

EUROPE—THIRD WORLD RURAL DEVELOPMENT

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INTRODUCTION

Economic growth seems to have by-passed many of the rural areas of the Third World, where some 750 million people are living in extreme poverty. Their plight is likely to worsen, for agricultural production, especially food production, has failed to keep pace with population increase in numerous developing countries.

This paper attempts to summarize what the 9-nation European Economic Community (EEC) is doing to help developing countries meet the challenge of rural poverty.

Part I contains a brief description of the numerous instruments developed by the EEC since 1958 to discharge its obligations towards the Third World. As a trading bloc, the Community's efforts were directed from the beginning towards encouraging imports from developing countries.

Market access remains an important element of Community policy, as is clear from the trade provisions of the Lomé Convention, for example. At the same time financial aid was provided for the developing countries towards which the Community had special obligations as a result of historical ties. This aid has been reinforced and extended.

The EEC in fact has developed two basic kinds of instruments for development co-operation over the years: (1) contractual preferential agreements, such as the Lomé Convention and (2) arrangements in favour of developing countries as a group (food aid, generalized system of preferences, etc.).

But the EEC has also been active at the international level. Part I ends with an attempt to quantify the Community's action in financial terms.

Part II opens with a description of the strategy of rural development which the EEC has begun to elaborate. Based on its 20 years of experience helping developing countries, this strategy seeks to do more than simply raise agricultural production.

The rest of Part II is devoted to a description of some of the projects for which the EEC has provided financial and technical assistance. The examples cover a wide range, both as regards the nature of the projects themselves and the countries in which they are being implemented.

PART I

THE EEC'S RESPONSE TO THIRD WORLD NEEDS

Since its creation in 1958 the EEC has been conscious of its responsibility towards the Third World. During its early years, when the Community's external relations were viewed largely in terms of its external trade, the EEC sought to meet its obligations towards the developing countries by keeping its markets open to their products as far as possible.

Tariff reductions are a passive form of assistance; so they were inevitably followed by more active forms, such as technical assistance in trade promotion.

The growing realisation that the Third World consists in fact of a diverse group of countries, at very different levels of economic development, has virtually obliged the EEC both to extend continuously the scope of its development assistance policies and to devise additional instruments for implementing them.

Some countries are obviously well placed to produce manufactured products for export; others are better placed at this stage to give priority to raising food production for domestic consumption. The result is a panoply of Community instruments evolved over the Years, ranging from the generalized system of preferences (GSP), under which the Community grants duty free entry for manufactured and semi-manufactured products, to food aid, which is being used increasingly to finance rural development programmes.

Just which instruments are used depends on a variety of factors, of which the most important perhaps is the development priorities established by the developing country itself. As mentioned in the Lomé Convention, development co-operation can only complement the efforts of the individual states.

In any case, if it is to be effective, external assistance must be adapted to the characteristics of each beneficiary country. The oil exporting countries, for example, are primarily interested in technical assistance, especially in the transfer of industrial technology. The least developed, on the other hand, require both financial and technical assistance, with a view to promoting rural rather than industrial development. But nearly all countries are seeking better access for their exports.

A range of instruments has enabled the EEC to show considerable flexibility in its relations with developing countries, and to adapt to exceptional and dramatic circumstances when necessary. Proof of this is to be found in the Community's extension of financial and technical aid to countries as different in their economic, social and political structures as, say, Upper Volta and India.

An important feature of these instruments has been their potential for helping developing countries to raise rural living standards, whether through improvements to the basic economic infrastructure, increased agricultural production and trade, local processing of agricultural products, etc.

For historic reasons, certain countries have been helped by the EEC on a basis of priority. Its earliest aid programmes were devised in fact to help the colonies belonging to certain of the member states. Although the number of developing countries with whom the Community maintains preferential relations is now approaching 70, it has not lost sight of its responsibilities towards developing countries as a group. As the EEC's Commissioner for Development Assistance, Claude Cheysson, has pointed out, the "associated" states represent the testing ground for the Communities policies, several of which have since been extended

to the "non-associated states".

The EEC and its member states: two channels of aid

As the EEC is very different from the other participants in the development dialogue, a brief description of how it operates in the field of development co-operation may be helpful at this stage. The Community has its own development policies and objectives, alongside the member states.

Community policies are determined by the Council of Ministers of the EEC and implemented by another Community institution, the European Commission in Brussels. The member states, however, determine their own policies through their national institutions and implement them bilaterally.

This paper, it should be pointed out, deals with only the EEC's activities in the field of development co-operation; in a sense it tells only half the story. The Community, in other words, is not alone in responding to the needs of the rural populations of the Third World. In point of fact the development co-operation programmes of the member states, when put together, are far larger than those of the Community.

Even so the EEC plays an important role, both through its own programmes of development co-operation and in its relations with the member states. Over the years the European Commission has tried to get the member states to co-ordinate, if not harmonise, their development policies and objectives.

With a view to greater effectiveness, the EEC has also tried to introduce an element of coherence into its policies, in the field of trade, agriculture, and other policies (such as the nascent common industrial policy) in relation to its development policy.

The instruments of the EEC's development co-operation

These instruments are broadly speaking of two kinds :

1. Global arrangements adopted by the EEC in favour of developing countries as a whole (food aid, generalised system of preferences) or the non-associated developing countries (technical and financial aid to Asia and Latin-America), and
2. Contractual preferential agreements concluded in the context of a regional policy (e.g. Lomé Convention, Southern Mediterranean).

Global instruments

Trade policies

From its inception in 1958 the European Economic Community has been a trading bloc - the world's largest, accounting for some 40 % of world trade. In 1978 imports from countries outside the EEC amounted to nearly US\$ 247 billion*, 40 % of which came from the developing countries (US\$ 97 billion).

Although a large-scale producer of agricultural products, the EEC nevertheless imports substantial quantities from third countries. In 1978 such imports came to US\$ 51 billion, of which the developing countries accounted for nearly half the total with US\$ 25 billion. Some two-thirds of these imports from the Third World consisted of foodstuffs.

It is also worthwhile to note that from 1974 to 1977 the EEC's agricultural imports from third world countries went up from US \$ 14,1 billion to US \$ 21,2

* 1,371 US dollar = 1 EUA

billion representing an increase of almost 50 %.

The EEC has tried to encourage trade in agricultural products with the developing countries as a whole through changes to its tariff policy. A wide range of these products, including agricultural raw materials, enter the Community duty free or at advantageous rates.

This is especially true as regards tropical products; in the multilateral trade negotiations the EEC not only took the lead in reduction tariffs on products of export interest of the Third World but was also the first to implement its tariff cuts.

The Community believes it made a positive contribution to the Tokyo Round of multilateral trade negotiations in the agricultural sector. It has given an undertaking to participate in the international arrangements for dairy products and beef. The aim of these arrangements is an expansion of trade in these products and a better stabilisation of world markets. The Community has already implemented its offer on tropical products. It is confident that the tariff and non-tariff concessions which it has negotiated with its industrial partners should substantially benefit developing countries also.

