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THE ROLE OF THE PRIVATE SECTOR IN GLOBAL FOOD SECURITY AND DEVELOPMENT
October 16, 2008 – 3:45 to 4:45 p.m.
Speaker: Robert Zoellick

INTRODUCTION

Ambassador Kenneth Quinn

President - World Food Prize Foundation

Well, this has been a terrific day and a terrific afternoon starting with Sylvia Mathews Burwell at lunch, Bob Hormats, this terrific panel. Let's give them another round of applause. That was really great.

And now we're going to finish up with the president of the World Bank, Robert Zoellick. Let me tell you a little bit about Bob Zoellick.

First, I'll tell you kind of the official part – that he's the 11th president of the World Bank, and prior to joining the bank, he was Vice Chairman of Goldman Sachs and a Managing Director of the Board of International Advisors of Goldman Sachs. He was U.S. Trade Representative, Deputy Secretary of State, and has been a leader in international negotiations.

But I know Bob Zoellick from when he was the counselor of the Department of State, and I got to see him and work with him firsthand with dealing with crises back in 1990 and 1991 and with the formulation, personally for me, of the U.S. policy that led to bringing peace and elections to Cambodia and eventually the elimination of the Khmer Rouge that I talked about earlier. And when you see somebody in a crisis situation, you get to see who's got it and who doesn't. And I can tell you that he's able to look at the situation, decisively come to quick decisions about what needs to be done, and he was always right on everything that I worked with him on.

And so earlier this year when we had the global food crisis and then the financial crisis, to see him and Josette Sheeran, another friend of the World Food Prize, who I thought were the two most important and impressive leaders in helping the world deal with that.

And so it is a great privilege and personal honor for me to be able to welcome him to Des Moines and to this conversation. Bob Zoellick.

I want to start, President Zoellick, with a confession. We picked the title for this conference last November – *Confronting Crisis*. And we thought then that were going to be able to look out maybe five, ten, fifteen years and there'd be some crises. And here we've had this year the food crisis

and now the financial crisis. And I think it'd be very interesting to hear your comment about maybe starting with the financial crisis, the most recent. You met with all the finance ministers, with the board, and I know you made a very powerful statement then, and I think to hear your reaction to that.

Robert Zoellick

President – The World Bank

Well, first, let me thank Ken very much for the invitation. As he said, we had a chance to work together a number of years ago. And as a fellow Midwesterner, but from an eastern state of Illinois, I always used to appreciate that Ken was a highly unusual Foreign Service officer. He had taken part in a program that the Foreign Service had to work with state government officials and worked with Governor Ray, as I recall, and really had a sense of the intersection of policy and politics and how to bring it together for the very best purpose. So we've stayed in touch over the years, and I'm absolutely delighted with the role that he's been able to play with the World Food Prize.

As he said, we have a number of mutual friends. Josette Sheeran was a colleague of mine at USTR in the State Department, and I know she very much appreciated her opportunity to be here in the past.

And I also wanted to say that I think it's great that you're going to be commemorating Senators Dole and McGovern tonight. I had a chance to meet Senator McGovern in my office not long ago, and we were talking about the power of school feeding. And I've been so pleased to see what Josette's been trying to do to drive that through the World Food Programme with a key nutritional element. And I just had a chance to see Senator Dole as I came in. So it's wonderful to recognize two true heroes of both politics and policies, so I thank you for the opportunity.

On the financial crisis, this could go on for a while, so I'd best keep it short. I guess what I would say is that, during the course of the past 12 months or so, at the World Bank, I've been trying to focus attention on the fact that, while people have been concerned about the financial issues, that, of course, we've seen the run-up in food and fuel prices and the considerations that has for those most vulnerable around the world. I believe that's an issue we still very much face, even though prices have come down somewhat.

But in September and October I think the events that we've all seen, with the drama and the tragedy of them, have created a tipping point for many developing countries in terms of their economic prospects. So at the annual meetings we had that have just finished with the World Bank and the IMF, part of our purpose was to draw attention, with many of the developing countries, that there is a storm coming. You know, one of the things that's been unusual about this financial crisis is it came up in the developed world, not the developing world. And indeed over the past year you've had some key players in the developing world be pillars of growth. The growth you've seen coming in the U.S. economy has primarily been from exports going to developing countries.

I'm afraid, because we're likely to see a significant slowdown in the U.S. and Europe and Japan, that's going to run through the developing economies in their exports and their investments, which are often export industries as capacity builds up. Many of them are now trying to deal with the second-order effects of higher food and fuel prices, so they have tighter monetary policies. If

they get business failures with tighter monetary policies, they could have trouble with the banking systems, just as you've seen in developed countries - with remittances a very big issue, not just for Mexico and Central America but for countries like Ethiopia.

And so I think this is going to be a time of trial. Now, you have to disaggregate and look at each country. A country like China will have a slowdown, but it had been somewhat overheating and it's pretty well-positioned. It could actually play a role in expanding demand.

But I think the challenge will be, given the issue that we've talked about here with food and fuel and their very strong interconnections – we're now moving into a different phase of this danger.

