

Craft/Renzi

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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FINANCIAL POLICY COMMITTEE

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Board Room
World Bank Building
Washington, D. C.
Tuesday, February 11, 1964

The meeting was convened at 10:30 o'clock a.m.,
Mr. George D. Woods presiding.

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Discussion of paper on Agriculture (FPC64-1) 3

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P R O C E E D I N G S

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2 THE CHAIRMAN: Several Directors spoke last week
3 and several have indicated their desire to speak today. I
4 will start by calling on Mr. Abramowski.

5 MR. ABRAMOWSKI: Mr. Chairman, like the previous
6 speakers I also welcome the initiative outlined in the
7 Agriculture Paper, to broaden Bank and IDA activities in the
8 agricultural field and thus pay attention to the evident
9 requirements of the member countries. The Bank and IDA have in
10 the past devoted considerable sources to promoting improvements
11 in agriculture. I think there is no doubt that the Bank and
12 IDA, within the scope of their possibilities, should make
13 continuous efforts towards that goal.

14 The paper recommends to dedicate in future, wherever
15 possible, more intense consideration to a series of project
16 types. It does not conceal the difficulties to be expected in
17 these efforts according to previous experience. This is
18 good so, as in this way expectations are prevented from rising
19 too high.

20 To express my general reaction, I certainly agree with
21 the course suggested in the paper. The proposals before us would
22 provide for an extensive scale of instruments and thus allow
23 us to take on a more flexible attitude towards the different
24 conditions in the respective recipient countries.

25 However, our activities in the agricultural field will

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1 mainly depend on our policy as to the financing of local
2 currency expenditures.

3 I should like to add a few remarks only:

4 The proposed concentration of agricultural Bank
5 and IDA activities on specified project areas is - so I
6 believe - the most effective approach we could follow. However,
7 as far as land reform programs are involved, a cautious policy
8 might be advisable.

9 As to the irrigation sector the boring of deep
10 wells could help develop pastures in arid or semi-arid zones.
11 ^{TOGETHER} Together with a systematic control of cattle diseases, this
12 could create prerequisites for mixed farms with increased
13 rentabilities. A respective project established in India
14 with German assistance already yielded good results. A
15 similar project is now under way in Iran. African countries
16 have also shown interest.

17 Furthermore, our financial assistance might
18 sometimes be more effective by improving highways and feeder
19 roads in main agricultural districts rather than by embarking
20 on irrigation works.

21 As one of the major approaches has been suggested
22 that we seek to help build up local institutions for fostering
23 agricultural improvement. I concur that such institutions,
24 if they properly function, can do an effective work, especially
25 in promoting smallholders. But as far as the immediate future

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1 is concerned, there will probably be only a small number of
2 such institutions which would offer an appropriate basis to
3 be a channel for Bank and IDA financing.

4 As far as the cooperation with FAO and other agencies
5 is concerned, I refer to our discussion about cooperation
6 with UNESCO on educational projects. My point of view as
7 to the cooperation with FAO meets the statement made by
8 Mr. Donner at that time. It will be important that final
9 decisions on all project matters remain with the Bank and
10 IDA not only formally but ^{ALSO} in substance. x

11 THE CHAIRMAN: Thank you.

12 Mr. Hudon.

13 MR. HUDON: Thank you, Mr. Chairman.

14 I think that there are two main conclusions in
15 this paper. They are very simple.

16 The first is that the Bank/IDA should place
17 increased emphasis on agriculture. And, secondly, that in
18 order to do this, it must introduce new elements of flexibility
19 into its policies and operations.

20 I am happy to say that I agree with both of these
21 main conclusions. Over the years, the Bank has repeatedly
22 stressed the importance of agriculture in the process of
23 economic development, and for this reason, it is a matter
24 for at least some surprise to find that, as noted in Part I
25 of the paper, only 8 per cent of the total financing made

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1 available by the Bank has gone into agriculture.

2 The paper before us, I think, does suggest some of
3 the reasons why this percentage has been so low. And among
4 these, I think one could mention the reluctance, by and large,
5 of the Bank to finance local costs, special and difficult-
6 problems involved in financing agricultural projects, staffing
7 problems, and reluctance on the part of the Bank to finance
8 recurring costs.

9 There probably are other reasons explaining the
10 relatively low percentage of Bank financing of agricultural
11 projects, but these are mentioned in the paper, and I would
12 like to deal with each one of them very briefly.

13 I think a continued prohibition or quasi prohibition
14 on the financing of local costs would severely limit the Bank's
15 ability to finance agricultural projects. And given the
16 importance of agriculture, I agree with the paper that these
17 limitations should be ^{REMOVED} ~~approved~~. And I also agree in principle X
18 that local costs should be financed. The exact terms and
19 conditions under which such financing should take place might
20 perhaps be left until we have had an opportunity of discussing
21 your forthcoming paper on this question. I suspect the
22 conditions might vary substantially from country to country.

23 In connection with local costs, I have one question
24 in my own mind. I am wondering whether we would be financing
25 local costs because there is ^a shortage of local financing in X
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1 the countries in which the projects are located, in which case
2 I think the Bank should, as it does, but I would stress this
3 point, would have to examine very carefully the reasons why
4 this shortage does exist.

5 For instance, is the level of savings high enough?
6 Would it be possible to raise this level, et cetera?

7 The other possible reason why the Bank would want
8 to finance local costs would simply be because local costs
9 constitute such a high proportion of the total costs that,
10 really, if the Bank wants to get in itself simply on any kind
11 of a substantial scale, it has to finance a substantial
12 portion of local costs. Here, I would be inclined to be
13 extremely difficult, or, not difficult, but extremely circum-
14 spect in the sense that I would try and keep the percentage
15 of the total cost to be financed by the Bank to as low a
16 percentage as possible. And in particular, I would be careful
17 to try and eliminate particularly from the local costs,
18 recurring costs which are mentioned later on in the paper,
19 which I would like to discuss later on.

20 The second obstacle to greater Bank activity in
21 agriculture has been, of course, the very difficult problems
22 involved in agricultural financing. These problems are
23 succinctly and cogently set forth in Part IIA of the paper.
24 I am sure that the Bank has recognized the existence of these
25 problems for some time. But the paper, and I think this is

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1 important, goes beyond the simple fact of recognition of the
2 difficulties. It sets forth the intentions of the Bank to
3 actively search for solutions to them, and I believe this
4 constitutes a considerable step forward and manifests a very
5 important change in the attitude on the part of the Bank.

6 The question of staffing, of course, is, I think,
7 directly connected to the questions of costs, and I think
8 if we are determined to tackle the very difficult problems
9 discussed in the paper, we will have to increase our staff, and
10 the costs of the Bank will inevitably ~~swell~~, RISE AS WELL. X

11 I think this rise in costs can be mitigated to some
12 extent by making use, as suggested in the paper, of the
13 FAO and possibly other institutions active in the field of
14 agriculture. Indeed, I think we should welcome the proposed
15 collaboration with FAO.

16 The terms for such cooperation and collaboration,
17 as set forth in the paper, are acceptable to me. And I might
18 say I am curious to hear Mr. Demuth's report on his discussions
19 with FAO and UNESCO and, in particular, I am curious to know
20 whether as a condition of this ^{TYPE OF} collaboration these organizations X
21 are insisting that any additional costs which they incur should
22 be recouped from the Bank. I suppose one should examine the
23 matter carefully and perhaps there would be sufficient
24 justification on the part of these organizations to make such
25 a request.

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1 But I do feel that the Bank, in approaching these
2 organizations, should not allow them simply to talk about
3 additional costs. I think ^{THAT} if these organizations value collabora-
4 tion with the Bank, and I think they should because it is a
5 great opportunity for them -- it is the first time that they
6 really have, in a way, funds available to them to finance
7 capital projects, and as far as they are concerned, this is
8 a great ^{STAIR} ~~step~~ toward -- and, therefore, they should value this X
9 collaboration and they shouldn't think only in terms of
10 additional costs.

11 I think they should look at their budgets, their
12 organizations, and their policies, and if at all possible shift
13 some of the resources that they already have which are being
14 used on a relatively low priority ^{ACTIVITY} ~~effort at least~~ into this X
15 new field. I would hope that in any discussions with these
16 organizations and the question of additional costs arises,
17 where the question of recouping these costs from the Bank
18 comes up, we would make this point.

19 Now, a fourth factor which I mentioned which I think
20 has inhibited the Bank's activities in agriculture and which
21 again is mentioned in the paper, is the importance of recurring
22 costs, at least in the case of some agricultural projects.
23 Part of these recurrent costs are accounted for by the need
24 for qualified technical personnel and part of them by the need
25 for -- The example given in the paper is fertilizer and other

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1 supplies. Here, again, I agree with the underlying principle
 2 stated in the paper that if the IBRD is to make an effective
 3 contribution, it probably must be prepared to finance part of
 4 these costs.

5 However, it should make every effort to keep them
 6 to a minimum.

7 With regard to personnel costs, managerial talent, and
 8 technical assistance, I think ^{THAT} the Bank should keep in mind *
 9 that the United Nations, FAO, and virtually every industrial
 10 country and many less developed countries have extensive
 11 technical assistance programs which for the most part are
 12 administered on a ^{GRANT} ~~draft~~ basis, and I would say I would guess *
 13 anyway that a substantial part of the expenditures under
 14 these technical assistance programs are for agriculture.

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15 And it seems to me, therefore, that the Bank should
 16 make a special effort to secure support for the agricultural
 17 projects which it undertakes from the various agencies and
 18 governments which provide technical assistance. I am sure
 19 that if the Bank were successful in this effort to secure the
 20 help of governments and agencies in this way, it would not
 21 only mean that its own contribution to the development of
 22 agriculture would be increased, but also that the effectiveness
 23 of many bilateral aid technical assistance programs would
 24 also be.

25 In turning to the types of projects which the Bank

1 should finance, I think that even those ^{ENUMERATED} ~~mentioned in a low rate~~ X
2 in the paper should in principle be eligible. I would be
3 inclined, as other speakers have also indicated, to place
4 special stress on comprehensive projects.

5 The paper also stresses this on comprehensive
6 projects in selected areas and on projects designed to create
7 or strengthen specialized local institutions.

8 Like Mr. Larre, in reading the paper, I was struck
9 by the term "agrarian reform" which I think historically
10 more or less really means a social revolution. And I was
11 happy to hear you say the other day that in the Bank's efforts
12 to deal with agricultural problems, we wouldn't be kind of
13 overcome by any kind of missionary zeal. But I do think
14 that the fact that agrarian reform can be more or less acquaint-
15 ed with social revolution does underline in a real way the
16 difficulties ^{INVOLVED} in bringing about a really effective agricultural X
17 program.

18 Again, reading the paper, all the difficulties are
19 mentioned. I hope that this is more than a simple enumeration
20 on paper. I hope that the people who wrote it really feel
21 these difficulties and are deeply aware of them because
22 I think the dangers of getting involved in controversial
23 subjects is very, very great.

