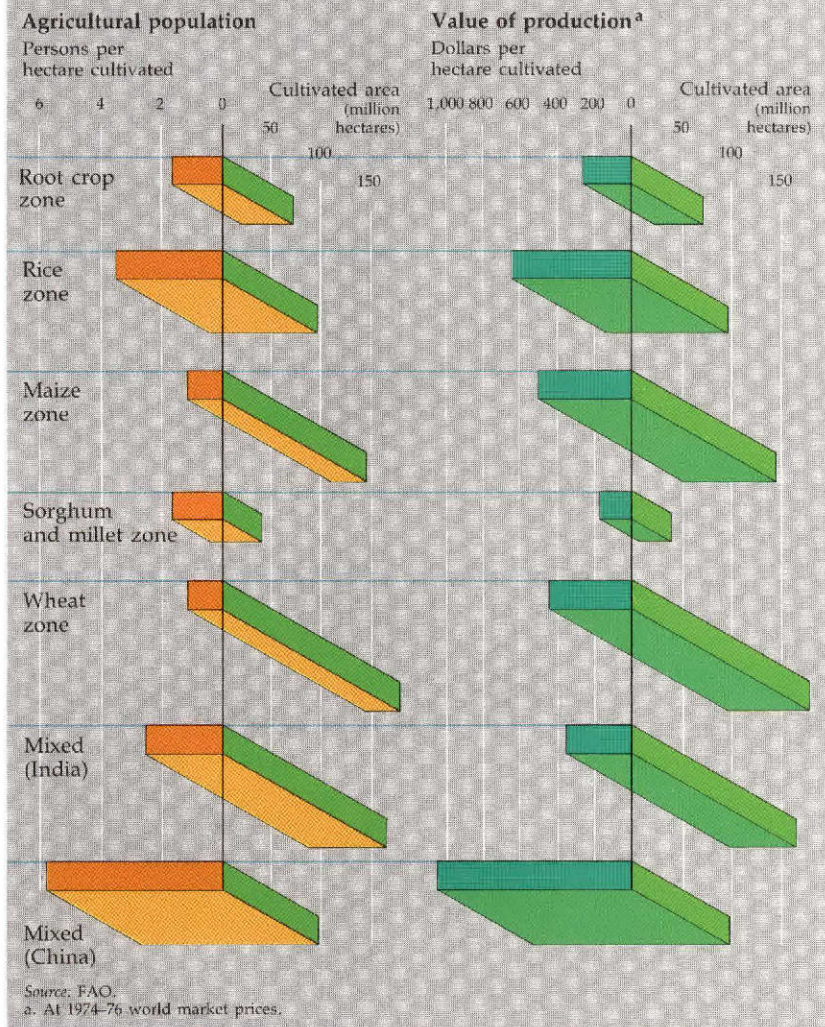
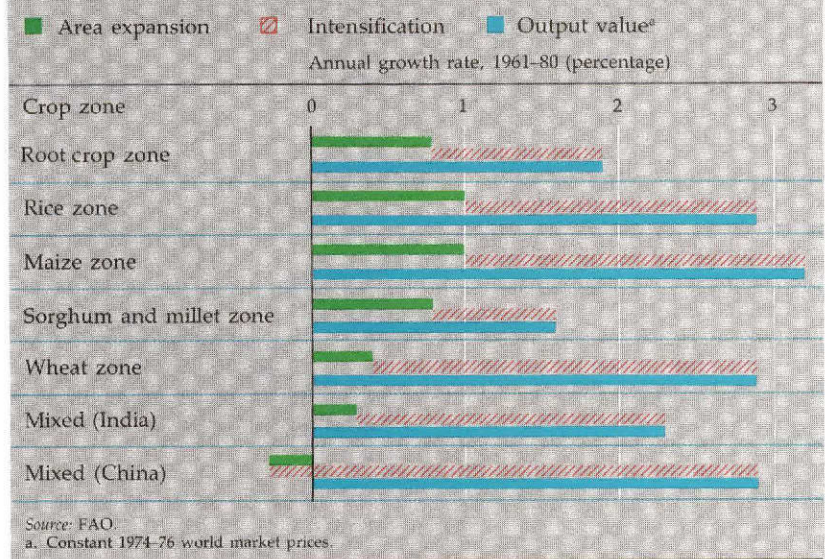


Figure 6.3 Area expansion and intensification, by crop zone



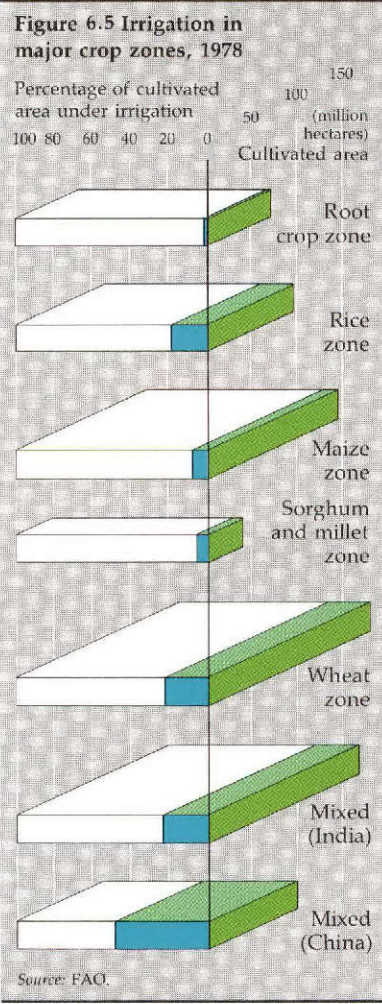
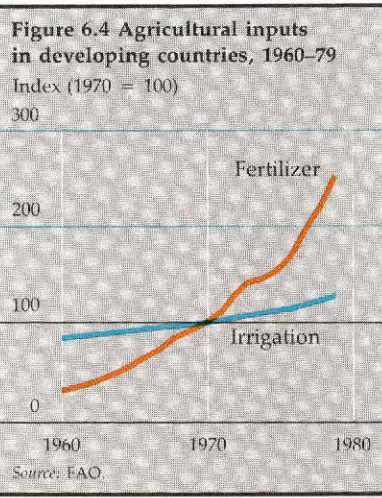


Figure 6.6 Foodgrain yields in developing countries, 1961-65 and 1976-80

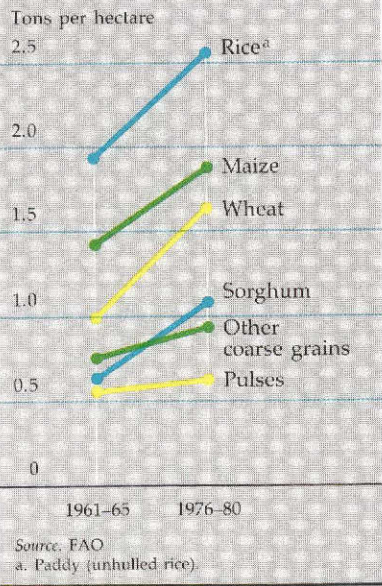
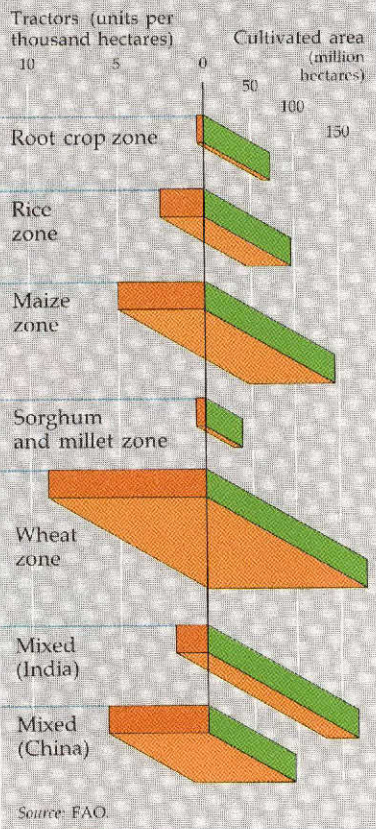


Figure 6.8 Tractors in major crop zones, 1978



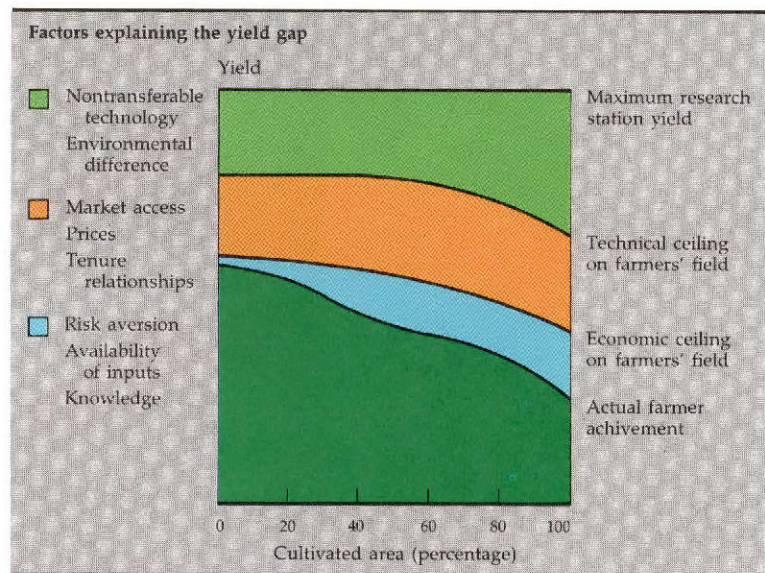
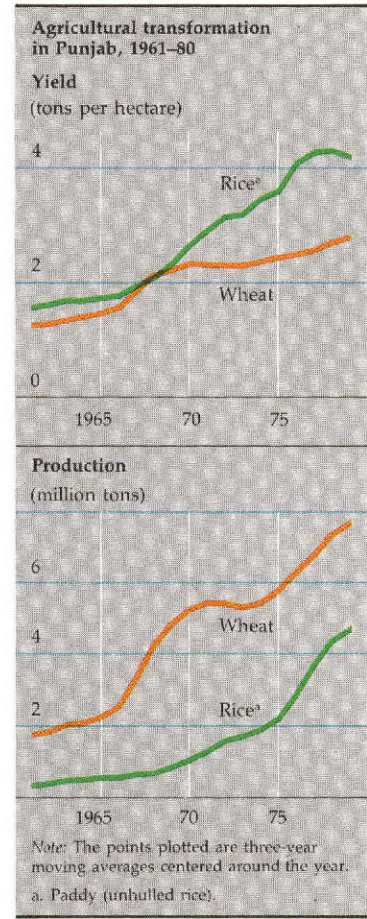
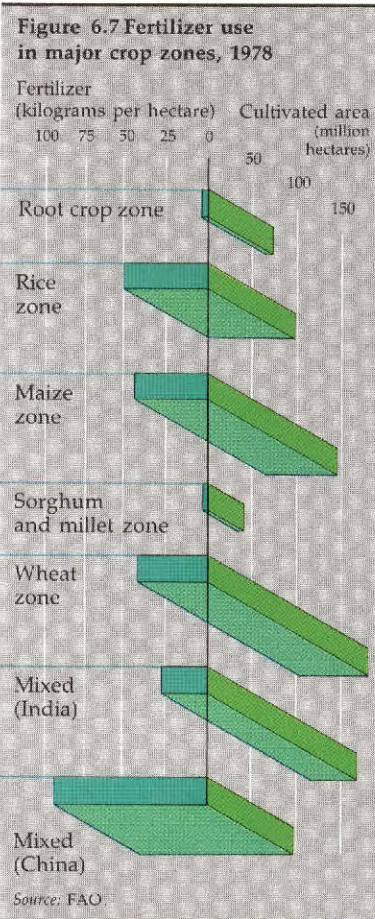


Figure 7.1 Indian rural household income, by source and by farm size, 1970-71

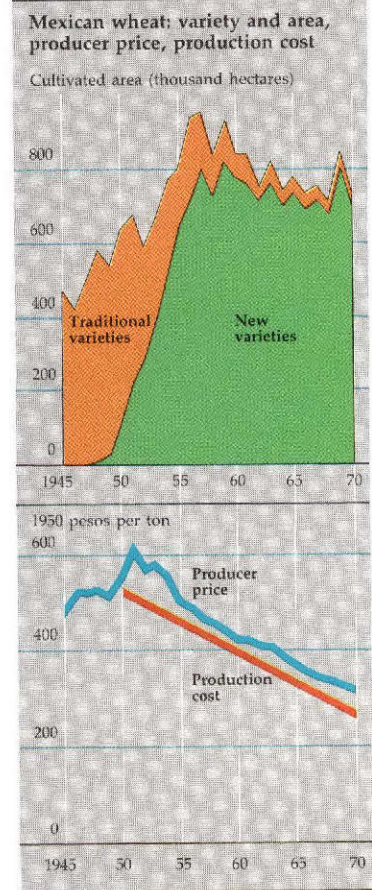
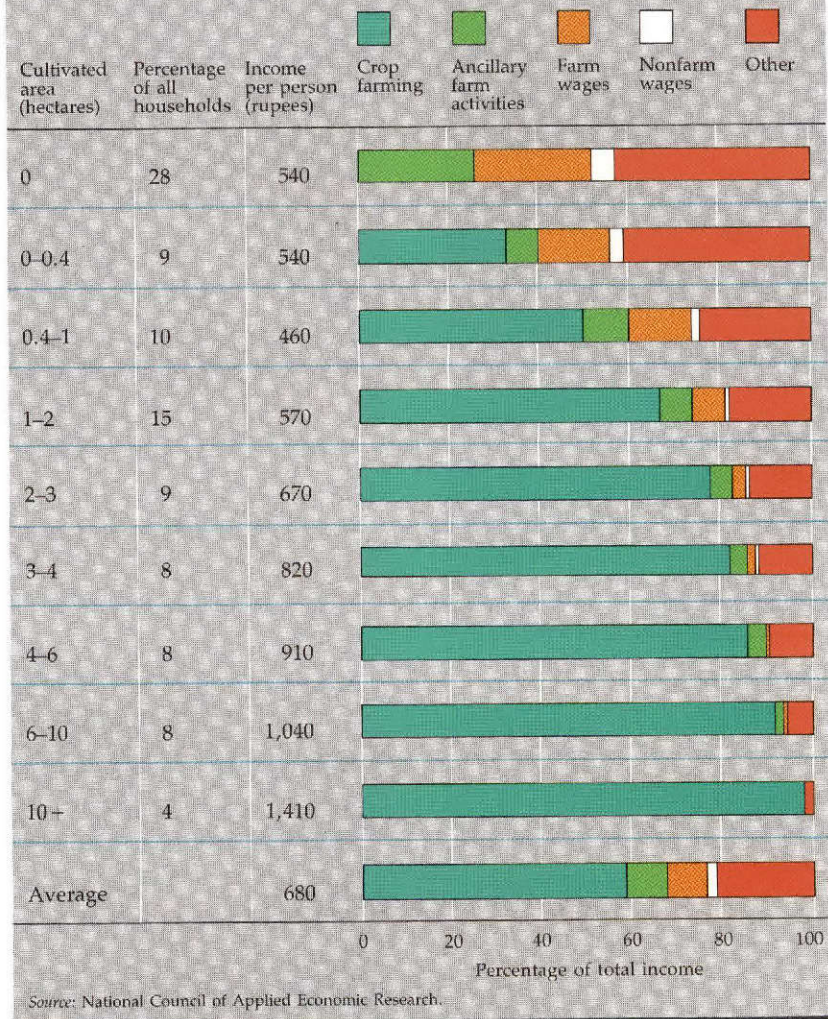


Figure 7.2 Farmland distribution, by farm size selected countries, 1970

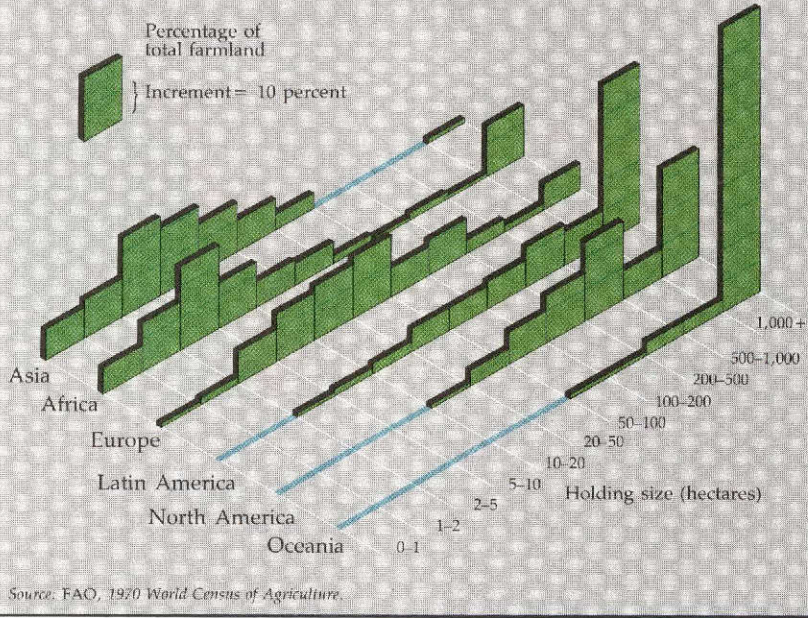
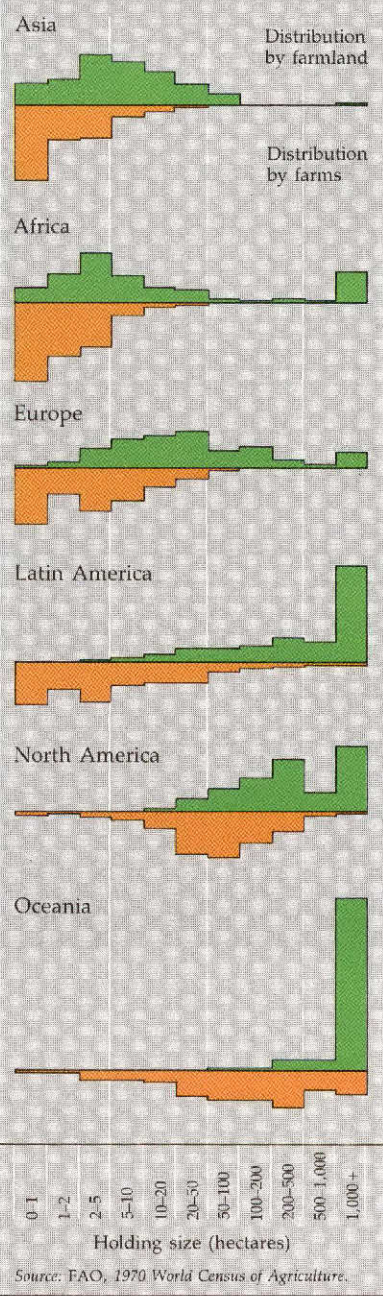


Figure 7.3 Farms vs farmland: comparative distribution, by region and by farm size, selected countries, 1970



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For consideration on
July 13, 1982

DPA- World Dev. Rep.

R82-199

June 22, 1982

FROM: Vice President and Secretary FILE:

WORLD DEVELOPMENT REPORT, 1982

1. Attached is a copy of the President's memorandum dated June 22, 1982 accompanying a report entitled "World Development Report, 1982" (Report No. 3935).
2. This report will be discussed at a seminar of the Executive Directors to be held on Thursday, July 8, 1982 at 10:00 a.m. in the Board Room, under the Chairmanship of Mr. Chenery, Vice President, Development Policy.
3. As in the previous years, final revisions will be made following the Board discussion.
4. Questions on this document may be referred to Mr. Turnham (X48364).

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ERI - NGOs/PVOS

cc. - OPA - WDR ✓

Mr. Pierre M. Landell-Mills, PPR

June 2, 1982

V. Masoni, IRD

WDR VI

In view of the special focus of WDR VI on development institutions and management, I thought you might like to know about the growing interest among Bank staff for the contribution of non-governmental organizations (NGOs) to development in the social sector. IRD is the focal point for general Bank-NGO relations and it is in that capacity that we monitor these activities.

The Bank has recently issued guidelines to operational staff concerning cooperation between the Bank and NGOs (CPN 10.05 attached). Cases of cooperation in the last few years have been collected by IRD and PAS. A report has been prepared by Mr. Cernea on agricultural cooperatives -- a special group of NGOs. The material provides a fairly good number of illustrations of how NGOs can be of assistance in large-scale projects, thereby lightening the burden on the country's public sector.

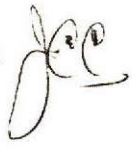
NGO country profiles have been made by IRD for Thailand and the Philippines; similar reports are planned in FY83 for Mali, Mauritania, Upper Volta, Bangladesh and some Caribbean countries. A consultant's proposal for a study of the role in development of indigenous NGOs has been received with interest by the Bank and is to be submitted to the Research Committee by appropriate departmental sponsors.

If you are interested, we can provide additional details on this and keep you posted on further developments. This memo is being copied to Mr. Lethem of PAS who has been instrumental in much of the formulation of Bank policy embodied in CPN 10.05.

cc: Mr. Lethem, PAS

VMasoni/rd

OFFICE MEMORANDUM

TO: Mr. D. Turnham
FROM: J.C. Collins, AGR 
SUBJECT: WDR 1982

DATE: May 28, 1982

1. I have reviewed the paragraphs from Chapter 4 as you requested and have marked up some suggested changes in the copy attached.
2. Reading the paragraphs in isolation I am not sure how important any particular piece of information might be to the development of some argument further on in the text. However, they gave me an impression of being overly simplistic and incomplete in some places. For example, from para 4.7 it would appear that temperature is the key factor in deciding what crops will or will not grow into the tropics. No mention is made of day (or night) duration which is an important factor in the triggering of physiological changes in many plants (e.g. from growth to flowering), so that plants requiring a 'long day' at a critical stage in their development cannot be successfully grown near the equator. Should this paragraph be expanded or is the message too well understood already to need repeating? I would be more in favor of deletion.
3. Similarly in para 4.10 the impact of biological processes in the development of a soil's characteristics is omitted. Intensive rainfall and high temperatures in the tropics will certainly influence a soils development but may not "critically damage its structure and fertility if it is protected by a natural or cultivated vegetation cover. It is exposure of such soils through removal of protection which is so damaging. The statement that leaching of soil nutrients results in acidity and toxicity is just not correct. It is the leaching of metallic ions and their replacement on the clay lattice by hydrogen ions which results in initial acidity of the soil. This then allows normally insoluble alumina complexes to be converted into more soluble forms which has a further "acidifying" effect and can lead to toxic aluminum levels for sensitive crops. The general statement comparing fertility of soils in South and S.E. Asia with those in Africa and Latin America should be deleted. There are soils in Thailand which are less fertile than any I have come across in the Amazon and I am sure some soils in Indonesia have all the problems of the typical Amazon Soils.
4. In para 4.12 I suggest drainage be included with irrigation and flood control.
5. I understand that there have been problems in extending the broadbed and furrow system (para 4.31 which was not marked for my review but I looked at it anyway). It has only worked on the deeper cracking clay soils and has on occasion depressed yield when carried out on alfisols. Also in the next paragraph (again not one of mine) do you really consider yield increases which won't come along for a decade as being rapid?

