

IV. Progress in Follow-up Activities

(i) General

30. The good grain harvests of 1976 together with the favourable results in many countries for 1977 cereal harvests mean that for the next season or so the world probably has the assurance of adequate cereal supplies owing to the large carry-over stocks from 1976 harvests and the even larger carry-over stocks, particularly of coarse grains, obtained from 1977 harvests. Nevertheless, 1977 wheat output in some developing countries in Latin America and Africa was reduced below the previous year's levels. Furthermore, although wheat and coarse grain prices fell sharply during the 1976-77 crop year, thereby reducing the cost of imported grains for developing countries, the decline in prices, although followed by a recovery in 1977-78, had serious implications for world grain production and supplies in the longer-term since it pointed sooner or later to the probability of a fairly sharp reduction in cereal plantings by the major exporting countries. Indeed acreage set-aside provisions for wheat and coarse grains were introduced in the United States for the 1977-78 season in order to reduce total cereal output.

31. In relation to the proposals of the World Food Conference of 1974, the situation as at mid- 1978 can be summarised as follows on the credit side:

1. World food production has increased sharply, although more as a consequence of favourable weather conditions than in response to policy measures.
2. The International Fund for Agricultural Development (IFAD) formally became operational in December, 1977, and its first projects were approved in April 1978.
3. Food aid has gradually been increased, and commitments of cereals for 1977-78 are estimated at 9.3 million tonnes (as against actual shipments of 8.9 million tonnes in 1976-77).
4. There is increasing concern about and emphasis on the food problem in the international fora.
5. There have been a number of positive beginnings in various separate areas of the food problem, especially as regards poverty-oriented rural development.

32. Unfortunately, the lack of progress in many areas seems to outweigh these modest gains, and opportunities have been missed:

1. Progress towards the establishment of a grains reserve in the present negotiations on a new arrangement to replace the International Wheat Agreement of 1971 is very slow. There is uncertainty as to whether a new arrangement would include coarse grains, and there appears to be a wide divergence on the desirable size of the grain reserve.

2. The 500,000 tonnes international emergency grain reserve has not yet been fully established; contributions available for disbursement in 1978 are likely to be 250,000 tonnes.
3. Significant forward planning in food aid has not yet been introduced. Total food aid has not yet reached the 10 million tonnes minimum annual target.
4. Effective measures to improve nutrition or reduce malnutrition have scarcely begun to be undertaken.
5. Food production in the poorest and MSA developing countries remains in its discouraging growth pattern, and per caput production continues to decline.
6. Despite the establishment of IFAD the flow of external resources for food production continues to rise only very slowly in real terms.
7. The liberalisation of international trade in favour of developing countries is making little progress.

(ii) Developments in the World Food Council (WFC)

33. There is no clear way to assess the impact of the World Food Council on international food policy decisions; at its first three sessions it devoted much of its efforts to attaining the implementation of measures called for by the World Food Conference in 1974. Although the Council essentially lacks authority to enforce its decisions on national governments it has, as the most important body in the field of international food policy, considerable stature. Furthermore, if at each of its annual meetings it continues to lay emphasis on measures called for at earlier Sessions or indeed by the World Food Conference itself, there is a real possibility that individual governments may eventually respond to its calls. Another important aspect of the meetings of the World Food Council is that they are attended by Ministers, rather than officials, and its meetings therefore give Ministers opportunities to make important public statements about the food policies being pursued by their countries.

34. The main feature of the Third meeting of the World Food Council, held in June 1977, was the adoption of an integrated programme to eradicate hunger and malnutrition in the world. A real consensus was attained on a broad programme of action embodying a co-operative relationship between three groups, viz. the developing countries, international agencies and the developed countries. The Council's discussion of world food problems was essentially under five headings, viz:-

- (a) The need to increase food production in developing countries;
- (b) An international system of food security;
- (c) Food aid;

- (d) Policies and programmes to improve nutrition;
- (e) Food trade.

35. It is pertinent to note the most significant developments in the last couple of years in the context of these five headings laid down by the Council at its Third Meeting in June 1977.

A. Increasing food production in developing countries

36. The most pressing problem in this sphere is the need to increase output in the Food Priority Countries (FPCs).¹ Most FPCs are MSA countries as well, and for most purposes of statistical analysis the FPCs may be equated with the MSA countries. Briefly, the food production of FPCs in 1970-76 increased by only 2.1 per cent per annum as against 2.8 per cent for all developing market economies. Worse, their per caput production has declined by 0.4 per cent per year, as against an increase of 0.2 per cent for developing economies. The 1977 Council meeting recommended that FPCs should initiate or develop measures to increase their food production to a rate of at least 4 per cent per year. To this end it was recommended that countries should determine their internal and external investment requirements and overcome constraints to achieving this. Furthermore, the Council recommended that the international community should as soon as possible increase the level of its external financing for food production in developing countries to some \$8.3 billion a year (in 1975 values), the figure set by the World Food Conference in 1974, of which \$6.5 billion should be made available on a concessional basis.