The generalised system of preferences

The policy of ad hoc tariff concessions, largely in response to demands from individual countries, underwent a sea-change when the EEC introduced its generalised system of preferences (GSP) in 1971, well in advance of the other industrialised countries. The purpose of the GSP is to promote the industrialisation of developing countries by granting them preferential entry (usually at zero duty) for their exports of manufactured and semi-manufactured products. However, a wide range of processed agricultural products are also covered by the GSP, so as to encourage developing countries to base their industrialisation on their agricultural raw materials whenever possible.

Since 1971 the EEC has sought to make the GSP an integral part of its development policy. Over the years it has worked hard to meet the developing countries. To ensure better utilisation, the Community has organised seminars in various Asian and Latin American centres. It has used the annual revision of the GSP to add fresh products to the agricultural list, to reduce the list of sensitive products and to ensure more equitable treatment for the least developed countries.

Some 300 processed agricultural products, representing a total of US\$ 1,700 million in 1977, are not subject to quotas or ceilings. However, these tariffs have not been suspended at zero, as is the case with all manufactured products, including textiles. This has been done partly in order to maintain a margin of preference for the Lomé Convention countries and other that have a preferential arrangement with the Community.

Trade promotion

Experience has shown that the reduction or even elimination of tariffs does not automatically result in a higher volume of exports from the developing countries. In many cases there are internal constraints, including a lack of experience of world markets, which must first be removed before developing countries can take full advantage of trade concessions.

In the early 1970s the EEC extended the technical assistance in export promotion which it had been giving to the associated states to all developing countries. Since then the Community has helped them take part in trade fairs and specialised exhibitions, made available the services of experts in marketing and related areas, sponsored trade delegations and buying missions and organised trade promotion and marketing seminars in both Europe and the developing countries.

Regional integration

The Community has also undertaken to provide aid for regional integration to countries seeking to speed up their economic development through regional co-operation. The Community's motives are both sentimental and realistic. It knows from experience that a large economic entity has greater trading possibilities, both internally and with third countries, and can be more stable during periods of crisis.

The Community has already extended technical assistance to a number of regional groupings, including the Latin American Free Trade Association, the Andean Group and the Association of Southeast Asian Nations (ASEAN).

Financial and technical aid to the non-associated states

Following the success of the European Development Fund, through which the EEC channels financial and technical assistance to the associated states, the Community's Council of Ministers agreed in 1974 to make such aid available to the non-associated countries also, most of whom are in Asia and Latin America.

The sum of US\$27,4 mil. was allocated for this purpose from the Community's budget for 1976. It was increased to US \$ 61,7 million the following year to US\$ 96 mil. in 1978 and to US\$ 151 million in 1979.

The main beneficiaries of this rapidly expanding programme have been the rural poor in the developing countries with very low per capita incomes, such as the countries of the Indian subcontinent. The emphasis has been on raising food production for domestic consumption and the projects selected so far have dealt with grain storage, irrigation, fisheries and livestock development, agricultural research, etc.

Much of the aid has been extended in collaboration with individual member states and regional and international agencies, such as the regional development banks and the World Bank. By joining forces with these agencies the EEC has been able to co-finance projects which will have a regional impact also - such as the research programme for the improvement of leguminous vegetables conducted by the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT).

Development projects involving non-governmental organisations

In 1976 the Council of Ministers for the first time allocated some US \$ 3,4 million to finance development projects with NGOs. This sum was increased to US \$ 5 million and then to US\$ 16,4 mil. in 1978. Some 175 projects were co-financed in 1978, involving a total investment of nearly US\$ 48 million, of which the Community contributed 34 %. The NGOs are becoming increasingly involved in certain projects under the Lomé Convention and in the distribution of food aid.

Food aid

The origins of the Community's food aid programme are to be found in the Food Aid (Cereals) Convention of 1968, under which the 6-nation EEC was called on to supply 1,035,000 tons of cereals each year. The quantity was raised to 1,287,000 tons following the enlargement of the Community in 1973.

On its own initiative the EEC added skim milk powder to its food aid programme in 1970, butteroil in 1972 and sugar in 1973, some 6,000 tons of which are supplied each year on average to UNWRA for the Palestinian refugees. The European Commission, which administers the food aid programme, would like to set the annual target for milk powder at 150/175,000 tons and for butteroil at 45/65,000 tons. The quantities of each to be actually supplied under the 1979 food aid programme amount to 150,000 tons and 45,000 tons respectively.

The Community has accepted the idea of forward planning but has declined to guarantee a specific volume of aid over a number of years to a given country. In the view of its Council of Ministers such a guarantee could act as a disincentive to local production.

Even so, it has indicated that in the case of certain specific projects - such as Operation Milk Flood II in India - it could commit itself on a pluriannual basis, provided it was understood that its commitment was moral and political rather than legal.

Regional policies

The Lomé Convention

In Part IV of the Treaty of Rome in 1957, provision was made for those of the 'six' that had colonies. When the African colonies involved passed to independence (mainly in 1960) all but one expressed a desire to continue the relationship, and negotiated the Yaounde Convention (1964, renewed in 1969). Its attractions were economic (preferential access to a large and expanding market, financial and technical assistance), and political - it was a freely negotiated contract between sovereign states, who were also treated as partners.

Following the enlargement of the EEC in 1973, the Community, on the one hand and, on the other, the signatories to the Yaoundé Conventions and those members of the developing Commonwealth which were eligible for association, negotiations began which resulted in the Lomé Convention. This was signed in February, 1975, between the 9 Common Market countries and 46 African, Caribbean and Pacific ocean (ACP) countries. In the spirit of reinforcing the idea of partnership begun in the Yaounde Convention, Lomé features a wide range of development co-operation instruments, clearly defined and inter-linked; large-scale financial assistance, much of it on concessional terms; technical co-operation, ranging from trade promotion to industrial co-operation; preferential access to the world's largest market on a contractual but non-reciprocal basis, STABEX and institutional machinery providing for discussions at every level from experts to ministers.

The Community has left it to the ACP countries to take the basic decisions as to the priorities to be followed in the use of the various instruments provided for in the Convention. The EEC, in other words, has tried to respect the cultural identity of each of its partners, leaving it to them to choose for themselves the development model they want to follow.

This emphasis on partnership extends even to the administration and management of the financial aid granted under the Lomé Convention. The Community made it clear from the beginning that it expected the ACP countries to play an active part both in defining the general orientations of the aid programmes and at each successive stage in the life of a project, from its preparation to the final evaluation of the results.

In the trade field, all the exports of the ACP countries are treated in exactly the same way as products originating in the nine member states. The only exceptions are products covered by the common agricultural policy; but even as regards these products the EEC has made a number of significant concessions.

