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**The Agrarian Economies of
Central-Eastern Europe
and the Commonwealth of Independent States
An Update on Status and Progress in 2004**

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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 World Bank's monitoring process provides unique benchmark information for studying problems of this difficult transition in Eastern Europe and Central Asia and for the development of specific agricultural projects in the individual countries of the region. This year marks the eighth time that the Bank has reviewed the situation of agriculture and agricultural policy reforms in the ECA region. This activity has been implemented on the basis of a budget provided by the Chief Economist for regional studies. This volume, however, also marks the first year that eight of the ECA countries were not reviewed—as they became members of the European Union as of May 1, 2004. Their agricultural and rural development policies are now fully governed by EU Common Agricultural Policy (CAP) and therefore no longer fall under the transition category. Our assessment of agricultural policies in the nineteen remaining countries is based on a country-specific analysis prepared by World Bank staff members and local consultants most intimately involved in agricultural reforms in these countries. To evaluate the status of reforms, the World Bank developed a special methodology 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 are supplemented with an aggregated statistical database derived from the FAO agricultural database.

June 30, 2005

Laura Tuck
Director, ECSSD

Preface

This volume is a compilation of a year's work analyzing rural sector policy developments covering the Europe and Central Asia (ECA) region. The study is focused on agricultural policies, specifically actions required to progress in the transition process. Although we recognize the importance of the social and natural resource management aspects of 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 Holger Kray in drafting the summary analysis, updating the statistical data base and compiling the country-specific policy matrices into a consistent framework. Country-specific matrices were prepared for all the countries in the region except the EU member countries, and Turkey.

The individual country policy matrices were prepared by the following Task Managers: Albania (J. Lampietti), Armenia (F. Jungbluth), Azerbaijan (W. Sutton, R. Chirag-Zade), Belarus (B. Shamsiev), Bosnia and Herzegovina (R. Jaisaard), Bulgaria (A. Georgieva), Croatia (A. Nacev), Georgia (R. Jaisaard), Kazakhstan (M. Guadagni), Kyrgyz Republic (G. Schreiber), FYR Macedonia (T. Konishi), Moldova (W. Sutton), Romania (G. Ionita), Russia (V. Matusevich), Serbia and Montenegro (T. Arin), Tajikistan (T. Sampath, B. Shamsiev), Turkmenistan (M. Lundell, B. Shamsiev), Ukraine (A. Kaliberda), and Uzbekistan (M. Guadagni, B. Shamsiev). Laura Tuck, Sector Director (ECSSD) and Benoit Blarel, Sector Manager (ECSSD) provided valuable comments and suggestions throughout the study.

Executive Summary

This paper provides a brief overview of agricultural economies in the ECA region between 1999 and 2004. It updates the information presented in the World Bank Discussion Paper no. 387¹ and the ECSSD Working Papers no. 13², 24³, 32,⁴ 36⁵, 37⁶, and 38⁷ 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.

According to our analysis, countries belonging to the **advanced reformer group** (total reform score above 7.0) continued their progress in reforming their agricultural policies. It is not surprising that this group is led by the two EU acceding countries, Bulgaria and Romania. It has to be mentioned, however, that—according to our indicators—their level of preparedness is less than the level reached by the EU-8 countries two years prior to accession. In this group we also find Albania and Armenia which implemented significant reforms in the late-90s but since then have not progressed further. Progress in Serbia and Montenegro is quite remarkable, but not surprising taking into account the history of this country.

The performance of the **moderate reformer group** (total reform score below 7.0 and above 6.0) is less homogeneous regarding the direction of change. Bosnia-Herzegovina, the Russian Federation, and Ukraine made measurable progress in their agricultural reforms in 2004. Moldova and Georgia reversed slightly, while in Azerbaijan our scores do not indicate any progress for the last four years.

The **slow reformer group** (total reform score below 6.0) has not changed much, both regarding composition and performance during the last years. These countries have made little change to their agricultural policy framework and basically operate with a rather low degree of market-oriented reforms.

In aggregate, our analysis for 2004 indicates a further differentiation between CEE and CIS countries in the pace of agricultural reform.

- The possibility of EU membership has accelerated reforms in the EU acceding and candidate countries, notably in Romania, Bulgaria, and Croatia that were lagging somewhat behind the new EU member countries. The agriculture policy agenda in the CEE is characterized by

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.

⁶ Csaki, C. and Zuschlag, A. *The Agrarian Economies of Central-Eastern Europe and the Commonwealth of Independent States: An Update on Status and Progress – 2002*, June 2003, The World Bank.

⁷ Csaki, C. and Zuschlag, A. *The Agrarian Economies of Central-Eastern Europe and the Commonwealth of Independent States: An Update on Status and Progress – 2003*, June 2004, The World Bank.

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 measurable progress has been achieved. 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 2004. At the lower end of the reform scale, Uzbekistan and Tajikistan also made some progress, but slowed somewhat in 2004. 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

I. The Reform Process in the Rural Sector

1. 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

2. 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.

3. 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 1**⁸. Our analysis intentionally emphasizes “on the ground” results as opposed to pure policy reforms (which are often legislated but not implemented).

4. According to our analysis, countries belonging to the **advanced reformer group** (total reform score above 7.0) continued their progress in reforming their agricultural policies. It is not surprising that this group is led by the two EU acceding countries, Bulgaria and Romania. It has

⁸ 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 2**. These ratings were then revised in several review sessions to improve consistency of rankings. An earlier version of this analysis was presented by Csaki and Lerman, 1997. The current version of the numerical rankings was published first by Csaki and Nash, 1997.

to be mentioned, however, that—according to our indicators—their level of preparedness is less than the level reached by the EU-8 countries two years prior to accession. In this group we also find Albania and Armenia which implemented significant reforms in the late-90s but since then have not progressed further. Progress in Serbia and Montenegro is quite remarkable, but not surprising taking into account the history of this country.

5. The performance of the **moderate reformer group** (total reform score below 7.0 and above 6.0) is less homogeneous regarding the direction of change. Bosnia-Herzegovina, the Russian Federation, and Ukraine made measurable progress in their agricultural reforms in 2004. Moldova and Georgia reversed slightly, while in Azerbaijan our scores do not indicate any progress for the last four years.

6. The **slow reformer group** (below 6.0) has not changed much, both regarding composition and performance during the last years. These countries have made little change to their agricultural policy framework and basically operate with a rather low degree of market-oriented reforms.

