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International Development Cooperation Agency
and
Agency for International Development's
Comments on the GAO Report, "World
Hunger and Malnutrition Continue: Slow
Progress in Carrying Out World Food
Conference Objectives"

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## INTRODUCTION

The International Development Cooperation Agency (IDCA) and the Agency for International Development (AID) fully support the Comptroller General's conclusion that food production and consumption must be increased in food-poor countries if growing food deficits are to be decreased in a large number of developing countries; however, it is also clear that projected increases in food assistance will not significantly address the magnitude of the problem of hunger and malnutrition in many countries. To compound matters, population growth in many remains high, so that food needs are growing in many of the poorer countries. On the other hand, many middle income and OPEC countries have the foreign exchange resources to compete strongly for food. This combination of forces can only exacerbate the situation for the poorest countries by driving up prices during periods of crop shortages.

We believe the Comptroller General's report could have placed more emphasis on these highly significant and key considerations in the worldwide effort to alleviate hunger and poverty. IDCA/AID are fully aware of the gravity of the problem of world hunger and, with the guidance and support of Congress, have initiated a series of programs to aid those developing countries seeking solutions to problems of food production, poverty, malnutrition, lack of family planning services, and rural underdevelopment. It should not be overlooked that the World Food Conference not only called on the developed countries to implement agricultural policies which encourage an early expansion of food production but also urged the developing countries to bring about progressive agrarian reforms aimed at employment and income generation, at organizing, activating and assisting the rural population to participate in integrated and equitable rural development (see Resolution II).

While the application of optimal technology suggested in the report can often double or even triple existing yields obtained from traditional agriculture in the developing countries, the development and maintenance of the institutional arrangements to achieve such an increase is a long-term and difficult process which taxes the political will and resource capabilities of developing countries. Yet we believe this is a minimum essential task if there is any hope of significantly increasing food production.

Thus, in our view the question of increasing effective food supplies is not simply one of investing more resources to increase production. Among the most difficult problems is how to assure that those most in need will be in a position to enjoy the benefits of higher production, or indeed, obtain an

equitable share of food presently available. Despite rapid overall growth in many developing countries, those most affected by insufficiency of food have become even less well off in terms of their ability to raise or purchase the food required for an adequate diet.

For these reasons, we firmly believe that if the developing countries are to succeed in accelerating the growth of food production and increasing the availability of food to those most in need, it is imperative that a higher priority be given to the objectives in Resolution II of the World Food Conference recommendations for national plans that would include appropriate progressive agrarian reforms and assistance to the rural population for participation in integrated rural development and elimination of exploitative land tenure patterns, credit and marketing systems and which would improve credit and distribution systems. A concerted effort must be made to assure that the overall economic policy framework does not create disincentives, and to the contrary, provides adequate incentives for increased food production. The FAO-sponsored World Conference on Agrarian Reform was a timely, important response to a need for follow-up action to the World Food Conference. Details are set forth below.

Public Policy Initiatives

The United States Government is strongly committed to improving the developmental impact of its assistance programs. This is reflected in AID's Agricultural Development Policy Paper (1978) and most particularly, in the new policy directive entitled, AID Policy on Agricultural Asset Distribution: Land Reform. In summary this policy consists of the following elements:

1. AID is prepared to provide assistance in support of land reforms designed to achieve a more equitable distribution of agricultural assets;

2. In providing such support AID will rely on its field missions and country studies as to: (a) which kinds of reforms warrant AID support, and (b) which types of assistance are most appropriate; and

3. The U. S. Government is prepared to provide food aid to those countries that choose to implement reforms designed to achieve more equitable distribution of agricultural assets, as necessary, to cover potential short-run food production or marketing shortages related to the implementation of land reform.

AID is taking steps to strengthen the analyses of food aid and technical assistance needs and of food and agricultural policies and programs in developing countries. For each recipient country, AID prepares a Country Development Strategy Statment (CDSS) which will inter alia, evaluate country food and agriculture policies and programs and their relationship to its overall development strategy. These CDSS food analyses provide a basis of our PL 480 program requests. They also serve to identify and analyze food policies and programs that may be appropriately addressed through capital, technical and/or PL 480 assistance.