37. What in fact has happened recently as regards external resource flows? On the OECD narrow definition² preliminary data show that the flow of external resources to food production in developing countries in 1976 rose from \$3.7 billion to \$3.9 billion. This is less than half the sum of \$8.3 billion (in 1975 values) called for by the World Food Council in 1974.

¹ The criteria for the identification of the FPCs are listed in footnote 1 on page 10; the FPCs are listed in Annex III.

² The narrow definition of assistance to food and agriculture includes activities directly contributing to the development of agricultural production such as crop and livestock development, fisheries, forestry, irrigation and land development, supply of fertilizers and other inputs, agricultural services and storage. The broad definition also includes agro-industries, rural infrastructure, construction of plants for fertilizers and other inputs, and projects for rural, regional and river basin development. The narrow definition comes closer to the components incorporated in the estimates of requirements calculated by FAO for the World Food Conference.

Indeed in real terms, the increase was marginal.¹ Furthermore, there was decline in commitments to agriculture in 1976, reflecting difficulties in rapidly expanding projects to agriculture and inadequate concessional funds. Another feature of recent years has been the deterioration in the terms of external lending; the average grant element declined from 63 per cent in 1973 to 45 per cent in 1975, but may have recovered to about half in 1976.

38. The Third Meeting of the World Food Council, recognising the absolute necessity for the amount of concessional finance for food production to be raised very significantly, recommended that all countries should (i) ratify the IFAD agreement as soon as possible, (ii) should make the Fifth Replenishment of the International Development Association (IDA) effective, and (iii) should make possible a steady and significant growth in real resources provided to the United Nations Development Programme (UNDP) for food and agriculture. The fact that IFAD has become operational in early 1978, and that a Fifth Replenishment of the IDA has in fact been agreed give grounds for hope that there may be no decline (in real terms) in commitments to food and agriculture in the next year or two, but in themselves seem unlikely to produce the needed increase in concessional financing.

39. A document presented to the Council noted that attempts to develop food production plans for Food Priority Countries had been started by the Consultative Group for Food Production and Investment (CGFPI) in 1976. Indeed the formulation of investment strategies in national food plans for increasing domestic food production was seen as a major priority for future CGFPI activities. The CGFPI was now assisting a number of developing countries formulate food plans. The CGFPI had also been asked to identify developing countries with a potential for rapid expansion of food production. A preliminary study indicated that in all parts of the world food production is only a small part of potential output, and that the largest concentration of agricultural development potential exists in Africa, with 30 per cent of the world's potentially most productive land, considered either in terms of low development costs and/or high potential yields. The second largest area for expansion is Asia, with 25 per cent of the world's potential, and the third is Latin America, with 20 per cent of the world's potential. The food plans produced by four developing countries in collaboration with the CGFPI have the potential to become the basis for important increases in food production in the countries concerned. However, the decision in December 1977 to discontinue the CGFPI means that work on plans for other developing countries will inevitably be slowed down despite an undertaking by the three co-sponsors of CGFPI - FAO, UNDP and the World Bank - that they will consider the possibility of providing assistance to other governments wishing to establish food and nutrition plans (See paragraph 72 on the role of CGFPI).

40. To sum up, despite the renewed emphasis placed by the World Food Council on the need to increase food production in developing countries and the useful initiatives being taken by a number of governments and international institutions, it seems unlikely in the present state of the world economy that the additional external resources needed to finance the increased food output will be forthcoming either in volume or on sufficiently concessional terms.

¹ A tentative estimate presented by the World Food Council at its Fourth Meeting suggests that external assistance commitments to both food and agriculture increased during 1977, fairly significantly in current prices, but not very appreciably in real terms (see also paragraph 143 (h)).

B. An international system of food security

41. The large accumulation of world grain stocks from the good 1976-77 harvest, together with the prospects of further large crops in many countries in 1977-78, afforded the Council an opportunity for a meaningful international discussion at its Third Meeting of the possibility of establishing an international grain reserve within the context of a new International (Grains) Arrangement. No binding decisions were taken in this discussion, but the exchange of views and changes in the attitudes of some countries suggested that if negotiations were to take place in the course of the next year there was a reasonable possibility that a new International Arrangement incorporating provisions for a world grain reserve might emerge. Documents before the Council laid special emphasis on the unique opportunity to create a grain reserve and of the dangers of not creating a reserve. It was recommended that countries holding grain stocks should convert a portion of these into national reserves while intensified efforts should be made to establish an international system of nationally held reserves as part of a new International Arrangement.