7. Our analysis of the reform performance for individual countries in 1997-2004 indicates a further differentiation between CEE and CIS countries in the pace of agricultural reform. Due to the adoption of more comprehensive transition policies, the transformation of agriculture is most advanced in Central Europe and, in particular, in the countries that became members of EU in 2004⁹. In fact, in the remaining CEE countries in the current analysis the reform process is also quite advanced (**Figure 1**). The possibility of EU membership has accelerated reforms in the leading EU acceding and candidate countries, most notably in Bulgaria, Romania, and Croatia. The agriculture policy agenda in these countries is characterized by efforts to complete the transition, to cope with the increased social problems in rural areas, and to prepare for the implementation of EU CAP market and rural development policies.

8. 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 measurable progress has been achieved. 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 2004. At the lower end of the reform scale, Tajikistan and Uzbekistan have also made some 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 1**).

9. 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 initial expectations. The relatively rapid growth of production that characterized the Chinese

⁹ This volume marks the first year that the eight ECA countries which became members of the EU in 2004 were not reviewed. Their agricultural and rural development policies are now fully governed by EU Common Agricultural Policy (CAP) and therefore no longer fall under the transition category.

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:

- 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.

Table 1: Status of Agricultural Reforms in CEE and CIS Countries at the end of 2004

1 = centrally planned economy 10 = completed market reforms

| | Prices & Markets | | | | | | Land Market | | | | | | Agro-Processing | | | | | | Rural Finance | | | | | | Institutions | | | | | | Total Score | | | | | |
|--------------|------------------|------|------|------|------|------|-------------|------|------|------|------|------|-----------------|------|------|------|------|------|---------------|------|------|------|------|------|--------------|------|------|------|------|------|-------------|------|------|------|------|------|
| | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
| Bulgaria | 9 | 8 | 8 | 9 | 9 | 9 | 9 | 8 | 8 | 8 | 8 | 8 | 9 | 9 | 9 | 8 | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 6 | 9 | 9 | 8 | 8 | 8 | 7 | 8.6 | 8.2 | 8.0 | 8.0 | 8.0 | 7.6 |
| Romania | 8 | 7 | 8 | 7 | 7 | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 9 | 8 | 8 | 8 | 8 | 7 | 8 | 7 | 7 | 7 | 6 | 6 | 8 | 7 | 7 | 7 | 6 | 5 | 8.2 | 7.4 | 7.6 | 7.4 | 7.0 | 6.6 |
| Armenia | 8 | 8 | 8 | 8 | 8 | 7 | 9 | 9 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 6 | 6 | 6 | 6 | 7 | 7.8 | 7.6 | 7.4 | 7.4 | 7.4 | 7.2 |
| Albania | 9 | 9 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 7 | 7 | 7 | 7 | 6 | 5 | 7 | 7 | 7 | 7 | 6 | 5 | 7.8 | 7.8 | 7.6 | 7.6 | 7.2 | 6.8 |
| Croatia | 8 | 7 | 7 | 7 | 7 | 6 | 7 | 8 | 8 | 7 | 7 | 6 | 9 | 8 | 8 | 7 | 7 | 7 | 7 | 6 | 6 | 6 | 6 | 6 | 8 | 8 | 8 | 8 | 8 | 8 | 7.8 | 7.4 | 7.4 | 7.0 | 7.0 | 6.6 |
| Kyrgyz Rep | 8 | 8 | 7 | 7 | 7 | 7 | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 6 | 6 | 6 | 7 | 6 | 6 | 5 | 5 | 6 | 7.4 | 7.0 | 6.6 | 6.2 | 6.2 | 6.4 |
| Macedonia | 8 | 8 | 8 | 8 | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 6 | 6 | 6 | 6 | 7 | 7 | 6 | 6 | 5 | 5 | 4 | 7 | 7 | 7 | 7 | 7 | 7 | 7.2 | 6.8 | 6.8 | 6.6 | 6.6 | 6.6 |
| Serbia&M | 8 | 7 | 7 | 6 | 3 | - | 7 | 7 | 7 | 5 | 5 | - | 7 | 6 | 6 | 5 | 3 | - | 6 | 6 | 5 | 3 | 3 | - | 7 | 7 | 7 | 5 | 4 | - | 7.0 | 6.6 | 6.4 | 4.8 | 3.6 | - |
| Azerbaijan | 7 | 8 | 8 | 8 | 8 | 7 | 9 | 8 | 8 | 8 | 8 | 8 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6.6 | 6.6 | 6.6 | 6.6 | 6.4 | 6.2 |
| Bosnia HG | 7 | 7 | 7 | 7 | 6 | 6 | 7 | 6 | 6 | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 7 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 6.4 | 6.0 | 6.0 | 6.2 | 5.8 | 5.8 |
| Russia | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 9 | 8 | 8 | 8 | 7 | 7 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6.2 | 5.8 | 5.8 | 5.8 | 5.6 | 5.6 | |
| Kazakhstan | 5 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 8 | 7 | 7 | 7 | 6 | 6 | 8 | 7 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 6.2 | 6.0 | 5.8 | 5.8 | 5.6 | 5.6 | |
| Ukraine | 6 | 6 | 6 | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 8 | 7 | 7 | 7 | 7 | 6 | 7 | 6 | 6 | 6 | 6 | 5 | 4 | 4 | 4 | 4 | 4 | 6.2 | 5.8 | 5.8 | 6.0 | 5.8 | 5.4 | |
| Moldova | 6 | 6 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 8 | 7 | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 6 | 6 | 5 | 4 | 4 | 4 | 4 | 5 | 6.0 | 6.0 | 6.2 | 6.0 | 6.4 | 6.0 | |
| Georgia | 8 | 8 | 9 | 9 | 8 | 8 | 7 | 6 | 6 | 7 | 7 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 7 | 6 | 6 | 4 | 4 | 4 | 5 | 5 | 6.0 | 5.8 | 6.0 | 6.6 | 6.2 | 6.0 | |
| Tajikistan | 6 | 6 | 6 | 6 | 6 | 5 | 6 | 7 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 4 | 3 | 3 | 2 | 2 | 4 | 4 | 4 | 4 | 4 | 4 | 5.2 | 5.2 | 4.8 | 4.8 | 4.6 | 4.2 |
| Uzbekistan | 4 | 4 | 5 | 4 | 3 | 3 | 5 | 5 | 4 | 4 | 4 | 2 | 5 | 4 | 4 | 4 | 3 | 1 | 3 | 3 | 3 | 2 | 2 | 1 | 3 | 3 | 3 | 3 | 3 | 4.0 | 3.8 | 3.8 | 3.4 | 3.0 | 2.0 | |
| Belarus | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 2 | 1 | 1 | 1 | 2.6 | 2.0 | 1.8 | 1.8 | 1.8 | 1.8 | |
| Turkmenistan | 2 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 3 | 1.8 | 2.0 | 2.0 | 2.0 | 1.8 | 2.0 |
| AVERAGE | 6.6 | 6.5 | 6.6 | 6.5 | 6.2 | 6.1 | 6.5 | 6.4 | 6.3 | 6.2 | 6.2 | 5.9 | 6.7 | 6.2 | 6.2 | 6.0 | 5.7 | 5.6 | 6.0 | 5.6 | 5.4 | 5.2 | 4.9 | 4.7 | 5.5 | 5.3 | 5.2 | 5.1 | 4.9 | 5.0 | 6.3 | 6.0 | 5.9 | 5.8 | 5.6 | 5.5 |