PL 480 provides several mechanisms for financing and otherwise encouraging the desired developmental objectives. The food commodities provided under an annual or multi-year aid agreement are highly valued by recipient governments, and may represent a large share of all food imports. The concessional terms of these commodities also make them attractive. For these reasons, U. S. field missions in some developing countries can engage cooperating governments in discussions of basic policy and program changes. Such discussions necessarily must be based on comprehensive understanding of relevant economic and political conditions and the implications of alternative policies and programs.

In addition to enhancing agricultural development, food aid can also be used to support an IMF agreement, land reform, population planning, and other policies and programs which missions identify as important to an equitable growth strategy. Thus food aid agreements, while serving to meet food deficits, can also provide multi-year support for broader developmental goals through the associated policy measures and local resource contributions.

Multilateral Development Banks

The U. S. Government has a significant input and continuing impact on the policies and programs of the multilateral development banks in the area of agricultural development.

The IBRD and other developmental financing institutions recognize that macroeconomic "successes" very often depend upon the diligence with which developing countries implement their agricultural programs. The regional development banks frequently will require changes in tax codes, pricing policies, regulations, etc., (if such changes are necessary) to ensure the viability of a project. The World Bank goes much further, aiming at "macro" as well as "micro" policy problems. The banks usually require loan convenants to guarantee "micro" changes. The World Bank efforts to effect broad policy reforms are more comprehensive than the loan documentation of individual projects. Through its continuing dialogue of project loans, sector analysis, general macro analyses and technical assistance with each developing country, the Bank attempts to persuade countries to adopt policies that support equitable growth and increased agricultural production.

Although it was not stressed in the Comptroller General's report, it would be a mistake to over-estimate the role of external actors, be they single countries or multilateral agencies. Without the invitation or consent of a host government, little, if anything, can be accomplished through external aid. However, the availability of foreign aid at strategic junctures is perhaps the most effective tool available to donors for influencing policy changes that support increased agricultural production and rural development.

Approaches to Developing Country Public Policy Issues in Raising Food Production in Some International Forums

Conference on International Economic Cooperation

The U. S. Government made an important contribution to the resolutions resulting from the CIEC Conference. The Conference's final text on food and agriculture

contains a series of useful policy statements which served to reinforce resolutions of the 1974 World Food Conference. For example, participating countries agreed that:

> "The realization of the minimum agricultural and food production growth rate in the developing countries of four percent per annum, agreed at the World Food Conference, could be achieved only through the investment of concerted efforts and resources both by developing and developed countries as well as by appropriate international institutions.
>
> "Developing countries confirm their primary responsibility for ensuring the rapid development of their food and agriculture production by according a high priority to food and agriculture within their national development programmes, taking measures for appropriate changes in the socio-economic structures and relations in rural areas, facilitating the development of adequate supporting services for agriculture and providing to the extent possible material and financial resources necessary for the optimal development of food and agricultural production as provided for in the corresponding resolutions of the World Food Conference.
>
> "Developing countries which have not already done so should develop national plans for increasing food production, which would make it possible to determine the internal means and the external resources necessary for the attainment of the objectives."

With respect to the last item, the U. S. has supported efforts by the now defunct Consultative Group on Food Production and Investment and subsequent initiatives by the World Food Council to encourage LDC's to articulate food plans. We have offered, if requested, to provide technical assistance.

It might also be noted that the CIEC text involved an agreement to take into account in assessing requirements for support of food production increases in developing countries, the World Food Council Secretariat estimate that $8.3 billion a year (1975 prices) of external financing would be needed to support a four percent growth rate. Although this level of financing has not been reached, there has been a rapid growth of official resources in support of agriculture.

The WFC Secretariat estimate of requirements is based on an earlier FAO study done for the World Food Conference. In that study it was assumed that the external financing could cover only one-third of the total necessary, while domestic resources would be raised to cover two-thirds. Data is not readily available to determine how much the developing countries are providing. In this connection the WFC Secretariat is making an effort to obtain accurate statistics, so that a better overall assessment can be made. Recent studies by the Federal Republic of Germany and the World Bank do indicate that developing countries are having difficulties in raising the needed local resources to support externally assisted projects and this is an important source of the slowdown in some donors' disbursements.

World Food Council Initiative

The Mexico Declaration of the World Food Council in 1978 called upon developing countries, developed countries and international financing institutions to identify and propose means of overcoming major obstacles to achieving higher rates of growth of food production and to improving nutrition in developing countries. As a consequence of this initiative, regional meetings of developing countries are being held in Asia, Africa and Latin America under the auspices of regional institutions. Similarly the World Bank hosted a meeting of the relevant international financing institutions and the OECD's Development Assistance Committee addressed these issues at a session in early 1979. The U. S. supported the WFC initiative and participated actively in the 1979 DAC donor meeting.

