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**The Agrarian Economies of Central-Eastern Europe and the
Commonwealth of Independent States:
An Update on Status and Progress in 2002**

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Foreword

The agrarian economies of Central and Eastern Europe and the Commonwealth of Independent States continue to undergo systemic change and transformation. The World Bank has been supporting this process with both policy advice and financial assistance since the beginning of the 1990s. The Bank involvement in the region's agricultural transition has been supported by the continuous monitoring of the transition process in the individual countries and in the region as a whole.

The Bank monitoring process provides unique benchmark information for studying problems of this difficult transition in Central and Eastern Europe and for the development of specific agricultural projects in the individual countries of the region. This year marks the sixth time that the Bank reviewed the situation of agriculture and agricultural policy reforms in the ECA region. Our assessment is based on country-specific analysis prepared by the World Bank staff members most intimately involved in agricultural reforms in these countries. To evaluate the status of reforms, a special methodology was developed at the World Bank to compare agricultural reform performance across all the countries in Eastern Europe and Central Asia. The general overview and the country-specific assessment presented in the form of policy matrices is supplemented with an aggregated statistical database derived from the FAO agricultural database.

June 23, 2003

Laura Tuck
Director, ECSSD

Preface

This volume is a compilation of a year's work analyzing the problems of the rural sector at the regional level. The study is focused on agricultural outputs, trade, and related policies. Although we recognize the importance of the social and natural resource management aspects of the agricultural transition, these issues are not addressed in this report. The work presented in this paper was managed and coordinated by Csaba Csaki, who is the main author of the overview as well as the creator of the methodology used to compare agricultural reform performance in the individual countries. He was assisted by Alan Zuschlag in compiling the country-specific policy matrices into a consistent framework. Country-specific matrices were prepared for all the countries of the region except Cyprus, Malta, and Turkey.

The individual country policy matrices were prepared by the following Task Managers: Albania (F. Jungbluth), Armenia (G. Schrieber), Azerbaijan (T. Sampath, J. Bucknall, K. Fock), Belarus (M. Bakanova), Bosnia and Herzegovina (R. Jaisaard), Bulgaria (H. Gordon), Croatia (A. Nacev), Czech Republic (T. Doucha, C. Csaki), Estonia (G. Schreiber), Georgia (I. Shuker), Hungary (I. Feher), Kazakhstan (E. Cook, B. Utkelov), Kyrgyz Republic (G. Schreiber), Latvia (H. Kim), Lithuania (W. Meyers), FYR Macedonia (R. Jaisaard), Moldova (H. Kim), Poland (M. Lundell, H. Gordon), Romania (H. Gordon, G. Ionita), Russia (V. Matusevich, I. Shuker), Serbia and Montenegro (R. Jaisaard), Slovak Republic (G. Blaas), Slovenia (S. Rogl), Tajikistan (T. Sampath), Turkmenistan (M. Lundell), Ukraine (I. Shuker, A. Kaliberda), and Uzbekistan (M. Lundell). Laura Tuck provided valuable comments and suggestions throughout the study. Alan Zuschlag provided editorial assistance and compiled the Statistical Database used for this study.

Executive Summary

This paper provides a brief overview of agricultural economies in the ECA region between 1999-2002. It updates the information presented in the World Bank Discussion Paper no. 387¹, ECSSD Working Paper no. 13,² ECSSD Working Paper no. 24³, and ECSSD Working Paper no. 32,⁴ and ECSSD Working Paper no. 36⁵ and identifies the current status of the agrarian economies of Eastern Europe and Central Asia today. Although we recognize the importance of the social and natural resource management aspects of the agricultural transition, these issues are not addressed in this report.

The agrarian economy of the region was characterized in the early 1990s by a considerable drop in production. The decline in agricultural output did not stop until the second half of the 1990s in the CIS countries and, for most of them production levels stabilized at roughly 60% of pre-reform levels. In contrast to the CIS, output declines in the CEE were halted somewhat earlier. In most cases this stabilization occurred at 70% to 100% of the pre-reform levels, while in Estonia, Latvia, and Croatia, current production appears to have stabilized at 40% of pre-reform output.

Compared to the previous few years, a significant increase in crop production was recorded in 2001 and 2002 in key CIS countries, particularly in Russia and Ukraine. Agricultural output also increased in the Kyrgyz Republic, Kazakhstan, Turkmenistan, and Azerbaijan. The Kyrgyz Republic is the first country in the CIS where agricultural output exceeded the 1989-91 levels. In the CEE countries, two different groups can be observed when viewing overall agricultural performance. First, there is a group of countries where agriculture has begun to grow steadily and continuously. This group includes Albania, Slovenia, and Croatia. In Albania and Slovenia agricultural output is already 130% and 110% of the pre-reform levels respectively. In the rest of the countries agricultural output remains more or less stagnant, although some of these countries show some moderate signs of recovery in crop production.

Our analysis for 2002 indicates a further differentiation between CEE and CIS countries in the pace of agricultural reform.

- In the leading CEE countries, the reform process is close to completion. In several EU candidate countries the agriculture and agro-processing sectors now resemble those of a market economy and are experiencing very dynamic growth. Notably, in the Czech Republic, Hungary, Slovenia and Estonia, the degree of private ownership and investment in the sector, supported by a liberal policy framework and the prospect of EU accession, has led to significant developments in the efficiency of agricultural production in recent years. These

¹ Csaki, C. and Nash, J. *The Agrarian Economies of Central and Eastern Europe and the Commonwealth of Independent States: Situations and Perspectives 1997*, June 1998, the World Bank.

² Csaki, C. and Fock, A. *The Agrarian Economies of Central and Eastern Europe and the Commonwealth of Independent States: An Update on Status and Progress – 1998*, April 1999, the World Bank.

³ Csaki, C. and Fock, A. *The Agrarian Economies of Central and Eastern Europe and the Commonwealth of Independent States: An Update on Status and Progress – 1999*, April 2000, the World Bank.

⁴ Csaki, C. and Kray, H. *The Agrarian Economies of Central-Eastern Europe and the Commonwealth of Independent States: An Update on Status and Progress – 2000*, May 2001, the World Bank.

⁵ Csaki, C. and Nucifora, A. *The Agrarian Economies of Central-Eastern Europe and the Commonwealth of Independent States: An Update on Status and Progress – 2001*, May 2002, the World Bank.

countries have benefited from a substantial influx of fresh capital, mainly foreign, which has contributed to renew the capacity and performance of the sector. As a result, their agricultural sectors now look increasingly competitive on the European and world markets.

- The possibility of EU membership has accelerated reforms in those countries that were lagging somewhat behind the leading EU accession candidates, most notably in Lithuania and Latvia. The agriculture policy agenda in the CEE is characterized by efforts to complete the transition, to cope with increased social problems in rural areas, and to adjust to the evolving CAP. Unfortunately the task of facilitating increased competitiveness has often been stymied by farm lobby demands to provide immediate protection in the agricultural sector and to provide income transfers to farming populations.
- In the CIS countries the reform process has generally proceeded at a much slower pace, although there are positive exceptions. Distortions continue in the production, pricing, and marketing of “strategic” products, and the system of institutions and instruments of the planned economy has not yet been fully dismantled in most countries. Only moderate progress in agricultural reforms has been achieved in the core countries of the CIS (Russia, Ukraine, Kazakhstan), although recently government intervention has been significantly reduced. Some of the smaller countries in the CIS such as Armenia, Azerbaijan and Georgia, which had accelerated the reforms in the previous few years, have not taken further steps in 2002. At the lower end of the reform scale, Uzbekistan and Tajikistan also made measurable progress, but slowed somewhat in 2002. On the other hand, nearly a decade after the beginning of the transition, Turkmenistan and Belarus have still not started any significant reforms.

A. Overall Analysis

1. Over ten years have elapsed since the process of transition from the socialist system started in the early 1990s. During this time, Central and Eastern Europe and Central Asia have undergone profound structural change with wide variation in the amount of transformation in rural areas. In retrospect, it can be seen that the countries that chose to transform their socialized agriculture into a private-ownership and market-based system experienced the most positive economic performance. Given the developments of the past decade, however, it is clear, that the initial expectations for the transformation were overly optimistic and the transition process in agriculture is far more complex than originally envisaged. It is widely recognized, for instance, that the importance of functioning institutions was underestimated at the outset of the transition. Increased social problems and alarming signs of increasing poverty and inequality have also added a new, unexpected, dimension to the transition process.

2. In the early 1990's, ECA developed a strategy to assist the transformation of the region's rural sector to the new economic reality. Subsequent developments, and the urgent need for sectoral recovery and for the implementation of effective policies to reduce rural poverty, have led to adjustments and revision of our initial strategies and support programs. These were presented in a rural strategy paper the year 2000 (Csaki and Tuck, 2000).

I. Agricultural Resource Base And Overall Features of The Rural Sector

3. Agriculture, and the rural sector in general, play a more important role in the economy of the region than they do in more developed market economies. While the bulk of the population in the region lives in urban areas, a significant portion of the population still lives in rural areas. Of the 412 million citizens in the 27 ECA countries (excluding Turkey), 143 million, or 35% are classified as living in rural areas. Six countries have particularly large rural populations, accounting for slightly less than two-thirds of the total rural population within ECA. These are: Russia (the largest contributor, at 24%), Ukraine (11%), Uzbekistan (11%), Poland (9%), Romania (7%) and Kazakhstan (5%).¹ In several countries, and particularly in the least developed countries of Central Asia, (Albania, Bosnia and Herzegovina, Kyrgyz Republic, Moldova, Tajikistan, Turkmenistan, Uzbekistan), the majority of the population live in rural areas, reaching as much as 72% of rural population in Tajikistan.

4. The share of agriculture in employment and national income in ECA countries is far greater than the average for western developed countries. However, there are very substantial country-to-country variations in the relative size and importance of the agricultural sector (**Figure 1**). In 1999 the agricultural sector contributed about 9% of GDP for the transition region as a whole, ranging from 29% of GDP in the Caucasus countries to 6% in the EU accession candidate countries and 23% in Central Asia.² Similarly, the proportion of the labor force employed in agriculture was 22% on average, but this varied from as little as 3%-5% in some EU accession

¹ Source: WDI, 2002.

² Source: WDI, 2002.

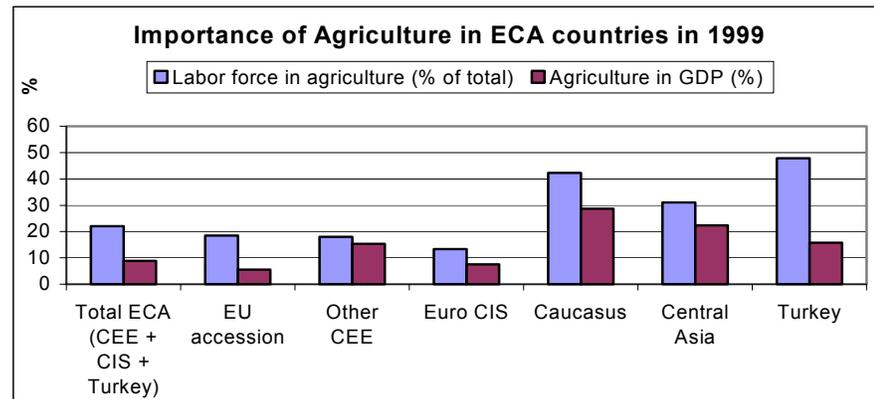
countries (Czech Republic, Estonia, Hungary, Slovak Republic) to about 13% in European CIS countries (Russia and Moldova) to 30%-40% in the Caucasus and Central Asia and as much as 48% in Turkey.³

5. In relation to the region's share of world's agricultural resources, the role of agriculture in the transition region appears to be relatively small. As of 1999, the transition countries comprised 13% of the world's area suitable for agricultural production and 20% of the world's arable land (Table 1). The region makes a substantial, yet less than proportional, contribution to world output in practically all of the main agricultural products. On average, this contribution is around 10%. The importance of

ECA countries in world agricultural production decreased in the early 1990s as a result of the transition. Until now only crop production has regained its former share of world production, while the share of livestock production has been falling throughout the 1990s (Figure 2).

6. Similarly, when compared to its natural resources, the region plays a significant, yet less than proportional, role in world food trade (Figure 3). With 20% of the potential resources but only 8% of the world's population, it is clear from a global perspective that the East European and Central Asian region is perhaps the one area where a good deal of the substantial new global demand for food forecast for the first half of this century can be met without the risk of causing serious harm to the natural environment. However, serious improvements in performance and efficiency still have to take place in these countries. The gap between global agricultural development and regional performance remains very large, particularly with respect to the levels of efficiency in OECD countries, as indicated by an international comparison of cereal yields (Figure 4). This gap is particularly large when considering CIS countries, but also applies to

Figure 1



ECA country groups:

CIS: Caucasus (Armenia, Azerbaijan, Georgia), Central Asia (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan), Euro CIS (Belarus, Moldova, Russia, Ukraine); CEE: EU Accession (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia), Other Central Europe (Albania, Bosnia, Croatia, Macedonia FYR, Yugoslavia FR); Turkey.

Table 1: Percentages of Arable Land and World Population

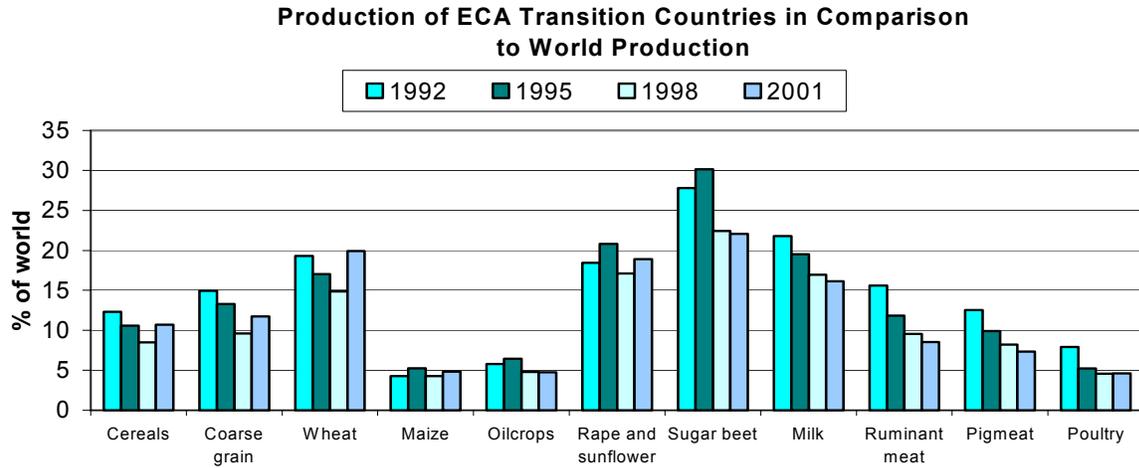
	% of World Arable Land	% of World Population
Total ECA	20.2	8.0
Total CEE	3.4	2.2
Total CIS	15.1	4.7

Source: WDI 2002

³ Source: WDI, 2002, and Prof. Zvi Lerman, based on official country statistics (<http://departments.agri.huji.ac.il/economics/lerman-main.html>).

some of the CEE countries, as indicated by the levels of yield well below world averages and considerably lower than in the EU. Agricultural productivity in CEE countries has started to grow since the mid 1990s and is expected to increase further with EU accession both because of the economic conditions that will have to be fulfilled and because of the improved access to capital, technology and know-how as a result of the enlargement. Nevertheless there is no consensus about the speed and extent to which these increase in productivity will materialize.

Figure 2

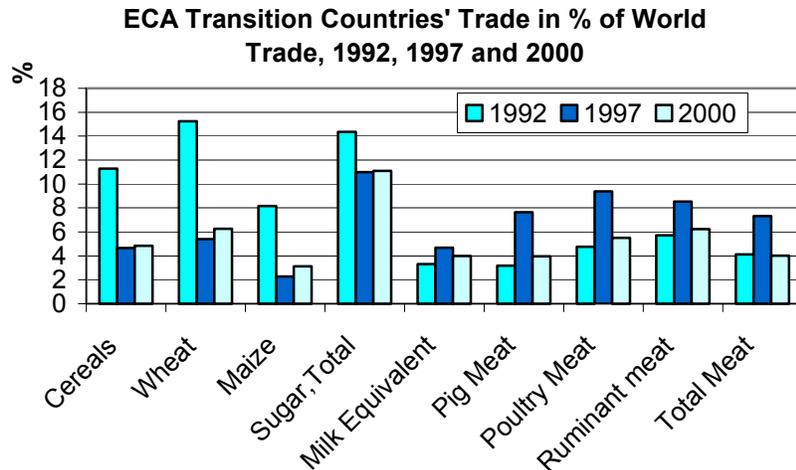


Source: WDI 2002

II. The State Of Agriculture

7. In the 1990s the agrarian economy of the region was characterized by a considerable fall in production that resulted from the collapse of the socialist system. The negative impact of the institutional disruption was compounded by the impact of a wide variety of changes, including simultaneous reductions in agricultural producer

Figure 3

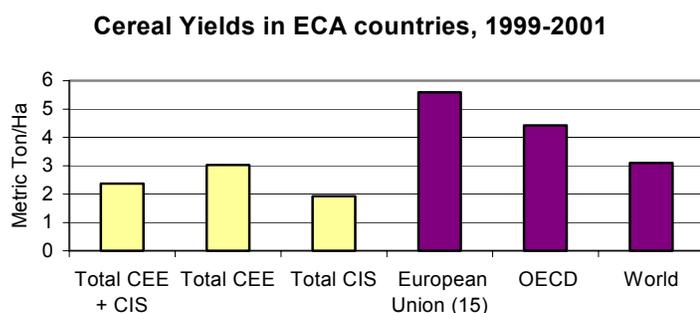


Source: WDI 2002

subsidies and in food consumption subsidies, price liberalization, declining input use and deteriorating machinery stock, reduced domestic demand due to falling incomes and reduced foreign demand due to the collapse in traditional export markets and the internal “Eastern Bloc”

trading system (CMEA). As a result of these combined events, the introduction of the reforms in agriculture was accompanied by dramatic reductions in the terms of trade of agriculture⁴ that led to very significant reductions in agricultural output. However, although agricultural output declined across all the transition countries, the paths of output recovery have diverged strongly.

Figure 4



Source: WDI 2002

8. Agricultural production in transition countries as a whole continued to decline from the early 1990s until 2000. (**Table 2**). In most of the CIS countries the decline in agricultural output did not stop until 2000, and production levels stabilized at roughly 60% of the pre-reform levels (**Figure 5**). In the Kyrgyz Republic, Uzbekistan and Turkmenistan, however, agricultural output stabilized at a much higher level and now exceeds the pre-reform 1989-91 levels. In contrast to the CIS, in most of the CEE countries output declines were halted by the mid 1990s and in most cases this stabilization occurred at 70% to 100% of the pre-reform levels. In Estonia, Latvia, and Croatia, however, agricultural production continued to decrease throughout most of the 1990s and now appears to have stabilized at 40% of pre-reform output (**Figure 6**).

Table 2: Net Agricultural Production Growth Rates for CEE and CIS Countries (%)

Year	Agriculture	Crops	Cereals	Livestock
1992-6	-5.1	-3.3	-6.0	-7.2
1997	1.4	7.9	32.5	-5.1
1998	-6.7	-14.1	-27.2	-0.1
1999	0.5	2.4	6.9	-2.5
2000	-0.1	2.6	-3.5	-1.0
2001*	5.9	13.4	34.2	1.1

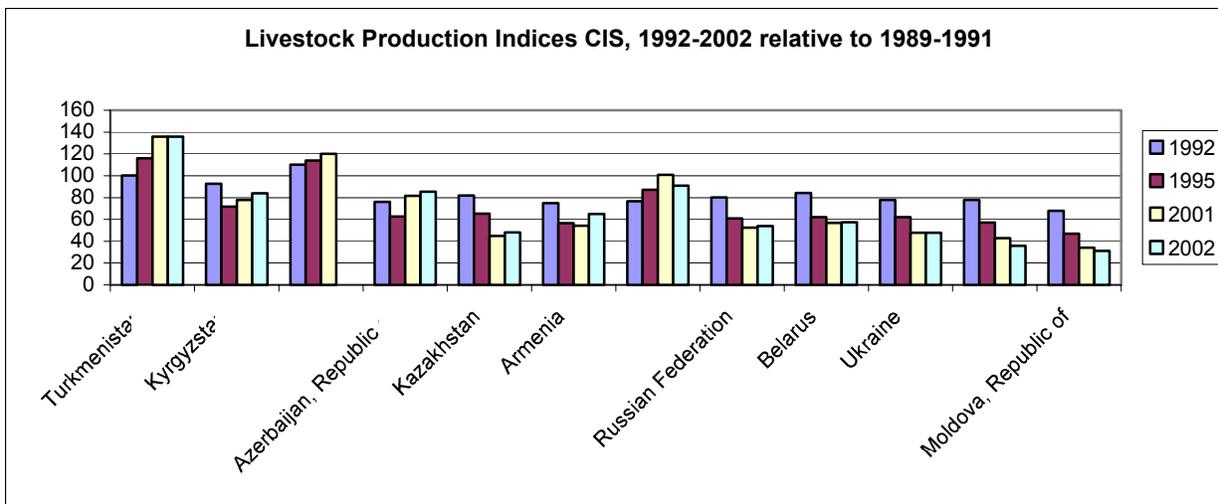
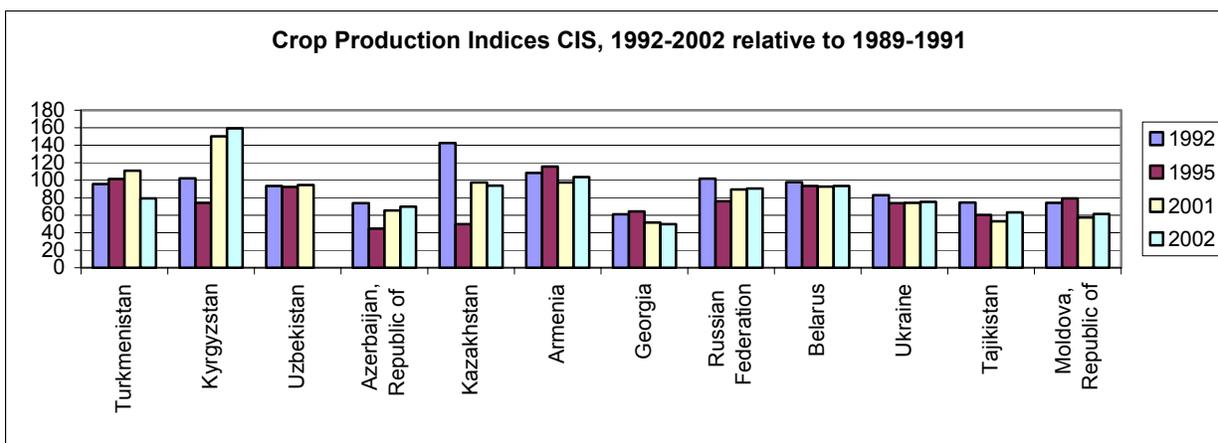
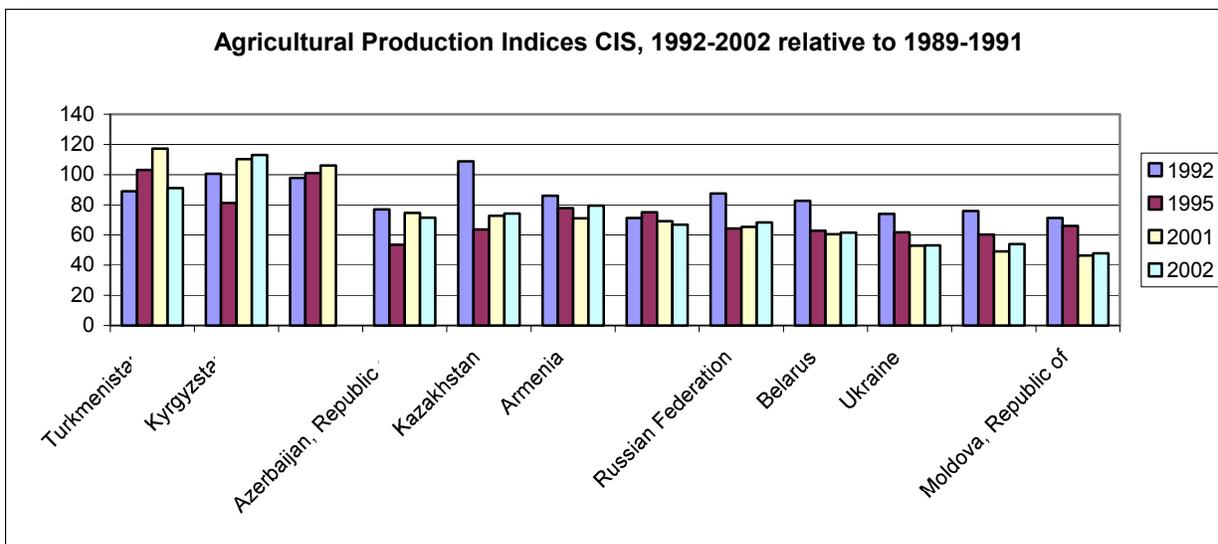
*preliminary

Source: FAOSTAT, 2003

9. As is also indicated in **Table 2**, some interesting changes in sectoral performance have taken place in 2001 and 2002 with respect to the previous few years (**Figures 5 and 6**). In the CIS countries, a very sizeable increase in production of arable crops took place in Russia and Ukraine in 2001, and remained at this higher level in 2002, while the decline in livestock production appears to have halted. Similarly, the Kyrgyz Republic, Kazakhstan, Turkmenistan, and Azerbaijan, also showed significant improvements in agricultural output in 2000, 2001, and remained at these relatively high levels in 2002, for both in crop and livestock products. As a result of these increases, mainly in crop production during the last two to three years, the trend in agricultural production in many CIS countries appears to have finally turned around and has begun to increase.

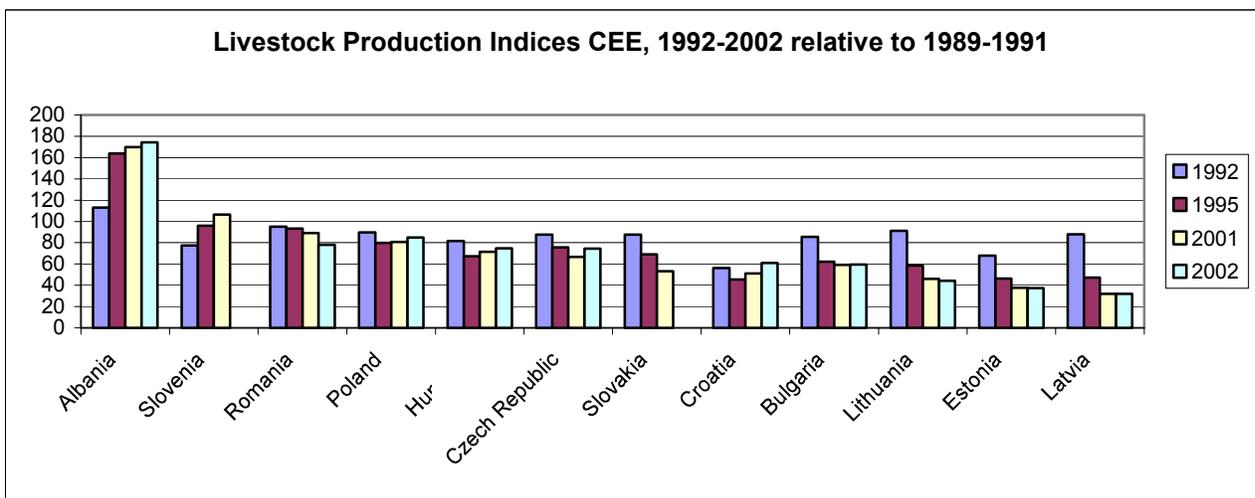
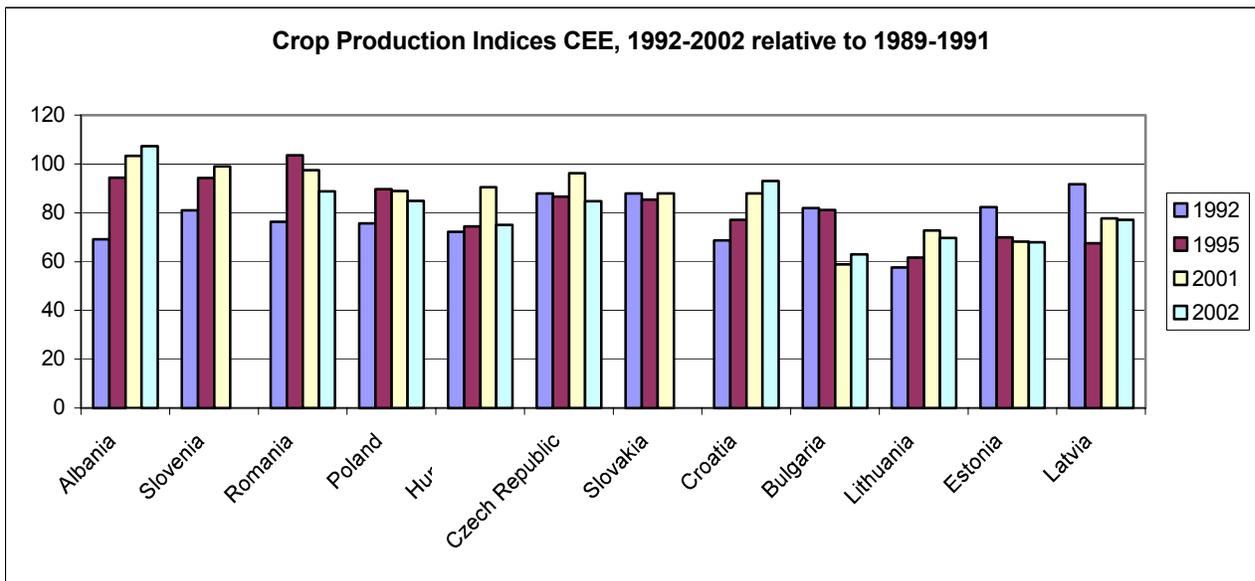
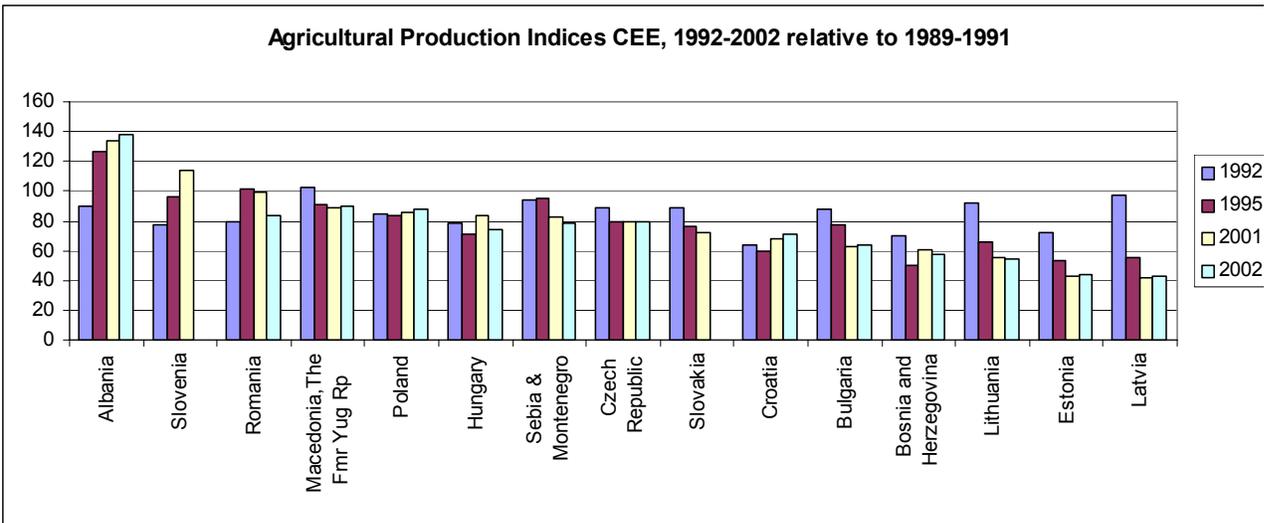
⁴ Macours and Swinnen (2000) estimate reductions of 40% to 80% in the terms of trade of agriculture for the countries they analyze.

Figure 5



Source: FAO, 2003 note: data for Uzbekistan in 2002 was not available at time of publication

Figure 6

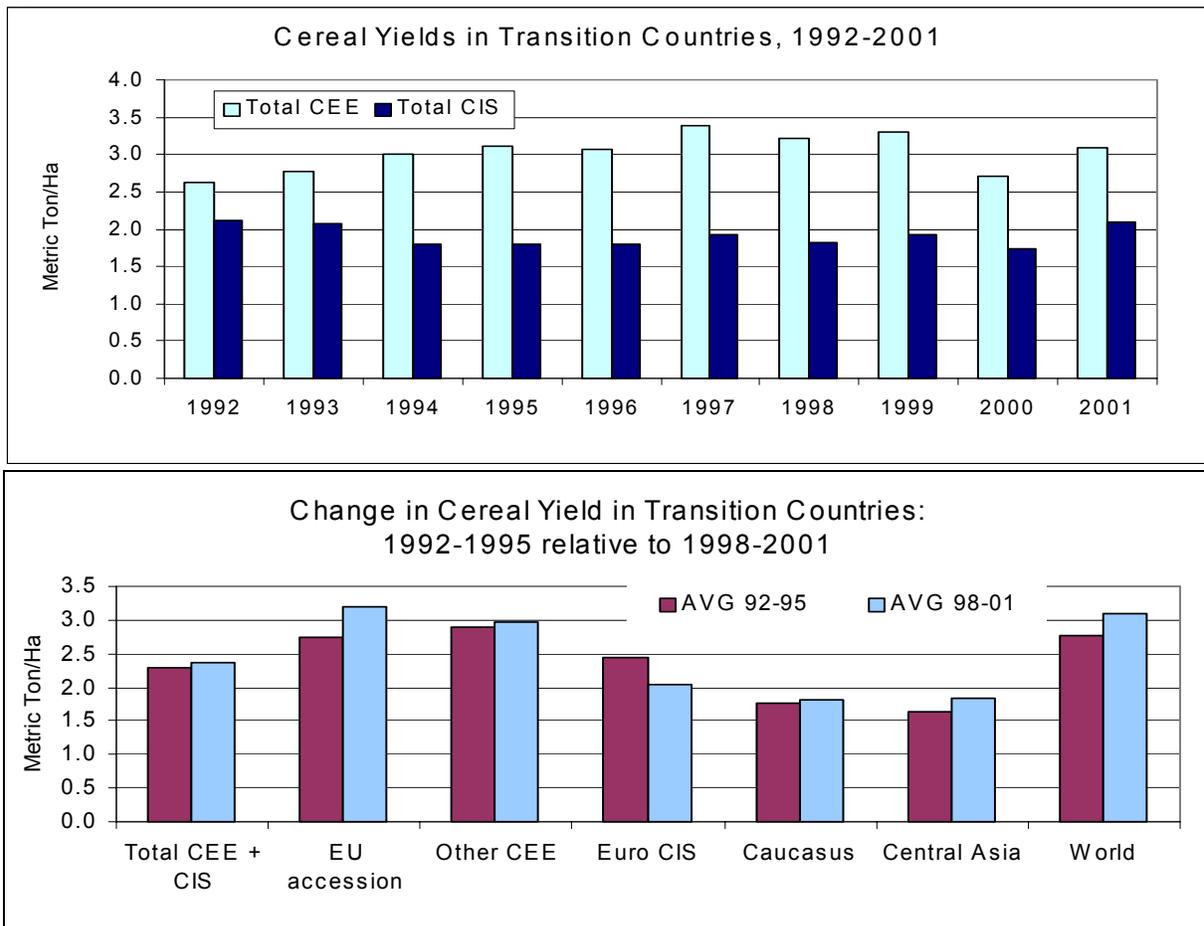


Source: FAO 2003 note: data for Slovenia and Slovakia for 2002 was not available at time of publication

10. In the CEE countries, two different groups can be observed when viewing overall agricultural performance. First, there is a group of countries where agriculture has begun to grow steadily and continuously. This group includes Albania, Slovenia, and Croatia. In Albania and Slovenia agricultural output is already 130% and 110% of the pre-reform levels respectively. In the rest of the countries agricultural output remains more or less stagnant, although some of these countries show some moderate signs of recovery in crop production.

11. As mentioned above, the gap between global agricultural development and the performance of the transition countries remains very large. In some CIS countries, notably Russia and Ukraine, yields have picked up dramatically during 2001 and 2002. However, in many CIS countries there is still a declining trend in major grain yields (Figure 7). In EU accession countries yields have begun to grow again, though they remain significantly lower than EU levels. In non-EU accession CEE countries (“other CEE”), grain yields have shown a stagnating trend in the last five years with much less annual variation than the CIS countries.

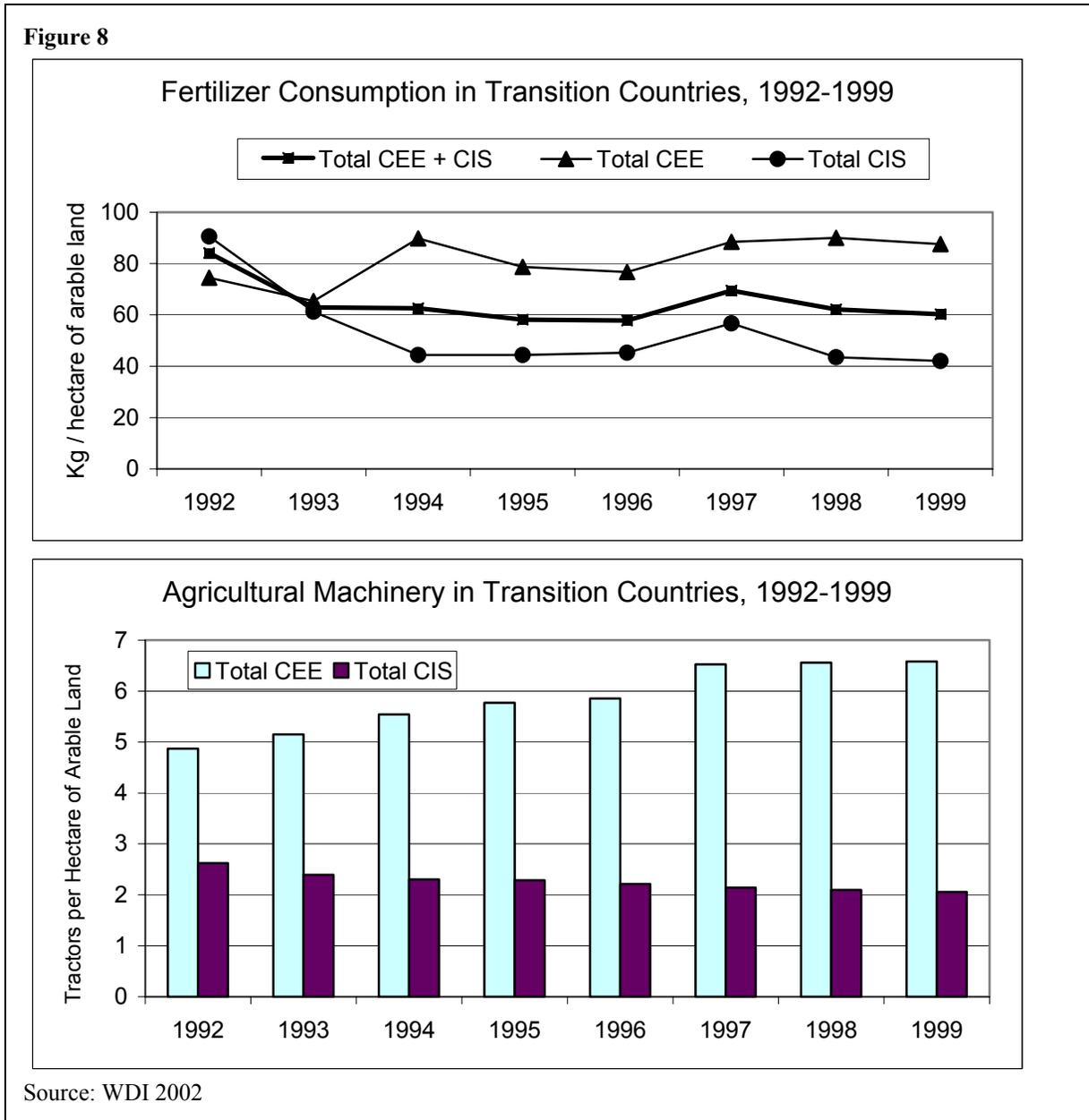
Figure 7



Source: WDI 2002

12. Agricultural technology levels did not improve in recent years and are still well below pre-reform levels. In general, the decline in the terms of trade and the reduction in agricultural output prices led to dramatic reductions in input use in agriculture. For the region as a whole, the use of fertilizer inputs has remained more or less unchanged at only about 20% of pre-reform

levels. A gentle upward trend can only be observed in CEE countries. A wide and growing divergence between CIS and CEE countries can also be observed in the availability of agricultural machinery (**Figure 8**).

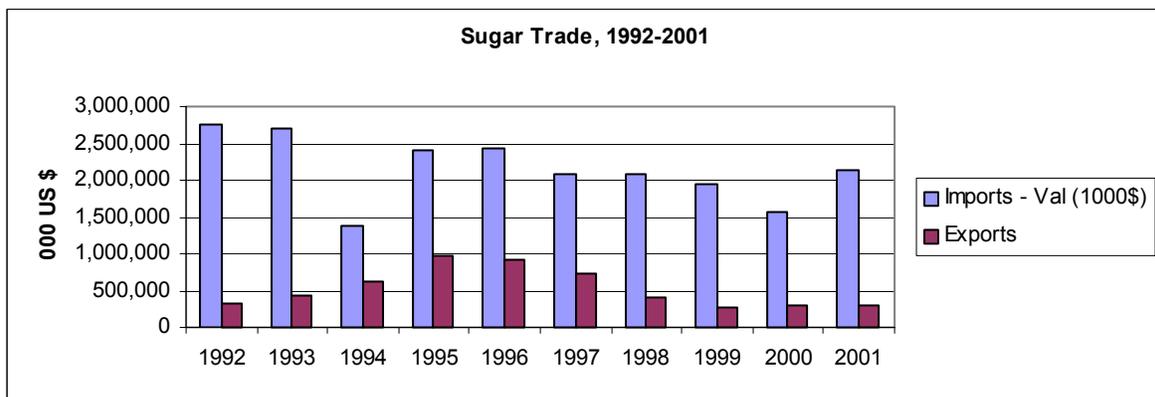
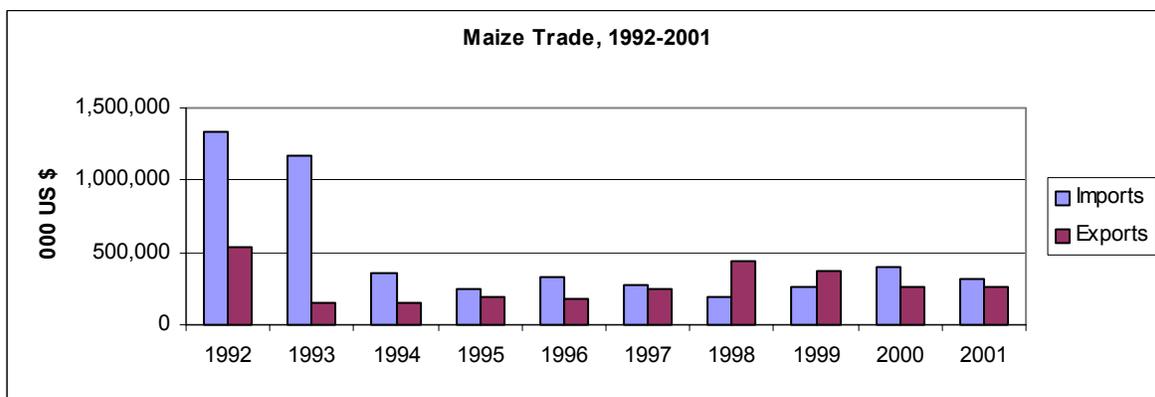
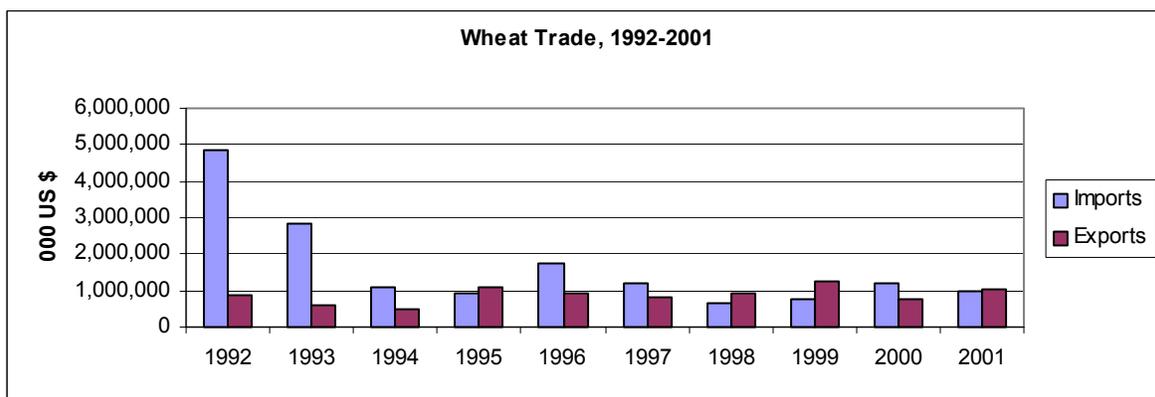
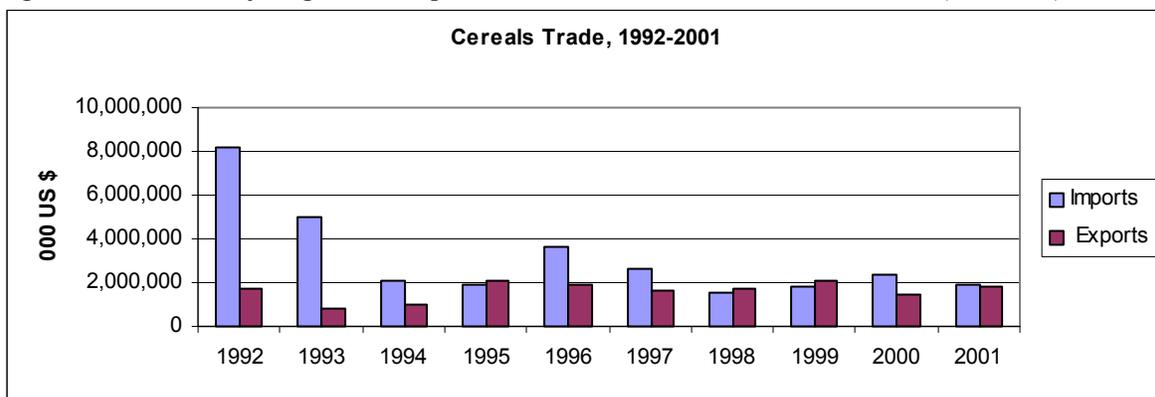


13. The regional participation in international trade of agricultural products has undergone very significant changes during the transition:

- Despite the decline in production, the region's share in world trade did not shrink significantly, and it even increased for some products. This was in large part a result of both the reduction in domestic consumption and the disintegration of the Soviet Union.