Source: World Bank Estimates

Table 2: Key to Numerical Ratings Used in Table 1

| Reform Area Scores | 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. | System dominated by large-scale farms. | Monopolistic state owned industries. | Soviet type system, with “Agrobank” as the sole financing channel. | Institutions of command economy. |
| 3-4 | Deregulation with indicative prices, and price controls; significant NTB on imports or exports. | Legal framework for land privatization and farm restructuring in place, implementation launched only recently. | Spontaneous privatization and mass privatization in design of early implementation stage. | New banking regulations are introduced; little or no commercial banking. | 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. | Advanced stage of land privatization, but large-scale farm restructuring is not fully complete. | Implementation of privatization programs in progress. | Restructuring of existing banking system, emergence of commercial banks. | 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. | Most land privatized, but titling is not finished and land market not fully functioning. | Majority of industries privatized with a framework conducive for foreign direct investment. | Emergence of financial institutions serving agriculture. | Government structure has been refocused while research, extensions, and education are being reorganized. |
| 9-10 | Competitive markets with market conforming trade and agricultural policies, and no more than modest protection. | Farming structure based on private ownership and active land markets. | Privatized agro-industries and input supply, with improved international competitiveness. | Efficient financial system for agriculture, agro-industries, and services. | Efficient public institutions focused on the needs of private agriculture. |

Source: World Bank.

- Many issues related to land markets remain unresolved, particularly in the 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.

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

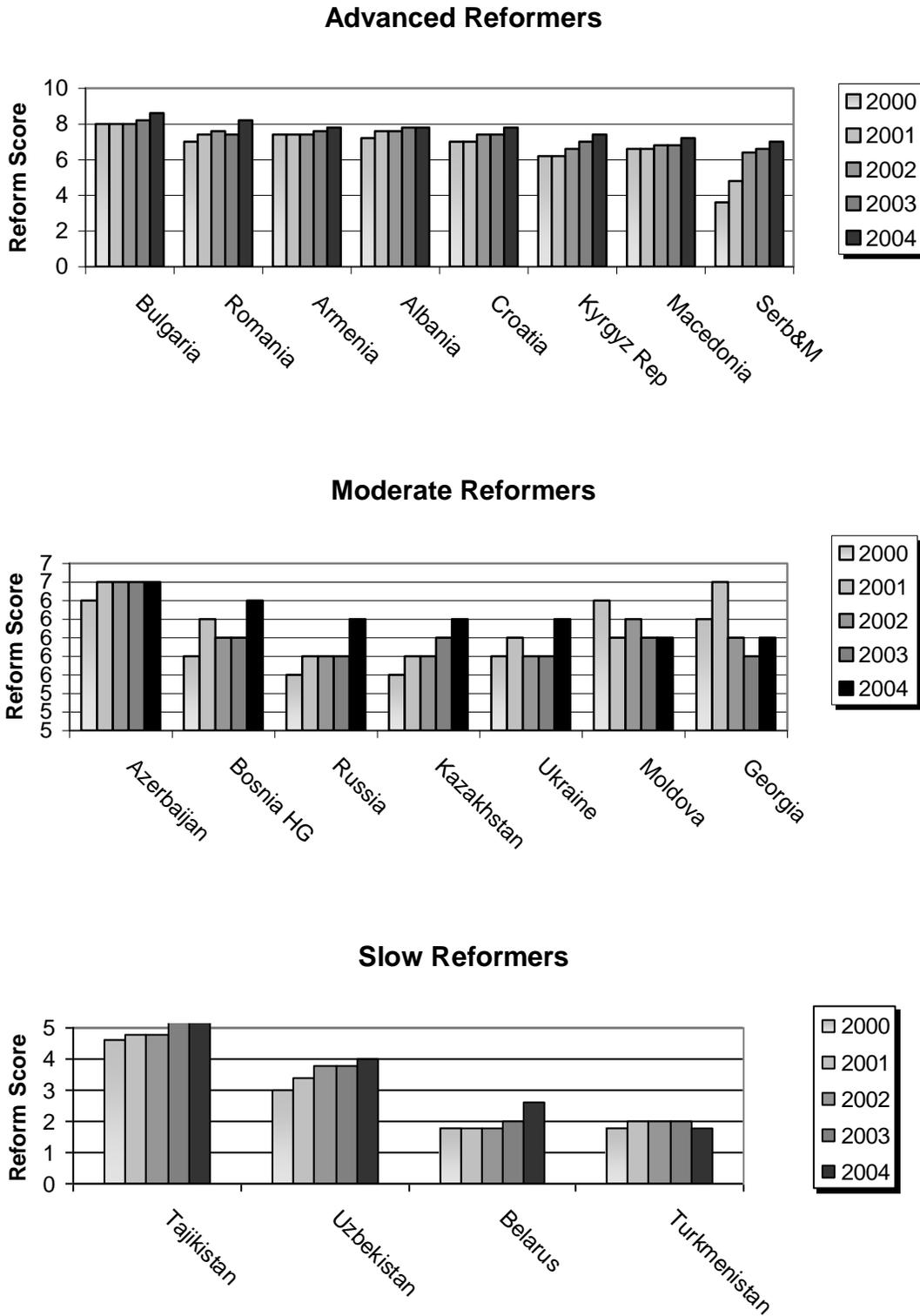
- The general economic upswing will likely assist governments to undertake agricultural reforms. The greatest progress has been made in transformation of the sector by those countries where general economic recovery has also begun.
- Development in the non-agricultural segment of the rural economy is 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.

11. 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. 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 new EU-member 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.

12. 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 Albania 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.

Figure 1: Reform Trends



Source: World Bank Estimates

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

13. 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.