But just to end on a slightly optimistic approach just from your past panel, you know, one of the things – if you look at sub-Saharan Africa, and many people don't recognize this, you know, over the past ten years you've had about two-thirds of the population live in countries that on average have grown about 6.6 percent. Now, 8 of some 25 countries have been oil producers, but the others have been doing the things that people saw in Europe 40 or 50 years ago. They wanted to have infrastructure, energy, regional integration linked to global markets, private sector.

And I think we need to keep our eye on the possibilities for sub-Saharan Africa 15 or 20 years from now also being a pole of growth. Just like no one would have imagined for China or India 15 or 20 years ago. And agriculture can be a big piece of that story.

Kenneth Quinn

Looking back, then, at the global food crisis earlier in the year – the Bank took a number of actions then and I thought, again, played a leading and terribly important role. It'd be helpful for everyone to be able to hear and have you go through how you saw it, what you did, and what the Bank did and what the impact was.

Robert Zoellick

The starting point actually was at the end of last year. I read an article that some of you might have seen in *Lancet* that was talking about malnutrition and the inattention that malnutrition had received around the world. Malnutrition is actually part of the first Millennium Development Goal, but I started to refer to it as the “forgotten Millennium Development Goal” because it didn't get anywhere near the resources as the others, and yet its influence ran through everything. You know, it's the primary cause of death for children under five. About 3.5 million children a year, or people, die of malnutrition.

There's a goal related to maternal health. Well, 20 percent of maternal deaths are due to malnutrition. And what is most frightening is that you can see the flow-through effects, not just for a day, a week, a month, a year, but we now have data that shows how malnutrition in earlier years, particularly the negative nine months to the first two years, twenty-four months, will affect growth and capabilities for children and economies for their whole life.

So that's why some of these programs with school feeding become very important, particularly if you can use them to reach some of the younger children as well – because it affects schooling, it affects productivity, it affects maternal health, you know, as well as the hunger issue.

Now with that as the base, I was watching very closely the price increases through the year. And as I mentioned, while everybody was focused on the financial side, I was worried about the stress points. We worked with the three UN agencies – World Food Programme, FAO, and IFAD – and some other partners to try to do on-the-ground assessments of what the situation was, country by country, whether it was safety-net needs or seeds and fertilizers. Because one of the stories I remember is President Kikwete of Tanzania telling me that fertilizer prices had gone up sixfold, and so even with high food prices, people weren't planting, which was obviously a danger for a supply response. The first level was to try to get the information as best as possible.

Second – and this shows some of the things we're trying to do a little differently at the Bank – I was trying to see how we could help the World Food Programme (and that's something I hope we can come back to). It's a fantastic organization, works very efficiently, but as all of you probably know, it has to raise that money from scratch every year, and it's normally about \$3 billion a year. This year it'll be \$6 billion. And I was trying to help raise the money and support some of those programs. So I was delighted that the king of Saudi Arabia was the person who told me first about a \$500 million grant to the World Food Programme. So I gave Josette an email, and it was pretty good news for her.

But then the question is – how else can we support this in getting donor support? At the World Bank, to try to move more quickly, I tried to highlight this issue at our spring meetings in April, and I actually tried to call a new deal for food policy, trying to talk about not just the short term but the longer term. And we put together a rapid-financing facility of \$1.2 billion to try to help safety-net programs, maternal child-feeding programs, seed and fertilizer programs.

And the way that we work is we had to partly use this to quickly reallocate other funds, but I also took \$200 million out of our income to put this forward. And sometimes the Bank has moved a little slowly, but I'm quite pleased – the good news is, you know, here it is October, we started this in May. We already have either out the door or in the pipeline some \$850 million of that \$1.2 billion.

Now, the bad news is we're getting up to the limit. So one of the points that I was also trying to do over past days was encourage countries that want to give additional support, to say, here are mechanisms, whether they're with the World Food Programme or ours or others, that you can get it and have it delivered right away. And over the past week or so, I was very pleased – Australia committed 50 million Australian dollars to help this. The Russians didn't give me an amount, but they said they'll contribute.

The big prize out there is President Barroso of the European Commission has done something that, for those of you that know European politics, was quite courageous. He said, "Look, there's a billion Euro we're not going to need, because of high food prices, for the Common Agricultural Program. Let's devote it some of these needs for agriculture and food." And this caused a storm with some of the member states, but he's trying to move that process through. And this goes back to your question about financial crisis. We're all going to be under tremendous stress in terms of people keeping up their aid or assistance programs, so this is some real assistance here and now.

The last point, but which we can go to more, is what can we do also to turn this crisis to the advantage? And this is where, obviously, the topics that you're discussing are right on point because we're going to try to increase our investment, not just in the safety programs but in agriculture in sub-Saharan Africa, about \$450 million to \$800 million over the course of a year, globally maybe from about four to six billion dollars. And IFC, our private sector, is helping to try to build the private-sector dimensions of this.

So we need to keep in mind the possibilities all across the value chain to make this into an opportunity.

Kenneth Quinn

As you look ahead from having seen the global food crisis that seems to have abated some, are there lessons about that? What do we need? Do we have the mechanisms in place? Are there new type sort of arrangements to try to create to ameliorate or to deal with it if it's even more severe in the future?