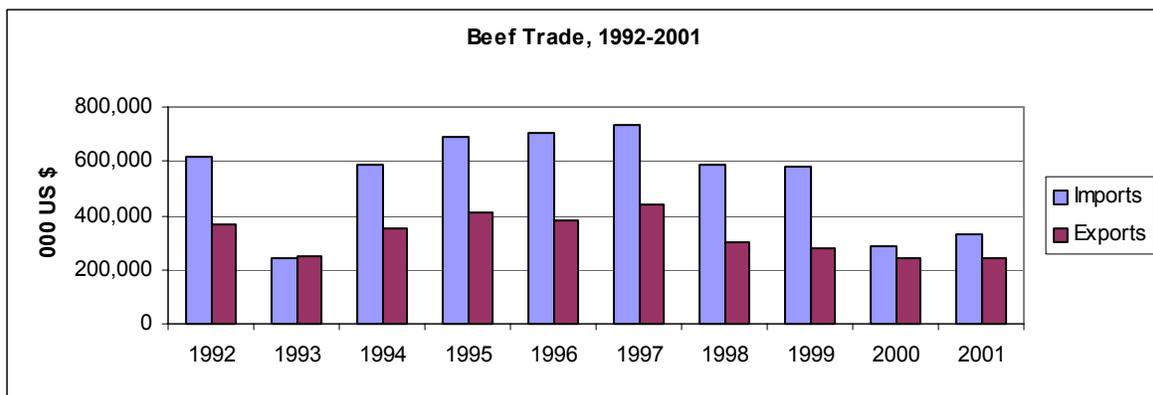
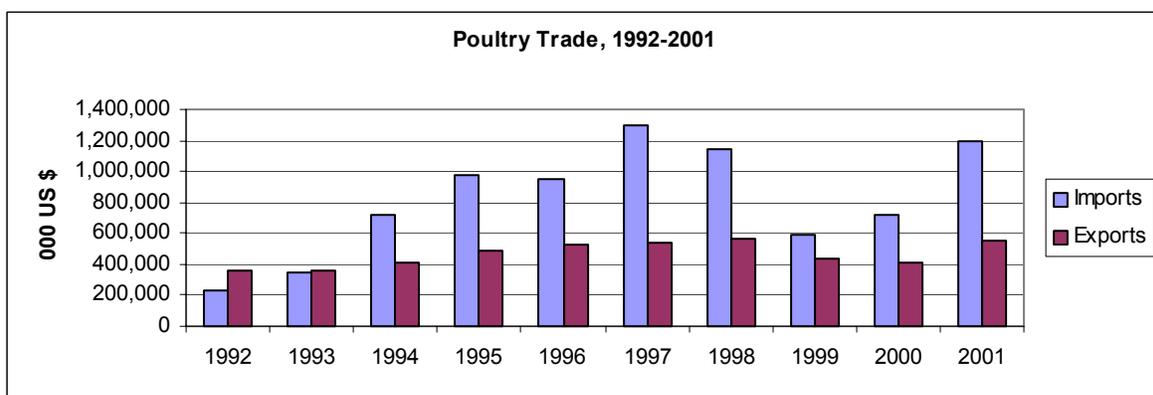
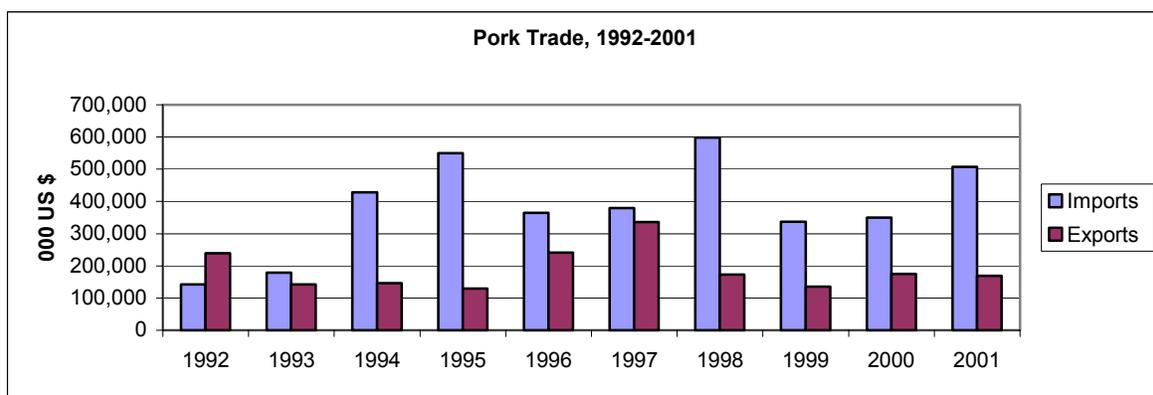
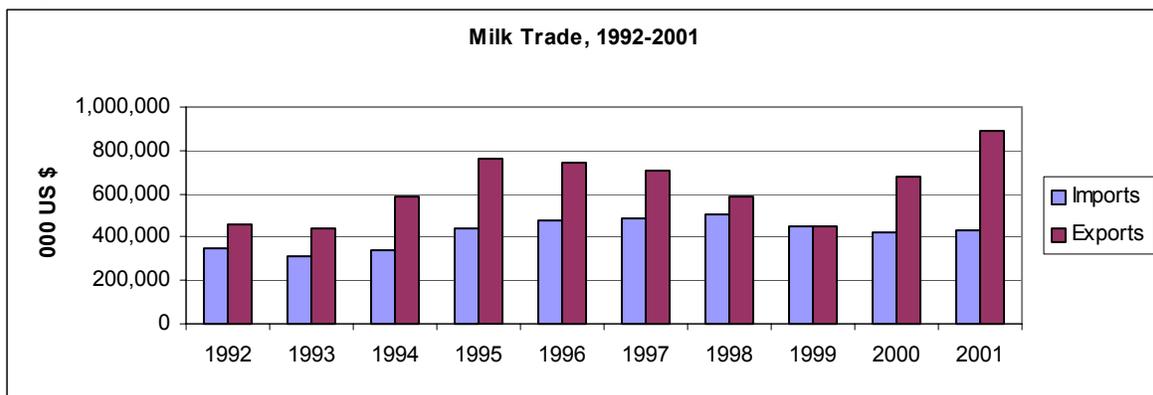
- In some countries there has been considerable change in the composition of agricultural trading partners. The region's agrarian trade was historically determined by the Council of Mutual Economic Assistance (CMEA) and basically built on internal relations. It has now given way to a wide opening towards other parts of the world. The source of imports and destination of exports have also changed. However, in most CIS countries growth is seriously constrained by the collapse of traditional markets and the failure to develop alternatives.
- The structure of trade has also changed dramatically. The position of the transition economies in trade in cereals and dairy products has recently increased to that of net exporter (**Figure 9**). Perhaps the most significant structural change is that the CIS countries, and Russia in particular, have become net exporters of grains. In place of the massive grain imports characteristic of the Soviet period, notably in Russia, the region has recently become one of the world's biggest meat importing regions. Meat imports rose dramatically during the mid 1990s, and, although they have significantly declined since 1997 and 1998, they remain high by historical levels. This is quite clearly a more favorable solution from an economic viewpoint since the large quantity of grain purchased in earlier decades by the Soviet Union was used in animal husbandry with very low efficiency.
- The magnitude of exports in pork and beef has also begun to increase in recent years and the region's position as a net importer of livestock products has improved somewhat (**Figure 9**). Specifically, the dramatic short-term increase in livestock imports during the 1990s is now beginning to fall back reflecting the recovery of livestock production in most countries.
- While the structure of the region's agricultural exports and imports has changed considerably as a result of declining consumption, the balance of agricultural trade for the region as a whole has not deteriorated. Overall, the region as a whole continues to be a net importer of agricultural products, although the deficit is declining. Specifically, the significant decline in the negative trade balance of the CIS countries has been partially offset by the increased deficit in the CEE countries (**Figure 10**).
- Trade within the region continues to be of great importance for practically all countries. However, the competition with higher quality imports is making it increasingly difficult to sell products at CMEA standards within the region. Some of the countries of Central-Eastern Europe are having increasing success on the markets of the developed countries, but for the majority of countries in the region, selling within the region remains practically the only possible direction for the export of their agricultural produce, often in the form of special barter deals.

Figure 9: Trade in major agricultural products in Transition Countries, 1992-2001 (1000 US\$)

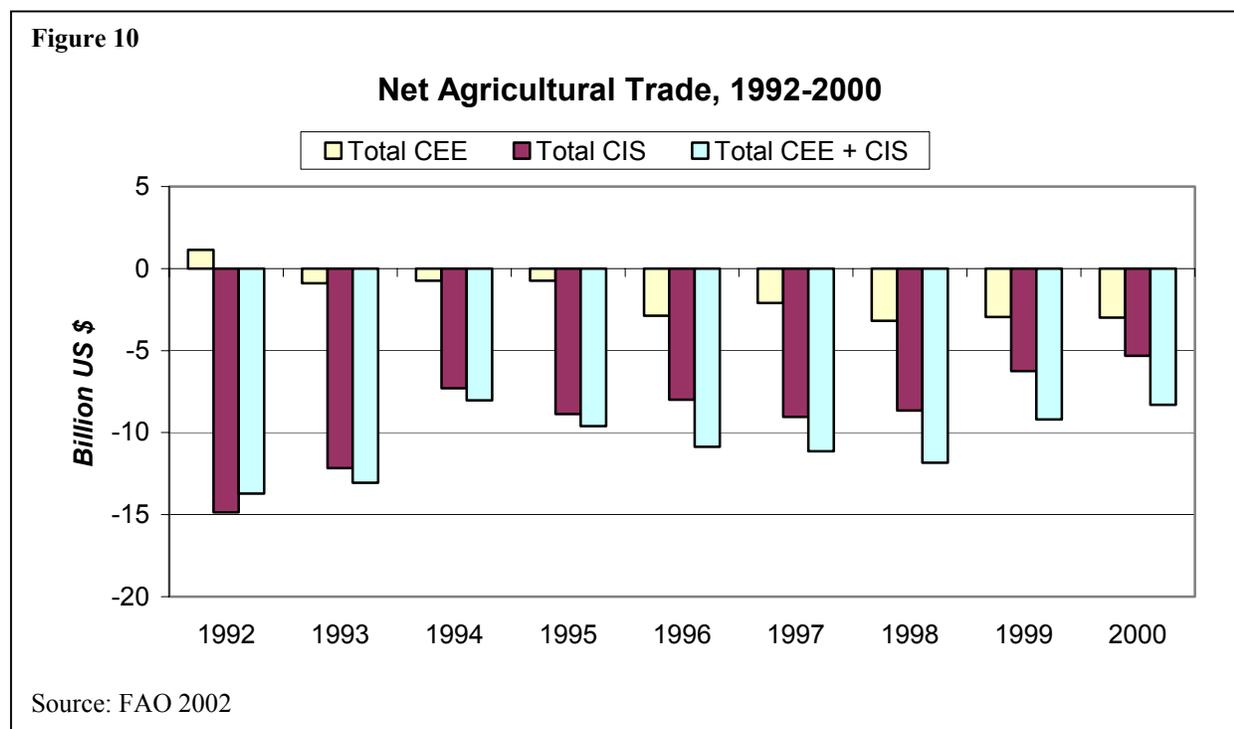


Source: FAO 2003

Figure 9 continued: Trade in major agricultural products in Transition Countries, 1992-2001 (1000 US\$)



Source: FAO 2003



- Another important change is the growth of higher quality processed products in the region's agrarian trade, and together with this, a rise in the region's share of food imports from developed countries, especially the European Union and the USA.
- Agricultural trade between the EU and CEE has increased substantially, with a dramatic expansion in net exports from the EU. While EU agricultural imports from the CEE countries have doubled, EU exports to CEE have increased almost tenfold. As a result the net trade balance for the EU has improved from negative € 1 billion to a positive € 2 billion. The composition of trade has also changed, with exports of processed products from the EU to CEE countries increasing significantly more than exports of primary products. For the future, accession to the EU will dismantle the remaining barriers to trade and will further intensify trade relations between the EU and the CEE. EU accession, and joining the CAP, is also likely to cause an increase in agricultural production and in net exports of agricultural products from CEE countries, leading to potential conflicts with the WTO agreements (and with the EU's budgetary constraints).

14. On the whole, the region's agrarian trade is becoming steadily integrated into the agrarian trade of the world and the European region. This process is most advanced in the case of the countries of CEE where the CEFTA offers further, but not problem-free, possibilities for regional co-operation. In the great majority of the countries concerned, a liberal agrarian trade policy is also assisting in the integration of the countries of the region into world agrarian markets. Most of the CEE countries are members of the WTO, or their admission is pending. The obligations accompanying the anticipated EU membership for most of these countries are also having a growing influence on their trade policies.

III. The Reform Process in the Rural Sector

15. The relative inefficiency of agriculture is one of the most important challenges facing the countries of the former Soviet Union and Central and Eastern Europe. During the socialist era, agriculture and food production were determined by government planning, without regard to efficiencies or comparative advantage. Input provision was often dominated by a few state-owned firms, in a monopolistic position. Similarly, a few inefficient state buyers with strong monopsonistic power dominated marketing channels. The large-scale livestock and crop cooperatives were unsuited to market-based private agriculture. Creating viable private farming based on private ownership of land, and allowing market signals to determine levels and types of production have been some of the most difficult tasks of the transition period.

Current Status of Agricultural Reform in the Region: Remarkable Progress in CEE - Reform Fatigue in CIS

16. In 1990-91 the region set out on the path of creating market economies based on private property. In all countries the most important basic elements of the reform process have been:

- the liberalization of prices and markets, the creation of a market-compatible system of conditions in the macro agrarian economy;
- the privatization of land and transformation of the inherited economic structure;
- the de-monopolization and privatization of food processing and trade in agricultural products and capital goods;
- the creation of a functioning rural bank system; and
- the establishment of the institutional structure and system of state administration required by market economies.

17. There has been little difference between one country and another in terms of what needs to be done. However, there are quite big differences when it comes to the pace of realization and the manner of implementation. A summary of the progress achieved by individual countries in the path of creating a market economy is summarized in **Table 3**⁵. Our analysis intentionally emphasizes “on the ground” results as opposed to pure policy reforms (which are often legislated but not implemented).

18. Our analysis of the reform performance for individual countries in 1997-2002 indicates a further differentiation between CEE and CIS countries in the pace of agricultural reform. Due to

⁵ The description of the status of reforms for each country matrix was compiled by the World Bank staff most familiar with that country's agricultural policies. Numerical ratings were then assigned to each of the five reform categories in accordance with the criteria listed in **Table 4**. These ratings were then revised in several review sessions to improve consistency of rankings. An earlier version of this analysis was presented in Csaki and Lerman, 1997.

the adoption of more comprehensive transition policies, the transformation of agriculture is most advanced in Central Europe and, in particular, in the EU candidate countries. In fact, in the leading CEE countries, the reform process is close to completion (**Figure 11**). The possibility of EU membership has accelerated reforms in those countries that were lagging somewhat behind the leading EU accession candidates, most notably in Slovakia, Lithuania, Latvia, and to a lesser degree Bulgaria and Romania. The agriculture policy agenda in the CEE is characterized by efforts to complete the transition, to cope with the increased social problems in rural areas, and to adjust to the evolving CAP.

19. In several EU candidate countries the agriculture and agro-processing sectors now resemble those of a market economy and are experiencing very dynamic growth. Notably, in the Czech Republic, Hungary, Slovenia and Estonia the degree of private ownership and investment in the sector, supported by a liberal policy framework and the prospect of EU accession, has led to significant developments in the efficiency of agricultural production in recent years. These countries have benefited from a substantial influx of fresh capital, mainly foreign, which has contributed to renew the capacity and performance of the sector. As a result, some of these countries now look increasingly competitive on the European and world markets. Other EU candidate countries, although on a smaller scale, have made similar progress. Several issues, however, remain to hinder the competitiveness of these countries. The results of our analyses agree with the EU evaluation in finding that further reforms are needed, principally in the area of the institutional system and in the financing of agriculture.

20. In the CIS countries, the reform process has generally proceeded at a much slower pace, although there are positive exceptions. Distortions continue in the production, pricing, and marketing of “strategic” products, and the system of institutions and instruments of the planned economy has not yet been fully dismantled in most countries. Only moderate progress in agricultural reforms has been achieved in the core countries of the CIS (Russia, Ukraine, Kazakhstan), although recently government intervention has been significantly reduced. Some of the smaller countries in the CIS such as Armenia, Azerbaijan and Georgia, which had accelerated the reforms in previous years, slowed their progress in 2002. At the lower end of the reform scale, Tajikistan and Uzbekistan have also made measurable progress. On the other hand, nearly a decade after the beginning of the transition, Turkmenistan and Belarus have still not started any significant reforms (**Figure 11**).

21. Beyond these broad patterns, a few major qualifications can be made regarding the general experience of the transition process so far. Overall, the results of the reforms have not yet met original expectations. The relatively rapid growth of production that characterized the Chinese reforms has not occurred. This has been both because the transformation of the economic structure has proved to be a far more complex than originally envisaged and because in most countries the pace of reforms has been, at best, uncertain. Specifically the following can be stated:

Table 3: Status of Agricultural Reforms in CEE and CIS Countries at the end of 2002
1 = centrally planned economy 10 = completed market reforms

Country	Price & Market				Land Reform				Agro-processing				Rural finance				Institutional				Total Score												
	02	01	00	99	98	97	02	01	00	99	98	02	01	00	99	98	02	01	00	99	98	02	01	00	99	98	02	01	00	99			
Czech Rep	9	9	8	9	9	9	9	8	8	8	10	10	10	9	9	9	9	9	9	8	10	10	9	8	8	8	9.4	9.2	9	8.6	8.6	8.2	
Slovenia	9	9	9	9	9	9	9	9	9	9	10	10	10	8	8	8	8	8	8	7	8	10	10	8	8	8	9	9.4	9.2	8.8	8.2	8.2	8.4
Estonia	9	9	9	9	9	10	9	9	8	6	10	9	9	8	8	9	9	9	8	8	7	10	9	9	9	9	9.4	9	9	8.4	8	7.8	
Hungary	9	9	8	8	9	9	9	9	9	9	10	10	10	10	10	9	9	9	9	8	9	9	9	8	8	8	9.2	9.2	9	8.8	9	8.6	
Latvia	9	9	9	9	8	7	9	9	9	9	10	9	9	8	8	9	9	9	8	8	7	9	9	9	8	8	9.2	9	9	8.4	8.2	7.6	
Slovak Rep	9	8	8	7	7	7	8	8	8	8	7	10	9	8	8	9	8	8	8	8	8	8	8	7	7	7	8.8	8.2	8	7.6	7.6	7.4	
Poland	8	8	8	7	8	9	9	8	8	8	10	9	9	9	8	7	7	7	7	7	6	8	8	8	8	8	8.4	8	8.2	7.8	7.8	7.6	
Lithuania	7	7	8	8	8	7	9	9	8	8	9	8	8	8	8	7	7	7	6	6	9	9	9	8	8	7	8.2	8	8	7.6	7.6	7	
Bulgaria	8	9	9	9	8	6	8	8	8	8	7	9	8	8	8	7	7	7	6	5	4	8	8	8	7	6	5	8.0	8	8	7.6	6.8	5.4
Albania	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	7	7	6	5	3	3	7	7	6	5	5	7.6	7.6	7.2	6.8	6.4	6.4	
Romania	8	7	7	6	7	8	8	8	8	7	8	8	8	7	6	7	7	6	6	5	6	7	7	6	5	5	4	7.6	7.4	7	6.6	5.8	6
Croatia	7	7	7	6	6	8	7	7	6	6	5	8	7	7	7	6	6	6	6	6	6	8	8	8	8	8	7.4	7	7	6.6	6.6	5.8	
Armenia	8	8	8	7	7	8	8	8	8	8	8	8	8	7	7	7	7	7	7	7	6	6	6	7	8	8	7.4	7.4	7.4	7.2	7.4	7.4	
Macedonia	8	8	8	8	7	7	7	7	7	7	6	6	6	7	7	6	5	4	4	4	4	7	7	7	7	7	6	6.8	6.6	6.6	6.6	6.6	6.4
Azerbaijan	8	8	8	7	7	6	8	8	8	8	6	6	6	6	5	6	6	5	5	5	4	5	5	5	5	4	6.6	6.6	6.4	6.2	6	5	
Kyrgyz Rep	7	7	7	7	7	6	7	7	7	7	6	6	6	6	6	7	6	6	6	7	6	6	5	5	6	6	5	6.6	6.2	6.2	6.4	6.6	5.8
Serb&M	7	6	3	-	-	7	5	5	-	-	6	5	3	-	5	3	3	-	-	-	7	5	4	-	-	-	6.4	4.8	3.6	-	-	-	
Moldova	7	7	7	8	7	7	8	7	7	6	6	6	6	6	7	7	6	5	5	5	4	4	5	5	5	4	6.2	6	6.4	6	6.4	5.8	
Bosnia HG	7	7	6	6	6	-	6	7	6	6	6	6	6	6	6	6	6	6	6	6	-	5	5	5	5	-	6.0	6.2	5.8	5.8	5.8	-	
Georgia	9	9	8	8	7	7	6	7	6	6	7	5	5	5	5	6	7	6	6	6	4	5	5	5	5	6	6.0	6.6	6.2	6	5.8	6.2	
Ukraine	6	7	6	6	6	7	6	6	6	5	5	7	7	6	6	6	6	5	5	5	4	4	4	4	4	4	3	5.8	6	5.8	5.4	5.2	5.4
Kazakhstan	6	6	6	5	7	5	5	5	5	5	5	7	7	6	6	6	6	6	6	6	5	5	5	5	5	5	5.8	5.8	5.6	5.6	5.4	5.8	
Russia	6	6	6	6	6	7	5	5	5	5	5	8	8	7	7	5	5	5	5	5	6	5	5	5	5	5	5.8	5.8	5.6	5.6	5.6	6	
Tajikistan	6	6	6	5	5	4	6	6	6	5	2	5	5	5	4	3	3	2	2	3	4	4	4	4	4	5	4.8	4.8	4.6	4.2	4	3.8	
Uzbekistan	5	4	3	3	3	4	4	4	4	2	2	1	4	4	3	1	1	3	2	2	1	1	3	3	3	4	3.8	3.4	3	2	2	2.2	
Turkmenistan	2	2	2	2	2	3	3	3	3	2	2	2	2	1	1	1	1	1	1	1	1	2	2	2	3	3	2.0	2	1.8	2	2	1.8	
Belarus	2	2	2	2	2	3	2	2	2	2	1	2	2	2	2	2	2	2	2	2	2	1	1	1	1	1	1.8	1.8	1.8	1.8	1.6	1.8	
AVERAGE	7.5	7.4	7.1	6.8	6.7	6.4	7.3	7.2	7.3	6.7	6.5	7.5	7.2	7.0	6.5	6.3	6.6	6.3	6.1	5.6	5.5	5.1	6.6	6.4	6.2	5.9	5.5	7.1	6.7	6.5	6.1	6.2	5.5

Source: World Bank Estimates

Table 4: Key to Numerical Ratings Used in Table 3

Market Conforming Policy Environment	Land Reform	Privatization of Agroprocessing and Input Supply	Rural Financial Systems	Institutional Framework
1-2. Direct state control of prices and markets.	1-2. System dominated by large-scale farms.	1-2. Monopolistic state owned industries.	1-2. Soviet type system, with “Agrobank” as the sole financing channel.	1-2. Institutions of command economy.
3-4. Deregulation with indicative prices, and price controls; significant NTB on imports or exports.	3-4. Legal framework for land privatization and farm restructuring in place, implementation launched only recently	3-4. Spontaneous privatization and mass privatization in design of early implementation stage.	3-4. New banking regulations are introduced; little or no commercial banking.	3-4. Modest restructuring of government and public institutions.
5-6. Mainly liberalized markets constrained by the absence of competition and some remaining controls on trade policy.	5-6. Advanced stage of land privatization, but large-scale farm restructuring is not fully complete.	5-6. Implementation of privatization programs in progress.	5-6. Restructuring of existing banking system, emergence of commercial banks.	5-6. Partly restructured governmental and local institutions.
7-8. All command economic type interventions are removed. Market and trade policies are in compliance with WTO, however, domestic markets are not fully developed.	7-8. Most land privatized, but titling is not finished and land market not fully functioning.	7-8. Majority of industries privatized with a framework conducive for foreign direct investment.	7-8. Emergence of financial institutions serving agriculture.	7-8. Government structure has been refocused while research, extensions, and education is being reorganized.
9-10. Competitive markets with market conforming trade and agricultural policies, and no more than modest protection.	9-10. Farming structure based on private ownership and active land markets.	9-10. Privatized agro-industries and input supply, with improved international competitiveness.	9-10. Efficient financial system for agriculture, agro-industries, and services.	9-10. Efficient public institutions focused on the needs of private agriculture.

Source: World Bank Estimates

- The transformation of the economic structure has been difficult. This is due, largely, to the incomplete creation of the basic element of farming, the private farm. In the CIS, to a large extent, the inherited large-unit structure has survived the changes.
- The introduction of the legal and institutional framework needed for the smooth operation of markets has also proved to be a highly complex and politically difficult task, and arguably still constitutes one of the largest obstacles to the growth of the sector. It is widely recognized that the importance of functioning institutions was underestimated at the outset of the transition. This problem has had implications well beyond the transformation of the agricultural sector.
- Many issues related to land markets remain unresolved, particularly in CIS countries, and this compounds the sluggishness of the process of change in agricultural structures.
- Surprisingly, the biggest progress has been achieved in the price and market liberalization, while there is a substantial lag in solving the financing problems of agriculture, the liberalization of agroprocessing and input supply, and in the area of institutional reforms.
- In all countries the process of agricultural reforms has been strongly influenced by day-to-day politics. Very often, politics have been and still are determining the pace and extent of reforms, at the expense of economic rationality. In general, there is a lack of a carefully considered, long-term strategy, and an objective and realistic evaluation of the economic consequences of the different possible solutions. As a result, the short-term economic costs associated with the process of transition have been greater than necessary, even in the most advanced countries. Generally, the best progress has been achieved in countries that have reformed radically and rapidly rather than gradually, despite the short-term adjustments difficulties. In most cases, the appeals for a gradual approach appear to be a sign of the lack of will; this is especially the case in the CIS countries.
- More generally, the pace of transformation of the agrarian sector and the rural economy is lagging behind the rate of changes in the economy as a whole. As in western countries, the farm lobby has often successfully stymied the task of facilitating increased competitiveness in the agricultural sector, by pressing for the provision of immediate protection to the agricultural sector and for income transfers to farming populations.

22. In addition, the following lessons can be drawn from the analysis of the experience of the countries leading the transformation:

- The general economic upswing will likely assist governments to undertake agricultural reforms. The greatest progress has been made in transformation of the sector by those countries where the general economic recovery has also begun.
- Development in the non-agricultural segment of the rural economy is of key importance to the recovery of agriculture. In the great majority of the countries most advanced in reform, it has been the upswing of the rural economy surrounding agriculture that has made possible a

substantial reduction in the numbers of people employed in agriculture, and at the same time, an improvement in the efficiency and competitiveness of agriculture itself.

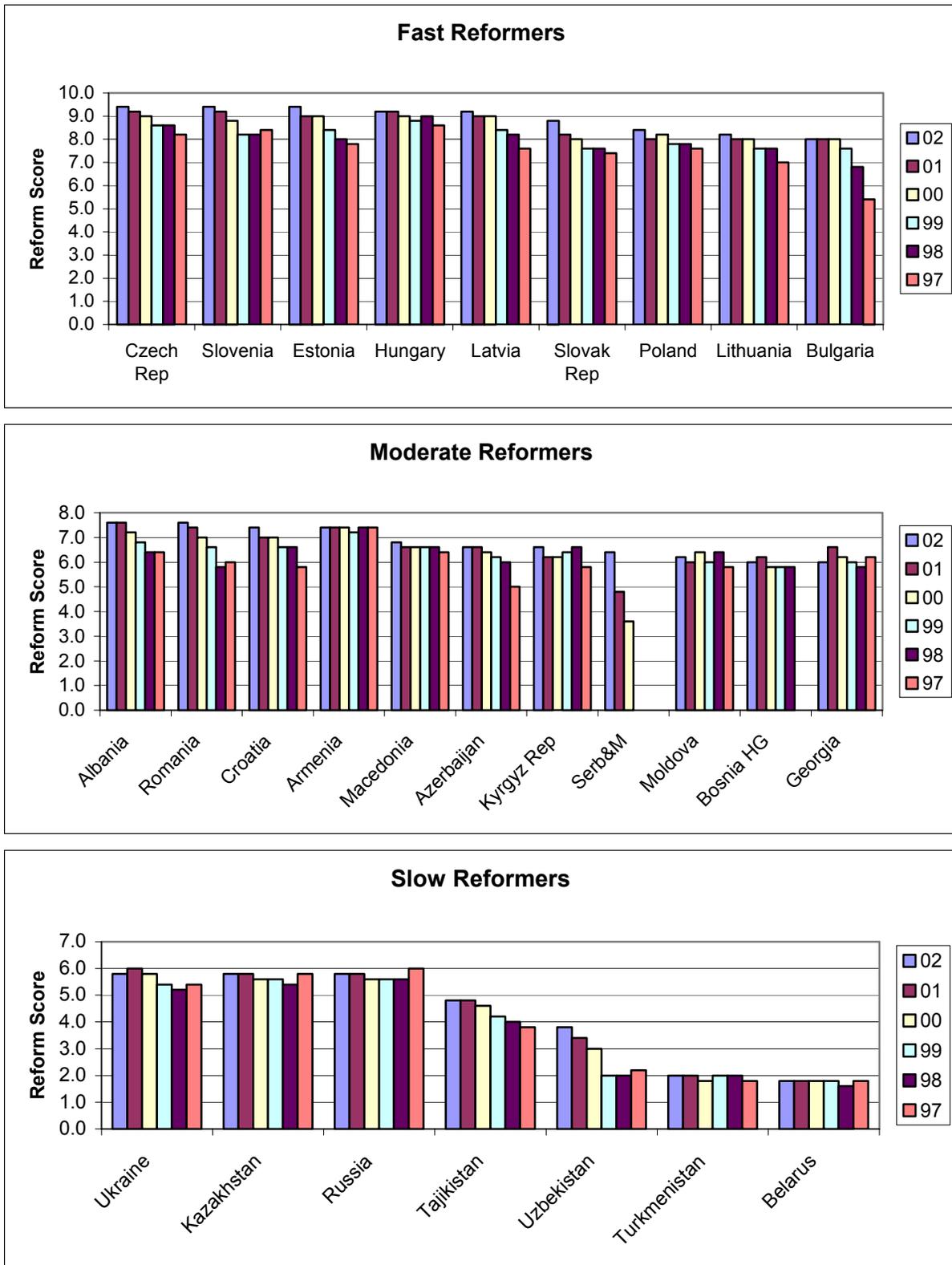
- An important factor in the degree of success of the reform process is the consistency in the introduction of the reforms and the combined implementation of parallel steps in areas related to reforms.
- The degree of progress in the reform of the overall economy has strongly affected the agricultural transition, because of the improvements in the stability of the reform process, increase in access to capital, technology and know-how, and stimulating private initiative and the entrepreneurial climate.

23. The diverging progress in reforms is reflected in the agricultural performance of the various countries. In general, the decline in the terms of trade and the reduction in agricultural output prices were accompanied by dramatic reductions in input use in agriculture. For the region as a whole the use of agricultural inputs initially decreased by almost 80% compared to pre-reform levels, and has not significantly increased since, although a gentle upward trend can be observed in CEE countries since the mid 1990s (see **Figure 8** above). In contrast land use has remained relatively stable throughout the transition. At the same time, the trends in agricultural labor use have diverged significantly across countries. Notably, labor employment in agriculture declined dramatically in several EU-accession countries, while it remained constant or even increased in core CIS countries and Central Asia. Such differences have reflected the deep divergences in the chosen paths of reforms, and have had major implications for agricultural productivity and rural incomes, as improvements in labor productivity have been strongly correlated with the outflow of labor from agriculture.

24. Reductions in labor use have been closely interrelated with farm restructuring. In general, food security concerns and farm management practices have constrained labor outflow in slow reforming countries, notably in the CIS. At the same time in those CEE countries where individual farming was already dominant or became dominant as a result of the reforms, such as in Poland and in Romania, there was also a preservation or even an inflow of labor in agriculture. On the other hand, in faster reforming CEE countries the liquidation and effective restructuring of state and collective farms have caused strong outflows. Reformed collective and state farms with independent company management have laid off a large amount of workers, but many of these workers subsequently found other employment in rural areas. In most of these countries, the allocation of small land plots to former workers acted as a social safety net for subsistence and minimum income during the transition.

25. Reflecting these observations, the varying extent of progress in reforms is clearly manifest in the dynamics of change in value added, agricultural productivity and the agricultural labor force in the various country groups. Three very distinct patterns of reform can be identified (**Figure 12**).

Figure 11: Reform Trends



Source: World Bank Estimates

26. In the fast reforming countries there has been a significant increase in agricultural labor productivity (as measured by value added per worker), which has allowed the labor force to shrink (by about 30% on average) while maintaining relatively stable output, thus reflecting tremendous improvements in sector efficiency. Notably, value added per worker in the fast reforming countries has increased by an average of 50% between 1992 and 1999 (the most recent year for which reliable data on labor employment in agriculture is available), and there is reason to expect that the gains have grown even larger in the last few years. It is interesting to highlight that within the “fast reformers” group there is a first cluster that started the reform process as early as 1994, and has achieved very large gains in efficiency, and a second cluster that started the reforms a few years later around 1996, and is following a similar path of development with a lag. In both of these clusters the recovery has been driven by the productivity increases, as reflected both in increasing yields and in higher labor productivity, that have resulted from the successful introduction of the reforms.

27. A second group of countries has proceeded much less decisively in the reforms toward the market system. This group includes some relatively “slow reformers” from CEE countries, the CIS countries and several countries of the former Yugoslavia. These slow reformers exhibit the same process experienced by the fast reformers, but its extent is much less dramatic, with an average 10% reduction in agricultural labor and the increases in value added per worker reaching 20% on average between 1992 and 1999.

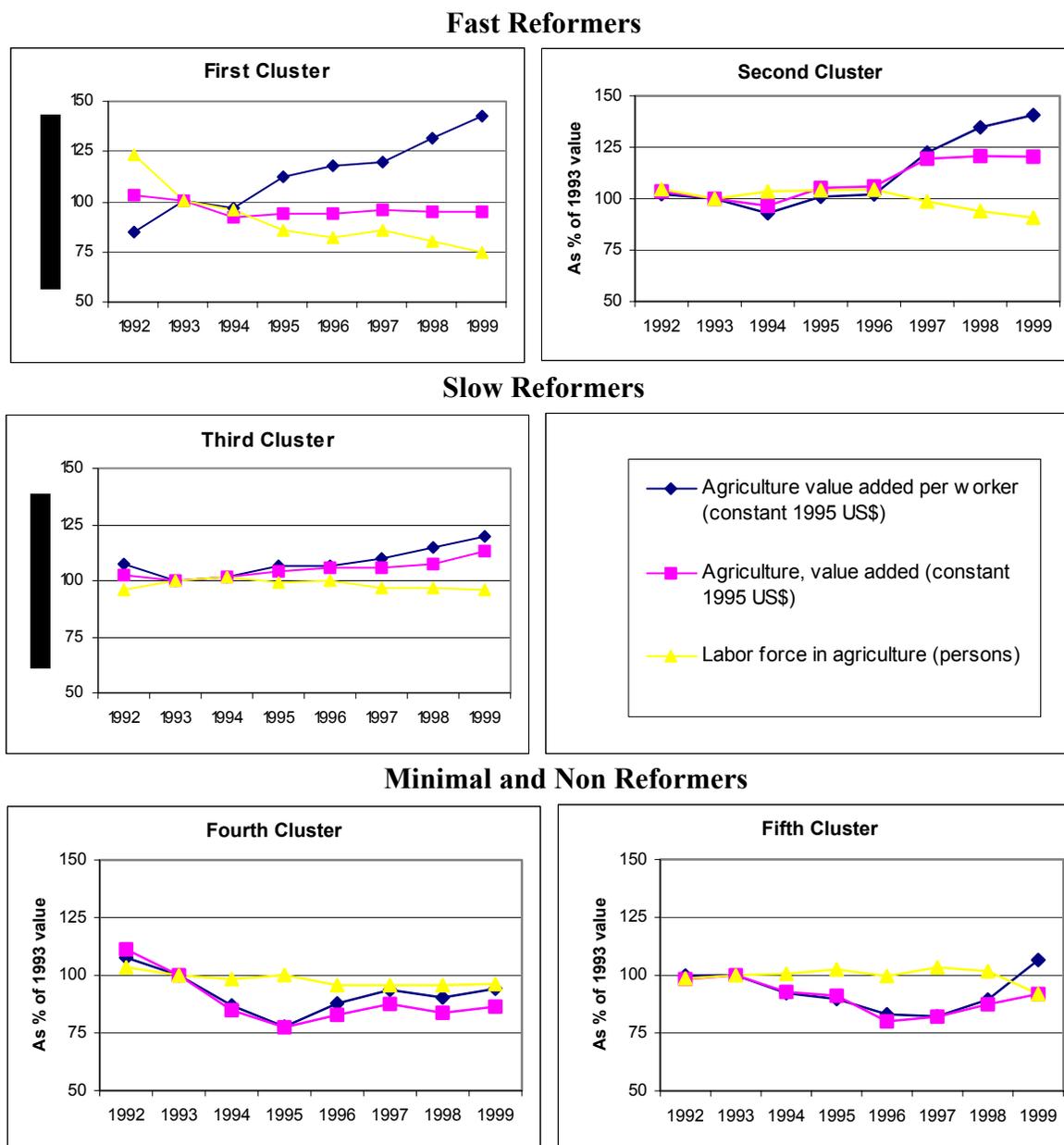
28. The third group is comprised of countries that stalled agricultural reforms and countries that never started the process of serious reforms. In this group of countries there has been overall stagnation – neither significant increases nor declines took place in any of the indicators. In fact, in some countries agricultural output has increased, while in others it has been falling, compared to the start of the transition. In general the extent of the output recession appears to have been much more prolonged, but agricultural output has begun to recover since the late 1990s. Although agricultural production is about the same or has even increased in some countries, the efficiency of the sector has not improved at all, as indicated by the stagnation or decline in labor productivity (agricultural value added per worker). Further, they are seriously behind their neighbors in the process of change towards a competitive agricultural sector.

IV. Uneven Reform Progress in Central Eastern Europe and the CIS

29. Progress in the main areas of transformation has been uneven throughout the region. The most visible phenomenon, however, is the continuing differences in the progress of reforms between CEE and the CIS.

a) Liberalization of market and trade policies has been implemented to a much greater degree in CEE countries compared to the CIS countries.

Figure 12: The Three Paths of Reform



- 1st Cluster – Czech Republic, Hungary, Slovenia, Estonia, Latvia
- 2nd Cluster – Slovak Republic, Bulgaria, Poland, Lithuania
- 3rd Cluster – Albania, Armenia, Romania, Croatia, Azerbaijan, Georgia, Macedonia
- 4th Cluster – Bosnia, Kyrgyz Republic, Moldova, Ukraine, Kazakhstan, Russia
- 5th Cluster – Tajikistan, Yugoslavia FR, Uzbekistan, Turkmenistan, Belarus

Note: Clusters refer to rankings in **Table 1**

Source: Data on agricultural labor have been provided by Prof. Zvi Lerman, based on official country statistics (<http://departments.agri.huji.ac.il/economics/lerman-main.html>); data on Value Added are from WDI 2002.

- In most CEE countries, the macro-economic environment for agriculture that is characteristic of market economies has been developed. The prices and the system of regulations are open, more or less, to world market influences. Agricultural policy developments are fully determined by the eventuality of EU membership. The EU has recently made a detailed offer as to the type of CAP it intends to offer the new entrants, but the strategy that the countries preparing for EU membership will select in introducing the EU's CAP remains to be seen. In many countries the EU accession has been used as a justification to increase support to agriculture. Much intervention focuses on price and income support to farms, rather than being targeted to improve the structural efficiency and the competitiveness of the agricultural sector to allow it to take full advantage of the access to the EU market. In fact, most candidate countries are currently unable to fully exploit their tariff-free access quotas to the EU.
- State intervention in both price formation and trade policy remains much more direct in the majority of CIS countries. It is noteworthy that in most of these countries, agriculture is still net-taxed and suffers serious losses as a result of the current set of price policy and trade restrictions (especially export controls and taxes), which prevent it from competing in world markets. This is in spite of the frequent proclaims of support for agriculture. It would appear that governments are trying to make agriculture continue to bear the burden of providing cheap food for the urban population. There has been significant progress on movement toward a more liberal agricultural policy in Russia. In Ukraine the interfering of regional authorities in the functioning of the agricultural sector, which had been significant a few years ago, has now been substantially reduced.

b) Privatization of land and the related reorganization of the large farm units have almost been completed in most Central European countries. Land reform and land ownership continues to be the subject of heated debates in practically all CIS countries, however there has been measurable progress, even in the core of the CIS.

- In the countries of Central-Eastern Europe the privatization of land based on some form of restitution is largely approaching completion. A varied mix of small and large units characterizes the new farm structure. Almost all the agricultural land has been privatized and a significant portion is used by individually managed smaller farms. The remaining state owned units from the socialist period are also increasingly undergoing change and adapting to market economy conditions. The legal settlement of land ownership relations is not yet completed, and the establishment of land registries and the emergence of a market for land are still in the initial stages. In a few countries, a heated debate is ongoing regarding the ownership of land by companies and foreign nationals.
- Although land ownership in the key CIS countries (Russia, Ukraine) has formally been transferred into private hands, the larger farms still remain intact. An increasing number of large corporate farms, based on leased land have emerged, especially in Russia and Ukraine. In these countries the role of independent private farming remains relatively small, not least because of the deterrent effect of the undeveloped market relations. Often, the policy climate in these countries openly discriminates against individual private farms. Due to the high political and economic sensitivity of land reforms, radical changes have been carried out in

only very few countries of the former Soviet Union. This is the case for Armenia and Georgia where independent private farming now dominates. Here, the distribution of land carried out on the basis of family size resulted in very small farm sizes and this has gone together with a steep decline in agricultural production for the market. Since the mid 1990s Moldova and Azerbaijan have made significant progress in land reform. In Uzbekistan and Tajikistan private ownership of land is still prohibited by the constitution and the current leasehold arrangements add additional uncertainty.

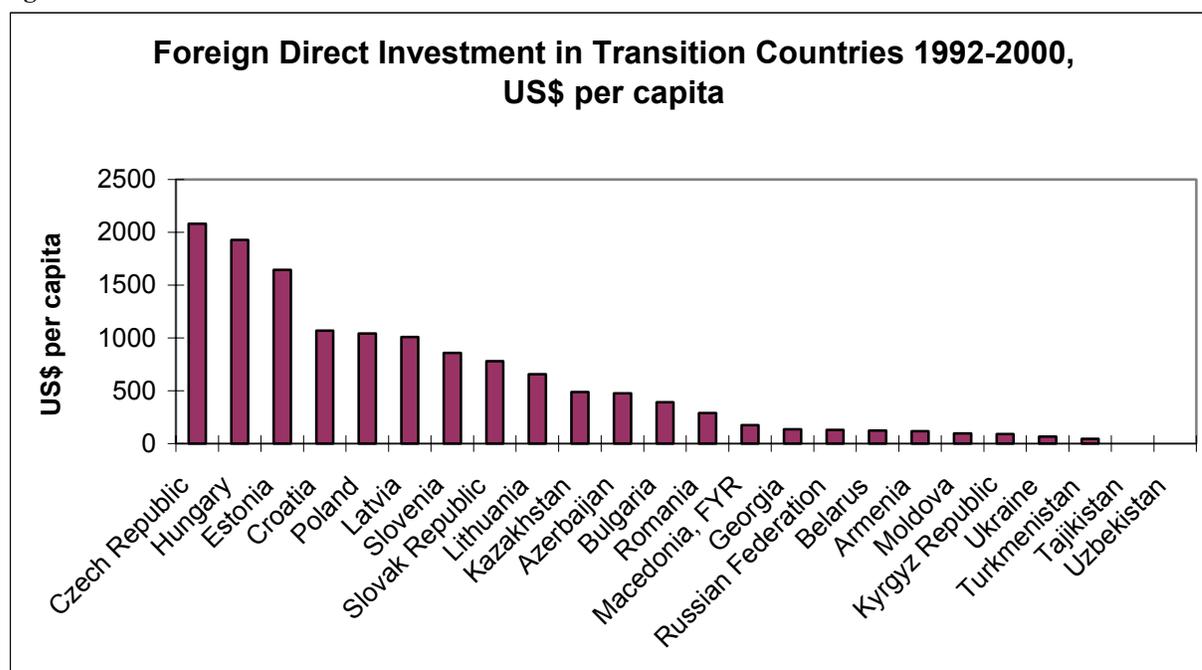
c) While initial privatization has been accomplished, the technological modernization of agroprocessing has yet to take place in most of the countries.

- In Central-Eastern Europe, with the exception of the Baltic States, privatization of the agricultural environment has been carried out in keeping with the principles of the privatization in general, and for the most part is nearing completion. A lag can be observed in Romania, Bulgaria and the countries of ex-Yugoslavia. In several of the EU candidate countries, and especially in the fast reformers (Hungary, the Czech Republic and Estonia), significant inflows of foreign direct investment have gone into modernizing the agroprocessing sector (**Figure 13**). The share of total FDI going to the agro-food sector is around 15% on average, with the vast majority of the agro-food FDI going into agro-industry rather than primary agriculture. Investments have been attracted by the relatively cheap labor costs and the prospect of integration in the EU market, but also by the extent of liberalization and transition to a market economy. A special mention is deserved for Hungary, which as a result of the liberal privatization process and thanks to substantial foreign investment now has perhaps the most developed food industry of the region. Together with the privatization of the agroprocessing industry there has been a significant increase in vertical sectoral integration. This process, which has often been the result of the influence of foreign investment, has taken various forms and has brought about improved access to capital, inputs and technology for farms. Agribusiness firms in an effort to ensure a regular flow of high quality raw materials, have introduced a number of arrangements to encourage farmers to greater production and better marketing and to overcome constraints which have hindered economic activity since the onset of the transition. Foreign companies have played a leading role in the development of these arrangements.
- In most of the CIS countries a less effective solution was adopted for the privatization of the food industry and agricultural input suppliers. In the course of privatization, unlike the other areas of the economy, priority was given to agricultural producers, giving them majority ownership of these branches, on special terms or entirely free of charge. Contrary to expectations, this solution did not result in new, well-capitalized owners and more favorable conditions for agricultural producers. In fact, the technological decline of the food industry accelerated and because of the complicated ownership structure it became extremely difficult to involve foreign capital. In the last few years, however, progress in the privatization and demonopolization of the agroprocessing industry has resulted in restructuring and increased efficiency of the food-processing sector, and a recovery has been taking place especially in Russia and Ukraine.

d) Lack of agricultural financing continues to be one of the most serious constraints to agricultural growth

- This is still a major problem both in Central European and CIS countries. In the CEE countries, the financing of agriculture has improved considerably since 1994, but still remains very weak. The new private institutions are still managerially weak and financially vulnerable. This is partly the result of the reforms in the banking system, and partly the result of the credits extended to still relatively weak food industry and the agricultural input suppliers. The creation of an agriculture-oriented rural banking system has also been progressing, resulting in the establishment and increasingly active operation of agricultural credit co-operatives and financial institutions specializing in rural areas.

Figure 13



Note: No data for Albania, Bosnia and Herzegovina, and Serbia and Montenegro.

Source: WDI 2002

- In the great majority of CIS countries the rural financial system is not yet fully adjusted to the needs of a marked based privatized agriculture similar to that in developed countries. The emerging private banks, however, provide an increasing amount of financing to the agricultural sector. The beginnings of a system of agricultural credit co-operatives have appeared in the countries most advanced in the transformation of agriculture, namely Armenia, Georgia and recently also Moldova, and the credits extended by the processing industry are also growing.

e) Institutional reforms are proceeding much slower than all other areas of reform throughout the region.

- Institutional reforms have accelerated in Central-East Europe since 1995, stimulated by the challenges of EU accession. Despite these tangible developments, the institutional system of agriculture requires substantial further transformation in these countries. The implementation of EU standards grading quality assurance methods represent the most pressing priorities. In addition to the modernization and reform of state administration, further qualitative development is required in practically all areas of the institutional systems for market agriculture, including consulting, training, and research.
- In several CIS countries a vaguely restructured institutional system of the former centrally planned economy continues to operate and to hinder the transformation of the sector. In other CIS countries, the state has not taken a different role, but merely withered away and, due to the general economic recession and disruption, has been unable to fulfill some of the key roles for the development of a market economy. As a result there have been fundamental disorders in the operation of the institutional system, including in enforcing the rule of law and in collecting taxes and establishing the basic conditions for macro-economic stability. Underpaid and unmotivated state bureaucrats often strive to supplement their incomes through corruption. Training and research centers are suffering from severe financial problems and in some countries they receive little or no financial support from the government budget. However, the overall stability, accountability and efficacy of the institutions in the region appears to be improving, and significant improvements can be observed in some individual countries.