- 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. Bilateral negotiations between the EU Commission and Bulgaria and Romania on the agricultural chapter have recently been closed and consensus has been reached on the detailed EU offer as to the type of CAP-related support it intends to offer the new entrants. However, the strategy that the countries preparing for EU membership will select in introducing the EU's CAP remains to be seen. In many of the 2004 new EU member states EU accession had been used as a justification to increase support to agriculture prior to EU accession. 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.
- 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 continue 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 existing large scale farming have undergone significant change, became privately owned, and adapted to market economy conditions. In some countries, 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 remain priority areas for further reform. 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, Georgia, and Kyrgyz Republic 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 the new EU member countries 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 new EU member countries, significant foreign direct investment (FDI) has flown into modernizing the agroprocessing sector. The share of total FDI directed 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. 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 de-monopolization of the agroprocessing industry has resulted in restructuring and increased efficiency of the food-processing sector. An emerging recovery based on the restructuring of ownership is observed 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 many Central European and CIS countries. In the CEE countries, the financing of agriculture has improved considerably since 1994, but still remains relatively weak. The new private financing institutions require managerial capacity building and are financially vulnerable. In recent years, however, a significant share of the banking sector became foreign owned – this resulting in improved efficiency and profitability. The creation of an agriculture-oriented rural banking network has been progressing, resulting in the establishment and increasingly active operation of agricultural credit co-operatives and financial institutions specializing in rural areas.
- In the great majority of CIS countries the rural financial system is not yet fully adjusted to the needs of a market 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 Moldova, and the number of loans extended by the processing industry is growing.

e) Institutional reforms proceed slower than all other reform areas 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 further transformation in these countries. Reforms toward the ability to effectively integrate into the common market and to operate in the EU Common Market Organization still remain the most pressing priorities. In addition to technical and human capacity building in public administration, further qualitative development is required in practically all areas of the institutional systems for market-oriented 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. Due to the general economic recession and disruption it 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, in collecting taxes, and establishing the basic conditions for macro-economic stability. Underpaid and unmotivated civil servants often strive to supplement their incomes through corruption. Training and research centers suffer from severe financial problems. 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 appear to be improving, and significant improvements can be observed in some individual countries.

B. Policy Matrices

Advanced Reformers

(countries with a ranking score of 7.0 or above)

Bulgaria

Romania

Armenia

Albania

Croatia

Kyrgyz Republic

Macedonia

Serbia & Montenegro

BULGARIA 2004

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|------------------------|---------------------|---|-------|--|-------|
| Total Population(2003) | 7.8 mil | Agric. sector in GDP (2003) | 10% | Agricultural output in 2003 in percent of 1990 | 89.2% |
| Rural Population(2003) | 30.2 % | Agric. sector in active labor, incl. subsist. farming (2003) | 25% | Share of livestock in agriculture (2003) | 36.2% |
| Total Area | 11.1 m. ha | Food and agriculture in exports (2003) | 10.5% | Share of independent farms (2003) | 99% |
| Agriculture area: | 5.79 m. ha | in imports (2003) | 5.6% | | |
| Arable land | 56% (3.239m.ha) | Traditionally net exporter: tobacco, sunflower seed, dairy products, wine, fruits and vegetables. | | | |
| Orchards | 2.9% | | | | |
| Irrigated | 1.2% | | | | |
| Forested | 30% (of total area) | | | | |

*Source: National Statistical Institute, MAF Agrostistics, Annual Agrarian Report

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
|--|---|---|
| 1. <u>Macro-economic Framework for Agriculture</u> | Prices are liberalized; free trade policy; currency board has controlled inflation since 1997. | Continue policy of stabilization and liberal markets; 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, where the government still determines minimum purchase prices. |
| B. Trade Policies | <ul style="list-style-type: none"> • Taxes on agricultural exports and discretionary import duty exemptions eliminated. An export tax, and later, export ban on wheat were temporarily introduced in 2003 following the weak crop, but were lifted in 2004. • However since 2003 new tariffs were introduced for export certificates from the National Grain Service (1.5lv/t) and for phytosanitary certificates (2lv/t) which grain exporters claim are for purely fiscal purposes and which discourage exports. • Foreign trade regime 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. • The import tariff regime provided in recent year’s high and non-uniform protection, especially for the processing industries. Some tariffs, such as fertilizer and especially poultry meat, are very high. • Member of WTO since Dec 1, 1996. • Member of CEFTA since Jan 1, 1999. • Free trade agreements with Turkey, Macedonia, Lithuania, Israel, Estonia, Croatia. | <ul style="list-style-type: none"> • Continue liberal trade regime • Continue compliance with WTO principles. • Keep tariffs on fertilizer imports and other agricultural inputs low. • Proceed with introduction of CAP-conforming policies. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
|---|---|--|
| B. Trade Policies <i>(continued)</i> | <ul style="list-style-type: none"> • EU Association Agreement signed in 1995, subsequent “double zero” and “double profit” agreements signed for liberalized trade in agrifoods. • The country plans to join the EU on January 1, 2007 and introduce by that date 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. • The establishment of a Single Paying and Intervention Agency is in course, supported by an EU Phare project. • By government decree from 2004 State Fund Agriculture can extend export subsidies. The list of the products to which this is applied is determined each year by the Council of Ministers. For 2004 the products included processed fruits and vegetables, meat. The utilization of the export subsidies met with difficulties as few exporters ventured to apply due to low competitiveness in the sector. | |
| C. Taxation | <ul style="list-style-type: none"> • Single 20% VAT applies to all products and services. • The VAT rebate period was shortened to 30 days from 45 days however this in practice is not applied. Especially grain traders, along with other commodity exporters, have been affected negatively by the long rebate period. | <ul style="list-style-type: none"> • 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. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p><u>2. 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 are picking up, especially in Dobruja and near the coast, but land prices are still low, compared with Bulgaria's Central European neighbors. Land fragmentation is a persistent problem and impediment to a more active land market, and to a more efficient agriculture. • With the legislative changes from February 2005 the purchase of land by foreign persons has been allowed following a 7 year transitional period after EU accession. • Forest land restitution is completed but debates on the most appropriate model for forest management are still underway | <p>Creation of a competitive and efficient farming system.</p> <ul style="list-style-type: none"> • Complete the reform in land registration and cadastre system to guarantee security of tenure. • Continue with the improvement of property registration and cadastre legislation to promote the development of land markets • Promote an active land market and the use of land as collateral to improve access to long-term credit. • Promote market-led land consolidation including by investments in rural infrastructure, pass the relevant legislation and stimulate the process by various measures, proceeding from experience gained from pilot projects. • Plan and finalize the reforms in forest management. |
| <p><u>3. Competitive Agroprocessing and Services for Agriculture.</u></p> | <p>Most agroindustry not competitive, but situation improving.</p> <ul style="list-style-type: none"> • The trend to loss of export markets continues due to the crisis in the primary sector. • Privatization is completed with the exception of the tobacco holding Bulgartabac. • Some progress in establishment of warehouse receipts system (500,000 mt licensed warehouse capacity now exists), due in part to the state subsidy for storage of grain in public warehouse. • Operations of the State Reserve partially improved. GOB still makes recourse to the State Reserve, though the interventions are with very limited scope and little market impact, while the Intervention Agency is still in the process of being established. | <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 Reserve activities more predictable and transparent by implementing management approaches and transparency measures. • Improve market infrastructure including development of commodity exchange trade and information systems. • Further develop the warehouse receipts system. • Update the strategy and assessment of the irrigation network, and the needs for its rehabilitation. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p>3. <u>Competitive Agroprocessing and Services for Agriculture.</u> (continued)</p> | <ul style="list-style-type: none"> • Law on Water Users' Organizations has been passed; a new Water Agency formed, but the state-owned irrigation company still needs to be restructured. • SAPARD is successfully implemented as concerns the private sector measures, and especially investments in agricultural holdings, agroprocessing and diversification of economic activities. | <ul style="list-style-type: none"> • Expedite formation of water users' associations, and transfer irrigation assets to them. • Restructure the Irrigation Systems Company. • Prepare for the use of EU structural funds by increasing the absorption capacity of producers and local administrations that would contribute to making rural areas attractive for investments |
| <p>4. <u>Rural Finance</u></p> | <ul style="list-style-type: none"> • The banking system is stable and all banks are privatized, mostly by foreign banks. • Still high risk stemming from low profitability and poor credit history greatly limit access to credit in the sector. • 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. • Develop the legislative basis for the credit cooperatives to increase small farmer access to credit. |
| <p>5. <u>Institutional Framework</u></p> | <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, MAF had 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 still not very accurate though improving with the introduction of Eurostat methodology. • 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 services are under-funded and not efficient. | <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. |