24 Finally, in connection with comprehensive projects,
25 and actually all the projects mentioned, great importance is

1 attached in the paper to managerial and technical assistance,
2 and I would be the last one to underestimate the importance
3 of this type of assistance. But it seems to me that equally
4 important here is education generally.

5 It is difficult for me to conceive of a successful
6 agrarian reform program without education. If the people in
7 the ^(COMMUNITY) country are tradition bound and earthbound, I don't think X
8 the chances of success are very great and I would, therefore,
9 suggest that we should think of this type of program in the
10 agricultural field in the same context.

11 I mean, this type of program and education really
12 in the same context. They are to a very large extent
13 complementary.

14 Thank you, Mr. Chairman.

15 THE CHAIRMAN: Thank you, Mr. Hudon.

16 One or two points you made I just would like to
17 comment on, hopefully to clarify the discussion as it continues.

18 Early on, you referred to the hope that the Bank
19 would keep its participation in the local currency requirements
20 ^{IN} and the financing of local currency ~~from~~ requirements at a X
21 minimum. Of course, the exact reverse of that is that we
22 should ^{EXPEND} spend every effort to see that there is a maximum X
23 acceptance by the local authorities and the local citizenry
24 of the expenses. In other words, the local participation is
25 at the maximum. This has the result of minimizing the Bank

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1 participation in local currencies, and I assure you this
2 will be our policy. We must have the maximum local participa-
3 tion in these projects.

4 And, of course, as you know, we get into the question
5 of Bank participation because of the fact that the countries
6 that need this type of financing the most are the poorest coun-
7 tries and have the smallest amount of local ability, the
8 smallest amount of local funds available for participation.

9 You mentioned these pitfalls and expressed the hope
10 that the staff was cognizant of them and really would have
11 them in the forefront of their minds. Without hesitation, I
12 reassure you on this point. This document which is before us
13 was the subject of either three or four rather exhaustive
14 discussions, complete discussions, at senior staff meetings
15 which we have here Wednesday mornings, and there is a very
16 real and sober understanding of the problems, particularly
17 of staffing, administration, and the problems relating to
18 the risks we run in getting into this area generally.

19 As I say, without hesitation, I assure you the
20 staff is aware of these problems.

21 Having made those two comments, I say, thank you
22 for your remarks.

23 One other point: You referred to the fact that hope-
24 fully the UNESCO and FAO would clearly understand and
25 appreciate the opportunity afforded by our institution being

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1 interested in financing some of the things that presumably
 2 in Paris and Rome they have been thinking of for many years
 3 and which presumably have been the source of many frustrations
 4 for competent and hard-working members of the UNESCO and FAO
 5 staff. I think they do appreciate the opportunity that here
 6 exists, particularly at the top levels.

7 What I said about Mr. Demuth's encouraging visit
 8 in Paris is rather a confirmation of that, but I take this
 9 opportunity of finding myself in complete agreement with your
 10 comments about their reviewing their internal systems, giving
 11 a priority to their activities with respect to both personnel
 12 and their authorized budgets.

13 I take this opportunity of suggesting to you and the
 14 other Directors that if you can properly express this view
 15 to your various countries' representation in the UNESCO Board
 16 and the FAO Board, it might well be helpful to the top manage-
 17 ments because there is always a difficulty on the part of the
 18 ~~Managing~~ Director or the President to ^{DISCONTINUE} discount or restrict, X
 19 retreat from some activity that has been carried on even
 20 though he knows perfectly well ~~that~~ what should be done may X
 21 not be done. So if a word quite often from Directors of the
 22 various countries, particularly the countries that probably
 23 are in the minority on the Boards, but provide the great
 24 preponderance of the budget money in these biannual meetings
 25 they have, would be very helpful, I am sure, to both MAHEN
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1 and to Sen.

2 Mr. Rajan.

3 MR. RAJAN: Mr. Chairman: Along with other colleagues

4 I warmly welcome and deeply appreciate the lead given by you
5 for discussing this important and vital problem affecting hun-
6 dreds of millions of people throughout the world.

7 The discussions on this paper and on the earlier
8 papers relating to educational policy and term of loans have
9 been so stimulating and so useful that I am tempted to make
10 the suggestion that you, Mr. Chairman, should do some such
11 loud thinking in other fields and aspects of Bank and IDA
12 policy.

13 In respect of sectors like power or transport, where
14 our policies have been developed over a period of years and
15 can be said to have become more or less settled, a general
16 discussion of this nature unrelated to individual projects,
17 and unrelated to the needs of circumstances of a particular
18 country, will be very useful.

19 Though there is nothing preventing it, it is not
20 always easy nor desirable to discuss general principles when
21 dealing with particular projects. Our staff who are looking
22 at these projects and problems in a multitude of countries
23 under widely varying circumstances may be able to make useful
24 suggestions in a general paper and the Board, too, could give
25 the benefit of their varied experience.

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1 Such discussions need not be too frequent; but
2 seeing that we have been going on lines which were drawn
3 many many years ago, I believe a paper from you, say on the
4 development of power resources and the relative advantages
5 of thermal versus hydro or nuclear source or say development
6 of ports, or development Bank financing, would give us new
7 ideas and have such a stimulating effect that it cannot but
8 be beneficial to the role of Bank and IDA as well as to the
9 member countries.

10 Coming now to the paper before us, there is no doubt
11 about the importance or the urgency of development in agricul-
12 ture. In the developing countries particularly, those
13 depending on agriculture (including in that term dairy farming,
14 poultry and cattle raising, fisheries and forestry) form an
15 overwhelming majority of people. They are also the poorest -
16 the ones who need most help and most support. In many
17 countries, they are so poor and so habituated to poverty that
18 they have lost the will or even the desire to have their lots
19 improved.

20 The urban populace in the same countries are
21 demanding and vociferous, but not the agriculturists. We
22 have to rouse them from out of their centuries-old stupor and
23 indifference to poverty and induce in them the urge for
24 striving for higher standards of living. They might then
25 well become the dynamo, as Sir Eric Roll called it, for

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1 further development. The latest report of the Food and
2 Agricultural Organization shows how widely varying the
3 productivities are and, also, how so much of the advance in
4 agricultural production in the developed countries has taken
5 place only during the last 50 years.

6 For instance, average wheat production in Australia
7 per acre was lower than similar yields in India and Pakistan
8 during the years 1909 to ¹⁹³⁰ 1913 but now they are 70 per cent
9 higher. There are a number of other such instances, and
10 these show that while it is not impossible for developing
11 countries to reach the present productivities in developed
12 countries, we have still a long way to go.

13 Mr. Chairman, I particularly welcome the flexibility
14 of approach stressed in the paper. Conditions are varying
15 so much from country to country and in the same country from
16 region to region and from time to time that one uniform
17 approach to all countries at all times is not likely to give
18 the best results.

19 Only a policy which is not too rigid but which could
20 be changed and modified from time to time as we gather
21 experience or as required by particular circumstances in a
22 particular country, is best suited for this sector. I would
23 also commend the selective approach suggested in the paper
24 because the requirements are so large compared to the
25 resources available that we are likely to get the best results

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1 only by concentrating on selected areas which have the most
2 favorable conditions. Your assurance in paragraph 34 that
3 these credits will continue to be available for financing
4 local currency expenditures is welcome.

5 The general problems involved in agricultural
6 financing have been well summarized in paragraph 6 of the
7 paper. I would only add one more point, namely the absence of
8 adequate spare time employment for the farmer and his family
9 when they are not required to work on agricultural operations.
10 Perhaps this could be done through the development of subsidiary
11 industries in rural areas on the Japanese model.

12 Such industries should not require large capital
13 or complicated equipment or training, but to give worthwhile
14 returns, the industries should make use of electric power
15 and at least the simpler tools. Electric power in rural
16 sectors will be useful not only for subsidiary industries

17 of the kind I have mentioned but also for operating pumps
18 from canals, streams and wells referred to in paragraph 29
19 of the paper.

20 Apart from this, the very contact with the electric
21 power will shake, or shock the peasant out of the centuries-old
22 stupor ^{into} in which he had fallen. It will modernize his outlook,
23 make him or his family want things like lights and fans and in
24 course of time the simpler electric gadgets including the radio.
25 It may thereby spur him on to aspire for a higher standard of

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1 living and result in an increasing demand for the simpler
2 manufactures produced by the country's growing industries.
3 I am mentioning this in some detail because in the past, at
4 least, the Bank and IDA have not looked at schemes of rural
5 electrification with a kindly eye.

6 Schemes for improvement of agriculture proper would
7 fall under the following broad categories:-

- 8 (i) Irrigation projects of all types including drainage
9 and flood control projects;
- 10 (ii) Soil conservation and land reclamation;
- 11 (iii) Use of improved seeds;
- 12 (iv) Application of fertilizers and manures;
- 13 (v) Plant protection measures;
- 14 (vi) Improved agricultural implements and scientific
15 cropping techniques; and
- 16 (vii) Socio-economic measures like fixing of land tenure
17 and consolidation of small holdings, whether you
18 call them agrarian reform or otherwise, credit for
19 agricultural operations and last but not the least,
20 pricing policy for agricultural products and
21 provision of adequate marketing facilities.

22 A combination of two or more of these measures
23 gives the best possible results.

24 Of these, as the paper before us points out, Bank
25 and IDA have so far concentrated on the first category and

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1 rightly so. The priority given to these projects in the
2 past has been well justified by the results achieved. I am
3 glad to note from paragraph 13 that in the future, too, the
4 irrigation projects will continue to receive priority
5 consideration. There is no dearth of such projects in
6 most of the developing countries - though some countries might
7 require technical assistance for preparing them as mentioned
8 by Mr. Tazi. Provided the projects are sound and the country
9 and the agriculturists in the area are in a position to utilize
10 it, such projects should receive high priority.

11 Paragraph 35 makes it clear that in appraising such
12 projects an overall view in terms of benefit to the country's
13 economy and well-being will be taken rather than insisting
14 on a particular percentage of return on the money invested or
15 that the projects must be financially self-liquidating. This
16 assurance is welcome and I strongly support it.

17 As pointed out in paragraph 13 of the paper,
18 irrigation projects taken up by Bank and IDA need not always
19 be the large-sized ones. They could well be minor schemes
20 based on small reservoirs, damming of rivulets and streams,
21 desilting of canals and tanks, digging of wells in fields
22 and installation of pumping sets. Such minor projects could
23 be financed from credits given to agricultural development
24 banks or institutions.

25 I presume land development and settlement schemes

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1 referred to in paragraph 14 will include soil conservation and
 2 land reclamation schemes. In many cases of this nature, what
 3 is required is technical assistance and local labor and local
 4 resources could be utilized in soil conservation schemes like
 5 afforestation, contour bunding, reclamation of ^{MARSHY} ~~harshy~~ alkaline X
 6 or weed-infested lands. For the last item, ^{HOWEVER, HEAVY} machinery may be X
 7 required and could be financed from Bank loan or IDA credit
 8 as has been done on three or four occasions.