42. In February-March 1978 a U. N. Conference took place to negotiate a new International Arrangement to replace the International Wheat Agreement of 1971. It did not prove possible in the time available to reach agreement on an arrangement, but when the Conference adjourned on 23rd March it was decided that an Interim Committee would continue efforts to prepare a draft text and that the full Conference would be reconvened by September 1978. In the course of the negotiations the main areas of agreement and disagreement emerged. In the context of food security the main issues requiring further clarification appeared to be items (ii) and (iv) of paragraph 44 (below), namely the overall size of the reserve stock, and the assistance to be given to developing countries to enable them to undertake reserve stock obligations.

43. The main areas of broad consensus were as follows:

- (i) The new agreement should include a Trade Convention, as well as a Food Aid Convention.
- (ii) The Food Aid Convention should ensure the supply for food aid to developing countries of not less than 10 million tonnes annually of wheat and other grains suitable for human consumption.
- (iii) The objectives of the Wheat Trade Convention should include:
 - (a) to assure supplies to importing members and markets to exporting members, especially developing countries;
 - (b) to contribute to the stability of the international wheat market;
 - (c) to contribute to world food security, especially safeguarding the interests of developing countries;
 - (d) to moderate wheat price fluctuations;
 - (e) to promote the expansion of international trade; and
 - (f) to encourage greater international co-operation.

- (iv) The above objectives should be achieved through an international stock policy based upon the co-ordinated management of national reserve stocks, and measures taken to reduce excessive price fluctuations.
- (v) Member countries should undertake joint agreed reserve stock actions at specified price triggers, and, if necessary, should take appropriate additional measures.
- (vi) Reserve stock actions and consultations should be undertaken according to the movements of a wheat price indicator.
- (vii) A price range or indicative price range should allow the effective operation of the Convention, and should aim to protect both consumers and producers from excessive price movements.

44. The main areas of disagreement were:

- (i) The nature and definition of the price range had yet to be agreed. The question to be resolved was whether prices should provide only trigger points for the release or accumulation of stocks and for special consultations as the basic tools of stabilisation, or whether there should also be mandatory purchase and supply obligations on members. By and large exporters favoured the first course, while importers took the view that if they were to undertake commitments to hold reserves, they should in return be assured of supplies at agreed maximum prices. Exporters, however, felt that the introduction of "safeguard" maximum and minimum prices would result in a rigid agreement which would break down in times of extreme shortages and surpluses.
- (ii) Despite agreement in principle that the overall size of the reserve should be such as to achieve the objectives of the Convention without unduly depressing prices there was no consensus on its actual size. A figure of 30 million tonnes for the wheat reserve was suggested on the basis of past production fluctuations, but on the basis of variations in trade a range of only 12-15 million tonnes was indicated.
- (iii) There was no agreement on the coverage of a new Arrangement. Broadly, exporters wished to limit the economic provisions to wheat, while major importers of coarse grains insisted that the agreement should include provisions for reserve stocks and minimum and maximum prices for coarse grains.
- (iv) There was no agreement on how to provide assistance to developing countries to enable them to undertake reserve stock obligations. Developing countries had proposed the establishment of a fund based on levies on wheat exports of members, along the lines of similar provisions in the International Sugar Agreement, but the matter had not been discussed.

45. An important development in the 1977 meeting of the WFC with implications for food security was the decision to hold consultations with the major rice importing and exporting countries and with specialist international organisations to assess the interest in and possibility of proceeding to negotiations for an international rice agreement. Such an agreement would include provisions for stabilising world markets, increasing production in developing countries and expanding trade. The results of the consultations so far suggest some interest in an international rice agreement.

C. Food aid

46. The relatively low levels of food aid in recent years have been noted earlier in paragraphs 16-19. The WFC's 1977 recommendations as regards increasing and improving food aid did not in essence differ from those of its Second Session in June 1976. Briefly they called for (i) a minimum level of 10 million tonnes of cereals for food aid in 1977-78, and the forward planning of food aid supplies; (ii) donor countries should increase the concessionality or grant element in food aid; (iii) a Food Aid Convention with provision for larger amounts of food to move through the World Food Programme ¹ should be negotiated as an element of a new International (Grains) Arrangement to be concluded by June 1978; (iv) the Committee on Food Aid Policies and Programmes ² should intensify its efforts to develop and implement an improved policy framework for food aid, conducive to more food aid being provided multilaterally.