In the case of sugar, for example, it has granted ACP producers an annual quota of 1,225,000 tons of white sugar, for which they receive a guaranteed price, negotiated each year and linked to the guaranteed price paid to Community producers. The EEC has also encouraged imports of beef from such ACP countries as Botswana and Kenya by granting them what virtually amounts to a duty free quota: as much as 90 % of the import levy has been converted into an export duty which, as such, is retained by the exporting country.

Market access does not automatically ensure sales in free market economies; the trade promotion provisions of Lomé are equally important. But as many ACP countries depend on primary products for much of their export income, even trade promotion is not enough. After all, exports may take place at prices which, because of the operation of market forces, are lower than anticipated. A fall in export earnings from agricultural products can affect rural incomes unfavourably, both directly and indirectly (through reduced government spending on rural development programmes, for example).

The Lomé Convention contains a mechanism, however, for the stabilisation of ACP export earnings from 34 agricultural products, and certain of their by-products. This is the system known as STABEX, and it is the first to be written into an agreement between developed and developing countries in order to protect the commodity export earnings of the latter from fluctuations caused by market conditions or the disruption of production.

STABEX ensures that a shortfall in export income is compensated by payments in the form of loans or grants. These compensatory payments are virtually automatic, provided certain conditions have been met. During the first two years of its operation STABEX, which is funded by the Community, made compensatory payments totalling ECU 109 million, some two-thirds of them in the form of grants.

Agreements with the Mediterranean countries

The origins of the EEC's Mediterranean policy can be traced back to the Treaty of Rome. Protocol 1/7 to the Treaty provided for special arrangements between France, on the one hand, and Tunisia and Morocco on the other. France was also allowed to conclude a bilateral arrangement with Algeria, under which it could grant the latter preferential treatment for certain of its exports.

In 1969 the EEC concluded association agreements with Tunisia and Morocco, under which their industrial products were granted duty free entry into the Community. Seven years later, in 1976, the EEC signed new co-operation agreements with all three Maghreb countries.

These agreements, which were negotiated by the EEC in the context of its overall Mediterranean policy, are far more comprehensive than the earlier association agreements. They are of unlimited duration, cover a much broader range of products and provide for economic, financial and technical co-operation.

It will be seen that the Community approached the negotiations with the various Maghreb countries in much the same spirit as the negotiations leading to the Lomé Convention. As a result, each individual agreement contains a variety of instruments, such as commercial co-operation, technical and financial assistance, etc.

Negotiations with the four Mashreq countries (Egypt, Jordan, Syria and Lebanon) followed shortly afterwards and the cooperation agreements themselves were signed in 1977. Under the financial Protocols concluded with each of the seven countries the EEC will extend them the following financial aid for the period 1977 to 1981:

It is up to each Mediterranean country to decide just how it shall use the financial assistance provided by the EEC. Among the projects currently under discussion a certain number are in the agricultural field.

The Euro-Arab Dialogue

The oil crisis of 1973 provided the impetus for the Euro-Arab dialogue between the EEC and the members of the Arab League. The first meeting of the General Committee took place in May, 1976, when the necessary institutional framework for the conduct of the dialogue was established.

Among the major aspects of the dialogue are co-operation on trade matters and the joint financing of agreed development projects, such as the one to develop food production in the Sudan so as to make the country a granary for the Middle East.

Hopes that the Euro-Arab dialogue would become the corner-stone of the Community's relations with the 22 Arab League countries have failed to materialize so far, however. Even so, 11 of them have established special links with the Community. They are the seven Mashraq et Maghreb countries as well as the Sudan, Somalia, Mauritania and Djibouti, which are signatories to the Lomé Convention.

The dialogues with Latin America and Southeast Asia

The EEC has put a great deal of effort into improving and deepening its relations with Latin America as a whole. After having built up its contacts with the Latin American Free Trade Association, the Community is now trying to promote global relations in those areas where tangible and swift results can be expected. To this end, contacts with the Inter-American Development Bank have been intensified, and the EEC is following with interest the first achievements of the Latin American Economic System.

Co-operation with Latin America is along two broad lines: through bilateral agreements with various Latin American states and through the general development co-operation policy pursued by the EEC, one of whose objectives is to support attempts to achieve regional or sub-regional economic integration.

The Latin American countries have been able to take good advantage of the GSP. While this is particularly true of the countries which are well equipped from the point of view of production, processing and marketing, many Latin American countries have availed themselves of the technical assistance offered by the EEC in export promotion. When combined with the GSP, export promotion makes a particularly effective instrument, well adapted to the requirements of Latin America.

The dialogue with ASEAN goes back to 1974, when it was decided to set up a Joint Study Group with the European Commission to serve as the mechanism through which to explore together "all possible areas where co-operation can be broadened, intensified and diversified".

The main thrust of the JSG's activities has been in the areas of (1) trade and (2) industrial co-operation, although the ASEAN has also received technical help in promoting regional co-operation. While agricultural and food products account for some 40% of ASEAN exports to the EEC, all five countries are successfully developing their exports of manufactures also. They have shown keen interest, therefore, in the GSP and in the Community's trade promotion programme, and have benefitted from both since their inception.

The diversified nature of the ASEAN economies is reflected in the proposals for an economic and commercial cooperation agreement, negotiations for which are expected to begin later this year. Several ASEAN countries have already sought the Community's help in rural development and fisheries, while all of them have taken an active part in the two conferences on industrial co-operation, sponsored jointly by the EEC, ASEAN and the major European banks.

Action at the international level: the EEC's contribution

The Community has adopted the same constructive approach at international meetings. These meetings are important as they constitute fora where developed and developing countries can exchange views on the crucial problems of rural development, discuss general guidelines for action and define the overall framework in which development co-operation in the field of rural development can take place.

It was in this spirit that the EEC participated actively in the 1974 World Food Conference and the subsequent annual meetings of the WF Council. It has helped concretise and implement the recommendations of these bodies, especially those relating to world food security. It is also worth noting that the EEC member states contributed US \$ 200 million to the International Fund for Agricultural Development, which was set up following a recommendation of the WF Conference.

The Community has been actively involved in the meetings organised in the framework of the North-South Dialogue and in particular the Conference for International Economic Co-operation, which achieved some moderately positive results on the problem of agricultural development and world food security.

The member states of the Community contributed \$ 410 million to the Special Action Fund created by the CIEC. This contribution is being channelled through the IDA and about half of it is being spent on rural development projects.

During the March 1979 meeting of the Committee of the Whole, which reviewed the world food and agricultural situation, the Community indicated its readiness to support projects which aim at developing and popularising agricultural techniques suited to local conditions. While stressing the responsibility of the Third World governments for their rural development, the Community stated its willingness to reinforce its aid programmes in that sector.

Community ODA for agriculture

The demand that more funds be made available for rural development has been voiced increasingly over the last 10 years by various international bodies. That the Community has responded with something more than verbal assurances of support can be seen from the statistics of official development assistance provided by the members of the OECD Development Assistance Committee.