9 The use of improved seeds which could have a
 10 significant effect on agricultural production is also very much
 11 a matter of utilizing local resources and here, too, it is
 12 technical assistance and advice which is more important.

13 According to the FAO, fertilizers and pesticides
 14 are among the most effective technical measures for raising
 15 agricultural production and it is highly gratifying that they
 16 will henceforward be regarded as appropriate for Bank/IDA
 17 financing. Fertilizers and pesticides have generally to be
 18 imported by developing countries and as such involve expenditure
 19 of foreign currency.

20 We have been pressing for a long time that Bank and
 21 IDA should finance the purchase of fertilizers, and I am glad
 22 that this has been accepted. Such expenditures, though often
 23 classed as recurrent, are really developmental in nature, and
 24 paragraph 33 of the paper recognizes this.

25 I am not, however, sure if the financing of

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1 fertilizers should be restricted only to cases where there is
2 intensive development of project areas or for permanently
3 upgrading lands as stated in paragraph 33. Fertilizers are
4 beneficial and produce good results wherever they are used. While
5 it is true that the best result can be achieved by a combina-
6 tion of favorable measures, such as irrigation, fertilizers
7 and improved seeds and by concentrating on selected areas, I
8 do not see why if a government has a comprehensive program for
9 the entire country or for wide areas thereof, it should not be
10 eligible for ^{this} aid. x

11 I do hope the flexibility of approach which is
12 stressed elsewhere in the paper will be applied here also.
13 It is true some aid-giving countries have recognized the
14 developmental nature of fertilizers and agreed to finance them
15 under their aid programs, but the prices in all such cases tend
16 to be high.

17 Under Bank/IDA credit, however, there will be full
18 competitive international bidding and we will be able to get
19 fertilizers and pesticides at the cheapest possible price.
20 Pesticides are not specially mentioned in the paper, but I
21 presume they could be reasonably included in the term
22 "Fertilizers or other supplies" used in paragraph 33.

23 As regards the improved agricultural implements
24 and improved cropping techniques, they are again a matter
25 more for technical assistance than financial aid. Heavy

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1 agricultural machinery such as tractors and farm equipment
2 would, of course, have to be financed by Bank and IDA credit,
3 as has been done in the past, but in a number of developing
4 countries such financing is likely to be accomplished more
5 easily through credits given to agricultural institutions.
6 This is also contemplated in the paper.

7 Coming to the socio-economic measures for improvement
8 of agriculture, one of the most important items which directly
9 concerns us is agricultural credit. In India we have a long
10 experience of central assistance in this field and our Reserve
11 Bank is statutorily charged with the development of agricul-
12 tural credit institutions and provision of finance on easy
13 terms. This is done through several types of institutions
14 like Central Land Mortgage Banks, State and District Coopera-
15 tive Banks. The Reserve Bank lends money at very low rates
16 to the State Cooperative Banks ranging from 2.5 per cent to
17 4.5 per cent per annum.

18 Even so, when the loan reaches the ultimate borrower,
19 he has to pay 5 to 6 per cent per annum. This point was raised
20 by Mr. Tazi and Mr. Larre, and I agree with them that there
21 should be no restriction that institutions financed by
22 Bank/IDA should not re-lend the money at concessional
23 interest rates.

24 This does not mean that only IDA should give credits
25 to agricultural credit institutions. So long as the government

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1 of the country and the borrowing institution are prepared to
2 pay the higher rate of interest to the Bank, I feel there
3 should be no restriction on the borrowing institution re-lending
4 the money to agriculturists directly or indirectly at concessional
5 rates of interest.

6 As regards FAO, I agree with the proposals in the
7 paper. I agree with what Mr. Hudon said about UNESCO and FAO
8 bearing the ^{ADDITIONAL} actual costs of staffing, et cetera, that may
9 arise by themselves, if necessary by a suitable rearrangement
10 of their programs. And I am glad that you agree with that
11 viewpoint.

12 The paper does not refer specifically to dairy
13 farming, poultry and cattle raising, forestry and fishery
14 schemes. We have had recent cases of Bank loans to Paraguay
15 and Jordan for dairy farming and cattle raising. We have had
16 a case of loan for fisheries to the Republic of China, but here,
17 too, I think more needs to be done.

18 Fortunately many developing countries are endowed
19 with ample sea or inland fishing resources, but the exploita-
20 tion of these resources is generally on age-old methods.
21 What the fishermen in these countries need is essentially
22 better equipment -- mechanized boats, nylon fishing nets
23 and canning facilities, as well as refrigerated transport --
24 ^{REFRIGERATED} rail cars, trucks and perhaps ^{REFRIGERATED} ships, too. All these involve
25 foreign exchange expenditure and they would seem appropriate

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1 for Bank/IDA finance.

2 If I may ask at the end of all these a question --
3 is there not a double counting in the statement made in
4 paragraph 34 when it states "it might be the counterpart of
5 a direct Bank/IDA loan or credit to the institution or to the
6 government for the benefit of the institution". Because once
7 you ^{MADE} made the loan for the ^{MACHINERY} missionary, the country has already X
8 got the benefit to say that the counterpart funds will give
9 additional aid is a sort of double ^{COUNTING} ~~code~~. That is my point. X

10 Thank you.

11 THE CHAIRMAN: Well, with respect to your question,
12 the country only gets the benefit of the foreign exchange once.
13 But on the other hand, going back to Mr. Hudon's point, the
14 Bank will keep its financing for local expenditures at a
15 minimum. As you get into the second and third and fourth
16 generation of these things, presumably, the Bank would not
17 have to loan as large an amount against local expenditures
18 as it did in the first instance.

19 Maybe that's using the same money twice, but I
20 think it works that way. If it is an IDA credit and maturity
21 is 50 years and there is no amortization for 10 and only 10
22 per cent amortization in the second 10 years, certainly,
23 during that first 20 years, this money will be repaid and
24 reused. And to repeat, to the extent it is reused, to just
25 that extent, there won't be the need for Bank or IDA accommoda-

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1 tion to offset local expenditures.

2 MR. RAJAN: That is ^{INHERENT IN} ~~inheriting~~ the IDA system of
3 financing. For instance, if --

4 THE CHAIRMAN: It is ^{INHERENT IN} ~~inheriting~~ the IDA system of
5 financing, but that's what we are talking about here, if I
6 understand the paragraph correctly.

7 Is Mr. Gordon here?

8 MR. GORDON: Yes, sir.

9 THE CHAIRMAN: Have you anything to add to what I
10 said on this paragraph to Mr. Rajan?

11 MR. GORDON: I don't think so. I think it is
12 perfectly true, as Mr. Rajan said, the foreign exchange is avail-
13 able once, but, however, it would be perfectly possible under
14 this proposal for IDA, for example, to lend specifically for the
15 purpose of providing the local currency, lending foreign
16 exchange for the purpose of providing these local currency
17 resources. The foreign exchange, then, would go into the
18 Central Bank and the local currency counterpart would be
19 available to the agricultural financing institution. This
20 would be a way of assuring that it goes effectively into the
21 agricultural sector.

22 In the same way, when and if imported materials and
23 imported equipment is brought in and sold in the market, again,
24 the counterpart could be explicitly earmarked for agricultural
25 credit uses and used over and over again, as Mr. Woods

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1 suggested.

2 THE CHAIRMAN: Thank you for your comments, Mr.
3 Rajan -- very interesting and we will find them helpful.

4 Mr. Bullitt.

5 MR. BULLITT: Mr. Chairman, I found your paper on
6 Bank and IDA activities in the field of agriculture penetrating,
7 as usual.

8 I should like to make only a few comments without
9 going over the same ground covered by the paper since I am
10 largely in agreement with its emphasis and with its argument.
11 I appreciate that not all that has to be said in the field of
12 agriculture can or need be said in one paper.

13 For example, there is discussion of cooperation with
14 other agencies geared mainly to technical and management
15 assistance. There are, however, areas of a more general
16 nature, such as the kind of financial and exchange rate
17 policy which have been so much the business of the IMF and
18 which help shape the progress which can be made in the agri-
19 cultural sector as well as the volume and kind of external
20 assistance that countries may need in agriculture or, for that
21 matter, in the industrial field, of course, which is only to
22 emphasize again the need for the closest and most effective
23 possible coordination between the Bank and the Fund.

24 Also, the paper dealing, as it does, with the broad
25 range of agricultural development, perhaps quite understandably

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1 touches only briefly on the question of emphasizing development
2 of commodities for which there is a dynamic world demand.

3 The thorny question of avoiding programs to stimulate
4 agricultural production of commodities in which there is
5 already world oversupply is one which I am sure the management
6 staff will carefully consider as further progress in agriculture
7 is made by the Bank.

8 I might say a few words about another point mentioned
9 in the paper -- the question of local currency financing.
10 While I understand we will have further opportunity to consider
11 this on the basis of a memo which the President will submit
12 shortly, I would find it difficult to argue that our policy
13 should not be flexible enough to permit consideration of
14 agricultural projects on the basis of their essential merit
15 and priority rather than merely the foreign exchange
16 component. The Bank must, of course, continue to be primarily
17 concerned with the foreign exchange component of a country's
18 development needs, but in some cases local currency financing
19 for a limited period can certainly help ⁱⁿ bringing forth
20 higher returns than those projects ordinarily financed by
21 the Bank.

22 In this connection, aside from the question of Bank
23 financing, there are, no doubt, a variety of small agricultural
24 projects which may yield high return but are generally over-
25 looked possibly because they are more difficult to work out

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1 than conspicuous large construction projects.

2 To the extent that Bank initiative will help ferret
3 these projects out or more broadly induce or facilitate action
4 in such areas, it will have made great contribution to
5 development.

6 Finally, and more generally, I certainly think the
7 paper quite properly stresses the importance of the Bank taking
8 more initiative to help ^{MEMBERS TO} and shape up and to carry out agri- *
9 cultural projects both alone and in close cooperation with
10 other agencies in the field.

11 Thank you.

12 THE CHAIRMAN: Thank you, Mr. Bullitt.

13 Mr. Illanes.

FR 14 MR. ILLANES: Mr. Chairman, on several occasions I
15 have had the opportunity to stress the full support of the
16 government I represent to the new approach of the Bank in
17 agricultural matters. This new approach, as the report says,
18 doesn't involve revolutionary changes, but it changes
19 emphasis and shows the greater role that the Bank can
20 accomplish by itself and with the cooperation of other
21 international organizations.