World Conference on Agrarian Reform and Rural Development (WCARRD)

The WCARRD in mid-1979 was another important international meeting dealing with issues related to poverty and hunger at which the U. S. played a major role.

The Conference's Action Program on agrarian reform states that access to land and other natural resources are "the key determinants of rural economic structures, income distribution and general conditions of rural life." It distinguishes between the various kinds of agrarian reform, e.g., land distribution, consolidation of fragmented holdings and security for tenants that are applicable to individual country situations. The Program cites agrarian reform as "critical" to rural development and calls equitable distribution and efficient use of land and water "indispensable" for rural development and increased production for the alleviation of poverty. Although the program includes many other essential aspects of the rural development process, such as education, women in development, and non-farm rural development, the heavy emphasis on agrarian reform as an "indispensable" component was retained in the final document. As such, the WCARRD Program parallels the AID policy directive on land reform by requesting donors to provide assistance on a priority basis to support agrarian reform programs.

The Fifth Session of the World Food Council

The Fifth Session of the World Food Council in September 1979 produced conclusions and recommendations that parallel the current U. S. approach to world food security issues. Supported by U. S. efforts, the Council members recommended national food sector strategies as the most effective method for coordinating all aspects of food security.

* * * * * *

At the bilateral and multilateral level, the United States Government has been strongly supportive and will continue to be in the forefront of international efforts in agricultural development. AID will continue its concerted effort to assist the food deficit developing countries to increase their capacity to expand and distribute their food supplies in order to alleviate hunger and malnutrition while assuring the participation of the rural poor in the process.

The following sections respond to specific recommendations and issues raised by the Comptroller General:

II. Responses to Specific Recommendations

1. That the Director, Office of Management and Budget, initiate the establishment of a small, high-level office within the Executive Branch to

--take the lead in coordinating and participating in U. S. efforts to overcome world hunger and malnutrition;

--serve as the focal point for U. S. actions in response to national and international initiatives aimed at increasing food production and alleviating global hunger; and

--report periodically to the Congress on the status of U. S. activities to support the international strategy to eradicate world hunger and malnutrition. Page 13, Executive Overview.

We commend the Comptroller General's clear recognition that a political commitment is essential to effective implementation of the objectives of the World Food Conference. It is critically important to secure these commitments if the U. S. is to continue to demonstrate its dedication to the successful achievement of the recommendations of the WFC. Rather than create another office to coordinate U. S. efforts to combat hunger and malnutrition, we believe that this function falls within the overall mandate of the recently created International Development Cooperation Agency.

The International Development Cooperation Agency has been given the authority within the executive branch to propose, initiate and coordinate all policies and programs in the broad area of economic development assistance. The Director of IDCA has direct access to the President and acts as his special advisor on all aspects of U. S. economic development policies.

The IDCA, which was created in 1979, should be given the opportunity to set in motion the mechanisms which will best assure coherence and a coordinated U. S. response to the problems of world hunger and malnutrition. The IDCA's recent policy statement to the President outlined the Agency's agenda for a sound U. S. development strategy in the next decade.

As its first priority the IDCA recommends that "major changes should be set in motion to carry out the recommendations of the Hunger Commission by increasing the attention devoted to agricultural development and food security by international institutions as well as by our own bilateral programs." In the next decade IDCA sees three major types of action being required. "First, food production in developing countries, especially

where hunger is most severe, must be increased. Second, the earnings of the poor must be increased to permit them to increase consumption of needed food. Third, the United States must not only maintain its status as a food surplus nation, but also must continue to provide financial resources to help transfer food where it is needed and to increase production."

We are confident that the IDCA, given continued Congressional support, can accomplish the coordinating role mandated it by the President.

2. Increase commitment in behalf of world hunger, especially through greater cooperation and accommodation with developing country and international organization counterparts, and by fostering the political will needed to significantly reduce the level of global hunger and malnutrition. Page 21.

The World Food Conference pledge to abolish hunger and malnutrition in a decade calls for increased assistance from donor countries. Between 1975 and 1979, AID-sponsored programs benefitting agricultural and rural development increased by over 60 percent. Although it is not likely that world hunger can be abolished by the end of the current decade, AID agrees that much more could be done to alleviate the causes of hunger.