47. In discussion in the Council certain donor countries gave somewhat more binding pledges than hitherto on food aid while some also indicated they were reviewing ways whereby their food aid could make a greater contribution to development, especially in the poorest nations. The statement of the United States that it would try to maintain its total of food aid even in years of tight supply could be construed as a form of forward planning; otherwise forward planning of food aid does not seem to have advanced significantly since a proposal made by the European Commission in September 1976 for a three-year indicative food programme had to be withdrawn owing to opposition from some Member States. It was widely agreed that a larger proportion of food aid should be channelled through the World Food Programme, that the element of concessionality should be increased and that food aid to the least developed countries should essentially be on a grant basis.

48. Against this background it may be noted that recent estimates for 1977-78 commitments of food aid in cereals amount to 9.3 million tonnes, thus approaching the minimum target of 10.0 million tonnes. As regards the World Food Programme, for which resources averaged only \$100 million a year up to 1974, or 10 per cent of food aid, there has been some improvement

¹ The World Food Programme (WFP), which commenced operations in 1963, is the joint UN/FAO agency for the multilateral use of food for development capital and to meet emergency nutritional requirements.

² The Committee on Food Aid Policies and Programmes (CFA) was charged by the World Food Conference of 1974 with the task of helping evolve and co-ordinate short and long-term food aid policies. It was re-constituted from the earlier Intergovernmental Committee of the World Food Programme.

in pledged resources, although the most recent level of pledges has been somewhat disappointing. For the 1975-76 biennium \$674 million was pledged, representing an annual average of \$337 million, while for the 1977-78 biennium, for which a target of \$750 million was set, \$716 million had been pledged up to the end of April 1978. A pledging target for the 1979-80 biennium of \$950 million has been proposed, but there must be some doubt as to whether such an ambitious target will be met since up to April 1978 only \$690 million had been pledged.

49. Under the Food Aid Convention (FAC) an annual amount of cereals of 4,226,000 tonnes has been available for distribution to developing countries since 1971. A certain proportion of this aid is distributed through the WFP, but the greater part of it is distributed on a bilateral basis. Until March 1978 the WFP could not rely upon the availability of cereals under the Food Aid Convention after its expiry date of 30th June 1978. Nevertheless although it has proved impossible to implement a substantive new International (Grains) Arrangement by July 1978 the provisions of the Food Aid Convention have been extended to the end of June 1979, thus assuring cereal supplies for 1978-79 of 4.2 million tonnes. However, had the proposed new FAC come into effect in July 1978, presumably 10.0 million tonnes of cereals - more than double that provided under the existing FAC - would have been made available for 1978-79. Since aid under the current FAC is less than half of total world food aid, it may be assumed that total world food aid when the new FAC is adopted will probably be somewhat in excess of 10 million tonnes.

D. Nutrition

50. The effects of malnutrition are appallingly serious and widespread. In 1974 the number of undernourished people in the world was estimated at 470 million, one-quarter of the population of the developing world. Up to one-third of all children born alive die from malnutrition before they are five. Many of those remaining are subject to irreversible mental retardation as a consequence of poor nutrition, while others suffer the consequences of specific dietary deficiencies. About 100,000 children go blind yearly as a consequence of severe Vitamin A deficiency. Some 200 million people suffer from endemic goitre caused by iodine deficiency, while nutritional anaemia arising from iron deficiency is very common.

51. It is no wonder, therefore, that World Food Conference Resolution V called for a large number of measures to be taken in the field of nutrition. However, although the subject has subsequently been discussed by the various bodies which touch upon its many aspects, it is difficult to discern any significant progress in this area. The recommendations of the Third Session of the World Council fell broadly into four groups: (i) that all governments should give high priority to improving nutrition, being assisted by the supporting international agencies; (ii) that these agencies should develop their capacity to assist populations, and should evaluate their experience in nutrition intervention programmes; (iii) that FAO should formulate programmes for international co-operation; and (iv) that donors should incorporate nutritional considerations in their aid programmes.

52. There are a large number of facets to nutrition that prevent it having a simple relationship with food policy, since scientific, medical and socio-economic conditions all have a bearing upon it. Furthermore it is very difficult indeed to measure progress in the field of nutrition in a quantitative form. Lastly, there are such a large number of international and national agencies concerned with nutrition that their co-ordination becomes a formidable task. The World Food Council has assigned to its Bureau the task of

co-ordinating and accelerating the activities of those agencies responsible for nutritional problems, but it is far from clear that many of these activities should be the concern of WFC; some may more appropriately be the concern of other bodies, such as the WHO. Indeed, it may be questioned whether, with its limited resources, the WFC should concern itself very deeply with nutritional matters, since FAO itself already has an important role in assisting governments to deal with nutrition.