6. In para 4.33 the introduction of irrigation may or may not be the most significant step in developing a particular area. If rainfall is over 2,000 mm well distributed I would rate it as of low significance and you say so at the end of para 4.35 though I suggest that rainfall needs to be adequate as well as reliable. Also the second sentence in 4.33 could be expanded to include crops grown, water availability and quality, access to markets, inputs, credit etc., etc. As it stands it would be better left out. Are the potential returns to irrigation the highest in the arid and semi arid tropics? Because of access to inputs technology and affluent markets, people do pretty well out of irrigation in California and around the Mediterranean area! Availability of irrigation encourages the use of other high technology inputs such as IPM as well fertilizers and seed.
7. In para 4.38 the last sentence should begin "Though usually more costly to operate and maintain -----".
8. In view of the wide range in development costs quoted in para 4.36, the relative precision of the statement in 4.39 that a 50,000 ha scheme costs about \$150 million seems an anomaly. Why not substitute a range?
9. In para 4.43 it is the Management of irrigation schemes which tends to be dominated by engineers, not the schemes themselves. These engineers have little training in on-farm water management but often do have considerable ability in reservoir operation for example.
10. In para 4.44 the problem of deep water rice areas in Asia is not only the depth but also the rate at which the flood waters rise. HYVs are unable to elongate sufficiently rapidly to keep their heads above water (though the traditional rices of these areas do have that ability).
11. Also in para 4.44 I wonder whether comprehensive watershed management and flood control are realistic concepts for the Ganges and Brahmaputra Rivers for example. The scale is so enormous.
12. Finally in para 4.45 water logging and salinity can still occur where drainage has been provided but design was inadequate. We still do not pay enough attention to the design criteria for drainage systems.

NRIC

Mr. W. Bussink (AEADR)

May 5, 1982

Choeng-H. Chung (AEPAl)

Comments on Chapter 6 on WDR 1982 Draft

As requested by Mr. Baldwin, I have reviewed the draft, Chapter 6 and do not have any problem with the general conclusions and messages emerging from the draft WDR report. Detailed comments are marked in the copy attached. The only specific comment for East Asia and Pacific region which is wrong is the reference to cassava in Thailand (page 5).

I would, however, like to comment on two areas of presentation (or omission) which I feel warrants consideration by the WDR "core" team.

The first relates to regional discussions on patterns of growth and reserves of arable land. Table 4.2 and table 4.3 present the information on patterns of growth (for agricultural production, arable land, and intensification) and reserves of arable land on a global basis. It would be extremely useful and definitely more interesting if the regional perspective of these information could be presented and discussed.

The second relates to the discussion of improved technology (page 25). It would be clearer in this discussion to separate the difficulties of transferring improved technology to (a) the commercial or marginally commercial farmer from (b) the subsistence farmer. For the former, the incentive system and input services aspect discussed in the chapter are important. For the latter, "minimum cash cost" approaches are more applicable and this aspect has hardly been discussed.

Attachment

C-HChung:jm

F338

Mr. Wil Bussink

May 3, 1982

Johannes F. Linn

WDR 1982: Comments on Chapter 2

1. Following the request by Jim Baldwin I have read Chapter 2 of the WDR 1982. I have no specific comments on items relating to countries in our Region. The chapter does not employ lots of examples anyway; therefore, there are only a few references to our countries.
2. More generally, the chapter needs a lot more work. At the moment it is very poorly presented, text bookish in nature, with many stylistical flaws, incomplete arguments and unconnected ideas. Examples from specific country experience and cross-country comparative work are underutilized. These messages do not stand out clearly.
3. I am attaching ^{nl9} my marked-up copy, which substantiates my comments for particular places in the text. I would be happy to meet with WDR staff to go over some of the specifics.

cc: Mr. Hermans

JLinn/llc

Mr. R. Chander, EPDDR

March 31, 1982

Ishrat Husain, Senior Economist, WA1B

WDI and SIDS - Infant Mortality Rate and Child Death Rate Data

1. We have reviewed the data on child death rate and infant mortality for Ghana, Liberia and Sierra Leone which will be published in the latest WDR.
2. As the data is purported to have been generated from a special study by the U.N. Population Division, we have no independent means to either affirm or contradict it. As Mr. Zachariah must have been satisfied with both the methodology and findings of this report, we have no problem in endorsing his recommendation.
3. What has struck us, however, is the absolute magnitude and the rate of change of child death rate for Sierra Leone reported in the U.N. study. The 1981 WDR showed that the 1960 death rate of 41 had declined to 25 by 1979 i.e. a change of 40%. The latest U.N. study shows that the 1960 death rate was 57 - one of the highest in the world but also that the rate of decline during the period up to 1980 was only 12% - one of the lowest in the world. These discrepancies are quite significant but I am sure there must be some valid justification for them.

cc: Messrs. de Azcarate, Isenman, Gibbs, Oubouzar, Alibaruho

IH:pt

Mr. J. Gorse, WAPA3

March 17, 1982

J. R. Peberdy, Chief, WAPA4 *JRP*

1982 World Development Report (WDR V)
Forestry in the Sahel

1. I have nothing to add to your paper which describes the situation well. I agree with you that it is important that we are realistic about what we are likely to achieve. We should put our scarce resources in those areas where we are likely to get the best return. There is simply not enough money to tackle everything we would like to do. West Africa needs to be looked at firstly on a regional basis followed by a country then district basis.
2. In the last century, West Africa has changed tremendously and major demographic changes are taking place in various countries with people moving to the areas of greatest economic activity and potential; such areas and rate of growth will change as political forces dictate. We need to understand these changes, and where appropriate, encourage and service them. Taking the Region as a whole, it is clear that the areas of major population growth are going to be the forest belt and the wetter areas of the Guinean Sudanian zone with the greatest concentrations around industrial urban centers, ports and major irrigation areas. As in other parts of the world, the drier areas, unless they have irrigation or some other natural advantage (uranium), cannot provide the economic means to support viable population growth. In fact, in relative terms the potential for providing a livelihood could decline as economic expectations/achievements of people working in the richer areas of the Region increase. A recent BADEA report predicts that 50% of the people in the Sahelian West African countries will live in the urban centers by the year 2000. While one can quarrel with the percentage, there undoubtedly will be a major increase and such urban growth is most likely in the areas of greater economic activity.
3. While there are political and social reasons not to abandon people in the Sahelian ecological zone (700 mm and below), and there are things we can and in some cases must do, I think that if we take a longer term view then the areas to concentrate our forestry efforts on should be the 900 to 1,000 mm and above areas. I say forestry because I think that by the year 2010 when our forestry efforts in Sahelian areas may be showing some technical promise, the economic wealth and development in the Region may be such that there may be other cheaper alternatives (one of which will be encouraging movement out of the drier areas).
4. In lowering expectation for forestry in the Sahel, I am conscious of the fact that in two years time I will have worked 30 years in Africa and that my first district where I worked was a dry area not dissimilar to the Sahel today. Today in that district, there are more than twice as many people (nearly a million) and the land is now as bare of bush and fuelwood as it was in 1954. Much barer and more populated than the parts of West Africa I see. The forest programs started then, similar to those we are starting in West

Africa now have had a miniscule effect on the problem. Today the need for forestry is as strong today as it was then. I am sure it is right. But then, why has it not worked when the need is so obvious? I think it is because the general economic opportunities for those staying behind are so poor that the people (who have to do the forestry planting) only see the district as a dormitory area for the families of able bodied people who make their money outside the district in the real economy which has been growing at around 6% per annum for the past 20 years; to enable them to participate their most widely beneficial investment has been education.

5. Nearly thirty years later, I think the opportunities for technological breakthrough are greater now than when I was implementing what we are doing today. Firstly, we realize now that much more fuel for village use comes from trash, sticks and branches than we appreciate rather than from trees. This means that people still hope for the best rather than plant trees and, to some extent, time has proved them right. As far as improved technology is concerned, if necessary, special kilns are available to make charcoal out of such rubbish so giving us the possibility of growing and using vegetation other than fully grown trees. Leucaena for example in the higher rainfall areas (1,200 mm?) can provide a high animal protein feed, windbreaks, fuelwood and soil improvement). More efficient stoves are possible. Methane gas can be made from organic matter and at some time in the future, it might be cheaper to provide solar or wind driven pumps, generators, etc. than provide the infrastructure necessary for a forestry service to provide wood under suboptimal conditions. The transport of wood fuel from higher rainfall areas and selling it at subsidized prices may be cheaper than trying to grow it in the Sahel. Even the finding of oil on the West African coast may make the expansion of use of kerosene a worthwhile alternative - at least for the next 30 years by which time the technological work on alternative energy sources might be paying off.

6. In 10 years' time, the non-technical people who are so supportive today of the Sahelian foresters will be diving for cover and asking the technician what went wrong (as they have done in the past in Kenya and other countries with similar problems). The major problem in my view, as far as the drier areas are concerned, is one of expectations. Just because there is a need (in a particular area) does not mean that there is a solution especially when the technology you choose (forestry) has no economic answer. Those same people will forget today's technicians' fine print that we are starting the exercise with just a hope and prayer but no sure technical solution. It is our job to state clearly where we have the technical knowledge and proven experiences and where we do not.

JRPeberdy:nie

cc: Messrs. van Gigch, Tillier, Steeds, Berg, Grimshaw



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OFFICE MEMORANDUM

NML

TO: Mr. A. Choksi, AEA

FROM: John Shilling, Division Chief. EPDCA

SUBJECT: Discussions on WDR V Country Projections

DATE: January 27, 1982

As indicated in my memo of December 23, 1981, we are reviewing the country projections for the Sample Panel of 38 countries. Unfortunately, we are on an extremely tight schedule. We are completing preliminary revised projections for Indonesia and will be circulating the projections to you and the country economists shortly. I would appreciate if you could advise your country economists and request that they cooperate with my staff in reviewing these projections with you.

My staff will contact your country economists when the projections are circulated to arrange meetings to discuss the results and whatever further revisions may be necessary. Since the projections are in 1978 US \$ constant prices, the levels may not correspond exactly with your data. However, we are not so interested in exact correspondence as to be sure the levels are of the right order of magnitude and that the trends to 1990 and major internal relations are correct.

Thank you for your cooperation.

cc: E.C. Hwa

JS/sf

→ JS
~~TH~~
Stand by!
A

OFFICE MEMORANDUM

DPA - WDR
W.A. Hill
NRIC

TO: Mrs. My Thi Vu, DEDPH

DATE: January 11, 1982

FROM: Christine Fallert Kessides, WACPI DC ^{CFK}

SUBJECT: Clearance by WACPI of Basic Data for WDR 5 Population Estimates for Upper Volta, Mali and Niger

A. Notes on Upper Volta Population Estimates:

1. Resident population in December 1975 was 5,638,203 according to the 1975 census. Mid-year population in 1975 would therefore be 5,598 thousand assuming 1.6% annual growth, or 304,000 higher than the DEDPH figure. I have already discussed this discrepancy with Althea Hill in your division and she agreed that there does not seem to be a satisfactory reason to continue to use the lower figure as the base 1975 estimate.

2. The new demographic data for Upper Volta as derived from the 1976 Post-Census Survey are with Althea Hill, as I mentioned to you. These demographic reports give the following amended indicators:

	CBR	CDR	Total Fertility Rate	Life Expectancy at Birth (Both Sexes)	% Urban Population
1960-61	50.8	32.0	6.14	32.0	
1976	47.8	24.1	6.66	38.0	9.1 (1975)
	(1975)	(1975)			

The indicators are not given for the intervening years, as far as I can tell.

3. I suggest that you use the above figures in making projections for WDR 5, which should be further checked with Ms. Hill when she returns and resumes her analysis of the Upper Volta demographic situation.

B. Notes on the demographic data for Mali are attached.

C. We have no corrections to suggest to the Niger population figures.

cc: Messrs. Denning, de Azcarate, Isenman (with attachment)
Messrs. Molineus, Prost, Ms. Hill (without attachment)

CFKessides:kmv

Mali

C. Humphreys:ma
8 January 1982

Note on Mali for WDR 5

1. Population level. In December 1976, resident population was 6,394,918, including persons both present and absent. In addition, there were 129, 732 visitors. Excluding visitors, and using 2.73% annual growth, the mid-1976 resident population would be 6.316 million, not 6.444 million.

2. Rural-urban. In December 1976, the resident urban population was 16.8%, not 17.2%.

3. Labor force. In December 1976, the distribution of the active resident population was:

Agriculture, (including livestock, fishing, and forestry:	84.9%
Industry (artisanat, mining, manufacturing, and construction)	4.9%
Services (commerce, banks, transport, communications, administration, other services	7.2%
Undeclared	3.0%

Thus, the figure assume that the undeclared category is evenly distributed across the other categories.

OFFICE MEMORANDUM

yellow

TO: See Below

DATE: January 4, 1982

FROM: R. Duncan/P. Pollak, EPDCE

ZPA WDR-

SUBJECT: WDR Meeting, 2:45 p.m., Tuesday, December 29, 1981

This was the third of the weekly EPD meetings to review progress on WDR V. The meeting was chaired by Mr. Baneth and attended by Ms. Swamy and Messrs. Chander, Katz, Lutz, Obidegwu, Duncan, Pollak, Hope, Miovic, Ahmad, Hee and Blazic-Metzner.

Below is a summary of the various topics discussed.

1. EPDES Work on Long-Run Developmental Issues

Mr. Blazic reported that the tables showing shares of developing countries in world GDP and other economic measures for the period 1955-2000 were being prepared together with an explanatory piece.

Mr. Baneth asked that these be distributed to all Division Chiefs as soon as possible, for further distribution to staff who may be able to make an input into their interpretation. Mr. Ahmad reported that he had now done some regressions runs with ICP data. Some coefficients looked okay. It is still not certain whether it will be possible to explain deviations from average growth paths in terms of social indicators etc. Mr. Ahmad was asked to disseminate widely the regression results or at least whatever summary of the data he has available early next week, so that EPD staff involved in this work could become familiar with the nature of the data.

Professor Laursen will arrive on January 7 to begin writing on long-run development issues.

2. EPDCA Comparative Studies on Future Development

Mr. Wen said that CA is starting the work on projections. Up to now, there has been no input from country economists. Mr. Baneth pointed out that the program needs to be speeded up so that some write-ups covering the developments in major countries will be available by January 18. He could foresee three elements to be covered in the discussions with country economists:

- i. What is the short run story? (By April more about this will be known.)
- ii. Revisions of last year's long-term projections up to 1990.
- iii. Substantive inputs in the story about the nature of the development process.

3. EPDIT Analysis of Global Developments

Mr. Miovic said that his staff would need the EPDCE write-up on possible oil-price scenarios so that they could run their simple global-balance model which will be run under different assumptions about interest

rates, trade and the future path of oil-prices. It was stressed that the long-term trend of oil prices remains unchanged, but that EPDIT will explore various scenarios that would be based on different price paths around that trend. Mr. Hope pointed to the need to keep the endogeneity of the relationships between economic growth, interest rates, trade, oil prices etc. in mind.

4. Protection in Agriculture

There was some confusion over what is to be done within EPD on this topic. It was reported that the WDR Core Team is now going to devote some effort to this subject and may hire Tim Josling (Stanford) as a consultant/writer.

Mr. Baneth made it clear that both a short run and a long run write-up was needed for Part I. Mr. Lutz was asked to contact EPDCE staff to find out what has happened to protection with respect to each agricultural commodity over the past year. Mr. Lutz also offered to write a short general piece on the impact of agricultural protection in both industrialized and developing countries on developing countries' agricultural production and trade.

5. EPDED Work on Debt and Aid

Mr. Hope reported that two pieces on developing countries' debt and debt policy have been drafted. Also, his paper to the AEA meeting on international debt was now available.

The review of the debt situation will cover among other things, renegotiation (a "Box" on Turkey), interest rates, and international transfers. It will also discuss possible credit scenarios for the 1980s. Debt staff have been asked to provide estimates of 1981 debt. Other topics include "major borrowers" and intra-developing country debt. To provide a format for the discussion on aid, a table is being constructed to show, inter alia, aid receipts by country and by source of funds (e.g. to show number of agencies which countries have to deal with).

Next Meeting: Friday January 8, at 2:30 p.m. in the M Building Conference Room.

Distribution:

Mrs. Hughes (o/r), Mr. Baneth, EPD Division Chiefs & Advisors

<u>EPDIT</u>	<u>EPDCA</u>	<u>EPDES</u>	<u>EPDCE</u>	<u>EPDED</u>	<u>EPDSM</u>
Elsaas	Dacumos	Ahmad	Akiyama	Datta-Mitra	Baidee
Finger	Hwa	Blazic-Metzner	Bothwell		Culver
Fleisig	McCarthy	Hee	Duncan		
Germany	Obidegwu		Pollak		
Katz	Wen				
Lee					
Lutz					
Shaw					

OFFICE MEMORANDUM

DATE: December 21, 1981

TO: Regional Chief Economists
Assistant Directors, Agriculture

FROM: David Turnham, WDR Core Team

SUBJECT: Regional Assistance for WDR V -- Background Material

Mr. Stern
Copy
Program Director
Project Director
Chief & Agr.
Chief - Agr.
NRIC
for

1. As promised by Per Ljung at the meeting on December 10, 1981 we are sending you a draft outline for WDR V and a "shopping list" of potential background notes.
2. As you may recall, my memo of December 4 asked for regional assistance for WDR in three forms:
 - (i) guidance and assistance from regional staff on where to find data, source material, etc;
 - (ii) draft working notes or "boxes" that illustrate interesting development or project experiences relating to agriculture; and
 - (iii) preparation of more ambitious working papers analyzing long term performance in selected major agricultural economies.
3. Regional staff at the meeting indicated that it would be virtually impossible to prepare working papers within the given timeframe. On the other hand, help under headings (i) and (ii) was kindly offered. Let me reconfirm that we would greatly appreciate assistance in preparing a limited number of working notes, either for editing down to "boxes" or to provide the basis for text discussion.
4. The attached "shopping list" of possibles reflects in part an initial interchange with some regional staff and in part Core Team ideas on some potentially interesting topics. It is intended that the working notes be informal and relatively short (3-10 double spaced pages). They would aim at condensing available knowledge and would generally not require literature research or data analysis. We believe that an experienced project officer or country economist could produce such an informal working note in 2-3 full working days. We hope to discuss the topics with you over the next couple of weeks.

cc: Messrs. Waide, Yudelman
WDR Core Team

WORLD DEVELOPMENT REPORT V

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WBG ARCHIVES

Draft Outline of Main ThemesI. Introduction

1. The fifth World Development Report, to be issued in August 1982, intends to cover two groups of subjects. First, the Report will extend and update the discussion of global prospects and international issues contained in previous WDRs: second, it will examine the role of food and agriculture in development and poverty reduction, and assess ways of sustaining high growth in agriculture itself. About two-thirds of the approximately eighty-five pages of the Report will be devoted to the second set of topics. The World Development Indicators will also be updated and annexed.

2. The selection of topics reflects the judgement that progress in food and agricultural production will require sustained emphasis in the 1980's, for low and middle income countries alike. Population will continue to grow rapidly (in Africa especially), and low income countries' prospects for real export growth (and concessional food aid) are not favorable. The worldwide demand for grains (both for food and for animal feed) from oil exporters, Eastern Europe, middle income countries and China is rising at a time when supply trends especially in North America may be less favorable than in the 1970's; real prices for traded grain, and the energy component of production costs, are expected to increase. Among all but a handful of middle income countries, agriculture's contribution to employment and output will remain very large; most non-oil exporters depend heavily on primary commodities for export earnings; and domestic food and nonfood

demands are expanding rapidly. The sustained improvements in technologies, institutions, management and policies necessary to provide agricultural growth will continue to require international support. This is a field which has been prominent in the Bank's operations over the past decade, and the topic provides an opportunity to take stock of the lessons that can be derived from experience.

II. Development Prospects and Issues

3. The Report will update the extensive discussion of medium- and longer-term prospects for developing countries contained in WDR IV. The impact of higher interest rates and currency fluctuations on debt servicing, current account balances, and financial institutions will be an important topic; the sensitivity of the longer-term projections to various assumptions about interest rates, capital flows, and the possibility that energy prices may rise at a lower rate than hitherto expected, will be investigated, as will the impact of persistent worldwide inflation on growth.

4. The Report will distinguish between external and internal factors affecting performance. Among the former, trends in trade patterns and, especially, in protectionism will be updated and the importance of sustained aid flows to the low income countries will be emphasized. Among the latter, the Report will examine the effect of the shift of resources towards energy production and conservation on other sectors. The adjustment process apart, one aim will be to bring out some of the factors which have been shown to benefit growth performance in the longer run, such as technology transfer and human resource development.

III. Food, Agriculture and Development

5. Reviews of experience with growth, structural change and poverty alleviation over the past 30 years show that those developing countries which have achieved a sustained, relatively rapid, growth of food and agricultural production have done relatively well overall. This is particularly clear in the turbulent period of the 1970s. The reasons include agriculture's direct contribution to growth (very important in the low income countries, where agriculture's share in total output is large); agriculture's contribution to trade (export earnings and import savings); its role in providing food and wage goods at decreasing real costs, which sustains industrial and urban development; and, sometimes, net savings for the economy at large.

6. The issues of poverty, employment and access to food continue to be of critical importance in most countries. Population growth is declining in some, but labor force growth (reflecting the births of 15 to 20 years ago) will continue to expand rapidly almost everywhere. Historically, the agriculture sector has carried much of the burden of absorbing the labor force and providing earnings and income for the poor. The underlying problems, namely, deteriorating man-land ratios, unequal access to land and other resources and tenure conditions, which have led to the increasing number of poor, are well-known. Experience shows that rapid growth of agricultural production can help in three ways: greater employment opportunities and, especially for small farmers, improved incomes; diversification of the rural economy with development of off-farm employment and enterprise; and, via enhanced overall growth prospects, new urban employment in industry

and services. In the foreseeable future, though, with precarious jobs and incomes, the poor sometimes cannot obtain adequate food (even if supplies are abundant) without some form of public support, e.g. a nutrition program. Such programs can have high returns as well as providing food security, but if not well designed they can also involve high budgetary costs and diversion of resources from investment.

7. These subjects will be analyzed using growth scenarios for appropriate country groups, and lessons derived from cross-country, regional and historical experience. Examples of specific topics for discussion and analysis include:

(a) Trade in grains and vulnerability to food crises.

[How likely is a repeat of the 1973/74 experience? Which countries are particularly vulnerable to chronic food scarcity, given the track record of domestic supply and foreign exchange availability to pay for increased imports? How is the character of the grain trade changing? What if short run supply deficits affect several major producers simultaneously?]

(b) Food agriculture and urbanization.