Robert Zoellick

Well, first, Ken, I want to put a slight caution on the idea that it's abated. Food prices have come down a little bit, but, you know, frankly, our projections, even with some substantial declines in 2009, 2010, is they'll still be some 40 percent above 2004 levels. And if your families in many poor countries living on 50 to 60 percent of your income spent on food, that makes a huge difference.

And obviously a lot of these price changes haven't flowed through these countries yet, whether it be the fertilizer or the food issues. And when this topic came up in the weekend meetings, the new Indian Central Bank president said, "You know, if we get a little bit of depreciation of our currency, we lose some of that benefit." So this remains a real crisis out there.

We released some information last week that our rough analysis is: Over the course of the past year there's 44 million new people that are now suffering malnutrition – it's almost up to a billion. So this is very real, and I don't want people to think we're out of this, because we're not. And part of it will come back to the energy-food price linkage.

As for what we need to be doing – I think part of the lessons of the financial rescue is, we also need to be thinking about the attention to the human rescue and how we make the international system work better for these things.

Now, let me give you one practical example that we're working with, with the World Food Programme. And this is the sort of thing that the type of people you have in your audience have thought about and can help us do.

I mentioned how the World Food Programme works, with a voluntary program and trying to get resources. And all of you know that, in various forms, about 90 percent of their assistance still has restrictions on it. If you look at, in a sense, the business model of the World Food Programme,

it really has very little ability to try to anticipate and to, in a sense, manage – whether it be market risks, liquidity risks, operational risks – in advance.

And so what we're now actually seeing down at the World Food Programme is to say, "Look, if we could get for you simply some core funding or multi-year funding, so it's not just month to month to month, or some credit line, we or others might be able to use financial hedging techniques, commodity hedging techniques." In a sense, how do we modernize the old concept of large stocks that might be kept in a country and use some of the tools to be able to help get product where it's needed more efficiently, more effectively deal with changes and exchange rates.

And there's a weather component. We're talking with the World Meteorological Organization and WFP. What you find is you look in a place like North America and you've got weather patterns and people anticipate weather conditions. You don't have that in sub-Saharan Africa. We're trying to develop some sites where we could do a little bit more long-range weather forecasting, particularly with climate change and other adjustments.

So there are some practical steps – and it's a little nuts and bolts – but you could make international organizations work a lot more effectively. We estimated you could probably save the World Food Programme 20 percent of its costs and be more quick and more effective. But what we need is governments to just give us a little freedom – not something huge, but just get a little more freedom through some of these funding mechanisms.

I think this goes to the larger question of vulnerability in those that are at the bottom billion, those that really suffer most when these big changes and crises occur. We're trying to do something similar in the energy area with an Energy for the Poor Program. So in a sense what we need to try to do is always be thinking that, you know, while people are talking about new Bretton Woods structures and different currency and financial regulation, we need to apply the same thinking to try and help those at the bottom end of the process.

And then obviously as we think about some of the opportunities in an area like agriculture – and I know this has been one of the topics of discussion and certainly associated in such a personal way with Dr. Borlaug – you know, a lot of money has slipped in the research area. And so the Consultative Group on International Research where you've got people here, the CGIAR program, has slipped to about \$500 million a year. I mean, frankly, if you think about the challenges of climate change and others, that should easily be \$1 billion very, very well invested. Now, there's also ways you can improve that consultative network, and we're trying to do steps like that as well.

So I think there are a lot of lessons learned about how to make this work better. The good news is some of them are things you can think of how to do.

The one part I didn't touch on but will be critical for the future is – what you saw going on (and your prior panel was quite interesting), when the food prices hit, agricultural markets around the world started to break down. Over 40 countries started to put either export bans or export restrictions. People broke contracts – futures markets, people would stop them.

And in a sense what we need to do is create the security and assurance for those that are most vulnerable, the poorest countries, so they won't pull out of the market, but then try to make the market work. So another point that I've been stressing, and Josette has, is I think it's terrible to

have export bans on food, but for goodness' sake, can't the world agree at a minimum not to have an export ban or high taxes for the World Food Programme or for humanitarian purchases? And then beyond that, for poor countries?

So that's something – you know, it's quite interesting. I've never been in a forum where I talk about that where one person will disagree. But, you know, what does it take to make it happen to have some accord to do that?

Kenneth Quinn

Well, I'm struck by listening to the executives of these companies that are doing business all around the world, about how international trade in food is really globalized. And yet at the first indication of crisis, the instinct to hoard comes to pass. I saw some of that when I was a young rural development officer out along the Cambodian-Vietnam border.

But I saw another example a few months ago here in Des Moines. You know, my wife grew up in Vietnam and we met there, and I came home one night when the headlines were on about food prices going up. And it was kind of late at night and I didn't put the light on in the kitchen. I came in and I tripped over this huge bag, and she had run out to Costco and had gotten a 50-pound bag of rice, because that's deep in her genes that this can happen. And I remember the same thing, and that it's so instinctive.

Robert Zoellick

At my house we have 50-pound bags of bird seed.

Kenneth Quinn

So it seems deeply ingrained in people. And so what you're talking about is so important. But is the prospect there, when countries really feel that their national security is on the line, to deal with that? Or are there other kind of diplomatic mechanisms from your time as Deputy Secretary?