53. As well as the practical difficulties alluded to in the preceding paragraph, it may well be that the WFC will be unable to undertake much work in the sphere of nutrition since it may not be possible for governments of developing countries, which face many difficulties in devising comprehensive programmes, to take the kind of measures that might be suggested by the WFC. Firstly, malnutrition is related to poverty so closely that in general the raising of nutritional levels requires economic development in order that the malnourished may have the purchasing power to acquire food of adequate quality in adequate quantity. Secondly, the complexity of the problem requires an interdisciplinary approach entailing complex problems of organisation that may be beyond the ability or resources of many developing countries. A difficult choice may have to be made between using limited resources to develop nutritional programmes or to increase food production. Lastly, part of the reason why few governments have set nutritional targets may be that their attainment might require a redirection of both social and economic development efforts and could entail basic structural reforms such as land reform which some governments may be reluctant to face. For these reasons effective progress in the establishment of national or international nutrition programmes may be very small in the next few years.

54. A further serious constraint is likely to be finance at both the national and international levels. To make a real impact on malnutrition would probably require the provision of substantially larger resources both for nutrition planning and for enlarging food assistance programmes. These resources may not be available in the near future, and therefore the major accent should perhaps be on increasing the recent co-operation between UN agencies such as FAO and national governments, rather than laying a large nutritional programme upon the WFC.

55. Despite these formidable difficulties, the effects of malnutrition are so serious and widespread that the international community must continue to try to alleviate the condition of the malnourished to the greatest extent possible. Although the Sub-Committee on Food Nutrition (SCN) of the World Food Council does not yet feel itself in a position to indicate nutritional priorities for countries or agencies or to suggest which actions would have the greatest potential nutritional impact (partly because of divergences of opinion among nutritionalists), it may well be that national and international resources should be concentrated on a narrow front to make a determined attack upon a limited number of urgent nutritional issues. For example, the suggestion of the World Health Organisation (WHO) for a special international effort to eradicate endemic goitre and Vitamin A deficiency within a decade might be adopted as one priority objective, while meeting the special nutritional requirements of pregnant and nursing mothers and pre-school children - at least in the LDCs and MSA countries - could be another.

E. Food trade

56. Resolution XIX of the 1974 World Food Conference had given special attention to (i) an expansion and liberalisation of food trade; (ii) a greater stability in world food markets; and (iii) international agricultural adjustment. While documentation presented to the 1977 meeting of the WFC indicated that very little progress had been made in the MTN regarding the food and agricultural trade of developing countries, the analysis prepared for the 1978 meeting struck a more hopeful note. In the MTN some progress had been made in the tropical products sector, partly under the Generalised Scheme of Preferences (GSP), and further improvements may be expected this year. The Stabex scheme has provided some buffer to the ACP states against the worst effects of fluctuations in the value of their exports of selected agricultural exports, and was extended to 7 additional agricultural products in April 1977. In UNCTAD a new International Sugar Agreement with substantive economic provisions has been negotiated, while the eventual successful conclusion of the current negotiations for a new International Grains Arrangement would represent a major step forward in improving conditions in the world food trade. However, it is perhaps disappointing that UNCTAD IV decided to exclude food grains and rice from the Integrated Programme for Commodities, while progress in establishing the Common Fund and individual commodity agreements has been very slow indeed.

57. Overall the priority for food in all international trade negotiations remains comparatively low. Discussions on agricultural adjustment so that increased food output in developing countries would be accompanied by changes in developed countries' food production and trade policies have really made no progress. Two recommendations made by the 1977 meeting of the World Food Council (WFC) have passed virtually unheeded. These were that (i) all countries, especially developed ones, should aim to stabilise, liberalise and expand world food trade, thereby facilitating increased food production in developing countries, stimulating their agricultural exports, and improving and stabilising their access to food imports; and (ii) negotiation of UNCTAD's IPC should be speedily concluded, with particular reference to foodstuffs, and the current MTN negotiations should provide developing countries with increased access to developed country food and agricultural markets.