22 The development of agriculture is vitally important
23 in the less-developed countries in order to keep the social
24 order and progress and in order to keep particularly the
25 money value and stability. From experience, we know that

1 the management of monetary policy and fiscal policy sometimes
2 are not very effective and in a few cases they are not
3 effective at all because they face sectorial disequilibrium
4 as happens when the agricultural production, the development
5 of agricultural production is lagging behind all other
6 economic ^{ACTIVITIES} activity. That is our experience in central banks. X

7 The report, I think, is a concise and careful study
8 about the problems that less-developed countries face in the
9 agricultural field. I am not a farmer, Mr. Chairman; I am
10 not an agricultural technician, so I have to refer in my
11 comments to the experience of the technical organization of
12 my country and apply to my own country. I want on this
13 basis to comment on some points of the report.

FR 14 On page 3, the report says, "The low levels of pro-
15 ductivity and investment in agriculture prevailing in the less
16 developed countries." Here has been mentioned by Mr. Rajan
17 the importance of seeds, fertilizer, and pesticide and other
18 elements that are the required elements in the increase of
19 productivity.

20 Therefore, our first question in dealing with the
21 problem must be this: Do ~~this country~~ ^{THESE COUNTRIES} have the proper seed X
22 and fertilizer in order to increase the productivity?

23 And then, the second question should be this: Do
24 these countries have the proper local organization in order
25 to advise the farmers in the selection of seed or fertilizer

1 and in the cultivation of the land?

2 I think, Mr. Chairman, there is in this field,
3 according to the information that I have, more deficiencies
4 than we usually imagine. I want to mention an example in
5 my own country.

6 We produce not a big production, but a small
7 production of beet sugar. The production, the average pro-
8 duction, the last year has been around 60,000 tons a year.
9 Now, the new management in the factories, they are very much
10 interested in the improving the seeds, fertilizer, and
11 cultivation of land. In the last year was applied this new
12 technique, this new approach, with the result that the
13 production increased from 60,000 tons as an average to nearly
14 100,000 tons. In other words, an increase of more than 50
15 per cent, ^{WITH ALMOST} ~~all with~~ the same area. x

16 I was talking with the management in this program.
17 They were saying that the result was particularly due to the
18 better selection of seed, a better application of fertilizer
19 and particularly to a better advice, technical advice, to the
20 farmers.

21 Well, in other crops, it has been necessary to
22 induce, also, an increase in productivity, and there was
23 applied in Chile, like in other countries, a bonus in order
24 to induce the farmer to use ~~a~~ better seeds, ~~a~~ selected seeds, x
25 and the proper fertilizers. The result has not been spectacular

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1 in this field. Just that we have had a modest increase in
2 productivity. And why?

3 Because the government has not enough resources to
4 give the technical advice to the thousands of farmers that
5 there are in the country. Therefore, improving the seed and
6 fertilizer were not given the result that were expected because
7 we have to increase our technical assistance by the government
8 institution and by private institution. We are not able to
9 do these in this year.

10 Therefore, I fully share the importance that the
11 report gives to the ^{CREATION} ~~issue~~ of local organization and to the X
12 importance that the seed and fertilizer and pesticide have in
13 the increase of productivity.

FR 14 In page 5 of the report, refers to the agrarian
15 reform. That includes not only improvement in the land
16 utilization and tenure arrangement, but also improvement in
17 government agriculture service in price and other economic
18 policies, in marketing and supply of ^{CREDIT} ~~trade~~ and farm requisite. X

19 I think this is a very good definition of agrarian
20 reform. Many times in Latin America we have to face the
21 dogmas of the extreme left. Accordingly, and they make it
22 as political propaganda, they think the most important is
23 the issue and distribution of land. This is not the fact.
24 In our experience with our agrarian reform, we have got to
25 give more importance to the technical assistance to the farmer

1 than to the division of land.

2 Why? Because in Chile and other Latin American
3 countries the problem is not the big farm; the problem is
4 in small farms whose size is not adequate ^{for} ~~to~~ a sound economic X
5 exploitation.

6 Therefore, I think the report gives the exact, in my
7 opinion, definition what in most of the cases is agrarian
8 reform.

9 In page 6, the report refers to something that was
10 already commented on here -- the foreign exchange component --
11 that the agricultural developing loan and tend to become
12 as small as the country begins to manufacture goods previously
13 imported. This is a very important point, indeed.

FR 14 I understand, as the chairman said, we have to require
15 the maximum contribution of the countries in supplying the
16 domestic ^{CURRENCY} component. But as was said also, ^{THESE COUNTRIES} this country that X
17 is being less developed, they have not enough savings. So
18 I think it is very important to have a policy that is aware
19 of this fact.

20 For instance, in industrial countries, when we give
21 a loan, we have to face a similar case for other reasons.
22 We have to give a great -- the level of the domestic component
23 is very high, and sometimes absorbed almost all the loan
24 because they produce everything.

25 In the case of developing countries, there ^{ARE} ~~is~~ other X

1 reasons in order to be flexible, also, in these particular
2 cases. But ^r doesn't -- I repeat -- doesn't mean that we
3 don't require ^{from} the country the maximum effort in supplying
4 the domestic ^{ex} change that is necessary. X

5 In page 15, the report refers to the agricultural
6 institution. I think, Mr. Chairman, no one doubts about the
7 necessity of having ^a the special institution, particularly X
8 in the credit field, but I am wondering if it would not be
9 convenient to the Bank to promote like in the case of the
10 development ^b bank in Venezuela that these banks sometimes, not X
11 only deal with the ^{INDUSTRIAL} production matter, but also with certain X
12 aspects of agriculture as the marketing and the distribution
13 of products, because sometimes in small countries, it is not
14 possible to create several banks at once. Therefore, I
15 think, like in the example of Venezuela, ^r is convenient that X
16 the bank, the available bank, take certain part of agricultural
17 matters.

18 In the last part of the report, I refer to the
19 cooperation with other institutions. I think this is very
20 important because these other institutions have the greatest
21 experience in the field and they have also, many, the spirit
22 of the less developed countries. And I think, and I agree
23 with what Mr. Hudon was saying, we have to increase the staff
24 in order to deal with this matter.

25 And I say, Mr. Chairman, it would be very interesting

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1 if an increase of the staff, we would consider to recruit
2 more people ^{from} ~~for~~ the less developed countries because the
3 agricultural matters, as has been said, the local factor, is
4 very important. And I think with the good technician that the
5 Bank has needs the cooperation of local technicians and would
6 be very useful.

7 For instance, and I beg, Mr. President, to correct
8 me if I am not right, I think here in the Bank we have
9 not a technician in agricultural matters from Latin America.
10 I know there are many in ^{OTHER} ~~all~~ international organizations that
11 are making valuable service in the development of agriculture.

12 In conclusion, Mr. Chairman, I think that the report
13 is a very good one and tackles which problems are very
14 important in ~~the~~ economic development. And the report is
15 aware of the diversity of the situation in several countries,
16 and formulates, therefore, principles that are very good and
17 can be applied to most of the less developed countries.

18 Thank you, Mr. Chairman.

19 THE CHAIRMAN: Thank you, Mr. Illanes.

20 Dr. Liefstinck.

21 MR. LIEFTINCK: Mr. Chairman, like other speakers,
22 I greatly welcome the memorandum on agricultural Bank and IDA
23 policies submitted to us, and I would like to congratulate
24 you on this important initiative. I only feel that we should
25 put more emphasis in the Bank's and IDA's activities on the

1 promotion of agricultural development.

2 There are these three reasons why:

3 The first one is mentioned in paragraph 2 of ^{your} the ~~the~~ X
4 memorandum which points out that in the development ^{ing} countries, X
5 we find a great part of the population, well over two-thirds, X
6 is agricultural.

7 With the high rate of population increase in these
8 countries, industrialization has to be very rapid in order
9 to absorb the rising agricultural working population and still
10 more rapidly in order to ^effect the slow decrease of it. X

11 Under the best of conditions, it will for decades
12 ahead be countries with very large agricultural populations.
13 For this reason alone, a major problem of economic development
FR 14 that immediately faces developing countries is, therefore,
15 how to raise the productivity of the land and the peasants.

16 There is a second important reason which I may
17 perhaps add to the memorandum. In most developing countries,
18 improvement of productivity in agriculture is an essential
19 precondition for industrial ^{IZATION} organization. If there is no X
20 expanding market among the agricultural population, industry
21 will not meet the purchasing power that it needs for expansion.
22 On the other hand, the high ^{ER} purchasing power of the industrial X
23 workers will translate itself as long as the absolute incomes
24 are low in a higher demand for food.

25 With the type of foreign exchange situation in

1 which these countries ordinarily find themselves, the only way
2 of avoiding inflation and balance of payments ^{dis-}equilibrium *
3 is a substantial increase of total agricultural production.
4 In many developing countries, the backwardness of agriculture
5 has been one of the main causes of the constant pressure of
6 internal inflation and of the foreign exchange difficulties.

7 In this connection, I fully endorse what Mr. Bullitt
8 has said about the close cooperation between the Bank and IDA.

9 There is a third reason which I think I found back
10 in paragraph 8 of your memorandum where it is stated that in most
11 of the less developed world, a majority of the population will
12 continue, for many years to come, to depend for their livelihood
13 on small farms or livestock herds. Crucially important to
14 development in these areas is the evolution of patterns of
15 agricultural production and trade that will make these small
16 units viable in a modernizing economy, which will give
17 increasingly productive employment to the rural population,
18 and will avoid aggravating political instability and wasteful
19 land use.

20 It is for that reason that I think we should not
21 try to concentrate our efforts in these fields entirely to
22 bring about a shift in the production pattern so as to
23 emphasize commodities for which there is a more dynamic world
24 demand, maybe countries where this is useful.

25 On the other hand, countries in the early stages

1 of development should try to at least increase their
2 agricultural self-sufficiency. They just cannot afford a
3 high food import bill. And there is in these countries usually
4 an abundance of labor which can only for a long time to come
5 be usefully employed in agriculture. Still, there are very
6 large potentialities for increasing the efficiency of productivity
7 of labor.

8 It is for these three reasons that I do think it is
9 most important to put more emphasis on agricultural development.
10 In fact, in most of the reports of the Bank's general economic
11 survey missions and in a number of the Bank appraisals of economic
12 development programs of member countries, submitted, for instance,
13 in connection with consortia and consultative groups, the
14 major importance of agricultural economic development has been
15 stressed, but in many cases, for some reason or other, the
16 Bank's recommendations on agriculture have met with relatively
17 little response except perhaps those with respect to irrigation,
18 drainage, and good flood control. In fact, it is very clear
19 from the statistical information on page 2, paragraph 5, this
20 kind of agricultural projects has received the bulk of Bank
21 and IDA financing, but many other agricultural projects
22 recommended by the Bank by missions and by appraisals of
23 development programs have been relatively neglected.

