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**NOTE D'INFORMATION  
NOTA D'INFORMAZIONE  
TER DOCUMENTIE**

Brussels, July 1979

**THE EUROPEAN COMMUNITY AND AGRICULTURAL AND RURAL DEVELOPMENT  
IN THE THIRD WORLD**

The Commission of the European Communities will be one of many bodies represented at the World Conference on Agrarian Reform and Rural Development to take place in Rome under the aegis of the FAO from 12 to 20 July. Over 150 countries will be taking part, along with more than 200 organizations representing rural populations.

The purpose of this document is to give a brief outline of the various means available, within the framework of the Community's development policy, to promote agricultural and rural development in the third world.

**The instruments**

The Community has various instruments with which to implement its development cooperation policy, all of which can be used, to varying degrees, to help agricultural and rural development. They are:

1. Comprehensive cooperation agreements; the model here is the Lomé Convention, though its main features are also found in the agreements concluded by the EEC with the Maghreb and Mashreq countries. These agreements combine all the tools of development assistance, from trade cooperation to technical cooperation, plus Stabex for the ACP countries. Under such agreements, therefore, agricultural and rural development is supported by financial resources (although each state decides on the degree of priority it will give to the rural sector), guaranteed export markets, and in some cases guaranteed minimum earnings under Stabex.
2. Financial and technical cooperation projects undertaken by the Community out of its annual budget resources,<sup>1</sup> for the benefit of other developing countries (mostly in Asia and Latin America). Here priority goes to projects designed to increase production or supplies of foodstuffs, and to increase living standards in country areas.

<sup>1</sup>The appropriation for 1979 is \$143 million; the first programme, in 1976, was worth \$27 million.

3. A programme of Community financial support for projects carried out in the third world by non-governmental organizations, introduced in 1976<sup>1</sup>, mainly benefits the poorest inhabitants of rural areas, and most of the projects are in the agricultural sector.
4. The Community devotes a considerable amount of money to its food aid policy (\$720 million for 1979), which can contribute in a number of ways to the development of rural areas.
5. The Community's commercial policy towards the developing countries in general makes use of a generalized system of preferences to offer them easier access to Community markets for a large number of their agricultural and craft products.<sup>2</sup> In this context it is worth noting that the Community is the world's largest importer of agricultural products.

#### Financing rural development

In addition to appropriations for food aid, Community funds available for development should reach a minimum annual average of \$1 800 million from 1980. Obviously the proportion of this total going to agricultural and rural development cannot be laid down in advance, as it largely depends on decisions by the beneficiary countries themselves.

However, the large volume of grants in this total (\$1 000 million a year), and more generally the fact that most of the aid is non-repayable (80% under the Lomé Convention and 100% for aid to non-associated countries), means that it is possible in practice to decide to favour rural areas, which cannot develop by building up debt.

Similarly, the introduction of financing mechanisms and procedures suited to the particular needs of rural development means that this option does not need to remain in the realms of theory, but can gradually be translated into practical achievements. This has been the objective pursued by the Community, particularly under the Lomé Convention.

#### The importance of rural development schemes in EEC-ACP cooperation

According to the aid utilization programmes drawn up under the Lomé Convention, nearly 40% of the money available as aid for national projects is allocated to agricultural and rural development. This represents an average, however; in many countries the rural sector actually absorbs between 75% and 100% of the funds.

Even more significant is the importance within the agricultural sector of integrated rural development projects and microprojects; these form 43% of the total, against an average of only 8% under the first three European Development Funds. Inversely, the proportion of cash crops has fallen from 49% to 30%.

New formulas worked out for the financing of microprojects have been particularly successful. By involving the initiative and contributions of local inhabitants with Community financing, it has proved possible to launch 35 programmes covering some 1 400 projects.

<sup>1</sup>1978 appropriations: \$16 million.

<sup>2</sup>The comprehensive cooperation agreements offer even more favourable arrangements, on a contractual basis, to the countries concerned.

This approach will be continued and extended under the new convention to succeed the Lomé Convention from 1 March 1980, which should enable broader support to be given to rural development operations, for example, such projects will benefit from a greater emphasis on technical assistance, research and the dissemination of know-how; a Technical Centre for Agricultural Development is to be set up for this purpose. Schemes already under way to promote the use of renewable sources of energy in rural areas should also take on greater importance.

### "Security" for rural areas

Where an economy is particularly frail, any setback can do irreparable damage; this is particularly true in rural areas, where income is barely at subsistence level. There are no savings, and stocks are low.

The system for the stabilization of export earnings introduced under the Lomé Convention (and extended under the successor convention) offers small producers of export crops a vital insurance against "lean years", poor harvests or low prices. With minimum earnings guaranteed, they can buy the seeds and other things they need to keep going. The price guarantee to ACP sugar producers has a similar function; without it, falling world prices would have ruined the rural economy of many countries.

Projects designed to improve storage facilities also help provide security for rural producers, and such facilities are included in many integrated development projects. They figure prominently in Community financing operations for non-associated developing countries, particularly in Asia (27% of the 1978 programme and 33% of the 1977 programme).

Natural disasters threaten not only the incomes, but the very lives of people in the poorest rural areas. This is where exceptional and emergency aid come in: the Community has made considerable use of these forms of aid - under the Lomé Convention (the Sahel operations, for example), from budget appropriations, and through the provision of emergency food aid.

### Food aid and rural development

Given the wide gap between the third world's food requirements and its food production, food aid must continue to be regarded as a vital lifeline for many, particularly those living in the poorest rural areas.

However, in implementing its large food aid programme (in 1979: 720 000 t of cereals, 150 000 t of milk powder, and 45 000 t of butteroil), the Community tries to encourage schemes going beyond the satisfaction of immediate needs which can contribute to the rural development of the beneficiary country. The most characteristic scheme of this sort is "Operation Flood", in India, which, at the end of a seven-year support programme of aid supplied by the Community in the form of milk products, should make it possible to replace external supplies wholly by local produce.<sup>1</sup> Counterpart funds raised by the sale of a large proportion of the food aid on the market should make it possible to give priority to financing the development of rural production.

But, as the Commission has frequently pointed out, if this is to happen food aid commitments will have to be undertaken on a multiannual basis.

<sup>1</sup> See IP(77)242 of 7 November 1977.