In 1977 the 17 DAC countries and the EEC as such together contributed just under \$ 2,600 million (representing an increase of 184 % between 1973 and 1977). The EEC alone provided nearly \$ 300 million, and together with the nine member states it contributed almost \$ 1,300 million - or 50 % of the total.

Details of the EEC's contribution between 1974 and 1978 are shown in the Table contained in the Annex. From \$ 144 million in 1974 the Community's ODA commitments to agriculture rose to \$ 360 million in 1978. While most of the funds were provided through the European Development Fund, and went therefore to the Lomé Convention countries, the level of aid to the non-associated states rose sharply.

It will be noticed that expenditure on integrated rural development projects jumped from virtually nothing in the 1974/76 period to \$ 28.5 million in 1977

and \$ 33 million in 1978. But it is obvious that expenditure on crop development and water development, to take two obvious examples, can also play an important part in raising rural living standards.

But its ODA is not the only channel through which the Community is financing rural development : it is also using part of its food aid for this purpose. Between 1968/69 and 1978/79 the EEC alone made available foodgrains and dairy products worth a total of \$ 2,303 million at world market prices. The member states, for their part, contributed foodgrains worth \$ 1,116 million during this same period.

As all the Community aid is in the form of grants, the beneficiary countries have been able to use the funds arising from sales to the local population for development purposes. While not all food aid gives rise to such counterpart funds (dairy products tend to be distributed free) it is clear that food aid has supplemented ODA in no small way.

PART II

COMMUNITY PROGRAMMES FOR RURAL DEVELOPMENT

A Community strategy for rural development

This somewhat rapid survey of the various Community instruments for helping developing countries raise their living standards has been undertaken essentially to demonstrate their range and variety. Needless to say, all the instruments mentioned above can be used in the fight against rural poverty also.

The EEC is continuing to draw on its 20 years' experience of working with developing countries to define the concept of rural development. This is seen as a new step towards a more effective Community policy of helping the rural underprivileged. The European Community recognises that rural development must be part of a global strategy which each developing country must define for itself. The basic objective of such a strategy cannot be limited to an increase in agricultural production: it must be the wider objective of eliminating poverty from the rural scene. The difficulties of the Green Revolution is not the result of scientific error but due to a partial approach to rural problems.

But in order to be successful, this global strategy must be rooted in the traditional ways of life and thought of the rural community in question. It must be directed at the peasant in his environment, including his family, and be based on his own experience. In other words, the sociological dimension of rural development is as important as the purely technical.

The strategy must also make full use of the manpower available locally. This refers not only to farm workers but also to those needed to run such essential support services as workshops for the repair of farm machinery and to operate agro-industrial units, a system of agricultural credit and, in the social field, schools, dispensaries, etc.

Rural development in this broad sense requires coherent policies on the part of the authorities of the developing country concerned. Whatever the policy - trade, prices, investment, transfer of technology, financial and technical co-operation, agricultural research, land reform, education and health - it should dovetail in with the others, so that measures taken in the context of one policy complement those taken under another.

This should be the case as regards domestic price policies, for example. Experience has shown that countries that have pursued policies favourable to producers have often been successful with both their agricultural and industrial development, while countries that have favoured the urban consumer have failed to promote rural development and slowed down their industrial development. It is essential, in other words, to get the internal terms of trade between town and countryside just right.

The importance of a domestic prices policy to the success of a rural project was illustrated recently by Claude Cheysson on the basis of the EEC's own experience. Two projects for the cultivation of palm oil were financed by the Community. In each case new plantations were successfully established in the public sector as well as in village communities. While the plantations in the first country prospered, those in the second were abandoned after a while, its government having set the domestic price for palm oil much too low.

Equally important is the need to integrate agricultural and health policies. Campaigns to promote better sanitary conditions or to improve medical facilities in rural areas may prove self-defeating if not integrated with programmes to raise agricultural production and, by this means, rural incomes. Population aspects must also be made part of an overall policy aimed at improving the quality of life in the rural areas.

The responsibility for drawing up this global strategy for rural development lies with the countries concerned; the EEC believes it has no right to intervene directly. However, a convergence of views is necessary between the developing countries and the European Community, to ensure its full support for the development projects and programmes envisaged by the former. Hence the need for a continuing dialogue between them, similar to the one established under the Lomé Convention.

The Lomé Convention and rural development

The Lomé Convention is without doubt the most comprehensive expression of the EEC's policy of development co-operation so far. As mentioned earlier it is the outcome of an evolutionary process which has been going on since the EEC was established. Not surprisingly, therefore, the agreement which is due to replace the Lomé Convention from 1 March 1980 represents a further improvement on it.

The inevitable shift in development priorities since 1958 is clearly reflected in the changing nature of the projects financed by the European Development Fund, the channel through which the EEC has provided financial and technical aid under the successive association agreements and the Lomé Convention.

Several of the projects financed by EDF-I had been drawn up by the various colonial administrations. The basic aim was to improve the economic and social infrastructure of the associated states, but the emphasis was on the former and some two-thirds of the total expenditure between 1958 and 1962 was devoted in fact to projects relating to the economic infrastructure.

One of the principal innovations of Yaoundé I (1964-69) was the decision to set aside a specific amount to be used to encourage agricultural production and diversification. Almost through Yaoundé I the EDF gave priority to the introduction and expansion of a wide range of cash crops, including palm oil, rubber, tea, cotton and coffee and the execution of major irrigation schemes. The fact is that the governments of many of the 18 original associated states wanted to diversify their economies and at the same time bring their vast, empty plains under cultivation, using the most modern agricultural techniques.

The production of cash crops was linked to local processing, however, to ensure exports with high added value. The EEC undertook to finance fully integrated agro-industrial projects in order to (1) add to export earnings and (2) reduce imports of such basic commodities as vegetable oils and sugar.

These integrated projects could be expected to result in more jobs, higher individual incomes, increased business activity and greater monetarisation of the national economy. They would also have a favourable impact on the balance of payments. But their effect on food production was limited, even though most projects incorporated plans for growing food for local consumption. (It was also hoped that the modern techniques used to produce cash crops would be adopted by peasants for food production for domestic consumption.)

However, with EDF-III the EEC began to finance projects which aimed principally at raising food production. It was hoped to raise the standard of living of rural population by making them more self-sufficient with regard to such basic necessities as foodgrains. Among the projects undertaken at this time were a number in West Africa and Madagascar for the large-scale cultivation of rice.

There was increased emphasis on animal husbandry also. Although it is an important source of wealth in many of the African states, most development projects in the field of animal husbandry had been limited to preventing diseases and to providing water for livestock - a policy which, unfortunately, did not take sufficiently into account the fragility of the pasturage, especially in the Sahel. Much greater attention is being paid now to the possible effects of development projects on the environment, and every effort is being made to ensure a correct ratio between people and cattle.