24 I think for that reason the Bank should continue
25 teaching of underdeveloped members the great importance of an

1 integrated approach to development given sufficient emphasis
2 to agricultural development. I think the primary task of the
3 Bank and IDA in this field should be a promotional one. I,
4 therefore, welcome the fact that in the very first paragraph
5 of your memorandum, you have yourself used the word "promotion"
6 -- the second paragraph. "The Bank and IDA, have in the past X
7 devoted considerable attention, effort, and resources to
8 promoting improvements in agriculture."

9 And in paragraph 22, you have used the words "in
10 stressing the importance of expanding our activity, I do not
11 have in mind any dramatic innovations, but rather some shift
12 in emphasis, an increase in flexibility, and above all, a
13 more active initiative, either directly or in cooperation with
14 other agencies, to help our members shape up and carry out
15 agricultural projects."

16 So our efforts should in my opinion be primarily
17 educational. We should also stand ready, with technical
18 assistance and assist in project preparation ^{IN THIS} ~~as~~ a very important X
19 field.

20 As a matter of fact, being a lending institution,
21 we should be ready to back up these efforts by our resources,
22 and, of course, in a flexible manner, in a cautious and flexible
23 manner. And, again, I welcome the intention of doing so.

24 Now, in Chapter 2 of the memorandum, I think it is
25 very useful that a discussion of the lessons we have learned

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1 ourselves in our past experimentation with the financing and
2 promotion of agricultural projects, I think we should keep
3 these lessons, these experiences, well in mind, as ~~it~~ has
4 been pointed out by several Directors, and understand from
5 our experiences that this is a very difficult field in which
6 to make rapid progress.

7 But I do think that inasmuch as we really take
8 this challenge seriously, we should not hesitate if so required
9 to strengthen our professional staff in doing this very job
10 which I ^{qualify, which I} apologize to call an educational job together with
11 technical assistance and assistance for projects for prepara-
12 tion. It may require more specialized Bank staff. And,
13 again, I would not hesitate to undertake this inasmuch as it
14 is required.

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15 I have something to say on our cooperation with FAO
16 which I think may be useful, but which I do not expect too
17 much. This is the kind of work indicated which I think can
18 only be done usefully, but by the Bank itself, perhaps with
19 assistance of the technician we borrow from FAO.

20 But our approach should not be the purely technical
21 one which so often is found with this agricultural specialist,
22 but should be an economical one. We should try to get the
23 maximum of economic effect out of our efforts and out of the
24 resources we make available in this field.

25 Now, I do not intend to comment in detail on the

1 experiences, the lessons; I think they are very clear. But
2 I would like to make a few observations on Chapter 3, the
3 proposals for future lending.

4 Well, here, I ^{greatly} think we welcome the underlining X
5 in your memorandum of the importance of a coordinated approach.
6 While I would give this twofold substance, the first page, I
7 agree that such a coordinated approach should mean ^{we} to assist in X
8 creating all around you, overall, favorable conditions for X
9 agricultural development which can only be done in specific
10 areas. You can't do that work as a whole. And I fully
11 endorse this approach.

12 But, also, I think this integrated approach should
13 reflect itself in our lending policies to less developed
14 member countries. I particularly ^{mean} mind that in assisting X
15 them in infra-structure financing, you have in mind and
16 perhaps foremost in mind that this is these infra-structure pro-
17 jects to as much as possible be geared to assisting agricultural
18 development.

19 Giving an illustration, I think with respect to
20 road building, we have had a recent case. I think we should
21 not only judge a road project with respect to saving on
22 transportation costs. We should give perhaps as much
23 attention to what such a project may contribute to the economic
24 development of the area through which the road will lead.

25 I think perhaps this applies also to other infra-

1 structure projects in less developed countries. If it is
2 true that agricultural development in many of our developing
3 countries is of the highest priority, we should try to
4 integrate our other assistance as far as feasible, as far
5 as practicable, to the promotion of this particular agricultural
6 development.

7 Now, with respect to, coming back to, the integrated
8 approach in the first sense, to assist in creating ^{the} your overall *
9 conditions for a higher level of agricultural production, I
10 meet with the term agrarian reform. Well, I think I under-
11 stand what is meant by it, and I think Mr. Hudon's interpreta-
12 tion of social revolution perhaps is useful in this connection.

13 Now, I do think the other Directors are right in
14 preaching ^{CAUTIONSNESS} ~~caution~~ is necessary in trying to bring about such *
15 a social revolution; however necessary such a change may be.
16 But I think we should be guided in this connection by what I
17 would like to call [^] ~~the~~ nonpolitical approach. *

18 For instance, in the field of land tenure, I think we
19 should not have a preconceived opinion on what kind of land
20 tenure is the best. We may have an opinion of our own, but
21 I don't think ^{AS} ~~the~~ Bank and IDA should try to press on our *
22 member countries the adoption of a certain system of that tenure.
23 On the other hand, we know from experience that well established
24 land titles are most important because it gives certainty to
25 the people ~~in~~ working in agriculture. And I do think it is *

1 quite appropriate in trying to assist in creation of a favorable
 2 ^{CONDITION FOR AGRICULTURAL} development to tell our members and assist them, if needed,
 3 in establishing systems of well-determined land titles. I
 4 don't think that's a political approach, but it is a very
 5 practical approach. Who will be the holders of the titles?
 6 That, I think, we should leave to our member countries.

7 I do think that in this field of agrarian reform,
 8 of outstanding importance is that problem of land title, but
 9 also agricultural education, research, extention services, credit
 10 facilities, all these fields, I think, are very appropriate
 11 ones for the Bank and IDA to operate in.

12 And I do think we should give full attention,
 13 particularly to these aspects of creating favorable conditions
 14 for reaching high levels of agricultural production. In the
 15 elaboration of this approach, paragraphs 25^x and the following ^x
 16 ones, it is pointed out that it all requires a concentration
 17 on limited area, and ^I we have already endorsed this point. I ^x
 18 do think we should, in selecting such areas, concentrate as
 19 much as possible on those areas where the government and the
 20 people, and I think Mr. Woods mentioned both, are agricultural
 21 reform minded. There is little sense to try to promote
 22 projects in countries and areas where the government has no
 23 clear understanding and no wish to become active in this field.

24 Neither in those areas where the popula^{tion} is ^x
 25 completely passive and does not take ^A keen interest in ^x

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1 improving their agricultural performances. However painful
2 it may be, I think we should not try to enter such areas, but
3 concentrate on those areas where there is this desire, at
4 least where it can be activated by our educational efforts.

5 And I mention both the government and the people
6 because as long as these efforts come from above and take no
7 hold in the grass roots of the population, ^{IT} ~~they~~ makes very
8 little sense. And, therefore, I think we should be very
9 careful in selecting the areas and the projects and make
10 sure that as far as possible, again, we will be successful in
11 our efforts, because failures in ^{THIS} ~~these~~ fields perhaps have a
12 very strong negative effect.

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13 Now, I also feel that we should assist in creating
14 and stimulating efficient agricultural institutions, as much
15 as possible, again supported by the rural population itself,
16 but in many instances, most instances, as a matter of fact,
17 promoted by government, because these initiations have in many
18 cases come from governments, and be ready to give them the
19 technical and perhaps even managerial assistance which they
20 need to do an efficient job.

21 I may perhaps add that in this connection that in
22 many countries experience has taught us that the promotion of
23 processing industries, agricultural products, processing
24 industries, may have a very stimulating effect in raising the
25 level of agricultural production. These local industries based

1 on agricultural products offer a market; they assist in
2 overcoming the drawback of perishable character of agricultural
3 products. They sometimes assist in improving the quality of
4 the products and, even, they may be helpful in overcoming
5 problems of seasonal produc^eing requirements. I do think we X
6 should also consider assisting agricultural development by
7 promoting processing industries in such areas where this is
8 feasible and promising.

9 Well, there is grain storage; importation of machinery
10 would also be useful. Respecting the importation of machinery,
11 I do think that we should distinguish between agricultural
12 areas where there is purchasing power and skill to make good
13 use of machinery, but there are many instances where people
14 have relied too much for agricultural development in just
15 important practices and machinery without taking full benefit
16 of them.

17 And we should keep in mind in many underdeveloped
18 areas labor is so abundant, so cheap, that perhaps more
19 results are to be expected from increasing the efficiency of
20 labor than of the substitution of labor by machinery. We
21 do not exclude the other areas where already a high level of
22 agricultural techniques have developed and agricultural
23 machinery may play a very useful role.

24 Now, with respect to the financial policies, the
25 flexibility recommended with respect to financing local

1 currency expenditures meets with my full support. I would
2 only like to sound one warning. I think we should avoid, but
3 that perhaps may be discussed when we discuss the special
4 paper on local currency ~~and~~ financing, I think we should
5 avoid just selecting, picking, local currency projects in
6 order to provide our member countries with foreign exchange.

7 THE CHAIRMAN: I agree with that.

8 MR. LIEFTINCK: And inasmuch as we decide to ^{FINANCE} put on
9 local currency projects, local currency expenditures, it
10 should be fully justified by the high priority of the project
11 itself.

12 I also think that we should require -- it may in
13 certain cases be very small, but we should require a maximum
14 effort of our member countries themselves to supplement our
15 lending with savings of their own. And if they prefer to use
16 their savings, their local savings, for projects which have a
17 less higher priority than in our best opinion we think is the
18 case, then, we should be frank enough to tell them and reduce
19 our component of the financing in order to give them the
20 stimulus if we want the project to put up more local
21 money for the end project of the kind we are discussing.

22 Now, with respect to financing of current expenditures,
23 although I welcome the careful conditioning of this kind of
24 financing in paragraph 33, that it should only be for a limited
25 period provided we are satisfied that adequate local resources

1 will thereafter be available and only if proper provision
2 is made for maintenance of this after consideration of proper
3 agricultural policies, I welcome these conditions. But still,
4 I feel we should be most careful in entering this field of
5 financing current expenditures.

6 We should not create reliance on the Bank and IDA
7 for financing such expenditures, but restrict ourselves in
8 principle to the promotion and support in financing of
9 productive facilities of a lasting character and require that
10 the members themselves take care of the current requirements.

11 Now, with respect to the credit, agricultural
12 credit, here again, I feel that we should be most cautious in
13 entering the field of a full term of crop seasonal financing.
14 As much as we would decide to make a great contribution to
15 agricultural credit institutions, which I am strongly in favor
16 of, I think we should be helpful to these institutions, not
17 only with technical assistance, but as far as our resources
18 would be made available in allowing them to enter the field
19 of medium term and longer term financing and concentrate
20 ourselves on that kind of credit for the purchase of implements
21 and tools and machinery, for the purchase of better farm
22 houses and improvements of a more lasting character for which
23 they usually have no funds at all and cannot attract funds
24 elsewhere, For crop financing, seasonal financing, I think
25 in many cases they will be in a position to attract resources,

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1 short-term resources, because it needs only sort of short-
2 term lending.