[As population and sources of per capita income growth are more concentrated in urban centers, how rapidly do various types of food and agricultural demands increase? How large are incremental requirements relative to import possibilities? What is implied for domestic marketed agricultural output and labor productivity in agriculture?]

(c) Domestic and international market conditions and prospects for the products of non-food agriculture.

[Markets are relatively open for many of these commodities but demand prospects are affected by growth and technological change (industrial substitutes and/or new industrial uses). How do changing technological innovations and energy supply and costs affect these prospects? What is the role of agriculture as a supplier of energy and of agricultural inputs into industry and in meeting non-food demands?]

*Also fruit, veg
& dairy products.*

coston, juice

(d) Employment and Poverty.

[Most poor people are agricultural workers or in farm households. Historically, the movement of people out of agriculture has been very important in dealing with poverty; some middle income countries (Spain, Greece, Yugoslavia, Korea, etc.) also show rapid declines recently in the share of agriculture in total labor force. What are the pre-conditions? How relevant is this experience to other middle income countries (Brazil, Mexico, Thailand, etc.)? How much is due to urbanization and how much to local (rural) diversification of employment structures? How relevant is this latter type of change to low income countries? What can be done to promote it? What is the role of international migration?]

IV. Potential for Future Development of Agriculture

8. Food and agricultural development depends on a continuing stream of innovations that permit production growth on the basis of higher yields and labor productivity. There is now little new arable land, historically the leading factor in production increases. Nevertheless, remarkable increases in production and productivity have been achieved, based mainly on science-led innovation (crop varieties and seeds, livestock technology, etc.), investments in water control and increased availability (drainage and irrigation) and greater use of industrial inputs (agro-chemicals, machinery). Such innovations have also had a big influence on agriculture in developed countries e.g. grain production in the U.S.; but their application to densely populated, low income environments, especially the major flood plains and river basins of South and East Asia has been especially timely and important.

9. A rapidly advancing research frontier promises to provide the basis for increases in productivity in agriculture over the next 20 to 30 years, though with qualifications about the reliance on fossil fuels and other minerals, increasingly severe environmental hazards in some areas,

and perhaps increasing polarization between high and low potential areas. These questions require discussion of technology policy and research strategy with an emphasis on the interplay between technology and development.

10. The experience of the Bank and other donors in supporting a massively expanded program of assistance to agriculture can be extensively used in a discussion of entrepreneurial and institutional response and sector policy, together with findings from other research and policy literature. Perhaps the major lesson of experience is that where the right blend of adequate farmer incentives, market access, proven technology, and effective institutional support (credit, extension service, marketing and input supply) is present, agricultural investment can yield quick pay-off, high returns and a relatively equitable spread of benefits (the latter also influenced by land holding structures and patterns). Indeed, investment requirements as such may be relatively limited or furnished by the farmer-entrepreneur himself in many instances. If one or more among the critical elements is deficient or missing, the risks of failure increase. The combination of several adverse factors poses special problems in Sub-Saharan Africa. There is considerable potential for improved performance in many countries.

11. The possible (and in practice, widely varying) roles of the public and private sectors would be discussed in relation to these critical factors. For example, the results of public sector involvement in marketing and input supply, and in the provision of credit, would be reviewed. Similarly, to the extent that data and research allow, we will examine

the role of the private sector, including international agribusiness investment. Some generalizations should emerge on what the public sector must do in most situations; what it can do in situations where private initiative and investment is not likely to be forthcoming or where there are special problems, e.g., in assuring reasonable access to resources on the part of small farmers and businesses; and what, on the basis of experience, is usually best left to private entrepreneurs.

12. Examples of specific issues for discussion include:

(a) Technology and Research.

[Science-based innovation may now be moving more rapidly than at earlier times, with the development of a range of new techniques (genetic engineering, cloning, tissue culture, etc.) supplementing conventional approaches. Over what time span will these innovations become operational? How can the developing nations involve themselves in this basic research? How can these new research pathways be exploited by them? What are the implications for research funding, transfer of technology and technology policy?]

(b) Rural Imbalance.

[Progressively strengthened national and international market links between a productive, technologically dynamic, but spatially confined agricultural subsector and a burgeoning urban/industrial subsector, often contrast with low growth and usually resource poor hinterlands elsewhere (e.g., India, China, Brazil, Mexico). How important, and how avoidable, are growing productivity and income gaps between high growth areas and the balance of the rural economy likely to be for strategy in the 1980s?]

(c) Agriculture and Energy Use.

[The average direct and indirect inputs of energy into agriculture are not large in developing countries. But requirements at the margin, for incremental production, may be much larger. What are the relationships? How does the situation compare across different countries and crops? What is the scope for energy savings in agriculture? What has been the response to higher energy prices?]

(d) Irrigation Development.

[Irrigation has been a major element in recent food crop growth. The costs of new development are rising sharply as are the maintenance needs of the completed systems; on the other hand there seems considerable of scope for improved water use involving management, improved distribution and allocation. The Report would review the experience, and implications for future development.]

(e) Small Farmer Development.

[Much effort has been to small farmer programs (rural development), sometimes via multi-purpose, complex projects. What has been the experience? What are the special problems? How effective is donor support? How important are small farmers in production prospects and in meeting market needs? How do they compare in efficiency to large farmers?]

Conclusions

13. The conclusions and recommendations will concentrate on actions required by the developing countries, donors, and the international community. They might deal with: (i) priorities for international support, e.g. for Sub-Saharan Africa and water resource development; (ii) aid effectiveness; (iii) food aid and food security assistance; (iv) the role of both developing country and multinational financial and agri-business private activities; (v) support for high priority technology development -- in which the international community is already involved via CGIAR and other support of agricultural research; and (vi) issues in trade policy, protection and commodity agreements relating to agriculture.

Development Policy Staff
October 1, 1981

Some Topics for Regional Working Notes for WDR V

East Africa

- (a) Hybrid maize diffusion in East Africa. (Prime example of hybrid maize use by small farmers. Highly successful in Kenya, some diffusion in Tanzania, Zaire and others. Key role of mixed-venture Kenya Seed Company. Reasons, different up-take rates, etc.).
- (b) Lessons of experience: The Lilongwe Land Development Project in Malawi as case study of multi-phase rural development programs.
- (c) How to promote livestock development in Africa: Successes in Zaire
- (d) Factors explaining agricultural performance in Rwanda
- (e) Kenya-Malawi-Tanzania: A cross country comparison

West Africa

- (a) Agricultural technology and development strategy for sub-humid topics in Africa. (IITA, zero tillage, soil-depleting aspects of conventional cultivation, dangers associated with tricky herbicides, etc.)
- (b) HLV/Electrodyn Spraying (technical innovation that has greatly contributed to the expansion of cotton cultivation in West Africa)
- (c) Animal Trypanosomiasis (State of the art in tsetse control. Is it coming back in previously cleared areas? Is chemical control feasible and safe? Potential impact of freeing Savannah belt for ox-drawn cultivation.)
- (d) Onchocerciasis Program (Success story in disease control, but potential benefits still to be reaped?)
- (e) The dual role of export crops: Foreign exchange and tax revenue earners (Elaboration of the Togo pricing study)

East Asia

- (a) Thailand's success in developing a profitable export market for cassava. (Reasons: agronomic, policy support, etc. Why nobody else? Impact of EEC protectionism.)
- (b) Farmers organizations and irrigation development (Experience from Korea and Philippines)
- (c) Comparison of price policies in East Asia (or selected country studies: Korea, Philippines, Thailand, etc.)
- (d) Grain trade in China
- (e) Developing a new frontier: Transmigration in Indonesia. (A history of problems and search for solutions.)

South Asia

- (a) Agricultural technology and development strategy for the semi-arid tropics. (Broad-bed and furrow system, water harvesting, etc.; role of ICRISAT.)
- (b) Yes, cooperatives can work: Amul and Operation Flood
- (c) Reaching the small farmer through extension: how the T&V system works
- (d) Social forestry: Why it makes economic and environmental sense

EMENA

- (a) Successful investment projects: Irrigation in Morocco
- (b) Supporting agricultural growth through research: The case of Spain
- (c) The role of agricultural credit in a socialist economy: The case of Yugoslavia

LAC

- (a) Soyabeans production in Brazil, Argentina and Paraguay: success stories
- (b) Supporting agricultural growth through research: The case of Brazil
- (c) Supporting agricultural growth through credit and marketing in Mexico
- (d) What can be done in rainfed areas: Mexico
- (e) Rural development projects in Colombia: lessons of experience
- (f) Narcotics production: its disincentive effects on other agricultural activities (Colombia)
- (g) Beef husbandry in Uruguay: The negative impact of inappropriate policies
- (h) The land frontier in Brazil: potentials and problems (roles of public and private sectors).

OFFICE MEMORANDUM

DATE: December 14, 1981

TO: Distribution

FROM: Parvez Hasan, Chief Economist (AENVP)

SUBJECT: World Development Report

As you know, the role and potential for agriculture is the main theme of the World Development Report V. The core team has approached us with a request for support in three different ways:

First, to have an opportunity to discuss country experiences and to have access to regional source material;

Second, to get ideas and, if possible, drafts for "boxes" -- self-contained mini-essays on specific topics or experiences of a final size of about one page each -- which can be inserted throughout the WDR to give it a little more real-life flavor. The WDR staff is apparently preparing a list of model-issues which should give an idea as to what kind of issues they are after; it will be distributed as soon as it is received.

Third, the WDR team is looking for volunteers to write "country overview" papers (see the attached outline). To be of use, a very first draft should be available by end-January, and the final draft about a month later; the final version of the papers could be published in a World Bank Staff Working Papers.

I would be grateful if you could bring the matter to the attention of your staff who might have something to contribute. If there are any suggestions, or questions, please call Mr. Schrenk (72101) or Ms. Dale Hill (48361) who serve as the WDR liaison for the Region.

Attachment

cc: Bussink, Hawkins (AEADR); Baldwin (AEPDR); AEA Division Chiefs;
AEP Division Chiefs

PHasan:mtd

DEC 18 REC'D

OFFICE MEMORANDUM

TO: Regional Chief Economists
Assistant Directors, AGR

FROM: E. Bevan Waide, VPD *EW*

SUBJECT: Request for assistance for WDR V

DATE: December 4, 1981

I have received the attached memorandum from David Turnham, with which I fully agree. Since time is short, I would like to move as soon as possible to discuss the contributions that could be made. To this end, I hope it will be convenient for you to meet with myself and members of the Core Team on Thursday, December 10, at 2.30 p.m., in Room I8 218. David Turnham's memorandum would be the agenda. I understand the subject is also being discussed at Mr. Yudelman's lunch for Assistant Directors on Wednesday, Dec. 9.

Attachment/-


cc. Mr. Yudelman (AGR); Mr. Turnham o/r (WDR); Mr. Ljung (WDR).

EBWaide/ko

OFFICE MEMORANDUM

DPA. WDR

TO: Messrs. Montague Yudelman and Bevan Waide

FROM: David Turnham 

SUBJECT: Regional Assistance for the WDR

DATE: December 4, 1981

1. We spoke about this yesterday. As you know, I have made some effort to get strong support from the regions via secondment of experienced project/sector staff to the Core Team. Messrs. Ljung, Jones, and Redfern are on board and Kevin Cleaver is working part time for us. They and I think that we should try to tap the regions' experience and store of knowledge to the maximum possible extent, since this is the Bank's special comparative advantage in doing such reports.
2. A chapter dealing with agricultural priorities and prospects from a regional perspective is planned as part of the Report. There will also be a discussion focussed on "lessons of experience" drawing out general points and themes in sector policy and investment strategy for a chapter that will develop a sources of growth analysis with respect to trends in agriculture.
3. While the Core Team personnel will do most of the work, we would like to get additional help on this in three ways. First, it would be useful if the chief economists and assistant directors would let it be known that WDR staff will seek guidance and assistance on regional source material that could be useful for the WDR, notably sector reports/memoranda, special topic reports, and maybe any in-depth economic report discussions of food and agriculture topics. Second, we are soliciting case examples and illustrations that might make interesting "boxes." Each of the last two WDRs have included about 30 boxes, of which 3 or 4 have involved aspects of food and agricultural development. In keeping with the somewhat shorter overall report length planned for this year, we would like to include 20-25 boxes, of which 15-20 might be on agricultural topics. I am attaching a couple of illustrations of boxes from previous WDRs (Annex A). Some of the more obvious possibilities for this year's report would be Lilongwe land development, T & V extension, India's dairy cooperatives, Brazil's or the Argentine's success in soybean development, Chinese rice research and seed multiplication. Following initial discussion and selection, we would like to encourage the regions either to draft such boxes themselves, or to provide a 2-3 page note as drafting material.
4. Third, we would also like to encourage some more ambitious work, involving the preparation of working papers. From our preliminary review, it seems that much data and analysis relevant to a medium-long term perspective of agricultural development is either very aggregative (e.g., FAO's work) or academic, while the usually much richer bank file material (mostly available at country level) is typically short run in orientation. One type of working paper that could be very helpful is therefore a 20-30 year performance overview for major agricultural economics. An outline/ suggested approach is shown as Annex B. We would emphasize that the intention is not original research and data gathering, but rather the connecting of available file material into the framework of

a medium/long run perspective. The major agricultural economies for such an exercise comprise India (Bangladesh, Pakistan); Indonesia, Korea (Thailand, Philippines, Malaysia); Nigeria; Brazil, Mexico (Argentina, Colombia); Turkey, Spain (Yugoslavia, Roumania, Egypt), where second priority countries are shown in brackets; China is omitted since the first economic report provides such a long-term perspective.

5. An alternative framework for working papers that would also be of considerable interest is a comparative analysis, focused on two or three countries, that would highlight the different approaches to agriculture (policy and investment) and results in terms of performance. Kevin Cleaver, working on a part-time basis, is completing a comparative analysis of Algeria-Morocco-Tunisia. He estimates that a 15-20 page paper of this type should take two to three weeks of staff time. For a single country review, my expectation is that a first rough draft might take two weeks (less if most of the material is already gathered in one report).

6. Written contributions (boxes and working papers) would need to be available in rough draft by end-January as inputs for the WDR drafting process.

7. I imagine that the regional response will be influenced by staff interest as well as their availability to undertake such work. As regards staff interest, we expect that such notes and papers, after serving as an input for the WDR itself, would be revised for publication as Bank Staff Working Papers, giving the usual recognition to their authors. Naturally, the Regions would be given full opportunity to review and comment upon the products of this joint exercise.

cc: WDR Core Team

DTurnham/jf

be done to increase the supplies of the kinds of energy that are particularly important for poor people.

- **Petroleum and natural gas.** While the oil-importing developing countries have only about 2 percent of the world's proven oil reserves, their share of ultimately recoverable oil reserves may be 15 percent. One study (undertaken for the World Bank) estimated that 23 of 70 countries surveyed each might have ultimately recoverable reserves of at least 750 million barrels. (For comparison, net imports of oil for energy use by developing countries will amount to about 110 million barrels in 1980.) To realize their full potential, most countries must step up exploration activities; the same study judged that exploration was inadequate in 51 of 58 countries that were not producers.

Gas is widely spread; many countries can significantly expand production—both for domestic energy use and for petrochemicals—during the decade. A lot of gas associated with oil production is now wasted by venting or flaring; much of it could be recovered.

- **Coal.** For most developing countries, coal is still a minor fuel used mainly in electricity generation and—in larger coal producers (such as India, Turkey, South Korea and Yugoslavia)—in industrial applications. Coal can substitute for oil in electricity generation, but the potential for increased use is limited largely to new capacity—since converting existing plants is often uneconomic.

- **Primary electricity.** Two-thirds of the electricity generated in developing countries is used in industry (compared with 40 percent in the industrialized countries). Hydro-power, currently accounting for 44 percent of electricity output, can be greatly expanded in many developing countries—particularly in

Latin America. Despite considerable geothermal potential in up to 30 developing countries—among them Kenya, Mexico, El Salvador, Nicaragua and the Philippines—geothermal capacity will produce relatively little electricity in the 1980s. But nuclear power could produce 11 percent of the total by 1990 (2 percent in 1980)—mainly in the major existing producers (Argentina, Brazil, India, South Korea and Pakistan), but in other countries as well (for example, Romania, Thailand, Yugoslavia and the Philippines).

- **Other sources.** Any significant increase in the production of oil from tar sands in developing countries depends on a major technological breakthrough. Solar and windpower are also unlikely

to make much of a contribution over the next 10 years; shale oil and methanol have rather more potential. Alcohol produced from biomass (cereals, sugarcane, beets and so on) is now used as a partial substitute for gasoline. The technology for producing it is well established. A key question is the extent to which agricultural land should be diverted from food to fuel production (see box).

- **Energy for the poor.** The poor, especially those in rural areas, rely on noncommercial energy for cooking and heating; these forms of energy provide more than 85 percent of rural requirements in many countries. Yet their supplies are dwindling, thus inflicting several sorts of hardship. Much time is spent just in gathering fuel (for

Fuel from food

Alcohol produced from sugarcane or grains is becoming competitive with gasoline as real petroleum prices rise. Conventional automobiles and trucks can run on "gasohol," a mixture of alcohol and (at least 80 percent) gasoline. With engine modifications, they could run on pure alcohol; such engines are already being produced in Brazil. By 1977 the estimated national ratio of alcohol to gasoline use in Brazil was 4.3 percent; in 1979 it had risen to 19 percent, and will rise further as more cars run on pure alcohol.

Brazil's alcohol is still derived almost exclusively from sugarcane, but alcohol can be produced from a variety of crops. Ethanol, the cheapest alternative to gasoline in the 1980s, comes from fermenting sugar crops, principally sugarcane; root crops, mainly cassava; and cereals, especially corn and potentially sorghum. The United States also has ambitious plans for producing alcohol fuel, primarily from corn. The US target of 2 billion gallons of ethanol by 1985 would require 20 million tons of corn or its equivalent, one fifth of the current US exportable grain surplus. And other food exporters (including Argentina, Australia, New Zealand, the Philippines and South Africa) either have already launched

or have the potential for large "gasohol" programs.

This development could indirectly affect the availability and price of food for developing countries that either import grain on commercial terms or depend on international food aid to meet their deficits. Current plans in Brazil and the United States envisage that the area of cultivated land would be expanded to grow fuel crops, so that food production (and therefore price) is not significantly affected. In practice these goals may not be fully achievable.

Whether ethanol proves economic in other countries will depend on land availability, markets and prices for food exports, and the development of such alternative sources as wood, sorghum and agricultural waste. In the next five years or so, the quantity of agricultural production diverted into alcohol is likely to be small (with the exception of Brazil and the United States). But as more countries consider ways of reducing petroleum import costs, the "food or fuel" issue may become more serious. A satisfactory solution will require a major effort to develop alternative biomass sources of energy, including crops that can be grown economically on marginal land.

income and people have been reduced to only one cooked meal a day. In poor areas of Nepal and Haiti, cropping patterns have even changed in favor of foods that require less cooking.

As wood becomes scarce, people burn more dung and crop wastes, which would be better used as fertilizers. As a result, yields fall, so creating pressure to bring more land under cultivation. But when trees and other vegetation are removed, the soil is eroded and river beds and canals silt up. Finally, deforestation reduces the earth's capacity to absorb the extra carbon dioxide caused by burning fossil fuels. This can raise global temperatures and affect the weather.

The gravity of the fuelwood crisis can therefore hardly be overstated. It can be tackled in three ways:

- Planting more trees. The use of modern agricultural methods and new species of trees is a relatively new phenomenon in many parts of the world. Experience has shown, however, that "tree farming" is feasible and profitable in a variety of circumstances. But progress in creating additional wood resources has been slow. To meet likely fuelwood demand in developing countries without further damage to forests would require an estimated 20 million to 25 million hectares of forests to be planted during the next 20 years. At present rates of planting, only one-tenth of that target will be met.

Reforestation mainly involves land, labor and time. Rural people themselves therefore have the potential to do the job, and relatively cheaply. Designing forestry projects to achieve this potential, however, presents special problems. Forests compete with land for food crops or grazing, so that wooded areas have to be carefully selected. Moreover, since planting

Trees for people: a participatory solution

In 1971 the South Korean government introduced a reforestation program under the driving force of the *Saemaeul Uldong* [New Community] movement. The program involved a campaign of public education to encourage tree-growing and conservation, provision of free seedlings, a scheme for plantations in every village, greater support for the Forest Department, a new forest law, and enforcement of the ban on leaf-raking and removing undergrowth in forests.

By the time World Bank assistance was sought for the program's expansion in 1976, nearly 40,000 hectares of trees were being planted each year. That success was in large measure due to the involvement of villagers. Although the program was implemented by governmental agencies, their main role was to provide money and technical advice. By linking with village and district committees, they developed plans in accordance with village priorities.

In Gujarat, India, the Forest Department's program of reforestation included a publicity campaign that showed villagers that trees could be grown with

comparatively quick returns. Seedlings were distributed free; new and versatile species, such as leucaena and eucalyptus were introduced. With modern cultivation, they yield 5 to 15 times more than traditional trees, and can often grow on land not suitable for other crops.

The program has had considerable success in encouraging individual farmers to plant trees. In 1980, 50 million seedlings were distributed, but that failed to satisfy demand. However, efforts to accelerate planting on village common land have not fared so well. They have run into difficulties over the availability of land; relatively few *Panchayats* (village councils) in Gujarat have enough common land to use for trees without affecting villagers' other needs. Moreover, *Panchayats* sometimes decide to establish community lots without consulting other villagers, and the wood is often sold to meet other village needs rather than directly used by the villagers. Regardless of government commitment, social forestry will succeed only where local people are consulted and participate.

does little to satisfy immediate wood needs, it is often difficult to enlist the cooperation of farmers and landless laborers, especially if they are not assured of their rights to the mature trees. People cannot be forced to grow trees. They must believe that it will meet their needs, as examples of South Korea and the Indian state of Gujarat demonstrate (see box).

- Improving the efficiency of energy use. If people use traditional stoves, 90 percent of heat may be wasted while open fires use five times as much energy as kerosene stoves. Small improvements in chimney and stove design could double the useful energy obtained from fuelwood, but they have been made only slowly. Designs and operating methods have not always taken local conditions and tastes into account, and poor families often cannot afford the \$3 to \$5 it costs to

buy a "cheap" stove. Charcoal is typically produced by felling live trees and burning them on the spot in sand-covered pits. It would be much more efficient to burn the wood in kilns, but high costs and poorly adapted technologies have so far prevented that from happening.

- Substituting other energy for traditional fuels. This has been made much more difficult by the sharp price increases for commercial fuels over the past eight years. The prices that would enable poor families to use even minimal amounts of commercial energy are much lower than the prices required for economic efficiency. Nonetheless, many governments have subsidized fuels such as kerosene and diesel, typically used by poor consumers.