But the most important shift by far in priorities has come with EDF-IV. Agriculture accounted for 28 % of the total commitments under the first three EDFs, but its share has risen to 40 % with EDF-IV. At the same time there has been a shift in emphasis, away from cash crops to integrated rural development projects which seek to improve yields (through better seeds and fertilizers, for example), to obtain higher prices for producers (through improved storage, processing and marketing facilities) and to raise living standards generally.

This evolution in the expenditure on agricultural programmes and projects can be seen from the Table below. It is expected that some 40 % of the sums devoted to the various types of agricultural projects under EDF-IV will be spent on integrated rural development projects, as against 8 % under the first three EDFs put together. Expenditure on livestock and fishery projects also represents a considerably higher proportion of the total expenditure on agriculture - 13 % as against 8 % between 1958 and 1974.

Types of agricultural projects

Type of project	Projects			Projects		
	1st 2nd and 3rd EDF			4th EDF		
	Number of projects	Amounts million USD	%	Number	Amounts million USD	%
Cash crops	122	391	49	48	288	30
Water supply	60	168	21	19	129	14
Integrated rural development	35	66	8	56	382	40
Livestock and fisheries	30	67	8	58	122	13
Sahel aid (1973)	15	77	10	—	—	—
Producer aids (2nd EDF)	12	26	3	—	—	—
Studies (not finalized for 4th EDF)	—	11	1	—	—	—
Micro projects	—	—	—	44	26	3
	274	806	100	225	947	100

1.371 USD = 1 EUA

The increased expenditure on integrated rural development has been accompanied by a fall in the amounts allocated to cash crops. But it would be a mistake to downgrade the role of cash crops in rural development. For one thing, there is often an overlap between cash crop projects and food projects. A Senegalese project to develop a cotton zone will increase cotton seed production by 24,000 tons. But it will also produce 40,000 tons of cereals and 4,500 tons of groundnuts.

The cultivation of cash crops, if part of an integrated rural development project, will do just what the term implies: raise rural incomes, thereby integrating the rural economy into the national economy. Cash crops, if for export, will secure the foreign exchange needed to import the goods and services required for development.

It is the responsibility of the developing countries to ensure that cash crops do not impoverish the peasantry; that the sale of grain to urban centres, for example, does not result in internal terms of trade which are unfavourable to the peasant. Moreover, access to external markets far from being irrelevant to the success of rural development programmes can be an important element in their success. It may be mentioned in this connection that the EEC grants the ACP countries duty free access for 99.5 % of their exports. As for the remaining 0.5 %, which consists essentially of products covered by the Community's common agricultural policy, the ACP countries are being given more favourable conditions of access to the EEC market for a growing number of these products.

Some examples of EDF financing

It is no doubt very difficult to characterise any given project as "typical", given the very large number of projects financed by the EDF in the agricultural sector alone and the wide diversity of geographical and socio-economic conditions under which they must be implemented.

The choice of examples was largely dictated by a desire to show the wide range of agricultural projects carried out under the aegis of the EDF in recent years. It will be noticed that the projects chosen are ones which have proved reasonably successful - or are likely to do so. But it goes without saying that the Community's record in this respect contains peaks as well as troughs.

In view of the earlier emphasis on cash crops, it is perhaps only natural to begin with a project which sought to raise the productivity of just such a crop. During some 11 years, beginning in 1965, the EDF helped the Government of Chad improve the cultivation of its principal export crop, cotton. The scale of the project, although limited at first, was rapidly expanded after 1968, until it came to cover some 1.8 million inhabitants and nearly 300,000 agricultural units.

By 1976, when the project was evaluated by independent experts, it could be termed something of a success. Cotton production had increased from 100,000 tons to approximately 150,000 tons, while yields had risen by 46 % - from some 335 Kgs/HA in 1965 to nearly 500 Kgs/HA. The higher output was due almost entirely to improved yields, as the surface under cultivation remained virtually unchanged.

Their higher incomes enabled the peasant farmers to equip themselves with drought cattle, ploughing equipment, wagons, etc. State revenues increased at the same time, because of higher income from export taxes and State participation in the marketing company, Cotonchad.

An equally ambitious project to which the EDF lent its financial support between 1972 and 1977 dealt with the cultivation of rice in the Ivory Coast. The two main objectives pursued by the Government were (1) an increase in production from 200,000 tons to 295,000 tons and (2) a reduction in regional disparities. To this end the project was located in the northern and central regions, which had hitherto been at a disadvantage.

Despite a certain slowdown towards the end, the project nevertheless recorded a number of gains. Thus as regards the introduction of improved varieties of rice, there was an increase in both the production of these varieties and their use by local farmers. Moreover, it was possible to reduce rice imports by 25 % between 1970/71 and 1975/76, despite a 23 % increase in consumption.

Since 1973 the EDF has been collaborating with the authorities in Niger on an integrated rural development project which is scheduled to run until 1983. The project, covering 50,000 family units which together account for some 60 % of the groundnut production of Niger, has a number of objectives.

One of them is to establish self-sustaining village co-operatives in accordance with government policy, while raising the level of training of village cadres and peasants so as to increase rural productivity. Another goal is to intensify the cultivation of groundnuts and at the same time prevent the soil from becoming exhausted.

At the end of the first phase (1975/76) the targets had been largely exceeded in the case of cereals but much less so as regards groundnuts. The co-operative system had played a positive role during this phase, however, especially as regards the administration of the stocks of cereals built up as a security measure.

A similar long-term integrated rural development project is being undertaken in one of the poorest and most populous districts in Kenya, Machakos, where the population is expected to reach one million by 1982. Given the growing menace of drought and famine facing the region, one of the principal objectives of the project is to ensure regular agricultural, especially food, production. Equally important are the plans to improve the supply of water for domestic use, cattle and irrigation.

Much of the material development will be carried out by the self-help groups (mwethya) for which the district is well-known. It is estimated that agricultural production will rise to nearly EUA 4 million, plus another EUA 2.4 million from the sale of cattle. Household incomes should increase on average by 10 %.

Creating jobs through agricultural projects

The examples cited in the previous section were selected almost at random to illustrate the variety of rural development projects which the EDF has financed in recent years. This section attempts briefly to illustrate a single theme: the impact which agricultural projects can have on job creation.

Underemployment and unemployment are two of the most serious problems with which rural populations are confronted. The EEC, not surprisingly, has tried to take care of both through the agricultural projects which it has financed in the ACP countries. To this end it has preferred labour-intensive techniques to capital-intensive ones.

In some cases it had no choice in the matter, as when programmes to improve agricultural lands required them to be taken out of cultivation while the work was going on. In such cases labour-intensive methods must be used simply in order to provide the peasants a gainful occupation until they can resume farming.

Labour-intensive techniques have also proved invaluable whenever a contribution is required of the beneficiaries of a project. As rural families are much too poor to contribute in cash, their contribution must be in kind. If activities

such as reforestation, the drilling of wells, preparation of land for cultivation, drainage of swamps, etc. are carried out manually, then rural families can participate in them and make their contribution in this way.