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B. Policy Matrices

Fast Reformers

(countries with a ranking score 8.0 or above)

Czech Republic

Slovenia

Estonia

Hungary

Latvia

Slovak Republic

Poland

Lithuania

Bulgaria

CZECH REPUBLIC

<u>Total Population</u>	10.18 mil. ¹⁾	Food and agriculture GDP (2002) ⁴⁾	7.2 %	Agricultural output in 2002 as percentage of 1989-91 average level	68.6 %
Rural Population	25 % ²⁾	Food and agriculture in active labor (2002) ⁴⁾	6.8 %	Livestock production in 2002 as percentage of 1989-1991 level	64.9 %
<u>Total Area</u>	7.9 mil ha	Food and agriculture in exports (2002)	3.6 %	Share of livestock in agriculture (2002)	55.4 %
Agriculture area:	4.3 mil ha	Food and agriculture in imports (2002)	5.2 %	Agricultural area privately owned (2002)	82%
Arable land	72%	Traditionally net importer of agricultural products: animal feed, various food preparations, (tropical) fruits and vegetables.		Share of individual private farms in total arable area (2002 ⁵⁾)	26 %
Orchards	1 %			Share of private sector in total agricultural output (2002)	99%
Forested	33%				

1) Czech Statistical Office, related to September, 9, 2002.

2) Municipalities to 1999 inhabitants, by the General Census 2001.

4) Agriculture + food industry according to the System of National Accounts of the Czech Statistical Office, all figures for 2002 preliminary, GDP in current prices!

5) Based on Agrocensus 2000, Czech Statistical Office.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
1. <u>Macro-economic Framework for Agriculture</u> (1999 – 2002)	After initial success, the highly industrialized Czech economy ran into recession, but since 1999 the situation has been improving (1999-2002 – estimate): real GDP 1999-2002: 0,5; 3,3; 3,3; 2,7 %. Inflation 2,1; 3,9; 4,7, 1,8 %, unemployment 9,4; 8,8; 8,9; 9,8 %. Support to agriculture rose to ‘average central European’ level, reaching to 16,5 % PSE in 2000-2001 in average).	Distortion free market and incentive system. Distortion is linked with the implementation of CAP-like market systems (eg. for milk and sugar since 2000-2001).

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
A. Prices/Subsidies	<ul style="list-style-type: none"> • Prices have been liberalized in 1990/91, but some distortions persist through government support. • Budgetary expenses on agro-food sector increased considerably in 1999, reaching 443 million ECU (504 mil. ECU in 2000; 616 mil. ECU in 2001 and 575 mil. Eur in 2002 – preliminary), of which farm sector (without export subsidies) 357 mil. ECU (394 mil. ECU in 2000; 516 ECU in 2001 and 398 mil. Eur in 2002 – preliminary). • Price support measures with “guaranteed” prices for the main commodities. Since 2000 milk quota system with minimum farm-gate milk prices and since 2001 sugar quota system with minimum sugar-beet and sugar prices have been implemented following some EU principles. Price support measures also include export subsidies and supports on storage, reaching 41 mil. ECU in 1999 (28 mil. ECU in 2000, 41 mil. ECU in 2001 and 82 mil. Eur in 2002 – preliminary). • Financial support for the establishment of new private farms and for investments in the agro-food sector (since 1999 reduced due to lack of finance). Some measures to reduce the “transformation” indebtedness of farms. • Direct (per hectare and headage) payments or compensation to farmers in less favored areas, and areas with special features. Since 1999 income support has been extended also to all farmers, but since 2001 payments in LFA has been granted only to grassland. . New measures for input subsidies (e.g. oil) and emergency (compensation) payments owing to floods and drought (2001 - 2002). • Support for socially desirable farming practices, such as the transfer of arable land into meadows and pastures and other production extending or environmentally friendly practices is developing. . During 1999 – 2002 supports which could be linked with positive effects on environment (including supports on renewable sources of energy) have increased significantly (134 mil. ECU in 1999; 179 mil. ECU in 2000, 162 mil. ECU in 2001 and 200 mil. Eur in 2002 - preliminary). 	<ul style="list-style-type: none"> • Revision of support programs to focus on efficiency enhancement rather than price and export subsidies. • The various instruments of government intervention in the sector, especially the various support programs, need to be integrated into a more consistent and predictable framework, following EU systems.. • Changes in the Czech agricultural policy framework need to take into account the evolving nature of the institutes, instruments and requirements of the CAP as a “moving target” reflecting possible reforms of the CAP). • The full adjustment of support to EU levels should be postponed until the actual accession. • Social measures in the rural areas need to be separated from the major instruments of agricultural policy aimed at improving efficiency and competitiveness.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
B. Trade Policies	<ul style="list-style-type: none"> • Relatively liberal trading regime, governed by a number of multilateral and bilateral agreements. • Border measures are, to a large extent, conditions imposed by WTO commitments (Czech Republic became a founding member of the WTO on January 1, 1995) and also by agreements with the EU and under CEFTA. However, the CEFTA agreements are stagnating (except for the Custom Union with Slovakia). In 2001, the “double-zero” option was implemented in the trade relations with the EU. The “double-zero” option has been extended to the “double-profit” option to start in 2003. • Most tariffs are considerably below EU equivalents (2.5 times lower on average for all tariffs), except for poultry, pork, potatoes, and oilseeds. • Export subsidies were at relatively low level in 1995-97, as well in 1998 – 2002 (see part A; the major part of subsidies are going on dairy products); new indirect export subsidies in effect since 1997 (interest subsidies of credits for trade firms and for selected commodities, e.g. sugar), stopped in 2000. • Automatic export and import licensing for registration purposes; non-automatic export licensing is occasionally applied when world market prices are significantly higher than domestic prices (cereals, rape seeds 1996 – 1997). Since July 2000 only two items, pharmaceutically important, have remained under a strict non-automatic export license regime. Export license system was released especially for grains and oilseeds. 	<ul style="list-style-type: none"> • Maintain the generally liberal trading regime and fully comply to all WTO commitments. • Avoid early adoption of EU protection levels. • Export subsidies and non-automatic licensing should be phased out.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
C. Taxation	<ul style="list-style-type: none"> • Farmers are subject to land and property tax, as well as personal income or corporate tax. They usually pay land tax for landowners. Special income and corporate tax concessions for farmers are about 9 mil. ECU per year. Since 2000, a special excise tax concessions for farmers (as “green oil”) have been implemented (about 35 mil. ECU in 2001, as well in 2002). • Tax preferences (excise tax and VAT concessions for biofuel and small breweries): 34 mil. ECU in 1999; 40 mil. ECU in 2000; 29 mil. ECU in 2001 and 52 mil. Eur in 2002 – preliminary). However, excise tax concessions for biofuel were abolished by the Parliament in 2001 and the form of support in this field has been changed (direct support to biofuel producers). • Low tax payments especially due to low profitability of farming. 	<ul style="list-style-type: none"> • Limit tax exemptions for agriculture for a more efficient allocation of resources. • The taxation system and the provided tax concessions need to be harmonized with EU practices and requirements. • The support on bio-energy (bio-oil) needs to be adjusted to the EU system.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>First phase of transformation has been completed to a large extent. However, the state land remains to be privatized, debts are hampering the sectoral performance and it still takes time for the emergence of efficient and competitive enterprises.</p> <ul style="list-style-type: none"> • By 1998, 80% of agricultural land was in full private ownership (81,4 % in 1999), more than 90 % of restitution cases had been resolved (93,3 % in 1999), land use was almost fully in private hands. • 800,000 ha of agricultural land still remains state-owned. Privatization of the state land (500,000 ha) has started in 2000, but with very slow progress by 2002(many administrative obstacles), in spite of a relatively high demand particularly in west border regions. The majority of privatized land is a compensation for restitution claims at present. • Dominance of large-sized farms (5,6 % of largest farms operates on 76,4 % of agricultural area). • Following their legal transformation, most cooperatives have barely restructured operations. • Large-scale farms, in particular cooperatives, carry large debt overhang; total indebtedness of agricultural sector is estimated to be about 1.7 bn Euro, slightly decreasing after writing-off the part of state interest free-loans for farmers from 1992-1993. Also debts for privatized non-land assets were decreased by the re-assessment of their values (see also part 4). • Relatively solid system of cadastre and land titling; still, roughly two million parcels are not fully registered (titled).A new system of the identification of land usage has been developing, following the EU requirements (IACS). • Land market is partially operating: active and quickly developing land lease and rental market (lease is major tenure), but land purchases/sales are still hardly existing. <p>. Land (re-)land consolidation, one of the basic preconditions for farm restructuring and the land market development, is going ahead very slowly (by 2002, the land consolidation has been completed only in 203 cadasters from their total number of about 13,000)</p>	<p>Efficient, internationally competitive private farms and an active land market.</p> <ul style="list-style-type: none"> • Further “second” transformation of collective farms, involving the restructuring of ownership, management, entrepreneurial activities, and labor. <ul style="list-style-type: none"> (a) • Quick settlement of farm debts and strict enforcement of bankruptcy laws. (b) • Speeding up sale of remaining state owned land and land consolidation in cadastres. • Enhance the evolution of land market and the acceptance of land as collateral.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>3. <u>Competitive Agroprocessing and Services for Agriculture.</u></p>	<p>Privatization of agroprocessing and services has been completed, but new owners will have to reduce costs and improve efficiency to become internationally competitive.</p> <ul style="list-style-type: none"> • There are large overcapacities (about 30 – 35 %) in food industry yet. Structure of agro-food processors is dominated by medium-scale firms (100 – 299 employees) with 32% share in sales of food industry in 2000– 2001. • Most agro-industries (and partially also services) struggle with weak management and low labor productivity, which is slowly increasing (a better situation exists in firms with a foreign participation). • Agro-food and agro-service enterprises attracted some direct foreign investments (especially sugar refineries, dairies, breweries, confectioners). The share of FDI in food industry (4,8 % in 2001) exceeds the share of food industry in GDP (3,9 % in 2000). • Corporate governance has been improving, following a simplification in the ownership structure. <p>. However, the main problem of food industry (especially in meat and dairy industries) related to EU accession is the full implementation of food safety standards (as a part of acquis). Their implementation represents large investments (only 44 firms applied for a transition period after EU accession, other should comply with EU standards or should stop production). .</p> <ul style="list-style-type: none"> • Competitive wholesale market for agricultural commodities and food are yet to develop, but consolidation in the sector is in progress. Commodity exchanges (2) and warehouse receipts system, introduced in 2001, are not still important-as a “generator” of market prices. <p>. There are some marketing organization of producers (milk, pigs, fruit, vegetables, etc.), but they often suffer from the low level of co-operativeness of their members.</p> <p>. In retail sector there is a rapid growing share of international food chains leaving only one Czech firm among the top 10 retailers in 2000 - 2001. The most progressive are hypermarkets, whose share in the retail turnover has increased from 27,5 % in 1999 to 36 % in 2001.</p>	<p>Internationally competitive and privately owned agroprocessing and agroservices.</p> <ul style="list-style-type: none"> • Review the legal framework of cooperatives to assess the impediments it creates in the formation of marketing and processing cooperatives and to their effective management. • Strengthen a network of private regional exchanges with or without the support of local municipality. • Develop an analysis of price related risks taken by entrepreneurs in the agricultural and food marketing chain, their costs, and launch training programs on agricultural marketing and price/risk management in agriculture. • Adjust general institutional framework to attract further strategic foreign direct investments.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>4. <u>Rural Finance</u></p>	<p>High financial risk stemming from under-capitalization, high debt, and poor credit history; elaborated but financially weak system of credit subsidies and guarantees.</p> <ul style="list-style-type: none"> • Large number of commercial banks, dominated by ‘Commercial Bank’ involved in the financing of farming sector • Credit subsidies and guarantees are provided through the Support and Guarantee Fund for Farmers and Forestry (SGFFF) and through the Czech-Moravian Guarantee and Development Bank (support for small and medium firms, except farms). • High indebtedness and non acceptance of land as collateral reduces private involvement in financing of farms without state guarantees. • A part of the debts (for interest free loans from 1992 – 1993) was written off by the government in 2000. In the same time, the privatized non-land assets were re-evaluated, to adjust their value to real market conditions. A solution for transformation debts of coops (transformation shares issuing from the Transformation Law 1992), approved by the Parliament in 2001, was cancelled by the Constitutional Court. • Since 2001, new support schemes – grants for young farmers have been established. • For villages, there are possibilities to participate in more programs under the Ministry of Regional Development or under the Ministry of Environment (e.g. Program for Restoration of Villages, Program for Landscape Maintenance, Program for Revitalization of Water Flows)). • However, there are many expectations on SAPARD supports, which have started to function in 2002. • The Czech agriculture and rural regions suffered from the disastrous floods (1997, 2002) and drought (2000). Farmers and villages were compensated by large disaster payments, particularly in 2000 – 2001 for drought. 	<p>Sustainable private rural financial services.</p> <ul style="list-style-type: none"> • The current credit guarantee scheme needs to be fully de-linked from government, and credit subsidies need to be discontinued in their present format. • Credit subsidies might temporarily be replaced by investment grants for a transitory period to improve competitiveness. • Review legal and institutional obstacle for the use of land as collateral. • Activate the legal process for bankruptcy and liquidation. • Reduce the level of the state guarantee on bank credits through SGFFF, to increase a risk component for private sector. • Phase out interest rate subsidies and adjust investment supports to EU conditions.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>5. <u>Institutional Framework</u></p>	<p>Consolidation and adjustment of main agricultural institutions has been largely completed.</p> <ul style="list-style-type: none"> • Relatively sophisticated agricultural research and education system, but insufficient information and extension services, including market information systems for public use. • Institutions to monitor and enforce quality and health standards have been made more efficient but more needs to be done to meet strict EU requirements. • In 1999 – 2001 the process of the harmonization of the Czech legislation with the EU one has continued. • The present institutions for the implementation and administration of agricultural policy are not still in full compliance with the EU requirements. However, quite new institutions have been established in 2000 - 2001: State Agricultural Intervention Fund, quota systems for milk and sugar sectors (with problems), Payment Agency for SAPARD etc. Some progress was made in the Integrated Administration and Control System and especially in the Farm Accountancy Data Network as a part of acquis. 	<p>Improve efficiency in the provision of “public goods” to agriculture and strengthen effort of EU harmonization.</p> <ul style="list-style-type: none"> • Strengthen private and public information systems, and launch a program of collaboration between the private sector and state agencies. • Complete the restructuring of state agencies involved in consumer protection, animal and plant protection, agricultural research and extension, border control, farm registration, market information, market organization by sub-sector, and market intervention. • Adjust agricultural support system to CAP; accelerate institutional harmonization with EU standards. • A more integrated regional and rural policy and related support programs have to be improved to be able to utilize fully the EU’s structural fund instruments.

SLOVENIA*

<u>Total Population</u>	1.98 mil	Agriculture in GDP 2000	2.9%	Agricultural output in 2000 as percentage of 1990 level	111%
% Rural (2000)	52 %	Food processing in GDP 1998	4.0 %	Livestock production in 2000 as percentage of 1990 level	101%
<u>Total Area (2000)</u>	2.03 mil ha.	Agriculture in total employment (1999)	5.3 %	Share of livestock in agriculture 2000	61%
Agriculture area in use:	0.52 mil ha.	Food processing in total employment (1998)	2.8 %	Arable area used by agricultural enterprises or holdings (2000)	n.a.
Forest:	1.12 mil ha.	Share of trade of food and agriculture in total manufactured goods (2001)		20381ha (no data available)	
Arable land:	0.17 mil ha.	- export	3.7 %	Share of independent full and part-time family farms in agricultural area in use 2000	97%
Permanent crops:	0.03 mil ha.	- imports	6.6 %		
Permanent pasture:	0.31 mil ha.	Traditionally net exporter of hops, wine, fruits, milk, eggs, and poultry.			
Irrigated:	0.003 mil ha				
<u>Share of Agricultural Area</u>	25.5 %				
Arable land	8.5 %				
Permanent crops	1.5 %				
Permanent pasture	15.5 %				
Irrigated	0.6 %				

*Statistical data are mostly related to the Year 2000 (At the moment there is no official statistical data for the year 2001), later in this year data for the 2001 could be obtained.

ISSUE	STATUS OF REFORMS	OBJECTIVES / PROPOSED ACTIONS
1. <u>Macro-economic Framework for Agriculture</u>	The macroeconomic environment in Slovenia is stable. Import protection still the main cause of distortions for agriculture and food industry.	Focus on preparation for EU Accession on institutional agricultural policy.

ISSUE	STATUS OF REFORMS	OBJECTIVES / PROPOSED ACTIONS
A. Prices/Subsidies	<ul style="list-style-type: none"> ▪ The system of financial interventions in agriculture was changed in 2000 according to the “Program of Agricultural Policy Reform 1999 – 2002” (“the reform of agricultural policy”) accepted in 1998. The reform of agriculture policy covers systematic, economic, organizational and institutional field. At the moment sectorial development plan for the period 2002 - 2006, which is basis for all key agricultural developments after EU accession, is being adopted. ▪ In 2000 the Agriculture Act was adopted. It sets the objectives of the agricultural policy and lays down the planning of development in agriculture and rural development, agricultural policy measures, quality and labelling of agricultural products and foodstuffs, the marketing of agricultural products and foodstuffs, public services, databases in the agricultural sector, procedures and authorities for the implementation of the Act, research, training and development, technical tasks and supervision and control. ▪ New EU comparable uniform information system with central data base (IACS – Integrated Administration and Control System) administered by MAFF was established. ▪ New Agriculture Act clearly defined Ministry for Agriculture, Forestry and Food (MAFF) as an institution responsible for agriculture market-price policy, structural and rural development policy. Ministry for Economics (ME) stays responsible authority for general foreign trade issues. 	<ul style="list-style-type: none"> ▪ Improve market structure and foster the development of market functioning ▪ Continue liberalization of domestic agricultural and food markets. ▪ Create conditions for the implementation of a private marketing infrastructure, including the provision of detailed marketing information. ▪ Support product marketing and establishing of regional and national trademarks. ▪ Create additional employment and income possibilities on family farms.
	<ul style="list-style-type: none"> ▪ Internal market is liberalized. At the beginning of the 2001, new EU comparable legislation for milk and milk products was adopted which abolished fixing administrative prices. Later in 2001 new EU comparable common market organizations for different agricultural products (beaf and veal, sheep and goat meat, sugar, cereals, seeds of agricultural plants, wine, fresh fruit and vegetables) were introduced. Instead of price support direct payments for all respective products were introduced. ▪ Agricultural products fall into three price categories: lower than the EU prices, e.g. maize, barley. Close to EU prices, e.g., wheat, milk, sugar beet, beef and veal. Higher than EU prices, e.g., pig meat, poultry meat, eggs. 	

ISSUE	STATUS OF REFORMS	OBJECTIVES / PROPOSED ACTIONS
<p>B. Direct Support and Structural Policy</p>	<ul style="list-style-type: none"> ▪ National Program of Agricultural Policy Reform and new Agriculture Act introduced a new system of financing agricultural policy: direct payments, decreasing of prices, structural policy, all comparable with EU. ▪ In 2001 different direct payments were implemented: direct payments for arable crops, beef and sheep&goats, LFA direct payments and agri-environmental direct payments. ▪ On the basis of agriculture reform, the following structural policy and rural development objectives are implemented: the restructuring measures with supports for investments for agricultural holdings, producers organizations, food producers and food and processing industry, as well as land operations with the view to improve the farm structure. Reform also includes spatial planning measures and the renovation of village, supports for the economic diversification in the countryside and development of agriculture related infrastructure. Type, scope and conditions for carrying out off-farm activities on agricultural holdings are defined. ▪ Implementation of the EU pre-accession programme for agriculture and rural development (SAPARD) started in January 2002 when first invitation to tenders were published. 	<ul style="list-style-type: none"> ▪ New aid schemes should ensure more de-coupled payments in order to minimise domestic market and trade distortions. ▪ Clear cap on the budget concerning direct payments schemes. ▪ In its negotiation position Slovenia called for direct aids to be paid in full by the accession. The National Development Programme for the period 2001-2006 (NDP) was adopted by the Government in December 2001. Slovenia will prepare on the bases of adopted NDP Single Programming Document for the period 2004-2006 (SPD), for the use of European Community structural funds, that will also include the provisions for the implementation of the measures co-financed from EAGGF-Guidance section. SPD 2004-2006 will be the implementing document for the measures within the priority: The issues of the operational programme Agriculture and Rural Development Modernisation Programme will be included in the SPD as a part for the implementation of the measures co-financed from the EAGGF- Guidance Section.

ISSUE	STATUS OF REFORMS	OBJECTIVES / PROPOSED ACTIONS
<p>C. Trade Policies</p>	<ul style="list-style-type: none"> • <i>PSE (OECD Producer Support Estimate) is significantly higher than other CEECs and nearly the same as European Union's</i> • Border protection is still important instrument but only for certain most sensible agricultural products within EU comparable market organizations. Border protection is still important instrument but only for certain most sensible agricultural products vokviru CMO • Slovenia's trade balance is negative. Agro-food trade in 2001 is about 36% of the global trade deficit. • Main trading partners on the export side are former Yugoslavia and EU, with respectively 68% and 17%. On the import side, the EU is the major trading partner (54%) with CEFTA countries (17%) and former Yugoslav Republics (10%). • Since October 1994, Slovenia is member of GATT and became a founding-member of WTO. Among the CEECs, Slovenia has a very specific position within the GATT Agreement, in particular, it made its commitments in euro. The initial AMS value amounted to 159 Mio ECU in 1995 and the final AMS to 131 Mio ECU in 2000. So far, the AMS does not appear to represent a particular policy constraint. Furthermore, Slovenia uses ad valorem (%) and fixed specific import duties (tariff equivalent) according to Schedule XCVI to the Protocol for the accession of the R Slovenia to the GATT. • Minimum tariff quotas have to be opened for wheat (80,000 t), barley (70,000 t) and maize (120,000 t), which more or less covers imports of these products. • Trade agreement with EFTA countries; CEFTA member since 1995; EU Association Agreement (signed 1997). Recently within AA significant range of products were liberalized. In December 2001 new trade negotiation round started. • Free Trade Agreements with Macedonia, Lithuania, Latvia, Estonia, Croatia, Israel, Turkey and from 2002 also Bosnia and Hercegovina. Introduction of FTAs has already significantly reduced border protection. 	<ul style="list-style-type: none"> ▪ Implement WTO agreements in a view of further liberalization of agricultural market. ▪ Preparation for EU accession, and increase public awareness. ▪ Further liberalize agricultural trade policy and reduce border protection together with reform of domestic market organizations.

ISSUE	STATUS OF REFORMS	OBJECTIVES / PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p> <p>A. Land Consolidation</p>	<p>Small farm sizes (4.8 hectare in 2000) and dispersed structure of plots.</p> <ul style="list-style-type: none"> ▪ Average farm size is 9.4 ha of total land, with 4.8 ha used for cultivation. Around 60% of farms occupying about one third of agricultural land, cultivate only 1 to 5 ha. ▪ Low land tax provides no incentive for allocation of land use to most efficient farmer. ▪ Process of restitution of nationalized land and privatization of socially owned farms is still sensitive issue but after 1999 the process is again speed-up. 	<p>Develop land market in order to improve efficiency; define and implement targeted programs.</p> <ul style="list-style-type: none"> ▪ Use land taxation to encourage land consolidation. Policies should stimulate land market creation and facilitation mechanisms. ▪ Restructure state Fund for Agricultural Land and Forests to actively support land consolidation by buying, holding and reselling land to improve farm structure (like SAFER in France).
<p>B. Land Cadastre and Land Registration</p> <p>C. Land Markets</p> <p>D. Agriculture and Environment</p>	<ul style="list-style-type: none"> ▪ Current register is inaccurate hindering land mobility and causing additional costs. ▪ The functioning of the land market will be improved by the new Land Register Law, which regulates the updating and computerization of the cadastre for urban and rural areas. <ul style="list-style-type: none"> ▪ In 2000 project for modernization of Land cadaster (data on parcels) and Land register (data on ownership) started. And will enable computer-based data exchange. World Bank project for real estate modernization is also currently in progress. ▪ Graphic base of Land cadaster is in the process of digitalization. ▪ Land leasing is more and more accepted as important means for developing a competitive farm structure. ▪ Land prices still approach the highest levels in Europe. ▪ In 2000 system of direct payments for environment protection and landscape and LFA, in compliance with EU guidelines, were implemented. In 2001 Slovenian agri-environmental program was adopted. ▪ In the middle of the Year 2001, rules for organic farming were adopted, followed by rules for integrated plant production, type of production with reduced application of plant protection products in year 2002 (fruits, wine, vegetables). High interest of producers in applying those agricultural practices is expressed in Slovenia. 	<ul style="list-style-type: none"> ▪ Land cadaster was completed in 2000. ▪ Support long term lease. ▪ Introduce retirement scheme, and ease transfer of land. ▪ Full implementation of agri-environmental measures and LFA schemes.

ISSUE	STATUS OF REFORMS	OBJECTIVES / PROPOSED ACTIONS
<p>3 . <u>Agro-processing and Services for Agriculture</u></p> <p>A. Farm Profitability</p> <p>B. Agricultural Co-operatives</p> <p>(3) Agro-industries</p>	<p>Enterprises are partly efficient and internationally competitive, but vestiges of old system hinder progress.</p> <ul style="list-style-type: none"> ▪ Farm income is mostly below the defined "parity income level". ▪ Widespread over-mechanization. ▪ Lacking knowledge of modern marketing and business practices. ▪ Lack of co-operation in product marketing and input purchase. ▪ In 2001 market information system for pigmeat, milk and milk products, beef and veal and lamb was established. <ul style="list-style-type: none"> ▪ Agricultural co-operatives still play an important role in providing supply, marketing and credit services to agricultural producers. ▪ The co-operative sector in Slovenia is currently experiencing a serious recession. Many organizations have adapted poorly to the changed economic conditions. ▪ Overstaffing, excessively diversified operations, and lack of managing initiative lead to high costs and weaken the position of co-operatives. <ul style="list-style-type: none"> ▪ <i>The food industry contributes to overall economic output almost as much as agriculture but employs half the people.</i> ▪ High fragmentation, unfinished corporate reform and policy interventions are the main impediments to competitiveness. ▪ In 2001 spatial program for restructuring and adaptation of food processing industry was continued; supports were given for adjustment of agro-processing enterprises to the EU veterinary and biological standards and improvement of their competitiveness. In program high level of compatibility to respective EU rules has been achieved. 	<p>Improved farm efficiency; transformation of co-ops and preparation for EU accession.</p> <ul style="list-style-type: none"> ▪ Promote joint use of machinery (machinery circle, contracting). ▪ Start information campaign on cost reduction and productivity improvements in the different production areas. ▪ Further development of market information system for other agricultural products (eggs and poultry meat) is in progress. ▪ Support production of high quality instead of mass production. ▪ Put strong emphasis on creation or improvement of alternative sources of farm income (tourism, forestry etc.). <ul style="list-style-type: none"> ▪ Revise the legal and organizational framework under which co-operatives operate to let them become genuine. ▪ Transform existing co-operatives to market oriented organizations. ▪ Transform existing co-operatives to market orientated organizations . ▪ Support specialization and market activities of agricultural co-operatives. ▪ Financial business consolidation in the co-operative system should be considered as an important element of the institutional improvement needed in Slovenia'a agro-food sector. <ul style="list-style-type: none"> ▪ Inform agro-processing enterprises about business opportunities and market mechanisms ▪ Modernization and adaptation of food processing industry in compliance with EU standards. ▪ Improvement of economic efficiency and competitiveness of food processing enterpris es. ▪ Improvement of industrial structure. Remove all monopoly and oligopoly support but support vertical and horizontal integration. ▪ Application of contemporary marketing and management strategy.

ISSUE	STATUS OF REFORMS	OBJECTIVES / PROPOSED ACTIONS
D. Quality policy and Food safety	<ul style="list-style-type: none"> ▪ In 2001 Food safety strategy was adopted which focused to whole food chain “from stable to table” including phytosanitary and veterinary issues, feed and general issues for consumer protection. ▪ Rules for geographical indications of different foodstuffs were adopted in 2001. Special Office dealing with this issues was established. 	<ul style="list-style-type: none"> ▪ National policy is oriented toward improving product quality, promotion of trademarks together with food safety and protection of the environment. Process of introduction of EU quality agro-food standards is in progress.
4. <u>Rural Financing</u>	<p>General banking system is active in rural lending but the general problem of high interest rates is affecting rural economy.</p> <ul style="list-style-type: none"> ▪ Lacking investment possibilities in agriculture is less a phenomenon caused by missing credit resources than economic situation of farming and small structure of production. 	<p>Fully functioning and viable rural financial system.</p> <ul style="list-style-type: none"> ▪ Analyze the real bottlenecks of the rural financial system. ▪ Assist farmers and other rural entrepreneurs in defining viable investment projects. ▪ Support the change of approach from an asset based to a concept (business plan) based lending approach.
5. <u>Institutional Framework</u>	<p>Institutional Framework is intensively adjusting to full market-based conditions.</p> <ul style="list-style-type: none"> ▪ According to new Agriculture Act clear responsibilities and division of tasks between MAFF and ME was achieved. ▪ Independent NGOs are not covering the full spectrum of agriculture and food activities. ▪ New legislation sets the clear tasks among different bodies involved. MAFF is main responsible policy-making body. In 2000 the institutional-building of the Agency for Agricultural Markets and Rural Development (AAMRD-paying agency) started. AAMRD took over the implementation of agriculture policy. For the implementation of the EU pre-accession program for agriculture and rural development (SAPARD), in November 2001 EU Commission AAMRD conferred accreditation of AAMRD concerning SAPARD program. ▪ In 2000 the Chamber of Agriculture and Forestry of Slovenia was established and its main objectives were set agricultural extension services in close coordination with MAFF. 	<p>Efficient and effective public sector administration and support for commercial and private agriculture.</p> <ul style="list-style-type: none"> ▪ Complete the reorganization in agriculture sector in a meaning of institutional building and improving administration efficiency, all with a view of forthcoming EU accession. ▪ Involve professional organizations, universities, NGOs in consultation, organization and implementation of public activities in the field of agriculture and rural development. ▪ Take care that public administration is in balance with the size of the sector. ▪ Establish a multi-institutional but independent agricultural policy analysis and rural development center, with high degree of flexibility.

ESTONIA

<u>Total Population</u>	1.38 mill	Agriculture in GDP (2000)	3.6%	2000 agricultural output as percentage of 1990 levels	51%
Rural Population	32.5 %	Food and agriculture in active labor (2000)	5.2%	2001 livestock sector as percentage of 1990 levels	43%
<u>Total Area</u>	4.52 mill ha.	Food and agriculture in export (2000)	10.5%	Share of livestock in GAO, excl. forestry (2001)	59%
Agriculture area:	1.43 mill ha.	Forestry share in exports (2000)	13.4%	Share of private farms in total cultivated land (1998)	100%
Arable land	78.1%	Food and agriculture in imports (1998)	10.4%	Share of private farms in total agricultural output (1999)	100%
Drained	66%	Traditionally net exporter of processed foods (eggs, butter, cheese and flax),			
Orchards	1.0%	Estonia became a net importer in 1995			
Natural Grassland	20.8%	(agric. trade balance in 2000: -3.1 billion EEK).			
Forested	2.02 mill ha				

ISSUE	STATUS OF REFORMS	OBJECTIVES/PROPOSED ACTIONS
<u>1. Macro-economic Framework for Agriculture</u>	Completed price and market liberalization with almost no policy distortion.	Maintenance of an open market-oriented agriculture sector.
A. Prices/Subsidies	<ul style="list-style-type: none"> • All prices are freely determined, and markets are competitive. • Income support scheme based on crop acreage and number of dairy cows introduced in 1998. State support is provided through public funding of land amelioration (drainage and liming), advisory services and landscape maintenance. • SAPARD 2000-2006 launched in 2001, funding up to 50% of eligible investments in primary agricultural production, processing, diversification and infrastructure. • Rural credit funds established with government funds provide credit guarantees and loan capital to agriculture and the rural areas as well as credit for land purchases. 	<ul style="list-style-type: none"> • Continue to harmonize policies with the EU in anticipation of planned accession.
B. Trade Policies	<ul style="list-style-type: none"> • No export restrictions on agricultural trade. Import tariffs for agricultural products from countries with which there is no free trade agreement. • Member of WTO. Trade agreements with a number of countries, including EU, EFTA, some CEFTA countries, Ukraine. • EU membership in 2004. 	<ul style="list-style-type: none"> • Bring trade policy fully in line with EU.
C. Taxation	<ul style="list-style-type: none"> • Principle of equality prevails in tax policy. • Exemption from income tax for small private farmers. No income tax for profits invested in enterprises registered outside Tallinn and Harju counties. • Reduced land tax for agricultural land. But land tax is a local tax, and local governments are not interested in reducing land tax rates. 	

ISSUE	STATUS OF REFORMS	OBJECTIVES/PROPOSED ACTIONS
2. <u>Land Reform and Farm Restructuring</u>	<p>Land is being restituted and privatized. 68% of land is registered in the cadastre and ownership is known</p> <ul style="list-style-type: none"> • All assets of state and collective farms have been privatized. Land ownership and use patterns are approaching those of the 1920s. The farming structure has evolved towards private family farms (more than 51,000) with an average size of 20.8 ha. • An agricultural land market is emerging, and larger farms are consolidating their holdings through purchases and leases. • The low price of agricultural land and small size of agriculture farms resulting in insufficient collateral is a major impediment to the access of financial markets by farmers. • Large parts of the farm drainage infrastructure are in poor condition. 	<p>Viable system of independently operated, privately owned farms.</p> <ul style="list-style-type: none"> • Complete land reform by identifying ownership of all remaining land and selling land that remains unclaimed. • Introduce incentives to register land. Currently there is a disincentive because land tax is imposed once land has been registered. • Identify all remaining land in the cadastre and dispose of unclaimed land slowly in order not to distort the developing land market. • Upgrade and increase efficiency of farm drainage infrastructure..
3. <u>Competitive Agroprocessing and Services for Agriculture.</u>	<p>Privatization of agro-processing has been completed.</p> <ul style="list-style-type: none"> • Companies have adapted to the market economy, but need significant levels of investment. • Over-capacities in many processing industries, e.g. dairy industry. • All agro-industry is open to foreign investment. • In some cases, excellent commercial institutions, often with the participation of foreign firms, have emerged. 	<p>Internationally competitive agro-processing and efficient services for agriculture.</p> <ul style="list-style-type: none"> • Facilitate the upgrading of agro-processing to meet European Union standards in all sectors still lagging behind.
4. <u>Rural Finance</u>	<p>Banking system has been fully privatized.</p> <ul style="list-style-type: none"> • Modern banking system is developing, but lending for agriculture is limited. 	<p>Sustainable rural financial intermediation.</p> <ul style="list-style-type: none"> • Train staff in financial sector to address the banking and financial requirements of the agriculture sector. • Train farmers in preparation of business plans and credit proposals.
5. <u>Institutional Framework</u>	<p>Adjustment of the institutional framework is at a fairly advanced stage.</p> <ul style="list-style-type: none"> • Ministry of Agriculture has mainly regulatory functions. • Agricultural extension services are rapidly evolving towards market-based approach. 	<p>Strategic framework for assistance to the rural sector.</p> <ul style="list-style-type: none"> • Place greater emphasis on rural poverty and regional development.

HUNGARY

<u>Total Population</u>	10.197 mil	Food and agriculture in GDP 2001	8.0 %	Agricultural output in 2000 as percentage of 1990 average level	69,2%
Rural Population	35,8 %	Food and agriculture in active labor force	10.4 %	Livestock production in 2000 as percentage of 1990 level	67,9%
<u>Total Area</u>	9.3 mil ha	Food and agriculture in exports (2001)	11 %	Share of livestock in agriculture (2000)	48,6%
Agriculture area:	5.85 mil ha	Food and agriculture in imports (2001)	4.4 %	Arable area in private use (2001)	56,1%
Arable land		Traditionally net exporter: grain, meat, vegetable oil, processed and unprocessed fruits and vegetables, wine, livestock products and poultry.		Share of independent full and part-time family farms in total land area (2001)	51%
Orchards	76,9%			Land ownership 2000: coop 2%, state 10%, private 88%.	
Irrigated	1,67%				
Forested	1,63%				
	19,0%				

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>I. Macro-economic Framework For Agriculture</p> <p>A. Prices/Subsidies</p>	<p>Food and agriculture operates in a macroeconomic and trade environment with direct links to the world market; support programs and import tariffs, however, represent distortions.</p> <ul style="list-style-type: none"> • Agricultural producer and consumer prices were liberalized already in 1990-1991; producer prices are considerably below EU level; 2000 wheat 87%, corn 72%, sugarbeet 56%, pork 77%, beef 70%, consumer prices are close to US domestic price level, but below EU levels 65 %. • Producer prices of agricultural produce grew by a factor of five between 1989 and 2001, during this period the food price went up 8.3-fold, little less than the average (8.8) <p>Subsidization of agriculture increased in 2000, agricultural budget was about US \$570 million, 1.1% of GDP.</p> <ul style="list-style-type: none"> • Subsidy schemes 'simplified' terminating a number of titles including subsidies of agrarian employment, animal breeding, investment, land utilization and protection, forest and fishery . • Market support programs (35% of total subsidies in 2000), mainly export subsidies, represent the most problematic component of support program. • Minimum price program was effective for grain in 1998, state purchased wheat and pork at guaranteed prices mainly from small-scale producers in 1999. • Structure of support programs is changing in favor of direct support to producers in the form of area payments to prepare EU accession. 	<p>Liberal incentive and market system with minimal Government intervention.</p> <ul style="list-style-type: none"> • Create predictable and consistent system of various Government's policy instruments used in agriculture. • Revise existing support programs and reduce budgetary support in real terms. • Focus support programs on efficiency enhancement. • Avoid the use of minimal price programs and state grain purchases, and relate programs, if any, to world market prices rather than average cost of production. <ul style="list-style-type: none"> ▪ Focus on paying agency development for absorbing EU support funds for area payment and set a side. ▪ Modify the market regulation law towards EU conform schemas

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
B. Trade Policies	<ul style="list-style-type: none"> • Tariffs for food and agriculture products are rather high (30-40%). Bilateral trade agreement signed with EU, condition created to free trade conditions. • Export licenses are a piecemeal and non-transparent system of allocation that need to be reduced under the WTO agreement, the obtained waiver applicable until 2002. • So called “Product Councils” incorporating producers, processors and traders work with the Government in implementing market intervention and trade policies. • Hungary became a founding member of the WTO on January 1, 1995, and a full member of OECD in March 1996. • CEFTA is providing a framework for increased sub-regional agriculture trade with some trade conflicts. • Foreign trade is fully privatized and demonopolized. <p>Hungarian agricultural and food exports of 50% are destined for EU market in 2002. Positive trade balance.</p>	<ul style="list-style-type: none"> • Implement WTO agreements on subsidies and tariff reduction. • Phase out or thoroughly revise the system of export subsidies. • Remove remaining export licensing and quotas. • Fully implement anti-monopoly legislation. • Continue to pursue active trade policy to improve market access for Hungarian food and agriculture products.
C. Taxation	<ul style="list-style-type: none"> • Agriculture enjoys significant tax privileges including income tax exception for small farmers, reduced corporate tax, no land tax, and full tax refund on fuel. • Tax exemptions increased over time: land tax was eliminated in 1995, refunds of the fuel excise tax were increased to 100 percent in 1998. • Reduced VAT rate (12% instead of 25%) for most agricultural products. • By 1997 all producers marketing any agricultural products were to be registered at the tax authorities. • Government support, like the reduced VAT, could contribute to the reduction of the “gray” area of unregistered farming sector, since non registered agricultural producers do not receive any support. 	<ul style="list-style-type: none"> • Review the exact impact of tax advantages for agriculture and evaluate against the costs of these policies. • Shift tax exemptions towards tax incentives for investment from properly reported corporate and personal incomes. • Improve tax administration and tax collection in general. • Increase taxation of informal segments of agriculture while continuing to decrease taxation of formal sector as well as reported personal incomes.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>The major initial tasks of land reform are close to completion.</p> <ul style="list-style-type: none"> • Land privatization included compensation of former owners and distribution of rest of collective land for members. • The compensation was completed by 1997, and 90% of land of new owners was physically identified. • Physical distribution of land for collective members is lagging somewhat behind. • First phase of collective farm reorganization was completed in 1995. Active members received 41.5%, previous owners 38.7%, former members 14.4% of assets. • The restructuring of new collective structures is continuing, the share of cooperative sector in arable land use was 24,3% in 1999. • Initial phase of state farm privatization was completed in 1996. 28 farms remained in majority state ownership (10% of land) out of the initial 121. In 2001 12 farms was privatized. • About 50,000 full-time family farms and about 0.9 million part-time farms cultivate 55% of arable land in 2000. • 44% of arable land is used by about 5300 incorporated private larger farms and by the 16 remaining state farms in 2000. • Titling of privatized land is lagging behind. In mid-1996, 55% of the beneficiaries of compensation and only 10% of land share owners received titles. On the whole about 20-25% of agriculture area still requires titling. • Foreigners and legal persons can not own agriculture land there is a 300 ha upper limit set for individual land ownership. • National Land Found in 2001 was Established to promote land transactions and, consolidation, the Found started to operate in 2002 	<p>Privately owned smaller and larger viable farms as the dominant component of farming system with service and transferable ownership rights.</p> <ul style="list-style-type: none"> • Accelerate the processing of titling new privatized land. • Amend land ownership and land market regulations by: (a) allowing land ownership for legal persons (companies and corporations); (b) removal of upper limits for land ownership; and (c) allowing agricultural land ownership for foreign citizens. • Refine the legal framework for cooperatives in agriculture providing more transparency of ownership and framework for easy further restructuring and division of cooperative farms. • Introduce measures to facilitate a speedy consolidation of land ownership and changes in farm sizes. • Develop a strategy for further privatization of remaining state farms.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>3. <u>Competitive Agroprocessing and Services for Agriculture</u></p>	<p>Privatization of agroprocessing/input supply marketing and services is almost fully completed.</p> <ul style="list-style-type: none"> • Upstream and downstream sectors were privatized using tenders with entrepreneur to management and workers to obtain a limited percentage of share. • Foreign investors obtained 55% of ownership and made significant investments the specialization yet started . • The upstream and downstream sectors are demonopolized and competitive. Input supply is integrated into the West European input supply system. A full selection of modern equipment and inputs are easily obtainable all over the country. • Food processing industry is prospering, GDP is about to reach the same share of agriculture. <ul style="list-style-type: none"> ▪ Food Safety Strategy prepared and consumer protection tasks in accordance with the EU’s regulations. ▪ Market oriented cooperatives organization support introduced in fruits and vegetable sectors. 	<p>Competitive, privately owned agroprocessing and input supply.</p> <ul style="list-style-type: none"> • Fully implement anti-monopoly regulations. • Implement EU conform quality and safety standards for agricultural imports and exports. • Support vertical integration of farmers, e.g. through marketing and processing cooperatives. • Improve contract agreements and market transparency. • Promote research and development of new products and markets. <ul style="list-style-type: none"> ▪ Support installation of food safety systems for small and medium size entrepreneurs. ▪ Introduce new support measures in upgrading practices to meet EU environmental, hygiene, welfare, food safety standards

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
4. <u>Rural Financing</u>	<p>An appropriate financial system for privatized agriculture is not fully in place.</p> <ul style="list-style-type: none"> • Public support to agriculture and bank financing are intricately linked: large majority of financing of agriculture is done in connection with investment or interest rate subsidies. • Several types of guarantee funds including the agricultural guarantee fund mostly to small and medium holders and the credit guarantee fund to large enterprises. • Diversified private banking system: a new mortgage bank has started to operate the participation of the State without success due to the missing land market. • Financing in agriculture is improving. But still below the needs of a market based privatized agriculture. • 30-50% interest rate subsidy is provided both for short term and investment credits in form of tax refund • Restructuring and privatization of banks with major portfolio in food and agriculture is completed. • National system of rural credit cooperatives with umbrella bank was created with EU. • Mortgage Bank was created in 1997 together with appropriate mortgage laws. • The use of warehouse receipts as collateral was introduced in 1997. 	<p>Viable financial institutions serving the agricultural sector efficiently.</p> <ul style="list-style-type: none"> • Decrease interest rate and credit guarantee schemes, and eventually phase out credit subsidies. • Promote the emergence of competitive insurance services for agriculture. • Create a framework for use of warehouse receipts. • Account for compatibility of support schemes with EU requirements.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
5. <u>Institutional Framework</u>	<p>Institutional structure was reformed, quality public services, however, is not yet fully in place.</p> <ul style="list-style-type: none"> • Ministry of Agriculture and Rural development was created in 1998 • Education system has been mainly adjusted to emerging new conditions. • Reorganization of the research system is nearly completed. • Information system required by a market based agriculture is only partially in place. • Public activities (government research-education) in agriculture are seriously hampered by budgetary difficulties. • Agricultural extension system was created, including a system of township advisors and private advisory services (subsidy is provided). • Advanced legislation, also with respect to EU harmonization, but enforcement still needs to be strengthened for example paying agency. <ul style="list-style-type: none"> ▪ EU-rural development fund started to operate, special SAPARD plan-implementation office was set up for managing different types of rural development projects. 	<p>Promote the use of and support for commercial and private agriculture.</p> <ul style="list-style-type: none"> • Complete the reorganization and improve quality of public agricultural administration to the needs of a market economy and forthcoming EU accession. • Complete the reform of agricultural education and research. • Enforce the implementation of the EU conforming legislation. <ul style="list-style-type: none"> ▪ Enforce rural project preparation capacity and project management. ▪ Enforce agri-environmental programs implementation capacities at regional level. ▪ Establishing the Integrated Administration and Control System (IACS) to achieve EU conformity in the operation of the support system

LATVIA

<u>Total Population</u>	2.35 mil	Food and agriculture in GDP (1996)	9%	Agricultural production in 1998 as a percentage of 1989-91 level	47%
Rural Population (2002)	32.1 %	Agriculture, hunting and forestry in GDP (2002)	4,4%	in 2001 as a percentage of 1990 level	40.2%
<u>Total Area</u>	6.46 mil ha	Employed persons (2002) in agriculture, hunting and forestry	14,9%	Livestock production in 1998 as a percentage of 1989-91 levels	37%
Agriculture area:	2.47 mil ha	Food and agriculture in export (2002)	10.2%	in 2001 as a percentage of 1990 level	28.5%
Arable land	74.1%	in import (2002)	13.4%	Share of livestock (2001)	55%
Pastures	15.4%	Traditionally net exporter of livestock products: meat, milk, and eggs		Agriculture area in private individual use (2002)	91.3%
Drained	62.9%			Share of private sector in total agricultural output (2001)	76%
Forested	44.5%				

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>Almost fully completed liberalization.</p> <ul style="list-style-type: none"> • Prices are freely determined, but Market Intervention System as safety network in grain sector applied since 1998. • No Government procurement quotas. • No deficiency payment systems. • Direct payment supports for high-grade breeds and seeds, flax and potatoes since 1996. <p>In 2001 the area-based payments are implemented. (In 2002 direct payments for cereals, pulses were about 4 mil. Lats)</p> <ul style="list-style-type: none"> • Law on Agriculture has been passed by the Ministers' Cabinet on 24 October 1996, setting the institutional framework for agricultural policy development in Latvia. In 2001 and 2002 the amendments were adopted to harmonize Law on Agriculture with EU legislation. • Draft of guidelines for agricultural development was worked out for 2003-2006. • As EU candidate, Latvia orients its agricultural policy to adopt CAP at time of accession. 	<p>Distortion free, efficient internationally competitive agricultural sector.</p> <ul style="list-style-type: none"> • Keep commitment to liberalized prices. • Foster the development of price information systems for transparent and timely access to cost changes by all concerned. • Do not introduce high price guarantees. • Phase out implicit price subsidies.