ROMANIA 2004

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|--|-------------|--|--------|--|-------|
| <u>Total Population</u> | 22.4 mil | Agriculture in GDP (2003) | 13.1 % | Gross Agricultural Output (GAO) in 2001 as percentage of 1989-91 level | 91% |
| Rural Population | 45.6% | Food and agriculture in active labor (2003) | 41.0 % | Livestock production in as Percentage of 1989-91 level | 91% |
| <u>Total Area</u> | 23.8 mil ha | Food and agriculture in exports (2003) | 3.4 % | Share of livestock in agriculture as % of GAO (2003) | 33.8% |
| Agriculture area: | 14.8 mil ha | Food and agriculture in imports (2003) | 8.2 % | Agricultural land in private use (2003) | 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 (2003) | 86% |
| Orchards, vineyards with Irrigation Facilities | 13 % | | | | |
| Arable w/o Irrigation | 19% | | | | |
| Forested | 27.9 % | | | | |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| 1. <u>Macro-economic Framework for Agriculture</u> | 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. | 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. |
| A. Prices/Subsidies | <ul style="list-style-type: none"> • Gradual price liberalization started in Oct-90 but substantial reform only after 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 regardless their size (area), for major commodities (wheat, barley, sunflower, soybeans, maize, vegetables, fruits and milk, beef, pig and poultry meat). • Producer prices close to EU levels. A large share of production is not marketed. Consumer prices slightly below EU levels. • Regional price variation is significant, due to high transport costs, poor logistics and weak arbitrage. Lack of a 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. | <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). • Develop and implement a new, demand driven, subsidy system for irrigation services, based on distribution of subsidies to users, following enactment of a new Law on Land Reclamation. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| A. Prices/Subsidies <i>(continued)</i> | <ul style="list-style-type: none"> • Subsidies (including directed subsidized credit) have reduced from a level of about \$570 million at the beginning of reforms in 1997, to \$316m (2000), \$276m (2002) and \$281m (2003). A system of general input vouchers, was put in place during 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. | |
| B. Trade Policies | <ul style="list-style-type: none"> • 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. Further reduction in import tariffs for pork and poultry meat to 22% in 2001, as to increase competition on meat market. Temporary tariffs exemptions for cereals imports (wheat, barley, maize) were enforced for Jan-Jun 04 and reductions of import tariffs on wine, spirits, vinegar and vermouth were applied from Jan 04. • Licensing and quantitative restrictions for exports and imports removed starting Jun 97, and temporary import duty exemptions ended. Some backsliding on these measures 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; 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. |

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| 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. |
| 2. <u>Land Reform and Farm Restructuring</u> | <ul style="list-style-type: none"> • 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 9.3m. ha were restituted to about 4.7m. 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. • 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. | <ul style="list-style-type: none"> • Privately owned smaller and larger viable farms are the dominant components of farming system with transferable ownership rights. • 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). 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. • Finalize liquidation of non-viable state farms remained after privatization and conclude concession of their respective land to private management. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p>2. <u>Land Reform and Farm Restructuring</u> (continued)</p> | <ul style="list-style-type: none"> • The privately-owned land is organized in small-scale farms and (formal and informal) associations. In 2003 (December), about 5.51 mil. ha out of the total 12.78 mil. ha of private agricultural land, were organized into formal associations (aver. 351 ha each), about 0.72m ha into informal associations (about 7.5 ha each) and 6.56m 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 (organized as commercial companies) operated in 2003 about 0.18 mil. ha of arable land. 123 companies are under restructuring and sale of assets and 332 companies are under judicial liquidation. Their respective land is subject to concession to private management. 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 December 2003, the number of privatized state farms was 284. It appears that the state farms that failed to be privatized will eventually be liquidated, either judicially or administratively (through assets sales). Completion of state farm privatization remains a key unfinished task on the policy agenda. • Transactions with land are still slow and the prices small, making land sales unattractive for owners. The total area subject to land sales is of about 350,000 ha and the average price for 2003 transactions was of US\$280 per hectare. | |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <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 Agnomens), 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 2003 the area covered by existing 142 WUA's was 493,157 ha, and area with irrigation facilities transferred was 312,333 ha. • Implementation of SAPARD measure for improving processing and marketing of agricultural products (Measure 1.1) started in last part of 2002 with few applications received. In 2003, 105 projects were contracted amounting to over Euro 110m of which Euro 6.0m disbursed to date. | <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. Restructure the SNIF through establishment of a new Land Reclamation Agency and implement sector reform. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| 4. <u>Rural Finance</u> | <p>An appropriate financial system for privatized agriculture being developed.</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 (US\$150m) 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 \$7m. 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 law to reform cooperatives has been agreed upon and the NBR assumed responsibility for regulation of credit cooperatives. • Nominal interest rates for agricultural credit averaged 25% in 2003, compared to an average inflation rate of 25%. 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. In addition, legislation for warehouse receipts has been passed and is awaiting implementation. • 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. |