AID as well as other donor agencies are working closely with their developing country partners to encourage them to give the highest possible priority to policies and programs for increasing food production and nutrition. At the same time, and largely because of the efforts of the major donors and international development institutions, many developing countries are investing more in agriculture and giving special attention to poverty in rural areas. This drive toward higher levels of self-sufficiency in food is consistent with the drive to reduce poverty and income equality in agriculture and will pay long-term benefits.

Recent changes in the PL 480 program facilitate U. S. efforts to program food assistance to achieve common development objectives. Food aid is now used increasingly to improve the welfare of the lower income people and U. S. AID missions are encouraging country policy makers to link such aid to schemes for rapidly expanding domestic agricultural production and broader policies for increasing rural agricultural employment and purchasing power.

3A. Encourage donor countries to unite in urging developing countries to prepare food and agricultural plans and projects which include measures to remove deterrents to increased food production... Page 21.

AID agrees that it is important for the major donors to be united in the common pursuit of policies to increase significantly developing countries' agricultural production coupled with programs aimed at a more equitable distribution of available food. This in turn means creation of income earning opportunities for the poor and an emphasis on increasing production

by small farmers. Toward this end, key AID and World Food Council representatives met in February 1980 to discuss the Council's proposal to initiate food sector strategy studies. The basic purpose of the studies is to highlight the food issue in selected developing countries and to provide a foundation for planning and programming for the sector's needs.

In bilateral contacts with other donors as well as in multilateral fora, U. S. officials have encouraged this joint approach. In early 1979 with U. S. encouragement and support, the Development Assistance Committee (DAC) of the OECD hosted a special meeting on food and agricultural production. This meeting was the climax of a major effort in the DAC over a two-year period to sensitize the donor community to the need for agreement on common goals and priorities to foster agricultural development.

In a report on the meeting the DAC Chairman stated, "The concern of DAC countries with these problems is real: aid for agriculture has grown rapidly in recent years and takes up an increasing share of the total aid effort and member countries are disposed further to increase such aid and the share of its claim on their total assistance programs in response to requests from developing countries.

"...Members stress that aid can play only a supporting role and emphasize the dominant importance of the priority which developing country governments effectively assign to agriculture... Whenever invited to do so, DAC members are willing to assist in the assembly of information and expertise that can aid host governments in the formulation of policies and programs for improving local food production, distribution and rural development."

At the latest annual DAC meeting of development ministers and heads of aid agencies (November 1979), the Director of the International Development Cooperation Agency stated that food sector strategies are a promising mechanism for rationalizing national food production efforts and coordinating development assistance. He urged other DAC members to join U. S. efforts to encourage developing countries to adopt the food strategy approach and offer technical assistance for their design. Further, he suggested that aid donors allocate more resources to nations that place a high priority on agricultural development.

3B. That heads of U. S. agencies involved in development activities, particularly those of USDA and AID, direct that more of their administrative resources and funds allocated for food and agriculture be devoted to assisting those countries needing more technical aid in the design of suitable development proposals and strategies. Pages 47-48.

One of the primary objectives of AID assistance to and cooperation with

developing countries is to remove institutional and policy impediments to equitable growth in agricultural and rural development. AID supports the Comptroller General's recommendation that more resources should be devoted to this effort. While in some countries major economic reforms have taken place aimed at increasing the incentives for farmers to increase production, other developing countries, particularly in Africa, are seriously constrained by lack of infrastructure, institutions and trained manpower.

Since the inception of the cooperative effort among the African Sahel countries and the major donors in 1975 (Club du Sahel), there has been a major increase in food production in such countries as Mali, Upper Volta and Senegal. With the main emphasis being placed on food and agricultural development, total financing for the Sahelian programs is at the billion dollar level with U. S. inputs averaging $100 million a year.

Over 55 percent of AID's programs in Africa is focussed on agricultural development. AID currently is working closely with Burundi, Rwanda, Senegal, Botswana, Zambia and Somalia to develop new food and agricultural sector strategies. Largely through U. S. financing, maize production in Kenya has increased by 25 percent in the last few years. While progress has been made, AID is well aware that overall, food production in Africa south of the Sahara continues to decline. Greater efforts by both donor and developing country governments are required if this general trend is to be reversed.