<p>B. Trade Policies</p>	<ul style="list-style-type: none"> • Export of agricultural products is deregulated. • Import regime has become relatively liberal. • In February 1999, Latvia has become full WTO member. • The legal basis to apply anti-dumping and anti-subsidy measures is prepared • An extended set of agricultural free trade agreements has been implemented, EU and Baltic Free Trade Agreements play the major role. • Grain and sugar trade license system has been transferred into automatic licensing (trade deal has to be announced and is automatically registered). 	<ul style="list-style-type: none"> • Maintain an open economy policy to stay competitive. • Rationalize tariffs on low uniform ad valorem levels and avoid frequent changes to reduce uncertainty and corruption. • Uphold WTO tariff, export restriction and import quota agreements.
<p>C. Taxation</p>	<ul style="list-style-type: none"> • Tax burden on farmers is relatively low; several tax exemptions are phased out. • The reduction of income tax for farmers is still valid. Tax has to be paid but less than by other types of enterprises. 	<ul style="list-style-type: none"> • Reduce differentiation in tax rates to minimize distortive effects on resource allocation through unequal burden. • Introduce a social security system tailored for the conditions of private farmers.
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>Agri-food sector has been fully privatized, but further adjustments are needed what concerns farm restructuring.</p> <ul style="list-style-type: none"> • Process of privatization of agricultural land still in process. • More than 101.000 private family farms and 147.000 subsidiary farms have emerged as a result of land reform. • Only the most sustainable privatized agricultural joint stock companies are continuing their operation. • Primary registration of real estate with the cadastre has been completed by the end of 1999 • By the end of 2000 2,8 million ha as the property registered with the Land Book. • Land market has started to develop (60,000 rural transactions in 2000). • Drainage systems do not meet the needs of smaller privatized farms and require rehabilitation or comprehensive repair and maintenance, also to curb negative environmental impact. 	<p>Efficient and internationally competitive farm structure.</p> <ul style="list-style-type: none"> • Finalize registration and titling of land to develop a functioning land market. • Help to organize local and regional farmers' cooperatives. • Rehabilitate and modernize key rural infrastructure, including access roads, electricity, and water to new private farms. • Repair and redesign drainage systems to meet needs of new farming structure. • Support economic diversification in rural areas to promote farm restructuring.

<p>3. <u>Competitive Agro-processing and Services for Agriculture.</u></p>	<p>Agri-food sector has been fully privatized, but adjustments are needed, in particular further restructuring of agri-food enterprises.</p> <ul style="list-style-type: none"> • Small-scale businesses continue to emerge and existing enterprises have started to restructure already. • Significant success has been reached in modernization of agro-industries, in particular dairies. • Development of the quality of both existing and new products through innovation is remarkable. • Quality control and measuring systems have developed, but have not reached sufficient level, limiting export opportunities, in particular for the meat sector. • Development of marketing infrastructure in the food chain stays behind the needs of the large number of smaller farms and enterprises. 	<p>Efficient agri-business firms subject to market forces, and agro-processing industries with high quality products which can compete in world markets.</p> <ul style="list-style-type: none"> • Support the further modernization process of agro-industries. • Continue a policy that effectively stimulates competition. • Design and implement a program to encourage rural SME development. • Support for restructuring and capitalization of enterprises based on their competitive merits. • Create an environment favorable for foreign investment. • Support development of a commercial network of private input and output markets. • Support the introduction of product quality control and inspection systems that meet EU or US standards as soon as possible to gain access to these markets. • Facilitate farmer/processor/consumer market information systems.
<p>4. <u>Rural Financing</u></p>	<p>A private banking system is serving farms and agro-food business.</p> <ul style="list-style-type: none"> • Credit, though limited, is available for the agricultural sector, particularly for the newly emerging private farmers. • The agricultural sector is considered as a high risk branch, leading to only little engagement of commercial banks in rural credit. • For agricultural and rural development, special governmental credit programs are set up. 	<p>Viable financial institutions serving the agricultural and rural sector efficiently.</p> <ul style="list-style-type: none"> • Assist new private farmers in start-up period with provision of credit, training, and services.

<p>5. <u>Institutional Framework</u></p>	<p>The institutional framework for reformed agricultural sector is in place. However, EU integration requires further adjustments of the Government structure.</p> <ul style="list-style-type: none"> • Ministry of Agriculture (MoA): Basic Tasks of the Ministry of Agriculture are to draw up and jointly with the State management institutions to implement the State policy in agriculture, forestry and fisheries as well as to co-ordinate activities of these sectors. • The Ministry of Agriculture has delegated the implementation of the SAPARD Programme to the Rural Support Service (RSS), which acts as SAPARD agency, covering both – functions of the implementing and paying body. • It is planned that the RSS will take over the functions of the Paying Agency in respect of basic elements of the EU CAP and EAGGF Guarantee payments upon accession to the European Union. • Phyto-sanitary and Veterinary Border Inspection is functioning. • Newly created private farms have only little farming and farm management skills; technical assistance is needed to develop institutional and human capacity to support emerging private entrepreneurs. • Latvian Agricultural Advisory Service (LAAS), which was established in 1992, shows more involvement of farmers in the management and is offering a broad range of different services and products. • Agricultural research and education lacks funding due to limited financial and human resources. Some improvements in coordination and problem orientation are still needed. • Work on curricula updating has started at the Latvian Agricultural University and at agricultural schools. • The capacity of market-oriented policy analysis has been increased through targeted training of local experts and the establishment of several analysis tools at the MoA and Research Institutions. 	<p>Efficient and effective public sector administration and support for private agriculture.</p> <ul style="list-style-type: none"> • Reorganize the Ministry of Agriculture and regional agriculture administration according to the needs of a market economy and EU. • Encourage and strengthen research system to focus on applied research, transfer and adoption of foreign technology, and the design of cost effective extension activities. • Continue to develop independent effective and far reaching sector farm management and technical advisory services as well as agricultural extension services suitable to all possible sizes of private farms. • Reorganize and strengthen linkages between research, teaching, and extension to increase effectiveness and efficiency.
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SLOVAK REPUBLIC

<u>Total Population</u>	5.40 mil	Food and agriculture GDP (2001)		Agricultural output in 2001 as percentage of 1989-91 average level	61.6%
Rural Population	42 %	Agriculture in active labor (2001)	7.3%	Livestock production in 2001 as percentage of 1989-1991 average level	67.1%
<u>Total Area</u>	4.9 mil ha	Food and agriculture in exports (2002)	5.2%	Share of livestock in agriculture (2001)	56.9%
Agriculture area:		Food and agriculture in imports (2002)	3.7 %	Agricultural area in private use (2002)	99%
Arable land	2.44 mil ha	Traditionally net exporter: grain, vegetable oil and livestock products.	5.7%	o/w Cooperatives, JSC (2000)	76%
Orchards	1.45 mil ha			Family farms, gardens and small-holders	23%
Forested	19,000 ha			Share of private sector in ag. output (2002)	100%
	41%				
ISSUE	STATUS OF REFORMS		OBJECTIVES PROPOSED ACTIONS		
1. <u>Macro-economic Framework for Agriculture</u>	After a slowdown due to stabilization measures macroeconomic growth, fairly progressing economic and structural reforms (2002: GDP y/y 4.0 % , unemployment 17,5 (December to December)% , falling inflation 3,2 % (end of year); real income growth (nominal wages y/y growth 109.5 %)		Distortion free market and incentive system.		

<p>A. Prices/Subsidies</p>	<ul style="list-style-type: none"> • Prices were liberalized in 1990/91 but distortions persist through border measures, government subsidies, and support prices. • Subsidies declined by 55% since 1990. Total subsidies in 1990 17.5 mld. Sk, 7.6 bill. Sk in 1999 = 43,4%; and 8.3 bill in 2000 + 3.1bill related to severe drought = 65.1% , 9.0 bill, in 2001, 7.5 bill in 2002 and 8.5 bill.in 2003 • Measured by the Producer Subsidy Equivalent, aggregate support to agriculture declined from 60% in 1990 to 28% in 1995 and further to 11% in 2001 with negative MPS (-3 billion SKK). • State Fund for Market Regulation (SFMR) in the year 2001 provided only limited intervention in markets. It extended export refunds to exporters of dairy products, wool and malt, in some extent also to cattle exporters. It facilitated the cash flow on grain market by extending subsidized commodity credits to farmers who deposited their produce into public warehouses. No export subsidies in 2002 due to lack of funds. No actual intervention buying in 2002. • Minimum prices for main agricultural products (wheat, sugar, potatoes, cattle,) set at the beginning of the planting season for specific quantities and quality standards (cover 90% of estimated average production cost). • Milk is regulated by a system of minimum administrative prices combined with a premium to producers on dairy cow (quota/yield per cow = number of cows and minimum yield is 4000 l per cow and year) and an annual production quota of 930 million liters. Annual surplus of about 20 % was exported as milk powder and cheese with subsidies. • About 30 % of agricultural subsidies paid as area payments to less favoured areas. Other subsidies are scattered in a number of commodity specific programs (mainly suckler cows, dairy cows, , sheep and goats, vegetable, irrigation water, ecological programs, investments to improve quality standards). 	<ul style="list-style-type: none"> • SFMR is an obstacle to market development and ways to make its interventions less frequent and more predictable should be considered. <p>SFMR has been transformed to Intervention agency. They use more transparent measures to operate on the market not to distort prices. The agency is being re-shaped to a CAP-conform institution</p> <ul style="list-style-type: none"> • Gradual expansion of private sector trade activity is needed to improve efficiency. With greater reliance on private trade, modern market-based risk management techniques (e.g., hedging of price risk) would soon develop. Private business is in place, but the marketing system as a whole is still less efficient. • Minimum prices should be de-linked from production cost and either eliminated or their level should be reduced and linked to world price levels. • Dairy quota should be phased out. (Please note, that from 2004 the CAP quota is in place) • Income support payments to marginal areas should be gradually modified from a per hectare basis to targeted support programs. (From 2004 EU RD payments, a.o. LFA payments will be phased in)
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<p>B. Trade Policies</p>	<ul style="list-style-type: none"> • Import protection is limited and gradually phased out following WTO commitments. • Most export and import licenses are automatic and for registration purposes only, but can still be used to protect domestic market. • Export licenses are non-automatic only for a few sensitive products (though the list has been decreased)..Number of automatic licenses increased significantly (cattle, beef, oats, SMP, rapeseed, sunflower, lamb, barley, corn, flour, Following the fall-out of grain harvest by draught, non automatic export licenses linked to volume quotas were imposed on grain exports in 2000 and 2001. On the other hand import quotas with 0 tariff were opened. In 2002 and early 2003 export quotas were opened for grains subject to non-automatic licenses. • Average weighted import tariff for agricultural products was 4,3 % (1998) 	<ul style="list-style-type: none"> • Export taxes, subsidies, and licenses should be phased out.
<p>C. Taxation</p>	<ul style="list-style-type: none"> • Tax reform in 2002, the base VAT rate reduced from 24 to 20 %, the discounted rate put up from 10% to 14 % (agricultural and food products) The corporate income tax reduced to 25 %. • Agriculture benefits from several exceptions to the Slovak tax code and tax reductions (e.g., consumption fuel tax rebate for tractors and road tax) The consumption fuel tax rebate has been replaced by cheaper colored petrol for farming, the excise tax for fuel will grow from 3 500 to 4 100 SKK per 1000 liter by 2003 There are income tax reductions (50%) for agriculture. 	

<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>Transformation of collective farms and the privatization of state farms and most services have been completed. However, it will take more time for the new owners to turn obsolete production facilities into efficient enterprises.</p> <ul style="list-style-type: none"> • Following their legal transformation in January 1993, many cooperatives have remained much the same as before. Cooperatives cultivate 46% of farmland. Some cooperatives have taken over bankrupted ones. Their average size is about 1600 ha. • Land market is dormant because of excessive fragmentation of ownership and high transaction cost. However, land use has not been affected by restitution as most land is leased and remains in large contiguous plots. • Administration of land registration has improved and the removal of arrears in registers is under way. • Restructuring and ownership consolidation of cooperatives is forced in those with poor financial performance either through voluntary reorganization or bankruptcy. • Privatization of state farms completed. <p>Re-structuring is speeded by the farm minister's ruling to phase out subsidies to non-viable farms in 2003.</p>	<p>Efficient, internationally competitive private farms and an active land market.</p> <ul style="list-style-type: none"> • Land ownership in cooperatives is highly fragmented and ways to facilitate consolidation should be considered. One option is to enable active members to swap entitlements for subsidies for payments to buy out land owners. Since the "market" price of land is much lower than administrative price very limited number of people sell their land. • Ownership consolidation is essential for reducing land transaction cost, activation of the land market, and acceptance of land as collateral.
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<p>3. <u>Competitive Agroprocessing and Services for Agriculture.</u></p>	<p>Privatization of agro-processing and services has been completed. New owners will have to reduce cost and improve efficiency to maintain their market share against foreign competition.</p> <ul style="list-style-type: none"> • The situation of agri-food industries is not the same in all subsectors. Some of them struggle with low cash-flow, poor contract enforcement, weak management, , and stagnating labor productivity, other (mostly those with FDI, but not only) conduct modernization investments and expand in output.. • Organized wholesale markets for agricultural commodities and food are yet to develop. Comprehensive Food distribution systems have been split during the reform, but new ones stepwise arise. , Arrears in the market transparency may still cause higher transaction costs Vertical links in the food chain are still weak, but starting to develop. • Several international food chains have come to Slovakia and their market share is growing. They execute a significant pressure pushing down consumer prices and processors´ margins. • Foreign participation in agro-processing privatization has been limited to particular industries, but should increase. Foreign investors became dominant in sugar industry, isoglucose, confectionery, dairy processing, canning, beer and malt industry. 	<p>Competitive and privately owned agro-processing and input supply.</p> <ul style="list-style-type: none"> • Continue to resist pressure by special interest for protection against foreign competition. • Continue to improve the enabling environment for business activity.
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<p>4. <u>Rural Finance</u></p>	<p>High risk stemming from undercapitalization, ongoing consolidation of ownership, high debt, and poor credit history, all mitigate against better access and more favorable credit terms in agriculture, but the situation is improving..</p> <ul style="list-style-type: none"> • About 70% of financial needs in agriculture is covered from own-resources 10% is from subsidies and 20% by commercial credit. • State Support Fund for Agriculture and Agro-industries (SSFAA) which supported medium- and long-term investment in agriculture and agro-industries by extending soft loans (5% annual rate) and credit guarantees has been replaced (from 2002) by an extended program of credit subsidies from the state budget combined with credit guarantees by the Slovak Guarantee and Support Bank. The credit support program has been extended in 2003 and the allocation for direct investment subsidies diminished. • Working capital financing is offered against pledges on future crops guaranteed by commercial banks through forward supply contracts with processors. • Preparation of legal amendments and new laws is underway to improve collateral law including land mortgage law. The collateral law has been amended allowing the use of movable property as collateral. • Some commercial banks are beginning to lend on the basis of warehouse receipts, and system is on the good way and is improving The interest on loans on the basis of warehouse receipts is subsidized by state support program. <p>Banks extend loans for considerably lower interest than before (6.8 % p.a.). Farms' cash flow has slightly improved in 2001 and 2002.</p>	<p>Access to credit should be improved using market-based instruments and techniques, and an efficient universal banking system.</p> <ul style="list-style-type: none"> • Use of land as collateral is vital for agriculture to obtain better access to long-term investment financed by bank credit. • Speed up bankruptcy procedures and improve protection of creditors in cases of credit default. • Phase out interest rate subsidies. • Promote the emergence of competitive insurance services for agriculture. • Promote development of warehouse receipts system by appropriate institutional reforms.
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<p>5. <u>Institutional Framework</u></p>	<p>Consolidation and adjustment of main agricultural institutions has been largely completed.</p> <ul style="list-style-type: none"> • Number of staff in agricultural and food industry research establishment declined by 55% between 1990 and 2000. • Excessive but inefficient research facilities have been either closed or transformed into consulting services on a commercial basis. Extension network has been developed comprising private advisers backed by training and information centers. • Institutions to monitor and enforce quality and health standards have been enhanced. The State Veterinary Administration and the Agricultural and Food Inspection have been merged into a single State Veterinary and Food Administration. As a coordinating body Food Safety Commission was established early 2002. The adjustment of the food safety legislation to strict EU requirements is progressing. 	<p>Best practices in other countries should be applied, where appropriate, to improve efficiency in the provision of “public goods” to agriculture.</p> <ul style="list-style-type: none"> • No specific recommendations have been made.
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POLAND 2002

<u>Total Population</u>	38.64 mil	Food and agriculture in GDP 2000	8.0%	Output Ratios 2000 / 1990:	
Rural Population	38.25%	agriculture alone	3.3%	total agriculture	
		agriculture alone in 1989	13%	crops	87.7%
<u>Total Area</u>	31.3 mil ha	Food and agriculture in active labor	22.5%	livestock	82.5%
Agriculture area:	18.4 mil ha	agriculture alone	18.9%	Share of livestock in	91.9%
Arable land		Food and agriculture in exports (2000)	8.6%	agriculture (2000)	
Orchards	76.4	of which to EU	48.5%		45.2%
Meadows &	1.4	of which to FSU	23%	Real agricultural income	
Pastures	22.2	Food and agriculture in imports (2000)	6.7%	2000 (1991=100)	
Forested area:	28.8	of which from EU	43.7%	Inter-sectoral terms of	73%
		of which from FSU	3.7%	trade (output/input	
		Sales food proc./all retail sales (2000)	18.9%	prices) 2000 [1990 = 100%]	74%

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
1. <u>Macroeconomic Framework for Agriculture</u>	Market liberalization is advanced, although ad-hoc protection and support are provided periodically to selected products, companies and sub-sectors.	Limited intervention; a rule based safety net for catastrophic occurrences only; reform of farmers' social security and the tax regime

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
A. Prices/Subsidies	<ul style="list-style-type: none"> • Support for agriculture is in 4 categories: (i) direct subsidies to the farmers' social security system, (ii) price support, and intervention purchasing, (iii) input subsidies and (iv) subsidies for farm modernization and rural infrastructure. In addition, state agencies provide preferential credit and credit guarantees on commercial loans. So called "direct payments" were introduced for cereal producers in 1999 but actually this is additional price support measure as the payment is linked to the amount of cereals delivered and not produced in the past. Excluding the support by the state agencies total budget transfers during 1999-2000 have been increasing annually by about 3% in real terms which is mainly attributed to introduction of direct payments and considerable increase of cereals purchase by state. The total budget for agriculture (including farmer pensions) represents 2.75% of state's budget (in 2003 planned budget for agriculture increased by 16% and it's 3.06% of total budget expenditures) . • In 2002 market intervention was implemented through the state marketing agency (ARR – Polish acronym) for: bread wheat, rye, butter, skimmed milk powder, beef and pork carcasses, sugar, bee honey, tobacco, sugar, dried fodder and potato starch. In 2002 the ARR bought about 16% of domestic production of cereal, and 17% of bee honey and less then 3% of pork. • PSEs, in 2000, were 7 %, while in EU countries 34%, although in 2001 and 2002 was already higher • There is a functional and institutional overlap between market intervention and government purchases of national food reserves, decreasing the transparency of support. 	<ul style="list-style-type: none"> • Make price support rule based, linking it to an objective measure, such as border prices and with sufficient average difference between intervention and market prices to allow the market to operate. Limit price support to key commodities. • Discontinue distortionary and opaque support given by state agencies. Diminish share of ARR in agricultural markets. • Develop for pre-accession time price support policy independent of current government demands, with complex approach to allow consider multi-relations among commodities • Develop strategy for potato producers which are not cover by CAP

ISSUE	STATUS OF REFORM	OBJECTIVES PROPOSED ACTIONS
B. Trade Policies	<ul style="list-style-type: none"> • As signatory to the WTO agreements, Poland has abandoned quantitative import restrictions and variable levies, but is allowed tariff protections similar to EU levels, though only much lower export subsidies are allowed (but not fully used in 2002). • Weighted average tariff for agricultural products reached in 2002 25,57% (effective weighted average tariff was 18.47%). At the same time weighted average tariff for non-agriculture products was only 2.47%. The tariff does not apply to durum wheat, and crude soybeans oil. • “Double Zero” Agreement – Part I, concluded in 2000 with EU, regards further liberalization in agriculture trade. It introduced annual quotas free of tariffs for some 13 products. Part II of this agreement was signed in 2002 and covered transformed products. • agreement within CEFTA will be replaced by EU association treaty in May 2004; • From May 2004 Poland will adopt fully EU trade policy and its independence will be strong limited 	<ul style="list-style-type: none"> • Resist demands for protection; interpret what is allowed under WTO conservatively and insist on quantified economic justification for all tariffs proposed; incorporate estimates of real exchange rate in evaluations. • Evaluate the long-term prospects for the sugar sector, assuming EU accession; make a plan for its rationalization based on full privatization and phasing out of export subsidies. • Liberalize trade in these products that are important for Polish export • Accelerate fulfilling phytosanitary and veterinary regimes as a possible future obstacles in trade within and out of EU • Estimate EU accession impact for Poland import-export measures and develop appropriate strategy that could protect against negative influences
C. Taxation	<ul style="list-style-type: none"> • Farmers do not pay income tax on agriculture production. • A land tax is levied on agricultural holdings as a function of soil type and the price of rye; selected investments can create a tax deduction • Rural cooperatives are taxed as corporations, this perceived as double taxation [corporate income tax plus personal income tax on dividend or profit distribution] by members. • Agricultural VAT Act was introduced. According to the new legislation, farmers would be able to choose between two methods of paying VAT: general VAT for farmers who claim more than zł 80,000 in annual turnover in 1999; and a lump sum VAT which would require farmers to add 3 percent in tax to all products they sell. In the latter case, however, farmers would be unable to claim tax deductions for such farming inputs farming machinery, fertilizer and seed. A 3% VAT on agricultural machinery was introduced and 7% for food. Some fertilizes and machinery are have 0% VAT • Poland is allowed to keep a 3% VAT (but not lower) within 4 years after accession to the EU. 	<ul style="list-style-type: none"> • Agriculture derived income above a threshold should be taxed. • Corporate tax on cooperatives should be abolished; profit distribution should be obligatory, with limited retained earnings allowed with distributed profit taxable at level of cooperative member [US sub-chapter S corporate structure could be a guide] • Levy agricultural tax only on land actually under production, so as to create incentive for voluntary set aside. • Introduce a pollution tax based on mineral book keeping to discourage misuse of fertilizers • Introduce simplified agriculture accounting which allow minus VAT (this system apply in case of credits from ARMA)

ISSUE	STATUS OF REFORM	OBJECTIVES PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>APAST has took 4.7 million ha of arable land in 1992: 33% has been transferred to new owners, and 52% has been leased. The average size of private farms is only 8,39 ha, in an average of more than 12 parcels, but this indicator is strongly regionalized (in Rzeszowskie 4 ha in average 20 pieces)</p> <ul style="list-style-type: none"> • All assets and liabilities of former state farms were transferred, in Jan. 1992, into a state owned, off-budget, agency-APAST. Liabilities were fully paid. Privatization of land and other assets has been slow, mainly due to still not resolved re-privatization issue in Poland • In addition to the assets of the former state farms, APAST also received custody of the State Land Fund, consisting of a large number of, usually small, parcels of land (totally 0.6 million ha), and of 333.000 apartments of which 90% was privatized • Privatization of land is hindered by: reluctance to break-up large farms, pre-nationalization claims, political opposition against privatization and associated land sales to foreigners, and by vested interests of APAST staff. • Land holding, and production, structure on the 80% of agricultural area in private hands is archaic, reminiscent of the situation in most of Western Europe immediately after the second world war. Land consolidation process covers less than 10,000 ha annually. • The draft of Land System Act is in parliament. According to new legislations the farm can't be less then 4 ha, but no more then 300 ha, the one piece of land should be more then 0.60 ha before dividing within family. In this shape this is against principles in Constitution. • The legal registration system are not copy the real situation: around 70% of farm holders operate on the informal 	<p>Complete privatization of former state farms; accelerated land consolidation and development of land market.</p> <ul style="list-style-type: none"> • Speed up and complete the privatization of ownership of former state farm land; consider auctioning off the rights to privatization, within prescribed guidelines, to private land development companies operating in the local land market. Develop a sunset policy for APAST and amend its by-laws accordingly. • Improve the operation of the land market by (i) fomenting the creation of a real estate brokers association, (ii) assist with the development of information on land transactions and on offers and requests for land and (iii) improve the efficiency of registration of land transactions (iv) help to establish mortgage banks in rural areas • Integrate the lands obtained as State Land Fund into the land market, directly and through the consolidation programs. • Speed up consolidation program to minimum 400.000 ha/a which allow to cover urgently 2 million ha (of 3.4 million ha total necessary), mainly in South-East part of Poland • Introduce cadastre system • develop perpetual register as more smoothly system

ISSUE	STATUS OF REFORM	OBJECTIVES PROPOSED ACTIONS
<p>3. <u>Competitive Agribusiness System.</u></p>	<p>Delays in privatizing agroprocessing; emergence of new private sector processing; large border trading companies have emerged from the human and goodwill assets of former state trading monopolies; agriculture service sector, notably marketing, remains weak.</p> <ul style="list-style-type: none"> • Delays in privatization have maintained high cost enterprises, creating opportunities for new private entrants to exploit attractive margins. This, though, puts a question mark on the industry's competitiveness. • Standards and quality control remain to be adjusted to the requirements of a competitive market, with emphasis on the EU's "acquis communautaire." Industry interest associations that should undertake some of that work and lobby government for the rest are still embryonic. • Some kind of certain markets are monopolized (dried fodder, sugar, vegetable oil), which has negative impact in microscale. 	<p>Complete privatization and harmonization of rules, regulations, standards and controls with the EU and support the development of interest associations and market instruments</p> <ul style="list-style-type: none"> • Develop a divestiture plan, with target deadlines, for all remaining state owned agro-industry enterprises, including privatization, bankruptcy and sales of assets. • Develop a timebound implementation plan for the part of the EU's "acquis communautaire" that pertains to the food processing industry, including the creation and adaptation of institutions and associated training and staff development. • Assist with the creation of wholesale markets, warehouse receipts and later, commodity futures contracts. • Support the development of interest associations in agribusiness activities. • Study the likely competitiveness of Poland's agro-processing sector within an enlarged EU. • Support marketing activity of private companies and developing overall management skills

<p>4. <u>Rural Finance</u></p>	<p>The dominant institution in rural finance, the Bank for Food Economy (BGZ) remains in state hands in 70% ; interest rate subsidies are still used; private banking for rural finance remains highly selective.</p> <ul style="list-style-type: none"> • The former rural finance monopoly, BGZ, still has a large portfolio of non-performing assets belonging to former or current state owned enterprises. • New Cooperative Banking Law, introduced in 2001, stated that BGZ can't associate cooperative banks. BGZ S.A. works as a domestic bank with 187 service stations. The net loss of BGZ for 2002 resulted to postpone to float BGZ's share on the Warsaw Stock Exchange. It can impede privatize the BGZ. • 605 cooperative banks, gathered in three associations showed good financial standings for 2002 <ul style="list-style-type: none"> • The limited rural financial intermediation leads to a dominance of cash transactions and savings that are held in cash or in physical assets. • Public Financial Law by centralized flow of funds could be an obstacle in utilizing EU structural funds in rural areas 	<p>Viable rural finance system, served by agile financial institutions, incorporating the traditional rural cooperative banks.</p> <ul style="list-style-type: none"> • Resolve the core structural weaknesses of BGZ, both operationally and in its portfolio; privatize the bank. • Create ways and means to give rural municipalities access to the capital market. • Develop decentralized system that will allow disbursements of expected future EU structural funds through regional financial institutions. • Discontinue the credit guarantee operations of ARR, ARMA and APAST, in favor of one transparent program operated by an accredited financial institution. • Improve climate for private banks in rural areas before launching IACS system • Simplifying regulations for cooperative banks • Continue RDP, supported by World Bank • Develop wide disaster insurance system that cover production and future income
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ISSUE	STATUS OF REFORM	OBJECTIVES PROPOSED ACTIONS
5. <u>Institutions</u>	<p>Institutional restructuring has been substantial and meaningful; responsibility of the Ministry Agriculture has been broaden to rural development and functioning of the ministry has to be adjusted; selected adaptations to EU requirements are still needed.</p> <ul style="list-style-type: none"> • The Ministry of Agriculture and Food Economy (MAFE) was restructured in 1998 under the MAFE and further streamlined as part of overall restructuring of government. According to the amendments introduced by the Law of 24 July 1999 amending the law on state administration divisions, the MARD is responsible for the following sectors: agriculture, rural development and agricultural markets. Based on this Law, the Veterinary Department at MARD was dissolved and the new independent unit was established, namely the General Veterinary Inspectorate, whose head is appointed by the Prime Minister. Pursuant to the Law, the Fishery Department was established at MARD. • The extension service was essentially recreated with a dual emphasis, on technical matters and on business matters. • Important institutions remain dependent on, often foreign, off-budget resources for their existence. This keeps them sometimes de-facto out of the mainstream of agriculture policy making and development. • The MARD completed initiative undertaken in 1996, to restructure the curricula of the agricultural high schools so as to make it more relevant to contemporary conditions. • The budget squeeze on institutes of higher learning has forced its management into entrepreneurial activities, bringing more "real world" focus into that part of academe. • The agricultural research establishment, notably government's 42 breeding farms, maintains institutions and practices that appear archaic but that may still be appropriate given the archaic nature of production and landholding of the vast majority of Polish farms. • In 1999, according to the new administrative division of Poland, 16 chambers of agriculture replaced the formerly existing 49 voivodship chambers of agriculture. The supreme organisation is the National Council of Chambers of Agriculture. • After accession to the EU, Poland will be participating in European CAP. ARMA will be the institution responsible for running financial side of CAP in Poland. ARMA has its regional offices in all 16 voivodships. 	<p>Creation of administrative capacities dealing with rural development. Modification of institutions dealing with the EU and changes in practices and methods of operation in step with structural changes in production and landholding.</p> <ul style="list-style-type: none"> • Continue and strengthen the on-going program of institutional adaptation to the requirements of the "acquis communautaire." • Bring all institutions under the purview of government by making them "on-budget" and have foreign support for them flow through the budget. • Make personnel remuneration in selected institutions market based, rather than being determined by general civil servant rules, so as to attract and keep "the best and the brightest." This is of particular importance in view of the going-on negotiations for EU membership. • Complete the reform of agricultural education and associated research. • Study the expected future direction of agricultural research in Poland, both private and public, in support of the development of a research strategy. • Reform farmers' pension system which now costs over 70% of the total budget of the Ministry of Agriculture and Food Economy (MAFE), while contributions cover less than 10% of costs. • Develop long-term strategy for ARMA transforming to decentralized organization • Speed up the strengthening of extension service

LITHUANIA

<u>Total Population</u> (2001)	3.48 mil	Share of agriculture in gross value added (2001)	6.3%	Change in agricultural production 2001 compared to 1995	-7.8%
Rural Population	33.1 %	Share of employees engaged in agriculture in total number of employees (2001)	16.7%	Structure of total agricultural production (2001):	
Total Area	6.5 mil ha	Share of agricultural and food products (2001):		Crop production	55.3
Agricultural area of which:	3.4 mil ha	in total export	12.4%	Animal production	44.7
Arable land	85.3%	in total import	9.7%	Share of total agricultural production on Family and household farms (2001)	79.0%
Natural pastures	13.4%			Agricultural enterprises (2001)	21.0%
Orchards	1.3%				
Forest	2.0 mil ha				

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
1. <u>Macro-economic Framework for Agriculture</u>	Reduced inconsistencies and distortions in the policy environment and reduced spending, but temporary reversals introduce undesirable uncertainty and restrict efficient resource allocation.	Distortion free, efficient and internationally competitive agricultural sector:
A. Prices/Subsidies	<ul style="list-style-type: none"> • Changes in support systems over last few years eliminated use of minimum prices and price subsidies and shifted to less distortionary interventions, including area and headage payments. (note: payments are no longer differentiated by quality) • New law on agriculture and rural development, which came into effect in January 2003, as part of legal harmonization process with the EU CAP <i>acquis</i>, removed the legal basis for Government setting minimum farm prices. • Budgetary outlays for agricultural support declined by 18 percent in nominal terms from 2000 to 2001, including a 28 percent decline in market regulation and income support expenditures. Outlays would have been even lower in 2002 had it not been for one time disaster payment for drought relief. • Principle of self-financing of the sugar regime was restored by removing the temporary distortions introduced in 2001 and reducing by 8 percent the quantity of sugar eligible for support in 2003. • First class wheat intervention prices continue to be higher than the EU levels. 	<ul style="list-style-type: none"> • Continue toward greater reliance on income support, which is decoupled and direct payments, based on reference area and animal numbers and targeted to promote quality and efficiency improvements. Prepare for full implementation of the EU CAP market regulation and income support schemes. • Maintain a consistent policy strategy for agriculture that avoids the disruptive temporary shifts in support programs and provides a stable planning environment for private and public decision makers and focuses agricultural support on quality and efficiency enhancement and structural adjustment. • Increase support for improved market institutions including market information systems. • Implement EU guidelines regarding producer support mechanisms and rural development programs.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
B. Trade Policies	<ul style="list-style-type: none"> • WTO accession is completed and the legal and institutional frameworks as well as the trade regime are in compliance with WTO requirements. • The Europe Treaty negotiations on further trade liberalization, effective January 2001, provided for unlimited free access to both EU and Lithuania markets of the “least sensitive” agricultural products (those for which the previous EU import duty was less than 10%, products imported from the EU and not cultivated in Lithuania, such as citrus fruit and olives). • The agreement also provides a double zero list, which includes pig meats, poultry, sausages, cheese, eggs, tomatoes and apples. In addition, tariff quotas have been increased, especially in the cheese sector. For certain products, such as milk powder and butter, Lithuania has been unilaterally granted duty free tariff quotas on imports to the EU. • The Baltic Free Trade Agreement (BFTA), covering all agricultural and food products, creates free trade zone for Baltic origin ag. and food and fishery products as well as eliminating non-tariff barriers. 	<ul style="list-style-type: none"> • Undertake new WTO liberalization commitments that emerge from the Doha Agenda. • Improve foreign trade and market information systems and prepare to implement EU border measures upon accession to the EU.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
C. Taxation	<ul style="list-style-type: none"> • Personal income tax exemption for persons with agricultural income exceeding 50% of total income and making less than set amount per year. • Agricultural companies engaged in raw material production, processing and services to agriculture have profit tax reduction from 15 % to 10 %, and it is waived if agriculture (farming, processing and services to agriculture) exceeds 50% of total income. • Land tax exception for three initial years for farmers and other rural populations remain. After that, Municipal authorities may authorize a reduction or even waive land taxes or rents on an annual case by case basis. • Legislation, approved in 2000, exempts economically weak farms from full payment of social security contribution. The difference is covered by the budget. • Since 1999, increases in fuel excise tax is partially refunded to agriculture and fisheries through direct payments from the agriculture budget. • Excise tax on sugar and sugar containing products was introduced in 1998 as part of the new sugar market regime. It was replaced by sugar tax in 2001. Revenues are used to finance direct payments to sugar beet producers. 	<ul style="list-style-type: none"> • Increase transparency and enforcement of agricultural taxation and reduce tax preferences, which distort resource allocation between agriculture and other sectors.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>Government committed to transforming agriculture into an efficient and dynamic sector by encouraging the development of a market-based, predominantly privately owned production system.</p> <ul style="list-style-type: none"> • Passed the Constitutional Amendment to permit agricultural land ownership by local legal entities and foreigners. Foreign ownership rights portion of this are phased in over 7 years as part of the transitional arrangements under the EU accession negotiations. • Substantial progress in the privatization of agricultural land and developing the conditions for a functioning land market. However, approximately 44% of agricultural land has not yet been transferred (titled) to private owners, though all but 23 % is approved for transfer. Absence of title does not prevent use of the land but limits land market activity. • The process of land restitution has returned about 77% of the land to former owners and their heirs, while the remaining claimants have taken other forms of compensation or are waiting for disputed claims to be resolved. • As pressures to become more competitive increase, greater farm consolidation is expected, with average farm size increasing and smaller farms disappearing. Consolidation process is supported by granting priority of purchasing state-owned land by land owners neighboring the parcel on sale. • The State Land Cadastre and Register, established in 1998, renamed as Register in 2003, consolidates real estate, land, and mortgage data systems to improve the efficiency of processing claims as well as the many other land related transactions. 	<p>A farming system based on private ownership of land and a working land market for efficient and fair asset transfer.</p> <ul style="list-style-type: none"> • Complete the transfer of remaining agricultural lands from State control to the private sector by resolving claims disputes and issuing titles as well as by selling state land not claimed by former owners. • Establish a framework for consistent land valuation and efficient land market information dissemination. • Improve design of legal and institutional framework to permit sound mortgage operations. • Expected farm consolidation and resulting labor shedding will require measures to facilitate the movement of labor from former agricultural activities to new employment, both within and outside the sector.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>3. <u>Competitive Agro-processing and Services for Agriculture</u></p>	<p>Considerable progress in privatization of agro-industries, but additional domestic and foreign investment is needed.</p> <ul style="list-style-type: none"> • Foreign participation in marketing and agro-processing is very limited, except for specific industries such as beer, pet food and tobacco. • (note: this restriction was eliminated long ago) New plants and consolidation of private enterprises is bringing about an increased level of competitiveness. As pressures to modernize intensify, labor shedding is expected to continue in the sector. • Nineteen dairy plants (representing about 80 percent of production) and nine meat processing plants (representing about 40 percent of production) have a license to export to the EU. There are more meeting the requirements but not yet certified. • Agricultural exports increased more than 50 percent in two years, and the quality conscious EU and US markets replaced the CIS as the largest market. • Bankruptcy laws permit bankruptcy to be initiated not only by banks, but also by local authorities and farm organizations representing creditors that have suffered from payment delays. In 2000, government approved series of resolutions to protect producers for payment arrears. Since 2002 this problem actually ceased to exist except for already bankrupted enterprises. • The Agro-Information system is being developed in line with EU requirements. In addition, in 2002, the Labor Economics and Training Methodology Services was established, consolidating two previously independent services in the Ministry of Agriculture, to develop curricula for further agricultural education, provide information on production innovations and labor economics. 	<p>Efficient, privately owned agro-business firms, subject to market forces, and agro-processing industries with high quality products that can compete in world markets.</p> <ul style="list-style-type: none"> • Foster a policy and market environment that attracts new investment, especially investment that brings new agricultural and agro-processing technology. (note: done long ago) • Adopt measures to facilitate the relocation and re-training of excess labor. • To expand sales of processed meats in the EU and prepare to meet EU requirements in the domestic market, continue to expand the share of meat packing and processing plants meet EU sanitary and veterinary requirements. • (note: no longer an issue except for already bankrupt enterprises) • Strengthen farmer/processor market information systems. • Support modernization of transport, storage, and communications facilities.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
4. <u>Rural Financing</u>	<p>Creation and development of a sound financial system is under way, but rural financial markets still need focused attention.</p> <ul style="list-style-type: none"> • EU SAPARD is an important investment funding source for rural development. In November 2001, 5 measures were accredited out of 8 foreseen in the National Rural Development Programme. The program is operating and as of April 2003, Euro 120 million was allocated to these five measures and 12 percent of it was disbursed. • Loans to agriculture increased by nearly 50 percent between 2000 and 2002, partly due to operation of the Rural Loan Guarantee Fund, providing for up to 70 percent guarantees. • The Agricultural Bank and Savings Bank have been privatized, which completed privatization of the banking sector. • Burdensome bank collateral requirements and the exclusion of land as a form of guarantee reduce farmers' access to credit. This is changing with the Constitutional Amendment to Article 47. 	<p>Viable financial institutions serving the agricultural and rural sector efficiently.</p> <ul style="list-style-type: none"> • Complete the implementation of parcel and crop declaration and animal identification and registration systems in compliance with the EU guidelines. • Develop financial arrangement to facilitate sector access, especially among smaller farmers, of sufficient funding to meet SAPARD co-financing requirements and project preparation. • Facilitate the development of financial services and retail banking services in rural areas. • Provide training to farmers on preparation of business plans needed for loan applications.
• 5. <u>Institutional Framework</u>	<p>Institutional development is primarily driven by EU integration requirements.</p> <ul style="list-style-type: none"> • County agricultural officers now report to the National Paying Agency under the Ministry of Agriculture. EU procedures have been adopted for SAPARD-administered rural development activities and are being prepared as well for administration of EU CAP and Structural Support programs upon accession. • In 2000, government approved regulations regarding compulsory quality standards for food and agricultural products, and other technical regulations. • Milk quality control system and standards, which came into effect January 1, 2000, a step in converging to EU milk standards, has demonstrated farmers' ability to respond to quality determined incentives. • Considerable progress has been made in the area of legal provisions concerning livestock breeding and veterinary medicine. 	<p>Efficient and effective public sector administration and support for private agriculture.</p> <ul style="list-style-type: none"> • Continue to strengthen the research system and increase focus on competitiveness of products, quality control and management of standards. • Complete implementation of the National <i>Acquis</i> Adoption Program for the development and implementation of quality requirements and the restructuring of the food quality control system.

BULGARIA

Total Population	7.9 mil.	Food and agriculture in GDP	13.6%	Agricultural output in 2001 in percent of 1990	85.362%
Rural Population	31 %	(2001)		Share of livestock in agriculture (2001)	42%
Total Area	11.1 m. ha	Food and agriculture in exports (2001)	10%	Share of independent private farms in total arable area (2001)	98%
Agriculture area:	6.2 m. ha	in imports (2001)	6%		
Arable land	44%	Traditionally net exporter:			
Orchards	3.2%	tobacco, sunflower seed,			
Irrigated	1%	dairy products, wine, fruits and vegetables.			
Forested	30%				

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
1. Macro-economic Framework for Agriculture	Most prices are liberalized; free trade policy; currency board has controlled inflation since 1997.	Continue policy of stabilization and liberal markets, and stimulate growth in agriculture and the development of rural regions.
A. Prices/Subsidies	<ul style="list-style-type: none"> • Previous systems of price and profit margin control and of “negotiated prices” were ended and most prices were fully liberalized in 1998. • Price and trade restrictions and impediments, especially export taxes and licensing have been largely eliminated. 	<ul style="list-style-type: none"> • Continue policy of low price distortions, and extend liberal policy to tobacco.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
B. Trade Policies	<ul style="list-style-type: none"> • Taxes on all agricultural exports and discretionary import duty exemptions have been eliminated; non-automatic and automatic licensing for agricultural exports largely eliminated. <p>The foreign trade regime is fairly liberal. Tariffs are determined on the basis of international agreements such as the WTO, these with the EU, CEFTA and bilateral free trade agreements.</p> <ul style="list-style-type: none"> • Import tariff regime provided in recent years high and non-uniform protection, especially for processing industries. Some tariffs, such as fertilizer and especially poultry meat, are very high. <ul style="list-style-type: none"> • Member of WTO since Dec 1, 1996 • Member of CEFTA since Jan 1., 1999 <p>Free trade agreements with Turkey, Macedonia, Lithuania, Israel, Estonia, Croatia.</p> <p>EU Association Agreement signed in 1995, subsequent “double zero” and “double profit” agreements signed for liberalized trade in agrifoods.</p> <p>The country plans to join the EU in 2007 and introduce at least 3 years prior to accession, as recommended by Brussels, CAP mechanisms such as intervention on commodity markets, and export subsidies. Implementation of these plans is contingent upon available financing from the state budget and institutional capacity, which have so far been insufficient.</p>	<ul style="list-style-type: none"> • Continue liberal trade regime, at least until date of EU accession is defined. • Continue compliance with WTO principles. • Keep tariffs on fertilizer imports and other agricultural inputs low. • Adopt a lower and more uniform tariff structure. <ul style="list-style-type: none"> • Extend trade liberalization to all products including tobacco. <p>Proceed cautiously with introduction of CAP type interventions as the CAP is a moving target and could be changed by the time of EU accession.</p>
C. Taxation	<ul style="list-style-type: none"> • Single 20% VAT applies to all products and services. 	<p>Lower VAT level in the medium term to stimulate food consumption and production; lower VAT registration thresholds so that agricultural enterprises can claim rebate; reduce waiting period for rebate; improve administration of rebates so that taxpayers are not penalized for non-payment at lower level of the marketing chain.</p>

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>While privatization of state and collective farms is completed, large-scale emergence of efficient private farm units remains a significant challenge.</p> <ul style="list-style-type: none"> • Initiated in 1991, the protracted process of land restitution and liquidation of collective farms devastated most farm assets and led to excessive land fragmentation. • All farmland has been restituted (99%), and most land formally titled (90%), except for cases where formerly rural land is now located in town centers. • Land transactions – both leases and sales - are picking up, especially in Dobruja and near the coast, but land prices are still low, compared with Bulgaria’s Central European neighbors. • Forest land restitution is near completion (at 95%). • Amendments to Land Registration and Cadastre Law under discussion to improve the present system. 	<ul style="list-style-type: none"> • Complete land registration, information and cadastre system reform to guarantee security of tenure and information on land transactions. • Promote an active land market and the use of land as collateral to improve access to long-term credit. • Promote market-led land consolidation, pass the relevant legislation and stimulate the process by various measures, proceeding from experience gained from pilot projects. • Permit land purchases by foreigners. • Maintain neutral policy toward all legal forms of business association. <p>Continue with improvement of property registration and cadastre legislation to promote the development of land markets.</p>

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>3. <u>Competitive Agroprocessing and Services for Agriculture.</u></p>	<p>Most agroindustry not competitive, but situation improving</p> <p>The trend to loss of export markets continues due to the crisis in the primary sector</p> <ul style="list-style-type: none"> • Privatization is almost completed. • Some progress in establishment of warehouse receipts system (500,000 mt licensed warehouse capacity now exists). • Operations of the State Reserves improved but still poses problem for destabilization of private storage market. • Law on Water Users' Organizations has been passed; a new Water Agency formed, but the state-owned irrigation company still needs to be restructured • Beginning to transfer operation and maintenance responsibility for small-scale irrigation infrastructure to water users' associations • Implementation of SAPARD has begun, and is gaining speed after a slow start 	<p>Competitive, private agro-processing and input supply in a stable macroeconomic environment.</p> <ul style="list-style-type: none"> • Finalize privatization and/or liquidation of state-owned enterprises (e.g. Bulgartabac). • Continue to make State Reserves activities more predictable and transparent by implementing management approaches and transparency measures outlined in COM decree. • Improve market infrastructure including development of commodity exchange trade, information systems• Further develop warehouse receipts system. • Expedite formation of water users' associations, and transfer irrigation assets to them. • Restructure Irrigation Systems Company • Update the strategy and assessment of the irrigation network, and the needs for its rehabilitation.
<p>4. <u>Rural Finance</u></p>	<ul style="list-style-type: none"> • The banking system is stable and all banks are privatized (only one still undergoing privatization), mostly by foreign banks. Additionally foreign banks have opened branch offices. • Still high risk stemming from low profitability and poor credit history greatly limit access to credit. • Most working capital needs are met from farmers' own-sources as banks are reluctant to credit the sector; but the volume of bank credit is expanding (albeit from a low base) especially to agro-industrial firms; the term structure of loans is very slowly expanding from short term (up to 12 months) to medium term (up to 5 years). • Donor supported credit co-op network is small, but results are encouraging. 	<ul style="list-style-type: none"> • Improve access to rural credit for creditworthy borrowers by extending outreach of the bank and non-bank intermediaries • Restructure SFA to focus on its role as counterpart agency for EU SAPARD funds; along with fulfilling functions necessary in view of preparation for EU accession; eliminate short-term direct credit, closely monitor long-term direct credit to ensure adequate targeting and transparency. Interest subsidies are a continuing source of concern.. • Develop the legislative basis for the credit cooperatives to increase small farmer access to credit.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
5. <u>Institutional Framework</u>	<p>Agricultural institutions including research and education have deteriorated, lacking policy direction, and losing skilled staff.</p> <ul style="list-style-type: none"> • Instead of guiding agriculture to a market-based system, MAFF has in the past focused only on ad hoc actions often motivated by a crisis or pressure from a special interest lobby. • Statistical information on agricultural production and prices, agro industry, and rural finance, is unreliable <ul style="list-style-type: none"> • • Financial resources barely cover salaries and are spread too thinly over rapidly declining number of centers, staff and projects. Little innovative research is underway, both technology and equipment are outdated. • Adjustment in agricultural education has been limited and public extension service does not exist. 	<p>Start with a narrow focus on essential priorities in public sector administration to ensure success.</p> <ul style="list-style-type: none"> • Develop a solid information database and statistical analysis capability for agricultural policy decision-making, encompassing data from diverse sources (household, commodity level, sector, financial system). Provide access to statistical/agricultural information and analysis to the public. • Rationalize agricultural services by salvaging remaining valuable assets in research and education. • Develop extension and export promotion services to farmers, including smaller and medium size farms lacking access to commercial information sources.