While this may be a useful interim solution for the poor, it creates many additional problems. It has

Country Overview of Agricultural Performance

1. The main focus of interest is the agricultural-development track record over the last 20 to 30 years, with achievements related to a framework of objectives, as set by economy-wide considerations.
2. Starting from a production perspective, data describing trends in agricultural output and major sub-categories of output (food crops, industrial crops, livestock, fisheries, forestry, etc.) could be interpreted by reference to available broad indicators and data relating to major inputs -- i.e., land availability and use, labor supply, plus direct and indirect investments i.e., irrigation and other land development, communication and marketing, infrastructure, industrial inputs (agro-chemicals, mechanization, power), services and technology. Working from this input-output framework (quantitative in varying degrees, depending on data availability), the analyst would attempt some characterization of the growth process and identify major phases -- such as growth flowing initially from land/labor supply expansion, perhaps followed by intensification based on irrigation/greater use of agro chemicals, the latter possibly reflecting a development of potentials via new research applications. Growth may also reflect a changing composition of outputs, for example, with leading sub-sectors exploiting new market orientations (domestic and/or export markets) related to such economy-wide factors as urbanization/growth of the non-farm population.
3. Characterizing the efficiency of the growth process involves additional considerations -- principally the policy framework and sector management: have potentials gone unrealized for want of adequate farmer incentives? Have critical bottlenecks emerged or persisted by reason of poor investment planning? Are investments well designed and maintained? Do agricultural services, marketing arrangements, etc., function effectively? Do agrarian structures/land ownership and tenancy pose significant production problems? Do investments and incentives reflect comparative advantage and resource endowments? What are the 'lessons of experience', and what are the policy priorities that we are emphasizing in our policy dialogue on agriculture?
4. To address these questions involves a balancing of the supply conditions and potentials with economy-wide objectives and conditions as these affect agriculture. At one extreme, a newly industrialized, relatively advanced country may be pulling labor out of agriculture and financing progressively higher levels of agricultural imports via expanding trade in manufactures (e.g., Taiwan). Low growth in agriculture (but coupled with rapid growth of agricultural labor productivity and earnings) may thus reflect an appropriate strategy and policy. But for most countries, low growth in agriculture (absolutely or in relation to non-agricultural growth), coupled with a declining trade surplus/increasing deficits in agricultural commodities, will usually constitute evidence of problems in agricultural development. Moreover, depending partly on the weight of agriculture in the whole economy, low growth in agriculture will frequently depress growth potentials in other sectors, in effect therefore, serving to depress the whole economy.

5. Two additional questions and associated indicators will merit attention in most countries. First, evidence of trends in food per capita availability and the degree of self-sufficiency in foods. The latter may be indicated by the domestically supplied or financed (via agricultural exports) proportion in overall availability. Second, indications of trends in standards of living among the farm or farm related (rural) population, in particular taking into account various problem situations. For example, it is common that some sections of the rural community benefit from agricultural development to a much greater extent than other sections. The reasons may be marked regional disparity in development (technology and markets) or, perhaps, because increasing labor supplies in the face of given agrarian structures have skewed benefits towards land and capital. Similarly, a growing disparity between agricultural incomes in general and non-agricultural incomes may be a particular source of concern. It would be helpful if the analyst could briefly describe and comment upon any specific policies and program that have been addressed to these problems.

6. Finally, using the materials already available (past and ongoing work), the paper could conclude with a discussion of agricultural prospects (probably up to the 1990s) and major uncertainties as these relate to the policies, investment programs, considerations of technology and other issues.

All this to be done in 2 weeks?

OFFICE MEMORANDUM

DPA: WDR

DATE: December 1, 1981

TO: Chief Economists

FROM: Helen Hughes, EPDDR

SUBJECT: Country Economic Projections for WDR V

The primary focus of WDR V will be on the role and potential of agriculture in development. The global analysis and macro-economic country analysis will occupy a much smaller portion of the report than was the case last year.

As distinct from last year, EPD will have the primary responsibility for drafting the global analysis section. Our objective will be to provide a clear and concise presentation of the macro issues facing developing countries in the 80s. As a result of the large effort made in organizing the global data last year, this year we will only need to update that data and revise the base year to 1979 or 1980 as the data permit. Thus we will be able to place a smaller burden both on ourselves and on the regions in dealing with specific country and regional data.

With regard to our country projections, we plan to update the projections to 1990 made last year. We will advance the base year from 1978 to 1979 for the projection model. Where we have 1980 data, such as the national accounts, this will be included in the projections. We will retain 1978 as a base year, and make minimal changes in the structural parameters assumed in the individual country models. Since the base 1979 data will be the already agreed with country economists in most cases, we do not expect there to be significant issues arising over the base year data. We regret the inconvenience of showing it 1978 prices, but that is necessary for consistency with the global framework.

We will use the same projection model as last year with minor modifications to make the output more consistent. That model is described in my memo of August 29, 1980 introducing last year's WDR exercise.

EPD staff is currently gathering the revised data to update the models to the new base year. We will also introduce the most recent assumptions about prices and interest rate spreads, but otherwise we will make as few substantive changes as possible from the runs that were made last year. We will circulate copies of these initial projections to you and your staff and carry out discussions between country economists and CAP staff as was done last year. We expect to be able to begin having these discussions in January and will notify you in advance so that we can set up an agreeable time schedule.

Even more than last year, we are concerned with the longer term performance of individual countries in the global context, not with the immediate projections for the next year or two. Thus, we would like to focus our discussions on the outlook for 1985 in particular 1990, given our global

assumptions about the external environment. We will continue to interpret the projections as most likely or reasonable outcomes, but want to focus more on the specific policy assumptions underlying the projections. They should not be a continuation of present trends or a best or worst case scenario.

cc: EPD Front Office and Division Chiefs
Senior Economists

HHughes:JDShilling:rcs

OFFICE MEMORANDUM

TO: Mr. Mahbub ul Haq, Director PPR
FROM: Francis van Gigh, Assistant Director WAP
SUBJECT: WDR IV : Dissemination and Discussion

DATE: November 24, 1981

DPA-WDR

As requested in your memorandum of November 12, please find attached the list of the two principal participants and one alternate for each session designated by the West Africa Projects Department.

cc : Messrs. Ridwan Ali)
Hardyal Singh)
Paul Ballard)
Ms. Frida Johansen)
Messrs. Michael Bequery) with copy of Mr. ul Haq's memorandum of
Peter Ludwig) November 12 and 16.
Jochen Schmedtje)
Joseph Gilling)
Nico Pijl)

Attachment

OY:mc

WAP Participants

<u>Date</u>	<u>Special Focus</u>	<u>Principals</u>	<u>Alternate</u>
Tuesday, December 1	Structural Adjustment	Mr. R. Ali (WAPA 4) Mr. H. Singh (WAPUR)	Mr. N. Pijl
Friday, December 4	Trade	Mr. P. Ballard (WAPID) Ms. F. Johansen (WAPT1)	Mr. N. Pijl
Monday, December 14	Capital Flows	Mr. M. Bequery (WAPID) Mr. P. Ludwig (WAPT2)	Mr. N. Pijl
Wednesday, December 16	Energy	Mr. J. Schmedtje (WAPEG) Mr. J. Gilling (WAPEG)	Mr. N. Pijl

OFFICE MEMORANDUM

TO: Distribution Below

DATE: November 12, 1981

FROM: Mahbub ul Haq, Director, PPR *mlh*

SUBJECT: WDR IV: Dissemination and Discussion

1. It has become evident from our discussions with regional staff that the contents of the World Development Report are often better known outside than inside the Bank. To improve dissemination of the ideas contained in WDR IV, and to provide a productive forum for the exchange of ideas, we are proposing, in consultation with Mr. Chenery, to hold four two-hour seminars to which regional staff will be invited to discuss the analysis and conclusions that emerge from the report. For each seminar each regional programs director is invited to nominate three K to M level staff members and each projects director two staff members to attend. CPS (Mr. van der Tak) is invited to nominate three to attend each session. Senior staff would also be welcome. Thus the total attendance will be approximately forty-five which is regarded as the maximum for this type of seminar.

2. The format proposed would comprise an introductory presentation of 15 minutes made by a senior DPS staff member, followed by three of the regional participants who would be asked to present a ten minute critique or commentary on different aspects of the report. These discussants will be identified well before the seminar so that they have ample opportunity to prepare their presentations, which should be designed to provoke an interesting debate.

3. Recognizing that it is impossible to cover the whole of WDR IV in depth in a two-hour seminar, each session will have a different focus and half of the seminar will concentrate on a specific topic as indicated below. The remainder will pick out selected highlights from the rest of the report. The seminars will be held from 2:30 to 4:30 p.m. in Room I6-205. The dates proposed for the seminars are the following:

<u>Date</u>	<u>Special Focus</u>	<u>DPS Lead Discussant</u>
Tuesday, December 1	Capital Flows	Helen Hughes
Friday, December 4	Trade	Helen Hughes
Thursday, December 10	Structural Adjustment	Hollis Chenery
Wednesday, December 16	Energy	Hollis Chenery

4. If this series proves successful and popular, we would mount another series in January. I would be grateful if you would let me have a list of the participants designated by you by c.o.b. November 25. Please ensure that if, by chance, a designated participant is unable to attend an alternate should take his place.

DISTRIBUTION: Regional Programs Directors
Regional Projects Directors
Mr. van der Tak

cc: Messrs. Stern, Baum, Chenery
Regional Vice Presidents
DPS Directors
CPS Directors
Regional Chief and
Senior Economists

OFFICE MEMORANDUM

TO: DISTRIBUTION BELOW

DATE: November 16, 1981

FROM: Mahbub ul Haq, Director, PPR *MH*SUBJECT: WDR IV: Dissemination and Discussion

Further to my memo of November 12, 1981, please note that the schedule of seminars has been revised as follows:

<u>Date</u>	<u>Special Focus</u>	<u>DPS Lead Discussant</u>
Tuesday, December 1	Structural Adjustment	Hollis Chenery
Friday, December 4	Trade	Helen Hughes
Monday, December 14	Capital Flows	Helen Hughes
Wednesday, December 16	Energy	Hollis Chenery

The time and place of the seminars (2:30 to 4:30 p.m., Room I6-205) remain the same.

DISTRIBUTION: Regional Programs Directors
Regional Projects Directors
Mr. van der Tak

cc: Messrs. Stern, Baum, Chenery, Waide
Regional Vice Presidents
DPS Directors
CPS Directors
Regional Chief and Senior Economists

MR. Yasser
PS Henric

OFFICE MEMORANDUM

TO: WDR Files

DATE: November 5, 1981

FROM: Bob Lieben^{thal}SUBJECT: WDR IV Background Paper: Adjustment in Low-Income Africa

^{Oct 29, 81}
I have amended the draft of this paper circulated on September 17 in the light of memoranda (attached) from John Hansen and Johan de Leede and verbal or marked-up comments from Mark Baird (on Tanzania), Oktay Yenel, and Peter Wright. David Greene has cleared the Kenya section.

Regarding John Hansen's suggestion that I change Table 3 on page 10 (which shows comparative data on the terms of trade, GDP growth, and current account deficits) for consistency with the national data on Sudan, I face the problem that similar inconsistencies arise for other countries (though not so strikingly as the one for Sudan) and could only be "consistently" corrected after an exhaustive and lengthy review of the EPD data. Having checked that the EPD data do produce the rather low ratio of current account balance to GDP shown in Table 3, it seemed the best expedient was to amplify the footnote to that table drawing attention to the discrepancy. I have also underlined the data problem further by adding some language to the preface. John Hansen having been away on mission, I discussed this with Bob Armstrong, who concurred.

^{Oct 15, 81}
The attached memorandum from Johan de Leede has cleared the paper for West Africa. Oktay Yenel, acting for Ravi Gulhati, has cleared it for East Africa. It now goes to Jim McEuen for final editing.

cc (with attachments): Messrs. de Azcarate, Gulhati, Wright;

cc (without attachments): Messrs. Armstrong, Baird, de Leede, Greene,
John Hansen, McEuen, Yenel.

BLiebenthal/jf

OFFICE MEMORANDUM

TO: Mr. Robert Liebenthal

FROM: John R. Hansen, Senior Economist, EA2DB

SUBJECT: WDR IV Background Paper: Adjustment in Low Income Africa

DATE: October 29, 1981

1. You asked for my clearance of this paper for issue as a Bank Staff working paper.
2. I have reviewed the paper, giving particular attention to those parts dealing specifically with the Sudan. The paper is very interesting and should make a useful contribution to the literature on African problems.
3. I have made marginal notes on a few minor points that you might want to clear up in the final version. The only point of any real substance has to do with the figures on current account deficit as a percent of GDP. Table 3 on page 10 presents comparative data for all of low and middle income Africa. The figures for Sudan in this table are sharply in disagreement with those on page 47, where similar data are presented as part of the Sudan case study. Those on page 10 are less than half of the correct values and, as such, give a very misleading picture of Sudan in comparison to other African countries. Thus, I would request that they be changed.

Attachment

cc: Messrs. Burmester, Armstrong

JRH/ljs

OFFICE MEMORANDUM

TO: Mr. Robert B. Liebenthal, EA1

DATE: October 15, 1981

FROM: J. de Leede, WA2

SUBJECT: Clearance of Your Paper "Adjustment in Low-income Africa"

1. Mr. de Azcarate has asked me to clear the chapter on Senegal of the above paper. The chapter gives a very fine summary of economic development in Senegal and I found that only on a few minor points was the factual situation slightly different.
2. On page 39, 4th line from the bottom: because of free import policy and considerable exceptional balance of payments aid, existing import regulations have never been a problem to the Senegalese industry. The low capacity utilization is mainly due to slow growth of domestic demand and the impossibility to export.
3. On page 40, 10th line from the top: the years of bad and mediocre crops are not well listed. Since the crop takes place in December, influencing GDP in the following year, we usually indicate these droughts in 1979/80, instead of calendar years.
3. Top of page 41 gives, in my view, too optimistic a picture. Indeed, tourism developed quite quickly, a sugar plantation was started, cotton was pushed with some success, and the large-scale irrigation project was started, although it has to be rehabilitated three years after its completion, however, small-scale irrigation developed quite well. Except for tourism, these projects were financed with private money (sugar) or concessionary aid (cotton and irrigation). Budget funds went largely to agricultural price increases, infrastructure projects and state participations. It is, of course, not possible to distinguish between what was financed from the increased budgetary savings and what from Eurodollar borrowing by the treasury.
4. On page 41, line 12: most commercial debt was incurred between 1977 and 1978 when the Government tried to maintain a high level of investments in spite of reduced budgetary savings.
5. On page 44, line 14: the need for a more open trade policy was not the problem, it was the high cost level of domestic production that created the bottlenecks.

cc: Mr. de Azcarate

JdeLeede:el

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

SecM81-810

FROM: Vice President and Secretary

October 5, 1981

NOTICE OF SEMINAR

Outline of World Development Report, 1982

Attached is a draft ^{att.} Outline of World Development Report, 1982. This draft will be discussed at a seminar of the Executive Directors to be held on Tuesday, October 20, 1981 at 3:00 p.m. in the Board Room, under the Chairmanship of Mr. Chenery, Vice President, Development Policy.

Questions on this draft may be addressed to Mr. David Turnham (extension 48364).

Distribution:

Executive Directors and Alternates
President
Senior Vice Presidents
President's Council
Vice Presidents, IFC
Directors and Department Heads, Bank and IFC

WORLD DEVELOPMENT REPORT VDraft Outline of Main ThemesDECLASSIFIED
DEC 03 2013
WBG ARCHIVESI. Introduction

1. The fifth World Development Report, to be issued in August 1982, intends to cover two groups of subjects. First, the Report will extend and update the discussion of global prospects and international issues contained in previous WDRs: second, it will examine the role of food and agriculture in development and poverty reduction, and assess ways of sustaining high growth in agriculture itself. About two-thirds of the approximately eighty-five pages of the Report will be devoted to the second set of topics. The World Development Indicators will also be updated and annexed.

2. The selection of topics reflects the judgement that progress in food and agricultural production will require sustained emphasis in the 1980's, for low and middle income countries alike. Population will continue to grow rapidly (in Africa especially), and low income countries' prospects for real export growth (and concessional food aid) are not favorable. The worldwide demand for grains (both for food and for animal feed) from oil exporters, Eastern Europe, middle income countries and China is rising at a time when supply trends especially in North America may be less favorable than in the 1970's; real prices for traded grain, and the energy component of production costs, are expected to increase. Among all but a handful of middle income countries, agriculture's contribution to employment and output will remain very large; most non-oil exporters depend heavily on primary commodities for export earnings; and domestic food and nonfood

demands are expanding rapidly. The sustained improvements in technologies, institutions, management and policies necessary to provide agricultural growth will continue to require international support. This is a field which has been prominent in the Bank's operations over the past decade, and the topic provides an opportunity to take stock of the lessons that can be derived from experience.

II. Development Prospects and Issues

3. The Report will update the extensive discussion of medium- and longer-term prospects for developing countries contained in WDR IV. The impact of higher interest rates and currency fluctuations on debt servicing, current account balances, and financial institutions will be an important topic; the sensitivity of the longer-term projections to various assumptions about interest rates, capital flows, and the possibility that energy prices may rise at a lower rate than hitherto expected, will be investigated, as will the impact of persistent worldwide inflation on growth.

4. The Report will distinguish between external and internal factors affecting performance. Among the former, trends in trade patterns and, especially, in protectionism will be updated and the importance of sustained aid flows to the low income countries will be emphasized. Among the latter, the Report will examine the effect of the shift of resources towards energy production and conservation on other sectors. The adjustment process apart, one aim will be to bring out some of the factors which have been shown to benefit growth performance in the longer run, such as technology transfer and human resource development.

III. Food, Agriculture and Development

5. Reviews of experience with growth, structural change and poverty alleviation over the past 30 years show that those developing countries which have achieved a sustained, relatively rapid, growth of food and agricultural production have done relatively well overall. This is particularly clear in the turbulent period of the 1970s. The reasons include agriculture's direct contribution to growth (very important in the low income countries, where agriculture's share in total output is large); agriculture's contribution to trade (export earnings and import savings); its role in providing food and wage goods at decreasing real costs, which sustains industrial and urban development; and, sometimes, net savings for the economy at large.

6. The issues of poverty, employment and access to food continue to be of critical importance in most countries. Population growth is declining in some, but labor force growth (reflecting the births of 15 to 20 years ago) will continue to expand rapidly almost everywhere. Historically, the agriculture sector has carried much of the burden of absorbing the labor force and providing earnings and income for the poor. The underlying problems, namely, deteriorating man-land ratios, unequal access to land and other resources and tenure conditions, which have led to the increasing number of poor, are well-known. Experience shows that rapid growth of agricultural production can help in three ways: greater employment opportunities and, especially for small farmers, improved incomes; diversification of the rural economy with development of off-farm employment and enterprise; and, via enhanced overall growth prospects, new urban employment in industry

and services. In the foreseeable future, though, with precarious jobs and incomes, the poor sometimes cannot obtain adequate food (even if supplies are abundant) without some form of public support, e.g. a nutrition program. Such programs can have high returns as well as providing food security, but if not well designed they can also involve high budgetary costs and diversion of resources from investment.

7. These subjects will be analyzed using growth scenarios for appropriate country groups, and lessons derived from cross-country, regional and historical experience. Examples of specific topics for discussion and analysis include:

(a) Trade in grains and vulnerability to food crises.

[How likely is a repeat of the 1973/74 experience? Which countries are particularly vulnerable to chronic food scarcity, given the track record of domestic supply and foreign exchange availability to pay for increased imports? How is the character of the grain trade changing? What if short run supply deficits affect several major producers simultaneously?]

(b) Food agriculture and urbanization.

[As population and sources of per capita income growth are more concentrated in urban centers, how rapidly do various types of food and agricultural demands increase? How large are incremental requirements relative to import possibilities? What is implied for domestic marketed agricultural output and labor productivity in agriculture?]

(c) Domestic and international market conditions and prospects for the products of non-food agriculture.

[Markets are relatively open for many of these commodities but demand prospects are affected by growth and technological change (industrial substitutes and/or new industrial uses). How do changing technological innovations and energy supply and costs affect these prospects? What is the role of agriculture as a supplier of energy and of agricultural inputs into industry and in meeting non-food demands?]

(d) Employment and Poverty.

[Most poor people are agricultural workers or in farm households. Historically, the movement of people out of agriculture has been very important in dealing with poverty; some middle income countries (Spain, Greece, Yugoslavia, Korea, etc.) also show rapid declines recently in the share of agriculture in total labor force. What are the pre-conditions? How relevant is this experience to other middle income countries (Brazil, Mexico, Thailand, etc.)? How much is due to urbanization and how much to local (rural) diversification of employment structures? How relevant is this latter type of change to low income countries? What can be done to promote it? What is the role of international migration?]

IV. Potential for Future Development of Agriculture

8. Food and agricultural development depends on a continuing stream of innovations that permit production growth on the basis of higher yields and labor productivity. There is now little new arable land, historically the leading factor in production increases. Nevertheless, remarkable increases in production and productivity have been achieved, based mainly on science-led innovation (crop varieties and seeds, livestock technology, etc.), investments in water control and increased availability (drainage and irrigation) and greater use of industrial inputs (agro-chemicals, machinery). Such innovations have also had a big influence on agriculture in developed countries e.g. grain production in the U.S.; but their application to densely populated, low income environments, especially the major flood plains and river basins of South and East Asia has been especially timely and important.

9. A rapidly advancing research frontier promises to provide the basis for increases in productivity in agriculture over the next 20 to 30 years, though with qualifications about the reliance on fossil fuels and other minerals, increasingly severe environmental hazards in some areas,

and perhaps increasing polarization between high and low potential areas. These questions require discussion of technology policy and research strategy with an emphasis on the interplay between technology and development.

10. The experience of the Bank and other donors in supporting a massively expanded program of assistance to agriculture can be extensively used in a discussion of entrepreneurial and institutional response and sector policy, together with findings from other research and policy literature. Perhaps the major lesson of experience is that where the right blend of adequate farmer incentives, market access, proven technology, and effective institutional support (credit, extension service, marketing and input supply) is present, agricultural investment can yield quick pay-off, high returns and a relatively equitable spread of benefits (the latter also influenced by land holding structures and patterns). Indeed, investment requirements as such may be relatively limited or furnished by the farmer-entrepreneur himself in many instances. If one or more among the critical elements is deficient or missing, the risks of failure increase. The combination of several adverse factors poses special problems in Sub-Saharan Africa. There is considerable potential for improved performance in many countries.

11. The possible (and in practice, widely varying) roles of the public and private sectors would be discussed in relation to these critical factors. For example, the results of public sector involvement in marketing and input supply, and in the provision of credit, would be reviewed. Similarly, to the extent that data and research allow, we will examine

the role of the private sector, including international agribusiness investment. Some generalizations should emerge on what the public sector must do in most situations; what it can do in situations where private initiative and investment is not likely to be forthcoming or where there are special problems, e.g., in assuring reasonable access to resources on the part of small farmers and businesses; and what, on the basis of experience, is usually best left to private entrepreneurs.