Robert Zoellick

Oh, well, like in a lot of these things internationally, you know from your experience, you can do some systemic things, but then you have to do some one-offs, too. So when you take a product like rice – and this is something I didn't know before this year – only about 7 percent roughly (it varies by year) of rice is a traded commodity. So that's a relatively thinly traded market. And one of the causes, at least as I've been able to track it down, for the big burst in rice prices was the Philippines trying to do a very big tender and not being able to fill the tender, and that just sent prices through the roof.

I think we should be able to strive for international accords and understandings, and even at this point simply a moral suasion for items like not having countries restrict purchases by the World Food Programme or humanitarian sides.

I think beyond that, you know, part of this goes to – you always have to understand what's the cause. So take your example of your wife's concern about hoarding. We can say this is not good policy, this is not the right thing to do; but unless you deal with that fear or anxiety, they're going to do it. And so that goes to some of the need for the international system to respond with the types of support for a World Food Programme or others to be able to provide the needs. And when the anxieties break out – in some ways it's analogous to the financial markets – markets tend to overshoot, and you're seeing this happen in financial fears. And frankly the government response will probably have to overshoot on the other side to calm them down. Well, so it will be the case with these set of fears about the most basic essence of life.

I think beyond that – and this is something that we did, some of my senior colleagues, Ngozi Okonjo-Iweala, who is one of our managing directors from Nigeria, is we would actually urge countries like Kazakhstan and others, big grain producers, Ukraine, to lift these – at least start with your neighbors. So we got the Indians actually to lift some of their limits on rice sales to Bangladesh or other sort of poor countries. So obviously those are important.

And then at another level, you know, in the international trading system the start of liberalization focused on goods, and then it slowly moved to agriculture. The Uruguay Round made some steps. And it's deeply disappointing to me to see the Doha Round and WTO basically on the precipice or worse. Because when I helped start this round, frankly, my hope was to make some significant cut in trade-distorting subsidies.

One of the benefits of being a trade negotiator is that if you liberalize or cut subsidies, which the other guy wants you to do, you're actually helping your own country. But you have to manage the politics of doing that. And I think that opportunity, along with the opportunities to cut some of the barriers to trade, is something that it's very frustrating to see the world hasn't seized.

Kenneth Quinn

Well, have you given up hope on trade liberalization or...?

Robert Zoellick

Well, I'm by nature an optimist, so I always am looking for another perspective on it. But I've been – as we came into this year, the Director-General of the WTO Pascal Lamy is a very good friend of mine (he was my European Commission counterpart) – I really felt it was critical to try to move the major developed and developing countries towards a deal, and I thought there was a deal on the table. So, frankly, I was quite frustrated, am quite frustrated, that it's broken down.

And then to be honest, I have a multilateral position, but I've got to say this, is that these deals don't happen if the U.S. isn't playing a leadership role. And right now what I hear in the U.S.

political debate on trade doesn't make me think we're playing the leadership role we're going to need to play.

Kenneth Quinn

Well, as I try to think about global food crisis, it's sort of short-term issues that have come up. Then there's the longer-term questions about trying to look out a number of decades. And when we started the symposium, we sort of defined the question that – Dr. Borlaug, when he went to Pakistan and India in the 1960s, he saw that food, and feeding hungry people, could be a way of reaching across even violently warring parties and find a common ground.

And the question seems to be: Are we going to be able to continue to do that? Is food and development going to be a unifier, or can food become the kind of issue that will violently divide people, set them against each other?

A couple weeks ago, I was invited to be with Secretary Rice and Secretary Gates at the State Department for a small roundtable. And Secretary Rice said, "Well, we asked a number of agribusiness leaders and experts here because we think, the two of us, we think food is becoming a national-security issue." And I thought, I hadn't heard that before. I think it raises kind of interesting questions.

Robert Zoellick

Well, I think the short answer to your question is that depends on the decisions and actions of everybody. It could go either way. And I think one of the wonderful things about an organization like WFP is that it tries to avoid politics. It's there to help people, and sometimes the disaster may be caused by the actions of government leaders, whether it be North Korea or Zimbabwe, but they're there trying to support. And I think that's an essence of humanity we ought to keep trying to emphasize.

As for the notion of food and security, in some ways Americans have been a little blessed in being able to avoid this. But if you grow up in Japan, you've been thinking about food as a security issue for quite a long time; and that's why it leads to some of the frustrations about some of the trade barriers and other aspects.

And this is something where I've tried to point out, that, sometimes policy decisions have long tails to them. I mean, many people in this room may have at least read about, if they don't recall, the fact that under President Nixon we banned the sale of soybeans. Well, you know, people will remember that. If they're going to be opening their markets and depending on your food and you ban the sale of soybeans, it wasn't good for American farmers, it wasn't good for future trade negotiations.

And it raises a sort of fear in countries that Americans haven't – at least most of the Americans in our lives haven't really gone through that sort of terrible of hunger and the devastation that it causes. We had Elie Wiesel come and talk about this at the World Bank. In fact, you may

sometime want to invite him here, because it was one of the most poignant statements talking about hunger and the morality of hunger, as someone who survived concentration camps. But the way he talked about it really did come down to the essence.