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| <p>5. <u>Institutional Framework</u></p> | <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. • Seven inter-professional organizations were formally established (for sugar, beer, pork, wine, milk, cereals, vegetal fats), and another six 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. • In June 2002, the Ministry of Agriculture, Food and Forestry (MAFF) merged with the Ministry of Water and Environment Protection to form the Ministry of Agriculture, Forestry, Water and Environment (MAFWE). In February 2004, Based on a recent restructuring of the Government, the new Ministry of Environment and Water Management was and the MAFWE became the Ministry of Agriculture, Forestry and Rural Development. This may involve an increased attention to rural development activities but signs of such new trend are yet to emerge from the ministry. | <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 rural public infrastructure for grain marketing and irrigation, roads, water supply, etc.. • Prepare, in collaboration with other interested ministries, a rural water supply and sanitation policy as framework for further development of such investment projects financed from domestic and foreign funds. |

ARMENIA 2004

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|-------------------------|------------|--------------------------------------|-----|-----------------------------------|------|
| <u>Total Population</u> | 3.0 mil. | Food and agriculture in | | Agricultural output in 2004 as | |
| Rural Population | 35.2 % | Net Material Product 2000 | 27% | percentage of 1988 level. | 100% |
| | | Food and agriculture in | | Livestock production in 2004 | |
| <u>Total Area</u> | 3.0 mil ha | active labor (2004) | 42% | as percentage of 1988 level | 84% |
| Agriculture area: | 1.4 mil ha | Food and agriculture | | Share of livestock in agriculture | |
| Arable land | 35% | in exports (2004) | 14% | (2004). | 45% |
| Orchards | 4.5% | in imports (2004) | 20% | Agricultural area in private | |
| Irrigated | 20.1% | | | ownership (2004). | 100% |
| Forested | 12.8% | Imports: grain, sugar, vegetable oil | | Share of independent private | |
| | | and some livestock products | | farms in total arable area | |
| | | Exports: beer, wine, | | (2004). | 100% |
| | | dried/processed fruits and | | Share of private sector in total | |
| | | vegetables, cheese | | agricultural output (2004). | 100% |

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| 1. <u>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. The cost recovery target for 2004 of 56% has not been reached (recoveries amounting to about 35%), due to low fee levels and to a set of factors that did not help financial sustainability of Water Users Associations (20% of energy cost, VAT on bulk water, income and property taxes charged to WUAs). Billing improved notably and is expected to improve again in 2005. Under this conditions a realistic cost-recovery target for 2005 is 45% and a realistic amount of subsidy to the sector should be about 3.7 billion drams (down from 4.4 billion drams in 2004). • 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"> • Facilitate the phase-out of irrigation subsidies by converting Vayots-dzpor pumping scheme into a gravity schemes and by increasing the water tariff. • Increase water fee collection rates from the current level of 71% in 2004 to 82% in 2005 through adoption of post-offices as method of collection. |

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| 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. • Landlocked location and difficult relations with neighbors pose severe obstacles to exports and imports of inputs for agriculture and processing. | <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 and regulatory framework and adopt appropriate quality standards, and establish an independent food testing laboratory, to promote export of agricultural and agro-processed products. |
| C. Taxation | <ul style="list-style-type: none"> • 20% VAT (farmers are exempt). • Taxation system will change in line with WTO agreements in 2008. | <ul style="list-style-type: none"> • Simplify and reduce taxation in agro-processing and promote investments via tax incentives. • Review taxation requirements under WTO and assure that changes to the taxation system do not have a negative effect on agricultural production and processing structures now evolving. |
| 2. <u>Land Reform and Farm Restructuring</u> | <p>Comprehensive land reform implemented, transferring most arable and perennial crop land 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 now transferred into communal ownership and can be sold through auctions to private farmers. • Pastures and meadows are largely communal owned, with some being sold while most are leased. • The land market is now beginning to develop. • A property registration system has been established and is operating satisfactorily. Automation of the system is underway. | <p>Individual private farming is the predominant farming structure, with secure and transferable ownership rights.</p> <ul style="list-style-type: none"> • Complete the automated cadastre system to provide the information base for land management and land markets; and to facilitate market-driven land consolidation. • Rules and regulations for assigning land use categories and assessing land values for land tax purposes need to be simplified and to reflect reality more accurately. • Strengthen the rural credit system and land mortgage procedures. |

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| 3. <u>Competitive Agro-processing and Services for Agriculture</u> | <p>Agro-processing and services for agriculture privatized.</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. • In 2004 agriculture output grew by 14.5% and grew stronger than other sectors. Investments in agro-processing are increasing. | <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. • Continue to support client oriented agricultural and business advisory systems. |
| 4. <u>Rural Finance</u> | <p>Inadequate financial services for private agriculture.</p> <ul style="list-style-type: none"> • The commercial banking sector is generally not interested and knowledgeable in lending to agriculture, the Agricultural Cooperative Bank of Armenia (ACBA) is lending, and major agro-processors are financing their contract growers. • There is a growing network of credit unions and micro-finance providers, but demand for credit significantly exceeds supply. • The establishment of an effective real estate cadastre has not yet led to a significantly increased use of agricultural land as collateral. | <p>Promote the development of viable financial institutions serving the agricultural sector.</p> <ul style="list-style-type: none"> • Facilitate growth of Banks and non-banking institutions into rural areas and the agricultural sector. • Ensure a consistent and adequate legal framework for non-banking financial institutions. |