3 I also agree that the agricultural projects which
4 we are ready to support should not necessarily be of a self-
5 liquidating character. They should be fully justified in
6 terms of their overall contribution to the economy of the rural
7 country. That is, the main consideration. Again, self-
8 liquidating^{or not}, but I don't think we should make that a hard
9 and fast condition for our assistance. x

10 With respect to credit rates, I think we should be
11 aware of the fact that agricultural credit, particularly
12 medium-and long-term agricultural credit, has to be low interest
13 back. Otherwise, it just doesn't work. If that is meant, if
14 to have that in mind in discarding concessional interest rates,
15 I am doubtful. Perhaps you had in mind that interest rates
16 in agriculture for medium-and long-term credits have to be
17 low. Otherwise they do not function correctly.

18 But with this amendment, I think, I could fully
19 agree with your statement here.

20 And, finally, I come to the assistance cooperation
21 with FAO. Here, I just have to say the remarks I made already
22 with respect to UNESCO ~~could~~, with respect to education, I
23 think we can usefully try to attract specialists which they
24 have available, but I think the identification of projects, most
25 of the technical assistance, perhaps some we could share with

1 sure. Because I think by next Tuesday we will have something
2 on that, but we will keep you in touch with it. We are feeling
3 our way into it with both of these organizations.

4 Mr. Reilly.

5 MR. REILLY: Mr. Chairman, I hope I can be forgiven
6 for speaking to this chair again. Sir Eric Roll emphasized
7 our support of this paper, but as he unavoidably can't be here
8 this morning, there is one point I would like to throw into the
9 discussion. It really hinges on the fact that Mr. Lieftinck
10 has just emphasized, and which we all acknowledged, vast
11 numbers of the population of the less developed countries
12 are in agriculture.

13 I am thinking particularly of countries, for instance,
14 like Tanganyika or Nasaland, where they live in villages
15 separate from each other and where they depend on their
16 subsistence agriculture for the very low standard of living.

17 I think as Sir Eric pointed out, until we can
18 arrange that standard of living, you don't get a real takeoff
19 point. And hitherto we have been talking rather in terms of
20 the Bank projects necessarily so, I am sure from the point
21 of view of IDA and credits and IBRD loans, but I am wondering
22 whether we could also get into the field of improving the
23 agriculture in these particular villages and the individual
24 farmer.

25 I am thinking of what has been successful in our own

1 country where the Ministry of Agriculture has an advisory
2 service which has done a lot to raise the standard of living
3 and the production of the ordinary farmer and thinking, too,
4 although I don't know about him, about the -- Mr. Rajan
5 probably knows much more, I believe, ^{of} ~~in~~ the efforts in India *
6 for experimental farms -- what I am wondering is this: Whether
7 perhaps it is not, you might feel, a field for the Bank,
8 although perhaps we could use some of the technical assistance
9 money and the reserves in this field of the kind of work that
10 was done, I think, in the Tennessee Valley of trying to choose
11 the most progressive farmer that you can find in the village,
12 trying to persuade him to take on and just improve his ordinary
13 methods. Some of the methods they are using are historical
14 and very primitive, and quite a small improvement would make
15 a difference to the standard of living and leave something else.

FR

16 This means, of course, having some kind of agricul-
17 tural advisory service which doesn't want to be too technical,
18 which doesn't need to be college trained men, can very often
19 be people from another country which is just one jump ahead in
20 agricultural improvements and farmers themselves who are used
21 to the conditions, agricultural soil conditions, of the area
22 who can give your chosen farmer advice on how he can improve
23 his methods. And one hopes that in that way, he will set an
24 example to the village so that the whole standards of the area
25 can be improved.

1 It seems to me that quite rightly in the paper we
 2 are talking about selected projects and that is an inevitable
 3 way of considering big loans, but there are going to be very
 4 wide areas of the country which are untouched by irrigation
 5 projects or any land settlement projects. Yet I am sure
 6 there is a very big field for increased agricultural production
 7 for raising the standard of living, and as Mr. Lieftinck said,
 8 of making a market for your industrial products and providing
 9 the increased food which increased small industries will
 10 require in the nearby towns and villages.

11 This is nothing new, of course, but it is just something
 12 that I hope that the Bank might get into really for two
 13 reasons:

14 One, I think the ex-colonial powers can't easily do it.
 15 This is rather an intimate business of getting into the villages
 16 and persuading the local politicians to accept the idea.

17 Secondly, I am not sure it can be left in these coun-
 18 tries to the governments where quite naturally the politicians
 19 are often more interested in the more spectacular type of
 20 project, but it is something where the Bank with its reputa-
 21 tion for impartiality, its international basis, I think, might
 22 be able to get very big results without too much expenditure.

23 When I say, "big ^{RESULTS} ~~results~~," I am sure this will
 24 be disappointing. One will get a lot of disappointments, but
 25 I am sure, also, that it has got to be done.

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1 Thank you, Mr. Chairman.

2 THE CHAIRMAN: I am not quite clear, Mr. Reilly.
3 Are you suggesting something other than the thought that is
4 put forward in this document that the agricultural development
5 and finance companies might often, and quite properly should
6 have, technical advisors that would give advice and assistance
7 through the country? Are you suggesting something other than
8 that? There was something along the line that indicated to
9 me that you thought that the Bank itself might go out and
10 deal with these people.

11 I, of course, think this would be wholly impractical.

12 MR. REILLY: Yes, I agree with you that the Bank
13 itself, but I am thinking the money for this, the encouragement
14 to pay for the agricultural advisors in these areas, the money
15 which is required to get certain number of key experimental
16 farms going.

17 THE CHAIRMAN: That's contemplated in here in these
18 agricultural development companies, it seems to me. It is
19 touched on as a possibility.

20 Am I not correct about that, Mr. Gordon?

21 MR. GORDON: Yes, I think that Mr. Reilly might look
22 at paragraph 25 where we specifically mention assistance on
23 an intensive program aimed at modernizing cultivation or
24 grazing practices, and so in a defined zone now under
25 efficient cultivation.

1 Certainly, it is contemplated.

2 THE CHAIRMAN: You said as a matter of philosophy,
3 but I didn't want to leave any impression here there is some
4 possibility that the Bank itself, as opposed to some form of
5 colonial power, might go out and start doing a little missionary
6 work with some of these folks. It will always be done, it
7 seems to me, by the local government or some creature of the
8 local government which might take the form of one of these
9 development entities which, to be sure, we could finance if
10 everybody agreed it was a good idea, either by loans from the
11 Bank or IDA or for a limited time, certainly, by some technical
12 assistance grants. This paper contemplates that.

13 MR. REILLY: Yes.

FR 14 THE CHAIRMAN: Thank you, Mr. Reilly.

15 Mr. Gutierrez Cano.

16 MR. GUTIERREZ CANO: Mr. President, the document
17 that has been circulated is, in my opinion, an important
18 contribution to the future assistance of the Bank and IDA
19 with improvement of agriculture and developing countries.
20 The description of the peculiar characteristics of agriculture
21 and of the specific problems posed by assistance to the
22 agricultural sector is very clear and shows what careful thought
23 has been given to this very important question.

24 Despite the volume of assistance given by the Bank
25 and IDA for agriculture up to the present, the contribution has

1 not reflected the importance of the agricultural sector to
2 economic development. The experience thus far obtained by
3 the Bank and IDA should be used to seek new ways to make
4 their assistance even more effective.

5 One of the most important conclusions contained in
6 the report is the recognition of the special characteristics
7 of agriculture. One reason why the Bank and IDA should endeavor
8 to find specific solutions even to the extent of modifying
9 some criteria they have applied up to the present. The
10 returns from agriculture are usually lower than those from other
11 sectors, which makes it difficult, if not impossible, for those
12 engaged in agriculture to resort to private capital markets.
13 Consequently, in many countries, governments have had to
14 come to the aid of this depressed sector, setting up agencies
15 and services usually of a governmental nature through which
16 credit can be channeled to farmers on suitable terms.

17 The new study of the action to be taken by the
18 Bank and IDA in financing agricultural development should,
19 therefore, consider the above situation which I believe is the
20 result of the complex nature of our agricultural economy.

21 In the future activities, the Bank and IDA should,
22 therefore, take into account and even profit from the existence
23 of such bodies cooperating closely with them and using them
24 in many instances as channels for the distribution of individual
25 loans and even empowering them to study and appraise those

1 loans under general conditions to be agreed upon. This would
2 prevent an excessive increase of the work of the staff of the
3 Bank.

4 As stated in the report, most agricultural projects
5 except some large irrigation projects and the like require
6 only small sums and their foreign component is usually very small.

7 For this reason, the contribution of the Bank and
8 IDA for agricultural development should contemplate financing
9 of expenses ⁱⁿ and local currency, and the report announced on the
10 proposal submitted sometime ago by Mr. Machado will certainly
11 play an important role for this purpose.

12 Since agricultural activities are less profitable
13 than those of other sectors of the economy, they require
14 special treatment in the granting of credits. The lower
15 yields in these activities should be taken into account,
16 and it would be very advantageous, therefore, to admit the
17 partial return for the project financed by the Bank instead
18 of requiring that all projects be self-liquidating so that their
19 returns cover them in the amortization and in the interest
20 of the loan.

21 Part of the difference could be borne by the general
22 economy of the country, relieving the agricultural sector.
23 On these bases, which indicate the characteristic of future
24 assistance by the Bank and IDA to the agricultural development
25 of member countries, increased cooperation with those countries

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1 and their efforts to improve their economic and social
2 structures could be achieved. The determination of priorities,
3 always very difficult in a sector such as agriculture, could
4 certainly be undertaken in cooperation with the member govern-
5 ments.

6 The material activities of the Bank and IDA would
7 probably never achieve their objectives unless new avenues
8 are explored for making the supplementary and essential
9 investments in human resources. Agriculture is the sector most
10 in need of the ^{INTENSIVE} ~~intense~~ effort in the field of general and *
11 specialized education and, consequently, the Bank should give
12 special attention to the education and professional and
13 technical training of those engaged in agriculture.

FR 14 At the financial and commercial level this requires
15 the provision of assistance by the Bank or IDA for agriculture
16 or marketing activities and for agricultural industrialization,
17 two factors which, as the report accurately states, are essential
18 to agricultural development.

19 Cooperation with international organizations such
20 as FAO and others and with foundations and other organizations
21 with experience and staff for the solution of agricultural
22 problems will certainly facilitate this task and at least initia-
23 lly will make it possible for the Bank to avoid making
24 disproportionate additions to its technical staff in order
25 to meet the needs of the financial policy in the field of

1 agriculture.

2 Such cooperation should always be compatible with
3 the ability of the Bank and IDA to decide on the advisability
4 of financing the projects submitted to them, and the appraisal
5 and final decision in this will rest with the Bank and IDA.

6 Although it is not the purpose of this document to
7 lay down specific guidelines for future assistance of the
8 Bank and IDA to the various aspects of agricultural development,
9 it does certainly contain ^{SUFFICIENT} ~~such~~ elements on the basis of which *
10 a new policy to be followed can be kept in mind. And I wish
11 to express my confidence in the success of this endeavor
12 which is such a significant aspect of the contribution of
13 the Bank and IDA to the progress of the developing countries.