The implementation of some agricultural projects will result in the creation of new jobs. This is especially the case, for example, when a project requires land to be brought under cultivation for the first time. Clearing the land, draining it or ensuring that it is well supplied with water are all tasks which require a large work force.

Whether it is a question of establishing large plantations, worked by wage-earning labourers, or small family-owned farms, the demand for labour is considerable. Thus a project in the Ivory Coast for the creation of a palm oil plantation resulted in the creation of 10,000 jobs, while a project in Rwanda led to some 14,000 families exploiting their own plots of land.

The introduction of new crops can also have a positive effect on employment. It can allow a labour force to be employed on a year-round basis or during certain periods of the agricultural year. The introduction of tea into Burundi, for example, has made it possible for a rural family of 5 or 6 persons, representing a working capacity of 700 days a year, to work more than the 250 days a year which is all that is possible on the basis of traditional agriculture. Where the tea is grown on the basis of family holdings of 10 to 15 ares the extra work can amount to 130 days a year.

In some cases rural underemployment is only seasonal and can be overcome through projects which provide work at only certain times of the year. This is the case as regards the project for the cultivation of rice in the Ivory Coast. Under this project, financed by the EDF, rice is now being grown in a region formerly dominated by cotton, with the result that for some 10,000 families (there are eight persons on average to a family) the number of days worked per year has increased by 25 %, simply because rice and cotton are sown and harvested at different times of the year.

Agricultural projects financed by the EDF are also raising the level of skills possessed by rural populations. This is particularly true, of course, in the case of projects which seek to raise production through the use of modern techniques. Such projects are introducing peasant farmers to the use of fertilizers and pesticides, to ploughing with draught animals and even to mechanization. Nor are the resulting benefits limited to cash crops. In Chad, for example, the use of fertilizers to increase cotton production has had an impact on food production also because of crop rotation.

Most agricultural projects also add to the pool of agricultural extension workers and other technical staff. This is because projects which seek to change agricultural techniques require the services of such people if they are to succeed. Where extension workers, for example, do not exist they have to be trained by the experts brought in from outside. This was the case as regards a cocoa project: its implementation required a team of 96 rural advisors and 46 agricultural extension workers, all of whom had to be trained before the project could get under way.

Micro-projects: a new instrument for rural development

Since the adoption of the Lomé Convention, rural development projects financed by the EEC range from the large, fully-integrated projects, for which the EDF's contribution can exceed 13,7 million US \$, to micro-projects, for which it may not provide more than US \$ 103,000 per project. (In practice its contribution has averaged one-tenth of this amount.)

Somewhat paradoxically, these "micro-projects for grassroots development, in particular in rural areas," as they are described in the Lomé Convention, are among its most striking innovations. Even so, they were included in the Convention largely as an experiment: micro-projects were authorised initially for only two years and no more than 27,5 US \$ were set aside to finance them, although the sums were to be made available in the form of grants.

However, almost from the outset 25 ACP countries included microprojects in their indicative programmes and five others subsequently wanted to change their indicative programmes for this purpose. By the end of 1978 virtually all the 27,5 US \$ had been earmarked for specific projects.

In order to qualify for Community financing, the Lomé Convention stipulates that a microproject must (1) meet a real, priority need at local level and (2) ensure the active participation of the local community. A project must not only stem from an initiative taken by the Local community which is to benefit from it, but the community must contribute in money or kind towards the total cost. The third contributor to these micro-projects is the ACP state concerned, whose contribution can be either financial or take the form of public works services.

Micro-projects should normally be carried out in rural areas. They must respond concretely to the needs of local communities and may include dams, wells and water supply systems, silos and warehouses for storing provisions and crops, rural service tracks and bridges, animal vaccination pens and corridors, primary schools, dispensaries, maternity homes, social assistance centres, market buildings and facilities to encourage commercial and industrial activity.

The response from both local communities and ACP governments has been highly favourable. In the majority of cases the initiative for the proposed schemes has come from the local communities themselves. The emphasis has been on projects which meet the basic needs of the rural population.

Of the 1,353 schemes for which financing decision had been taken by the end of 1978, some 40 % were for social infrastructure (schools, rural dispensaries, social centres, etc.) and 25 % for rural water supply (wells, boreholes and distribution systems).

The high degree of local participation was evident from the size of the contribution by local communities: it has averaged 25 %, ranging from a maximum of 50 % in Ghana to a minimum of 11 % in Sudan. This contribution has taken the form of labour, construction materials and, exceptionally, money. Only in one case was a local community reluctant to contribute - because all the costs for an identical project had been met by external aid.

The contribution of the ACP states ranged from 54 % (Gambia and Jamaica) to 8 % (Solomon Islands), with an average of 35 %. Although the European Community's contribution was as high as 65 % of the total cost in the case of Burundi, it fell to 19 % in Ghana, averaging 41 %.

Because the micro-projects meet the needs of rural communities, their implementation has posed few problems. The time taken, however, has not been as short as one might have expected, given the small size of the projects. Clearly there are certain minimum timings and other constraints which can delay the start of the project, even after the financing decision has been taken. Moreover, because they are at grassroots level, work on micro-projects often can take place only when local labour is not otherwise occupied.

Early in 1979 the European Commission requested the EEC governments to (1) decide in favour of continuing the microprojects and (2) authorise an additional US \$ 7 million for this purpose. Significantly, during the negotiations to replace the Lomé Convention, it was agreed not to place a limit on the amount to be devoted to micro-projects under the new Convention. On the contrary, there is to be an increase, both in the range of activities which can be financed and the size of each individual project.

A successor to the Lomé Convention: new perspectives for rural development

In the agreement which is to replace the Lomé Convention an entire chapter will be devoted to agricultural co-operation. The basic objective of such co-operation will be to help the ACP countries solve their problems relating to rural development, agricultural production for both domestic consumption and export and security of food supplies.

EEC/ACP co-operation in rural development is expected to lead to higher living standards for the rural population as a result of increased agricultural production generally. The new chapter in fact lists some of the types of projects to be undertaken jointly in the field of rural development.

The include projects involving peasant family holdings and cooperatives as well as village craftsmen and traders, and covering such areas of activity as water engineering; crop protection, preservation and storage; the marketing of agricultural products and the establishment of agribusiness units; animal husbandry, fisheries and pisciculture and forestry.

The Community will also help the ACP countries implement measures aimed at raising living standards through improvements to the social infrastructure, the supply of drinking water and the communications network. In addition, it will collaborate in applied agricultural research and in the training of supervisory staff for rural development operations.

Within this agricultural co-operation framework there is to be increased emphasis on technical assistance, to be extended by individual experts or consultancy teams will help their ACP counterparts formulate rural development policies; identify and prepare projects in this area; execute, manage and evaluate such projects; conduct applied research and help train personnel.