12. Examples of specific issues for discussion include:

(a) Technology and Research.

[Science-based innovation may now be moving more rapidly than at earlier times, with the development of a range of new techniques (genetic engineering, cloning, tissue culture, etc.) supplementing conventional approaches. Over what time span will these innovations become operational? How can the developing nations involve themselves in this basic research? How can these new research pathways be exploited by them? What are the implications for research funding, transfer of technology and technology policy?]

(b) Rural Imbalance.

[Progressively strengthened national and international market links between a productive, technologically dynamic, but spatially confined agricultural subsector and a burgeoning urban/industrial subsector, often contrast with low growth and usually resource poor hinterlands elsewhere (e.g., India, China, Brazil, Mexico). How important, and how avoidable, are growing productivity and income gaps between high growth areas and the balance of the rural economy likely to be for strategy in the 1980s?]

(c) Agriculture and Energy Use.

[The average direct and indirect inputs of energy into agriculture are not large in developing countries. But requirements at the margin, for incremental production, may be much larger. What are the relationships? How does the situation compare across different countries and crops? What is the scope for energy savings in agriculture? What has been the response to higher energy prices?]

(d) Irrigation Development.

[Irrigation has been a major element in recent food crop growth. The costs of new development are rising sharply as are the maintenance needs of the completed systems; on the other hand there seems considerable of scope for improved water use involving management, improved distribution and allocation. The Report would review the experience, and implications for future development.]

(e) Small Farmer Development.

[Much effort has been to small farmer programs (rural development), sometimes via multi-purpose, complex projects. What has been the experience? What are the special problems? How effective is donor support? How important are small farmers in production prospects and in meeting market needs? How do they compare in efficiency to large farmers?]

Conclusions

13. The conclusions and recommendations will concentrate on actions required by the developing countries, donors, and the international community. They might deal with: (i) priorities for international support, e.g. for Sub-Saharan Africa and water resource development; (ii) aid effectiveness; (iii) food aid and food security assistance; (iv) the role of both developing country and multinational financial and agri-business private activities; (v) support for high priority technology development -- in which the international community is already involved via CGIAR and other support of agricultural research; and (vi) issues in trade policy, protection and commodity agreements relating to agriculture.

Development Policy Staff
October 1, 1981

POLICY REVIEW COMMITTEE

PRC/s/M/81-4a

September 16, 1981

THE BANK'S POVERTY FOCUS

and

OUTLINE OF THE WORLD DEVELOPMENT REPORT, 1982

STAFF REVIEW - MINUTES

Attendance: Messrs. Waide (Chairman), Baldwin, Baneth, Blaxall, Chernick, Christoffersen, Churchill, de Azcarate, Duloy, Geli, Goffin, Gulhati, Habte, Haq, Hicks, Holsen, Kanagaratnam, Khalilzadeh-Shirazi, Kharas, Kutcher, Landell-Mills, Lipton, Ozgediz, Pfeffermann, Picciotto, Shakow, Stoutjesdijk, Turnham, van der Tak, van Gigch, Vergin, Yudelman, Zaman and Burki (Secretary).

1. A staff review of two papers - "The Bank's Poverty Focus", prepared by the Policy Planning and Program Review Department and "World Development Report, 1982 - Outline", prepared by Mr. David Turnham - was held on September 8, 1981. The meeting was chaired by Mr. B. Waide.

The Bank's Poverty Focus

2. The Chairman introduced the first paper by noting that its purpose is to outline a draft agenda for the work of a possible Task Force to be established for taking stock of the Bank's rationale for its poverty focus, its practices in poverty alleviation, and its accomplishments. In the light of this review, the Task Force would identify the areas in which the Bank should emphasize, or review, policy. Most of the speakers agreed that such a stock-taking would be important, and was timely. One speaker proposed that the Task Force should function as a loose steering group, guiding systematic work by a secretariat of one or two persons. A second recommended that a few experts from outside should help and possibly also serve on the Task Force. In response to these comments, it was pointed out that although the final decisions on the modus operandi would be arrived at by the Managing Committee, the Task Force idea seemed timely.

3. Most participants agreed that the poverty alleviation goal should not be disputed, since the reasons for the Bank's focus in this area were accepted as legitimate although they might need restatement in the light of experience. What could usefully be reviewed are the strategies and tactics the Bank has used in attaining this goal. In this connection, the Task Force could focus on the relative

importance of the macro-economic environment surrounding poverty issues, the Bank's country experience, and the effectiveness of its poverty-related policy dialogue with the member countries. Although the Task Force will necessarily have to assess the Bank's project experience in terms of poverty alleviation, some speakers felt that such reviews are bound to be inconclusive at this stage because many of the Bank's large poverty projects have yet to yield sufficient time-series data to permit reliable and valid evaluation of their overall effects.

4. Several speakers warned that the Task Force should not claim to reach definitive conclusions on many of the questions raised in the paper. Some questioned the adequacy of the state-of-the-art, another expressed the concern that the amount of staff time that could be devoted to this exercise under the Task Force format would be much below the level required for adequate assessment of the relevant issues. With respect to this latter point, it was pointed out that the Task Force will most likely provide guidance to, and work with, a small drafting group serving as its secretariat. Concluding the discussion, the Chairman requested that the next draft of the paper should stress this point; qualify the Task Force's prospects of reaching definitive answers; should put greater emphasis on the review of the Bank's country experience; and should highlight the multiple-audience issue, perhaps proposing a two-phase program - one to be done in-house and the other to be undertaken later (perhaps then including some outside expertise) for assessing the impact of Bank's work in the area of poverty.

World Development Report, 1982 - Outline

5. The discussion of the second paper started with the author's summary of the structure of the WDR as it is presently planned. He indicated that the Report would be divided into four parts, each dealing with the following:

- Part I - Global development prospects and issues
- Part II - Role of agriculture in development
- Part III - Realizing agriculture's potential
- Part IV - International issues and conclusions.

The bulk of the meeting was devoted to a discussion of alternative policy issues which could serve as the main themes of the Report.

6. One speaker suggested that the Report should focus on a few key policy questions and areas rather than concern itself exclusively with the role of agriculture in development. Issues such as the interface between production and consumption (especially as it relates to increasing the productivity of the small farmer), various international food security schemes, and effectiveness of aid in agricultural development could be singled out for in-depth treatment, with illustrative material coming from a number of country case studies. The implication of this suggestion is to have a brief Part II and a detailed Part IV.

7. Most of the speakers felt that it would be useful to structure the analysis of the document around a few policy themes. One theme which received considerable support was technological potentials and development prospects in agriculture. It was argued that such a theme could serve as an umbrella to bring together a number of related questions such as the link between aid and technology transfers, technology innovation, adoption and communication, making better use of available technology, the effects of technological breakthrough in other sectors on agriculture, and technical and institutional barriers to achieving the potential in agriculture.

8. Some speakers expressed caution that a focus on the technology question may lead to an imbalance in the treatment of demand vs. supply issues in favor of the supply side. In this context, there would be need to examine the effects of technology on demand (and vice versa) and the problem of feeding the cities in the light of rapid urbanization. Also, attention on regions or individual countries may help balance the treatment of supply and demand.

9. Other comments made in the meeting included the following:

- An updated sector policy paper may be a better vehicle than the WDR to cover issues such as food security and basic needs.
- The authors face a particularly difficult challenge in achieving a balance between international issues and those that are essentially domestic "Third World" issues.
- The indirect effects of agriculture -- agriculture supplying wage goods at decreasing real cost to enable industrialization, non-farm diversification, etc. -- should be stressed along with its direct effects.
- The authors should not overlook the human dimension: the farmer as the main character of the story.
- Link between technological choice and poverty alleviation should not be lost sight of.

10. The Chairman closed the meeting by noting that another staff level PRC meeting will be held shortly on potential topics for future WDRs.

Shahid Javed Burki
Secretary
Policy Review Committee

cc: Those Attending

OFFICE MEMORANDUM

TO: Distribution Below

FROM: S.J. Burki, Chief, Policy Planning Division

SUBJECT: World Development Report, 1982 Outline

DATE: September 3, 1981

Attached is the outline of the World Development Report, 1982 prepared by Mr. David Turnham as promised in my Policy Review Committee memorandum of September 2, 1981.

Attachment

Distribution

Messrs. Waide	Picciotto	IBRD & IFC Department Directors Program Coordinators Messrs. Benjenk Chenery Lafourcade Mistry Ms. Pratt
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WDR V -- Content and Structure

Introduction

A memorandum from Mr. Chenery to Mr. McNamara ^{1/} recommended that agricultural development be the Part II theme for WDR V with Part I, following the tradition established by previous WDRs, dealing with global development issues and prospects. This approach was subsequently endorsed as a basis for core team selection and initial preparation and is the starting point for the draft outline now proposed.

The outline follows the WDR II multi-part tradition, rather than the WDR III Part I/Part II approach. The current WDR (Number IV) is, in effect, an extended discussion of Part I themes, including global growth prospects, structural adjustment, energy, trade, external finance, etc. This extensive treatment argues for a relatively brief Part I analysis for WDR V although a number of the major conclusions on trade, aid, etc., can usefully be repeated. It is proposed that a brief Part I be balanced by a substantial Part II, also giving considerable emphasis to general themes, but with specific reference to the role of agriculture, especially of foodcrop agriculture. Agricultural development is of crucial importance not only for growth prospects, but for poverty alleviation and better food security; and a well managed agricultural strategy can help ease the problems of structural adjustment that face many developing countries. The argument would be illustrated with reference to recent country and historical experience; this paves the way for a similarly substantial Part III about how agricultural growth can be sustained or improved (with reference to the various performance criteria), taking into account technology change and environment, institutions, investment and the related policies. This part of the discussion would draw on the Bank's and other donors operational experience in supporting agriculture (programs that have massively expanded in recent years) and the network of cooperating agencies FAO, IFPRI, CGIAR international research institutes, etc. As in earlier WDRs, the discussion would try to generalize in a framework that allows for specific regional and country characteristics. The Report would conclude with a discussion of the international dimensions of food and agriculture with emphasis on critical trade prospects and aid issues and selected "pressure points" of priority concern (food supply in Sub-Saharan Africa could be one example).

It is expected that the format used in WDRs III and IV would be retained, including liberal use of "boxes". Previous WDRs (printed version) vary from 68 to 119 pages, excluding the development indicators sector; for WDR V, we propose to aim for a somewhat briefer treatment than in recent years, of about 80 pages. The outline describes major themes and issues under the proposed approach and indicates how they might be treated. At this stage no detailed chapter or sub-heading structure has been attempted. Judging from previous experience, the latter will not begin to gel until a relatively late pre-drafting stage.

^{1/} Dated June 18, 1981 under the heading Status of Planning for World Development Report, 1982.

Outline

Part I: General Prospects and Issues

This Part would restate and modify as appropriate, the conclusions of WDR IV about development prospects in the light of recent events and new data, using the global model for consistency, plus appropriate sensitivity analyses (but without substantial methodological innovation or new long-term projections). Analyses and conclusions from the thematic chapters of WDR IV (trade, energy, debt and capital flows) would also be reviewed, with reference to recent country experience and structural adjustment, together with relevant points from the later work on agriculture. For example, the impact on debt servicing, current account balances, and financial institutions of higher interest rates and U.S. dollar appreciation could be analyzed, as could the impact of lower concessional aid flows.

Part II: The Role of Agriculture in Development

Agriculture and Growth

Agricultural development influences growth directly, as a component of total value added, and indirectly, as a supplier of materials and consumption goods to the non-agricultural sectors and as a user of a wide variety of inputs ranging from agro-chemicals and machinery to transport and repair services. Similarly, increased agricultural incomes generate demand for goods and services that tend to have a high local or regional labor component, with sometimes significant multiplier effects on the local, largely rural, economy. The indirect effects offer a particularly interesting focus for an analysis of factors that explain the strong empirical association of agricultural and economy-wide growth, even among middle income countries (where agriculture's measured share in total value added is relatively small). There are several arguments or hypotheses to be considered, and some points that might be illustrated via models. Basically, the "importance" of agriculture does not diminish *pari passu* with its declining share in economy-wide value added, since:

(i) the demand for agricultural production -- measured in gross output -- expands faster than sector value added, with increased use of industrial (cash) inputs and services in agriculture (the latter partly related to a rising fraction of marketed output in total agricultural consumption);

(ii) While agricultural production may account for a declining fraction of aggregate incremental demand as growth proceeds, the incremental requirement remains large absolutely, because aggregate demand is itself increasing absolutely (unless growth falters). Moreover, 'Engel's law' is tempered by high income elasticities for some agricultural products, notably meat and hence feedgrains;

(iii) even in middle income countries, incremental demands tend to dwarf what can be financed via agricultural imports (excepting a few oil rich countries); in fact, industrial and service sector growth (linked with rapid urbanization) often imply a rapidly growing market for domestic agriculture: if this substantial demand for marketed surplus is to be realized, on-farm labor productivity must increase sharply;

(iv) beyond some point, even oil exporters are likely to face severe problems in structural adjustment and risk disruptive external shocks if agriculture is neglected (Nigeria, Algeria). And countries with a strong and well diversified export base for growth have tended to provide vigorous support for agricultural development, partly for security reasons. Agricultural development itself may contribute importantly to export-led growth.

Many of these points can be vividly illustrated with historical as well as contemporaneous experience. Finally, of special relevance to low income countries, the role of agriculture in resource transfer (via internal terms of trade and other mechanisms) needs to be reexamined. To what extent does agriculture generate real savings for the non-agricultural sectors? Or do transfers largely serve to increase non-agricultural real consumption? What have been the impacts of and effectiveness of dirigiste vs. laissez faire policies?

Applied to aggregate growth/development prospects and 1980s scenarios (WDR IV analysis), the likely conclusion would be one that gives added emphasis to the need for a sustained high growth performance from domestic agriculture. Structural adjustment considerations -- for oil importers, the need to shift growth patterns towards less energy-intensive development and deal with formidable trade balance problems, may also imply greater reliance on agricultural development in sustaining growth. Finally, given what is likely to be a continuing strong demand for cereals from Eastern Europe and export-led high growth middle income countries (especially oil exporters), plus limited trade prospects for some traditional cash crops (and prospects for other compromised by industrialized country protection policies), the analysis is likely to reinforce the priority concern for food crop development in low income countries and the many middle income countries without strong claims on incremental supplies via trade. This is clearly the case in countries with already substantial current import requirements and/or reliance on supplies made available as food aid. The conditions and policies affecting the future growth of North American agriculture as principal supplier to the international grain trade is of major significance in this analysis.

Poverty and Hunger

Supply-demand balance in food and agricultural products generally can be met in the growing economy in ways that do -- or drastically don't -- meet the nutritional and the other needs of the poorest 20-30

percent of people. In most low income countries, near self-sufficiency at the economy-wide level is maintained via stagnant consumption among a larger or smaller fraction of the population whose productivity and buying power remains low. The analysis would develop the following points (others will certainly suggest themselves as the work proceeds).

(i) Many (often most) of the poorest are themselves primarily agricultural workers and farm households (true for industrialized as well as developing countries);

(ii) movement of people out of agriculture has been very important in dealing with agricultural poverty in most developed countries (where the labor force share in agriculture fell in less than 20 years by more than two-thirds) and some middle income countries. Case studies would be developed in examining this experience and its relevance to other countries. But the preconditions are not commonly met; most countries will still contend with increasing agricultural populations and deteriorating man/land ratios -- the latter of growing importance as new land potentials are near exhaustion;

(iii) the direct approach, whereby better employment opportunities are linked to higher productivity and income in agriculture itself, is usually the more relevant one, especially in low income countries. The importance of off-farm employment and diversification in rural employment structures, usually coupled with a prosperous and dynamic agriculture, would be stressed as an important intermediate approach;

(iv) specific institutional factors -- the distribution of land holdings, tenure conditions, farm scale and fragmentation are other issues relating agriculture to poverty that would be discussed in the context of improvement within agriculture;

(v) discussion of agricultural development and poverty issues is complicated by the strongly divergent patterns of development that tend to characterize much recent agricultural experience. Progressively strengthened national and international market links between a productive, technologically dynamic, but spatially confined agricultural subsector and a burgeoning urban/industrial subsector, often contrast with stagnant, low productivity and usually resource poor hinterlands (e.g., India, China, Brazil, Mexico). How important are growing productivity and income gaps between high growth subsectors and the balance of the economy, largely rural, likely to be for strategy in the 1980s? How does this type of structural poverty compare with institutional poverty associated with land distribution questions?

Food Security

The thrust of the general argument is likely to be that poverty concerns can be addressed under an agricultural development strategy that is effective in promoting and sustaining a high growth rate, that gives special emphasis to basic food staples and low cost calorie sources, and that addresses the special problems of the resource poor areas. Even so,

continuing absolute poverty, affecting hundreds of millions of people, remains the most likely prospect for the foreseeable future. Access to adequate food intake is directly limited by lack of buying power; ensuring a supply of low cost calories may conflict with feedstuff requirements deriving from more affluent consumers; producer and consumers interests conflict over pricing and pricing policies; and food production is hostage to weather and climate which can and do have large disruptive effects. Food security issues will be discussed, drawing on a considerable recent body of research work and analysis of policy approaches via food security schemes and short-term crisis management. The international dimensions and assistance via trade policy, food aid, financing mechanisms, buffer stocks and storage, etc., would be taken up in Part IV. An illustrative analysis would serve to emphasize the relatively narrow range in food supply growth (a range of 1 percent p.a. or less) between near crisis conditions, with severe impact on the poor, and significant improvement relative to the past. Realizing an outcome toward the high end of the plausible range would mostly depend on domestic resource management, institutional effectiveness and investment strategy within agriculture -- the primary concerns of Part III.

Part III: Realizing Agriculture's Potential

Innovation, Environment and Technology Policy

Agricultural development and future prospects are increasingly hostage to a continuing stream of innovations that permit increased yields and higher labor productivity. The argument would be illustrated and elaborated with reference to historical as well as to recent experience. The remarkable recent track record of high rates of increase in crop yields (and improved livestock technologies) would be highlighted with reference to the US, India, China and other examples. Innovation is increasingly multi-dimensional, reflecting a more effective use of combinations of resources and inputs, including industrial inputs. Major change agents and processes would be discussed, e.g. biological innovation, irrigation, use of agro-chemicals, mechanization, advances in farm management technique, etc. Increasing interdependence is characteristic of much recent growth based on increased use of industrially produced inputs; and future prospects are increasingly tied to industrial R&D to improve input-output potentials via use of these inputs.

The discussion would include a review of near term and more distant potentials, with reference to a rapidly moving and increasingly complex research frontier. The major biological elements -- especially conventional breeding, tissue culture, cloning, genetic engineering, nitrogen fixation, etc., severally and in combination promise a continuing sizeable potential for increased productivity in agriculture over the next 20 to 30 years with important implications for R&D strategy and technology policy (LDC access to and participation in, the research process). On the other hand, much development is premised on the availability of minerals and fossil fuels, further intensification may pose increasingly severe environmental hazards, and institutional response is critical.

The environment-specific nature of most past improvements and the large array of agro-climatic situations for which productivity-augmenting technologies that improve on current practices do not now exist pose major problems. The importance of these technology and resource deficiencies would be elaborated in the country and poverty contexts. Semi-commercial agriculture has gained from technological changes and from dynamic market growth associated with industrial and urban development. Technological innovations (HYVs, fertilizer, irrigation) have also helped in many high productivity (in terms of land) but densely settled and low-income environments of South and East Asia. This is a considerable plus factor. But there has been little progress in low income, low productivity, semi-arid and upland areas (except where cash cropping based on permanent crops has helped). In some areas the situation has deteriorated. Institutions, policies, and investment requirements differ according to the nature of the problems to be overcome. Broadening the application of innovation to a wider range of agro-environmental conditions is a major challenge.

Policy, Investment and Institutions

If technological know-how is basic to sustained agricultural development, institutional conditions and policies relating to investment, farmer incentive and market access, largely determine the extent to which the growth potentials are realized. The discussion would bring out and illustrate a variety of problems and issues, many of them familiar to a Bank audience, drawing on country experience. For example:

(i) The economic environment of market prices and costs continues to disfavor agricultural producers in many countries. Producer incentives are frequently inadequate to encourage extra effort, use of modern inputs and techniques, or to reward risk taking on the part of the farmer-entrepreneur -- with risk especially important in rainfed annual cropping systems. The policies that produce these results are difficult to change and involve conflict between producer and consumer interests, especially the real price of food;

(ii) inefficient government marketing agencies and policies have become increasingly important with burdensome high costs;

(iii) management capacity for government financed programs is inadequate in most low-income African and some Asian countries and the training of agricultural staff for research, extension and management functions poses problems in many countries;

(iv) few countries have adequate arrangements for financial intermediation in agriculture, the recycling of rural savings is usually neglected and credit delivery is often poorly handled;

(v) as a result of increasing government financial problems (due partly to the inadequacy of cost recovery and low interest credit in agriculture and other sectors), the recurrent costs of farmer services and of maintaining infrastructures are rising to prohibitive levels in many low income countries.

The discussion would give a good deal of emphasis to an analysis of experience where these problems are or have been successfully dealt with. In many instances, an enlarged role for the private sector may be part of the solution but balanced by a continuing important public sector role. The argument could usefully draw on work done for the recent study of Sub-Saharan Africa.

The productivity of agricultural investments depends on both the natural and economic environment. Thus, the discussion of investment policy will be closely linked to the regional/national typology that is evolved in previous chapters. Some major sub-topics will be:

(i) Investments to overcome the main natural constraints, especially those relating to water, i.e., irrigation, drainage, flood control and water harvesting/soil conservation in rainfed areas. In respect to irrigation, the need for a reliable, timely and equitable water supply at the farmgate will be stressed;

(ii) the pros and cons of multipurpose rural development projects/ programs including considerations of issues such as management, participation, complexity, financing, timeframe and sequencing of activities. "Lessons from experience" would figure prominently;

(iii) focussing public investments on supporting infrastructure that cannot be built by the private sector, for example village-to-market roads and rural electrification;

(iv) the role of private investment in agriculture. This section will deal with both on-farm investments (land development, implements, etc.) and private investments in support services (input supply, processing, marketing, etc.). In this connection, the complementary nature of private foreign investments (agri-business) will be examined.

Part IV: Conclusions and International Issues

A concluding section would draw together the principal arguments and findings, and thereby highlight the more important problem areas, policy reforms and other needed changes if potentials are to be realized. Some of these would afford scope for action at the international level; the Report would attempt to identify these and in general, summarize donor activities in agricultural development, future needs and priorities, and the role of private agri-business. International actions are already important in agricultural research and technology development. A more concerted approach to water resource development in Asia is one potentially important possibility, especially if linked to water-sharing within the region; and accelerated agricultural development in Sub-Saharan Africa is a major issue highlighted in the recent Africa study. The international aspects of food security and food aid would also be reviewed in this framework, together with trade policies and prospects, commodity agreements and related issues.