58. There can be no doubt that the adoption of liberalised food trade policies by the developed countries would enhance the export earnings of developing countries, allowing them to import more agricultural requisites such as tractors, fertilizers and pesticides. If liberalisation of those important food imports from developing countries subject to fairly severe import restrictions had resulted in an increase of export values from developing countries of 10 per cent over actual 1975 values, this would have resulted in an addition to their export earnings of some \$1.8 billion, a useful sum when contrasted with the value of developing countries' grain imports in 1975 of \$10.6 billion.

59. In practice the obstacles to imports by developed countries of agricultural products from both developed and developing countries seem almost insuperable in many cases. The United States, for example, in addition to imposing specific duties on oilseeds, oils, grains and meat, also regulates imports of some of these items, such as groundnuts, wheat and wheat products and meat, by means of import quotas. The European Community's

Common Agricultural Policy is not "a matter for negotiation" in the current round of MTN discussions, and although the Community has at times been ready to increase the degree of access for certain preferred suppliers (e.g. the ACP countries) at the expense of third countries, it has not in general been prepared to permit increased imports from outside sources at the expense of domestic suppliers. Thus the Community, the world's largest food importer, and therefore in theory at least in a position to absorb substantial food imports from developing countries, is inhibited in practice by the operation of the Common Agricultural Policy from increasing to any significant degree imports from developing countries of the foodstuffs in which it is largely or wholly self-sufficient, even if they could be obtained more cheaply this way.

60. The Community's sugar regime illustrates the extent to which a price commitment to domestic producers far in excess of world prices, together with the operation of import levies, serves to exclude the import of virtually all sugar from developing countries apart from the guaranteed quantities bought from the ACP countries under the Sugar Protocol of the Lome Convention. Measures to discourage Community sugar production, either by¹ reducing the size of sugar quotas or by letting the price of sugar fall relative to other CAP products, could improve the access of developing countries to the Community market, thereby increasing their food export earnings; in addition they would reduce the volume of the Community's subsidised sugar exports to third countries. There is, however, no likelihood of the Community implementing stringent measures such as these.

1. A fall in the relative price of sugar could, however, have adverse effects on the export earnings of the Lome countries.

(iii) The Provision of External Financial Resources

61. The marginal rise, in real terms, in the commitment of external financial resources to food production in developing countries in 1976 has already been alluded to in paragraph 37. It is estimated that in 1977 there was again only a very modest increase in real resource flows; until there is a sustained economic recovery in the industrialised countries the possibilities of a significant increase, in real terms, in the volume of external financial resources must be rated poor, although the annual sums provided are likely to be increased to take some account of inflation.

62. The following table summarises the value of development assistance commitments for agriculture (on the broad OECD definition) in recent years. The data for 1976 are provisional, and those for 1977 estimated.¹

Table E - Development Assistance Commitments for Agriculture (broad OECD definition)

	(\$ million)				
	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
<u>Bilateral</u>					
DAC countries	968.8	1,607.1	1,646.2	1,600.0 e	..
OPEC countries	<u>36.4</u>	<u>313.5</u>	<u>830.3</u>	<u>400.0 e</u>	..
Total bilateral	<u>1,005.2</u>	<u>1,920.6</u>	<u>2,476.5</u>	<u>2,000.0 e</u>	..
<u>Multilateral</u>					
AfDB	11.0	39.4	44.8	24.3	..
AFESD	-	40.5	-	54.7	..
ADB	74.3	134.0	245.9	200.9	..
BADEA	-	-	12.7	29.4	..
CGIAR	25.7	31.7	43.7	58.8	..
EEC	101.2	143.6	62.7	150.7	..
IDB	183.4	235.6	337.2	427.9	..
UNDP/FAO	73.6	73.6	111.2	109.1	..
World Bank	1,084.6	1,612.3	2,223.8	1,807.3	..
WFP	<u>64.7</u>	<u>231.3</u>	<u>217.7</u>	<u>310.7</u>	..
Total multilateral	<u>1,618.5</u>	<u>2,542.0</u>	<u>3,299.7</u>	<u>3,173.8</u>	..
Grand Total	<u>2,623.7</u>	<u>4,462.6</u>	<u>5,776.2</u>	<u>5,200.0 e</u>	<u>6,000 e</u>
of which technical assistance	381.2	478.5	535.5		
(\$ billion)					
<u>Grand Total in constant 1975 prices</u>	<u>3.6r</u>	<u>5.1</u>	<u>5.8</u>	<u>5.1</u>	<u>5.5e</u>

e Partial estimate. r Revised.

Source: CGFPI.

¹ See also paragraph 143(h).