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| 5. <u>Institutional Framework</u> | <p>Adjustment of institutional structure is slow and constrained by budgetary difficulties.</p> <ul style="list-style-type: none"> • A Sustainable Agricultural Development Strategy has been adopted in 2004. • Public activities in agricultural research and education are seriously hampered by budgetary difficulties. An agricultural extension system has been created, but limited mobility/field presence of agents has been a constraint on service provision. • Water code, WUA law and associated regulations have been enacted. Almost all of the 54 WUAs (except three) signed water delivery contract with the Water Supply Agency. Establishment of a first federation of WUAs is in preparation. The Water Supply Agency is still an organization that lacks accountability and even a basic clear business plan. Restructuring of WSA is impossible when basic data about its activity are not available or comprehensible. The only semi-understandable measure is the planned reduction of a third of its personnel as planned for next months (presumably involves those workers deemed to be redundant as a result of the WUAs' take-over). | <p>Efficient and effective public sector administration and support for private and commercial agriculture.</p> <ul style="list-style-type: none"> • Develop the strategic priorities further and elaborate action plans; adjust budget according to identified priorities. • Assure adequate budgeting of agricultural and business advisory systems. • Complete the reform of agricultural education and research and rationalize the links between research, extension and agricultural education. • Continue to implement measures aimed at strengthening WUAs, particularly relating to financial management, irrigation technique, O&M, and self-governance. Formulate a comprehensive vision towards WUAs and defend any possible “infant-industry” type of support (most importantly, exemption from the VAT and other taxes or maintaining promises of support made by decree (decree No. 654 N on over-normative water needs). |

ALBANIA 2004

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|-------------------|--------------|---|-------|---|------|
| Total Population | 3.1 million | Agriculture in GDP (2002) | 25.4% | Agricultural output in 2002 as percentage of 1989 level | 143% |
| Rural Population | 59% | Food and agriculture in Active labor force (2002) | 42% | Livestock production 2002 as percentage of 1989 level | 183% |
| <u>Total Area</u> | 2.87 mil. ha | Food and agriculture in exports (2002) | 10 % | Share of livestock in agriculture (2002) | 45% |
| Agricultural Area | 1.3 mil. ha | in imports (2002) | 17 % | Agricultural area in private Use (2002) | 100% |
| Arable Land | 25% | Currently an exporter of: Vegetable, fruit, fish products and tobacco | | Share of family farms in total agricultural land (2002) | 100% |
| Irrigated | 28.3% | | | Share of private sector in total Agricultural output (2002) | 100% |
| Orchards | 17% | | | | |
| Natural Grassland | 15% | | | | |
| Forested | 36% | | | | |

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| <p>1. <u>Macro-Economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p> | <p>Markets and prices are fully liberalized. Market structures remain weak, but are improving with improved wholesale and retail structure and infrastructure investments. Trade policy open.</p> <p>All agricultural producer and consumer prices deregulated.</p> <ul style="list-style-type: none"> • Government has retained small subsidies for irrigation. • Markets are improving due to improvements in rural roads and market infrastructure. • Growth in the fourth quarter of 2004 was led by ag. Exports. • 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. • Continue development of infrastructure with focus on maintenance. • Improve means to target transfer payments to rural poor. • Continue to decrease barriers for business development. • Increase transparency and cost of doing business (permitting and licensing etc.). |
| <p>B. Trade Policies</p> | <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, Kosovo, Bulgaria and Croatia. • Member of Stability Pact for South Eastern Europe. • Preferential trade agreement with EU. - Stability and Association Agreement negotiations with EU ongoing. | <ul style="list-style-type: none"> • Advance multilateral and bilateral trade agreements. • Promote export production under preferential trade agreement. • Review product range in agreements and emphasize products of high importance to the Albanian economy. • Start working on implementing quality standards and food safety so as to participate in European markets. |

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| C. Taxation | <ul style="list-style-type: none"> • Land tax introduced in 2003, implemented to varying degrees in municipalities, established as one revenue resource for local Government. | <ul style="list-style-type: none"> • Review impact of current taxation practice and adjust policy accordingly. |
| 2. <u>Land Reform and Farm Restructuring</u> | <p>Comprehensive re-distribution of all public agricultural land completed, but some of this land still lacks secure, unambiguous property rights.</p> <ul style="list-style-type: none"> • All agricultural land re-distributed. • 80% of the agricultural land has been registered and titled. First registration process of remaining land is ongoing. • Forest and pasture land under public ownership and transfer to communes for management ongoing. • 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. • Restitution law has been passed. Government is in the process of designing plan for implementation. • Undertaking land transactions continues to be a time consuming and expensive process. | <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 and correct errors in registration process. • Complete transfer forest and pasture land to commune/village control, develop forest management plans and budget adequately. • Put appropriate measure in place to resolve claims of former land owners and registration disputes. • Implement recommendations of review laws related to property rights to improve efficiency and reduce transaction costs. • Implement business plan for registry office and improve automation process. • Assure handling of key concerns in finalization of restitution law. |

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| <p>3. <u>Competitive Agro-Processing and Services for Agriculture</u></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. • Agro-processors hampered by outdated equipment, lack of credit and a weak understanding of competitive markets. • Product quality is improving, but monitoring of quality standards remains rudimentary. • Seed sector dominated by public agencies, but increased involvement of private seed traders and availability of higher quality seeds. • Growing dynamic system of private sector input dealers has evolved but they remain 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"> • Facilitate access to private commercial credit for private sector enterprises, and continue support for improving management techniques. • Establish systems for defining and monitoring product quality. • Support membership in UPOV. • Improve property 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 slowly becoming available outside micro-credit-type schemes, however access remains limited. • There are 15 private commercial banks and their interest in agriculture is increasing. • Interest rates of credits have slowly been 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. • Strengthen implementation and enforcement and supervision capacity of the Bank of Albania. |

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| 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 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. • Multi-sector regional development plans drafted for some areas. | <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. • Advocate participatory budgeting. • Continued reform of extension and research programs and institutions. • Continued efforts to improve the capacity for policy analysis. • MOA to clarify tasks and responsibilities within decentralization structure. • Improved and more transparent budget allocation in MOA and increased accountability. • Public debate on regional development plans. |

CROATIA 2004

| | | | | | |
|-------------------|-------------|---|-------|---|------|
| Total Population | 4.38 m | Agriculture in GDP (2003) | 9.0% | Agricultural Output in 2002 as percentage of 1990 level | 102% |
| Rural Population | 43 % | Food and Agriculture in Active Labor Force (2003) | 8.0% | Livestock Production 2001 as Percentage of 1990 level | 94% |
| Total Area | 5.65 mil ha | Food and Agriculture in Exports (2003) | 10.0% | Share of livestock in agriculture (est) | 40% |
| Agricultural Area | 3.15 mil ha | in Imports (2003) | 9.5% | Agricultural Area in Private Use (2003) | 83% |
| Arable Land | 46% | 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 (2003) | 83% |
| Orchards | 4% | | | Share of private sector in total agricultural output (2003 est.) | 85% |
| Natural Grassland | 50% | | | | |
| Forested | 35% | | | | |