Mr. Bevan Waide

August 26, 1981

Christine I. Wallich *aw*

Subject Matter and Other Ideas on Future WDRs

1. With respect to subject matter for future WDRs, I feel the pleas for continuity which one hears with some frequency, especially from external readership, might be used to explore new directions. WDRs I-IV have treated a wide range of - basically unrelated - topics. While we clearly do not want to pursue themes of one WDR in subsequent ones, it might be a good idea for some of the unanswered questions arising from WDR_{n-1} to provide a lead in to topics of WDR_n . With this in mind one of the major unanswered questions in WDR IV was the plight of the low income countries -- their non-participation in South-South trade, their poor access to commercial credit, the difficulties of channelling aid to them, etc. A WDR on the "economics of real under-development" might therefore be interesting and timely, given also the present interest in Africa.

2. As regards frequency and structure, I am in full agreement with what appears to be the prevailing opinion that the WDR should be an annual event. On structure, I can only say that while global modelling is clearly an important part of the exercise, as we do more WDRs we may find ourselves either saying the same thing year after year, or becoming excessively novel in our projections. Either could make one defensive. Perhaps Part I could be downplayed as "updating projections" in some years and regain full Part I status with full-blown projections only when we have something really new to say. This would also reduce the burden on EPD.

CW:lt

DPA - WDR

July 31, 1981

Dear

You will be interested in the Bank's latest study - World Development Report 1981 - which sets out the prospects of the developing countries.

The Report in final form will soon be issued.

Sincerely,

D.R. Clarke

His Excellency Keith Johnson
Ambassador of Jamaica
1850 K Street, N.W., Suite #355
Washington, D.C. 20006

OFFICIAL FILE COPY

DPA-WDR

July 31, 1981

Dear

You will be interested in the Bank's latest study - World Development Report 1981 - which sets out the prospects of the developing countries.

The Report in final form will soon be issued.

Sincerely,

D.R. Clarke

Mr. Frank Francis
Permanent Secretary
Ministry of Foreign Affairs
Skyline Hotel
Knutsford Blvd.
Kingston 5, Jamaica

DRClarke:ls

OFFICIAL FILE COPY

WDR 1981 Files

July 30, 1981

Christine I. Wallich *aw*WDR IV - Correction of Errors

1. The following errors have been discovered in WDR IV to date:

- Chapter 4, Energy; page 41, para. 2, the text reads "To meet likely fuelwood demand in developing countries without further damage to forests would require an estimated 20 million to 25 million hectares of forests to be planted during the next 20 years. At present rates of planting, only one-tenth of that target will be met." The correct numbers are "50 million hectares" and "one-fifth".
- Chapter 5, Capital flows; page 51 box. Paragraph two of the text notes that "LIBOR has been below the rate of inflation in the major industrial countries". The diagram illustrating this shows the U.S. inflation rate.

2. We have decided not to issue an errata at this time, although this option may be reconsidered if either error appears to be attracting a great deal of notice, or if others are brought to our attention.

cc: Messrs. H. Chenery
S. Draper
R. Ridker
J. Spears
G. Winterbottom
Ms. H. Hughes
Core Team
Press Conf.

CW:lt

OFFICE MEMORANDUM

TO: The Files

FROM: R. H. Cassen  PPR

SUBJECT: WDR -- Discussion with Mr. El-Naggar

DATE: July 6, 1981

On June 23 I had a talk with Mr. El-Naggar on issues he raised at the Board discussion.

He made two main points -- that excessive emphasis was given to oil prices in the Report, and that the country classification was unsatisfactory.

On the first I noted the very large number of places at which the Report made clear that the rise in oil prices was not responsible for all international problems. He agreed that the points were there, but the general drift went the other way, not least because developing countries were divided into oil-exporters and oil-importers and that dominated the analysis.

I said that this division was justified because of the extraordinary importance of oil prices in recent times. After the conversation I sent him a memo indicating that in the 1973-75 period less than half of the balance-of-payments deterioration of oil importing ldc's was due to oil, while in the 1979-80 period almost all of it was. (He did not reply to that memo, though in discussion he said, and I agreed, that the averages masked differences among countries, e.g. those which suffered commodity price falls. I drew his attention to the points where the Report does make that clear, but we agreed that in future years it might be desirable to look more fully at various sources of balance-of-payments changes among different country groups.) I also said that in future years oil may cease to bulk so large and the classification of countries would change.

Mr. El-Naggar also noted the presence of Spain and several other fairly advanced countries in the list of developing countries. I agreed with him that that was undesirable -- indeed I had even attempted to get the classification changed at the beginning of the year, but (as I understand it, owing to the exigencies of the global model) without success. I did not accept his point that the presence of these countries distorted the discussion of developing countries' oil bills. Their absence would affect the denominators as well as the numerators. And I pointed out to him that another point he had made, to the effect that a dozen or so of the developing countries accounted for a large share of their oil imports, did not invalidate our discussion: what mattered was the share of oil in imports which was large for very many countries.

The discussion was frank and cordial; Mr. El-Naggar accepted that we had done much to make the Report less objectionable than it might have been; and (his last words as I left his office) he "understood the political pressures we were under."

cc: Mr. Waide
Mr. Turnham

RHCassen:rbc

Mr. Robert Cassen - WDR

June 26, 1981

David McMurray ^{DM} - EPDED

More Funny WDR Figures

1. Ms. Florendo asked me to check some further figures in the 1981 WDR and, as with those noted in my memo of June 23, 1981, I came up with something different from the WDR.

2. My investigation on this occasion centered on the second paragraph of page 6.7 - that dealing with the debt of the semi-industrialised countries. Using the same country coverage as set out in Table 6.1 (except for Romania for which we do not have any data), the figures I obtained would change the relevant sentences as follows.

"The share of commercial lenders in their public and publicly-guaranteed debt rose from 51 percent to 65 percent between 1972 and 1978. The disbursed debt to GNP ratio rose from 11 percent to 16 percent during the same period while the debt-service ratio rose from 9 percent to 14 percent".

cc: Mrs. H. Hughes - EPDDR
Mr. S. Singh - EPDDR
Mr. P. Mitra - WDR
Mr. P. Moulin - WDR
Ms. B. Florendo - EPDED

DMcMurray:gm

OFFICE MEMORANDUM

TO: Files

FROM: Robert Liebenthal *R*

SUBJECT: WDR IV Background Paper: Food Policy Issues in the Sahel

DATE: June 25, 1981

A number of people have commented that this paper contributes little to the central issues paper on food policy which was prepared for the WDR by Ed Clay and adds little new information or analysis to the work already undertaken in the Bank and by the CILSS on the Sahel. Ed Clay, with whom I have discussed this, feels there would be little problem editing the central issues paper so as to avoid references to the Sahel paper. Mr. Cassen has accordingly decided to withdraw it from the background papers.

cc: Messrs. Cassen, Clay (IDS), Donaldson, de Azcarate, Lewis, Rogerson, Steeds, Winterbottom, Wright

BL/jf

Mr. Robert Cassen - WDR

June 23, 1981

David McMurray - EPDED (through Ms. Beatriz Florendo - EPDED)

Debt Ratios in 1981 WDR

1. In addition to the discrepancies in debt ratios in the 1981 WDR noted by Ms. Florendo (her memo to Nicholas Hope of June 15, 1981), the following discrepancies should also be noted.

<u>1981 WDR</u>	<u>EPDED Debt Profiles</u>
(i) Page 6.25, para. 1, lines 5-7: "the debt-service ratio and the ratios of net external debt to GDP declined over 1971-73 to 30 percent and 7 percent respectively"	Should read: "the debt-service ratio declined slightly over 1971-73 to 13 percent while the ratio of debt outstanding to GNP increased to 16 percent"
(ii) Page 6.26, para. 4, lines 2-3: "net debt increased to the equivalent of 17.6 percent of GDP; and the debt-service ratio (including private debt) reached 62.9 percent"	Should read: "disbursed debt increased to the equivalent of 25.0 percent of GNP and the debt-service ratio (including medium and long-term private debt) reached 56.4 percent"
(iii) Page 6.37, para. 3, lines 1-3: "Although net external debt rose from the equivalent of 5.6 percent of GDP in 1973 to 11.7 percent in 1974, it fell steadily thereafter and by 1978 was almost eliminated"	Should read: "Although disbursed debt rose from the equivalent of 12.5 percent of GNP in 1973 to 19.9 percent in 1976, it fell to 17.7 percent in 1978"

cc: Mrs. H. Hughes - EPDDR
Mr. S. Singh - EPDDR
Mr. P. K. Mitra - DRC

DMcMurray:gm

OFFICE MEMORANDUM

TO: Files
FROM: Fred Z. Jaspersen ^{FZJ}
SUBJECT: Clearance of WDR Background Papers from South Asia Region

DATE: June 23, 1981

Today I received a telephone call from Gilbert Brown to say that the region is giving its clearance for publication of the Clay and Lipton papers: "Food Policy Issues in Low Income Countries", "Poverty, Food Insecurity and Public Policy in Bangladesh" and "Risk to Nutritional Adequacy of Food Output: Adjustments in India". All references to the Bank's Grey Cover Economic and Sector Reports and tables from these reports should be deleted from the Background papers.

cc: Messrs. Wright, Cassen, Brown, Winterbottom and Leibenthal

FZJaspersen:bd

OFFICE MEMORANDUM

TO: Mr. Robert H. Cassen, PPR

FROM: David Steeds, Acting Chief, WAPA3 *RS*

SUBJECT: WDR IV Background Papers: Food policy issues in the Sahel

DATE: June 16, 1981

1. Whilst there is little in this paper likely to cause offense to the countries concerned 1/ (they are all members of CILSS whose publications are quoted in extenso in the paper), it appears very lightweight, given the amount of work devoted to the subject in various parts of the Bank and elsewhere in 1980/81. In some respects it even conflicts with what I understood AGR were doing on food security policies. It is also much less specific (partly the inevitable result of compressing eight countries into the same brief format) than the South Asia case studies, and as such is rather loosely connected to the central issues summarized in Edward Clay's overview. Let me try to summarize the Sahel study's main conclusions below, with my comments.
2. Massive intervention aimed at securing cheap food for politically sensitive urban groups usually conflicts with long-run agricultural production incentives. True, and by now well-known, but not easily demonstrated. A more useful contribution would be to investigate how some measure of transitional real income relief can coexist with remunerative procurement prices - e.g. the counterpart funds buffer experiment we are supporting in Mali.
3. There is a "tendency" to favor cash crops over food crops, and arable cultivation over pastoralists: this increases the vulnerability of poor groups and ecological degradation. This mixture of concepts is bizarre. First, rice is cited as a cash crop, in juxtaposition to food crops. Second, groundnuts are cited as displacing cereals whereas the reverse trend is observable in Senegal, Mali, and Niger since 1975/6. Third, the relative price shifts which once favored heavier investments in cash crops such as cotton (and now swing the other way) were largely dictated by observable world market conditions, not domestic manipulation alone: what of comparative advantage? A real issue involved here is whether -- as with gasoline prices in other contexts -- we and others should assign scarcity or risk premia to cereals above their import parity prices, on some "market failure" or "myopia" arguments which can be challenged as paternalistic. Fourth, it is at least arguable that over-large livestock herds contribute as much to ecological degradation (and less to nutrition) as expansion of arable crops: the real problem is that intensification of rainfed agriculture above the 600 mm isohyet has yet to be proved viable, hence undisciplined extensive cultivation conflicts increasingly with extensive animal husbandry.

1/ But please clear with Programs anyway

4. Aid flows are biased towards urban beneficiaries: ODA commitments for rural development and livestock are stagnating and no larger than for, e.g., transport infrastructure. First, I doubt whether this is valid in the specific case of the Bank: if so, it deserves much closer examination. Second, there may be very good reasons -- absorptive capacity for one -- for this stagnation and the relative buoyancy of other sectors. Is food security helped more by "hard" access roads or by "soft" extension and promotion machinery, often with no real message to plug? Such broad-brush analysis is both too much and not enough...

5. The international community can assist in the creation of regionally held security stocks. WAPA and AGR have just reviewed the FAO/CILSS proposal on these lines, with very negative results. In particular, we feel not enough use is made of already very costly national stocks, and a supranational cereals administration cutting across traditional North-South trading links makes little sense (see Cliff Lewis for more details). Obviously, cyclical supply disruption entails peak costs, which can be simulated given known lead and lag patterns, port capacity etc., and measured against the cost of stockpiling beyond the minimum levels (public and private) needed to maintain the food-chain. These congestion costs may be alleviated or removed by priority investments in transport infrastructure, just as much if not more than by stockpiling.

6. Food aid may tend to institutionalize scarcity. Again, this issue is well-worn and not empirically resolved (although more detailed analysis of food aid impact in e.g. Upper Volta has been available for some time). It might have been more constructive to see what features of food aid are particularly destabilising, and how can these effects be "sterilised" in part... (see para 2).

AR A. Rogerson:gr

cc: Messrs. van Gigch (WAP), Peberdy (WAP), Lewis (AGR), Humphreys (WA1DC),
Molinaeus (WA1DC)

Mr. Nicholas C. Hope, Division Chief - EPDED

June 15, 1981

Beatriz A. Florendo - EPDED

WDR - Chapter 6 (Debt Ratios)

My attention was called regarding the high debt service ratio shown for the Philippines in 1978 (42%) in the gray cover of the World Development Report. The corresponding ratio calculated in the Division was 26.5%.

This prompted me to check the debt ratios of the various countries included in Chapter 6 and the tabulation below in fact shows that there are differences between the WDR and our "Debt Profile" figures.

<u>Country/Ratios</u>	<u>WDR</u>	<u>"Debt Profile"</u>
BRAZIL		
1978 TDS/XGS	62.9	56.4
JAMAICA		
1973 DOD/GNP	13.0	62.6
1976 DOD/GNP	45.0	59.6
1978 DOD/GNP	51.0	44.9
MOROCCO		
1978 TDS/XGS	18.5	21.8
PHILIPPINES		
1973 DOD/GNP	16.0	18.0
1978 DOD/GNP	23.0	26.6
1973 TDS/XGS	23.0	8.7 ^{/1}
1978 TDS/XGS	42.0	26.5
THAILAND		
1973 DOD/GNP	8.0	8.1
1978 DOD/GNP	11.0	11.7
1973 TDS/XGS	21.0	2.6
1978 TDS/XGS	29.0	15.8
KOREA		
1974 DOD/GNP	11.3 ^{/2}	27.0
1975 DOD/GNP	9.5 ^{/2}	30.5
ZAMBIA		
1980 TDS/XGS	28.0	n.a.

/1 Does not include private non-guaranteed debt.

/2 "Foreign borrowing as percent of GNP"?

It is also interesting to note why reference was not made to 1979 ratios when these are more current.

BFlorendo:gm

Mr. Oktay Yenal - WDR Core Team

June 11, 1981

Thomas Klein - EPDED *TK*

Changes to WDR Draft

1. In the course of reviewing the grey cover draft of the 1981 World Development Report, the debt numbers have been rechecked and a few errors discovered. Minor revisions to the numbers have also been made (including those noted in our memo of June 2) and several changes to the text are suggested to eliminate some inconsistencies.

2. The revisions and changes have been marked in red on the attached pages and are detailed below:

(a) The data used in Figure 5.4 for the 6-month Libor were from the series labelled "Euro-\$ London" published on the page of interest rate data in IFS. I have discovered that these figures in fact are for the 3-month rate. Although the differences are small for most years, I suggest changing that line in the graph to make use of the 6-month figures as set out below:

Year	Figures Used (3-month Libor)	Figures Recommended (6-month Libor)
1972	5.46	5.56
1973	9.24	9.44
1974	11.01	11.33
1975	6.99	7.74
1976	5.58	6.25
1977	6.00	6.55
1978	8.73	9.49
1979	11.96	12.12
1980	14.36	14.28

(b) In the text of the box on variable interest rates (Box 5.2), a phrase has been inserted to indicate that the data includes short-term debt as well as medium and long-term debt.

(c) Some minor revisions have also been made to the "Foreign exchange assets" column in the table for this box (page 5.24).

(d) Similarly, there are minor revisions to the data in the table for Box 5.3 on page 5.26.

(e) The heading for the lower graph of Figure 5.6 should read "Low income oil importers".

(f) The text in paragraphs 3 and 5 on page 5.13 has been changed to tighten it up somewhat. It should also be noted that the data used in these two paragraphs were drawn from Mr. Hope's Background Paper on debt and are therefore on a different basis than the data used in the global modelling exercise.

Attachments

Cleared and cc: Mr. N. Hope, Chief - EPDED

cc: Mr. R. Cassen - WDR Core Team
Mrs. H. Hughes - EPDDR
Mr. S. Singh - EPDDR
Mr. R. Chander - EPDDR
Mr. F. Colaço - EPDIT
Mr. J. Katz - EPDIT

TKlein/DMcMurray:gm

only in 1970. The low-income oil importers' debt grew less rapidly, since they depended more on grants (Table 5.3). The single most important factor in these increases was the rapid rate of inflation. In real terms outstanding debt grew at around 10 percent a year, compared with about 12 percent a year during the 1960s.

Nor was the growth of debt excessive in relation to GNP or exports. The debt/GNP ratio increased over the 1970s as would be expected; but measured against exports of goods and services, the debt ratio was lower in 1980 than it had been in 1970. However, significant changes in the composition of debt have increased the burden of servicing it.

There has been a sharp fall in the share of net borrowing from bilateral official sources; a marginal increase in the share coming from multilateral institutions; and a large increase in the proportion of loans from private creditors -- especially from financial institutions. As a result, debt to private creditors increased at 28 percent a year, and to ^{financial institutions} ~~commercial banks~~ at 41 percent a year. Private financial institutions held 10 percent of outstanding debt in 1970, some 35 percent in 1980. ¹⁹⁸⁴
public and publicly guaranteed 43

These changes were largely the product of what was happening to the middle-income countries. The share of official creditors in the debt of the middle-income oil importers fell from 43 percent in 1970 to 27 percent in 1980, while private creditors accounted for almost three-quarters of the total by 1980. By contrast, the composition of the low-income oil importers' debt changed very little. They continued to borrow mainly from traditional sources -- official credits and multilateral institutions.

The growth of commercial borrowing together with the rise in interest rates has increased the cost of servicing debt. The average interest rate on new loans ^{for which terms are known} was four percentage points higher in 1980 than in 1970. Average maturities fell from 20 years in 1970 to 12.7 years in 1980, though the maturities of loans from official (24 years) and private (9 years) sources remained practically the same over the period. Inevitably, the grant element in developing countries' debt fell from 31.8 percent in 1970 to 5.3 percent in 1979 with the share of concessional debt in the total falling from 39 percent in 1970 to 23.6 percent in 1979.

Higher interest rates and shorter maturities meant that the growth in gross borrowing between 1970 and 1980 was not translated into comparable growth in net transfers. In 1970, after amortization and interest payments, some 43 percent of borrowed funds was available for buying imports and adding to reserves. That share rose to nearly 50 percent in 1975-76, but -- partly as a result of refinancing of debt -- it had fallen to 40 percent by 1978. A slowdown in borrowing combined with the surge in interest rates caused the ratio to fall to only 22 percent in 1980.

Variable interest rate debt

In recent years, the bulk of credits obtained from commercial banks have been at variable interest rates. At end-1979 the 33 largest developing country borrowers held a total variable interest rate (VIR) debt ^{including short term debt} of around \$180 billion. For each percentage point increase in the base rate (usually LIBOR -- the six-month London Interbank Offered Rate) these 33 countries face extra interest charges of about \$1.8 billion a year.

The six-month LIBOR has been volatile during the past eight years. For most of that period, it has been below the rate of inflation in the major industrial countries (see Figure 5.4), so borrowers have benefitted from negative real interest rates. But in a period of rising inflation lenders have been better protected against unanticipated inflation with VIR debt than with fixed-rate debt; as the VIR share in total debt has increased, so the borrowers' "windfall" has been eroded. This erosion seems likely to continue, and not just because VIR debt is becoming more common. In 1979-81, in contrast to 1974-78, real interest rates have nearly always been positive; with tight monetary policies, it is unlikely that real rates could be negative for any length of time.

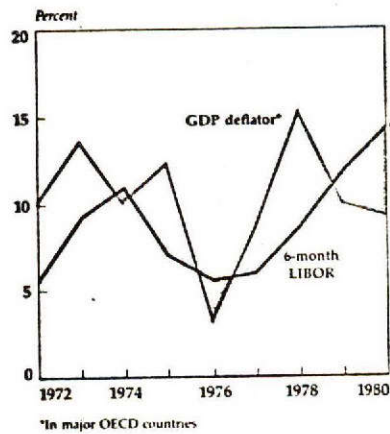
Rising interest rates have also increased earnings on official foreign-exchange reserves and other foreign assets. The 33 major borrowers held identified external VIR assets of \$115.63 billion at the end of 1979, about two-thirds of total VIR debt (see table). For a few oil importers (Spain and Colombia, for instance) VIR assets exceeded VIR liabilities, making these countries net beneficiaries of increases in money-market rates. For Argentina and some other semi-industrial countries, VIR debt and assets were about the same.

But there are major borrowers with VIR debt substantially in excess of VIR assets. At end-1979, Brazil had \$10 billion of VIR assets and \$39 billion of VIR debt; during 1980, the gap widened. Other countries in a similar position included South Korea, Turkey, Chile, Ivory Coast, Morocco, and the Philippines.

Variable interest rate debt position at end-1979
(billions of dollars)

	Total variable interest rate debt	Foreign exchange assets
<u>33 major borrowers from financial markets</u>	<u>181.3</u>	<u>115.6</u> ³
<u>Oil-importing countries</u>	<u>111.6</u>	<u>78.0</u> ⁷⁷
1. Semi-industrial countries	92.9	65.7 ⁰
of which: Argentina	9.6	8.9
Brazil	39.0	10.2
Chile	4.1	2.2
Korea	9.9	5.6
Spain	11.5	23.3
Turkey	4.2	1.0 ^{0.8}
2. Other countries	18.7	12.7
of which Colombia	2.8	3.8
Ivory Coast	1.5	.2
Morocco	2.4	.8
Philippines	5.4	3.7
<u>Oil-exporting countries</u>	<u>69.7</u>	<u>37.6</u>
of which: Mexico	29.6	8.0

Figure 5.4 Inflation and interest rates, 1972-1980



This line will change if the suggested revisions are used.