Moderate Reformers

(countries with a ranking score of 6.0 to 7.9)

Albania

Romania

Croatia

Armenia

Macedonia

Azerbaijan

Kyrgyz Republic

Serbia and Montenegro

Moldova

Bosnia and Herzegovina

Georgia

ALBANIA

Total Population	3.1 million	Agriculture in GDP (2000)	51%	Agricultural output in 1998 as percentage of 1989 level	132%
Rural Population	58%	Food and agriculture in Active labor force (2000)	42%	Livestock production 1998 as percentage of 1989 level	166%
Total Area	2.8 mil. ha	Food and agriculture in exports (2000)	10%	Share of livestock in agriculture (1999)	50%
Agricultural Area	1.3 mil. ha	in imports (2000)	17%	Agricultural area in private Use (1998)	100%
Arable Land	25%	Currently an exporter of:		Share of family farms in total agricultural land (1998)	100%
Irrigated	7%	Vegetable, fruit, fish products and tobacco		Share of private sector in total Agricultural output (1998)	100%
Orchards	17%				
Natural Grassland	15%				
Forested	36%				

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p><u>1. Macro-Economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>Markets and prices are fully liberalized with minimal price distortion, but market structures are weak and poorly integrated.</p> <p>All agricultural producer and consumer prices deregulated.</p> <ul style="list-style-type: none"> • Government has retained small subsidies for irrigation. • Private sector took over cereal imports from GDSR in late 1996 • Markets remain weak due to poor infrastructure and low marketed surplus. • Public transfer system for low income groups in rural areas has limited resources. 	<p>Distortion free marketing and incentive system and a more open trade policy.</p> <ul style="list-style-type: none"> • Refrain from introducing agricultural price interventions. • Support development of infrastructure • Improve means to target transfer payments to rural poor. <p>Improve barriers for business development</p>
B. Trade Policies	<ul style="list-style-type: none"> • WTO member since September 2000 • Recent import tariffs decrease: ad valorem tariffs of 0-18%. • Free trade agreement with Macedonia • Member of Stability pact for South Eastern Europe • Preferential trade agreement with EU <p>- Stability and Association Agreement negotiations with EU started</p>	<ul style="list-style-type: none"> • Advance multilateral and bilateral trade agreements. • Promote export production under preferential trade agreement
C. Taxation	<ul style="list-style-type: none"> • Land tax introduced in 2003, but not yet implemented due to incomplete decentralization process 	<ul style="list-style-type: none"> • prepare and implement property taxation system with moderate tax rates to be effective after first time registration is completed.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>Comprehensive re-distribution of all public agricultural land completed, but most of this land still lacks secure, unambiguous property rights.</p> <ul style="list-style-type: none"> • 85% of agricultural land re-distributed in 1991-92. • 90 % of the agricultural land has been registered and titled. Registration process of all land is ongoing. • Forest and pasture land under public ownership and partially transferred to communes for management • Inadequate legal and administrative procedures for resolving ownership disputes. • Land market is developing, though informal transactions prevail due to tedious, costly and time consuming registration procedures • No timely and equitable solution for restitution and compensation issues of immovable property. 	<p>Full ownership rights and a working land market for efficient land transfer.</p> <ul style="list-style-type: none"> • Complete first time registration of land. • Complete transfer forest and pasture land to commune/village control and develop forest management plans. • Put appropriate measure in place to resolve claims of former land owners and registration disputes. • Review laws related to property rights to improve efficiency and reduce transaction costs. • Implement business plan for registry office and improve automation process.
<p>3. <u>Competitive Agro-Processing and Services for Agriculture</u></p>	<p>Privatization nearly completed; over-regulated seed sector.</p> <ul style="list-style-type: none"> • 90% of agro-processors now privatized, recent government commitment to accelerate and complete privatization of the remaining (mostly larger) State-Owned Enterprises. • Limited foreign investment in agro-processing. • Newly privatized agro-processors hampered by outdated equipment, lack of credit and a weak understanding of competitive markets. • Product quality is low and new systems for setting and monitoring quality standards are not yet in place. • Seed sector overregulated and still dominated by public agencies. • Growing dynamic system of private sector input dealers has evolved but they are constrained by poor access to credit. 	<p>Competitive, privately owned agroprocessing, input supply and service subsectors operating with minimal government protection.</p> <ul style="list-style-type: none"> • Complete privatization of remaining State-Owned Enterprises. • Facilitate access to private commercial credit for private sector enterprises, and continue support for improving management techniques. • Complete establishment of new systems for defining and monitoring product quality. • • Restructure seed research institutes to more applied and relevant research • improve security and macro conditions to attract foreign investment
<p>4. <u>Rural Financing</u></p>	<p>Lack of an appropriate financial system for agriculture</p> <ul style="list-style-type: none"> • Rural credit is available outside micro-credit-type schemes. Rural Commercial Banks merged with National Commercial Bank,. • There are 10 private commercial banks and their interest in agriculture is increasing. • Following the decrease of deposit rates by the BoA to 7 %, the interest rate of credits is decreasing. • • Savings and credit associations and village credit funds operating in many areas, process ongoing • Law on savings and credit associations passed in 2001. 	<p>Viable financial institutions serving the agricultural sector efficiently</p> <ul style="list-style-type: none"> • Complete legal and regulatory framework for loan enforcement including bankruptcy law. • Expand micro-credit-type organizations where appropriate, but in a sustainable way with no rapid scaling -up. • Finalize regulatory and supervisory procedures for savings and credit associations. • Strengthen implementation and enforcement and supervision capacity of the Bank of Albania.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
5. <u>Institutional Framework</u>	<p>Public institutions not yet adjusted to the needs of small-scale private farmers; lack resources and trained personnel.</p> <ul style="list-style-type: none"> • MAF now has mainly regulatory functions, but has yet to re-organize and train personnel to implement these functions effectively. • Agricultural extension services are weak. Reform of the agricultural research system has started. • Limited MAF capacity for policy analysis. • PRSP and MTEF conducted and alignment of tasks and budgets improved. • Decentralization and civil service reform in progress, but lack of capacity and will to clearly define roles and responsibilities • Establishment of regional development plans started. 	<p>Efficient and effective public sector administration and support for commercial private agriculture.</p> <ul style="list-style-type: none"> • Capacity building in national and local governments. • Clear definition of responsibilities within decentralization plan. • Continued reform of extension and research programs and institutions • Continued efforts to improve the capacity for policy analysis. • MOA to realign its structure with decentralization structure • Improved and more transparent budget allocation in MOA and increased accountability

ROMANIA

<u>Total Population</u>	22.4 mil	Agriculture in GDP (2001)	13.4 %	Gross Agricultural Output (GAO) in 2001 as percentage of 1989-91 level	91 %
Rural Population	45.6%	Food and agriculture in active labor (1998)	40.6%	Livestock production in as Percentage of 1989-91 level	89 %
<u>Total Area</u>	23.8 mil ha	Food and agriculture in exports (2002)	2.6 %	Share of livestock in agriculture as % of GAO (2001)	39 %
Agriculture area:	14.8 mil ha	in imports (2002)	5.0 %	Agricultural land in private use (2002)	93.2%
Arable land	63.2%	Traditionally net exporter: live cattle and sheep, meat (pork, beef, poultry), grains, sunflower oil, wine		Share of independent full and part-time family farms in total agricultural area (2000)	82%
Orchards, vineyards with Irrigation Facilities	3.2 %				
Forested	26.6 %				

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>1. <u>Macro-economic Framework for Agriculture</u></p>	<p>Food and agriculture operates in a price and trade environment with direct links to the world market. Weak private market institutions, not enough price transparency, high transport costs and poor logistics inhibit market development.</p>	<p>Maintain relatively liberal market system initiated under ASAL, with minimal Government intervention. Support the development of private market organizations, market information systems and better infrastructure and logistics.</p>
<p>A. Prices/Subsidies</p>	<ul style="list-style-type: none"> • Gradual price liberalization started in Oct-90 but substantial reform did not occur until February 1997, when agricultural producer and consumer prices were liberalized. No uniform minimum price schemes exist, but after a gradual expansion of "premia" (initially for wheat and milk), starting with 2002 subsidies are delivered on a per-ton basis to "commercial" farms, for major commodities (wheat, barley, sunflower, soybeans, maize, vegetables, fruits and milk, beef, pig and poultry meat). • Producer prices are below EU levels. A large share of production is not marketed. Consumer prices are at export parity levels, or slightly above import parity levels, but below EU levels. • Regional price variation is significant, due to high transport costs, poor logistics and weak arbitrage. Absence of market information system combined with high transactions costs contribute to regionalization of domestic trade in food products; lack of off-storage security combined with high interest costs of storage and poor grading reduce incentives for off-farm storage. • Subsidies (including directed subsidized credit) has reduced from a level of about \$ 570 million at the beginning of reforms in 1997, to \$ 316 million in 2000 and \$ 276 million in 2002. A system of general input vouchers, was put in place in period 1997-2000 and comprised over one-half of the total value of subsidies. These were channeled to the private sector, whereas previously most direct subsidies went to state enterprises. In 2001 distribution of vouchers was replaced by distribution of cash and eligibility expanded to include state farms among beneficiaries.. The new approach of subsidy delivery is based on farm size and market oriented production, with minimum thresholds for efficient farms set by Ordinance in 2001. In 2002 the Parliament amended the Ordinance, giving the right to family farms to receive subsidies for their marketed output. However, only registered (at ministry offices) farms are eligible for subsidies, and small farms are mostly excluded. 	<ul style="list-style-type: none"> • Create predictable and consistent system of Government policy instruments for agriculture. • Revise existing support programs and continue improving targeting and reducing inefficient allocation. • Avoid the use of minimal price programs and relate programs, if any, to world market prices rather than average cost of production. • Develop and support initiatives for market information system (price and output) and improved physical market infrastructure (roads, communications, marketplaces) as well as "soft" infrastructure (warehouse receipts, grain grading systems, marketing groups, contract enforcement mechanisms, etc).

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
B. Trade Policies	<ul style="list-style-type: none"> • Worldwide tariffs for food and agriculture products reduced from a trade-weighted average of 80% to 27% in 1997, and to 22% in 1999: maximum tariffs reduced to 40-45% in 1997/98 for milk and dairy products and some non-sensitive commodities. By mid-1999 this was the maximum for all commodities. This regime has been successfully maintained. In 2001 a further reduction in import tariffs for pork and poultry meat to 22% was decided, as to increase competition on meat market. • Licensing and quantitative restrictions for exports and imports removed starting Jun-97, and temporary import duty exemptions ended. Some backsliding on these measures has occurred in different modalities in each year since then.. Tariff-rate quotas (TRQs) are maintained in the framework of bi-and multilateral trade agreements. • Romania joined CEFTA in 1997 and regional tariffs have declined and are well below worldwide tariffs; regional agreements with the EU (1995), CEFTA, Moldova (1994), Turkey (1997) and Israel (2001) are providing a framework for increased sub-regional agriculture trade. • Agricultural foreign trade is privatized. 	<ul style="list-style-type: none"> • Maintain trade policy framework implemented from 1997-99. Refrain from backsliding on quantitative controls or temporary import duty exemptions. • Pursue active policy to improve market access for Romania food and agriculture products, including improvement of food safety standards to conform with EU standards.
C. Taxation	<ul style="list-style-type: none"> • Agricultural taxes are generally lower than other sectors, because of large share of family farms . Profit taxes on primary production (paid by incorporated farms) is 25% (this is also the regular rate). In 1997-1999, some agricultural products were either tax exempt, or benefited from a lower rate of VAT, but these exemptions have been eliminated, and a uniform rate of 19% now applies. • An “agricultural revenue tax” (based on amount of land owned) was legislated in 1994, and suspended in 1997. The suspension has been renewed in each year since 1997. The Government failed in 2001 to pass a new ag. land tax law (for farms holdings over 10 ha). While the suspension of the 1994 law was continued in 2002, starting with 2003 the tax will become effective. • The informal sector, which accounts for most agricultural production, but a much smaller portion of the marketable surplus, generally escapes direct taxation. 	<ul style="list-style-type: none"> • Improve tax administration and tax collection in general. • Increase taxation of informal segments of agriculture while continuing to decrease taxation of formal sector as well as reported personal incomes. • Provide increased tax incentives for investment from properly reported corporate and personal incomes. • Reduce tax disincentives to investment in capital goods. This inhibits agricultural machinery investment and limits development of a leasing market.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>A land reform was legislated in 1991, and its implementation is close to completion. Land under former collective farms was restituted to the former owners and their heirs up to 10 ha, or given to the workers of the collective farms (0.5 ha). About 9.3 mil. ha were restituted to about 4.7 mil. persons. At end of 2002 88.4% of the claimants had definitive titles (covering 81% of area to be restituted). After a long political debate started in 1997, a new Law on land restitution was issued in January 2000, allowing a high limit of restituted land (50 ha). Complicated implementation and subsequent changes (an Ordinance in 2001, and a Law 2002), made this process extremely slow.</p> <ul style="list-style-type: none"> • Another 2.2 mil. ha, mainly in the mountain and hilly areas, was not collectivized during central planning. The owners now have full ownership rights over the land, and it is operated as small-scale family farms. • In Oct. 97, the Parliament adopted a Law on the legal circulation of the land that removed the moratorium on the land sales. Amendments to the Leasing Law eased restrictions on leasing. • The privately-owned land is organized in small-scale farms and (formal and informal) associations. In 2001 (June), about 1.6 mil. ha out of the total 12.78 mil. ha of private agricultural land, were organized into formal associations (aver. 385 ha each), about 0.78 mil. ha into informal associations (about 121 ha each) and 10.3 mil. ha are owned by smallholders (2.47 ha each), some of whom rent out their land. • The private sector accounts for 95% of the value of agricultural output, however its share of the marketed surplus is less. • The state-owned farms administered in 2002 about 0.5 mil. ha of arable land. At the beginning of 1997, there were about 499 crop producing state farms (with arable land) and 112 animal farms (mainly in pig and poultry production, without arable land). Privatization has been blocked in the crop production sector by 1999, when an Ordinance on privatization state farms was issued. The implementation of this Ordinance has begun in force (with privatization of 250,000 ha by end 2000,), but was very slow in 2001 and 2002, when the Law on state farms privatization was amended. At end of November 2002, the number of privatized state farms was 236 (312 state farms were under liquidation or restructuring, and other 191 farms to be privatized). Completion of state farm privatization remains a key unfinished task on the policy agenda. 	<p>Privately owned smaller and larger viable farms are the dominant components of farming system with transferable ownership rights.</p> <ul style="list-style-type: none"> • Accelerate the titling of newly privatized land. • Introduce market based measures to facilitate a speedy consolidation of land ownership and changes in farm sizes (e.g. internet based land information service, as in Bulgaria). <p>This could involve support for dissemination of land market information, legal advice on land transactions for those entering or exiting farming, or more direct incentives to support exit of nonviable farmers and entrance of potentially viable ones.</p>

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>3. <u>Competitive Agroprocessing and Services for Agriculture.</u></p>	<p>Privatization of agroprocessing, input suppliers, storage and services was slow until 1996. An impetus to the privatization process occurred in 1997, and major progress was made by the end of 1999.</p> <ul style="list-style-type: none"> • As of mid-1999, most out of a total number of 534 agro-industrial companies, have been privatized or placed under liquidation, including about two-thirds of cereals storage companies and most pig/poultry enterprises. The sugar and tobacco industries still lag in the process. • The certified seed business was organized within two commercial companies, producing grain and oilseed varieties, and vegetable seed varieties. These were privatized. • All Agricultural Service Companies (including machinery service companies, or Agromecs), have been privatized or placed under liquidation. • The upstream and downstream sectors are demonopolized. However, the slow privatization pace and the dominance of the MEBO privatization method, has blocked the infusion of capital in these companies, and maintains obsolete production methods, high costs and significant marketing margins. • In 1996, gross output of agroprocessing (except tobacco) was around 65 % of the 1991 level. • In 2001 free of charge transfer of ownership over on-farm irrigation facilities (including small pumping stations, buried pipelines and field equipment) from SNIF to water users' associations (WUAs) started and physical takeover was carried out on about 65,000 ha. At end of 2002 the area covered by existing 95 WUA's was 334,821 ha, and area with irrigation facilities transferred was 188,293 ha. • Implementation of Sapard measure for improving processing and marketing of agricultural products started in last part of 2002 with few applications received. 	<p>Competitive, privately owned agroprocessing and input supply.</p> <ul style="list-style-type: none"> • Complete the privatization of grain storage companies, animal farms, fertilizer companies, food industry companies, and state farms. • Implement EU conforming quality and safety standards for agricultural imports and exports. • Improve contract discipline and market transparency. • Promote research and development of new products and markets. • Reform the land reclamation agency (SNIF), transferring assets to voluntary water users associations. • Stimulate and support increase of coverage of viable irrigation schemes with functional WUAs. Reform the irrigation subsidies distribution system targeting the beneficiaries (water users) instead of SNIF.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
4. <u>Rural Finance</u>	<p>An appropriate financial system for privatized agriculture is not in place.</p> <ul style="list-style-type: none"> • Up to 1996, most of the agricultural lending was provided through directed credit lines from National Bank of Romania, intermediated mainly through Banca Agricola and backed-up with state guarantees.. Despite the preferential interest rates (often with negative real rates), the collection rate for agriculture was worse than in other sectors (60-70%). NBR-supplied credit contributed significantly to inflation. In 1997 this practice was stopped. • In 1997, 1,050 bn Lei (150 mil. US\$) of directed credit was placed on the budget and lent for grain planting (550 bn Lei) and for purchase of domestic bread-making wheat (500 bn Lei). The Government continued this mechanism in 1998, but substantially reduced total credit to \$ 7 mil. in 2000. In early 2001, the GOR ended all directed, subsidized credit to agriculture, as a Board condition of the Rural Finance Project. • Credit cooperatives serve rural households mainly with household credit. A draft law to reform cooperatives has long been discussed but never agreed upon, however, the regulatory framework improved in 2000 when the NBR assumed responsibility for regulation of credit cooperatives.. • High interest rates, typically over 40% in real terms, and the lack of collateral seriously limit lending to agriculture. Passage in 1999 of a secured transactions law prepared by the Rural Finance Project team and passed as a condition of PSAL, has significantly improved the legal environment for lending against movables. • Banca Agricola' s privatized contract was ratified by the GOR in early 2001 	<p>Viable financial institutions serving the agricultural sector efficiently.</p> <ul style="list-style-type: none"> • Develop bank network serving rural areas. • Promote the emergence of competitive collateral services for agriculture (accept land as collateral; develop the warehouse receipts system; start collateral registration; develop grain grading and commodity exchanges) • Develop credit cooperatives and other low-cost financial intermediaries in rural areas capable of serving smaller clients. • Promote leasing industry by reducing tax disincentives for capital goods investments.
5. <u>Institutional Framework</u>	<p>Institutional structure was reformed, but the MOA has been slow to quality of public services, however, is not in place.</p> <ul style="list-style-type: none"> • Ministry of Agriculture renounced its former role in price control or supervision and direct distribution of subsidies, in favor of market-oriented functions such policy formulation, extension, research, market information, rural development. Only tentative steps have been taken in this direction, however. • Four inter-professional organizations was formally established (for sugar, beer, pork, wine), and another nine are in process of developing. • Information system required by a market based agriculture is only partially in place. Price information and input use data for different types of farm units is virtually nonexistent. • Public investment in agricultural infrastructure is not prioritized on the basis of economic analysis. 	<p>Promote the use of and support for commercial and private agriculture.</p> <ul style="list-style-type: none"> • Complete the reorganization and improve quality of public agricultural administration to the needs of a market economy. MOA should spend less discretionary funds on subsidies and more on public goods. • Complete the reform of agricultural extension and research. Establish a sustainable research framework. • Provide assistance in the development of the producer associations, stimulation of farmer marketing and input purchase groups. • Support productive investment in public infrastructure for grain marketing and irrigation, roads, etc..

CROATIA

Total Population	4.38 m	Agriculture in GDP (2000)	7.0%	Agricultural Output in 2001 as percentage of 1990 level	98%
Rural Population	43 %	Food and Agriculture in Active Labor Force (2001)	10.4%	Livestock Production 2001 as Percentage of 1990 level	70%
Total Area	5.65 mil ha	Food and Agriculture in Exports (2001)	10.0%	Share of livestock in agriculture (est)	40%
Agricultural Area	3.21 mil ha	in Imports (2000)	9.5%	Agricultural Area in Private Use (2001)	75%
Arable Land	63%	Tobacco products, processed fruit and vegetables, processed meat, wheat, and wine and spirits are the major export products		Share of Independent Family Farms in total agricultural Land (2001)	75%
Orchards	4.4%			Share of private sector in total agricultural output (2002 est.)	85%
Natural Grassland	36%				
Forested	35%				

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>1. <u>Macro-Economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>Significant but incomplete liberalization of markets prior to independence, limited further progress since independence.</p> <ul style="list-style-type: none"> • Crop production and sales are currently driven by a combination of production quotas and incentive payments, which divorce domestic prices from international trends in both absolute and relative prices. • The production quota system locks producers into traditional patterns of production at a time when they should be changing their crop mix in response to changing patterns of domestic consumption and competition from imports. • Price policy reform initiated in 1998. Area payments have been introduced for most major crops in order to compensate farmers for the reduction of import protection. • Livestock production subsidized with producer payments for milk and headage payments. 	<p>Distortions free marketing and incentive system and a more open trade policy.</p> <ul style="list-style-type: none"> • Progressively reduce the aggregate support to the agriculture sector by reducing the number of crops eligible for area payments and phase out the system of support for livestock production. According the WTO rules the current system is not "blue box" compliant. • Abandon the calculation of national crop quotas on the basis of self-sufficiency requirements.
B. Trade Policies	<ul style="list-style-type: none"> • Significant reductions in import protection will be implemented from 2003-2006 under the WTO agreement, and trade agreements with the EU and numerous other trading partners will take effect during the same period. • The system of variable levies has been replaced with specific seasonal tariffs. • A total of 27 bilateral and multilateral agreements with major trading partners have been signed. Stabilization and Association Agreement and Interim Trade Agreement with the EU was signed in October 2001. 	<ul style="list-style-type: none"> • Implement the WTO agreement, which establishes a more rational and transparent basis for trade and price policy. Under the agreement the country has committed itself to reduce the level of protection on agricultural products and to remove export subsidies • Explore agriculture export opportunities under the trade agreements with emphasis on the interim trade agreement with the EU which offers tariff-free access for all Croatian agricultural exports to EU countries, except for wine and baby beef.
C. Taxation	<ul style="list-style-type: none"> • Land tax abolished in 1996 	

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
2. <u>Land Reform and Farm Restructuring</u>	<p>Small-scale private farms predominated before independence, slow progress with privatization and re-structuring of the remaining ex-Social Sector Enterprises</p> <ul style="list-style-type: none"> • Small-scale private farms account for 66% of agricultural land but are very small (average 2.9 ha) and highly fragmented. • Ex-Social Sector Enterprise land transferred to the State in 1991. New Land Law that legally bounds the Government to dispose this land came to force in 2001. • Conditions for an active land market not yet in place: property rights remain unclear due to the major inconsistencies between the land registry and the cadastre. 	<p>Private ownership of all land; secure, transferable property rights; and an active land market</p> <ul style="list-style-type: none"> • Enact laws on land consolidation and enforce existing inheritance laws to prevent further land fragmentation. • Lease state land subject to ownership claims; sell all other state owned land. • Passage of amendments to Cadastre and Land Registration Laws to make them compatible; update and reconcile Cadastre and Land Registry.
3. <u>Competitive Agro-Processing and Services for Agriculture</u>	<p>Limited progress with privatization and demonopolization relative to pre-independence situation.</p> <ul style="list-style-type: none"> • Approximately 50% of the equity in agricultural and agro-industrial enterprises is now in private hands. • Slow progress with the privatization and restructuring (unbundling) of the larger remaining Kombinats and AgroKombinats due to their complexity and size, their overvaluation, and the operating procedures of the Croatian Privatization Fund. • Emergence of private sector input and output marketing structures and agencies to replace Kombinats and AgroKombinats. • Agro-processing sector continues to receive very high levels of protection so raising consumer prices. 	<p>Competitive, privately owned agroprocessing, input supply and service subsectors operating with minimal government protection.</p> <ul style="list-style-type: none"> • Privatize and unbundle the remaining Kombinats and AgroKombinats. • Register these companies and develop a secondary market for their shares. • Encourage competition among domestic suppliers and from external sources. • Reduce protection for agro-processors and encourage competition among domestic suppliers and from external suppliers.
4. <u>Rural Financing</u>	<p>Slow emergence of a viable private banking system, which is active in the agriculture sector.</p> <ul style="list-style-type: none"> • Massive program of subsidized credit financed by treasury was terminated in 1992. • Most rural credit comes from public sector institutions, the Ministry of Agriculture operates two rural credit programs. The credit is distributed and administrated by commercial banks, however the decision to allocate available credit is not based on purely commercial criteria and therefore repayment rates are rather low. • Private sector banks show little interest in servicing the credit needs of the great majority of farmers. 	<p>Viable financial institutions serving the agricultural sector and rural areas efficiently.</p> <ul style="list-style-type: none"> • Support the development of collateral instruments suited to agriculture and support training of agricultural lending officers. • Guide interim publicly funded rural credit schemes and transform them into Rural Credit Guarantee Fund.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
5. <u>Institutional Framework</u>	<p>Gradual adjustment of institutional structure to a role suited to a market-oriented economy.</p> <ul style="list-style-type: none"> • Bulk of MAF budget is still allocated to direct payment for production and processing. • Significant progress with the development of a public extension system but the institutional framework and links with the private sector are still weak. • Established Agricultural Research Council as the basis for focusing research and linking it with extension has made significant progress. • A farmer-managed Agricultural Chamber system for technical support to agriculture have been legislated under the new Law on Agriculture. The system will be established under a separate Law on Agricultural Chambers. 	<p>Efficient and effective public sector administration and support for commercial private agriculture.</p> <ul style="list-style-type: none"> • Reform existing system of incentives and the use of MAF budgetary resources. • Continued support for reform of extension program and its integration in the Chamber System. • Continued efforts to reform research system. • Continued efforts to increase the institutional capacity for policy analysis. • Agricultural Chambers to be based on administrative units of sufficient size to create the critical mass of funding and expertise to support a sustainable technical service.

ARMENIA

<u>Total Population</u>	.3.0 mil.	Food and agriculture in		Agricultural output in 2002 as percentage	
Rural Population	35.2 %	NMP* 2000	27%	of 1988 level	98%
<u>Total Area</u>	3.0 mil ha	Food and agriculture in		Livestock production in 2002 as percentage	
Agriculture area:	1.4 mil ha	active labor (2002)	39.2%	of 1988 level	84%
Arable land	35%	Food and agriculture in		Share of livestock in agriculture (2001)	41%
Orchards	4.5%	exports (2002)	11.7%	Agricultural area in private ownership	35%
Irrigated	20.1%	in imports (2002)	20.2%	(2000)	
Forested	12.8%	Traditionally net importer:		Share of independent private farms in total	71%
		grain, sugar, vegetable oil		arable area (2000)	
		and livestock products.		Share of private sector in total agricultural	99%
				output (2002)	

ISSUE	STATUS OF REFORMS	OBJECTIVES/PROPOSED ACTIONS
<u>1. Macro-economic Framework for Agriculture</u>	Market liberalization is advanced, although some delays in full completion.	Distortion free marketing and incentive system.
A. Prices/Subsidies	<ul style="list-style-type: none"> • Agricultural producer and consumer prices were deregulated in 1992 and state orders for all products eliminated in 1995. • There is no direct subsidization of agriculture and food prices. Irrigation water is still subsidized: current water fees cover roughly one third of the economic cost of water. The cost recovery target for 2002 of 33% has not been reached, recoveries amounting to 25.2%. This poor performance is due to low fee levels and poor billing, while collection performance has improved. The recovery target of 44% in 2003 is unlikely to be achieved. • The TORs for the technical commission have been expanded to better quantify real O&M needs, but the technical survey has only recently been started and its findings will not be available until the 2004 irrigation season. • Profit and marketing margin control in the food processing industry were removed in the mid-1990s and restructuring of agro-industry has improved producer prices for raw materials for traditionally exported processed products. 	<ul style="list-style-type: none"> • Phase out subsidies to irrigation by targeting the conversion from pumped water to gravity-fed schemes and by increasing cost recovery in the water tariff to 44% for 2003 and to 85% by 2007. • Establish the multi-utility regulator and let it set water fees on the basis of the technical commission's findings. • Increase water fee collection rates from the current level of 55% to 80-90% by 2006.
B. Trade Policies	<ul style="list-style-type: none"> • Grain and other commodities for state reserves are procured by commercial methods. • Food exports no longer require licenses. • Tariffs reduced to low and uniform rates. • WTO member since 2003. 	<ul style="list-style-type: none"> • Pursue active trade policy to improve market access for Armenian food and agricultural products, especially in the FSU and Central and Eastern Europe. • Develop a legal framework and adopt appropriate quality standards, establish an independent food testing laboratory, and regulations to promote export of agricultural and agro-processed products.
C. Taxation	<ul style="list-style-type: none"> • 20% VAT (farms are exempt). 	<ul style="list-style-type: none"> • Simplify and reduce taxation in agro-processing and promote investments via tax incentives.

* Net Material Product

ISSUE	STATUS OF REFORMS	OBJECTIVES/PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>Comprehensive land reform implemented, transferring most of arable and perennial crop areas to private owners.</p> <ul style="list-style-type: none"> • Agriculture was de-collectivized in 1991. Only about 15% of arable land is kept in state reserve, which is utilized by leasing and is to be sold through auctions to private farmers. • Pastures and meadows remain largely state and municipality owned, with some being sold while most are leased. • Law creating legal conditions for a land market was adopted in December 1995, but the land market is developing only slowly. • A new Land Code was adopted in May 2001. The lease period for state lands was lengthened to strengthen incentives for sustainable use. 	<p>Individual private farming is the predominant structure in the farming system, with secure and transferable ownership rights.</p> <ul style="list-style-type: none"> • Implement the property registration system which has been designed to provide security of tenure, full information on property transactions, and a basis for real estate taxation. • Strengthen the rural credit system and land mortgage procedures. • Prepare and implement a program to support land consolidation and the move towards more efficient holdings.
<p>3. <u>Competitive Agro-processing and Services for Agriculture.</u></p>	<p>Delays in privatizing agro-processing and services for agriculture.</p> <ul style="list-style-type: none"> • Privatization of agro-processing and input supply was included in the privatization program implemented in 1995-98. • Foreign participation in the agro-processing privatization is increasing. • Marketing and trade promotion supported by USDA are opening new export opportunities. 	<p>Competitive, privately owned agro-processing and input supply.</p> <ul style="list-style-type: none"> • Establish feasible and reasonable quality and safety standards for agricultural imports and exports. • Promote joint ventures to tap foreign expertise, technology and capital, and to provide access to foreign markets. • Promote research and development of new markets and products, especially those which can be produced by medium-sized firms with low capital-intensive technologies.
<p>4. <u>Rural Finance</u></p>	<p>Inadequate financial system for privatized agriculture.</p> <ul style="list-style-type: none"> • Financing in agriculture is adjusting slowly to the needs of a market based privatized agriculture. • The commercial banking sector is weak and not interested in lending to agriculture, but the newly established Agricultural Cooperative Bank of Armenia (ACBA) is very actively lending and major agro-processors are financing their contract growers. • The gradual development of an effective land cadastre has not yet led to increased use of agricultural land as collateral, but the urban land market is growing rapidly. 	<p>Promote the development of viable financial institutions serving the agricultural sector.</p> <ul style="list-style-type: none"> • Promote growth of ACBA and of rural savings and credit societies. • Accelerate the development of the real estate cadastre and continue to implement a fee structure that promotes the use of the cadastre.

ISSUE	STATUS OF REFORMS	OBJECTIVES/PROPOSED ACTIONS
<p>5. <u>Institutional Framework</u></p>	<p>Adjustment of institutional structure is slow and constrained by budgetary difficulties.</p> <ul style="list-style-type: none"> • The agricultural education system has been partially adjusted to emerging new conditions, and further reorganization and rationalization of the research system is under consideration. A strategic study on the future of agricultural support institutions carried out with FAO support is providing the basis for an institutional development strategy now being initiated. • Public activities in agricultural research and education are seriously hampered by budgetary difficulties. • An agricultural extension system has been created, but mobility of agents has been a constraint on service provision. • The organizational structure of the public irrigation agencies is unsatisfactory, and the Drainage and Irrigation Management Agencies in particular are overstaffed, costly and subsidized. • A WUA law has been enacted, and implementation regulations are now being drafted. 12 WUAs have already been registered and should sign the Transfer Agreement this summer and the water delivery contract this fall. 	<p>Efficient and effective public sector administration and support for commercial and private agriculture.</p> <ul style="list-style-type: none"> • Finalize and adopt the Sustainable Agricultural Development Strategy with clearly established priorities. • Complete the reorganization of public agricultural administration to conform to the needs of a market economy. • Complete the reform of agricultural education and research and rationalize the links between research, extension and agricultural education. • Transform the 13 regional sections under the SCWM into autonomous agencies whose tasks can potentially be taken over by WUA federations. • Promote registration of WUAs on the basis of sustainable financial and technical parameters. • Implement measures to strengthen WUAs. • Accelerate the preparation and promulgation of the package of regulations supporting the Water Code and WUA/Fs.

MACEDONIA, FYR

Total Population	2.0 million	Food and agriculture as percentage of 2000 GDP	13%	Agricultural output in 1999 as percentage of 1990 level	110%
Rural Population	45 %	Agriculture and forestry in active labor (2000)	18%	Livestock production in 1999 as percentage of 1989 level (est.)	95%
Total Area	2.57 million ha.	Food and agriculture in exports (2000)	17%	Share of livestock in agriculture (1999 – est.)	30%
Agriculture area:	1.29 million ha.	in imports (2000)	13%	Private agricultural area (1999)	80%
Forests	0.95 million ha	Traditionally net importer of grain, sugar, vegetable oil and livestock products. Traditional exports are tobacco, wine and lamb.		Share of independent private farms in total arable area (1999)	80%
Arable land	42%			Share of private sector in total agricultural output (1999 – est.)	80%
Orchards/Vineyards	4%				
Meadows	4%				
Pastures	49%				
Irrigated	37,000 ha				

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>A standing agreement with the Fund and Bank exists on a viable, medium-term macroeconomic framework</p> <ul style="list-style-type: none"> • Some input, output and export subsidies apply to crop and livestock products; but the amounts involved are small their impact on production and market behavior is negligible, and they are to be phased out. • The State Office for Commodity Reserves buys wheat and tobacco to support Government set floor prices, and buys and manages strategic food reserves. 	<p>Complete implementation of agreed adjustments to macroeconomic framework</p> <ul style="list-style-type: none"> • Use import protection to support wheat prices, and set the floor price at a level below import parity. • Limit the activities of the State Office for Commodity Reserves to the acquisition and management of modest strategic reserves.
B. Trade Policies	<ul style="list-style-type: none"> • Negotiations for WTO membership concluded in 2002. • Membership will entail the removal of import and export licenses on agric commodities, and the reduction of high existing tariffs. • Free Trade Agreements with major trading partners (EU, Yugoslavia, Croatia, Slovenia, Turkey, Bulgaria) further distort trade. • Low product quality and difficulty satisfying EU product standards remain major constraints to exports. 	<ul style="list-style-type: none"> • Implement WTO agreement. • Implement improvements in duty draw back scheme. • Adopt and enforce EU product standards and improve product quality.
C. Taxation	<ul style="list-style-type: none"> • A VAT of 19% applies to some agricultural products, but most are taxed at 5%. • Farmers are exempt from income tax and there is no land tax. 	

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
2. <u>Land Reform and Farm Restructuring</u>	<p>Land is mostly under private ownership, but markets function poorly.</p> <ul style="list-style-type: none"> • 80 percent of the arable land is under secure ownership by private farmers. • The new Land Use Law provides for security of tenure • Land markets are “sticky,” i.e.; there are high friction costs involved with the sale, rent or lease of land. • Most private farms are small and fragmented. Land consolidation and expansion are needed to increase farm size, obtain economies of scale and improve efficiency. • Only 25 agro-kombinats now remain to privatize. • Most of the privatization was done through management or employee buyouts, resulting in dispersed ownership and weak corporate governance in many privatized enterprises. 	<p>Strengthen the institutional framework for land transactions and complete privatization of the agro-kombinats.</p> <ul style="list-style-type: none"> • Improve the operations of the land registration system to facilitate land sales and update cadastral records and tradable titles. • Introduce a land lease registry. • Expand the operations of farmers’ associations. • Complete the privatization of agro-kombinats. • Create a suitable exit policy for newly privatized farming units which experience liquidity problems, in order to accelerate post-privatization restructuring.
3. <u>Competitive Agro-processing and Services for Agriculture.</u>	<p>Continued progress with privatization and a small but growing private sector engaged in agro-processing and farm input supply.</p> <ul style="list-style-type: none"> • There is strong competition among private agricultural input suppliers and machinery dealers. • The private sector is also active in agro-processing, mostly in the form of small-scale cottage industries producing for the domestic market. • 420 agro-processors have now been privatized, and the remaining 25 are in the process of privatization. • Most privatized agro-processors are in severe financial difficulty due to over-scaled, outdated plant, excess labor and weak management. • Foreign investment in agro-processing remains weak, with 50% of investment to date in a tobacco processing company. 	<p>Encourage development of private sector input supplies.</p> <ul style="list-style-type: none"> • Enact legislation to facilitate wider private sector responsibility for the seed and planting material industry. • Simplify pesticide registration procedures. • Foster entry of strategic investors in processing, storage and marketing agri-kombinats spin-offs and define strategy for regulating newly privatized monopolies.
4. <u>Rural Finance</u>	<p>Continued reform of the commercial banking sector but financial intermediation is limited and rural people have limited access to bank credit.</p> <ul style="list-style-type: none"> • Financial intermediation is still constrained by continued distrust of the banking system and inadequate laws and procedures for securing loans. • There are no formal rural financial institutions. • Donor credit programs for rural people have had mixed success. • Rural people prefer to keep debt levels low and to self-finance new investments, with help from family and friends. • The main requirements for investment and working capital are for upstream operations (input distribution and machinery procurement and operation), and downstream marketing and processing activities. 	<p>Increase access to finance in rural areas. Strengthen the legislative associated with collateral and loan recovery.</p> <ul style="list-style-type: none"> • Improve the procedures for issuing title deeds and develop a system of land and chattel mortgages as security for credit. • Develop legislation and institutional structures to encourage the development of farmer’s associations, credit unions and savings cooperatives. • Strengthen donor credit programs and use them to build sustainable institutions for rural finance. • Increase the capitalization of successful micro-finance organizations and expand their operations in rural areas.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
5. <u>Institutional Framework</u>	<p>The Ministry of Agriculture lacks a clear sense of its new roles in a market economy, the capacity to fulfill many of these roles and a coherent framework for future development of the sector.</p> <ul style="list-style-type: none"> • A weak capacity for trade and price policy analysis limits the Ministry's ability to influence policy. • An independent national extension system has been established but has yet to provide an acceptable service. • A pilot program to introduce a competitive, demand-driven agricultural research system has been completed. This should now be expanded. • Curricula and program design in the agricultural university system are ill-suited to the requirements of a market economy. • Successful privatization of the veterinary services, but animal breeding services remain firmly located in the public sector. • The existing market information system does not respond adequately to the needs of producers and traders for timely information on local, regional and international markets. • Producers, processors and traders lack an adequate mechanism for trade promotion and market development. 	<p>Strengthen the capacity of the Ministry of Agriculture to define and implement its roles, and to guide sector development.</p> <ul style="list-style-type: none"> • Strengthen the capacity for price and trade policy analysis and develop realistic and market oriented policies for the future. • Accelerate the development of demand-driven agricultural extension services, and expand the capacity to self-finance these services. • Restructure the agricultural research system to focus on technological innovation suited to the needs of a market economy, funded by competitive grants. • Modernize curricula and programs in the Agricultural Faculty, so that they are relevant and responsive to the needs of a market economy. • Strengthen the capacity of the Veterinary Department for regulation, inspection and the monitoring and control of animal disease. • Strengthen the existing market information service and the current approach to trade promotion and market development for agricultural products.

AZERBAIJAN

<u>Total Population</u>	8 mil	Food and agriculture in		Agricultural production in 2001 as %	75%
Rural Population	43 %	GDP (2001)	17%	of 1990 level (VA)	
<u>Total Area</u>	8.6 mil ha	Food and agriculture in		Agricultural production in 2001 as %	97%
Agriculture area	4.5 mil ha	active labor force (2000)	42 %	of 1992 level	
Arable land and permanent		Food and agriculture		Individual agricultural area in total	33%
crops (% of agr. area)	39%	in export (2000)	3 %	agricultural area (2000)	
Irrigable land (% of agr.		in import (2000)	19%	Share of private sector in total	96%
area)	31%	Traditionally net exporter of		agricultural output (1999)	
Permanent pasture (% of		cotton, fruits and vegetables			
agr. area)	57%	to former Soviet Union			
Forested (% of total area)	12%	Countries			

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>After several years of delay a rapid process of agricultural reforms has been followed since 1996.</p> <ul style="list-style-type: none"> • Abolition of the state order system. • Break-up of most state and collective farms and distribution of arable land to households. • Distribution of most livestock to households. • Removal of quantitative controls on external trade in agricultural products. • Domestic price liberalization and the privatization of most agro-industrial enterprises through direct, voucher and auction sales. • State companies, dealing with poultry, food and bread have been liquidated. • Farmers receive fuel subsidies and additional subsidies to the sector are being considered, as is the establishment of a state fund for state procurement of products and regulation of prices of main agricultural products. 	<p>A distortion-free, efficient and internationally competitive agricultural sector</p> <ul style="list-style-type: none"> • Agricultural sector policies within macroeconomic policy framework aimed at limiting the upward movement of the exchange rate (Dutch disease) to maintain agricultural sector competitiveness. • Define extent and mechanisms for subsidization of the irrigation system within context of establishment of a cost-recovery system. • Avoid direct government interventions in the agricultural sector such as input and price subsidies which create economic distortions. Targeted government interventions should be limited to alleviate poverty of the most vulnerable.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
B. Trade Policies	<ul style="list-style-type: none"> • The foreign trade regime and the associated payments systems has been largely liberalized, leading to the development of world-market related domestic price structures for most commodities. • Preliminary work completed to prepare for WTO accession. • Cotton exports channeled through private companies since 1997, but problems with the privatization of the ginneries, low prices paid to farmers and the late payments as well as lack of competition have lead to a dramatic reduction in production and area planted to cotton. Production in year 2000 was further hampered by drought. 	<ul style="list-style-type: none"> • Adopt a consistent trade regime based on international competition with tariffs limited to anti-dumping (genuine cases only) and a low uniform revenue generating tariff to be eliminated as oil revenues supplement the government budget. • Undertake immediate independent assessment of the issues related to apparent lack of competition in cotton marketing. • Appoint independent external inspectors to verify external trade quantities and prices • Further pursue long-term aim of joining the WTO.
C. Taxation	<ul style="list-style-type: none"> • In response to ongoing concerns about the effect of the tax rate on producer incentives, the Government approved on March 1999 a five year tax holiday for all primary producers including both juridical entities (VAT, profit tax exemptions) and physical entities (income tax). The only tax primary producers will continue to pay is the land tax. Previous tax liabilities of collective farms and their debt to a social protection fund were written off. It is planned to extend the tax exemption until 2010. • Land tax is based on the region, quality of land, and use (arable, fallow, perennial crops). 	<ul style="list-style-type: none"> • Government to develop a medium and longer term fiscal strategy for the agricultural sector defining the planned change in the net resource flow to the sector as oil revenues come on stream.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>Government committed to transforming agriculture into an efficient and dynamic sector by encouraging the development of a market-based, predominantly privately owned production system, with rapid progress in land distribution since 1997.</p> <ul style="list-style-type: none"> • Significant progress in the privatization of agricultural land. State Land Committee and Land Institute have made substantial progress in issuing legal land titles. • Effective Distribution began after Land Reform Law was passed (July 1996) and accelerated after January 1997. By January 2002, 838,000 farm families (96% of the total) with an average of 4 people per household had gained legal title over 1,350,000 ha. Land registration and titling is almost completed. • Apart from a 5% “land reserve” all arable land is being distributed to private farmers. All other lands including pastures are allocated to the state and the municipalities. An efficient system of future pasture management is yet to be established. • Individual farm sizes are very small and farmers often look for opportunities to associate and establish farmer’s associations, such as marketing associations. • New law on mortgages and a revised land code which codifies rights to land were passed. • The process of registering land titles and transactions is in place. Efforts to strengthen the land registration system are underway in the newly established regional land registration offices. Proper record of land transactions gives correct information on land property rights and is a precondition for a buying or selling land or using it as collateral. • A fee structure for land registration system has been adopted. This fee structure balances the objective of cost recovery with the need to assure that the fees do not serve as a deterrent to registration of land transactions. • Land market is beginning to develop and 700 land transactions (buying and selling, lease) have been registered since 1999. Lease market is also developing. 	<p>A working land market for efficient and fair asset transfer and a socially acceptable land consolidation process.</p> <ul style="list-style-type: none"> • Strengthen the legal and institutional basis for the leasing of land. • Improve the design of the legal and institutional framework that provides for financially sound mortgage operations. • Establish efficient arrangements for the sustainable management of state and municipal lands i.e. pastures and forests. • Establish a unified cadastre and registration system for all immovable property

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>3. <u>Competitive Agroprocessing and Services for Agriculture</u></p>	<p>Privatization of agro-industry is proceeding rapidly, with major industries such as the State Bread Concern and the cotton processing sector almost fully privatized.</p> <ul style="list-style-type: none"> • Slower privatization progress in some remaining sub-sectors, including tobacco, fruit canning, wine and spirits, and cotton ginneries. • Foreign investment in agro-processing is still limited. Some is taking place in cotton ginning, but some other investment in oilseed and fruit processing is beginning to emerge. A study on the general investment climate in Azerbaijan is underway. • New Law on Privatization adopted and second phase of Privatization Program under way, special tax incentives to investors under consideration. • Little progress yet in recovering market share in FSU markets lost since 1992 or in entering new markets such as the EU . • Basic legal framework for private sector agro-industries still inadequate, inhibiting access to bank credit. However, the recent law on mortgages, once implementation rules are developed, should help. • Inadequate or non-existent market information and support services for producers and the marketing chain. • State Wheat Reserve Agency is abolished given private sector supply capacity. • The cotton industry has been privatized, but the processing industry and exporters face an oligopsony. 	<p>Reestablish an export led diversified product base in agriculture. This will require rapid productivity growth in the agro-processing sector to regain markets and to offset the expected upward movement of the manat as oil revenues increase.</p> <ul style="list-style-type: none"> • Complete privatization agro-industry to include productive capacities currently retained in public sector (cattle breeding, seed multiplication). • Create a favorable economic and legal environment for attracting foreign investment in agro-processing. • Create an enabling environment for private support services to accelerate private sector investment in agro-processing and to improve marketing operations. • Review cotton industry and assess the need for a regulatory competition law.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
4. <u>Rural Financing</u>	<p>The former rural credit system has collapsed, with the main institution, Agroprombank transformed into a Loan Recovery Agency with a limited license of a Non-Bank Financial Institution. There are no local providers of longer term credit for the sector.</p> <ul style="list-style-type: none"> • Emerging privatized farms have neither the experience nor the asset base for borrowing from financial institutions. • Some signs of processors providing crop input credit, especially in the cotton sector. • The commercial banking sector is itself going through a rapid process of restructuring with the number of operating banks reducing sharply. Few banks lend to the agricultural sector, preferring the higher and less risky returns in trade and oil industry financing. • Grass-roots savings and credit institutions are beginning to emerge in the form of credit unions on the basis of a legal framework developed by the Government in cooperation with Azerbaijan National Bank. Further actions on elaboration of prudential norms and supervision mechanism for grass-roots savings and credit unions were completed by the National Bank. • Three state commercial banks including Agroprombank have been merged. 	<p>A private sector -based rural financing system, based on indirect channels of credit to producers via processors and input and service suppliers rather than on direct credit channels to household farms.</p> <ul style="list-style-type: none"> • Improved supervision and regulation of the commercial banking sector and measures to ensure compliance by participating commercial banks in on-lending schemes for the agricultural sector. • Government to avoid a top-down approach to directed development of the credit union sector and to allow gradual development based on active grass-roots participation.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>5. <u>Institutional Framework</u></p>	<p>Re-organization of MOA under preparation; however, the process of reforming other state organs with a role in agriculture (irrigation committee in particular) is not yet finished.</p> <ul style="list-style-type: none"> • State Irrigation Committee has gone through an initial restructuring aimed at consolidating several institutions and departments. Further restructuring is expected to continue during the next years. • New institutions needed to manage irrigation and drainage networks. Some grass roots efforts to develop water user associations are under way but the capacity of managing such systems is not sufficiently developed. • Sector still lacks a capacity for policy making for the rural sector. A Rural Strategy Unit is established in the Ministry of Economy to assist the Government to develop a long-term appropriate policy responses to the impact of the anticipated oil revenues on the competitiveness of the rural sector. • Most production and commercial functions in agriculture have been removed from government. However, this has not occurred in seed multiplication, livestock breeding. At the same time, private veterinary services in the form of veterinary field units are beginning to emerge. • State veterinary committee and plant quarantine inspection were abolished and their functions transferred to the Ministry of Agriculture. • Farmers face insufficient support services, particularly regarding technical & management advice as well as market information. Ministry of Agriculture has proposed radical changes in its extensive research network with consolidating the system to form a few key priorities and at the farm level. • Establishment of essential private farm advisory services are initiated both in the form of Regional Advisory Centers and through contracting out of extension and training services to a service provider (such as local NGO or institute) on a pilot basis. Both models are being tested to identify the most appropriate one. • Actions are being taken to develop a strategy for the development of farmer-oriented adaptive research and the restructuring of the national agriculture research system. A Competitive Grant Scheme Board was established for identifying priority problem areas, soliciting research project proposal for these areas. • Institutions responsible for monitoring/regulating natural resource management, plant/animal diseases and trade/use of related drugs have not adjusted to the context of private farming. However, new laws have been passed on seeds, plant/animal property rights, and plant protection. 	<p>Review the role of government, notably in key subsectors such as seed production, livestock development and irrigation. For seed and livestock, this could be part of the preparation of development strategies.</p> <ul style="list-style-type: none"> • A review of the irrigation sub-sector is needed to identify the current state of the irrigation system and develop appropriate approaches for sustainable management of irrigation systems. • Establish a strong capacity in MOA or Cabinet of Ministers for policy making; develop new statistical instruments do fulfill the pertinent information needs required for policy decisions. • Further reorganization of veterinary services balancing public and private responsibilities for delivery of veterinary services. • Review the legal/regulatory framework on pest/pesticide control, property rights, veterinary medicine, etc. Review existing strategies for controlling quarantine pests & diseases. • Strengthen and develop Regional Advisory centers as a private providers of farm advisory services and market information. • Improve rural infrastructure, notably electricity, to enhance productivity in the agricultural sector.