But as for the positive side, again this is where you talked in some of the prior panels – to make agricultural systems work, there's the opportunity to share small-scale technology; there's the opportunity to share research. In some smaller markets you're going to need to be able to have transportation systems. In some countries in sub-Saharan Africa they're landlocked, they need access, so you have the possibilities of regional integration. There are the business and trade possibilities from a local fertilizer plant.

Again, since I tend to associate this forum with such fantastic research, if you look at sub-Saharan Africa's production and productivity, only about 11 percent of the seeds planted in sub-Saharan Africa are enhanced in some way. You compare that with the Middle East and South Asia, and that's about 40 to 50 percent. So there are huge opportunities here through some cooperative projects that also can do well by doing good.

Water resources – you talked about that a little bit in your prior panel, you know, the ability to use river and irrigation systems much more effectively. This also links to the energy issue. Right now in Central Asia one of the things that's very frustrating is you could have tremendous growth in hydropower that could produce electricity, help deal with some of the grinding poverty, but you've got conflicts and tensions among these countries. So it's one of the things we're actually trying to work on with some of the national parties.

So, as in many of these things, you have an opportunity to create better value, create cooperation, multilateral opportunities, create wealth; but you also have the dangers of people that either are fearful and withdraw, or, frankly, are just evil in their impulses.

Kenneth Quinn

I've always been very impressed by the World Bank representatives wherever I've served and found them to be very high caliber. I wonder how have you found the Bank and the people there? And when you get together your policy planners and look ahead and try to – do you do projections and try to go out thirty, forty, fifty years and say, What are going to be the really key things to happen or not? And do you try to see, is there something else that we haven't even found yet that's going to be there – the unpredictable, you know, the John Deere steel plow or the Henry Wallace hybrid rice seed that's going to change things?

Robert Zoellick

Well, if we knew that, we'd probably be investing in it. On your first part, I came in at a point in some turmoil in the institution, so the first role was to try to – and I think this was an encouraging part about the staff, was that while one had to calm the waters, my judgment was that the people there were motivated by a mission. And rather than to spend endless hours just talking

about it, if we got people back to work and focus on the mission, that would be what was the best motivation. And I found that to be the case.

I think that, like any multilateral institution, it's got some unique aspects to the culture. One part that I find many people wanting to change, but it still takes some work, is that it's more of an analytical culture. You have a lot of economists, you have people that have good analytical training. And I've been trying to see themselves as problem-solvers, not just analysts, not just coming to the table and saying, "Well, I can help you analyze this," but thinking about the client relationships and how we solve that client's problem.

It comes back to some of your first questions. You know, you can go to a country that's feeling stress and say, "Well, this is what the textbook says, and you should do this or this." But they have to deal with their own local politics. How do you give them some options and choices? How do you – and this is where we have the advantage – show knowledge and experience from around the world to say, "This is how somebody did it here, and this is how you might customize it for this purpose."

So trying to build in that client responsiveness, whether it be social development, malnutrition issues, or sophisticated finance issues, is something that we still need to try to work on. And this is why also this rapid financing facility – I have a gentleman here, Juergen Voegele, with me who has helped me put this together. It's a little different in the Bank in that sometimes, because we have 24 board members representing a variety of countries, it can be a little bureaucratic, it can be a little slow. And it's an on-the-scene board; it's a full-time board. And so I'm trying to build in a culture of a little bit more rapid response. So what we were doing in this food area was a little bit unusual and something that I hope will be a hallmark of some of the other things we do.

So in general, I think that, if you think about what you've seen in financial markets or food markets, what's the lesson? The lesson is – these are global, these are issues that cut across borders. If anything, we need sort of more multilateralism, but more multilateralism adjusted to different circumstances. So even to come back to our work with the World Food Programme or WHO, I'm trying to get the Bank to be seen as a player in a network – we can help others; we can be support.

And this will come to your second question. I think some of the biggest uncertainties out there are related to climate change. And we're also as a bank trying to play a support role for the UN FCCC negotiations on climate change. We just raised some \$6 billion for various climate investment funds. Whether the issue is carbon trading, whether it's forestation or deforestation, whether it's adaptation, we can play a role linking this on the development side.

And I think that's the big uncertainty out there. Otherwise, I wish I had a greater sense of vision. I would just highlight these points, and I think your discussion has talked about them. People are now recognizing the interconnection of food and fuel – well, it's really going to be food, fuel and water. And how those issues will drive the future, I think, is going to be quite important.

Another category, and in some ways it's as old as the Bible before, and is going to be around, is the particular problems of post-conflict in fragile states, which you know well from the Cambodia experience. Many people in the development community have simply seen these as harder development issues. But they're really a mixture of development, security, governments, legitimacy.

And we're still learning, whether it be Afghanistan or whether it be Liberia or whether it have been Cambodia. How do you work through these? And it's going to require some patience – as you know, too, in the case of Cambodia – some of these devastating events will take decades to overcome. But, so some of this is, in a sense, new perceptions of old issues, too.

QUESTION AND ANSWER SESSION

Quinn So President Zoellick has agreed to take some questions from the audience. I invite you to come to the microphone. Please identify yourself and be brief, if you would.