Evolution of public debt and debt-service indicators
for developing countries 1970-79 a/
(percentages)

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
<u>Indicators</u>										
Debt-service ratio	8.9	9.2	9.0	8.8	7.1	8.4	8.4	9.5	12.4	12.6
Interest-service ratio	2.8	2.9	2.8	2.7	2.4	3.2	3.3	3.5	4.2	4.8
Capital-service ratio <u>b/</u>	14.5	14.5	13.4	13.4	11.1	11.9	11.5	12.9	15.5	15.0
Debt /GNP <u>c/</u>	12.3	13.1	13.5	13.1	12.6	13.9	15.5	17.0	18.3	17.8
Debt/Exports <u>c/</u>	80.1	85.2	81.8	70.0	59.6	72.1	75.6	79.6	86.6	78.3
Debt/Reserves <u>c/</u>	263.7	239.9	183.2	153.9	143.5	193.9	204.6	214.5	217.3	176.4
Interest-service/GNP	0.4	0.4	0.5	0.5	0.5	0.6	0.7	0.7	0.9	1.1

Memo item

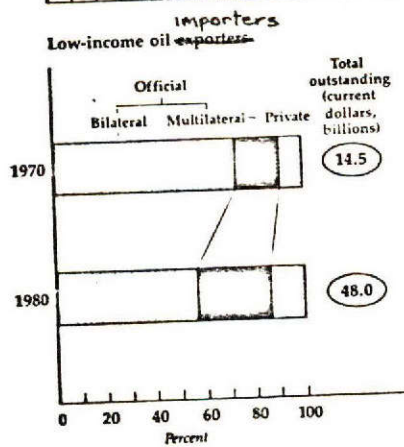
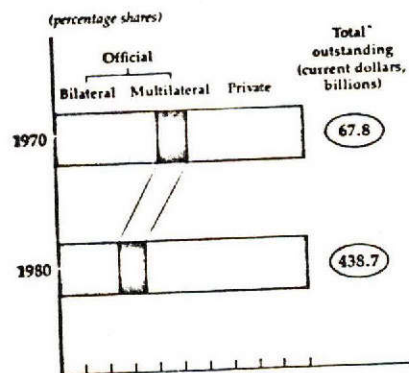
Total public debt outstanding and disbursed of all included countries (\$ billions)	50.4	59.3	69.3	84.8	105.4	128.3	159.1	198.8	251.8	293.9
--	------	------	------	------	-------	-------	-------	-------	-------	-------

a/ Includes all developing countries that report to the DRS except: (1) the capital surplus oil exporters; and (ii) countries for which complete and reliable time series data are not available (Afghanistan, Bahrain, Botswana, Burundi, Comoros, Guinea, Iran, Iraq, Lebanon, Lesotho, Liberia, Maldives, Nepal, Papua New Guinea, and South Africa).

b/ Contractual service payments on long-term debt, plus remitted profits on direct investment divided by exports of goods and services.

c/ Debt outstanding and disbursed.

Figure 5.6 Developing countries' outstanding debt, by type of creditor, 1970 and 1980



Messrs. Robert Cassen, Oktay Yenal - PPR, ASA
WDR Core Group
Nicholas C. Hope - EPDED

June 2, 1981

External Debt in WDRIV

1. Tom Klein has checked the debt boxes and has found some minor inaccuracies in data (see attached, Box 5.3).

2. He also has commented on some changes in the text of the debt rescheduling Box 5.4. I agree with his comments. The ammended version (our original text is attached) seems certain to provoke adverse reaction in the Board and is impolitic given the concern of some member countries to limit the role of UNCTAD in this area. Mr. Klein has suggested some changes; if a more positive emphasis is required, I would stress that the principal aim of rescheduling should be restoring and/or maintaining the creditworthiness of debtor countries.

cc: Mr. E. B. Waide - VPD
Mrs. H. Hughes - EPDDR
Mr. J. Baneth - EPDDR, Mr. F. Colaco, EPDIT
Mr. S. Singh - EPDDR
Mr. R. Chander - EPDDR
Mr. T. M. Klein - EPDED

N.Hope:dg.

Mr. Robert S. McNamara

June 1, 1981

Ernest Stern, SVP, Operations

Taiwan and the WDR

In regard to Taiwan and the WDR, there are four options:

Option 1: Omit Taiwan

Feasibility - The present draft is on this basis, reflecting your instructions of several months ago.

PRC - Will be satisfied.

Congress - Makes no accommodation to Senator Helms. It also provides him with an argument which may attract others.

Consistency - Consistent with recently published Atlas, with IMF practice (they show no country data, although Taiwan is included in some aggregates) and with the UN.

Option 2: Include Taiwan in regular country listing

Feasibility - This option no doubt will require substantial work and cause some delay in the issuance of the WDI. All group averages will have to be redone, country listings changed, and tables reset. Would add footnote that listing of Taiwan implies no comment on the legal status of Taiwan, as we did in WDR 1980.

PRC - Strong protest may be expected. Feelings may be sufficiently strong to affect relations. Will see us as subject to uncertain U.S. policy.

Congress - Senator Helms would be satisfied. It would not, of course, be sufficient to obtain his support for the Bank.

Consistency - Clear reversal of our recent practice in the Atlas. Inconsistent with the Fund and UN practices.

Option 3: List Taiwan as subset of China in index and in country tables

as follows:

<u>Index</u>	<u>Table</u>
22. China	22. China
*Taiwan (in italics) <u>1/</u>	*Taiwan (in italics)

1/ Footnote to the effect that listing of Taiwan implies no comment on its legal status. Similar to the WDR 1980 footnote.

Feasibility - Will require redoing tables and delay of issuance of WDI. In addition Taiwan numbers would not be shown in the appropriate income group in the detailed tables.

PRC - Clearly acceptable. Implies Taiwan's status as a province.

Congress - Undoubtedly would not satisfy Senator Helms, but eliminates most of his argument so that probability of his attracting support substantially reduced.

Consistency - Inconsistent with Atlas, IMF and UN.

Option 4: List Taiwan as subset of China in index, but list Taiwan in proper rank in country tables without a separate number, however

as follows:

<u>Index</u>	<u>Table</u>
22. China	22. China
*Taiwan (in italics) <u>1/</u>	23.
	.
	.
	74. Panama
	* Taiwan
	75. Costa Rica

1/ Same footnote as in Option 3.

Feasibility - Will require redoing tables. Unlike Option 3, Taiwan numbers will be shown in proper rank order.

PRC - Probably acceptable since index will imply subordinate position to China. Listing in tables can be explained on technical grounds.

Congress - Same as in Option 3.

June 1, 1981

Consistency - Inconsistent with Atlas, IMF and UN.

In both Options 3 and 4, we would treat Hong Kong identically - i.e. list it as a subset of the U.K. in the index, give it no country number and either list it under the U.K. in country tables or in its proper rank order.

Mr. Golsong prefers Option 4. The Region prefers Option 1, but believes Option 3 is acceptable if we decide we must reverse course. I do not see adequate justification to depart from Option 1, at present. Should we decide to change, I find either Option 3 or 4 acceptable.

May we have your decision.

Should you opt for Options 2, 3 or 4, the footnote will be worked out with Mr. Golsong, and the Region.

cc and cleared with: Mr. Husain
Mr. Golsong

cc: Mr. Golsong
Mr. Husain

ESTern/lms

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)

IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: TELEX Date: May 29, 1981
 Telex No.: 620,160 OCDE Originators Ext: 61450

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OECD DEVELOPMENT CENTER
 PARIS, FRANCE
 FOR PROF. BELA BALASSA C/O MR. ANDRE BARSONY. AAA WHILE WDR WAS GOING INTO GREY COVER LAST WEEK, I DISCOVERED THAT THE FIGURES FOR SOUTH ASIA WERE MUTUALLY INCONSISTENT. PLEASE REFER TO YOUR CHAPTER ONE ENTITLED QUOTE POLICY RESPONSES TO EXTERNAL SHOCKS IN DEVELOPING COUNTRIES COLON SUMMARY AND CONCLUSIONS UNQUOTE. TABLE I-3 SHOWS THE EFFECTS OF LOWER GDP GROWTH RATES TO BE 3 PERCENT OF EXTERNAL SHOCKS, WHILE TABLE I-4 SHOWS THAT THE GROWTH RATE ACTUALLY ROSE FROM 3.6 PERCENT IN 1963-73 TO 4.6 PERCENT IN 1974-79. SINCE YOUR COUNTRY STUDY FOR INDIA SHOWS THE CONTRIBUTION OF SLOWER GROWTH TO BE NEGATIVE, THE PROBLEM WOULD APPEAR TO LIE IN THE DATA FOR BANGLADESH AND PAKISTAN. BBB SINCE YOU HAD LEFT ON MISSION AND THE DATA WAS IN THE OECD DEVELOPMENT CENTER, ROBERT CASSEN AND I DECIDED TO CALL MR. BARSONY. HE HAS KINDLY AGREED TO DISCUSS THE MATTER WITH YOU ON JUNE 5 IN PARIS. PLEASE ADVISE WHAT WE SHOULD DO IN PRESENTING THE SOUTH ASIA FIGURES. CCC ROBERT CASSEN HAS WRITTEN TO MR. SABOURIN SEEKING HIS PERMISSION TO USE THE RESULTS OF THE OECD STUDY. BEST REGARDS, PRADEEP MITRA

END OF TEXT →

NOT TO BE TRANSMITTED

SUBJECT: WORLD DEVELOPMENT REPORT	DRAFTED BY: PRADEEP MITRA:bd
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[Faint, mostly illegible text, likely a teletype message or report. The text is too light to transcribe accurately.]

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International Bank for Reconstruction and Development

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WBG ARCHIVES

FOR
EXECUTIVE
DIRECTORS'
MEETING

For consideration on
June 19, 1981

R81-137

May 22, 1981

FROM: The Deputy Secretary

WORLD DEVELOPMENT REPORT, 1981

1. Attached is a copy of the President's memorandum dated May 22, 1981 accompanying a report entitled "World Development Report, 1981" (Report No. 3453).
2. This report will be discussed at a seminar of the Executive Directors to be held on Friday, June 12, 1981 at 2:30 p.m. in the Board Room, under the Chairmanship of Mr. Chenery, Vice President, Development Policy.
3. As in the previous years, final revisions will be made following the Board discussion.
4. Questions on this document may be referred to Mr. Cassen (extension 61455).

Distribution:

Executive Directors and Alternates
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Directors and Department Heads, Bank and IFC

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

Mr. Montague Yudelman, Director, AGR

May 13, 1981

Clifford M. Lewis, AGREP

World Development Report IV

1. The WDR IV core team provided a draft of the chapter which discusses food issues. We have been involved throughout the preparation and drafting of it. Much of the text uses work originally prepared in AGR and reflects comments made on earlier drafts. The overall approach is consistent with Bank policy and is a useful contribution in the process of setting the record straight about food problems. In its present form the chapter is to be circulated to the Board and staff for review.

cc: Messrs. Pickering (AGR)
Donaldson (AGREP) (o/r)
Scandizzo (AGREP)

CLewis:oh

Mr. Rashidur R. Faruque, DED

May 13, 1981

John R. Evans, PHN

Family Planning Box for 1981 WDR

Your thesis relates to socio-economic development. Your evidence supports social development and argues against economic development impact on fertility control. The dissociation of faster social from slower economic development is seen in China, Indonesia and Sri Lanka and the reverse in Brazil. Perhaps the first sentence needs to be reconsidered on the basis of the four countries selected.

cc: Dr. Kanagaratnam
Mr. Warford

JREvans/rmf

Mr. Robert Cassen, WDR Core Team

April 3, 1981

Francis Colaco, Chief, EPDIT

Revised Energy Import Projections for WDR Regions 1-3

1. Mr. Liebenthal had asked us to revise the energy import projections for regions 1-3 on the basis of the High Case GDP growth rates. The attached tables show the projected volumes of imports (in terms of million barrels per day of oil equivalent) and the corresponding c.i.f. values (in terms of current US dollars).

2. Let me add a note of caution for the use of these projections. I am sure you are aware of the fact that the energy projections and the High Case are prepared in two consecutive steps. At present, our modeling system does not permit us to run the energy model and the global model simultaneously. As a consequence, the energy projections still reflect the assumptions of the guidelines. The tight time schedule made it impossible to rerun the global model with revised energy projections.

3. Furthermore, the attached projections are no longer consistent with those given to Mr. McNamara in my memorandum of February 20, 1981 and those in the High Case tables you have received. They should only be utilized to work out non-quantitative alternatives to the High Case projections in the text of the Report. It is our understanding that this is the only use which will be made of these numbers.

cc: Mrs. Hughes (o/r)
Messrs. Baneth, Chander, Grilli, Pollak.

FColaco/PPollak/EGrilli:jmca

Mr. Robert Cassen and Core Team

March 19, 1981

Nicholas C. Hope, Chief, EPDED

Zeroth Draft

1. After toiling over the zeroth draft and learning much, I confess to wishing that you had begun hewing a considerably smaller block!
2. I see two main tasks for later drafting:
 - (i) Key arguments and issues (especially policy issues) must be brought out much more strongly; and
 - (ii) Thematic consistency between the chapters must be established.

As the "adjustment report", the draft has a "Hamlet without the Prince of Denmark" quality, brought about by the disconnected nature of the reviews of history undertaken in most chapters, the flaccid presentation and, most importantly, by the absence of any clear guide to the reader of what the Team means by "adjustment". This term is used far too loosely at present - whether in the context of past developments or of future prospects.

3. These problems will be overcome most easily by the establishment of a strong story line, with which the members of the team are comfortable. One suggestion for a story, involving a minor rearrangement of chapters, goes as follows:

Chapter 1 - Introduction

4. The 60's and 70's have been (over) done before - cut back to one or two pages. The theme - adjustment - should be established and the variations on the theme - country adjustment and global adjustment - should be introduced. Define the problem at the country level as the two-stage process of eliminating payments imbalances and restructuring production and consumption patterns to changed relative prices, while maximizing growth. At the global level, identify the problem as maintaining high levels of aggregate economic activity, while individual countries undertake adjustment policy. Discuss the need for policy coordination for a satisfactory global outcome, even if by acting individually some countries would be successful in sustaining high growth.

Chapter 2 - Adjustment in the 1970's

5. Draw on existing studies to identify countries that did well and those that didn't (why not?) - note that the existing discussions, where they depart from recounting economic history, appear to be cataloguing domestic policy failures - this raises the question, could all have succeeded? Assess the overall results - my feeling - developing countries did pretty well;

industrialized countries pretty badly - from developing country viewpoint individual adjustment may be judged a moderate success - at the global level (I would argue) adjustment in the 1970's certainly was a failure.

Chapter 3 - Outlook for the 1980's

6. Introduce the projections - dependence on adjustment in the 1980's - stress the sensitivity tests that show how the global outcome will be influenced by policies in a key area - viz; aid policy or energy policy.

Chapter 4 - Prospects for Developing Country Adjustment in the 1980's

7. Viewed against these projections and the case studies, what are the prospects for individual (types of) developing countries. Discuss the policies that would be appropriate under possible global outcomes - essentially, how individual countries, depending on their current circumstances, should act to maximize their chances of high growth, given the international environment in which they will have to work.

Chapter 5 - Trade Outlook

Chapter 6 - Capital Flows

Chapter 7 - Energy

8. In these three chapters, develop the picture of the international environment that could result, drawing on knowledge of the 1970's. Do this much more from the viewpoint of global adjustment. Emphasize policies - in particular, the need for accommodating policies and harmonization of policies if the international environment is to contribute to easing the adjustment problems of individual countries. Note that this emphasis will lead naturally into the closing chapter in which interdependence is stressed.

Chapter 8 - Adjustment and human development

9. There may be a timing problem here - but the pause in the action can be used to acquaint the reader with the full range of potential losses from failing to achieve a satisfactory outcome. The two issues I felt were the strongest here were food and the public services/recurrent cost question.

Chapter 9 - Interdependence

10. We all go together. Global adjustment will be successful or unsuccessful for all; even the big winners would win bigger if the overall level of global activity was higher.

11. The advantages of a story line like this is that it makes the report

into a whole, instead of a collection of bits, and that it permits you to emphasize what is new. In much of the existing draft, there is a sameness about the material and a tiredness of argument and discussion that distracts attention from the wealth of a new information and new policy implications that are presented. You may favor a completely different story line; equally, you may have very different ideas about the content and organization of chapters. If you agree, however, that there is a need to emphasize adjustment as the theme of the report, then you should decide - for each chapter - what are the issues relating to this theme; and then decide how to integrate discussion of these issues so that individual chapters reinforce, rather than erode, the major messages you want to transmit to the audience.

12. My marked-up copy is attached. There are a few specific comments that may be helpful.

Attachment

cc: EPD Front Office
EPD Division Chiefs
Messrs. Khalid Ikram, FPA
Jeffrey Katz, EPDIT
Paul Leeman, WAL
Ms. Gurushri Swamy, EPDIT
Ms. Joell Chassard, Core Team

NHope:dbl

Mr. R. Cassen, WDR

March 17, 1981

P.L. Scandizzo, AGREP

Treatment of Food Distribution Systems in WDR Draft

It seems to me that the present treatment of food distribution schemes in the draft (pp. 14-16) is too cursory and gives a generally negative impression on the function and effectiveness of the schemes. I think that it would be appropriate to make the following points:

- (i) Food distribution systems are a basic instrument of alleviation of poverty that have acquired increasing popularity in many countries after war and famine related shortages.
- (ii) While direct income transfers (in cash or in kind) could be a more cost effective means to alleviate at the same time poverty and malnutrition, food distribution at subsidized prices offer a politically feasible alternative to most governments.
- (iii) Although food distribution schemes may have low cost effectiveness because of high leakages to unintended beneficiaries, they offer a practical way of reaching all who participate in the market and with minimum relation to their status or influence. They also require much less administrative skills than other fiscal policies and are a simple and direct way of increasing consumption for specific food items.
- (iv) Both cost effectiveness and coverages of the schemes can and should be improved by (a) better targeting, (b) redesigning the schemes to cover the rural areas, (c) complementing them with other policies designed to reach particular target groups (e.g. food for work for the landless), (d) improving the distribution infrastructure, and (e) relying more on the markets to procure and physically move the food from the producing to the consuming areas.
- (v) Improved targeting can be best achieved by low cost, self-reinforcing means such as location of ration shops, and use of low grade staples rather than by expensive and administratively cumbersome methods of control of the eligibility of the beneficiaries and the consumption of the subsidies such as ones used in supplementary feeding programs.

cc: Messrs. Yudelman, Donaldson, Reutlinger, Berg, Liebenthal

OFFICE MEMORANDUM

yellow
DPA-WDR

TO: Mr. Robert H. Cassen, PPR

DATE: March 12, 1981

FROM: Alan Berg, PHM

SUBJECT: WDR IV - Food Section

1. A good draft, a pleasure to read -- congratulations to the author(s) -- and generally a good effort to preserve the integrity of basic needs programs during difficult times. The following should be read in that context.
2. Current problems and questions for the future should not lead to abandonment of nutritional goals, as seen. WDR readers may come away without some clarification. The chapter needs to make clearer that "food self-sufficiency", "keeping up with population growth", and "improved food security" do not imply any improvement in human welfare. They are primarily maintenance concepts, goals that reduce likelihood that things will get worse. Improved welfare and nutrition require some net increase in total nutrient availability per capita or dramatic redistribution of available nutrients. Too many "self-sufficiency" efforts (e.g., Nigeria, Philippines) already emphasize reduction of food imports as the primary goal. Concern for the aggregate food balance, and even recognition that it is not likely to improve, should not be allowed to divert attention from possibilities for improving nutrition through redistributive and other interventions.
3. Why do we have to constantly assume that helping the urban poor with food programs automatically is a disincentive for the farmer? The policy choices are not restricted to "do we support production" or "do we support consumption?"
4. Somewhere lost in the shuffle are the needs of the very considerable numbers of the non-farmer rural poor.
5. The impression given on page 15 is that ration schemes and food stamp programs have limited effect because of "blackmarketing". Problems do exist (and probably in some areas of administrative inexperience - e.g., Africa - more so than others) but masses of people have benefitted from such programs - and that, rather than blackmarketeering, is the significant issue to highlight.
6. The impression also is given that "food subsidies benefit mainly middle income groups." A shibboleth? In many countries, lower income groups also benefit - either directly or, more commonly, indirectly.
7. The assessment of chronic malnutrition (page 8) is deceptively modest. ("The main causes of inadequate consumption in rural areas are seasonal supply variations...") Land use patterns and organizations, fragmentation, increased numbers of landless, and many other factors make chronic malnutrition endemic in many countries and widespread in regions of many others. Seasonal supply variations reflect these factors, but are a consequence not a cause. The energy crisis and related inflation have also contributed to chronic malnutrition. The so-called "subsistence sector" has also suffered from high food prices, increased fertilizer and transport costs, and the timing of cost and price changes. Generalizations about chronic mal-

nutrition are difficult and, for WDR purposes, should favor a pessimistic view when weight of the evidence is unclear.

8. In looking at deprivation in relation to political conflict, a good case can be made that hunger and related nutritional deprivation are the primary deprivations likely to generate unrest. Concern for increased population, though important for many reasons, assumes special significance in relation to food problems.

9. Some of my uneasiness would disappear if the report emphasized more the importance of disaggregation in looking at food and nutrition problems. The draft can too easily convey an impression that all will be well if only certain aggregate relationships can be improved. Even the recommended increased attention to increased food production by small farmers, for example, needs to be planned in relation to disaggregated patterns of poverty and malnutrition.

10. In para. 8.37 (page 20), the conflict between foreign exchange pressures and food security receives mention but little guidance for resolution. Can countries like (e.g.) Zaire, Ghana and Senegal, where oil prices have increased already formidable debt service burdens, continue even current levels of attention to food security? The recommendations about linking aid to food security commitments help, but are not likely to be enough to help countries with high fixed foreign exchange commitments. Peru, which has emerged from a few years of financial stringency, did so only at the expense of food security and nutrition levels. Are there alternatives?

11. The Brazil example (page 25) would be more effective in the Food and Nutrition section. It illustrates well what happens when a government develops agricultural policies without adequate attention to food security and nutrition concerns. Brazilian aggregate performance in nutrient production may look better, but a disaggregated look at malnutrition leaves little doubt about the policy impact.

12. I trust that the omission (on page 17) of the word "no" in "the recent record gives us cause for complacency" is only a typo.

13. I'm surprised more attention is not given to potential improvements via better marketing efforts.

14. At places in the latter part of the paper (e.g., page 23), I sense the discussion of nutrition is meant to be something quite different from the earlier discussion of food. This should not be the case.

15. Reference to the IMF food financing facility (page 21) may be helped by a definition for those not familiar with the facility concept.

cc: Messrs. Evans, North, Warford, Reutlinger, Scandizzo, Liebenthal,
C. Lewis

ABerg:am

OFFICE MEMORANDUM

DPA. WDR.

TO: Files

DATE: March 12, 1981

FROM: Bob Liebenthal *fl*SUBJECT: Sample Panel and Regional Model Projections

Messrs. Shilling, Wen, Lutz, Katz, Hicks, Moulin, and Liebenthal met to discuss the sample panel and regional model projections on Wednesday, March 11.

Mr. Shilling said that EPD is proceeding to harmonize the country models and the regional model to the extent that the high case capital flows and trade assumptions will be fed into the country models. They will not attempt to harmonize the growth rates. It is expected that when the country models are lined up with the global model assumptions on capital flows, some of the high debt service ratios shown in the country models for 1990 will be reduced, because different assumptions have been made about the composition of capital.