14 Thank you.

15 THE CHAIRMAN: Thank you, Mr. Gutierrez Cano.

16 Miss Brun.

17 MISS BRUN: Thank you, Mr. Chairman.

18 I also appreciate very much the opportunity we have
19 been given to have this discussion, and I find the paper in
20 front of us very constructive and most helpful for our
21 discussion. Development of agriculture is certainly a subject
22 of high priority in most of those countries in which Bank and
23 IDA operate. The Bank has already gained some experience in
24 the agriculture development field, and on the whole, I want
25 to support the proposal that this activity be continued and

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1 also extended.

2 I just want to express a few observations and remarks.

3 I appreciate the proposal of a cautious and a step-
4 by-step approach to the many problems in development of
5 agriculture. I think we always have to keep in mind that
6 the people of the countries concerned have their own
7 experience, learned through centuries which, perhaps, applies
8 more in agriculture than in any other field in which we are
9 operating - and that it is extremely important to have the
10 governments, and the farmers as well, co-operate in our
11 efforts.

12 I am pleased to see that forestry and fisheries
13 are included in your development program.

FR 14 As is probably known, my own country has been
15 successful in developing a rather high standard in agriculture.
16 This development has mainly been due to three factors: a land
17 reform, development of a credit system, and education. I
18 might call those factors together an agrarian reform, and
19 this reform has taken place during at least 100 years. The
20 land reform in Denmark, breaking up some ^{OF THE} big farms and doing
21 away with dependency and tenancy was initiated about 1800
22 and has been in progress since then.

23 The credit system is to a high extent based on
24 cooperative societies. Incidentally, other cooperatives
25 operating in marketing and purchas^{ING} and in processing make a

1 similar great contribution.

2 The development in education comprises elementary
3 schools, and agricultural schools and training facilities, AND X
4 besides a comprehensive organization of agricultural consultants x
5 ready to serve the farmers. The agricultural education program
6 is government supported.

7 Although development of agriculture in the countries
8 we are now considering may not be similar to the development
9 over the years of farming in a Northern European country,
10 and may be very different from one developing country to
11 another one, I would like to emphasize the necessity of
12 education in any agricultural development process.

FR 13 In order to build up a credit system, be it
14 cooperative or otherwise, elementary education is indispensable.
15 And to have the farmers obtain the highest benefit of the
16 money which Bank or IDA spend for irrigation, or land
17 settlement or other agricultural programs, ^{AGRICULTURAL EDUCATION SHOULD BE ADDED} I would think
18 it most important to have a Bank agricultural project linked
19 with an educational project.

20 I want also to give my support to your proposal,
21 Mr. Chairman, of improving agricultural production, as a
22 whole, in a limited area. A so-called nucleus-estate
23 (paragraph 26) may be a good help but is it necessary that
24 it should be large?

25 Moreover, I would like to know if these estates

1 which should become centers for demonstration and training,
2 and other operations, serving the smallholders, are contem-
3 plated to be self-supporting. ARE THEY OPERATED ON PROFITS? X

4 It seems to me that the benefit to the smallholders
5 and their confidence in the leading farms will be increased if
6 those farms are nonprofit. I agree with you that the farms
7 would be appropriate objects for Bank/IDA financing, and
8 I suggest that we find a way to establish the farms as non-
9 profit enterprises. Perhaps a Bank/IDA financing could be
10 supplemented by some technical assistance measures.

11 I likewise want to support the proposal of getting
12 more flexibility in financial policies as to agricultural
13 financing, so that the Bank may more than previously extend
FR 14 loans for domestic expenditures and, also, may finance current
15 expenses, e.g., for technical services and other operating
16 costs. We must, on the other hand, be careful not to place
17 too heavy a future burden on the borrower by financing current
18 expenditures out of long-term loans.

19 Finally, I want to draw your attention to another
20 point. In paragraph 28 it is proposed to build up local
21 agriculture institutions for fostering agricultural improvement
22 in member countries, including farm credit agencies, agriculture
23 development corporations and other agencies in order to channel
24 funds. These institutions are contemplated also to help
25 introducing other elements of the very needed "agrarian reform."

1 Although the background will vary from country to
2 country, I think we should consider, as far as possible, to
3 make use of existing institutions in the countries before
4 creating new bodies. Some of the activities which we need
5 may already be handled by Ministries of Agriculture or by
6 other existing agencies, and the Bank might, under a technical
7 assistance project, strengthen existing institutions in
8 providing them with wome needed experts. If, by this means,
9 we can cooperate with the institutions of the country itself,
10 we should probably derive the highest benefit.

11 Thank you, Mr. Chairman.

12 THE CHAIRMAN: Thank you, Miss Brun.

13 Cooperation with the local institutions, we will
14 engage in that practice to the maximum. There is no question
15 about that.

16 Mr. Gordon, why not take this opportunity for a
17 minute or two, if you would step over here, to talk a little
18 about these nucleus estates, on page 15, paragraph 26, that
19 Miss Brun has touched on. Just a little background about
20 the thinking on these. Her particular question, I think, had
21 to do with whether our contemplation was that those would be
22 conceived as profit-making entities or otherwise.

23 MR. GORDON: Well, I think the thought underlying these
24 few sentences here was that for many kinds of modern agricultural
25 activities, there is a certain minimum scale that is necessary

1 to carry it out for the processing of the agricultural
2 products, for the commercial market, or for export. The
3 organization of agricultural equipment which normally an
4 individual small farmer can't afford to use. All the other
5 things that are involved in raising what may have been in the
6 past a largely subsistence farm up to a modern scale.

7 And it has certainly been true in some areas that
8 the existence of a center which could serve as a source of tech-
9 nical assistance to the farmer, as ^{A SOURCE OF} a pool of equipment which
10 can be let out to individual farmers on a hire basis and which
11 can organize the processing and marketing of his product
12 efficiently, has been a very useful aid to increasing agricul-
13 tural productivity and improving the returns to the farmer him-
14 self.

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15 There is no necessary reason, I think, why this has
16 to be a large estate except that certainly the whole complex
17 has to be of a certain minimum size, depending on the kind
18 of production that is required. There is no necessary
19 assumption that this has to be a profit-making entity except,
20 again, that it is likely in many cases to function more
21 efficiently if there is a profit motive behind it.

22 This doesn't mean that it has to or should exploit
23 the farmers that are dependent on it, that surround it. And
24 I think there are ways of introducing control as to prevent
25 such exploitation. But the mere setting up of a conventional

1 demonstration farm in and of itself, I don't think we could
2 rely on it to give the kind of lift to the whole pattern of
3 agriculture in the surrounding area that we are aiming at.
4 There has to be, I think, ultimately an economic motivation
5 and economic conception behind it rather than simply another
6 governmental institution or even a charitable institution, if
7 you like, which is not guided by a calculation of a possibility
8 of increasing productivity and selling the product at a
9 profit in the long run.

10 THE CHAIRMAN: Might it be in some cases some form
11 of a cooperating undertaking?

12 MR. GORDON: Entirely possible, I should think. This
13 is a matter largely, I think, of the traditions and the
14 educational background of the people that you are dealing with.
15 I think that, as Miss Brun pointed out, the organization of an
16 effective, a well-managed and efficiently operating cooperative
17 system, is of a long and rather complicated process. It
18 isn't something that one can simply set up overnight and
19 expect to work. It is often easier to organize a conventional
20 type of corporate enterprise and perhaps eventually convert
21 it into a cooperative system.

22 THE CHAIRMAN: Well, as has been said by at least
23 one other Director, there is a certain appeal to this nucleus
24 estate idea. At least, there is to me a certain appeal, not
25 only as a practical functioning entity, but it has an

1 educational aspect. It has a technical assistance aspect.
2 These things can't be created in too many places in the world.

3 Perhaps if we were able to find even two or three
4 places in the world which had a set of facts that warranted
5 going ahead and trying the idea, we would be pretty well off.
6 Again, it would be nothing new about the idea of a nucleus
7 estate, really, but we would be talking about a pilot operation
8 in a given area with as good technicians and as sound financing
9 as could be arranged.

10 In all these alternatives, I confess this appeals
11 to me more than a great many others.

FR 12 MR. GORDON: There is one where there is a good deal of
13 experience. The Commonwealth Development Corporation has
14 established a number of very successful nucleus estates in
15 some of their areas of activity, and, similarly, I think in some
16 of the French former colonial territories the attempt has been
17 made with a good deal of success to establish --

18 THE CHAIRMAN: It is true, isn't it, Dave, that the
19 most experience, the most competent of the various people we
20 have advised with seem to think that this is the best way to
21 proceed. It is one of the ways that ought to be tackled in
22 an important way -- put it that way.

23 MR. GORDON: I agree entirely, and I think it has
24 perhaps the obvious advantage that gives you a handle to grab
25 hold of. It gives you a functioning organization that you can

1 work through in dealing with a problem which otherwise becomes
2 very diffuse and difficult to contend with.

3 THE CHAIRMAN: Again, thank you, Miss Brun, and
4 thank you, Mr. Gordon.

5 Mr. Khosropur.

6 MR. KHOSROPUR: Mr. Chairman, I would like just to
7 say a few words in support. I sincerely congratulate you
8 like my other colleagues for this excellent report. I
9 especially welcome your proposals on three major points which
10 in my opinion constitute the basic elements of our agricultural
11 policy:

12 First, taking active initiative to help our member
13 countries to shape up and carry out agricultural projects;

14 Second, helping creation or strengthening specialized
15 local institutions for channeling Bank credits to projects or
16 individual farms;

17 And, third, financing local currency expenditures of
18 the agricultural projects.

19 I strongly support the idea of financing local
20 currency expenditures of the agricultural projects to the
21 maximum extent possible if the project is really good and
22 of high priority and if we want to keep the developing
23 countries in the agricultural field. This would be, as
24 suggested in your report, by including local currency
25 expenditures directly in the loans or credits or by means of

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1 revolving funds.

2 In regard to the land reforms which was mentioned
3 at times here, it is true that the land reform in the majority
4 of the developing countries might be more political and social
5 reform than economical. But if the Bank is ^{RELUCTANT} ~~hesitant~~ to help them
6 on the execution of these reforms, once the land reform has
7 been carried out successfully, I think the Bank can give
8 directly or through the agricultural institutions some
9 financial and technical help to the cooperatives in order to
10 promote agricultural production if, certainly, the country
11 requested that.

12 Also, a factual study of the land reform in some
13 of these countries and the results obtained by these reforms
14 would be, in my opinion, of great interest to the member
15 countries as well as to the Bank itself, maybe for our future
16 development in these matters.