Q Wallace Huffman from Iowa State University. I want to thank you very much, President Zoellick, for coming today. I want to ask you a question. In the last decade we have seen a new major funder of projects dealing with agricultural development in the world, that being the Gates Foundation, combined with the Buffet wealth – and in particular, how is that affecting the way you operate at the World Bank? And are you thinking of partnering with them? Or how do you see the future going with the Gates Foundation being a very large resource?

Zoellick Well, first, since you're from Iowa State I'm just reminded me that Senator Grassley invited me out to some of the Iowa State Fairs; and even though I'm from Illinois, you've got the best State Fair – it's really amazing to see. I've tried to tell other people – it's a cultural event, you have to come out to see it.

I was smiling about this because Sylvia, who I know spoke earlier today, and I are going to meet again. We've already developed a partnership with the Gates Foundation, and I think it's fantastic. And one reason why is that, you know, each foundation is different, but in particular they have been very willing to think of new approaches, ways of trying to approach issues in different ways, whether it be research or technology. And so I appreciate the creative spark that they can bring, no matter what the nature of the problem. And they've been an extremely good partner on issues from microfinance to agriculture.

And so in general, what it also reflects, as I was mentioning to Ken, is, you know, the field of development is changing – it's a question of how you interconnect all these players. But there's also a risk that we highlighted at the meeting that we just had in September in Ghana. And this isn't so much the Gates Foundation, but it is a larger question.

For many developing countries now they're overloaded with a multiplicity of players. In 2006 there were 70,000 aid transactions, an average size of \$1.7 million. The average developing country had 260 visits in the year. Vietnam last year had 752. This, particularly for a country that's coming out of conflict or in a weakened condition, can overwhelm.

So one of the roles we try to play at the Bank is a bit of a network coordinator – how do we help catalyze some of these and bring these together, always recognizing that at the end of the day we've got to build the national ownership and the national competency.

I was just talking actually with Kai Eide, who's the UN special representative dealing with Afghanistan, and I talked shortly before that with General Petraeus. One of the challenges in Afghanistan is two-thirds of the aid to the country doesn't go through the budget. Now, that's partly a function of the government's capacity, but over time if you're going to try to build Afghanistan's capabilities, you're going to have to build that capacity. And we try to put all our resources through a national budget.

So these are the sort of challenges, but opportunities, that you need to manage as you have other players. And frankly with the Gates Foundation it's just been a fantastic opportunity to have people think afresh and particularly in this agriculture area where, as you know, many foundations moved out of agriculture.

And the other thing that I appreciate in the Gates Foundation is that they're willing to push some issues now that some audiences, agriculture research and others, aren't always so popular. In some ways, as a private foundation, you can go out and do that.

So if anything, it's like any spirit of competition, I think many of America's traditional foundations have played very important roles, but in some ways they got a little stodgy and they got a little stuck in their pattern. So I'm glad that the Gates Foundation has come in here and is prodding them and us to look at these issues freshly.

Q David Lambert; I'm a teacher and consultant. Catherine Bertini has said that no country in the world pays enough attention to early childhood nutrition, including our own. And very encouraging that you would highlight the *Lancet* edition on the critical situation with child malnutrition. If I understand your message, it is that any future effort in this area, including McGovern-Dole, stress those early years as much as possible.

Zoellick Yes, 100 percent. And I think that one of the key messages when we talk about hunger and food is, I always try to put in the nutrition issue. And again, going back to some of Ken's points, this is where we can take some opportunities from developments. You know, Josette Sheeran at the WFP – very much in Ms. Bertini's sort of model of, I think, being a very effective leader – is trying to think about how you can use nutrition supplements, you know, in that little red cup that she takes around, and have them tailored to the particular nutrition needs around the world. So for pennies – and I've met some of the companies that she's worked with – for pennies, you can make a huge difference and have it customized and meet the nutritional needs.

And again, I just can't emphasize enough: we now have research. We have research from Central America and others that you can show double-digit effects in income and productivity and other areas if kids don't get a healthy start.

Now, this is, though, where just one particular aspect we have to refine. Some of the people on my staff actually, as analytical purists, have been troubled by school feeding – for good reason. They say, "Look, school feeding gets kids a little older. We need them

in the pregnancy period to 24 months.” That’s a reasonable point, but I always feel we shouldn’t throw out the good for the perfect here. What we then need to do is try to figure out how to build on those programs, like WFP and we have done, so maybe you can have some food that’s brought home to the parents, which also increases the likelihood the parents will have the children go to school.

How can we use this as a rough form of institutional network to try to reach those most in need? Because, in general, I just think what I’ve seen around the world, school feeding builds support – people, it strikes their heart, the fact that they want kids to be able to go to school, they want them to be able to have the attention span to learn in school. There’s deworming exercises you can connect with this. So it’s a wonderful connector in the process. And I think what we just need to do as a larger community is to keep the eye on these nutrition issues, particularly at an early age.

Quinn We’re getting close to running out of time, but let’s try to take one or two more if that’s all right.