KYRGYZ REPUBLIC

Total Population	4.9 mill	Food and agriculture in GDP (2001)	35%	Agricultural output in 2002 as percentage of 1990 level	102%
Rural Population	65%	Food and agriculture in active labor force (2000)	53%	Share of livestock in agriculture (2001)	43%
Total Area	20 mill ha				
Agriculture area	11 mill ha	Food and agriculture in exports (2001)	10%		
Pasture	10 mill ha	in imports (2001)	12%		
Arable land	1.4 mill ha				
Cultivated	87%				
Pasture	3%	Exports include sugar, cotton, wool, leather, tobacco, fruits & vegetables, and alcoholic and non-alcoholic beverages.			
Forest	10%				

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>Markets, prices and the trade regime are liberalized, but distortions remain at the local level; market structures are slow to develop, not competitive and not integrated.</p> <ul style="list-style-type: none"> • Agricultural input and output prices are deregulated and budgetary subsidies abolished. Notable exceptions are irrigation water and electricity for agricultural use, which remain subsidized. • Proliferation of subsistence agriculture, with small marketable surplus and high prevalence of barter transactions. Government practice of collecting taxes and other payments in kind and of paying pensions and salaries in kind impedes monetization. • Responsibility for operating and maintaining on-farm irrigation systems is being shifted to water user associations (WUAs). Parliament approved the WUA law in February 2002. A new Water Code has been drafted which advocates setting service fees for irrigation infrastructure O&M according to financial needs, rather than political considerations. It will also introduce long-term water rights. The Water Code is expected to be discussed in Parliament during the 2003 spring session. 	<p>Removal of remaining distortions in markets, prices, trade regime and the incentive system; development of fully functioning, competitive markets for agricultural inputs and outputs.</p> <ul style="list-style-type: none"> • Eliminate administrative interference in markets and movement of goods, such as multiple licensing requirements and imposition of informal fees on road traffic. • Phase out government involvement in input marketing, notably of donor/government financed equipment and inputs. • Cease in-kind collection of taxes and social security contributions and in-kind payment of wages, salaries and pensions in rural areas.. • Remove tax and other policy obstacles to entry of agrobusiness SMEs, especially the VAT on fertilizers and seeds. • Remove export taxes on agricultural goods and ensure timely VAT refunds to exporters. • Accord priority to rehabilitation and modernization of critical irrigation and drainage infrastructure and maintenance of irrigation infrastructure. Ownership/leasing arrangements for on-farm irrigation infrastructure and taxation issues are being worked out under the WUA law.
B. Trade Policies	<ul style="list-style-type: none"> • Trade regime is generally liberalized, but many non-tariff trade barriers remain, many of them unofficial. • Member of three international trade organizations: WTO, Customs Union (Russia, Belarus, Kazakhstan and the Kyrgyz Republic), and CIS Free Trade Zone. But Customs Union and Free Trade Zone are ineffectual. • Terms of WTO membership conflict with terms of Customs Union membership. 	<ul style="list-style-type: none"> • Eliminate non-tariff trade barriers. Rationalize conduct of agencies overseeing foreign trade. • Develop an export promotion strategy and establish institutional framework to implement it. Align export certification with international standards. • Align Customs Union membership terms with WTO terms. • Deepen existing trade frameworks and secure harmonization in customs and legal procedures.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
C. Taxation	<ul style="list-style-type: none"> • Tax rates for primary agricultural production are reasonable. • Nominal tax burden (particularly for agro-industry) is very high, but collection rates are generally low. • VAT on seeds and fertilizers prevents development and growth of formal distribution networks. • Multiple user fees are in place (many with dubious justification), with no clear distinction between taxes and fees. • Local governments lack financial resources to use for local priorities. 	<ul style="list-style-type: none"> • Remove or lower tax barriers to entry of agribusiness SMEs, particularly payroll and turnover taxes. • Improve transparency of the tax system, tax administration and collection. Rationalize tax rates to improve tax revenue, incentives and equity. • Clarify difference between user fees and taxes. • Replace the current land tax assessment system with a land valuation methodology. Finalize and approve the Immovable Property Tax law, and establish the administrative arrangements to implement it. Reduce the 5% tax on land transactions to less than 1%. • Promote fiscal decentralization.
2. <u>Land Reform and Farm Restructuring</u>	<p>Significant progress has been made in land privatization and farm restructuring, but the process is not yet complete.</p> <ul style="list-style-type: none"> • A Law on Management of Agricultural Lands was adopted in December 2000 which severely restricts buying and selling of agricultural land. Draft amendments are in preparation which will relax the most serious restrictions. • Law on Registration of Rights in Immovable Property was adopted in December 1998, and a State Registration Agency was established in February 1999. 43 registration offices have been established, and the full set of 50 should be operational by June 2002. Regulations for registration have been approved and will undergo further revision based on accumulated experience. • Most arable land has been privatized, distributed and marked, and ownership certificates have been issued. Private farms hold 42% of arable land, joint stock companies, collective peasant farms and producer cooperatives account for 45%, and only 13% remains in seed and breeding farms which have only recently been privatized, but where title certificates are not yet issued. More than 84,000 private farms are now operating. • 25% of the arable land is placed in a Land Redistribution Fund (LRF), assigned to local governments for redressing inequities and/or to be sold, auctioned or leased. Local governments rely on leasing of LRF land for revenue and show little interest in selling such land. • Pasture and forest land and irrigation and drainage infrastructure in the former state and collective farms will likely remain state property, but WUAs would be given long-term users right. 	<p>Completion of regulatory framework and administrative capacity to develop a fully functioning land market and promote market-based farm restructuring and agrarian reform.</p> <ul style="list-style-type: none"> • Amend the Law on Management of Agricultural Lands to allow less constrained buying, selling and mortgaging of agricultural land. • Educate the public about the property rights and responsibilities granted by the land and agrarian reform program. Good progress is being made in this regard, but much remains to be done. • Examine the issue of use of rights for common property such as pasture land, surface water, irrigation infrastructure, and forest land, as well as the leasing and management of land by local (village) governments to individuals or groups. • Develop instruments to deal with land disputes, including conflicts with traditional land use rights. • Clarify roles of different agencies and institutions, including local governments, in land administration. • Stimulate the creation and effective functioning of independent farmer groups and cooperatives to increase efficiency in the use of land and other inputs, and in marketing. • Identify alternative sources of revenue for local governments and free up the sale of land from the Land Redistribution Fund. • Continue the development of appropriate pasture use models, including long-term lease arrangements. • Conduct training and information campaigns to advise on sound legal structures and economically efficient methods for farm management. Develop adequate farm accounting methodologies, methods of auditing and liquidation procedures.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>3. <u>Competitive Agro-processing and Services for Agriculture</u></p>	<p>The process of privatizing the agro-processing and input supply enterprises is not yet complete and the privatized enterprises are not very efficient.</p> <ul style="list-style-type: none"> • Input and output markets remain weak due to poorly developed infrastructure, institutions and information. • Input markets in the south are distorted by subsidy policies in neighboring Uzbekistan • Most small and medium-scale state-owned agro-processing enterprises have been privatized. • The large agro-industrial enterprises are being privatized case-by-case, but the process is slow. • The newly privatized enterprises are hampered by obsolete equipment/technology, lack of credit, poor management, and poor understanding of competitive markets. • Product quality is very poor; and the existing product quality grades and safety standards (which are not being enforced) are not comparable to international grades and standards. • Although even with present levels of product quality there is some potential for export to other Central Asian countries and Russia, lack of marketing experience, inability to assemble appropriate lot sizes of standard quality, and formal and informal barriers to regional trade limit actual exports. • Lack of critical agricultural inputs is a key constraint to increase agricultural productivity. • Foreign direct investment in the agro-industry remains very low. • Animal health services are being privatized in some oblasts. 	<p>Complete the privatization of agro-processing and input supply enterprises and close inefficient state owned enterprises that cannot be privatized. Promote a dynamic rural SME subsector.</p> <ul style="list-style-type: none"> • Establish a regulatory and tax system that promotes, rather than hinders, the entry of SMEs. • Complete the process of privatizing the remaining state-owned agro-industrial enterprises. • Simplify registration procedures and reduce the permits required to establish agro-industrial joint ventures with foreign partners. • Foster commercialization of agriculture, and promote agrobusiness SMEs and other non-farm employment creation in the private sector. • Promote the development and functioning of competitive input and output markets, with a primary focus on institutions and information that foster the entry and growth of SMEs. • Remove administrative interference in the operation of private trade and business. • Establish product quality grades and safety standards comparable to international standards. • Promote the development of a competitive private agricultural input marketing system. Eliminate subsidies and other government involvement in input marketing/distribution. • Improve the regulatory environment and economic incentives to promote foreign direct investment in agro-industry. • Support further privatization of veterinary services. Clarify the division of responsibilities between public and private veterinary service providers.
<p>4. <u>Rural Finance</u></p>	<p>Poor access to credit is a serious constraint to rural development, but steps to establish a commercial rural credit system have been taken.</p> <ul style="list-style-type: none"> • The commercial banking sector is very weak and not interested in lending to agriculture. • Access to credit remains limited as most producers and entrepreneurs cannot meet the collateral terms or afford the real interest rates charged. • Kyrgyz Agricultural Finance Corporation (KAFC), operating since 1997, is the main source of credit for agribusiness and farmers. • IFC is supporting rural lending through support to FINCA. Several other donors support rural credit operations. 	<p>Establishment of sustainable financial institutions serving the rural and agricultural sectors.</p> <ul style="list-style-type: none"> • Diversify KAFC's lending portfolio to include funding for long-term investments, non-farming activities, processing, agri-services, etc. • Refrain from interfering in KAFC's operations though government decrees or political pressure. • Improve business judiciary system; strengthen bankruptcy procedures; expand list of workable collateral. • Develop and enact a sound legal framework for micro-finance.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
5. <u>Institutional Framework</u>	<p>The institutions of a “planned” economy are gradually being replaced by institutions that serve private agriculture based on market principles, but the process is very slow.</p> <ul style="list-style-type: none"> • The Ministry of Agriculture, Water Resources and Processing Industry (MAWRPI) has been reorganized to streamline its operations, but remains an obstacle to needed policy and institutional reform in the agro-food sector. • The agricultural research and education systems have not yet been adjusted to the emerging market conditions. • A functioning market information system has been established. • The institutional capacity to undertake agricultural policy analysis is extremely limited. • With donor assistance, cooperatives have been created, but these have not yet demonstrated sustainability. 	<p>Accelerate the process of establishing efficient and effective institutions to serve commercial private agriculture and the rural sector.</p> <ul style="list-style-type: none"> • Complete the reorganization of MAWRPI to serve as the main agency to implement agricultural policy. Devolve all possible tasks to appropriate lower levels of government or the private sector. • Strengthen and re-orient, including through consolidation, the agricultural research and education systems to complement activities of private input industries and thereby to serve more effectively the needs of private farmers and farm enterprises. Develop the ability for contracting research and services. • Strengthen institutional capacity and training of staff involved in designing and implementing agricultural and rural development programs, including agricultural policy analysis. • Privatize services such as animal health, crop protection, seed supply, etc., and limit State involvement to quality control and encouragement. • Support the development of producer and marketing cooperatives.

SERBIA & MONTENEGRO

<u>Total Population</u>	10.5 mil.	Food and agriculture in GSP (1990)	10 %	Agricultural output in 1998 as percentage of 1989-91 level	na
Rural Population	50 %	Food and agriculture in active labor (1990)	24 %	Livestock production in 1995 as percentage of 1990 level (estimate)	na
<u>Total Area</u>	10.2 mil ha	Food and agriculture		Share of livestock in agriculture (1995)	na
Agriculture area:	5.6 mil ha.	in exports (1999)	22%	Share of independent private farms in total arable area (1991)	80 %
Arable land	79 %	in imports (1999)	13%	Share of private sector in total agricultural output (1991)	80 %
Orchards	6 %	Traditionally, net exporter of:			
Irrigated	0.6 %	cereals, livestock and meat products,			
Forested	na	raw and processed fruit and vegetables			

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>Past price and trade policies severely distorted production incentives and inhibited output. Recent price and trade policy reforms have significantly improved this incentive structure.</p> <ul style="list-style-type: none"> • Direct support is now limited to a floor price for wheat and subsidies for milk, sugarbeet and tobacco. Tobacco and sugarbeet are minor crops. • Control of consumer prices is now limited to a maximum price for dark bread. • Public expenditure on agriculture remains moderate but it is poorly targeted however (< 10% for public institutions) and associated policy decisions are erratic. • The Directorate for Commodity Reserves has now become a major source of support through its purchase of wheat, and the provision of farm inputs and seasonal credit. This creates severe distortions in factor and commodity markets and inhibits private sector activity in these markets. 	<p>Efficient agricultural markets with minimal public intervention.</p> <ul style="list-style-type: none"> • Review the commodities which benefit from public support. • Phase out the remaining controls on consumer prices. • Rationalize the allocation of public expenditure, and develop a more stable, predictable and appropriate platform for price policy. • Reform the Directorate for Commodity Reserves by limiting the number of agricultural commodities in its mandate, reducing the level of reserves it holds, terminating its role in the supply of seasonal credit and farm inputs, lowering the floor price for wheat, and increasing the transparency of its activities.
<p>B. Trade Policy</p>	<ul style="list-style-type: none"> • Trade policy is now based on a six tier tariff structure (1%, 5%, 10%, 15%, 20%, 30%). Most agricultural commodities are protected by the two highest tariffs. Additional levies (up to 15%) apply to many agricultural commodities, which are reviewed on an <i>ad hoc</i> basis. • Export quotas, export subsidies and licenses have been terminated but import quotas are still widely used, including quotas for some “basic” agricultural commodities. • Raw materials are often subject to high tariffs relative to protection for processed and semi-processed items. This reduces competitiveness. • As part of the Stability Pact, FRY agricultural products now have free access to EU markets for the next 2-3 years. • FRY has now submitted an application for membership of the WTO. 	<ul style="list-style-type: none"> • Remove all remaining quotas on agricultural products, and terminate the additional levies. • Further simplify the current tariff structure and reduce excessive levels of protection. • Support the process of joining WTO.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
2. Land Reform and Farm Restructuring	<p>Although 80% of farmland is in private ownership, ownership rights to this land are often difficult to establish. Most socially-owned agro-kombinats are of modest size (< 5000 ha) and have been largely disaggregated.</p> <ul style="list-style-type: none"> • Private farms average 3-5 ha, and are highly fragmented. • Discrepancies between the cadastre and land register make it difficult to demonstrate clear ownership of private land. This inhibits land markets and so the process of farm consolidation and enlargement. • Land sales are legal but the land market is thin. Most rural land transfers are effected through inheritance or informal, short-term leases. • Socially-owned agro-kombinats hold 20% of arable land. It now appears that the portion of this land which is not subject to restitution claims will be privatized through long-term leases. 	<p>Establish clear, secure and readily transferable use and ownership rights, and an active land market as the basis for improving farm structure.</p> <ul style="list-style-type: none"> • Restore all land records and reconcile the cadastre and land register as the basis for establishing clear property rights. • Strengthen land markets to support farm restructuring and land consolidation. • Finalize legislation to allow the privatization of the state-owned land currently held by the agro-kombinats. • Develop an appropriate basis for resolving restitution claims which apply to the agro-kombinats.
3. <u>Competitive Markets for farm output and farm inputs.</u>	<p>The collapse of socially-owned agro-kombinats and agro-processors has decimated traditional marketing structures. Private sector activity in these markets is also inhibited by the Directorate for Commodity Reserves.</p> <ul style="list-style-type: none"> • Agricultural markets are weak and inefficient due to the collapse of both supply and demand, the high reliance on barter trade, and the activities of the Directorate for Commodity Reserves • Most of the agro-processors have corporatised, but have been slow to re-establish due to their tenuous financial position, poor access to credit and reliance on barter trade. • Preparation of the legislative and institutional framework for privatization is now well advanced. • Most agricultural services (extension, veterinary services) remain in the public sector. 	<p>Competitive, privately owned enterprises for agro-processing and input supply</p> <ul style="list-style-type: none"> • Reform the Directorate for Commodity Reserves • Fully implement the program to corporatize and privatize agricultural input supply, output marketing, and agro-processing enterprises. • Establish appropriate quality and safety standards for agricultural imports and exports. • Provide technical assistance for training in enterprise management and to promote the development of new products and markets.
4. <u>Rural Finance</u>	<p>The banking system has completely collapsed, decimating traditional sources of rural finance and creating a severe credit shortage.</p> <ul style="list-style-type: none"> • The collapse of the banking system and the socially-owned agro-kombinats and agro-processors has decimated traditional sources of rural finance. • State-owned banks are insolvent, and no longer provide credit to socially-owned agricultural enterprises; domestic private banks are very small and lack the capital and expertise to deal with rural lending; and foreign banks are only just beginning to establish. • The interest rates on short-term credit are high for agriculture, and there is little medium-term credit. 	<p>Establish viable financial institutions to efficiently serve the agricultural sector.</p> <ul style="list-style-type: none"> • Support the establishment of a strong private banking sector, and develop its capacity to provide financial services to rural areas. • Reform the banking supervisory framework and strengthen the legislative and administrative basis for using land as collateral, and recovering security in the event of default. • Establish an appropriate legal framework for the operation of non-bank financial institutions (micro-credit organizations, local savings and credit associations etc) and support their establishment and operation.

<p>5. <u>Institutional Framework</u></p>	<p>The institutions responsible for agriculture are ill-coordinated, under-resourced, and ill-suited to their role in a market economy.</p> <ul style="list-style-type: none"> • The capacity for policy formulation and analysis is weak, and ill-suited suited to a market economy • The protection of plant and animal health is weak, as is the enforcement of trade regulations at the border. • Public support for agricultural research and extension systems is very limited. Most institutions have survived from the income of their commercial activities. • Agricultural education is based on the teaching of socialist principles of production, and oriented towards the large-scale, intensive production systems of the agro-kombinats. This approach has limited relevance to small-scale private farmers. • There has been no real privatization of public services such as veterinarians, extension, and quality and standards testing. 	<p>Establish an efficient, effective public administration which provides appropriate support for private, commercial agriculture.</p> <ul style="list-style-type: none"> • Review the structure and resources of the Ministry of Agriculture, and establish institutional structures that are consistent with public roles and responsibilities in a market economy. • Strengthen the capacity for policy analysis and formulation, and for the protection of plant and animal health. • Reform agricultural research, extension and education programmes and institutions to make them needs-based and demand-driven, and increase public support for these institutions. • Strengthen border control and the enforcement of trade regulations, and harmonize product standards with the EU. • Promote the private sector provision of services such as veterinarians, extension and standards testing and quality control.
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MOLDOVA

<u>Total Population</u>	4.4 mil	Food and agriculture in GDP (2002)	47%	Agricultural output in 2001 as percentage of 1989-1990 level	51%
Rural Population	47 %	Food and agriculture in active labor (2000)	43%	Livestock production in 2000 as percentage of 1989-1990 level	30%
<u>Total Area</u>	3.4 mil ha	Food and agriculture in exports (2002)	63%	Share of livestock in agriculture. (1995)	32%
Agriculture area:	2.3 mil ha	in imports (2002)	15%	Agricultural area in private use (2000)	89%
Arable land	81%	Traditionally net exporter: wine, processed and unprocessed fruits and vegetables, and pork.		Share of private sector in total agricultural output (2001)	75%
Orchards and vineyards	9%				
Irrigated	10%				
Forested	12%				

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<u>1. Macro-economic Framework for Agriculture</u>	Continuing general price and market liberalization.	Minimal Government intervention in agricultural markets.
A. Prices/Subsidies	<ul style="list-style-type: none"> • Most producer and consumer prices have been liberalized. • Indirect producer subsidies have also been virtually phased out. In 2002 the Government has established direct subsidy schemes in the wine and tobacco sectors which were subsequently abolished. For 2003, the Government has declared its intent to re-establish the direct subsidy schemes for wine and tobacco. • Bread prices were liberalized in late 1996, but the Government has occasionally used its reserves to control both consumer and producer prices. In 2002, there was no Government interference on the bread market. • In 2002, the Government budgeted a US\$2.5 million Agriculture Support Fund for a direct subsidy across the sector. The subsidy mechanism was discussed and agreed upon with IDA. Only US\$600,000 were disbursed. For 2003, the Government budgeted some US\$2 million for the Agriculture Support Fund, using the same principles and mechanisms as in 2002. 	<ul style="list-style-type: none"> • Maintain the liberal course of market and price policies. • Maintain a no intervention policy for agricultural markets. • Re-monetization of the sector by proper treatment of inter-enterprise arrears, accumulated debt and revision of tax and social security payment policies.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
B. Trade Policies	<ul style="list-style-type: none"> • Domestic trade is largely liberalized, but a competitive market structure is yet to fully emerge. • Government procurement is restricted to grain, purchased for state reserves. In 2002, the Government agreed with IDA that the Grain Reserve will not exceed 5000 metric tons a year. The Government has observed this agreement. • Export of agricultural products was liberalized in 1997; but many non-tariff intra- and foreign trade barriers exist. Licensing requirements have been eased in 2001 and 2002, however some regulatory control continues to exist in the form of reference prices. In the fall of 2002, the Government introduced reference prices for 18 agricultural commodities (wheat, sunflower, tobacco, and others), which virtually led to a one month stand-still in the country's exports. After some time, following pressure from donors and exporters the Government repealed its decision on reference prices. Such ad-hoc impositions of reference prices and other disturb and discourage trade. 	<ul style="list-style-type: none"> • Establish a commodity exchange or promotion of the use of commodity exchanges in other countries. • Introduce market methods in procuring grain for government purposes and for marketing of grain and input deliveries based on inter-governmental agreements. • Maintain low import tariffs and abstain from quantitative export restrictions; drastically reduce non-tariff barriers. • Develop a strategic policy, including: <ul style="list-style-type: none"> • Ensure timely and accurate VAT reimbursements for exports; • Eliminate ad-hoc export barriers on selected commodities.
C. Taxation	<ul style="list-style-type: none"> • Land tax is maintained as the primary form of taxing agriculture. • In 2002 the Government has reverted to limited, in-kind tax collection of some local taxes. • Registered private farms almost fully fulfill their tax obligations. • Proposed introduction of 20% VAT for agriculture to harmonize VAT levels across sectors has been postponed. 	<ul style="list-style-type: none"> • Fully implement the non-discriminatory system of agriculture taxation. • Improve tax collection rates. • Gradually increase VAT to the proposed 20 %. • Create incentives for proper registration of private farms, to increase further the rural tax base.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<ul style="list-style-type: none"> • Process of farm restructuring and privatization has accelerated since mid 1998. • February 1995 Amendment of Land Code allowing only group exits from large farm was eliminated by the Constitutional Court in early 1996. • Revised and improved exit and registration procedures were adopted for the establishment of private farms. • Legislation on bankruptcy procedures was adopted to expedite the process of land privatization. • A uniform cadastre system has been established. • Of the more than 1000 state and collective farms all but 46 have been privatized and 2.2 million titles have been issued by Spring 2001. • Debt restructuring and liquidation of old farm enterprises started in 1999, liquidation was completed in 2000 – with the creation of new corporate farms. • In 2002, about 600,000 private farms had been registered with over 80 percent currently operating through some type of leasing arrangement. • Procedures for administering transactions of agricultural land were introduced and the transfer fee was reduced to 2% of the sales value. • Legal disputes between lessors and lessees is emerging. • In 2002, the Parliament adopted a set of amendments to the Land Code of 1991, aimed at streamlining voluntary land consolidation. 	<ul style="list-style-type: none"> • Farming structure based on secure transferable land use rights. • Make the establishment of new private farms, and farming enterprises based on partnership or cooperation as easy as possible. • Use reserve land whenever possible for providing land for new beneficiaries or offer financial compensation instead of decreasing already allocated land shares. • Market mechanism for rent, leasing and the establishment of collateral should be developed as soon as possible with the aim of facilitating land consolidation and financing efficient farming. • Provide effective legal aid support to new, private land owners and lease holders.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>3. <u>Competitive Agroprocessing and Services for Agriculture</u></p>	<ul style="list-style-type: none"> • In 2002, progress in privatization and de-monopolization of remaining state owned agro-processing enterprises was slow. Only two large wineries were privatized to buyers from Russia. • Agroprocessing and input supply industries have been privatized as part of the overall privatization process. However, as a result of the mass privatization through vouchers, ownership at these companies is extremely segmented, and the Privatization Investment Funds have failed to bring about effective enterprise restructuring as a result of problems with ownership, management and control. • Producers of agricultural raw materials received 50% of ownership of agroprocessing. • The initial privatization of agro-processing was completed by the end of 1995. The majority of enterprises, however, are unconsolidated and lack transparent ownership. • Most agroprocessing sector enterprises are still operating the old fashioned way (without any significant restructuring) and are in effect bankrupt. • Anti-monopoly regulations are not fully in place. • Still limited new entry of the private sector into the processing sector. • Limited foreign participation/investment in the privatized agro-processing enterprises. 	<ul style="list-style-type: none"> • Private competitive processing and input supply industries. • Market discipline (hard budget constraint) needs to be imposed on existing enterprises to provide incentives to restructure or liquidate. • Promote the participation of foreign investors in privatization auctions. • Encourage emergence of new entry into the agro-processing sector • Develop and implement effective anti-monopoly legislation. • Strictly enforce bankruptcy legislation in order to consolidate the newly established private sector. • Re-evaluate the effectiveness of the Privatization Investment Funds.
<p>4. <u>Rural Financing</u></p>	<ul style="list-style-type: none"> • Lack of an appropriate financial system for food and agriculture. • Financing in agriculture is not adjusted to the needs of a market based privatized agriculture. • High interest rates, lack of collateral, lack of clients with sound business practices seriously limits lending to agriculture. • Development of a rural credit system based on rural credit cooperatives. • Underdeveloped judicial system significantly hinders the process of collateral acquisition by banks. • A market oriented Law on Pledge was adopted and enacted but the technical infrastructure for the implementation of the Law still doesn't exist. • In 2002, the World Bank Rural Investment and Services Project became effective, aimed at providing, among other, long term credit resources for rural development, and technical assistance to the banking system to improve rural and agricultural lending skills. 	<ul style="list-style-type: none"> • Viable financial institutions efficiently serving the food and agriculture sector. • Improve the overall business environment to encourage processors or suppliers' credit schemes to finance farming inputs. • Revitalize financial services. • Simplify legal systems to protect lenders and borrower's rights in case of defaults. • Government to implement a matching grant scheme acceptable to IDA/IMF. • Introduction of an efficient system for movable pledge registration.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
5. <u>Institutional Framework</u>	<ul style="list-style-type: none"> • Adjustment of the institutional framework is at a rather early stage. • Research/education system has not been adjusted to emerging new conditions, mostly non-functioning and seriously hampered by budgetary difficulties. Yet, in 2002, the Government has requested from IDA assistance in restructuring the country's two largest research institutes. A group of consultants was deployed to draft a turn-around plan for these institutes. The plans have been finalized and presented to the Government. A final decision by the Government on how to proceed with the restructuring of the two institutes is expected in the first half of 2003. • First attempts of creating an western type agricultural extension system are being made under the PPF stage of the Rural Investment and Services Project. • A new business co-operative law has been passed. In 2002, a Law on Producer Cooperatives has been finalized and adopted. The Law is rather futile, as it is not realistically expected to contribute neither to continuing implementation of market reforms in agriculture, nor can it serve as an effective instrument for reversing past land and farm reforms. 	<ul style="list-style-type: none"> • Efficient and effective public sector administration and support services. • Prepare and implement a program of re-organization of public administration in agriculture. • Reorganize the Ministry of Agriculture and Food. • Reform the agricultural education and research system to meet the demands of the changing agricultural sector. • Support the emergence of private farm advisory services for landowners. • Support the emergence of private farm organizations.

BOSNIA AND HERZEGOVINA

<u>Total Population</u>	3.79 mil.	Food and agriculture in GDP (2001)	12 %	Agricultural output in 2001 as percentage of 1989-91 level	70 %
Rural Population	50 %	Food and agriculture in active labor (1990)	18 %	Livestock production in 2001 as percentage of 1990 level (estimate)	60 %
<u>Total Area</u>	5.1 mil	Food and agriculture in exports (2001)	0.5 %	Share of livestock in agriculture (est.)	50 %
Agriculture area:	2.5 mil ha.	in imports (2001)	25 %	Share of independent private farms in total arable area (2001)	95 %
Arable land	63 %	Increasing reliance on imports and loss of traditional export markets due to stagnation of agric production		Share of private sector in total agricultural output (2001)	85 %
Orchards	4 %				
Irrigated	0.3 %				
Forested	46 %				

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>Agricultural markets operate freely and direct support for agriculture is low. The Ministries of Agriculture are now seeking a significant increase in budget support.</p> <ul style="list-style-type: none"> • No controls on producer and consumer prices for agricultural commodities. • Agric Ministry budgets are less than 1% of total budget expenditure. Subsidization is minimal as a consequence and is dispersed across too many programs to be effective. • Floor prices are set for wheat and milk but these are close to border prices, and are not supported due to lack of budgetary resources. • A significant increase in budget support is now being sought in FBiH and RS. This will include producer subsidies, interest subsidies and incentive payments for many agricultural products. 	<p>Efficient agricultural markets which operate with minimal public intervention.</p> <ul style="list-style-type: none"> • Maintain fully liberalized prices. • Minimize government intervention in agricultural markets. • Focus limited budget resources on support for a limited number of commodity programs (e.g., dairy) and key public institutions and activities.
<p>B. Trade Policy</p>	<ul style="list-style-type: none"> • State level trade policy applies to both entities, based on four tariff bands (0%, 5%, 10% and 20%). Most agricultural products are in the 5% and 10% tariff bands. Additional levies of 5% - 20% also apply to most other products • Some anomalies exist in this tariff structure, notably the tariff on maize which significantly raises the costs and reduces the competitiveness of livestock production. • As part of the Stability Pact, BiH agricultural products now have free access to EU markets for the next 2-3 years. EU agricultural products will have full access to BiH markets after 2006 • Bilateral Trade Agreements with the countries of former Yugoslavia exempt BiH exports from duties but allow for a phased removal of BiH tariffs by 2006. 	<ul style="list-style-type: none"> • Promote and accelerate the current process of joining WTO. • Review and modify the tariffs applied to selected agricultural products, to improve the comparative advantage of livestock production. • Review the additional levies to remove distortionary protection

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
C. Taxation	<ul style="list-style-type: none"> • The tax burden on farmers is low, most farmers operate in the informal sector. • Land taxes existed prior to the war but are no longer collected. • Taxation of food processing is in line with general taxation of businesses. High social charges on dependent labor. 	<ul style="list-style-type: none"> • Incorporate larger farms (socially-owned and private) into the business tax system.
2. Land Reform and Farm Restructuring	<p>Private farmers own 95% of farmland but their ownership rights are still difficult to establish, and small fragmented farms remain a serious constraint to increased efficiency. Minimal progress with land restitution and the legal status of state owned land.</p> <ul style="list-style-type: none"> • Private farms average 3-5 ha, and are highly fragmented. • Land fragmentation is increasing due to the maintenance of traditional inheritance laws. • The post-privatization status of state land has not been resolved and an estimated 100,000 ha of high fertility agri-kombinat land lies idle. • Pastures and meadows remain state and municipality owned. • Discrepancies between the cadastre and land register make it difficult to demonstrate clear ownership of private land. This inhibits land markets and slows the resolution of ownership disputes and the transfer of land among displaced people and returning refugees. • Land sales are legal but the land market is thin. Most rural land transfers are effected through informal, short-term leases. 	<p>Complete the original land reform initiatives, including privatization and land restitution; establish clear, secure and readily transferable use and ownership rights, and an active land market as the basis for improving farm structure.</p> <ul style="list-style-type: none"> • Complete the land restitution process and resolve the status of agri-kombinat land, by allowing its lease or sale. • Restore all land records and reconcile the cadastre and land register, as the basis for establishing clear property rights. • Strengthen land markets to support farm restructuring and land consolidation. • Enact legislation to reform land inheritance practices.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>3. <u>Competitive Agro-processing and Services for Agriculture.</u></p>	<p>Continued delays in privatizing socially owned agro-kombinats, agro-processors and public services for agriculture.</p> <ul style="list-style-type: none"> • Numerous socially-owned enterprises have yet to be privatized, and continue to operate at low levels of efficiency. • Low levels of foreign participation in the privatization process due to the poor business environment created by stalled reform. • No formal privatization of the veterinary system although most vets now operate as private agents. • Progress with the enactment of new laws for farmer cooperatives and associations, but more work is needed. 	<p>Competitive, privately owned enterprises for agro-processing, input supply and agricultural services.</p> <ul style="list-style-type: none"> • Complete the program to corporatize and privatize agricultural input supply, output marketing, and agro-processing enterprises. • Establish appropriate quality and safety standards for agricultural imports and exports. • Technical assistance to provide training in enterprise management. • Promote the development of new products and markets. • Promote the development of farmer cooperatives and associations
<p>4. <u>Rural Finance</u></p>	<p>Limited access of agricultural enterprises to available credit.</p> <ul style="list-style-type: none"> • Bank sector reform and the entry of foreign banks has dramatically improved the banking system, and increased the availability of reasonably priced credit, but commercial banks remain wary of agricultural lending. • Micro-credit has also grown rapidly and farmers are making increasing use of this source of finance. The credit available through these channels remains well short of demand however, even at interest rates of 1% -2% per month. • The Ministries of Agriculture in both entities are now seeking to fund interest rate subsidies from their budgets, but have yet to obtain funding. 	<p>Increase the access of agricultural enterprises to commercial credit.</p> <ul style="list-style-type: none"> • Improve the capacity and incentives for commercial banks and micro-credit organizations to lend for agriculture through a combination of technical assistance and credit lines. • Strengthen the legislative and administrative basis for using land and moveable assets as collateral, and the basis for loan recovery. • Broaden and strengthen the legal framework for the operation of non-bank financial institutions (micro-credit agencies, local savings and credit associations etc) and support their establishment and operation.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
5. <u>Institutional Framework</u>	<p>Institutions remain weak, under-resourced and resistant to reform; and public leadership of the sector remains inadequate.</p> <ul style="list-style-type: none"> • Sector stagnation is a reflection of weak public leadership and inability to complete critical reforms. • Both entities continue to support public institutions which duplicate pre-war facilities and make poor use of the limited agricultural budget. • Donor programs to establish a public agricultural extension service and privatize the veterinary service have had minimal impact. • Donor programmes to improve the (public) institutional framework for animal health have been more successful. • Agricultural research and education programs are still under-resourced, and poorly supported. 	<p>Establish an efficient, effective public administration to provide appropriate support for commercial agriculture.</p> <ul style="list-style-type: none"> • Complete the existing agenda for reform. • Review the role, structure and resources of the two ministries, and the Canton governments, and guide the establishment of institutional structures which are consistent with public roles and responsibilities in a market economy. • Promote the establishment of a private extension service, located in co-operatives, producer associations and agro-processors; and support the establishment of a fee-paying, public extension service. • Reform agricultural research and education programmes and institutions to make them needs-based and demand-driven, and increase public support for these institutions. • Strengthen border control and the enforcement of trade regulations.

GEORGIA

<u>Total Population</u>	5.4 mil	Food and agriculture in GDP (2002)		Agricultural output in 1998 as	
Rural Population	44%	(estimated)	19%	percentage 1989-91 levels	60%
<u>Total Area</u>	7 mil ha.	Food and agriculture in active labor		Livestock production in 1998 as	
Agriculture area:	3 mil ha.	(1997)	27%	percentage of 1989-91 levels	60%
Arable land	26%	Food and agriculture as percent of		Agricultural area in individual	26%
Orchards	11%	total		private ownership (1998)	
Irrigated	45%	in exports (1998)	36%	Agricultural area leased by private	
Forested	40%	in imports (1998)	19%	individuals from Government.	25%
		Traditionally net exporter of wine,		Agricultural Land controlled by	
		processed and fresh fruits, vegetables		Government	49%
		and tea			

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>Liberal agricultural markets mainly free of Government intervention.</p> <ul style="list-style-type: none"> • Producer prices have been liberalized and minimal government intervention on agricultural markets. • Control of energy prices is being gradually readjusted to reach cost recovery levels. • Subsidization of water charges is the last remaining producer subsidy. • Regulation of food aid distribution has been substantially improved to reduce distortions 	<p>Competitive and functioning agriculture markets, without Government intervention.</p> <ul style="list-style-type: none"> • Phase out remaining producer subsidies on irrigation water and energy.
<p>B. Trade Policies</p>	<ul style="list-style-type: none"> • 12% uniform tariff on imports. 5% on selected capital goods, raw materials, and medicines. • Tax on exports was eliminated in late 1994. • Liberal export policy with no licensing for most agricultural products. • Most agricultural products are traded on essentially private, informal markets. • Georgia became a member of WTO in 1999. • Indicative prices which are substantially higher than world market prices are used as the basis for calculating VAT taxes on imported products such as wheat. In addition VAT is applied to the gross value of the imported product, resulting in very high effective tariffs on imported products. • Illegal rent seeking and bureaucracy seriously constrains domestic markets. 	<ul style="list-style-type: none"> • Refrain from intervening in agricultural import and export markets with the exception of interventions acceptable under the WTO. • Maintain low and uniform tariffs and no quantitative restrictions or taxes on exports. • Improve physical and commercial infrastructure for export trade rather than introducing special incentive programs. • Government is considering abolishing VAT and Income tax for small primary producers and replacing it with a single land tax.

<p>C. Taxation</p>	<ul style="list-style-type: none"> • VAT and income tax collection rates from primary agriculture producers is extremely low. The Government is considering dropping both VAT and income tax for primary agricultural producers and replacing it with a single land tax. • There are numerous conflicting taxes and registration fees that create opportunities for rent seeking by government authorities. 	<ul style="list-style-type: none"> • Simplification of the tax laws and improvement of the enforcement mechanisms based on clear legal procedures should be introduced to reduce harassment and rent extraction by government officials.
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ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>Progressive, but rather spontaneous, unstructured and unfinished land reform.</p> <ul style="list-style-type: none"> • The 1992 land privatization program provided 57% of arable land and land under perennials to private individuals, but remains unfinished. • Law giving ownership rights to the beneficiaries of the 1992 land reform was passed by the parliament in early 1996. • Land titling and registration legal framework is in place, but require implementation for the functioning of the land market to develop. • Law on providing lease rights to state owned agricultural land was enacted in mid 1996. • In addition to the land in private ownership, an additional 27 % of all arable land and land under perennials is leased by private entities. • Of the total area of agricultural land, 26% is in private ownership, 25% is leased by the Government and 49 % (mostly pastures) is still under direct government control. The land privatization process is therefore incomplete. 	<p>Private farming as the major component of the farming system with secure transferable land use rights.</p> <ul style="list-style-type: none"> • Complete the initial privatization of land as envisaged by the Presidential decree of December 1992. • Establish title registry offices. • Gradually transfer remaining state lands to private ownership through auctions. • Transfer non-land productive assets from state/collective users to private users and operators. • Develop mortgage procedures for land, other real estate, and moveable assets. • Move from rental of large farms to private ownership. • Increase or remove the 1.25 ha limit on land ownership.
<p>3. <u>Competitive Agroprocessing and Services for Agriculture</u></p>	<p>Spontaneous and slow privatization program.</p> <ul style="list-style-type: none"> • The early phase of privatization was rather spontaneous and often inequitable. Most assets were transferred to existing management. • At the end of 1998 143 or 32 % of the enterprises originally controlled by ministry of agriculture had not been privatized. Over 80 percent of those privatized were privatized to existing management teams and employees on preferential terms. This process of privatization has not lead to inflows of new capital and management expertise required to turn these companies around. These enterprise assets are being gradually being bought out by entrepreneurs that have capital and management skills to develop them, resulting in mild growth in the sector by the late 1990s. • Foreign participation in the process of privatization remains low. • Consistent energy supply is a major problem for agroprocessing companies operating in rural areas. 	<p>Competitive, privately owned processing, input supply and service subsectors.</p> <ul style="list-style-type: none"> • Complete privatization of remaining agro-processing and input supply companies controlled by the Ministry of Agriculture, preferably through strategic sales to private investors with new capital and expertise. • Remove constraints to secondary sale of enterprises privatized enterprises, such as punitive capital gains taxes or restrictions on resale. • Facilitate the emergence of new and restructured private firms in processing, input supply and services by reducing registration requirements. • Encourage the establishment of producer associations that can improve product quality and facilitate entry into new markets. • Enforce bankruptcy and liquidation on firms that are bankrupt, particularly those in arrears on taxes, loans or privatization payments to the Government.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
4. <u>Rural Finance</u>	<p>Existing financial system is small, is focused on short term trade financing and does not serve the agricultural sector.</p> <ul style="list-style-type: none"> • Both primary agriculture and agroprocessing have a serious liquidity crisis due both to tight supply of medium term credit. • A major coordinated effort is underway, supported by the World Bank, IMF and bilateral donors to strengthen the banking system's infrastructure. This is progressing well. • About 100 Rural Credit Unions and about 50 other non-bank financial institutions have been formed to start addressing the problem of credit to small scale rural farmers. 	<p>Viable financial institutions efficiently serving the agricultural sector.</p> <ul style="list-style-type: none"> • Continue to improve Bank supervision and certification programs. • Continue establishment of credit unions together with the necessary monitoring and controls. • Improve the environment for foreign direct investment as an alternative to medium term bank credit.
5. <u>Institutional Framework</u>	<p>Institutional structure needed by privatized agriculture is not in place.</p> <ul style="list-style-type: none"> • At the regional level the administrative structure of the socialist era has been preserved with little change. • Research/education system has not been adjusted to emerging new conditions. • Public activities (government research-education) in agriculture are seriously hampered by budgetary difficulties. • Western type agricultural extension system does not exist, but pilot projects have been implemented and are expected to expand in the future • Efforts to restructure the Ministry of Agriculture have begun. 	<p>Efficient and effective public sector administration and support services.</p> <ul style="list-style-type: none"> • Prepare and implement a program to alter the structure and scope of government organization for management of agriculture. • Re-orient Government attention toward private agriculture. • Re-orient Government role from direct intervention to establishing the general rules and facilitating conditions for the smooth operation of the markets and independent business organizations. • Support the emergence of private farm advisory services. • Restructure the agricultural education and research system.

Slow Reformers

(countries with a ranking score of 0.0 to 5.9)

Ukraine
Kazakhstan
Russia
Tajikistan
Uzbekistan
Turkmenistan
Belarus

UKRAINE

<u>Total Population</u>	48.0 mil	Food and agriculture in NMP	Agricultural output in 2002 as percentage of	
Rural Population	33 %	2001	1990 level	60%
<u>Total Area</u>	60 mil ha.	Food and agriculture in active	Livestock production in 2002 as percentage of	
Agriculture area:	42 mil ha.	labor (2001)	1986-1990 level	41%
Arable land	77.9%	Food and agriculture in	Share of livestock in agriculture (2002)	40%
Orchards	1.9%	exports (2002)	Share of individual in total agricultural land	26%
Irrigated	5.0%	In imports (2002)	(2000)	
Forested	15.6%	Traditionally net exporter:	Share of individual in total agricultural output	65%
		grain, oil seeds, sugar, dairy	(2001)	
		products, beef and pork.		