17 Thank you very much.

18 THE CHAIRMAN: Thank you, Mr. Khosropur.

19 Mr. Garba, would you like to comment?

20 MR. GARBA: Mr. Chairman, I give my wholehearted
21 support to the President's report regarding proposed Bank/IDA
22 policies in the field of agriculture.

23 As the document has clearly brought out, a large
24 proportion of the population of the developing countries
25 depends on agriculture, and again this sector contributes

1 a large share to the Gross Domestic Product. Hence the
2 expansion and modernization of agriculture and related
3 production is of crucial importance to the development of the
4 economies of these countries.

5 The proceeds from export products will determine
6 to a large extent the volume of imports which can be made
7 available for economic development in other sectors; the
8 efficient expansion of domestic food production will reduce
9 dependence on imported foodstuffs; the increased productivity of
10 agriculture will determine whether the income of the great
11 majority of the people can be effectively raised and this will
12 in turn determine the size of the domestic market for the
13 new industries which are expected to be created. All this is
14 common knowledge. And it is gratifying to observe that a
15 number of the Directors who have spoken so far have agreed
16 with these conclusions.

17 In supporting this policy by Bank/IDA to break new
18 ground I wish to record my appreciation for the Bank's recog-
19 nition of the place of agriculture in the national economies
20 of the developing nations, and the Bank's intention to give
21 this sector high priority in the future. Sir Eric has
22 very appropriately compared the role of agriculture in a develop-
23 ing country to the dynamo or motor.

24 Hence, it is not by mere accident that the
25 developing countries which are now beginning to take the question

1 of economic development seriously, have given agriculture the
2 central position in their development programs. Any concerted
3 effort, therefore, in the direction of an "agrarian reform",
4 as this phrase has been used in this document, will go to the
5 heart of the problem of development in these countries.

6 The difficulties in the way of agricultural financing
7 have been adequately treated in paragraph 6 of the document,
8 and the special problems facing the Bank in meeting some of
9 these needs have been recognized in paragraphs 10, 11 and 12,
10 and as such it is not my wish to go over these points.

11 I am in full support of the views expressed in
12 paragraph 15 of the document about agricultural credit being
13 suited for Bank-IDA assistance, and of this kind of credit
14 being very effective aid to higher productivity.

15 In many of these developing countries there already
16 exists some type of an agricultural credit institution, and in X
17 a few, there are Land Banks or Farmers' Cooperative Banks.
18 These institutions could usefully be employed as media for the
19 injecting of capital into agricultural production.

20 And where these agricultural credit institutions do
21 not exist and there is the demand, then consideration should
22 be given to some form of participation with local interest in
23 order to establish such a one, along lines similar to those
24 currently followed by the IFC in the establishment of
25 development banks to assist in the area of industry.

1 The need in the area of technical assistance is just
2 as great as in that of finance, and in this I believe that a
3 boost will be given to the agriculture of the developing
4 countries in strengthening what is known as the Advisory
5 Service, for this is the body whose responsibility it is to
6 transmit modern progressive techniques and practices to the
7 farmer in the outlying areas. In this regard, I welcome the
8 proposal in paragraph 39, that it is intended to make use of
9 the FAO as a major source of technical and management assistance.

10 I again welcome the President's intention to present
11 a paper to the Directors on the issue of local currency
12 expenditures, and cannot agree more with the feeling that
13 there should be flexibility in these matters, and that merit
14 and priority, rather than the foreign exchange component,
15 should be the determining factor.

16 I do not support the suggestion however, that the
17 present discussion should be postponed until the whole issue
18 of local currency expenditures has been dealt with by this
19 Board.

20 By the same token I welcome the suggestion that in
21 certain cases expenditures on advisory and management services
22 of foreign personnel may be treated as capital rather than
23 recurrent costs which are not normally financed by Bank/IDA.

24 Dr. Machado has indicated that the document has
25 omitted to mention fight against natural hazards, such as

1 foot and mouth and the Panama diseases. I would also like,
2 Mr. Chairman, to draw attention to the terrible devastation
3 which is inflicted on quite a number of our countries by the
4 migratory locust. This is an area where I believe that an
5 organization like the Bank can really play a necessary role,
6 in that these destructive creatures are indeed no respecters
7 of political boundaries, since they may start somewhere in the
8 Arabian Desert and end up on the West African Coast, destroying
9 every imaginable crop and greenery in their wake.

10 There is, I think, an international organization
11 whose specific responsibility it is to keep a check on this
12 menace. The Bank could be of great assistance if at any time
13 the question of finance for this worthwhile campaign should
14 come up.

15 Thank you, Mr. Chairman.

16 THE CHAIRMAN: Thank you, Mr. Garba.

17 Dr. Machado.

18 MR. MACHADO: Mr. President, at the meeting last
19 Thursday, I said everything I had to say about this paper.
20 I fully congratulate you and the staff in presenting it to
21 us, and I welcome the recommendations, being in full agreement
22 with them. I merely pointed out not omissions, because I
23 think this paper is very complete, but supplementary services
24 such as the service that the Bank, in conjunction with
25 other organizations, and perhaps some of these charity funds,

1 could ^{be} be in assisting in an eradication or minimizing natural *
2 plagues like the Panama disease in the bananas and the hoof
3 and mouth disease in cattle which are everybody's problem
4 and nobody's business.

5 Now, the reason why I am speaking today, and I will
6 be very short, I would like to spare your time and my energies
7 to discuss the question of local expenditures when we come to
8 the paper that I hope very shortly will be before us and how
9 in my opinion the Bank can assist the member countries to
10 solve this problem.

11 The reason why I speak today is because I want some
12 of my colleagues in endorsing the general ideas submitted by
13 you, and I am very happy to find that we are almost in
14 unanimous agreement on the basic points, have expressed some
15 hesitation about the use of the term "agrarian reform." And
16 I would like to defend the term "agrarian reform" and congratulate
17 you and the staff for having the courage to bring it out.

18 I look at it this way: Just because a lot of uneducated
19 people like to curse and in their blasphemy they invoke the
20 name of God in vain is no reason why all good, honest, moral
21 religious citizens should not call God by his proper name.

22 It seems to me that the term "agrarian reform" is
23 just exactly what the Bank wants to do and what we should do
24 and not be ashamed of it. I believe that political demagogues
25 in many countries have seen the opportunity of stealing a

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1 beautiful phrase which in most cases is purely used in an ^A
^{HOLLOW}
2 ~~unholy~~ way to get votes without any accomplishment. X

3 Now, the term "agrarian reform" as defined on page 5
4 is not, as the footnote says, "land reform" which is a
5 different subject. Agrarian reform in the broader sense is
6 improvement of land utilization, improvement in tenure arrange-
7 ment, governmental agricultural services, problem of prices,
8 other economic policies, marketing, supply of credit, and
9 farmer requisites.

10 It seems to me what we want to do, we merely thought
11 about agricultural projects we are narrowing unnecessarily
12 the field of what we want to do and the benefits of the
13 Bank's agricultural development program.

FR
14 Actually, as you have well explained and everybody
15 knows, this thing will not take a lot of money and certainly
16 not a lot of foreign exchange. Most of the program will
17 require cooperation also that in addition to some financing
18 on our part and a great deal of financing from local
19 institutions will require the assistance of the government.
20 Where we find ^{IN A} ~~that~~ ^{THAT} country has a policy of fixed price to X
21 supply cheap food to the population, but at a price where the
22 farmer cannot make any money, we cannot possibly carry on
23 an agricultural development project unless that thing is changed. X

24 Just in the same manner when we finance a public
^{IN A COUNTRY}
25 utility where the rates are too low, we first convince the X

1 the country that the wisdom of adjusting the rates to the x
2 point of where the service can be self-supporting. So this
3 is reform; this is not financing. This is reform. It may call
4 for reform of the laws or reform of the system and reform in
5 some of their local institutions and in this sense I won't be
6 afraid of using the word "reform" because, as Mr. Lieftinck
7 pointed out, we would never use it in a political sense.

8 Actually, what we want to do in agriculture is
9 reform. Reform, not only in financing, but in the methods
10 and the procedure in the whole conception of the agricultural
11 problem. And I think that by using the term "agrarian reform",
12 we are claiming our legitimate corner which has been invaded
13 by unscrupulous, not enemy, but adversary, and we shouldn't
14 be afraid of offering to developing countries a true
15 alternative with economic contents like I am sure the Bank
16 would.

17 Once we establish the general pattern of a country,
18 we find that they can choose between the empty, hollow
19 political reform, agrarian reform, offered by the demagogues
20 or the sound financing and common sense policy of the Bank.

21 So I congratulate you for using the term. I hope
22 that I have dispelled the apprehensions or the fears of some
23 of my colleagues and I hope we will have a real message.

24 The reason why I don't think we should call this
25 "agricultural projects" is because the problem of our countries

FR

1 and certainly the program of the Bank would not be accomplished
2 by just developing a few little jewels in bare hands or, shall
3 I say, paradise or an oasis in agricultural desert in a
4 country.

5 The basic thing, if this thing is going to do any
6 good to a country, is to have a program that will cover the
7 most, the largest part of the population with the least amount
8 of financial help. And this, I am sure, Mr. President, we
9 can accomplish if we are not afraid of facing the problem and
10 certainly not afraid of calling a spade a spade.

11 THE CHAIRMAN: Thank you, Dr. Machado.

12 I think it is reasonably clear now that we will all
13 use the phrase "agrarian reform" with^{out} inhibitions. Each
14 Executive Director who has evidenced the desire to comment on
15 this paper numbered one in the financial policy documents
16 in this year 1964 has now had an opportunity to comment.
17 I am grateful for these comments. They have been thoughtful,
18 and I know they will be helpful. The staff will digest and
19 tabulate the viewpoints expressed, and it goes without saying
20 that I will be guided by the expressions of the Executive
21 Directors.

22 There isn't any further discussion contemplated,
23 programmed, on the subject of this agricultural paper, and if
24 any other Directors feel impelled to comment or make any
25 observation with respect to it or any of the others who have

1 already spoken would like to do so, there will be occasion
2 in the future.

3 Certainly, we will have a report, as has been
4 indicated, from Mr. Demuth on the results of his expedition
5 into the land of FAO and UNESCO, and there will be further
6 opportunity at that/time to comment on this paper. x

7 The sense of what I have out of this discussion is
8 that there is a general acceptance that the Bank should go
9 forward, should set itself up in the staff level to expand and
10 enlarge its activities in the area of agrarian reform, and we
11 propose to do that.

12 Mr. Suzuki has indicated he would like to speak.
13 If you are going to speak at length, Mr. Suzuki, would you
14 prefer to do it at the next meeting, and, yet, on the other
15 hand, you can do it both times.

16 MR. SUZUKI: In the future.

17 THE CHAIRMAN: Very good.

18 In that case, the meeting stands adjourned and we
19 will meet in the lunch room.

20 (Whereupon, at 12:47 o'clock p.m., the meeting
21 adjourned.)

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