63. The total volume of both bilateral and multilateral assistance to agriculture declined in 1976. The fall in bilateral assistance was, however, the greater, largely because of the significant reduction in OPEC assistance. There may, however, have been a shift in OPEC lending through multilateral agencies. The overall reduction in multilateral assistance reflected the sharp drop in commitments by the World Bank and the IDA, these being only partly offset by the higher agricultural commitments of the Inter-American Development Bank (IDB), the EEC and WFP. From the figures in Table E it is clear that development assistance to agriculture declined in real terms during 1976, although it is estimated to have recovered slightly in 1977.

64. In recent years (1973-75) about 90 per cent of the total aid for agriculture has been in the form of capital assistance. In 1975 there was an increasing orientation of aid to countries of Asia and the Far East, which received some \$2.0 billion of capital commitments to agriculture in 1975 as against \$1.22 billion in 1974. On a per caput basis, however, Asia continued to be the smallest recipient of capital commitments. By far the greatest expenditure (at least up to 1974) has been on land and water development (in fact mainly the latter), followed by fertilizer supply. The accompanying table F gives a breakdown of capital assistance by main sub-sectors in 1973-74.

Table F - Break-down of Bilateral and Multilateral Capital Assistance by main Subsectors, 1973-74 (Commitments)
(excluding fertilizer supply)

	1973		1974	
	\$ million	Per cent	\$ million	Per cent
Land and water development	297	19	914	34
Construction of fertilizer plants	71	5	352	13
Agro-industries	137	9	304	11
Integrated rural development	99	6	178	7
Crops; animal husbandry; fisheries	268	17	314	12
Agricultural services; development banks; storage	313	20	215	8
Other	363	23	420	16
Total	1,548	100	2,697	100

Source: OECD DAC Report and Review 1976.

65. Capital assistance has tended to be concentrated on relatively few countries in a region, although it appears efforts to widen assistance are meeting with some success, as are those to give greater assistance towards the lower income countries. Nevertheless, external assistance to agriculture on a per caput basis remains disproportionate between low income countries with the most difficult food problems and other developing countries.

(iv) The World Bank and Food and Agriculture

66. Since the beginning of the present decade there has been a marked change in the emphasis of World Bank investment policies, so that investment in agriculture in developing countries has become the most important single investment function of the Bank. The accompanying table shows overall investment by the Bank and the IDA in agriculture in recent years both in absolute terms and as a proportion of all its lending. The Bank has been the largest single external source of funds for direct investment in agriculture for several years now, and in the fiscal year 1977 agriculture and rural development accounted for 32.7 per cent of its total lending commitments.

Table G - World Bank and IDA Lending to Agriculture

	(Fiscal years, \$ million)					
	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Agriculture	436	938	956	1,858	1,628	2,308
Total lending	2,598	3,408	4,314	5,896	6,632	7,067
<u>Agriculture as a percentage of total</u>	<u>16.8</u>	<u>27.5</u>	<u>22.2</u>	<u>31.5</u>	<u>24.5</u>	<u>32.7</u>

67. The changed Bank philosophy on agricultural development has resulted in: (i) an increased proportion of total lending being directed to agriculture, within which poverty-oriented projects are receiving an increased share; (ii) a rising proportion of lending going to the poorest countries; (iii) a greater number of people benefiting from Bank - supported projects. Nevertheless, it must be recognised that the Bank's lending in this sphere is designated as being for agriculture and rural development, and suggestions have been made that the emphasis on rural development is inconsistent with the urgent need to increase world food production. The Bank's view, however, is that it recognises the high priority that food production merits, and that increasing food output is one of the twin objectives of its rural development policies, the other being the reduction of rural poverty. The Bank has learned in recent years that rural development poses many difficulties. Furthermore, although rural development can, in the right conditions, do much to improve the productivity and income of low-paid rural families, the effects on food production are slow to emerge and difficult to assess. For example, the Bank stated in the annual report for 1977 that although it estimated an increment in annual agricultural production in fiscal year 1977 of 9 million tonnes (over half of which was cereals) from its assistance to projects in 1975-77, many of its latest rural development projects were still in their infancy; only after a lapse of several more years would it be possible to confirm if its early estimates of increased food output resulting from rural development were really near the mark.

68. There can be little doubt that the widening of the Bank's activities in the sphere of agriculture in the present decade to include projects relating to crop storage, marketing, processing, farm credit, and fishing, as well as the deepening of its lending to poorer countries and to the least well-off sectors of the rural population, will, in the longer-run, lead to an increase in food output in the food-deficit countries. Furthermore, the Bank's operations in other spheres such as technical assistance, transportation, and water supply, must generate improvements in conditions in developing countries which will favour increases in the output of both agricultural and food products.