In the Near East area, agricultural sector surveys have been carried out in Syria, Yemen, Egypt and Jordan during the past three years. These are being used by the developing countries to prepare food and agricultural development plans and projects. This work has been done jointly with the host country and coordinated with similar activities of the World Bank and other international organizations in an effort to address key policy issues and to relax constraints to food production problems.

In sum, as strongly set forth in AID's policy paper on Agricultural Asset Distribution: Land Reform, AID is prepared to offer support to developing countries which express a commitment to help their rural poor gain more equitable access to agricultural assets and to more secure land tenure arrangements; assist developing countries to improve institutional management to assure better distribution of benefits from public investments; increase local revenue for self-financing of development efforts; and, provide assistance in planning and policy analysis for nutrition and rural development.

4. Urge developing countries to make increased food production one of their highest development priorities, and significantly increase their own capital, labor, and related resources. Page 21.

In all appropriate international fora and in bilateral contacts with developing countries, AID is encouraging a broad, coordinated attack on the interdependent causes that prevent agriculture and the rural sector from

performing effectively as forces for development. AID believes that this effort must include the simultaneous improvement and dissemination of technologies and the adoption of sound development policies, as well as increased participation of the rural poor in the development process.

We endorse the view of the President's Commission on Hunger which concludes that the root cause of hunger is poverty rather than the view expressed in the Comptroller General's report that global hunger and malnutrition can be eliminated by a major concentration on technologies to increase food production. Even significant increases in the available food supply will not alone guarantee a decrease in poverty and malnutrition. AID programs focus on increasing the purchasing power within the poorest groups to foster broad participation and more equitable economic growth.

III. Other Issues Raised in the Report

1. Increase U. S. involvement in the activities of the International Fund for Agricultural Development, particularly by participating actively in IFAD's budget program and encourage maximum use of IFAD's funds. Page 7.

AID agrees with the Comptroller General's overall assessment that the IFAD is potentially one of the most notable achievements of the World Food Conference. Its creation, source of finance, and operation are an outstanding example of international cooperation among the traditional western donors, new OPEC-member donors and the developing-country beneficiaries. Its mandate uniquely focusses resources on the poorer countries and the small farmers, the landless and rural poor in those countries.

IDCA and AID are monitoring closely the IFAD's program and project selection and financial situation. Due largely to the program restraints in its mandate and the time required to set up general management operations and hire qualified staff, the Fund committed only $120 million in 1978, its first year of operation. By the end of 1979, total commitments rose to nearly $500 million or a total of 33 projects in 30 countries. Given the projected commitment rate of $400 million for 1980 and 1981, the Fund's present resources will be fully committed by the middle of U. S. FY 1981.

Regarding the Comptroller General's observation in Chapter 1, page 7 concerning the IFAD's interest income on contributions from its member countries, it should be noted that the U. S. contribution has been made by Federal Reserve letter of credit. The letter of credit is drawn down only when funds are actually required.

2. Would a food reserves policy be appropriate to improve food security? Page 30.

Due to uncertain weather patterns which can cause crop shortfalls, we believe that food reserves must be an important element in any system developed to increase food security in developing countries. Reserves also

act to stabilize food prices in the areas or countries where the reserves are located. Given current trends in domestic food production it will be necessary for the foreseeable future for the major food producing countries to maintain sufficient production to offset production shortfalls in the developing countries.

As noted in the soon to be released annual report of the President on U. S. Actions Affecting the Development of Low-Income Countries (Development Coordination Committee), "the United States has taken several unilateral steps which will contribute to greater stability and food security. As provided by the 1977 Food and Agriculture Act, the United States has created a Farmers-Owned Reserve program which now includes millions of tons of wheat and coarse grain. Also, the Administration has recently submitted to Congress legislation for a Food Security Act which would provide for a special reserve stock to assure that the United States could meet its food aid commitments. As a result of the recent U. S. embargo of grain sales to the Soviet Union, the U. S. Government will have an inventory of more than 4 million tons of wheat. This stock will be designated as a food security reserve once the Food Security Act is enacted."

For the benefit of developing countries, the U. S. continues to assess ways to strengthen the size, maintenance and management of food grain reserves. It is becoming increasingly clear that a unified approach through capital, technical and commodity assistance is needed to help build and maintain adequate food grain reserves and to provide local currency to finance related development activities on a multi-year basis. The FAO has recently developed a food security assistance scheme for developing countries interested in initiating their own storage programs; schemes have been started in more than twelve countries.

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