Q I am Amadou Ba, the ambassador of Senegal in Washington. President Zoellick, about maybe three years ago, when we come to the World Bank in Washington and we were talking about agriculture, people were just looking at us like we were alien or something. And I remember when you came in about just the first three months, four months, you invited us and you talked to us about agriculture. And I’m glad that, since the food crisis, we’re getting a lot of attention in agriculture again. Having said that, I know you talk a lot today about World Food Program. You know, while we really appreciate that, you know, to help alleviate the food, the reason you’re doing that, the food aid, is that because there is no food available by production. There is no food production available.

And I think in the discussion we have had, we recognize that, in the long-term, the only way to really deal with this crisis is to increase food production in Africa, increase productivity, create new varieties, high-yielding varieties, improve agronomic practice. And in order to do that, you have to have education also. So really we’re thinking in terms of R&D and extension and also education, which the old World Bank had a lot of experience of. During the 1970s, they did a lot of work in Africa – in my country, for example. I don’t know now where is your long-term plan in terms of agriculture production? And then what is the thinking in the Bank in terms of what they have done before? You know, it just was stopped, but it was going to the right direction, whether they have given it a thought about that – and a way forward.

Zoellick Yeah, no. Those are excellent points, ambassador. And let me start with a piece of research that we reported last year as part of our World Development Report. What’s striking is that the income gains from agriculture have about three times the effect of overcoming poverty than they do in other sectors. Now, this shouldn’t be surprising. If you think about it, a lot of the agriculture takes place in rural areas, and it has a multiplier effect. So it is clearly a key component of a growth strategy.

Second observation: I think what we’re trying to do in looking at increasing production and productivity is look all across the value chain. It starts with property rights and including, I might add, the ability of women to hold property. It then goes on to being

able to have seeds, fertilizers, irrigation. As you probably know, under 5 percent of the agriculture in sub-Saharan Africa is irrigated, so compared with 40 or 50 percent again in South Asia – so you're totally dependent on rain-fed.

Storage, as many of you know, 50 percent of the product is often lost in storage. Transportation, also; working with countries, particularly in sub-Saharan Africa but elsewhere, to meet the sanitary and phytosanitary standards of developing countries so they can export.

So you have to look across that whole chain. But there's one other one that I want to draw attention to, because I worry it doesn't get enough attention. And I can see this is going to be a problem, and it was brought home to me by a discussion I had in India last year. One of the Indians said, "You know, the people who committed suicide, the farmers who committed suicide, were not subsistence farmers." They were people just starting to move into the marketing economy and they had no cushion. So that somebody, frankly, might have convinced them to drill a well, they didn't hit water, they had a big debt – they were hopeless.

I am deeply concerned that, as we try to support small-holder agriculture and try to make it more efficient with extension services and others, that we also have to think about some basic risk-management services. IFC, our private-sector arm, which is helping on this whole value-chain development, is trying to think of efficient crop-insurance approaches. We've worked with Malawi to have use of an index that would measure rain in the country, and if you're below some historic levels they could get \$5 million – it's basically a form of insurance policy. It's again using weather derivatives market.

But I'm most concerned about it at the individual farmer level, because I can just see this happening. And all of you know this too, is that for these small farmers it's such a small margin of error. And without necessarily replicating the Common Agricultural Program or U.S. farm subsidies, how can we use some lessons here to try to help manage the risk? That's going to be very important, too.

But I see it as a key component of the growth strategies. And as you know, it's viewed this way in sub-Saharan Africa, so the African Union itself has developed this CAADP program, which we're trying to cooperate with, to try to fit this within an African agenda.

Quinn If we could quickly, the last two.

Q My name is Emile Frison, the director of Bioversity International, one of the 15 CGIAR centers and also currently the chair of the Alliance of the 15 centers. And I want to thank the Bank and you personally for the support that is being provided, and we look forward to that continued and increased support in the future. I can tell you that on the reform side, we are very strongly engaged, and I can assure you that the centers are determined to make bold changes to meet up to the challenges.

But my question is about one crisis chasing another. What can we do to avoid that the current financial crisis really handicaps us in addressing the longer-term food crisis that,

as you described it, is going to be with us for a while? And especially going beyond the emergency responses, how can we sustain the interest in the longer-term solutions?

Zoellick Well, first we have to keep making it very clear that we're not out of the woods on the current crisis. And so I haven't seen the most recent estimates of the World Food Programme, but at least when I last talked to Josette I had a sense they may need \$6 billion this year as well. So we have to keep the pressure on governments to be able to focus on these basic needs.

Second, as this discussion is focused on, I think we then need to turn to production and productivity. And this is where your discussion about private sector and government programs is very good. As we've seen in the U.S., you've had a mixture of these two. But this can create the opportunities to go forward. And ultimately, if people see that there's economic opportunity, even in the midst of a financial crisis, they'll use local capital, local savings to invest it.

And that links to the third point, which is important whether you're an agricultural research area or the investment in business development. We're moving into a world – and this is one of the things I'm trying to encourage at the bank – a much greater South-South exchange.

So what we've tried to encourage is greater development of research centers also in developing countries but tapping the knowledge, for example, of Brazil. You have the former agriculture minister of Brazil. I worked with Mr. Rodrigues here who did a tremendous job in Brazil's case. Brazil wants to try to support agricultural development and research in sub-Saharan Africa.