69. As the leading world agency for financing development the Bank has responsibilities in a wide number of developmental activities, and while agriculture is the most important single sector in which it now operates its activities in this area are as much related to rural development as to increasing food production. Many of the Bank's investment functions, e. g. in irrigation, are essential to the expansion of world food output, but, unlike IFAD or the World Food Council, the Bank was not constituted primarily to help increase food output in developing countries. Nevertheless, the Bank's studies of world food problems, the great volume of investment it is directing to food and agriculture, its role as an aid co-ordinator, its co-operation with other agencies and its sponsorship of the CGIAR and the CGFPI are all proof of its close involvement in the problems of increasing world food output. The Bank's recent record suggests that it is aware of and has responded to the new orientations of world development and the problems of world food supply that have arisen this decade.

(v) The International Fund for Agricultural Development (IFAD)

70. IFAD became operational at the end of 1977; its first concessional loans, to Tanzania and Sri Lanka, were approved in April, 1978. The aim of IFAD is to commit its initial capital of \$1,022 million over two or three years on highly concessional terms, so that annual sums of \$0.3 - 0.4 billion for investment in food production in the poorest countries are likely to be committed during 1978-80. These sums will not represent substantial additions to the total flow of external resources flowing into agriculture in developing countries, which in 1975, for example, totalled some \$5.8 billion. However, in relation to the \$1.41 billion capital commitments to agriculture in 1975 to the poorest countries with a per capita GNP of under \$150, the capital put up by IFAD for food production will represent a substantial increment.

71. The critical period in IFAD's existence is likely to come in 1980 or 1981 when its resources will probably need replenishment. Will the necessary replenishments be forthcoming from developed countries and from OPEC? If the OPEC countries find that they are not able to contribute to the replenishment to the extent to which they originally contributed to the Fund, will this lead to a corresponding reduction in resources provided by the developed countries? Will there be the prospect of Soviet contributions to IFAD? Only time can show.

(vi) The Consultative Group on Food Production and Investment in Developing Countries (CGFPI)

72. The Group, set up under the auspices of the World Bank, FAO and UNDP, was set the task of encouraging the flow of external assistance for food

production, of co-ordinating the activities of the various donors and of improving the efficiency of financial and technical aid. The Group held four meetings between July 1975 and September 1977. At its Third Meeting in 1976 it was questioned whether the Group could indeed fulfil the objectives assigned to it by the World Food Conference, and there were suggestions that it might be abolished. The Group had recently concentrated its activities in four specific areas, viz: (i) analysis of the flow of external resources to agriculture in developing countries; (ii) the estimation of developing countries' investment requirements for food production; (iii) the identification of countries with a potential for rapid expansion of food production; and (iv) assisting food deficit countries in the preparation of national investment strategies to increase their food production. Although the Group had made useful studies in all these sectors, it had not proved itself of great value in its primary role of encouraging the flow of external assistance to food production. Accordingly, at the Fourth Meeting of the Group in 1977 it was agreed that its three co-sponsors would evaluate the effectiveness of the Group to generate new investments in food production. The Evaluation Report circulated in January 1978 concluded that the original terms of reference establishing the CGFPI were so wide as to be unattainable, given the small resources of the Group, and that assistance to developing countries wishing to develop investment strategies for food production could be given by other established agencies. The sponsors are therefore now winding up the CGFPI, although they have agreed that they themselves will help governments with the various aspects of food strategies.

V. National Policies

(i) Domestic Food Policies

A. The United States

73. The Food and Agriculture Act of 1977 re-established set-aside programmes for wheat and coarse grains in order to regulate production; it also provided for new target and loan rates to be set. An equally important provision, however, was the intention to establish a substantial wheat and feed grain reserve prior to the beginning of the 1978-79 marketing year.

74. New target and loan rates for 1978 for wheat and coarse grains provided for an enhanced wheat target price (\$ 3.05 per bushel instead of \$ 3.00) should output fall below 49.0 million tonnes.¹ The target rates in 1979-81 for both wheat and coarse grains may be adjusted to reflect changes in production costs. There is also provision for the minimum loan rates for 1978-81 to be reduced if the national average market price falls below 105 per cent of current loan rates; this is intended to keep wheat and coarse grains competitive in domestic and export markets.

75. The 1977 Act authorised set-aside programmes for wheat and coarse grains. For 1978 it was decided to introduce a 20 per cent set-aside for wheat and a 10 per cent set-aside for coarse grains. Participation in the

¹. The target price for wheat was raised to \$3.40 per bushel in May 1978 under the 1978 Emergency Farm Bill.