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
1. <u>Macro-economic Framework for Agriculture</u>	Market liberalization is advanced, although hampered by government interventions and underdeveloped market structures.	Minimal Government intervention in agricultural markets.
A. Prices/Subsidies	<ul style="list-style-type: none"> • Prior to 2002, the government abolished fixed producer prices for agricultural commodities (in 1994); virtually removed budget credit (mainly in the form of input supplies) which was significant in 1997-1999; wrote off UAH 5.6 bln (more than US\$ 1 bln) of public debts accumulated by the farming enterprises between 1994-1999 (in 2000). • Implicit taxation on agricultural producers has been significantly reduced between 1998-2001 • Fixed profit margins for bread often remain at the local level. • Lack of competitive domestic markets and underdeveloped trading system still keep high margins between producer prices and border prices. • The 2002 budget allocated UAH 722 mln (US\$ 140 mln.) to finance leasing of agricultural machinery through government Leasing Fund. Of this, only UAH 59 mln (US\$ 10 mln) was actually paid because most of the funding was to come from the unlikely repayment of earlier credits by farms. • In 2002, the budget allocated UAH 55 mln (US\$ 10 mln) to support livestock production. In addition, around UAH 600 mln (US\$ 110 mln) were paid by processing enterprises as a subsidy to farms for the meat and milk sold by farms for processing (see Section C. Taxation). • Since 2000, the government introduced minimum prices for sugarbeet and sugar and quotas for the supply of sugar to the domestic market. In 2002, the min. price of sugarbeet was UAH 165/t (US\$ 31/t) and sugar UAH 2,050/t (US\$ 387/t). 	<ul style="list-style-type: none"> • Abstain from implementing new distortionary price control measures. • Liberalize agricultural markets by implementing competitive government procurement methods which would assist development of private intermediaries. • Continue to remove implicit taxation on agricultural producers and processors by promoting competition and domestic market development.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
B. Trade Policies	<ul style="list-style-type: none"> • In 2001-2002, the government has been abstaining from direct purchases of agricultural commodities. • A system of pledge purchases of grain by the national and local government was established in 2000 but has been of insignificant importance since then due to lack of funding. • Quotas on imports of some meat products were introduced in 1997 but never implemented in practice. • Average agricultural and food sector import tariffs were at the level of 24% in 2002, with many tariffs set in specific form (Euro/ton) at equivalent ad valorem rates of 50% or higher. • Agricultural imports are often taxed on the basis of reference prices. • Export duties on live cattle and animal skins were introduced in 1997; 23% export duty on sunflower seeds became effective in 1999 and is still in place. 	<ul style="list-style-type: none"> • Maintain conditions for remonetizing commodity and payment relations. • Ensure that all state agricultural procurements are limited to budget allocations and executed on a competitive basis through the agricultural commodity exchanges, public tenders, and auctions. • Maintain conditions under which there are no restrictions on inter-regional movement of grain. • Amend the system of pledge purchases of grain by limiting it to budget funded volumes and allowing private sector to implement the pledge purchases • Reduce import tariffs and remove export taxes on live cattle, animal skins and sunflower seeds. • Refrain from intervening in agricultural import and export markets, with the exception of interventions acceptable under the WTO. • Pursue active trade policy to improve market access for Ukrainian food and agricultural products through the WTO and Cairns Group, and by seeking duty-free access for these products to the markets of the states of the FSU.
C. Taxation	<ul style="list-style-type: none"> • 30% profit tax is applied for food industry and for intermediary activities. • As of January 1, 1999, and until January 1, 2004, the primary agriculture pays single land tax calculated based on land area in use with certain adjustments for land quality. • As of January 1, 2000, farms receive back the VAT paid on all off-farm sales of agricultural commodities. In 2002, farms received UAH 1.4 bln (US\$ 260 mln) through the repayment of VAT. Farms can use these funds only for the purchase of inputs. • In 2001-2002, the VAT charged on sales of meat and dairy products by the processing enterprises is used as a subsidy to farms that sell meat and dairy products to processing facilities. 	<ul style="list-style-type: none"> • Promote a fair and non-discriminatory system of taxation. • Remove the existing tax breaks applied to the agriculture sector.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
2. <u>Land Reform and Farm Restructuring</u>	<p>Land reform and farm restructuring accelerated in 2000-2002, but the process is still at an early stage.</p> <ul style="list-style-type: none"> • The process of issuing land share certificates has been virtually completed. However, only less than 10% of all collective farm members have left the large collective agricultural enterprise. • Almost all large-scale collective agricultural enterprises have been re-registered as private, private-lease enterprises or cooperatives in 2000 following a December 1999 Decree of the President. • 80% of farmers who received land share certificates rented them out to farms where the certificates have been issued. • Ongoing process of privatization: additional land was provided for private and household farmers in 1998-2001, reaching about 11 million ha or about 26% of total agricultural land. • Replacement of land share certificates with land titles with physical allocation of land on site has gained momentum in 2001 and 2002: according to official statistics, 3.3 mln or about 48% of farmers who received land share certificates exchanged them for land titles as of April 1, 2003. • The Parliament suspended all transactions with land share certificates in early 2001, except for lease or inheritance. • A new Land Code has been approved by Parliament. It sets up moratorium on sales of agricultural land until January 1, 2005 and limits the area of land which can be owned by one individual to 100 ha until 2010. • Land registration does not meet the needs of a functioning land market. 	<p>Secure transferable land use rights conducive to promoting long term investment, access to financial markets, and enhanced land mobility.</p> <ul style="list-style-type: none"> • Encourage land reform by informing farm members on the legal basis for division and privatization of large farms, which would promote development of viable farm management units. Develop a comprehensive program for farm restructuring and land reform, that promotes genuine farm restructuring through liquidation of existing large-scale farms. • Continue systematic titling of agricultural land. • Develop procedures for implementation of the Land Code. • Approve and implement legislation on registration of titles for immovable property, including land. • Develop mortgage procedures for land, other real estate, and moveable assets. The mortgage law would allow lessees to mortgage their leasehold interest.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>3. <u>Competitive Agro-processing and Services for Agriculture</u></p>	<p>Privatization and demonopolization has been largely completed; in many instances, this process has resulted in restructuring and increased efficiency of the food processing sector.</p> <ul style="list-style-type: none"> • State owned agroprocessing and input supply system has been largely privatized through a mass privatization scheme. • The majority of grain storage and processing facilities have been privatized. • About 100 grain storage and processing facilities remain in state owned holding company Khib Ukrainy (Bread of Ukraine) and in State Reserve Company. • Basic anti-monopoly regulations developed during 1993-1994; Anti-Monopoly Committee (AMC) tries to prevent collusion and local monopolies. 	<p>Restructure state agricultural institutions to focus on the role of market facilitator, and bolster agricultural market information.</p> <ul style="list-style-type: none"> • Facilitate the emergence of new and privatized restructured firms, and the growth of efficiency in both input and output markets and in agroprocessing. • Complete corporatization and privatization of grain procurement and storage enterprises that are currently part of Khib Ukrainy. Sell Government's remaining "golden share" in a large number of grain elevators, which still allows some government control. • Create a policy and legal environment supportive of direct foreign investment.
<p>4. <u>Rural Financing</u></p>	<p>Lack of an appropriate financial system for food and agriculture.</p> <ul style="list-style-type: none"> • Financing in agriculture is not adjusted to the needs of a market based privatized agriculture. • The banking sector is weak and its financing to the productive sector is limited. The size and presence non-bank lenders is negligible. High interest rates and the insufficient collateral limit lending to agriculture. Although there has been an improvement in short term lending by commercial banks (est. UAH 4.5 billion in 2001), there is very little medium and long term lending. • Removal of government input supply schemes and increased profitability of the farming sector led to increased lending by commercial banks to primary agriculture and food industry enterprises in 2000-2002. • The government allocated UAH 150 mln (US\$ 27 mln) to subsidize 70% of interest rate charged by commercial banks lending to primary agriculture and 50% of interest charged to processing and service enterprises in 2002. 	<p>Viable financial institutions efficiently serving the food and agriculture sector.</p> <ul style="list-style-type: none"> • Introduce and implement legislation that defrays transaction costs and reduces risk in rural lending. • Increase the ability of rural assets to carry debt. • Create more conducive environment for lending to agriculture • Develop a viable distribution network for various segments of rural financial markets.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
5. <u>Institutional Framework</u>	<p>Adjustment of the institutional framework is at a rather early stage.</p> <ul style="list-style-type: none"> • Government administration still carries many features of Soviet type structure. • Research/education system has not been adjusted to emerging new conditions. • Public activities (government research-education) in agriculture are seriously hampered by budgetary difficulties. • Western type of agricultural extension system does not exist. ▪ Advisory services were piloted by donors in few regions. 	<p>Efficient and effective public sector administration and support services.</p> <ul style="list-style-type: none"> • Prepare and implement a program of reorganization of public administration in agriculture, both at the national and local level. • Review and streamline agricultural education and research system. • Support the emergence of private farm advisory services.

KAZAKHSTAN

<u>Total</u>		Agricultural GDP 2002, billion		Agricultural output in 2002 as	
<u>Population, 2002</u>	14,86 M	KZT	552	percentage of 2001 level.	102.7%
Rural Population	43.57 %	Agriculture and forestry, fishing		Share of livestock in agriculture,	42%
		and hunting in total GDP, 2002	14.7%	2002	
<u>Total Area</u>	272.5 M ha	in active labor force, 2002	8.8%	Share of crop in agriculture, 2002	58%
Agriculture area,		Food and agriculture, export			
2002:	222 M ha	absolute value mln USD 2002	508		
Arable land	22 M ha	Share in total export	5.3%	Agricultural enterprises (JSC,	
(o.w. actually		Food and agriculture,		partnerships, etc.) out of all land	
used)	17.7 M ha	import absolute value mln USD		users engaged in agricultural	63%
Hayfields	5 M ha	2002	317.4	production,	
Pasture	182.4 M ha	Share in total import	5%	peasant private farms	34%
Forested	21 M ha	Average monthly wage,		Household plots' share in	
		in econ KZT	20827	livestock husbandry	86%
		in agricultural sector KZT	8693	All agricultural produce is	
		Traditionally net exporter of wheat		provided by private enterprises	
		and cotton products			

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
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ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices and Subsidies</p>	<p>Significant but incomplete liberalization of agricultural markets but increasing state intervention.</p> <ul style="list-style-type: none"> • Government price controls ended in 1994/95. • Domestic prices largely follow world market prices though they still reflect some distortions due to underdeveloped local markets. • Subsidies out of the national budget for the purchase of fertilizer and seed amounted to KZT 400 million in 2002 but only 237.9 mln were disbursed. • Illegal control of city markets and bazaars by groups in power that often collude with local authorities, together with trade barriers leads to abnormal price inflation for the most of fruit and vegetables across the country. • In order to support agricultural producers and to maintain the state food reserves the Government annually exercises a state program of grain procurement. Starting from 2001, futures two-phased procurement is practiced. At the first phase the Government makes futures contracts with agricultural producers to prevent price dumping during spring field operations. The second phase is executed during autumn field operations. Due to unexpected price fall in autumn 2002 agricultural producers significantly gained from the futures state procurements. Total in two phases 459,631 tons of grain were procured in 2002. In CY2003 the Government plans to procure 1,5 million tons of grain using loans from the commercial banks and 500,000 tons for the state reserve using budget means. • Due to the national and local government subsidy program agricultural producers can purchase fuel, lubricants, spares, seeds and fertilizers with discount up to 40%. 	<p>Competitive markets for outputs and inputs of agriculture with minimal Government intervention.</p> <ul style="list-style-type: none"> • Maintain liberal pricing policies and increase transparency on local markets; • Focus support programs on efficiency enhancement programs if any allowed by budgetary situation. • To optimize zonal structure agricultural production the Government should support grain production only in zones favorable for it. It is necessary to focus on diversification and production of high quality wheat that considerably increases export potential. • Supervisory bodies should enhance their work to ensure competitive environment in the market of fruits and vegetables. • Reduce reliance on subsidies and protections to support the sector
<p>B. Trade Policies</p>	<ul style="list-style-type: none"> • WTO membership is continuing to be negotiated with agricultural subsidies being one of the major obstacle to WTO accession. • Foreign trade is liberalized but seriously constrained by inadequate control of standards and insufficient transportation facilities. • No export tariffs on any agricultural commodities. • Import tariffs are aimed to support domestic producers. Slight increase of import tariff for poultry is observed. 	<ul style="list-style-type: none"> • Proceed with the efforts to explore world markets at the same time try not to increase protection • Introduce WTO conformed trading regime and complete membership procedures. • Initiate mutual removal of VAT for trade inside CIS. • Eliminate interference by local authorities in agricultural markets.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
C. Taxation, 2000	<ul style="list-style-type: none"> • Effective July 1, 2001, VAT rate was lowered to 16%. The President initiated a process to lower it to 15% in CY2004. • Individual private farms are imposed a “unified land tax” and are freed from other taxes normally paid by enterprises. • Amendments to Tax Code further alleviate tax burden for agricultural producers. Thus, farmer payments for land plots and water resources use, and for environmental pollution were cancelled, some other taxes are modified. 	<ul style="list-style-type: none"> • The maintaining an equitable and fair taxation of agriculture to be observed, consider further tax reduction as the preferable way of supporting emerging agricultural producers;

2. Land Reform and Farm Restructuring

Successive waves of land reform and privatization initiatives have characterized Kazakhstan's reform efforts. Initial privatization of farms has been completed, however, the restructuring of the farming sector is still in progress.

- The new Land Code allows private ownership of agricultural land. However it has some controversial measures such as payments to transform a conditional land share in private land and impediments to sublease conditional land shares. A Water Code and a Forest Code are also under elaboration. These legislative acts are aimed at compiling all scattered legislative acts at one document and enhance preservation of natural resources while increasing economic efficiency from its use.
- Adoption of the new Land Code is believed to enable the use of land as a collateral that should invigorate economic activities in rural area. However, numerous other steps will be needed before this will be realized in practice.
- A comprehensive State AgroFood Program 2003-2005 was elaborated by the Government. The program includes identification of support tools for livestock and crop production. Furthermore the state Program of Rural Development is being elaborated by the Government. The program aims at wide addressing of problems of rural area, especially of the depressed territories.
- The farm restructuring and ownership changes to date are only slowly beginning to yield increases in farm productivity or improved profitability. Moreover, the process has been characterized in some instances by a lack of transparency, poor information, and manipulation and has led to a rapid accumulation of land use rights by some farm managers.
- Number of private agricultural enterprises continues to increase throughout Kazakhstan and most of them concentrated in southern regions.

Efficient farming based on transparent ownership and land use rights.

- Facilitate the further restructuring of inefficient farms and increasing the number of family farms;
- Explore measures to reverse negative social impact of excessive concentration of land user rights;
- Facilitate the financial consolidation of newly emerging farms by debt settlement and introduction of international accounting practices;
- Use bankruptcy procedures to accelerate the farm consolidation, use land as a collateral to stimulate rural crediting by the second – tier commercial banks.
- Develop and implement pragmatic and low cost measures to delineate the remaining notional land certificates for land parcels.

<p>3. <u>Competitive Agroprocessing and Services for Agriculture</u></p>	<p>Formal privatization of state enterprises completed, technological improvement and financial consolidation of these enterprises is lagging behind.</p> <ul style="list-style-type: none"> • The President of the Republic of Kazakhstan declared 2003-2005 as years of aul (rural area) in his annual address to the Kazakhstan nation. Pursuant to that several governmental programs are being developed and the main of them is directed to actively support agricultural producers and agroprocessing industry through budget and commercial banks crediting mechanisms. • Capacity in most of the former state enterprises is significantly underutilized, and produce quality has only marginally improved. Quality of management in most cases is gradually improving. • Import substitution in agrofood industry is widely encouraged by the Government. Some success in reduction of share of imported food in total consumption is observed. • Risk Insurance in agrofood industry remains somewhat underdeveloped that constrains investment in this sector of economy • Agroprocessing enterprises remain technologically backward, and lack funds to introduce new technologies; Although agroprocessing is receiving more funds than before, a lot still remain to be done and the sector is still heavily underinvested • The grain sector is demonopolized with some strategic investment by foreign multi-nationals; • Some increasing private sector investment into input supply and output marketing is observed. 	<p>Private-based and competitive agroprocessing and input supply and facilitation of entry of new private entrepreneurs.</p> <ul style="list-style-type: none"> • Enact anti-monopoly and fair competition legislation. • Aggressive application of bankruptcy legislation to facilitate further restructuring of agroprocessing. • Improve the legal and policy environment for direct domestic and foreign investment in agroprocessing. • Facilitate the introduction of international quality standards and actively encourage introduction of new technologies. • Take measures for the development of insurance market in agrofood industry
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<p>4. <u>Rural Financing</u></p>	<p>Basic financial sector reforms in place, with rapid emergence of private financial intermediaries, however the development of a rural financial system is lagging behind.</p> <ul style="list-style-type: none"> • With declaration by the President the upcoming three years as years of all governmental financial injections to the rural area are expected to increase drastically. In 2003-2005 about US\$ 60 mln of additional funds are to be invested annually in rural infrastructure projects in transport, water supply and social sphere. Furthermore according to governmental plans in 2005 financial allocations to support agriculture should reach 1.8% of GDP. • Amount of rural lending are expected to increase with ratification of new Land Code that provides legal ground for use of land as collateral. At the moment food processing industry has received KZT 50 billion (about US\$ 350 mln) of credits from all sources. Additional financial requirements are estimated to be about KZT 29 billion of which 8.5 billion for capital renewals. • Efforts now underway, with World Bank support to incentivize formal bank financing for farms through the implementation of the projects of agricultural competitiveness and post-privatization support; • Agricultural Credit Corporation (ACC) established in 2001 to provide channel of subsidized credit to farms. 30 Agricultural Credit Partnerships (ACPs) were established across the country. Authorized capital stock to come from members of ACPs and from ACC. Budgetary allocations for ACC in 2001 and 2002 amount \$4 million each. • Program of machinery leasing being implemented by the Ministry of Agriculture through the state owned enterprise “Kazagrofinance”. Farms lease machinery with a 20-30% downpayment and a 2-3% margin to cover administrative costs. The terms of such leasing arrangements vary. The program is supported by funds from the budget in the form of an interest-free credit to Kazagrofinance. Budgetary allocations to cover the interest subsidy increased from \$400,000 in 2001 to \$1 million in 2002 and to \$3.5 million in 2003 reflecting increased value of needed machinery covered by the program. 	<p>Viable financial institutions efficiently serving the food and agricultural sector</p> <ul style="list-style-type: none"> • Facilitate accessibility of credit resources for borrowers engaged in agricultural production. • Review the program of leasing of agricultural machinery being carried out by Kazagrofinance to determine its costs and sustainability. • Introduce international accounting standards. • Implement further Bankruptcy provisions.
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<p>5. <u>Institutional Framework</u></p>	<p>Adjustment of the institutional framework to meet the requirements of a market-oriented agricultural sector is still at an early stage.</p> <ul style="list-style-type: none"> • To reflect increased governmental attention to rural issues the role of the Ministry of Agriculture was expanded. The Minister of Agriculture gained a status of the Deputy Prime-Minister. Some critical activities fields like agricultural science, water management, forestry and fishery moved from other state agencies to the competence of the Ministry of Agriculture. • Agricultural research and training institutions remain only weakly attuned to end-users' priorities and are unable to provide technological and information needs due to institutional and budgetary constraints. • The creation of quality public services required by a market based agriculture (market information, animal disease control, phyto-sanitary regulations, seeds, grain quality analysis and international grading system) is being further developed. 	<p>Effective provision of public goods and support services.</p> <ul style="list-style-type: none"> • Accelerate the creation of quality public administration in agriculture by concentrating increases in budgetary allocations on pay levels rather than increasing the number of staff. • Implement comprehensive reform of agricultural research and training systems; • Facilitate the emergence of an effective farm advisory service. • Improve provision of public goods such as market information, land titling and registration, disease control, seeds and grain quality analysis and grading.
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RUSSIA

<u>Total Population</u>	144.1m(2002)	Agriculture in GDP (2001)	6.9%	Agricultural output in 2001 as percentage of 1990 level (in constant prices)	68.5%
Rural Population	27 %	Agriculture in active labor (2001)	12.3%		
<u>Total Area</u>	1709.8 mil ha				
Agriculture area:	189.9 mil ha	Food and agriculture in exports (2001)	2.1%	Share of livestock in agriculture (2001)	47.1%
Arable land	56.1%	in imports (2001)	22.5%		
Pasture and Meadows	30.5%				
Hayland	10.7%				
Fallow land	1.8%	Agriculture in fixed assets (2001)	6.0%	Agricultural area in private (non state and non corporate) use (2001)	13.7%
Perennial Plantations	0.9%	Net importer of livestock and dairy products and sugar		Share of household plots and family private farms in total agricultural output (2001) (52.4 HP+3.7 Family farms)	56.1%

POLICY	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>1. <u>Overall and Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>Previously, substantial liberalization at the federal level, but a federal agricultural policy was never clearly enunciated, and so policy has been to a large extent regionalized. Less liberal policies prevail at the regional level. Attempts introduce various measures of state regulations. Federal intervention in grain market has been reintroduced. Import quotas for meat were introduced in 2003.</p> <ul style="list-style-type: none"> • Little price intervention at the federal level, though there is serious discussion of re-imposition of some controls, under the rubric of “regulation”. • Substantial intervention by some provincial governments in the form of administrative controls on prices or margins, barriers to inter-regional trade. In 2002, subsidies, cash grants and compensations were used in 63 RF regions (in 2000 – in 49 regions) • Subsidies and support for agriculture have fallen from 0.52% of GDP in 1995 (3.8% of gross ag. output) to 0.19% in 2000 (1.58% of GAO). • Problem is not the amount of support for agriculture, but its form – poor policy in directing subsidies (unjustified subsidies to some sub-sectors, with subsidies administered in distortionary forms), debt write offs, commodity credits at regional level—and lack of focus on supporting private farms 	<p>Consolidation and maintenance of macroeconomic stability. Prevention of excessive state regulation of agrarian economy. Removal of barriers to foreign trade (food imports) and domestic trade at the subnational level, reduction of intervention at the provincial level, integration of national markets and complete linkage with global markets.</p> <ul style="list-style-type: none"> • Enforce legal prohibition on interference in inter-regional trade; require competitive procurement by regional governments; WB should begin policy dialogue at regional level (but constrained by regional credit-worthiness) • Within sectoral budget consistent with macroeconomic stabilization, achieve expenditure switching toward public goods and services, and away from programs that distort incentives.

POLICY	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
B. Trade Policies	<ul style="list-style-type: none"> • Attempts to introduce protectionism measures are growing. Russia imposed a sugar import tariff-rate quota regime. In 2003 quotas are introduced for beef, pork and poultry meat. • Negotiations on accession to WTO continue, but there is no clear target date for conclusion. Regional policies create additional obstacles for WTO accession, as well as large disparities in incentives among regions. • Large-scale food aid in 1999 (and on a smaller scale in 2000) disrupted markets. 	<ul style="list-style-type: none"> • Continue to push toward joining WTO. Do not introduce quantitative controls inconsistent with rules of WTO. In context of WTO accession, pressure regions to dismantle barriers. • Prevent attempts to close domestic food markets (mostly meat) to protect domestic agricultural producers. • Refrain from requesting more food aid, except for limited targeted aid administered by humanitarian NGOs.
C. Taxation	<p>• Overall problems in agriculture similar to other sectors, but income easier to hide in this sector. Current Tax Code limits tax exemptions and rights of subnational jurisdictions to impose ad hoc taxes. It does not allow agricultural producers to evade taxes, but provide them with fewer and less distorting taxes. Starting February 1, 2002, a unified agricultural tax is introduced. It is based on the results of the cadastre evaluation of lands. A decision on implementation of a unified agricultural tax is made by each RF subject. This tax covers approximately ¼ of all taxes and dues paid by agricultural producers. Local Administrations have right to reduce tax rate for selected categories of agricultural producers. The MOA considers that the system of agricultural taxation, including a unified agricultural tax, needs to be improved. The ministry opposes the attempt to introduce a property tax for agricultural producers and shift land taxes from organizations to physical persons.</p>	<ul style="list-style-type: none"> • Evaluate agricultural provisions of proposed documents with regard to tax reform. Monitor enforcement of restrictions on discriminatory ad hoc local taxes.

POLICY	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>As of January 1, 2002, 633 mln. ha were used by enterprises, organizations and individuals for agricultural production. Only 20% of this land (129 mln. ha) were in private ownership of which 112.6 mln. ha are land shares (including 26.4 mln. ha of unclaimed shares), used with little difference in practice from the old system.</p> <ul style="list-style-type: none"> • Distribution of land to enterprises and their shareholders undertaken through a series of Presidential decrees since 1992. But most of these enterprises continue to operate as they did under the old system, and require large subsidies. Land tenure is ambiguous, since rights of enterprises and shareholders not fully specified through contracts governing land use. Ability of these enterprises to re-structure is also impeded by debt overhang and the fact that they are the sole providers of some social services in their areas. • At the end of 90s new types of agribusinesses emerged (agrofirms and agroholdings) on the basis of purchases of control stock or creation of branch establishments, or other forms of investors' involvement in farm business. <ul style="list-style-type: none"> ▪ The Federal Law on Financial Rehabilitation of Agricultural Producers (2002) followed by the Governmental Resolution (January, 2003) established a sound base for debt restructuring. • Private land ownership recognized and protected by the Law on Agricultural Land Turnover approved in July 2002. By the beginning of 2003 only 6 Russian regions adopted local laws to implement the Federal law on Agricultural Land Turnover. • Land markets are largely inactive due to legal ambiguity regarding transactions and lack of clarity on procedures, absence of mortgage market, and general unprofitability of agriculture. Only 6% of all land transactions (0.3 mln. out of 5.56 mln. transactions) account for actual free market land sales. 	<p>Removal of remaining obstacles to development of a private land market.</p> <ul style="list-style-type: none"> • Evaluate state farms remaining on list of unprivatized. Reduce number remaining in public sector. Complete drawing up of contracts between shareholders and users of land (enterprises). Include registration of land shares in system of land registration. • Pass regional land laws to enforce the Federal Law on Agricultural Land Turnover. • Follow the approved procedures for restructuring and/or liquidation of insolvent farm enterprises, with hard budget constraints so that resulting enterprises have incentives and capacity to engage in commercial activities. Develop debt work-out procedures that will split off legitimate social services and place them with the public sector. • Speed up improvements in land registration as a priority to developing a fully functional land market. • Establish and disseminate procedures for land transactions, including mortgage, leasing as well as purchase and sale. • Establish a framework for the dissemination of land market information.

POLICY	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>3. <u>Competitive Agro-processing and Services for Agriculture.</u></p>	<p>Considerable progress in privatization, but investment remains low, transactions costs are high, and much of the processing industry is not competitive with regard to price and quality. Starting 2000, processing industry and grain elevators became attractive to private banking and industrial capital.</p> <ul style="list-style-type: none"> • Foreign participation in marketing and agroprocessing is lower than desirable. • Interventionist activities—especially of local and provincial governments—discourage investment and new entry by continued subsidies to inefficient old enterprises. • Development of information system and marketing infrastructure in the food chain is inadequate. <p>Many producers still dependent on local “commodity credit” schemes that keep them locked into Soviet-style input supply and marketing arrangements and non-cash trade. Some proposals to renew large-scale procurement on federal level.</p>	<p>Removal of legal and institutional constraints to market development.</p> <ul style="list-style-type: none"> • Enforce bankruptcy provisions in food processing. • Enforce prohibitions on restrictions of inter-regional trade. Tie federal assistance on agricultural support programs to reduced procurement by provincial governments. • Create farmer/processor market information systems. • Expand and upgrade public facilities for output marketing (farmers' markets, wholesale markets, etc.). • Improve collection and dissemination of market information. <p>Phase out local government procurement schemes, and stop the new scheme on federal level. Any procurement should be cash-based.</p>
<p>4. <u>Rural Financing</u></p>	<p>SBS-Agro Bank is bankrupt. Some regions have taken over local branches. SBS-Agro has been resurrected as Rossel’khoz Bank as a major channel of subsidized credit to agriculture. Before 2001, the Government (through the MOA) administered programs of soft loans (rates about 25 percent of commercial rates) and equipment leasing to agriculture. Currently, the State subsidizes the interest rate on commercial bank loans to agriculture.</p> <ul style="list-style-type: none"> • Effectiveness of banking system compromised by banking and macroeconomic crisis in 1998. • Banks refrain from lending to most of agricultural enterprises. • New federal leasing scheme will in principle allow greater participation of private sector companies in the federal subsidy program, a positive step. However, there is a danger that leasing will remain dominated by the successor organization – Rosagroleasing. • Some credit cooperatives and credit unions are developing, but legislative framework still needs improvement. • The law on warehouse receipt is not approved. 	<p>Development of multiple channels for rural finance.</p> <ul style="list-style-type: none"> • Phase out state owned Rossel’khoz Bank, and while it is operational, limit its funding to low levels • Improve the system of soft lending to agriculture. Continue shift to interest subsidies in place of direct government credit. Introduce a program for gradual transformation to regular commercial lending. • Identify and remedy deficiencies in the legal framework for collateralizing moveable property. Pass Warehouse Receipt Law. • Design and implement a program to facilitate expansion of leasing of agricultural equipment by the private sector, with a sunset clause for termination of public support for the activity • Support activities to reduce the transactions costs that rural lenders and borrowers face, such as information and evaluation of risk. • Encourage development of credit coops and cooperative banks with appropriate legislation

POLICY	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>5. <u>Institutional Reform</u></p>	<p>Institutional reforms are uneven, with excessive local intervention</p> <ul style="list-style-type: none"> • Ministry of Agriculture is still organized to focus on traditional roles rather than to provide governmental services to meet requirements of a market economy. • Access to information and advisory services insufficient to support competitive production and marketing • Agricultural research is underfunded and insufficiently linked with international partners • Local administrations retain an excessive role in market intervention • Agricultural education has not been revitalized, and remains under the jurisdiction of the Ministry of Agriculture <p>Proposals to allow Producers' Unions to perform governmental roles in licensing and controlling new entry</p>	<p>Reduce local involvement in procurement and refocus research and education</p> <ul style="list-style-type: none"> • Ministry of Agriculture needs institutional restructuring and strengthening on the basis of its changing functions under the administrative reform • Improvement in market information systems is underway, and needs strengthening • Increased funding and reorganization of agricultural research is needed to focus on increased competitiveness and international integration • Local administrations should reduce procurement for regional stocks and conduct remaining procurement on competitive basis • Agricultural education should be refocused to address rural labor mobility more generally, and should be managed under the Ministry of Education. <p>Refrain from giving public sector functions (licensing and control) to producers' unions</p>

TAJIKISTAN

<p><u>Total Population</u> 5.90 mil. Rural Population 71.5% <u>Total Area (ha)</u> 14.3 mil. Agriculture area: 1.1 mil. Arable land of Total Land 8.2% Orchards area, 8% Viticulture area 7% Irrigated area of AL 72% GDP 2002 6 (E) GNPper Capita (2002) <170 Tajik SOMONI to US\$ 2003 3.1=1 \$</p>	<p>Food and agriculture in GDP 2001 21.% Active labor in Food and Agriculture (2001) 71 % Food and agriculture in exports (2002) 18% in imports (2000) 21% Traditionally a major exporter of cotton and in addition processed and unprocessed fruits, vegetables, nuts, silk, and wine, and a net importer of: grain, sugar and vegetable oil. Now there is a shift in cropping pattern and meets its grain needs mostly through domestic production</p>	<p>Agricultural output in 2001 as percentage of 1995 level 76% Livestock production in 2000as percentage of 1995 level 46% Share of livestock in agriculture (2002) 43% Arable area in private use (2002) independent peasant family and Cooperative/associations (Dekhan) farms (2002) 51 %</p>
ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>The peace in the country and policy environment has Improved considerably. Recent experience suggests that real GDP growth of 4-5 percent annually could be achieved over the next few years. The Government although is seriously engaged in the privatization of agricultural sector by privatization of the state and collective farms and enterprises by and large it has remained in paper due to outstanding farm debt, has formulated PRSP oriented planning for alleviation of poverty.</p> <ul style="list-style-type: none"> • The government's overall development approach for the sector is to reverse the decline in agricultural production, and to promote an efficient production under private sector. • Prices of wheat, fruits, vegetables and livestock products and inputs have been fully liberalized. Farm input and out put market has been liberalized. • Although cotton market is stated to have been liberalized and all the ginneries in the country have been privatized the government continue to interfere in the cotton production and marketing through administrative coercion, future contracts to cartels, fuel allocation, water allocation and in licensing for export. • Grain and cotton prices have reached almost international prices and the trend continues during 2002. But farm gate price for the cotton continues to be extremely low (less than 30%). • Water Use charges for irrigation was raised by 50% but collection continues to be poor, Power for Irrigation water continues to be subsidized. Bread prices fully liberalized, universal bread subsidy has been replaced with targeted food subsidies to the vulnerable groups. 	<p>Creation of an enabling environment for private sector development and implementation of a competitive and fair agricultural markets. Enhance private sector role in rural development.</p> <ul style="list-style-type: none"> • Continuation of macro-economic adjustment operations and capacity building to implement market oriented agricultural policies; such as liberalization of all prices and phasing out producer subsidies. • Improve incentives for water savings, and cost recovery in Irrigation and in Operations and Maintenance of the infrastructure and transferring of the management and water distribution to water user's associations • Intensification of the activities for privatization of the remaining state and collective farms in a transparent and more equitable manner and estoppel of large-scale transfer of land to cotton firms on long term leases. • Old cotton Debt resolution and allocation of land to farmers and provision of full freedom to farmers to select crop structure of their choice and encourage investment in cotton sector and improve incentive structure and reduce role of the state in credit allocation to farms for cotton production. • Promote viable agro-processing industry, and competitive agricultural markets in the private sector. Provide secure trade routes from farm to markets and eliminate inter- raion border restrictions.

ISSUE	STATUS OF REFORMS	OBJECTIVES, PROPOSED ACTIONS
B. Trade Policies	<ul style="list-style-type: none"> • Privatization of all the 23 cotton ginneries have been completed. Privatization of another set of 230 SMEs have been completed . • There has been some progress in liberalization of free trade for cotton, however, subtle control of the government in export of cotton through licensing and in providing directed credit for production or the guarantee for future contract production through state controlled banking continue to exist. • Licensing requirements for the import of agricultural inputs and export of all agricultural exports however has been eliminated. 	<ul style="list-style-type: none"> • Abolish domestic reserve requirements. • Monitor progress of cotton stock exchange and expand linkage to regional and world markets and promote conditions for active free standing forward trading activities for cotton. • Remove remaining export licensing and quotas. • Remove convoluted licensing procedures for cotton. Open up the market for cotton through “Cotton exchange” or an association of cotton traders and processors and producers. • Adopt a transparent trade policy
C. Taxation	<ul style="list-style-type: none"> • Land registration fee has been reduced from \$ 80 to less than \$ 7, and compulsory registration of persons engaged in farm production activity as juridical persons have been eliminated, thus promoting the privatization of the farming sector. • Taxes on the agricultural sector: e.g. VAT, production tax, land tax, irrigation tax, transport tax; road tax, safety-net tax, health tax, and water tax, and are now being rationalized and simplified. • Registration requirement for all those engaged in marketing of agricultural products continue to exist and are convoluted. • Cotton exports taxed at 25% of FOB price. • Regulations governing customs administration need improvement, and some inefficient and lengthy customs procedures leave room for discretion and corruption. • Convoluted procedure for calculating VAT and the Tax system for individual or small scale traders, cooperatives and corporate entities in agriculture providing farm support services continue to manifest. 	<ul style="list-style-type: none"> • Simplify the taxation system, organize wider information campaign to educate the people about the tax policy and the taxation system. • Strengthen the Government capacity in formulation and implementation of appropriate import and export tax policies and publicize it. • Rationalize cotton sales tax policy, Monitor the government policies of the reduction of all export taxes and duties for agricultural products. • Eliminate restrictions and Government policing of inter-raion movement of farm inputs and out. • Develop a customs reform program which includes: (i) revision of the Customs code; (ii) revision of Customs procedures and regulations and strengthen the internal audit function; (iii) a plan for the modernization of Customs over a next two year period. iv) adopt revision of the Customs code; (v) reform Customs procedures and regulations and strengthen the internal audit function; and (vi) start modernization of Customs working system making it more transparant.

ISSUE	STATUS OF REFORMS	OBJECTIVES, PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>Progress is being made under farm land privatization and farm restructuring</p> <ul style="list-style-type: none"> • Government has passed a Land Code, Although land is the exclusive property of the state, now the law permits for long term (30 to 90 years) tenure on land leasing that can be transferred or bequeathed. Primary land users have tenure of unlimited duration or life-long inheritable tenure. Secondary land users are lessees of land plots. There are four types of land tenure : (a) Land tenure of unlimited duration, which is available to state-run and co-operative agricultural enterprises, and other enterprises and associations. (b) Life-long Inheritable Tenure, which is available to physical persons or groups of citizens to establish dekhan farms or to take up other “traditional farming activity.”; (c) Land Use (term based), which is available to secondary users for general use only and (d) Land lease, which is available to secondary users for a term of 20 years (if from a private primary holder) or 10 years (if from the land reserve funds) for a price not to exceed the land tax rates. • Most state and collective farms (210 of the 600) except the pedigree farms, have been converted into Dekhan farms or associations, but majority of them have not changed their mode of operation. Privatization of majority of ex-state and collective farms are stalled as these farms are in debt and in precarious financial condition as the farms had borrowed under future contract for cultivating cotton with the state guarantee. • Degree of commitment to land privatization and farm restructuring varies across the country depending on the local leadership for privatization and commitment of hukumat (Raion administration) for privatization. • Secure land tenure registration and titling services and supporting mechanisms is progressing well but still long way to go. • Privatization of Majority of ex-state and collective farms that are cultivating cotton under future contract with state guarantee are in debt and in precarious financial condition. 	<p>Development of transparent, participatory approaches for equitable distribution of land use rights of the lands of large state and collective farms, establishment of a system for systematic registration of right to land use, creation of transparent, fair and competitive land lease markets.</p> <ul style="list-style-type: none"> • Improve the legal framework for land reform by (a) allowing security of land tenure with rights to exit, and formalizing clear rights to own and sell land; (b) constituting a participatory and transparent mechanism for determination of land and non-land assets for individuals and their allocation; (c) developing mechanisms to use land lease rights/ other assets (including mobile) as collateral. • Modernize the land tenure registration systems and titling services in the immediate to short term to develop a functioning land lease market. Enhance public access to land use right records • Reform the legal framework for individuals, cooperatives and corporate entities in agriculture to provide for transparency, autonomy and framework for easy restructuring of farms and agencies and enterprises providing farm support services. • Develop a variety of private farming approaches and provide legal and appropriate institutional support services for their creation and sustainability. • Rehabilitate critical irrigation and drainage infrastructure and reduce reliance on high energy consuming pumped systems, except where there can be scope for introduction of high value crops and no alternatives exist for other commercial crops; and develop gravity based irrigation systems with protective irrigation approach and introduce better rainfed farming systems.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>3. <u>Competitive Agro-processing and Services for Agriculture.</u></p>	<p>New privatization law passed by parliament and the new procedures are expected to improve the legal framework and privatization of agro-processing sector.</p> <ul style="list-style-type: none"> • Government continues to retain partial to majority ownership in most agro-enterprises. • Foreign participation in marketing and agro-processing is minimal. • Potential of state and collective farms becoming major shareholders of food processing enterprises. • low quality outmoded products, poor demand for the products High level of indebtedness, and low capacity utilization are major impediments. • Convoluting licensing procedures, absence of incentive and harassment of tax authorities of newly emerging and venturing entrepreneurs 	<p>Incentive for private ownership, formulation and implementation of transparent legal and privatization procedures for the development of a fair, competitive agro-processing and input supply markets.</p> <ul style="list-style-type: none"> • Develop and implement a plan for complete privatization of all agro-processing and input service enterprises, undertake case by case privatization, with participation of both domestic and foreign investors. • Create enabling policy environment to attract private foreign investment; improve legal system for contract enforcement and market transparency. • Develop and implement anti-monopoly legislation. Implement monitoring and regulatory mechanisms of the privatization process to prevent oligopsony comprising both domestic and foreign cotton ginnery owners. • Promote research and development of new products, packaging and marketing to meet outside markets.
<p>4. <u>Rural Financing</u></p>	<p>A functioning broad based rural financial system is still evolving.</p> <ul style="list-style-type: none"> • The banking sector continues to be very weak Share of top four banks amounts to > 85% of the total assets in the banking system. • State agricultural bank (AGROPROMBANK) has been reorganized in to two (i) a commercial bank (Agroinvestbank) and (ii) the Agrobank (with the old outstanding dues). But both system continues with high involvement of the Government including the future contracts operations, directed credit in cotton in collaboration with external bank funding. • Although a Bank restructuring agreement was drawn between the four major banks and the National Bank of Tajikistan very little progress has been made towards outstanding loan collection and overhead reduction. High interest rates and the lack of dependable collateral seriously limit commercial lending • Most of the state run agro- processing agencies /marketing enterprises are in serious liquidity crisis. • Financing through Agroprombank has almost come to grinding halt. • Micro credit schemes are being implemented in selective regions through NGO's, CARE-international, AKF, Save the Children, Mercy Corps. 	<p>Creation of viable market oriented financial institutions to serve the agricultural sector</p> <ul style="list-style-type: none"> • Strengthen regulatory and enforcement mechanisms in National Bank of Tajikistan to enable the creation and development of rural savings and credit institutions • End the difference between loan and credit in determining the taxation and transactions. • Promote self-sustaining, collateral based rural savings and credit institutions and provide incentive for creation of member owned rural savings and credit associations. Support the establishment of a variety of rural credit delivery mechanisms including the micro-credit institutions. • Eliminate State Guarantee that encourages non-payments. Enhance competition among banks by facilitating entry and exit and imposing minimal capitalization requirements for the banks. • Improve corporate governance, management and terms of ownership, eliminate Directors and managers who are primarily from Soviet nomenclature who lack experience in a market driven, profit oriented banking system. • Liquidate Agrobank or restructure into an autonomous commercially viable rural financial institution and train loan officers in market oriented agricultural lending ; implement accepted accounting principles and prudent

	<p>Corps.</p> <ul style="list-style-type: none"> The regulatory framework needs to be clarified with respect to the prudential requirements of non-bank FIs, including credit associations and rural credit organizations 	<p>banking practices.</p> <ul style="list-style-type: none"> Develop and implement mechanisms to promote private input/output marketing and trading services. Develop human resources in the banking sector. Enact amendments. Further develop the existing regulatory framework for credit associations and rural credit associations. Issue easy-to-understand guidelines for establishment and regulations of non-bank financial institutions.
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ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>5. <u>Institutional Reform</u></p>	<p>Reforms to restructure government institutions are progress but very slow.</p> <ul style="list-style-type: none"> • Public sector Input supply agencies seize to function as they face serious budget crunch, and are being replaced by the private sector agencies but very slowly mainly due to the suppressing and stifling unclear national tax system and thus a serious void created seriously affecting the farming sector • Ministry of Agriculture MOA continue to operate in the Government structure oriented to fixing of production targets (cotton and grain). Thanks to serious budget crunch, MOA staff strength has been reduced drastically. • Agricultural Research, Extension and Education system have not yet developed to serve the emerging private farmers and privatized farms continue to adopt old farming technology, Research scientists of Academy of Agril. Sciences are not exposure to Global Scientific Advancement and access to information on modern production technology are limited. • Institutional Information system and research support required to promote a market based agriculture is not in place. 	<p>Redefinition of the roles of public and private sector institutions to support competitive, market oriented agriculture sector.</p> <ul style="list-style-type: none"> • Reorganize and improve quality of public agricultural administration to the needs of a market economy. • Take up and complete the reform of agricultural education and research to provide strong scientific backstopping to the emerging market based private sector agriculture development. • Establish public information system to provide better understanding of rights of individuals and voluntary groups regarding the process of determination and allocation of shares at the grass roots level. • Develop a strategy and establish an institutional mechanism for implementation of a multi-stage system of management for the rational basis for land use rights distribution by defining the roles, functions and authority of the State Land Committee, Raion administration, Ministry of Justice, and the Agrarian Reform Commissions at Jomaot, Raions, Oblasts and State level.

UZBEKISTAN

<u>Total Population</u>	24.2 mil	Food and agriculture in GDP		Agricultural output in 2001 as	
Rural Population	58 %	2001	30.2%	percentage of 1990 levels:	105.2%
<u>Total Area</u>	44.9 mil. ha	Food and agriculture in		Crop production	108.5%
Agriculture area:	26.7 mil. ha	active labor force (2001)	37.8%	Livestock production	102.9%
Arable land	4.05 mil. ha	Food and agriculture		Share of livestock in agriculture (2001)	48.5%
Orchards, vineyards	0.3 mil. ha	in export (2000)	32.9%	Agricultural area in private use (2001)	28%
Pasture & Forest	23.8 mil. ha	in import (2000)	12.3%	Share of household plots and private	66%
Irrigated	3.3 mil. ha	Second largest exporter of		farms in total agricultural output (2001)	
		cotton lint.			

ISSUES	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
1. <u>Macro-economic Framework for Agriculture</u>	Government committed to transformation to market economy, but slowly.	Distortion free, efficient and internationally competitive agricultural sector.
A. Production controls	<ul style="list-style-type: none"> The state order system has been replaced by a state procurement system, under which obligatory sales to the state will not exceed 50% of actual production of cotton and grain <p>Production of other crops and livestock products has been liberalized.</p>	<ul style="list-style-type: none"> Replace the current system of setting production targets for grain and cotton with a policy of recommendations on crop rotation aimed at the improvement of soil quality. <p>This is expected to be phased in over time as the share of private farms in cotton and wheat production grows.</p>
B. Prices/Subsidies	<ul style="list-style-type: none"> Government promulgated in 2002 (in principle) the policy of allowing the other half of production to be sold independently by farms, but this was implemented mainly for grain. The sale of cotton fiber above planned cotton procurement levels (those above the first 50% of production) was in fact still purchased by state owned ginneries, as alternative private sector purchasing rules were not set out clearly enough prior to the 2002 cotton harvest. <p>Implicit taxation in 2001 was reduced to about \$400 million (from about \$800 million in 2000), while implicit subsidies were reduced also to about \$400 million, leaving the net taxation of the sector at zero (prior to debt write-off) for the first time in the past ten years.</p>	<ul style="list-style-type: none"> Above the fixed procurement quota for cotton, producers should have the right in practice to toll the remaining volume of raw cotton for a specified tolling fee and retain the cotton fiber to sell at market prices. After meeting the state procurement quota for wheat, enterprises and individual farmers should have the right to sell wheat, produced above the quota, on the internal market and at free market prices. This is largely current practice and should continue to be observed. After implementing the above two measures, remaining agricultural input subsidies should be eliminated over the next two to three years.
C. Trade Policies	<ul style="list-style-type: none"> Traditional international markets for cotton maintained, but little trading outside FSU countries for non-cotton products. Export of cotton fiber by non-state entities is no longer proscribed but in practice it is still highly controlled. 	<ul style="list-style-type: none"> Remove all quantitative (non-tariff) trade restrictions. Accelerate the emergence of private sector processors and traders by privatizing state owned agribusinesses and encouraging new entrants.

ISSUES	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
2. <u>Land Reform and Farm Restructuring</u>	<p>Government committed to transforming agriculture into an efficient and dynamic sector.</p> <ul style="list-style-type: none"> • The Land Code restricts agricultural land holding rights to lease hold only. • Transformation of cooperative farms to private operators has accelerated significantly over 1999-2002. 	<p>A farming system based on private ownership or long -term leases with irrevocable rights to inherit, pledge and sub-lease.</p> <ul style="list-style-type: none"> • Provide information service for rural communities. • Execute the next stage of transformation of the remaining shirkat (cooperative) farms in a transparent and equitable manner by allowing members the right to opt for a significant expansion of their household plot and by carefully scrutinizing the rationale for expanding the number of private farmers in the context of local demographic characteristics.
3. <u>Competitive Agro-Processing and Services for Agriculture</u>	<p>Government intends to transfer processing enterprises to private control, improve efficiency of utilization and conserve water supplies, and liberalize the input sub-sector.</p> <ul style="list-style-type: none"> • Little progress in privatization in the cotton ginning sector, but the remaining areas of agro-industry are being privatized at an accelerated rate. • Proposing to revise water law and require creation of water users associations. • Delayed introduction and enforcement of economic water charges. • Despite deregulation, inputs distribution remain effectively under monopoly control. 	<p>Efficient, privately owned agrobusiness firms subject to market forces, and agro-processing industries with high quality products which can compete in world markets. Full transition of production and distribution functions, with free access of new foreign and domestic operators. Enactment and enforcement of law to improve management and conservation of scarce water resources.</p> <ul style="list-style-type: none"> • Specify strategy for privatizing cotton ginneries. • Decentralized management of water resources and support creation of water users associations on all farms (latter has begun to accelerate on liquidated shirkat lands). • Develop a multi-year plan to introduce higher irrigation water tariffs to achieve 100% cost recovery of the O & M costs of irrigation and drainage over ten years • Introduce measures for disaggregating monopoly input suppliers and privatizing them.
4. <u>Rural Finance</u>	<p>Government policy is to reorganize financial services on commercial lines.</p> <ul style="list-style-type: none"> • Preparation for reorganization of state owned banks is stalled. • Some private banks emerging (e.g. Hamkorbank) which are active in the rural sector. 	<p>Viable financial institutions serving the agricultural and rural sector efficiently.</p> <ul style="list-style-type: none"> • Identify viable commercial banking operations for developing rural financial services. • Encourage self-help credit associations. • Apply positive real interest rates for all credit funds and allow credit advanced under state procurement transactions to be accessed for purchases outside the state input supply system.
5. <u>Institutional Framework</u>	<p>Government policy is to simplify structure and reduce size of agriculture and water ministry.</p> <ul style="list-style-type: none"> • Agriculture and water resources reorganized under single Ministry of Agriculture and Water Resources (MAWR). • Existing departments MAWR being reorganized to improve support for farmers. 	<p>Efficient and effective public sector administration and support for private agriculture.</p> <ul style="list-style-type: none"> • Focus public services on policy formulation (currently improving), demand driven research, information and evaluation. • Encourage evolution of private sector support services (occurring under the Rural Enterprise Support Project).