The question of running at least some of the country models using low case assumptions was discussed. This would be needed for the discussion of country adjustment in Chapter 2 of the WDR. It appeared that it would be difficult to do this for a great many cases, given time constraints, but Mr. Shilling undertook to try and do at least some countries using low case assumptions. One way to proceed would be for the Core Team to select two or three large or important countries (Brazil, India, Korea?) and two or three smaller illustrative countries.

It was agreed that in the low case of the regional model the rate of growth of consumption should be raised in order to show a savings ratio lower than in the high case.

Finally, there was some discussion of the high oil service ratios shown in the country projections, especially for the low income countries. If the projected ratios stood up to examination, then the implications for the low income countries were serious indeed, and should be strongly emphasized in Chapter 2. I discussed this later with Mr. Pollak, who agreed that it would be worth ensuring that the energy balance projections were consistent with the country models, especially the GDP growth rates.

cc: Mrs. Hughes,
Messrs. Cassen, Chenery, Colaco, Hicks, Katz, Lutz, Moulin, Pollak,
Shilling, Tidrick, Wen,
WDR Core Team

Ms. Christine I. Wallich, ASA

March 5, 1981

Bernard M. Chatelin, TWT

World Development Report 1981

Following your request, we will agree to write an article of about five hundred words which title could be, "Saving of Energy in Urban Transport--Two Experiments." This article will compare the Singapore experiment where the limitation of traffic has been achieved through taxation policy with a recent experiment in Caracas where reduction in traffic has been accomplished through regulatory measures restricting the use of private cars.

cc: Mr. Vincent W. Hogg
Senior Adviser, TWT

BMChatelin:hps

F-338

Mr. Jean Baneth, Assistant Director, EPDDR
(through Mr. Nicholas C. Hope, Chief, EPDED)
Mr. Thomas M. Klein, EPDED *TK*

March 4, 1981
DPA-WDR

Your Comment on the WDR-IV "Box Note" on Debt Relief

1. You said that India's debt relief must be sharply distinguished from other agreements. In my attempt to describe debt relief arrangements in the allotted space this point was lost. I propose to add the following paragraph between paragraphs 1 and 2 in the original draft:

"The debt relief extended to India was unique in that it was not associated with an immediate liquidity problem. Debt relief was used as a method of increasing net aid transfers, because in the late 1960's debt service payments were equal to almost one-half of gross disbursements. Debt relief was also a method of increasing the amount of freely available foreign exchange which India could use to purchase industrial materials not available in aid donor countries."

2. If you feel that the above addition is adequate, I shall send this revision on to the core team.

WDR Core Team

March 2, 1981

Thomas M. Klein, EPDED
(through Mr. N. Hope, Chief)
"Box Note" for WDR

Attached, as requested, is a "Box Note" on multilateral
debt relief.

Attachment

- cc: Mrs. H. Hughes, EPDDR
- Mr. J. Baneth, EPDDR
- Mr. F. Colaço, EPDIT
- Mr. R. Chander, EPDDR

TKlein:aw *TK*

"Box Note" for WDR-IV: Debt Relief

1. While most developing countries have been able to meet principal and interest payments on their external debt, some have had to seek debt relief. Requests for debt relief, for the most part, have been channeled through multilateral fora.
2. Debt relief has been arranged for a few countries through aid consortia. In 1959, under the auspices of the OECD, Turkey funded \$443 mn. of arrears on commercial credits, and in a series of agreements in 1978, 1979, and 1980, Turkey restructured some \$4,500 mn. of debt to official creditors and insured export credits. India received \$1,250 mn. of debt relief between 1968 and 1976 (along with aid pledges) from the World Bank chaired Aid Consortium for India. Public debt of Pakistan amounting to \$990 mn. was rescheduled in a series of agreements negotiated in aid consortia meetings from 1972-74 and again in 1981.
3. For thirteen other developing countries over the past 25 years, debt relief on insured commercial credits and loans from governments has been arranged through meetings of the Paris Club. These are ad hoc meetings of representatives of the government of Western creditor countries that have official financial claims on the country seeking debt relief. As a result of continuing requests for debt relief, the Paris Club now has a permanent chairman and a small secretariat provided by the French Treasury.
4. During the 1970's as loans from commercial banks have expanded rapidly, debt relief increasingly has required the participation of commercial banks. The restructuring of commercial banking debts has taken place parallel with Paris Club agreements for Peru (1978), Sudan (1980), Turkey (1979) and Zaire (1980); in addition, there have been substantial refinancings

of debt to commercial banks without Paris Club involvement - Argentina (1976), Jamaica (1979), Nicaragua (1980), Philippines (1970).

5. Generally, debt relief has been extended only for periods of twelve to eighteen months, and on the condition that the debtor country adopts a stabilization program capable of eliminating balance-of-payments difficulties. Usually, this is accomplished through eligibility for drawings under IMF stand-by agreements. Repayment of rescheduled debts is normally 7-10 years, including 3-4 years grace. Interest charges on rescheduled debts typically are set at the rate for new loans of the type of debt that is being rescheduled. As a general principle, debt relief is not extended on previously rescheduled debt, although there have been a few exceptions: Indonesia (1970), Ghana (1970), Pakistan (1974) and Turkey (1980). Debt relief on concessional terms has been extended only for India (in a series of annual agreements from 1968-76), for Indonesia (where the entire outstanding debt was restructured in 1970), for Ghana (1974) and for Pakistan (1974 and 1981).

6. The Paris Club arrangements for debt relief have provided for an orderly restructuring of external obligations when debtor countries have faced serious liquidity problems. However, there has been some disagreement among debtor and creditor countries over the efficacy of the relatively short consolidation periods and repayment periods. A number of debtor countries complain that when faced with deep-seated debt difficulties they are compelled to re-apply to the Paris Club for further debt relief. Moreover, when repayments obligations on newly rescheduled debt overlap with those on previously rescheduled debt, servicing new borrowing becomes a difficult matter. The creditor countries, for their part, believe that if

debt relief were to be made available on more generous terms, developing countries would be less careful in taking on new medium-term credit. How to assist countries with large debts and poor export prospects remains an unresolved issue.

OFFICE MEMORANDUM

M/11

DATE: February 27, 1981

TO: Mr. Parvez Hasan, AENVP

FROM: Martin Schrenk, AENVP

DPA WDR

SUBJECT: WDR Projections

1. On February 26, 1981, those mentioned below as participants met for a discussion of the WDR projections. We actually dealt with two sets of projections:

(a) Regions: (in the WDR classification; AE-Region is broken down into three "WDR-regions"):

05 E. Asia Middle Income, oil importers

11 E. Asia Low Income, oil exporter (Indonesia)

12 E. Asia Middle Income, oil exporter (Malaysia and Brunei)

(b) Countries.

The whole WDR exercise is focussing on the WDR-regions which will for the final presentation probably be aggregated to larger groupings. The WDR-region projections were established within a consolidated cross-region model of trade flows and financial flows. The country projections are background to double-check the WDR-region projections. Their data base is a combination of DPS data files, DPS projections, and previously solicited country economists' view. These country projections are not fully numerically consistent with the WDR-region projections, and given their purely exploratory purpose, will not be made consistent. The discussion dealt with the differences of the two WDR assessments and the country economists' assessment. The purpose was to establish overall broad consistency regarding major trends and key coefficients. Below I summarize the country/region discussion.

2. Korea: The WDR-projection was found broadly consistent with the country economist's (Sh. Yusuf) perception up to 1986. The projections for the rest of the decade do not exhibit any disturbing features.

3. Philippines: The WDR-projection was found broadly consistent with the country economist's (B. Jones) perception.

4. Thailand: The WDR projection is not consistent with the country economist's view; in particular it is too pessimistic on export growth rates which should be 10-12% (instead of 8.7) for 1980-85 and around 10% (instead of 7.9% for 1985-90. That would improve the resource gap ratios and the current account ratios somewhat. The debt service ratio would be no higher than 19% (instead of 23.9%) in 1985 and 17-18% (instead of 28.6%) by 1990. During the recent CG meeting the Bank went on record in stating that DSR would not exceed 20%. Unless the country projection is shown anywhere, there may be no case for adjustment since the difference is swamped in the WDR region aggregate.

5. Residual countries of WDR-Region 5 (Hong Kong, Singapore, Taiwan, Pacific Islands). No country projections were carried out for these countries. Implied, however, are a few features which look a little suspicious. For example, the implied combined growth rate for exports of these countries

rises from 8.9% for 1980-85, to 15.5% for 1985-90, with the combined export share rising to 104% of GDP (compared to 52% in 1973), and the combined implied import elasticity rises from 0.63 during 1980-85 to 1.51 during 1985-90. (Deducting the three country projections from the WDR-region projections is not quite accurate, given the fact that these projections have not been established in a consistent fashion,) I understand that given the overall constraints of the exercise nothing can be done to improve the outcome.

6. Indonesia: Both the WDR-region and the country projects were considered as inconsistent with the country economist's (M. Walton) perception in numerous particular points both for the short-term (78-80) as well as for the medium-term (1980-85, 1985-90) time horizon. These differences were discussed, and a set of new input assumptions will be prepared by the country economist to be conveyed to DPS. Once these are received, DPS will make an attempt to rerun the country model as well as the WDR-region model. However, time constraints and constraints from the inter-regional model could make an adjustment to the country economist's projection difficult. In this case, annotated tables (i.e., acknowledging differences of views) will be produced. It seems to me that we might have a problem in this instance as Indonesia is a WDR-region all by itself; however, the current practice is to combine all exporting regions in the WDR presentations.

7. Malaysia: The country projection was found acceptable from the country's point of view (K. Young), with the exception of the debt-service ratio (turning negative by 1985). This particular feature, resulting from the treatment of errors and omissions and of the gap fill in the model, will be corrected by DPS. The WDR-region projection (including Brunei), however, was considered deficient. Obviously there is a serious input data problem for the period 1970-1980, and the growth rates of exports and imports for the 1980's differ more than easily explainable on the basis of the Malaysia projections. The crux of the matter, of course, is the inclusion of "dummy Brunei" in the WDR-region projection without a country projection. If the WDR-region projections are not revised, they would have to be annotated accordingly.

cc: Mr. Bussink (AEA)

cc (participants):

Messrs. Colaco (EPD), Shilling (EPD), Hwa (EPD), Katz (EPD), Grilli (EPD)
Young (AEPID), Porter (AEA), Jones (AEA), Morrow (AEA), Yusuf (AEA)

Attachment

MSchrenk/ag

OFFICE MEMORANDUM

DPA-WDR

TO: Files

FROM: R. Liebenthal *RL*

SUBJECT: WDR IV High and Low Cases for Africa

DATE: February 11, 1981

Jed Shilling, Gene Tidrick, and I met on February 11 to discuss the high and low cases for Africa (Regions 1 and 3 of the global model).

High Case

Region 1: The growth rate of GDP over the 1985-90 period could be higher (say 3-1/2 to 4 percent), reflecting the effects of improved policies. The import elasticity for the 1985-90 period could be lower, say around 0.9 (it is only 0.5 percent 1980-85).

Region 3: Similarly, Region 3's growth rate should also be higher in the later period, also reflecting improved policies. However, this may be more difficult to achieve because of foreign exchange constraints; Region 1 benefits from the reallocation of aid towards low income countries in the high case, whereas Region 3 does not. Since import elasticities are already low, it may not be possible to increase the growth rate in Region 3 any further.

The oil service ratio for Region 1 exceeds 50 percent by 1990 in the high case. This seems to reflect excessive energy import growth.

Low Case

The low case growth rates for Region 3 appear to be too close to the high case ones (2.8 percent 1980-90 compared with 3.1 percent in the high case). Perhaps the low case growth rate should be reduced to something nearer the Region 1 levels (i.e., 1.9 percent). In general, the two regions should not behave too differently, reflecting their broadly similar internal conditions.

The import elasticity for Region 1 increases substantially in 1985-90 (from -1.2 in the early 80s to 1.4). This could be explained as a restocking, but should be smoothed out if possible.

cc: Messrs. Cassen, Shilling, Tidrick,
Mrs. Hughes
WDR Core Group

RL/jf

DPA world Dev.
Report

WDR Core Team

February 10, 1981

Thomas M. Klein, EPDED *TK*
(through Mr. Nicholas Hope)
"Box Note" for WDR

Attached, as requested, is a "Box Note" on variable
interest rate debt.

Attachment

cc: Mrs. H. Hughes, Director, EPDDR
Mr. J. Baneth, EPDDR
Mr. F. Colaço, EPDIT
Mr. R. Chander, EPDDR
Mr. J. Saxe, EPDDR

TKlein:aw

D R A F T
TKlein:gm
February 9, 1981

"Box Note" for WDR-IV: Variable Interest Rate Debt

1. During the 1970's developing countries were able to secure substantial loans from commercial banks. In recent years, the bulk of these credits were at variable interest rates, and they have been concentrated on a limited number of developing countries: As of December 31, 1979, 33 countries accounted for 95% of all long-term debt (i.e., debt with a maturity of more than one year) to financial markets. Long-term variable interest rate (VIR) debt for these 33 countries amounted to \$111 billion, or 39% of their total long-term debt. Including identified short-term debts to banks, total VIR debt was around \$180 billion at end-1979.
2. Loans from financial markets have been advantageous to developing countries. They are much more quickly negotiated than official aid; and, being rapidly disbursed, they give a borrowing country flexibility in financing its public sector expenditures and in managing its balance of payments. However, VIR debt has posed a new problem for debt management. The characteristic of VIR debt is that interest charges are computed by adding some agreed-upon margin to a base rate, most frequently the 6-month London Inter-bank Deposit Rate (LIBOR). Since interest charges rise and fall with money market rates, a prolonged period of rapidly rising interest rates, such as has occurred over the past four years, can create unexpected debt management problems. For every percentage point increase in the base rate, interest obligations on the end-1979 stock of VIR debt for the 33 major borrowers will rise by \$1.8 billion.

3. The 6-month LIBOR, the chief VIR base rate, has been extremely volatile during the past eight years. However, while it has followed dollar-denominated prices, the 6-month LIBOR has generally been below price increases (see chart). This has resulted in a significant resource transfer from lenders to borrowers. However, in 1979-80, there was a positive real rate of interest. Some observers predict that money-market rates will continue to keep pace with inflation rates. If so, the "inflation windfall" which has served to ease the burden of VIR debt in the 1970's will have come to an end.

4. Of course, increases in money-market rates that result in an increase in interest charges also raise interest earnings on official foreign exchange reserves and other foreign assets. The known external assets of the 33 major borrowers on floating rate deposit -- official reserves and foreign assets of commercial banks -- totalled \$115.6 million at the end of 1979, equal to about two-thirds of total VIR debt. For a few non-oil countries, such as Spain and Colombia, VIR assets actually exceeded VIR liabilities, making these countries net beneficiaries of increases in money-market rates. For Argentina and some other semi-industrial countries, VIR debt did not exceed VIR assets by a significant amount.

5. There remain, however, major borrowers with VIR debt substantially in excess of VIR assets. At the end of 1979, Brazil had \$10 billion of VIR assets and \$39 billion of VIR debt, and during 1980 the gap widened. Korea had \$5.6 billion of VIR assets and \$9.9 billion of VIR debt. Turkey, Chile, Ivory Coast, Morocco and the Philippines likewise had significant net exposures with respect to VIR debt. For these and other countries in similar circumstances, the rise of short-term interest rates of the past few years has created difficulties for the management of external debt.

Variable interest debt position, end-1979
(billions of dollars)

	Total Variable Interest Debt <u>/a</u>	Monetary System Foreign Exchange Assets <u>/b</u>
33 Major borrowers from financial markets	181.3	115.6
Oil exporting countries	69.7	37.6
Oil importing countries:	111.6	78.0
1. Semi-industrial countries	<u>92.9</u>	<u>65.3</u>
Argentina	9.6	8.9
Brazil	39.0	10.2
Chile	4.1	2.2
Korea	9.9	5.6
Spain	11.5	23.3
Turkey	4.2	1.0
All other	14.6	14.1
2. Other countries	<u>18.7</u>	<u>12.7</u>
Colombia	2.8	3.8
Ivory Coast	1.5	.2
Morocco	2.4	.8
Philippines	5.4	3.7
All other	6.6	4.2

/a Long-term debt plus short-term debt to "Group of Ten" country banks, as reported to the B.I.S., adjusted to an original maturity basis.

/b Foreign exchange reserves plus commercial bank foreign assets, as published in International Financial Statistics.

INFLATION AND INTEREST RATES

20
%

15

10

5

U.S. GDP
DEFLATOR

6-Month
LIBOR

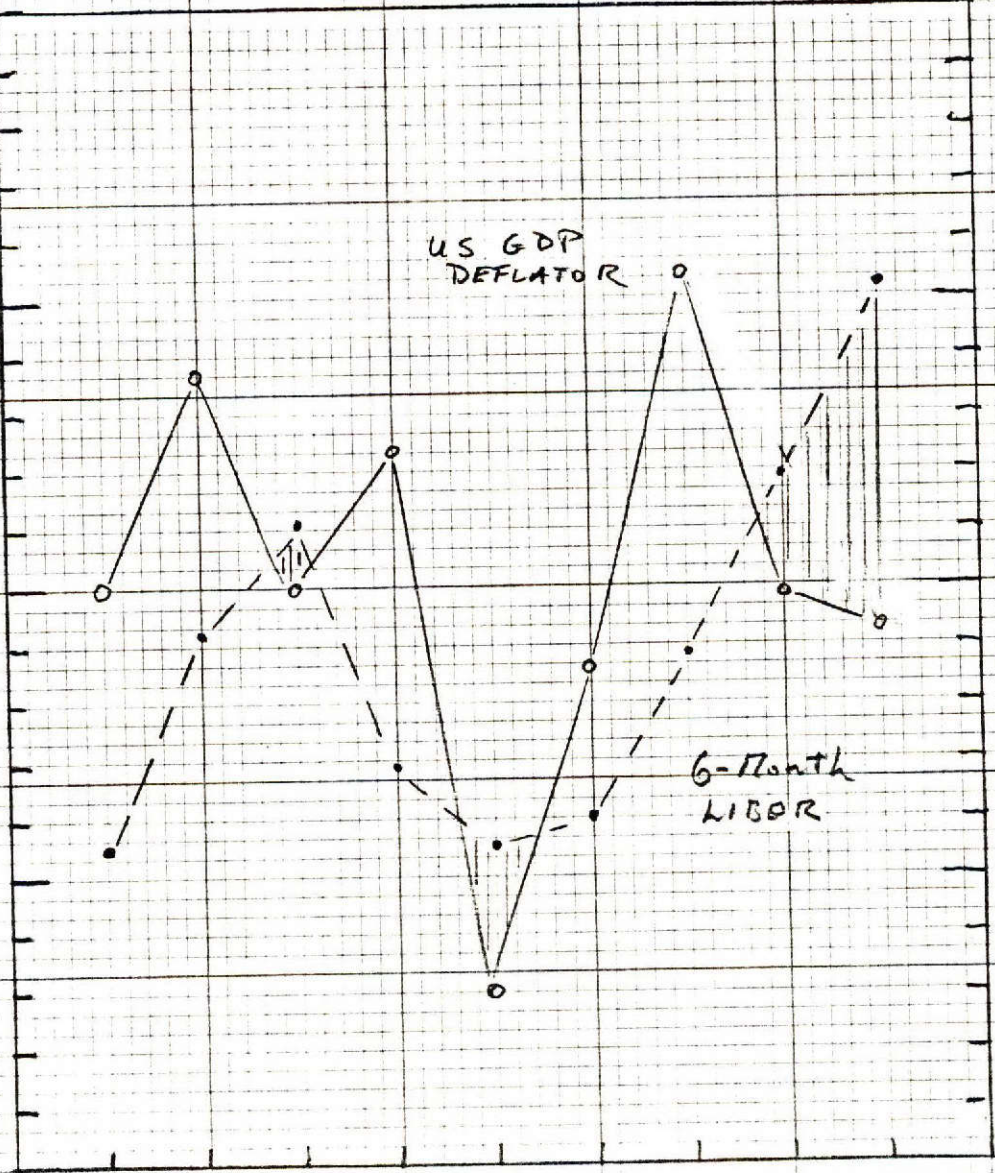
1972

1974

1976

1978

1980



OFFICE MEMORANDUM

TO: WDR Files

DATE: February 2, 1981

FROM: R.H. Cassen and H. Hughes *W*SUBJECT: General Assumptions Underlying the
Low and High Case Scenarios

1. The High Case scenario is based on the assumption that long-term development trends evolving from the 1950s through the 1960s and 1970s are likely to continue, but with some adjustments to reflect a modest optimism on some features (e.g. allocation of aid in favor of low income countries, etc.) and other adjustments reflecting very probable alterations in the direction of certain trends (e.g. commercial borrowing in some countries). Performance parameters (especially savings and investment rates, and import to GDP growth ratios) are expected to improve, particularly in those developing countries where there is considerable room for improvement. Performance will differ among countries and regions. Macroeconomic (and critical microeconomic) policies will also improve in industrial countries in this Case.
2. The High Case also reflects (particularly for the short period 1980-85) the country economists' views of what is likely for each country. In the global model, their perceptions are corrected for global capital and trade flow consistency. The iteration between the country and regional runs is designed to refine both.
3. The Low Case scenario assumes that growth, trade and capital flows will be lower than in the High Case, the industrial countries in particular being unable to master their macroeconomic difficulties and achieve the High Case rates of growth. LDC exports to OECD North will be lower both because of the lower OECD growth rate and because of a degree of protectionism affecting LDC manufactures exports in particular. Performance parameters in the Low Case may not reflect the 'optimism' of the High Case, but should not be significantly worse than those of the High Case and in particular no worse than those prevailing in the 1970's. Capital flows will decline, aid/GNP ratios being lower than the High Case; and no reallocation of aid to low income countries is assumed.
4. Probable 1980's global development outcome is thought by the Core Group to lie between these cases, with some countries and regions doing better and some worse. How optimistic/pessimistic and "realistic" the two scenarios look depends on the point of view of the spectator. To avoid such subjectivity, the "high" scenario has been estimated from long-run historical trends as far as possible, apart from the features referred to in paragraph 1. Estimation is of course better and more meaningful for countries than for the regions. The low scenario has subsequently been developed to reflect the assumptions of a worse international environment and the absence of the High case's modest optimism on performance.

5. A "substantially improved" policies scenario (the "High Case" of WDRs 1978 and 1979) has not been constructed this year. It would presuppose, for example, exports-of-manufactures growth of 18-20 percent a year, substantial changes in politics and policy in Africa South of the Sahara and in South Asia, etc. Such an outcome seems unlikely (except for a few countries) and would thus be cumbersome to handle in the text even if it could be constructed quickly enough to be useful. We suggest, however, that some such scenario be discussed with or without a further modelling exercise for, say, Africa South of the Sahara.

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