A lot of the Middle East countries now are looking to develop agriculture. I know there's anxieties about some of it as large-scale, commercial agriculture. But, frankly, it makes more sense for them to develop agricultural products in country – in sub-Saharan Africa or some in Central Asia – than it does to grow wheat in Saudi Arabia, which is what they were doing.

And so there are opportunities now where we're going to have to be more agile about connecting developing countries' aspects in technology and lessons learned. And it's something that goes beyond agriculture – it's the case throughout development.

And I'll just share with you one little funny anecdote about this, because in the context of financial crisis, you know, some people are saying, "Oh, well, should you keep with markets, and is this the end of capitalism?" I was having the discussion actually with an Ethiopian minister because they've done an awful lot in development, but, frankly, the state has had a preponderant role; and given some of the challenges they face, a little flexibility to allow private-sector investment would be healthy. I could make the point – but I had next to me Justin Lin, who is our chief economist from China. And he was basically saying, "Look, you guys have to develop some more additional markets and allow the private sector in." You know, that's fantastic, if we would be able to have Chinese partners making that. And they've seen it; they recognize it. And so, you know,

sometimes these debates get caught up in ideologies, and people defend positions just for the sake of argument.

Again, I'm a Midwesterner; it's fundamentally pragmatic. What all of you have seen out here is, you know, – how do you make something work? And what we've seen now around the world is some of these developing countries are doing a darn good job of making things work, and we've got to connect them in with some of this agricultural development.

Quinn Last question.

Q I'm Cynthia Rosenzweig. I work on climate change in agriculture at NASA and the Columbia Earth Institute. I'd like to get to your thoughts on – with the UN Framework Convention on Climate Change – developing a policy for soil-carbon sequestration for smallholder farmers in developing countries. We have the REDD that just came through on avoiding deforestation. Having a program that works on mitigation and adaptation because better soil will help on the adaptation to climate extremes as well. This seems to be the next important, a very important next step for you and the framework. I'd like to get your thoughts on that.

Zoellick Well, I think it's a great idea. As you said, when I was starting to think about ways in which the Bank could play a positive role, I was trying to look first in areas where you have an overlap between adaptation and mitigation. And, you know, you've seen these actually also with some mangrove swamps and other types of things where you'd actually help deal with some of the local effects of climatic change, but also in a very positive way, obviously forestation, avoiding deforestation, is a classic on this.

And so I think the challenge is to operationalize this – and a lot of this goes back to Ken's earlier question – you know, people will often have a good idea. Then you have to make the international system work around it. I just gave a presentation at the Bank-Fund meetings. It's something that I organized called the Bali Breakfast, and I built on the fact that my friends in Indonesia had organized, at the time of the Bali meetings, a meeting of development and finance ministers to get them engaged in the climate-change process. And so we have that every spring, our annual meeting, but we dig in one topic, and we were focusing on carbon trading. And I was basically trying to do a little seminar to explain how carbon trading works, where the gaps are, and so forth.

But you see, the issue that you mentioned on the soil side, my guess is – but we could do some more work on this together – would be that a lot of the projects that come out of the clean-development mechanism are project-based. It's an early stage. We're going to have to move to some sectoral projects. We're going to have to figure out ways really to scale this up. And the early mechanisms that have been developed in the climate-change system, for understandable reasons, were very careful about wanting to look like they had auditing integrity. But it's too small, and it's not fast enough. And the types of things that you're talking about with soil, you're going to have to do in batches; you're going to have to do it in the sectoral.

So I think the question that would come to my mind would be – How do we translate that into a mechanism that can get that sort of support? And maybe we could help you with that, because this is exactly – as you know, we created some early funds for avoided deforestation and others to in a sense make the practical steps of working on things.

And if I could make just one last little advertisement on this. You know, in the climate-change community there is great sensitivity about kind of who's in charge. And what I, and my whole theme in everything that we do, is how do you use network models and have nodes and networks. So I was a little surprised when I came to the World Bank, because I pushed us much more actively in these areas, and, frankly, I had a hoard of NGOs and others saying, "Oh, no, you can't do this. Leave it to the UN." And I said, "If you think it's fun to raise \$6 billion, go out and do it yourself." But part of it was we'll be supportive of this process, but there are different skills and there are different expertises.

And, frankly, the thing in the climate-change area – and it's really a good way to conclude with this, fitting in with agriculture – that's so fundamental is, we're not going to solve this problem unless we get the developing countries part of it. Figure that out. Now, and developing countries are fearful this is going to be used to limit their growth or divert their aid. So if we can find win/win solutions like this, or with forestation, or some of the other areas, that's how you're going to bring people together.

So in some ways, whether it be diplomacy or whether it be markets, you've got to find the mutual interests. So whether we're dealing with Cambodia, or whether you're dealing with German unification, the catch is, how do you be creative to get people to find win/win solutions and mutual interests, and then creative the incentives and disincentive structure to do that? And that's what we're going to have to do with climate change. So I'd like to learn a little bit more about yours in particular.

Quinn Well, President Zoellick, thank you so very, very much for this amazing presentation – wasn't that terrific? And having you at the helm of the World Bank, I feel even better after today, and you have our gratitude. Thank you so much for coming and being here and being part of the World Food Prize.

Zoellick It was either this or the State Fair, and I was at the State Fair last time, so...