TURKMENISTAN

<u>Total Population</u>	4.3 million	Food and agriculture in GDP (1998)	25%	Agricultural output in 2000 as percentage of 1989-91 levels	95%
Rural Population	55 %	Food and agriculture in active labor force (1998)	45%	Livestock output in 2000 as percentage of 1989-91 levels	116%
<u>Total Area</u>	49.1 million ha.	Food and agriculture in export (1997)	47%	Share of livestock in agriculture (2000)	45%
Agriculture area:	40.3 million ha.	Food and agriculture in import (1997)	19%	Agricultural area in private use (2000 - household plots and private farms)	16%
Arable land	4%	Exporter of cotton fiber, textiles, and karakul skins, smaller net importer of food		Share of private farms and household plots in total agricultural output (2000)	38%
Pasture and Meadows	81%			Agricultural area under family lease	70%
Forested	4%				

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>High levels of government intervention in agriculture, including: state orders for 100% wheat and cotton; high implicit taxation through low producer prices; and subsidies for agricultural inputs.</p> <ul style="list-style-type: none"> • Measured inflation is relatively low (under 20% annually), but suppressed inflation may imply a higher actual rate. • Foreign exchange controls continue and the manat is over valued at the official exchange rate. • Main products of the crop sector, cotton and wheat, are controlled through state orders at prices which are approximately 60% of border prices. • Inputs for cotton and wheat production are subsidized by 50%. • No significant payments for irrigation water. 	<p>Phase out Government control of agricultural markets and emphasize market production and support services for emerging private farmers.</p> <ul style="list-style-type: none"> • Adopt a program of macroeconomic stabilization and unify the current multiple exchange rates. • Adopt program to raise producer prices for cotton and wheat to border price levels over two years and reduce state orders by 75% over a four year period. • Phase out input subsidies over two years and stimulate procurement and distribution of inputs by private sector operators. • Develop a multi-year plan to introduce higher irrigation water tariffs to achieve 100% cost recovery of the O & M costs of irrigation and drainage over ten years.
B. Trade Policies	<ul style="list-style-type: none"> • Imports and exports registered through state commodity exchange, which amounts to defacto licensing requirement. • Government controls all cotton exports. • Minimum export prices for hides and skins. 	<ul style="list-style-type: none"> • Eliminate registration requirement for imports and exports. • Allow export of cotton by private intermediaries eliminate price controls on outputs.
C. Taxation	<ul style="list-style-type: none"> • Implicit taxation high through state order system and export controls, but little explicit taxation. • Private owners pay a land tax, but collection sporadic. 	<ul style="list-style-type: none"> • Phase out implicit taxation through state orders and export controls. • Gradually increase land tax as state orders reduced. • Use land tax to pay for rural social services eliminating mandatory payments to farm associations now providing social services.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
2. <u>Land Reform and Farm Restructuring</u>	<p>Land Reform is Making Progress</p> <ul style="list-style-type: none"> • Roughly 85% of land in peasant associations allocated to households via leaseholds (10 to 15 years duration). • About 8% of land in individual private farms. • Leaseholds convertible to ownership upon successful performance for two years. 	<p>Accelerate the Pace of Land Reform and Private Farmer Support.</p> <ul style="list-style-type: none"> • Provide leases for at least 20 years to encourage voluntary commitment by farmers. • Adopt complementary reforms so that private owners can function in market environment. • Make the conversion process transparent by clarifying the requirements which new farmers must meet to have the leased land converted to ownership.
3. <u>Competitive Agroprocessing and Services for Agriculture</u>	<p>State Control of All Inputs Services and Agroprocessing -businesses</p> <ul style="list-style-type: none"> • Most processing and services handled by state enterprises organized into large associations. • Little privatization. • Cost recovery for selected inputs such as animal health services has been introduced. 	<p>Adopt and Implement Program of Privatization and Demonopolization.</p> <ul style="list-style-type: none"> • Encourage privatization and demonopolization of existing agribusiness companies and associations. • Remove barriers to new entry in processing and services.
4. <u>Rural Financing</u>	<p>High Dependence on Subsidized and Directed Credit through Government Controlled Banks.</p> <ul style="list-style-type: none"> • High dependence on subsidized credit • Daikhan Bank is the designated credit agency for farm leaseholders. It has little risky debt from the past, but is not yet engaged in genuine intermediation. 	<p>Reduce Subsidized Credit and Introduce Commercial Banking Practices</p> <ul style="list-style-type: none"> • Reduce subsidy element of directed credit and stimulate the development of commercial rural financial services. • Conduct financial audit and develop corporate plan for Daikhan Bank.
5. <u>Institutional Framework</u>	<p>Non-transparent Budgeting and Inadequate Resource Allocations to Public Institutions</p> <ul style="list-style-type: none"> • Extra budgetary Agricultural Development Fund manages sectoral financial flows in non-transparent fashion. • Frequent institutional reorganization and high turnover of administrative staff in response to declining sectoral performance. • Frequent local government interference in production decisions • Research and extension much reduced 	<p>Consolidate Government Budget and Increase Expenditures for Public Goods</p> <ul style="list-style-type: none"> • Consolidate costs and revenues from sector into general budget and abolish Agricultural Development Fund. • Remove authority of local administration to interfere in decisions regarding production and marketing. • As resources permit, develop agricultural research and extension to serve needs of agents in a market economy.

BELARUS

<u>Total Population</u>	9.95 m	Agriculture and Forestry in GDP	9.5%	Agricultural output in 2001 as percentage of 1990 level	73%
Rural Population	29.3 %	Agriculture and Forestry in active labor	14.1%	Livestock production in 2000 as percentage of 1990 level	n.a.
<u>Total Area</u>	20.76 m ha	Food and agriculture		Share of livestock in agriculture	46.6%
Agriculture area:	8.99 m ha	in exports	8.1%	• Share of private land in total agricultural land [^]	15.6%
Arable land	63%	in imports	12.1%	• Share of private farms in total agricultural land	0.9%
Orchards	2%	•		Share of private sector in total agricultural output [^]	39.4%
Pastures/meadow	35%	• Traditionally net exporter of livestock products, potatoes, and flax.			
Forested	39%				

Note: All data are as of the end-2002, unless otherwise is stated.

[^]Refer to households' plots and private farms.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>I. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p>	<p>Agricultural markets are under Government control.</p> <ul style="list-style-type: none"> • Progress in reforming the agribusiness sector in early 1990s was made at the national level by reducing and removing administrative controls over pricing, processing, procurement and distribution. However, these early reforms have been reversed since 1995. • The Program of reform in Belarus' agri - industrial complex was approved by the Presidential Decree of May 14, 2001, and was granted the status of a state program. The Program acknowledges that Belarusian agriculture is currently in crisis. The focus of agricultural reform has been on the vertical integration of producers and on streamlining the agro-service organizations. The goal of the reform is to limit losses and to gradually balance revenues and expenditures. According to the Civil Code, kolkhoz is no longer acknowledged as a legal form. Kolkhozes must be transformed into a collective by July 2003. Sovkhozes will be transformed into a unitary company, later into a joint-stock company. • Whilst the average share of state orders in agricultural production is gradually reducing from more than 50% in 1998 to 11.6% in 2002, for certain products the share of state orders remains high: up to 75% for flax fibre, 70% for sugar beet, 48% for rape seeds. • Prices of agricultural products, subject to delivery for republican needs are regulated by setting their minimum levels. During 2002 some liberalization of prices for agricultural products took place. 	<p>Competitive and functioning agricultural markets without Government intervention.</p> <ul style="list-style-type: none"> • The further reduce the level of central and regional state orders imposed upon the farms for the 2002 agricultural year to a limited number of commodities and eventually to phase out all state orders and place any necessary state procurement on a competitive open bidding basis. • To liberalize all agricultural prices. • Loosen the hold of the regional administrations and their agriculture departments over enterprises in the sector, in order to ensure that the state's decisions on price liberalization are respected. • Phase-out producer subsidies. • Repeal the resolution requiring the delivery of a certain share of produced livestock and milk products to state owned facilities for processing and revoke the licensing requirement for direct sale of these products. • Eliminate all formal and informal barriers in domestic trade.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
	<ul style="list-style-type: none"> • Direct financial support of agriculture amounted to Rbl 630 bn (or about 2.5% GDP) in 2002. The republican budget contributed Rbl 130 bn , the agricultural fund financed by agricultural tax contributed Rbl 300 bn and the local stabilization funds provided Rbl 200 bn. The agricultural companies also benefited from debt restructuring. In April 2002, energy debts of Rbl 450 bn were restructured, with write-offs and repayments until 2006. An unspecified amount of banking debts were restructured as well. Although quasi-fiscal operations by the Central Bank (NBB) for support of agriculture had been eliminated in 2001, the burden had been shifted to commercial banks. 	
B. Trade Policies	<ul style="list-style-type: none"> • Requirements to register export contracts for many agricultural and food products. Registration for the current period is carried out only under condition of the fulfillment of state orders in the previous period. • Minimum export price are applied to selected food products (pork, beef, dry milk, skin of horned cattle, flax fiber). The minimum export prices are not applied for exports to Russian Federation. • Imports of chemical means of crop protection is subject of licensing • On February 2001 the temporary (till September 2002) ban on imports of flour and processing of non-originated from Belarus flour without special temporary license. The ban was reintroduced for the period March-December 2003. • Surrender requirement exists for 30% of export earnings. 	<ul style="list-style-type: none"> • Refrain from intervening in agricultural import and export markets with the exception of interventions acceptable under the WTO. • Eliminate minimum export price requirement. • Break up monopolistic trading organization. • Privatize all trading enterprises to eliminate implicit <i>de facto</i> price controls by state owners.
C. Taxation	<ul style="list-style-type: none"> • Overall tax on agricultural wages is 30.5%, less compared to other sectors (36%). • Agricultural enterprises are exempted from profit tax on agricultural production. Profit on non-agricultural activities (like processing) is levied at the same rate as on non-agricultural enterprises – 24% (before 2002 – 30%). Profit tax at rate 15% is applied to enterprises with annual balance profit no more than 5,000 minimum wages and number of employees industry - up to 200; science -up to 100; construction, other sectors of material production, catering and private services - up to 50; other sectors of non-material production – up to 25. • 15% payment from profits to the Centralization Fund of the Ministry of Agriculture had been cancelled in 1997. • Land tax is adjusted annually and set at about US\$1.46/ha in 2001 and US\$1.67/ha in 2002. 	<ul style="list-style-type: none"> • Guarantee the consistency of agricultural profit tax with the rest of businesses like food industry. • Fair and non-discriminatory system of taxation.

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
<p>2. <u>Land Reform and Farm Restructuring</u></p>	<p>Land reform and farm restructuring are still at a very early stage.</p> <ul style="list-style-type: none"> • Restructuring of large-scale farms still moves very slowly (only about 358 large-scale farms or 15% of their total number have been restructured so far). • Most state farms were transformed into collective agricultural enterprises without changing their mode of operation. • The number of private farms is small and is decreasing since 1995: whilst in 1995 the number of farms was 3029 it had been reduced to 2399 by the beginning of 2003. Only about 1% of cultivated land belongs to farms. • Housing and household land, about 15% of total agricultural land, was given for full private ownership. • Maximum private land ownership is 1 ha per person, but it can be freely traded. • The rest of agricultural land remains in state ownership. • Financial situation of agricultural enterprises has been worsening. More than 50% of total number of agricultural enterprises are loss-making. 	<p>A farming system based mainly on private ownership of land and a working land market for efficient and fair asset transfer.</p> <ul style="list-style-type: none"> • Implement a consistent policy for restructuring and privatization of large collective and remaining state owned farms. • Develop and implement a consistent policy to privatize the land of large farms. • Support emerging private farming and guarantee fair conditions for those who wish to start individual farming. • Allow downsizing of livestock sector. • Create the legal and technical conditions for a functioning market for agricultural land. • Develop mortgage procedures for land, other real estate, and moveable assets. The mortgage law should allow lessees to mortgage their leasehold interest. • Adopt a resolution to establish a single registry of land and other real estate. • Develop an enabling environment to stimulate increased off-farm employment in rural areas. • Safeguard an acceptable level of rural social services during the period of restructuring and privatization of large-scale farms.
<p>3. <u>Competitive Agroprocessing and Services for Agriculture</u></p>	<p>Little progress, as major privatization program has yet to come.</p> <ul style="list-style-type: none"> • Majority of enterprises in the agriculture input and food marketing subsectors are still owned and operated by the state-owned companies or by the local municipality. • The privatization of agroprocessing and input supply industries is at a standstill. As of end-2002, about one quarter of total number of republican properties of these sectors had been transformed (corporatized) • On communal level, 80% of agri-processing enterprises had been transformed (mostly, corporatized and some – privatized), over 50% of input supply enterprises had been transformed (practically exclusively by corporatization). • There is minimal foreign participation in the process of privatization. 	<p>Competitive, privately owned processing, input supply and service subsectors.</p> <ul style="list-style-type: none"> • Implement an overall program of privatization without delay in agroprocessing and input supply. • Demonopolize state corporations (associations) and privatize them individually by plant or unit. • Open participation in privatization to all investors. • Adopt anti-monopoly legislation. • Facilitate foreign investment by implementing foreign investment laws. • Remove all explicit and implicit price controls while assuring a competitive market structure.
<p>4. <u>Rural Financing</u></p>	<p>The existing financial system subsidizes the agricultural sector.</p> <ul style="list-style-type: none"> • Both primary agriculture and agroprocessing have serious liquidity crises and rely on Government credit and soft credit from the 	<p>Viable financial institutions efficiently serving the agricultural sector.</p> <ul style="list-style-type: none"> • Prepare an action plan to revitalize financial services. • Implement pilot projects to establish village

ISSUE	STATUS OF REFORMS	OBJECTIVES PROPOSED ACTIONS
	banking system. <ul style="list-style-type: none"> • The effective private agricultural banking system is absent. 	credit unions. <ul style="list-style-type: none"> • Restructure Agrobank. • Phase-out subsidized credits to agricultural producers.
5. <u>Institutional Framework</u>	<p>The role of the government in agriculture has not changed appreciably since the initiation of the reform.</p> <ul style="list-style-type: none"> • There have been only minor changes in the Soviet type Government structure related to agriculture. • The research/education system has not adjusted to emerging new conditions. • Public activities (government research-education) in agriculture are seriously hampered by budgetary difficulties. • A western type agricultural extension system does not exist. 	<p>Efficient and effective public sector administration and support services.</p> <ul style="list-style-type: none"> • Prepare and implement a program of re-organization of public administration in agriculture. • Simplify the structure of governmental organizations corresponding to the reduced role of the public sector responsibilities in agriculture. • Review the agricultural education and research system. • Support the emergence of private farm advisory services. • Strengthen infrastructure and transportation systems in the rural areas.

C. STATISTICAL ANNEX

Caucasus	Armenia, Azerbaijan, Georgia
Central Asia	Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan
Euro CIS	Belarus, Moldova, Russia, Ukraine
EU Accession (10)	Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia
Other Central Europe	Albania, Bosnia, Croatia, Macedonia, Yugoslavia
Turkey	Turkey

The source for all tables in the Statistical Annex: FAOstat [<http://www.fao.org>]

Table 1: Cereals

Table 1a: Area of Cereals Cultivation [million ha]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	142.50	135.94	127.98	109.57	106.62	110.50	115.44	118.26
Total CEE + CIS	128.77	121.81	114.05	95.47	93.52	97.27	102.37	104.27
Total CEE	27.65	28.67	27.10	28.06	25.91	27.08	28.08	26.55
Total CIS	101.12	93.14	86.95	67.41	67.61	70.19	74.29	77.72
EU Accession (10)	23.85	24.68	23.49	24.19	22.42	23.44	24.07	22.97
Other CEE	3.80	3.99	3.61	3.87	3.49	3.65	4.01	2.09
Euro CIS	75.48	69.76	67.01	51.53	52.18	53.41	56.65	58.88
Caucasus	1.07	1.05	1.06	1.14	1.05	1.17	1.37	1.36
Central Asia	24.56	22.33	18.87	14.74	14.38	15.62	16.27	15.77
Turkey	13.73	14.13	13.94	14.10	13.10	13.23	13.08	13.98
World	709.15	695.65	707.03	680.23	670.51	669.90	667.51	658.22

Table 1b: Yields of Cereals [tons per ha]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	2.03	1.88	1.78	2.43	2.44	2.20	2.44	2.48
Total CEE + CIS	2.02	1.87	1.74	2.45	2.53	2.22	2.54	2.52
Total CEE	2.71	3.00	2.98	3.41	3.43	2.93	3.31	2.65
Total CIS	1.83	1.53	1.35	1.81	1.94	1.74	2.03	2.05
EU Accession (10)	2.66	2.94	2.93	3.29	3.22	2.89	3.31	3.37
Other CEE	3.08	3.36	3.32	3.53	3.63	2.98	3.30	3.68
Euro CIS	1.97	1.71	1.47	2.00	1.85	1.95	2.31	2.40
Caucasus	1.98	1.64	1.85	1.64	1.98	1.57	1.80	2.25
Central Asia	1.40	0.95	0.91	1.78	1.98	1.70	1.98	1.92
Turkey	2.12	1.91	2.11	2.35	1.98	2.11	1.96	2.28
World	2.78	2.81	2.93	3.06	3.10	3.07	3.09	3.08

Table 1c: Total Production of Cereals [million tons]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	289.16	255.22	227.94	218.92	220.51	214.57	271.83	280.87
Total CEE + CIS	260.01	228.21	198.59	185.74	194.55	186.69	246.26	248.93
Total CEE	75.07	86.07	80.85	90.45	86.84	71.35	93.57	88.98
Total CIS	184.94	142.13	117.74	95.29	107.71	115.34	152.69	159.95
EU Accession (10)	63.37	72.67	68.89	75.97	72.82	60.69	78.90	74.50
Other CEE	11.70	13.40	11.96	14.48	14.02	10.66	14.67	14.47
Euro CIS	148.38	119.11	98.53	79.54	83.35	94.69	129.44	130.77
Caucasus	2.13	1.71	1.96	1.85	2.16	2.07	2.82	3.25
Central Asia	34.43	21.31	17.25	13.90	22.21	18.58	20.43	20.42
Turkey	29.16	27.01	29.34	33.18	25.96	27.87	25.57	31.94
World	1972.99	1956.82	2069.50	2082.72	2081.58	2057.79	2061.79	2029.38

Table 2: Wheat**Table 2a: Area of Wheat Cultivation [million ha]**

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	64.69	61.74	65.35	58.58	56.06	57.66	62.63	65.15
Total CEE + CIS	55.22	51.94	56.04	49.18	47.41	48.96	54.03	55.75
Total CEE	8.62	10.41	9.30	10.33	8.78	9.84	11.05	10.00
Total CIS	46.59	41.53	46.75	38.85	38.62	39.12	42.98	45.75
EU Accession (10)	7.43	8.89	8.20	8.93	7.69	8.59	9.60	8.77
Other CEE	1.19	1.52	1.09	1.40	1.09	1.25	1.45	1.23
Euro CIS	30.99	27.10	32.25	26.22	26.44	25.59	28.70	30.15
Caucasus	0.62	0.62	0.63	0.76	0.65	0.71	0.89	0.89
Central Asia	14.98	13.81	13.87	11.87	11.54	12.83	13.39	13.18
Turkey	9.47	9.80	9.35	9.40	8.65	8.70	8.60	9.40
World	222.46	215.16	229.68	220.07	212.53	213.20	212.20	210.59

Table 2b: Yields of Wheat [tons per ha]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	2.10	1.81	1.67	2.43	2.35	2.26	2.40	2.83
Total CEE + CIS	2.11	1.81	1.62	2.46	2.44	2.32	2.51	2.96
Total CEE	3.21	3.30	2.94	3.37	3.12	3.11	3.16	3.32
Total CIS	1.90	1.44	1.35	1.86	1.99	1.79	2.08	2.12
EU Accession (10)	3.23	3.29	2.97	3.35	3.14	3.17	3.38	3.59
Other CEE	3.10	3.36	2.71	3.39	3.10	3.04	2.94	3.18
Euro CIS	2.16	1.73	1.55	2.18	1.98	2.06	2.32	2.60
Caucasus	2.04	1.57	1.71	1.58	2.00	1.61	1.94	2.43
Central Asia	1.37	0.86	0.89	1.83	1.98	1.69	1.97	1.92
Turkey	2.04	1.79	1.98	2.23	1.91	2.01	1.86	2.23
World	2.54	2.45	2.54	2.69	2.76	2.74	2.71	2.72

Table 2c: Total Production of Wheat [million tons]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	135.68	111.60	109.11	112.21	110.86	110.98	141.81	151.99
Total CEE + CIS	116.36	94.08	90.60	91.21	94.36	93.48	125.81	130.99
Total CEE	27.70	34.35	27.36	35.22	29.14	30.72	37.95	33.98
Total CIS	88.67	59.73	63.24	55.99	65.23	62.76	87.86	97.00
EU Accession (10)	24.01	29.27	24.41	30.16	25.63	26.70	33.27	29.89
Other CEE	3.69	5.09	2.95	5.06	3.50	4.01	4.67	4.09
Euro CIS	66.93	46.87	49.85	43.65	46.09	46.28	69.93	73.38
Caucasus	1.28	0.98	1.08	1.20	1.31	1.42	2.03	2.28
Central Asia	20.46	11.88	12.31	11.14	17.83	15.07	15.90	16.39
Turkey	19.32	17.51	18.52	21.00	16.50	17.50	16.00	21.00
World	565.11	527.05	583.68	592.66	587.03	583.60	575.84	572.87

Table 3: Coarse Grains**Table 3a: Area of Coarse Grains Cultivation [million ha]**

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	77.10	73.61	62.00	50.50	50.00	52.27	52.34	52.65
Total CEE + CIS	72.89	69.31	57.47	45.86	45.62	47.82	47.94	48.15
Total CEE	18.99	18.25	17.78	17.72	17.11	17.23	17.01	16.54
Total CIS	53.89	51.06	39.68	28.14	28.51	30.59	30.92	31.61
EU Accession (10)	16.39	15.78	15.27	15.25	14.73	14.84	14.45	14.20
Other CEE	2.60	2.47	2.51	2.47	2.39	2.39	2.56	2.34
Euro CIS	44.20	42.45	34.56	25.15	25.55	27.63	27.76	28.56
Caucasus	0.45	0.42	0.43	0.38	0.40	0.45	0.47	0.46
Central Asia	9.24	8.20	4.69	2.61	2.55	2.51	2.69	2.471
Turkey	4.21	4.29	4.53	4.64	4.37	4.45	4.40	4.49
World	339.45	333.44	327.10	308.64	301.34	302.69	304.12	300.47

Table 3b: Yields of Coarse Grains [tons per ha]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	1.96	1.93	1.89	2.36	2.42	2.13	2.37	2.30
Total CEE + CIS	1.94	1.91	1.86	2.32	2.49	2.11	2.42	2.30
Total CEE	2.49	2.83	3.00	3.41	3.55	2.81	3.35	3.30
Total CIS	1.75	1.58	1.34	1.58	1.78	1.64	1.80	1.95
EU Accession (10)	2.40	2.75	2.91	3.25	3.26	2.67	3.21	3.23
Other CEE	3.06	3.36	3.58	3.58	3.85	2.95	3.49	3.92
Euro CIS	1.82	1.69	1.39	1.88	1.75	1.90	2.23	2.25
Caucasus	1.90	1.75	2.03	1.54	1.97	1.42	1.64	2.66
Central Asia	1.39	1.04	0.89	1.33	1.62	1.60	1.54	1.87
Turkey	2.28	2.17	2.33	2.55	2.08	2.25	2.10	2.34
World	2.59	2.67	2.80	2.95	2.94	2.89	2.96	2.93

Table 3c: Total Production of Coarse Grains [million tons]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	151.22	141.88	117.26	105.22	108.04	102.05	128.36	127.44
Total CEE + CIS	141.59	132.58	106.71	93.35	98.92	92.04	119.15	116.89
Total CEE	47.26	51.68	53.43	55.19	57.66	40.59	55.58	54.96
Total CIS	94.33	80.90	53.28	38.16	41.26	51.45	63.57	61.93
EU Accession (10)	39.29	43.37	44.44	45.79	47.16	33.96	45.60	44.59
Other CEE	7.96	8.31	8.99	9.40	10.50	6.63	9.97	10.37
Euro CIS	80.61	71.63	48.21	35.41	36.75	47.74	58.91	56.82
Caucasus	0.85	0.74	0.88	0.64	0.83	0.63	0.75	0.95
Central Asia	12.88	8.53	4.19	2.11	3.68	3.08	3.91	3.74
Turkey	9.62	9.30	10.55	11.87	9.12	10.02	9.22	10.54
World	879.64	890.95	917.50	911.26	884.65	875.94	900.80	880.22

Table 4: Maize**Table 4a: Area of Maize Cultivation [million ha]**

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	10.83	9.41	9.74	9.69	9.50	10.61	10.22	10.09
Total CEE + CIS	10.31	8.93	9.19	9.14	8.97	10.06	9.67	9.48
Total CEE	7.67	7.04	7.18	6.94	6.88	7.19	7.14	7.14
Total CIS	2.64	1.89	2.01	2.20	2.09	2.87	2.53	2.57
EU Accession (10)	5.46	4.97	5.09	4.91	4.90	5.21	4.98	4.99
Other CEE	2.21	2.07	2.09	2.04	1.98	1.99	2.16	1.91
Euro CIS	2.21	1.46	1.65	1.81	1.64	2.41	2.10	2.11
Caucasus	0.11	0.15	0.16	0.22	0.25	0.26	0.25	0.21
Central Asia	0.33	0.28	0.20	0.17	0.20	0.21	0.18	0.24
Turkey	0.52	0.49	0.55	0.55	0.53	0.55	0.55	0.60
World	137.06	138.43	139.41	138.79	138.37	138.07	137.86	138.75

Table 4b: Yields of Maize [tons per ha]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	2.83	3.20	3.43	3.31	3.51	2.93	3.48	3.86
Total CEE + CIS	2.75	3.17	3.42	3.14	3.45	2.76	3.42	3.70
Total CEE	2.78	3.41	3.68	3.88	4.20	3.14	3.75	4.00
Total CIS	2.68	2.24	2.49	2.65	2.96	2.50	3.19	3.30
EU Accession (10)	2.59	3.34	3.58	3.62	3.91	2.89	3.51	3.76
Other CEE	3.24	3.58	3.92	4.13	4.49	3.39	4.00	4.56
Euro CIS	2.55	2.10	2.40	2.48	2.48	2.58	3.46	3.07
Caucasus	2.29	2.42	3.21	2.54	3.25	1.96	2.43	3.30
Central Asia	3.72	2.92	2.70	2.92	3.14	2.96	3.69	3.40
Turkey	4.24	3.81	3.64	4.18	3.81	3.82	3.82	4.16
World	3.89	4.11	4.22	4.43	4.38	4.30	4.38	4.34

Table 4c: Total Production of Maize [million tons]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	30.62	30.13	33.42	33.75	38.60	28.03	36.37	39.72
Total CEE + CIS	28.39	28.28	31.42	31.45	36.60	25.93	34.27	37.23
Total CEE	21.32	24.05	26.40	26.07	31.32	18.39	27.55	28.73
Total CIS	7.08	4.23	5.02	5.38	5.28	7.54	6.72	8.49
EU Accession (10)	14.17	16.62	18.20	17.74	21.75	12.65	18.48	19.38
Other CEE	7.15	7.43	8.20	8.33	9.57	5.73	9.07	9.35
Euro CIS	5.62	3.06	3.97	4.37	3.96	6.45	5.67	6.92
Caucasus	0.25	0.36	0.51	0.45	0.60	0.34	0.34	0.43
Central Asia	1.21	0.81	0.55	0.56	0.72	0.75	0.70	0.90
Turkey	2.23	1.85	2.00	2.30	2.00	2.10	2.10	2.50
World	533.44	569.34	588.87	615.16	606.13	593.76	604.19	602.58

Table 5: Oil Crops**Table 5a: Area of Oil Crops Cultivation [million ha]**

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	14.85	14.19	15.86	15.97	18.88	17.16	16.27	16.59
Total CEE + CIS	12.89	12.30	13.84	13.96	16.84	15.13	14.24	14.61
Total CEE	3.06	2.80	3.32	3.67	4.50	3.63	3.37	3.66
Total CIS	9.83	9.50	10.52	10.29	12.35	11.50	10.87	10.95
EU Accession (10)	2.62	2.44	2.89	3.27	4.02	3.16	2.89	3.26
Other CEE	0.44	0.36	0.43	0.40	0.48	0.47	0.48	0.43
Euro CIS	6.48	6.27	7.38	7.24	9.26	8.54	7.61	7.98
Caucasus	0.25	0.23	0.25	0.20	0.16	0.11	0.16	0.09
Central Asia	3.10	3.00	2.89	2.84	2.93	2.84	3.09	1.42
Turkey	1.97	1.89	2.02	2.02	2.03	2.03	2.03	1.97
World	188.36	199.42	203.42	216.36	222.91	221.11	223.31	220.78

Table 5b: Yields of Oil Crops [tons per ha]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	0.38	0.36	0.36	0.34	0.34	0.32	0.36	0.56
Total CEE + CIS	0.38	0.35	0.34	0.32	0.34	0.31	0.35	0.58
Total CEE	0.55	0.59	0.56	0.51	0.52	0.47	0.54	0.65
Total CIS	0.33	0.28	0.27	0.19	0.21	0.21	0.23	0.34
EU Accession (10)	0.56	0.60	0.56	0.57	0.57	0.55	0.61	0.70
Other CEE	0.52	0.51	0.56	0.44	0.47	0.39	0.48	0.50
Euro CIS	0.39	0.31	0.31	0.32	0.34	0.40	0.34	0.37
Caucasus	0.14	0.13	0.10	0.09	0.12	0.07	0.16	0.15
Central Asia	0.22	0.22	0.16	0.16	0.17	0.16	0.19	0.17
Turkey	0.38	0.43	0.48	0.48	0.36	0.36	0.36	0.47
World	0.42	0.44	0.46	0.47	0.49	0.50	0.50	0.51

Table 5c: Total Production of Oil Crops [million tons]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	5.71	5.10	5.64	6.06	7.20	6.49	5.87	6.98
Total CEE + CIS	4.95	4.29	4.68	5.09	6.46	5.75	5.13	6.04
Total CEE	1.69	1.64	1.87	2.12	2.65	1.88	2.14	2.27
Total CIS	3.26	2.65	2.81	2.96	3.81	3.87	2.99	3.77
EU Accession (10)	1.47	1.45	1.63	1.90	2.40	1.69	1.83	2.03
Other CEE	0.23	0.19	0.24	0.22	0.26	0.19	0.31	0.24
Euro CIS	2.53	1.95	2.31	2.45	3.21	3.36	2.36	3.19
Caucasus	0.03	0.03	0.03	0.02	0.03	0.01	0.03	0.02
Central Asia	0.69	0.66	0.47	0.50	0.57	0.49	0.61	0.25
Turkey	0.76	0.82	0.96	0.97	0.74	0.74	0.74	0.94
World	78.75	88.44	93.27	102.68	109.30	109.66	110.89	112.50

Table 6: Rape and Sunflower Seed**Table 6a: Area of Rape and Sunflower Seed Cultivation [million ha]**

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	8.32	8.55	10.24	10.46	13.30	11.80	10.61	11.35
Total CEE + CIS	7.72	7.96	9.66	9.92	12.76	11.26	10.07	10.82
Total CEE	2.48	2.42	2.93	3.15	3.92	3.12	2.90	3.18
Total CIS	5.24	5.54	6.73	6.77	8.83	8.14	7.17	8.74
EU Accession (10)	2.21	2.20	2.66	2.94	3.67	2.91	2.64	2.97
Other CEE	0.27	0.22	0.27	0.21	0.26	0.20	0.26	0.20
Euro CIS	4.89	5.20	6.38	6.50	8.54	7.85	6.84	7.26
Caucasus	0.01	0.02	0.03	0.05	0.06	0.01	0.07	0.03
Central Asia	0.33	0.33	0.31	0.22	0.24	0.27	0.27	0.33
Turkey	0.61	0.59	0.58	0.55	0.54	0.54	0.54	0.54
World	38.29	41.35	42.23	46.63	51.15	46.86	42.46	41.25

Table 6b: Yields of Rape and Sunflower Seed [tons per ha]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	1.30	1.07	1.04	1.12	1.12	1.03	1.20	1.50
Total CEE + CIS	1.28	1.06	1.02	1.03	1.04	0.94	1.15	1.42
Total CEE	1.60	1.60	1.50	1.67	1.57	1.52	1.92	1.66
Total CIS	1.13	0.82	0.81	0.60	0.70	0.56	0.63	0.95
EU Accession (10)	1.58	1.59	1.47	1.55	1.58	1.42	1.69	1.72
Other CEE	1.75	1.71	1.79	1.79	1.56	1.62	2.15	1.47
Euro CIS	1.17	0.85	0.85	0.88	0.89	1.01	0.81	0.98
Caucasus	0.59	0.43	0.12	0.49	0.68	0.23	0.63	0.53
Central Asia	0.48	0.39	0.24	0.43	0.52	0.42	0.45	0.48
Turkey	1.56	1.26	1.36	1.58	1.48	1.48	1.48	1.48
World	1.26	1.25	1.31	1.31	1.41	1.40	1.36	1.36

Table 6c: Total Production of Rape and Sunflower Seed [million tons]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	10.81	9.18	10.65	11.63	14.73	13.35	11.54	13.84
Total CEE + CIS	9.86	8.44	9.87	10.77	13.93	12.55	10.74	13.04
Total CEE	3.96	3.87	4.40	4.93	6.18	4.47	5.04	5.33
Total CIS	5.90	4.57	5.47	5.84	7.75	8.09	5.70	7.40
EU Accession (10)	3.49	3.50	3.92	4.55	5.78	4.13	4.47	4.93
Other CEE	0.47	0.37	0.48	0.38	0.40	0.33	0.56	0.389
Euro CIS	5.74	4.43	5.39	5.72	7.59	7.97	5.54	7.49
Caucasus	0.01	0.01	0.00	0.02	0.04	0.00	0.04	0.02
Central Asia	0.16	0.13	0.07	0.09	0.12	0.12	0.12	0.19
Turkey	0.95	0.74	0.78	0.86	0.80	0.80	0.80	0.80
World	48.37	51.67	55.22	60.93	72.23	65.75	57.54	57.02

Table 7: Sugar Beets**Table 7a: Area of Sugar Beet Cultivation [million ha]**

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	4.58	4.13	4.00	3.14	3.16	2.72	2.87	2.68
Total CEE + CIS	4.18	3.72	3.58	2.64	2.66	2.31	2.45	2.25
Total CEE	1.03	0.90	1.00	0.86	0.76	0.65	0.65	0.63
Total CIS	3.15	2.82	2.57	1.78	1.90	1.66	1.80	1.62
EU Accession (10)	0.91	0.81	0.91	0.77	0.66	0.58	0.56	0.56
Other CEE	0.12	0.09	0.09	0.09	0.10	0.07	0.09	0.08
Euro CIS	3.06	2.71	2.45	1.72	1.84	1.61	1.74	1.57
Caucasus	0.00	0.04	0.08	0.00	0.00	0.00	0.00	0.00
Central Asia	0.09	0.07	0.05	0.05	0.06	0.05	0.05	0.04
Turkey	0.40	0.41	0.42	0.51	0.50	0.42	0.42	0.43
World	8.42	8.01	7.71	6.78	6.62	5.95	6.11	6.04

Table 7b: Yields of Sugar Beets [tons per ha]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	22.11	20.54	23.40	22.96	24.03	23.03	25.13	26.14
Total CEE + CIS	20.58	19.33	22.10	18.74	20.06	19.56	22.07	26.03
Total CEE	26.54	29.53	36.20	29.86	29.77	25.52	31.51	33.20
Total CIS	18.64	16.06	16.59	11.32	13.59	15.58	15.78	20.50
EU Accession (10)	26.09	29.20	36.16	31.35	30.48	27.71	33.20	32.19
Other CEE	30.08	32.51	36.64	28.37	29.06	23.33	29.83	29.86
Euro CIS	18.78	16.48	17.19	20.10	18.07	23.63	21.19	21.95
Caucasus	n.a.	n.a.	n.a.	5.11	12.82	13.43	13.37	13.30
Central Asia	14.13	8.42	11.10	8.76	9.87	9.68	12.77	11.87
Turkey	38.17	31.42	34.42	44.08	43.91	40.42	40.42	29.88
World	33.37	31.76	34.48	38.83	40.08	41.09	39.13	40.79

Table 7c: Total Production of Sugar Beets [million tons]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	101.15	84.92	93.55	83.32	81.11	70.92	76.79	96.99
Total CEE + CIS	86.03	71.97	79.01	61.03	59.11	54.07	59.94	58.37
Total CEE	27.28	26.69	36.33	31.02	26.50	22.65	26.26	25.19
Total CIS	58.75	45.28	42.68	30.02	32.61	31.42	33.68	33.17
EU Accession (10)	23.78	23.71	32.85	27.69	22.85	20.98	22.60	21.83
Other CEE	3.49	2.98	3.48	3.33	3.65	1.67	3.66	3.36
Euro CIS	57.42	44.69	42.10	29.20	31.49	30.51	32.65	32.16
Caucasus	n.a.	n.a.	n.a.	0.04	0.07	0.07	0.07	0.07
Central Asia	1.31	0.57	0.53	0.77	1.06	0.83	0.96	0.89
Turkey	15.13	12.94	14.54	22.28	22.00	16.85	16.85	13.00
World	280.98	254.35	265.93	263.14	265.47	244.48	239.09	246.47

Table 8: Milk

Table 8a: Number of Milk Cows [million head]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	58.16	56.12	51.33	44.61	43.29	43.15	42.25	40.44
Total CEE + CIS	52.09	50.04	45.36	39.13	37.79	37.65	36.75	35.35
Total CEE	12.39	11.06	10.45	9.63	9.39	9.01	8.94	8.65
Total CIS	39.69	38.98	34.91	29.49	28.40	28.64	27.82	26.70
EU Accession (10)	10.27	8.91	8.31	7.50	7.44	7.00	6.93	6.83
Other CEE	2.12	2.16	2.14	2.13	1.95	2.00	2.00	1.81
Euro CIS	31.15	29.99	26.44	22.21	20.95	20.91	20.09	18.78
Caucasus	1.53	1.47	1.58	1.70	1.76	1.92	1.91	1.95
Central Asia	7.01	7.52	6.89	5.58	5.70	5.81	5.82	3.57
Turkey	6.07	6.08	5.97	5.49	5.50	5.50	5.50	5.08
World	226.34	226.65	230.95	223.50	222.65	223.60	223.26	224.61

Table 8b: Cow Milk Production [million tons]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	128.85	119.71	108.43	104.68	103.03	101.17	102.68	105.49
Total CEE + CIS	120.13	110.58	98.96	95.85	94.23	92.37	93.88	97.00
Total CEE	34.72	31.78	31.72	32.75	32.48	31.75	32.02	31.92
Total CIS	85.41	78.79	67.24	63.10	61.75	60.63	61.86	65.08
EU Accession (10)	31.09	28.22	27.80	28.57	28.51	28.04	28.31	28.02
Other CEE	3.62	3.56	3.92	4.18	3.97	3.71	3.71	3.89
Euro CIS	72.98	66.29	56.76	52.31	50.42	48.91	50.06	52.75
Caucasus	1.62	1.59	1.79	2.00	2.09	2.11	2.13	2.33
Central Asia	10.81	10.91	8.70	8.79	9.23	9.61	9.68	6.45
Turkey	8.72	9.13	9.47	8.83	8.80	8.80	8.80	8.49
World	460.53	461.14	469.57	478.62	483.37	489.81	494.61	502.32

Table 9: Ruminant Meat**Table 9a: Total Number of Cattle [million head]**

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	147.33	133.82	114.59	96.75	91.26	87.69	86.52	84.87
Total CEE + CIS	135.36	121.91	102.81	85.57	80.23	76.79	75.72	74.32
Total CEE	28.39	23.38	21.34	20.21	19.44	18.28	17.86	16.88
Total CIS	106.97	98.53	81.46	65.36	60.78	58.51	57.86	57.43
EU Accession (10)	24.43	19.56	17.55	16.44	15.72	14.93	14.23	13.72
Other CEE	3.96	3.82	3.79	3.77	3.72	3.35	3.63	1.44
Euro CIS	85.98	77.29	63.03	49.63	45.34	42.87	41.84	41.02
Caucasus	3.60	3.05	3.15	3.34	3.43	3.55	3.67	3.71
Central Asia	17.39	18.19	15.28	12.39	12.01	12.09	12.35	12.41
Turkey	11.97	11.91	11.79	11.19	11.03	10.90	10.80	10.92
World	1,302.57	1,318.49	1,331.83	1331.24	1332.21	1342.79	1351.89	1366.66

Table 9b: Total Number of Sheep and Goats [million heads]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	222.96	197.63	152.02	122.30	117.00	116.76	116.97	11.26
Total CEE + CIS	171.77	149.96	109.12	83.68	79.51	79.27	79.48	78.67
Total CEE	36.91	30.25	27.09	24.11	23.29	22.54	22.10	20.66
Total CIS	134.86	119.71	82.03	59.57	56.22	56.73	57.38	57.95
EU Accession (10)	27.16	19.85	17.76	15.58	14.96	14.46	13.99	13.39
Other CEE	9.74	10.40	9.33	8.53	8.33	8.09	8.11	4.29
Euro CIS	64.81	52.32	33.81	22.45	18.85	18.82	18.62	18.29
Caucasus	7.82	6.23	5.97	6.64	7.36	7.71	7.14	7.77
Central Asia	62.24	61.15	42.25	30.48	30.01	30.19	31.62	30.16
Turkey	51.20	47.67	42.90	38.61	37.49	37.49	37.49	37.48
World	1,751.99	1,756.79	1,766.63	1751.72	1767.33	1781.75	1750.78	1748.84

Table 9c: Total Production of Ruminant Meat [million tons]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	10.97	9.85	8.13	7.15	6.56	6.50	6.51	6.25
Total CEE + CIS	10.30	9.16	7.46	6.42	5.82	5.76	5.77	5.57
Total CEE	2.38	1.86	1.67	1.46	1.36	1.30	1.22	1.19
Total CIS	7.93	7.30	5.79	4.95	4.46	4.46	4.55	4.37
EU Accession (10)	2.00	1.49	1.27	1.20	1.13	1.06	0.98	0.97
Other CEE	0.38	0.37	0.40	0.26	0.24	0.24	0.24	2.23
Euro CIS	6.23	5.48	4.26	3.54	3.11	3.09	3.11	29.89
Caucasus	0.17	0.15	0.17	0.17	0.16	0.18	0.25	0.19
Central Asia	1.53	1.67	1.36	1.24	1.18	1.19	1.19	1.18
Turkey	0.67	0.69	0.67	0.73	0.73	0.74	0.75	0.68
World	62.90	63.52	64.81	65.77	67.40	68.00	68.08	72.52

Table 10: Pork**Table 10a: Total Number of Pigs [million head]**

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	124.90	103.21	91.22	79.57	80.64	77.32	71.96	72.05
Total CEE + CIS	124.89	103.20	91.22	79.57	80.63	77.31	71.96	72.05
Total CEE	59.94	50.29	48.04	46.75	47.19	42.95	41.36	41.89
Total CIS	64.94	52.91	43.18	32.82	33.44	34.36	30.60	30.15
EU Accession (10)	54.07	44.75	41.96	41.01	41.02	37.25	35.39	36.39
Other CEE	5.88	5.55	6.08	5.74	6.17	5.70	5.96	9.12
Euro CIS	59.68	49.20	40.68	31.31	31.84	32.64	28.75	28.23
Caucasus	1.09	0.49	0.46	0.41	0.48	0.50	0.52	0.54
Central Asia	4.17	3.21	2.03	1.10	1.13	1.22	1.33	3.15
Turkey	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
World	869.80	883.02	859.34	876.22	905.73	910.35	927.52	1205.65

Table 10b: Total Production of Pork [million tons]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	10.60	8.48	8.44	7.83	7.83	7.61	7.32	7.19
Total CEE + CIS	10.60	8.48	8.43	7.83	7.83	7.61	7.31	7.19
Total CEE	5.83	4.89	5.40	5.10	5.13	4.82	4.56	4.39
Total CIS	4.78	3.59	3.03	2.73	2.71	2.80	2.75	2.80
EU Accession (10)	5.08	4.22	4.59	4.39	4.40	4.08	3.88	3.74
Other CEE	0.74	0.67	0.81	0.71	0.73	0.74	0.68	0.65
Euro CIS	4.40	3.33	2.83	2.55	2.51	2.57	2.53	2.53
Caucasus	0.08	0.06	0.05	0.05	0.05	0.04	0.05	0.04
Central Asia	0.30	0.20	0.15	0.13	0.15	0.18	0.17	0.23
Turkey	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
World	72.91	77.71	78.54	87.62	88.76	89.61	91.96	94.18

Table 11: Poultry**Table 11a: Number of Poultry [billion head]**

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	1.64	1.41	1.13	1.09	1.14	1.14	1.12	1.09
Total CEE + CIS	1.50	1.23	0.99	0.91	0.90	0.89	0.88	0.87
Total CEE	0.38	0.30	0.31	0.30	0.30	0.29	0.30	0.27
Total CIS	1.12	0.93	0.68	0.61	0.60	0.60	0.58	0.60
EU Accession (10)	0.32	0.25	0.26	0.25	0.25	0.24	0.26	0.23
Other CEE	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Euro CIS	0.96	0.81	0.61	0.54	0.53	0.53	0.51	0.56
Caucasus	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Central Asia	0.12	0.09	0.04	0.04	0.04	0.04	0.04	0.04
Turkey	0.15	0.18	0.14	0.18	0.24	0.24	0.24	0.24
World	12.51	13.69	14.84	14.58	15.29	15.86	16.24	16.32

Table 11b: Production of Poultry Meat [million tons]

	1992	1994	1996	1998	1999	2000	2001	2002
Total ECA (CEE+CIS+Turkey)	4.33	3.60	3.21	3.46	3.70	3.74	3.90	4.33
Total CEE + CIS	3.89	3.11	2.77	2.95	3.04	3.08	3.24	3.71
Total CEE	1.54	1.51	1.71	1.89	1.92	1.94	2.08	2.28
Total CIS	2.35	1.60	1.07	1.05	1.11	1.14	1.16	1.42
EU Accession (10)	1.37	1.34	1.52	1.73	1.77	1.79	1.93	2.13
Other CEE	0.17	0.16	0.18	0.16	0.15	0.15	0.15	0.15
Euro CIS	2.09	1.45	0.98	0.97	1.03	1.04	1.05	1.32
Caucasus	0.05	0.03	0.03	0.03	0.03	0.03	0.04	0.04
Central Asia	0.21	0.12	0.06	0.05	0.06	0.06	0.06	0.06
Turkey	0.44	0.49	0.44	0.51	0.66	0.66	0.66	0.63
World	45.31	50.63	56.06	62.01	65.27	67.58	68.84	73.87

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