An important new element in this co-operation will be the creation of a Technical Centre for Agricultural and Rural Co-operation. The Centre will assure the dissemination of scientific and technical information, bring about contacts between research workers and planners, facilitate the adaptation of available information to the needs of extension workers and channel requests for training to the relevant bodies.

Promoting rural development in the non-associated states

The Community's fund for rural development projects in the non-associated countries is still very small in relation to the EDF. Even so, the sums made available have jumped from US \$ 27,5 million to US \$ 151 million in just four years.

As the aid is reserved for the poorest among the non-associated states, its principal beneficiaries have been countries with low per capita incomes, notably India, Bangladesh, Indonesia, Pakistan, Sri Lanka and Nepal. Asia in fact was allocated 74.0 of the total in 1978.

It must be remembered that the EEC already provides duty free entry for the exports of the non-associated countries through its generalised system of preferences. In addition, it has concluded commercial co-operation agreements with four Latin American countries and four countries of the Indian sub-continent. Negotiations for an economic co-operation agreement are to begin shortly with the five member states of the Association of Southeast Asian Nations (ASEAN).

Taken in conjunction with the other instruments devised by the EEC in its relations with the non-associated states, the decision to set aside funds for rural development can be seen as an attempt by the EEC to extend to these states, if on a smaller scale and in piecemeal fashion, some of the advantages of the Lomé Convention.

Integrated rural development projects accounted for the largest proportion of of the funds (25 % in 1978). Projects to improve grain storage facilities were almost as important, for they took 23 % of the total. Irrigation and water control have represented the other important category of projects.

One of the largest single Community contributions (US \$ 7.5 million) is for an intensive grain storage project in India. The project seeks to help farmers protect their seedgrains better; improve storage facilities; increase sales of pesticides; strengthen the publicity work of the Indian Government's Save Grain Campaign and equip the Farmers' Training Centre with more training and demonstration material.

The project will be implemented in a number of states of the Indian Union. It will be integrated into the Save Grain Campaign which is being conducted by the Department of Food of the Central Government. Both State governments and non-governmental organisations are to be associated with the project whenever possible. The additional capacity for adequate storage at the village level to be realised under the project has been estimated at 250,000 tons. It will consist of storage bins in both metal and brick.

The Save Grain Campaign offices will receive demonstration vans and a press for printing all the publicity material put out by them. The funds generated by the supply of bins and pesticides to the farmers shall be used by the State governments for the implementation of agricultural development programmes.

The non-associated countries are also receiving technical assistance for the formulation of new projects and the preparation of the studies needed in drawing up future co-operation programmes. The Community has also allocated small amounts to four international agricultural research centres: the Crops Research Institute for the Semi-Arid Tropics (ICRISAT) in India, the International Rice Research Institute (IRRI) in the Philippines, the International Potato Centre (IPC) in Peru and the International Centre for Tropical Agriculture (ICTA) in Colombia.

Cofinancing rural development projects with NGOs

Non-governmental organizations (NGOs) engaged in development work in the Third World are generally highly regarded by the local population and the authorities in the countries in which they operate. One reason of course is that NGO-sponsored projects seek to promote the all-round development of the most needy sections of the population. And while some of these projects are relatively large-scale, most of them are closer in size to the micro-projects discussed earlier.

Since 1976 the Commission of the European Communities has been collaborating with European NGOs by co-financing micro-projects carried out in any developing country in the world. The sums allocated by the Community for this purpose are still minuscule and were expected to remain at 16,5 million US \$ for 1979. The EC's contribution is limited in principle to 50 % of the total cost of the project, with an upper limit of US \$ 137 per project per year (for a maximum 3-year period since 1978).

In order to qualify for co-financing, projects "must promote the economic and social progress of the least developed section of the population," according to the "General Conditions" drawn up by the EC. Particular attention is given to rural, educational and social projects, to multidisciplinary rural projects and to projects which can be repeated in other parts of the Third World. Projects may deal with land reclamation and improvement, the supply of medical, agricultural and educational equipment, training linked to projects, small building works, etc.

The 175 projects co-financed in 1978 were located in over 60 developing countries, the majority of them African. In nearly all cases the projects were established in poor rural communities, whose inhabitants were directly involved in the formulation, implementation and management of the projects. Nearly 30 % of the 1978 projects related to agriculture, with projects in the educational field next (23 % of total EEC appropriations).

It obviously is impossible in the confines of a brief note even to list all the projects co-financed by the Community and implemented by the NGOs. However, a brief reference to some of them will indicate the wide range of activities in which the EDF is currently engaged through its collaboration with the NGOs. This collaboration is important not only in itself but also because it adds to the panoply of instruments at the EEC's disposal.

As you would expect, the emphasis is on increased rural production on the basis of integrated development. In the Upper Volta, for example, the projects co-financed by the EDF are highly concentrated in this sector and tend to be part of pluriannual programmes. Their main objective is to improve the agricultural situation in the Sahel region, whether through increased production or through improvement to the necessary infrastructure (wells, roads, storage facilities, credit schemes and cereal banks).

In the Senegal nearly half the projects have to do with rural production. They cover such areas as irrigation, reforestation and the improvement of cattle herds. Some of these projects are integrated into government programmes, while others are part of country-wide NGO programmes, such as the Caritas "hydro-agricole" programme.

In Malawi, where the emphasis is on rural development through education, all the projects are considered to be complementary to the country's National Development Programme. In Sierra Leone and Kenya all NGO projects are considered by and large to fall within the country's development objectives.

In both Sierra Leone and Kenya rural production accounts for a significant proportion of all NGO projects. However, whereas the emphasis in Sierra Leone is on food production (through the development of swamp rice farming, for example, in Kenya the projects relate more to the improvement and modernisation of agricultural techniques and the preparation of additional land for cultivation.

Promoting rural development through food aid

The EEC's food aid programme has a valuable role to play in rural development. This is because it has been conceived by the Community as a means of meeting one of the basic needs of the poorest countries, food.

The three objectives set by the EEC are: (1) to meet emergencies, whether the result of natural disaster or not; (2) help meet the nutritional requirements of the most vulnerable sections of the population and (3) enable countries facing balance of payments problems to dispense with the need to buy on the world market.

There are a number of ways in which the EEC's food aid programme is promoting rural development. This is true, in a sense, even of emergency aid. To the extent that the chief victims of natural disasters such as floods and drought are the poorer sections of the population, emergency aid can play an important part in rural areas by simply keeping people alive.

It must be pointed out in this connection that the EEC tries to ensure that its food aid does not discourage production in the beneficiary country and that solvable demand is met from local production. Indeed, through its food aid programme the Community is contributing to raising milk production in India through Operation Milk Flood II.

Another way in which food aid is used to promote rural development is through the various "food for work" schemes, and the Community has already made use of them. Triangular operations represent another way. In this case the Community helps producers in a developing country by buying from them the food supplies needed for distribution in a neighbouring country.

But it is principally through its effects at the financial level that food aid can be a key factor in rural development. As mentioned earlier, foreign exchange which would have been used to purchase foodgrains can be employed more productively to meet the foreign exchange which would have been used to purchase foodgrains can be employed more productively - to meet the foreign exchange costs of rural development projects, for example.

The counterpart funds can also be used to finance such projects. This is possible because Community food aid is supplied to beneficiary countries on a grant basis, with the EEC often meeting transportation charges as well. But if such counterpart funds are to be used in the most effective way, the beneficiary country must plan ahead, so that the funds are fruitfully employed as they become available.

There are a number of ways in which counterpart funds can be used to promote agricultural development. They have been used, in conjunction with financial aid provided by the EDF, and other agencies, to finance the pilot project in the central African highlands, to raise nutritional standards, increase food production, and by raising rural incomes, prevent a migration to regions already overpopulated.

In a neighbouring central African country counterpart funds have provided the finance for a farm for the cultivation of improved varieties of seeds as well as for the construction of grain storage installations. The farm is part of a much larger project, financed by the EDF, to create rural development zones in which certain crops to be grown from selected seeds.

In another example of the constructive use of counterpart funds, a very large reservoir was built in an island country, as part of a larger project for storing water to be used for irrigation purpose in both fields and forest areas.

Certain developing countries wanting to maintain food stocks as part of a national food security programme have asked the Community to help them in their task through its food aid programme. Although the member states are currently examining the broader issues raised by such demands, the EEC has indicated that it is prepared to consider individual requests, on the understanding that if granted the quantities allocated would be marginal in relation to the EEC's food aid programme.

Using food aid to raise milk production: an Indian experience

It is not easy to conceive food aid programmes which give priority to raising farm production in the beneficiary country.

The EEC has tried to do just this through its contribution to Operation Milk Flood, which was first launched by the Indian Government in 1970 with the help of the World Bank and the EEC, which provided skim milk powder and butteroil as food aid. The project resulted in improved milk supplies to the major Indian cities, a 50 % to 100 % increase in the incomes of nearly one million rural families engaged in milk production and an effective distribution network.

In 1977 the Indian Government asked the EEC to help with the second phase of the operation, to be carried out between 1977 and 1985. Some 186,000 tons of milk and 114,000 tons of butteroil will be needed over a 6-year period. The counterpart funds, amounting to approximately \$ 270 million, will cover half the total cost of the project, the balance being met by the World Bank (36 %) and out of the Indian Government's own resources.

The principal objectives of Operation Milk Flood II are improved living conditions for 10 million families, thanks to the creation of an efficient dairy industry; a distribution network covering 142 large cities with a total population of 150 million and the setting up of the infrastructure required by a modern dairy industry.

The Community has agreed to help implement Operation Milk Flood II also. During 1978 it supplied, as food aid, 31,000 tons of milk powder and 12,700 tons of butteroil. At the same time it undertook to make an annual contribution for the duration of the project on the basis of the available stocks of milk powder and butteroil.

Conclusions

The EEC did not wait for the present crisis in world food production in order to increase its financial and technical assistance to agriculture. The fact is that since its creation the Community has tried to meet its obligations to the developing countries: not only to those with which it has historical links but also to those in need generally. This is clear, for example, from its longstanding commitment to keep its markets open to their agricultural exports.

The Community has been guided by two main considerations in granting assistance: (1) that it is up to the beneficiary countries themselves to set their development priorities and (2) that the purpose of external assistance is to complement the efforts of the developing countries themselves. The nature and scope of EEC development assistance programmes and policies are largely determined, therefore, by the needs of the beneficiary countries as expressed by them.

To meet the varied development needs of the Third World the EEC has tried to develop an equally varied range of development instruments. This diversity is reflected also in the projects which it has financed in the Third World. While these have not always achieved the targets which were set, the EEC has tried to learn from projects which did not attain their objectives as well as from those which over-achieved their targets.

Over the years the Community has sought to develop the concept of partnership in its relations with the developing countries. The fullest expression of this is to be found in each successive convention with its partners, culminating in the agreement which has just been negotiated with the 57 African, Caribbean and Pacific states to replace the Lomé Convention, which expires next February.

ANNEX

EEC – ODA commitments to agriculture ¹

(million USD)

	1974	1975	1976				1977					1978 ³					
	Total	Total	EDF	Aid non assoc.	EIB ²	NGO	Total	EDF	Aid non ass.	EIB ²	NGO	Total	EDF	Aid non ass.	EIB ²	NGD	Total
1. Crop development	15.2	2.4	38.8	1.2			40.0	65.8				65.8	54.9	8.4		0.1	63.4
2. Animal husbandry	16.4	3.7	6.2				6.2	14.8	0.1		0.1	15.0	19.4				19.4
3. Fisheries			5.4				5.4	2.7	3.3		0.1	6.1	1.9	0.6			2.5
4. Forestry					5.6		5.6	4.0				4.0				0.4	0.4
5. Water development	7.7	13.7	13.4			0.15	13.55	36.6	14.8		0.1	51.5	18.8	10.7		0.8	30.3
6. Land development	16.3	5.4	38.1	16.9	5.2	0.2	60.4	60.3	2.8		0.3	63.4	10.5	2.4		0.3	13.2
7. Agricultural services				4.4		0.25	4.65	16.3	8.0		0.5	24.8	1.1	27.0		1.6	29.7
8. Agricultural devel. banks												4.6	2.3				6.9
9. Agricultural storage	2.8					0.1	0.1		14.6		0.2	14.8				0.4	0.4
10. Supply of means of product	14.3	1.4				0.2	0.2		1.8		0.1	1.9				1.3	1.3
11. Supply of fertilizers	64.4	34.1												3.8		0.4	4.2
12. Agriculture, unallocated			0.2			0.1	0.3	9.4				9.4	5.7			0.1	5.8
Total (narrow definition)	137.1	60.7	102.1	22.5	10.8	1.0	136.4	209.9	45.4		1.4	256.7	116.9	55.2		5.4	177.5
13. Manufacturing of means of prod.	3.0																
14. Agro. industries	1.3	0.2	11.4	2.5	16.0		29.9	5.5		5.1		10.6	5.8	3.8	4.9		14.5
15. Infrastructure and transp.		0.5												2.6			2.6
16. Rural development	0.5		0.3				0.3	13.0	2.1		0.1	15.2	28.5	3.8		0.6	32.9
17. Regional develop. projects	0.9							3.7				3.7	2.6				2.6
18. River develop. projects														7.4			7.4
Total (1-17 broad def.)	142.8	61.4	113.8	25.0	26.8	1.0	166.6	232.1	47.5	5.1	1.5	286.2	153.8	72.8	4.9	6.0	237.5
Technical cooperation	0.8	1.3	1.5				1.5	1.5	3.9			5.4	6.2	10.6			16.8
Total ODA for agric.	143.6	62.7					168.1					291.6					254.0

¹ DAC definition of agriculture² Special operations³ Preliminary figures

Exchange rate/EUA = USD 1.2743

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