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| <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"> • The policy environment for agricultural producers is heavily influenced by the expectation of Croatia's future entry in the EU. • The Law on State Subsidies in Agriculture of 2002 introduced significant changes since it distinguishes, based on productive assets (land size, animal numbers), between commercial farms and non-commercial farms. It introduced minimum production capacity to be eligible for agricultural subsidies. • The production support scheme apply only to commercial farms and it includes provision for a national maximum amount to be set annually for each production and maximum amount of yearly subsidy payment by farm. A total amount equivalent to EUR 200 million has reportedly been paid by the MAFWE in 2003, which is in line with the production incentives distributed in recent years. • The new income support scheme applies to non-commercial farms that own or use less than 3 ha of cultivated land. | <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. • Improve the targeting and forecasting of the Government's agriculture subsidies by accelerating the development of a national farm registry and the establishment of an EU-compliant paying agency. |

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| B. Trade Policies | <ul style="list-style-type: none"> • Following negotiation of a Stabilization and Association Agreement with the EU in 2002, Croatian accession to the EU was confirmed in April 2004. • Since independence food imports have been growing more rapidly than domestic production and exports, with an increasing agriculture trade deficit in recent years, especially for high value food items and agricultural raw materials for processing. • 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. • A total of 32 bilateral and multilateral agreements with major trading partners have been signed. | <ul style="list-style-type: none"> • Transpose all aspects of EU's <i>acquis communautaire</i> into the national legislation. • 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. • The evident growth in country's tourism sector represents another opportunity for the domestic food industry with major seasonal advantages as the peak tourist season (June-August) corresponds to the peak period of fruit and vegetable production. |
| C. Taxation | <ul style="list-style-type: none"> • Land tax abolished in 1996. | |
| 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. |

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| <p>3. <u>Competitive Agro-Processing and Services for Agriculture</u></p> | <p>The Government intends to divest itself of its agricultural and food company portfolio before the end of 2005. Any company not privatized by this date will be placed into bankruptcy.</p> <ul style="list-style-type: none"> • Only a small number (about 13) of the former socially owned agricultural and food companies remain to be privatized. However, a half of these are AgroKombinats which combine agricultural production on a very large scale with processing activities. • The bulk of the food processing sector has been long privatized and operates under competitive conditions. Agro-processing sector continues to receive very high levels of protection so raising consumer prices. • Food safety regulations and quality standards do not match EU standards and the Croatian food industry is generally unprepared for the competitive environment of the common EU market. | <p>Competitive, privately owned agroprocessing, input supply and service subsectors operating with minimal government protection.</p> <ul style="list-style-type: none"> • Privatize the remaining AgroKombinats. Companies with previously failed privatization tenders will be broken up and sold with fewer and less diverse production activities. • Reduce protection for agro-processors and encourage competition among domestic suppliers and from external suppliers. • Food safety management and risk assessment systems are effective and EU/WTO compliant. |
| <p>4. <u>Rural Financing</u></p> | <p>Slow emergence of a viable private banking system, which is active in the agriculture sector.</p> <ul style="list-style-type: none"> • 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. |

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| 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"> • Initiate the timely adjustment of the agriculture sector to the food safety requirements of the EU by introducing adequate regulations and enforcement capacity. • 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. |

KYRGYZ REPUBLIC 2004

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|------------------|-------------|---|-----|---|--------|
| Total Population | 5.1 mil | Food and agriculture in GDP (2004) | 33% | Agricultural output in 2004 as percentage of 1990 level | 107.5% |
| Rural Population | 65% | (excludes agroprocessing) | | Share of livestock in agriculture (2004) | 43% |
| Total Area | 20 mil ha | Food and agriculture in active labor force (2004) | 53% | | |
| Agriculture area | 10.8 mil ha | Food and agriculture in exports (2004) | 18% | | |
| Pasture | 9.2 mil ha | Food and agriculture in imports (2004) | 14% | | |
| Arable land | 1.34 mil ha | Exports include cotton, wool, leather, tobacco, fruits & vegetables, and alcoholic and non-alcoholic beverages. | | | |

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| <p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p> | <p>Markets, prices and the trade regime are liberalized, and market structures are gradually developing.</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. • Responsibility for operating and maintaining on-farm irrigation systems continues to be shifted to water user associations (WUAs). A National Water Code was adopted in 2004, redefining the role of water provider (DWR) and water users (WUAs), and implementation regulations are being developed. | <p>Removal of remaining distortions in 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. • Phase out government involvement in input marketing, notably of donor/government financed equipment and inputs. • Remove tax and other policy obstacles to entry of agrobusiness SMEs. • Complete the implementation regulations for the Water Code and the transfer of responsibility for setting water charges from Parliament to DWR and WUAs. |
| <p>B. Trade Policies</p> | <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. | <ul style="list-style-type: none"> • Align export certification with international standards, utilizing the services of internationally recognized standards companies. • Deepen existing trade frameworks and secure harmonization in customs and legal procedures. |

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| <p><u>3. Competitive Agro-processing and Services for Agriculture</u></p> | <ul style="list-style-type: none"> • Substantial parts of the irrigation and drainage infrastructure have been or are being transferred to WUAs as they become legally registered and have achieved the required capabilities. <p>The process of privatizing the agro-processing and input supply enterprises is largely completed, but 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 previously state-owned agro-processing enterprises have been privatized. • Product quality is poor; and the existing product quality grades and safety standards (poorly enforced) are not comparable to international grades and standards. Lack of marketing experience, inability to assemble appropriate lot sizes of standard quality, and formal and informal barriers to regional trade limit ability to export. • Lack of critical agricultural inputs is a key constraint to increase agricultural productivity. | <ul style="list-style-type: none"> • 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. • Complete the transfer of irrigation infrastructure to the WUAs • Develop and implement an appropriate system of registering WUA-owned infrastructure with GosRegister. <p>Promote the growth of a dynamic rural SME subsector and of private input supply and agroprocessing industries.</p> <ul style="list-style-type: none"> • Simplify registration procedures and reduce the permits required to establish agro-industrial joint ventures with foreign partners. • Improve the regulatory environment and economic incentives to promote foreign direct investment in agro-industry. • 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. • Establish product quality grades and safety standards comparable to international standards and promote their observation. |

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| <p>4. <u>Rural Finance</u></p> | <p>Poor access to credit remains a serious constraint to rural development.</p> <ul style="list-style-type: none"> • Despite recent improvement in the performance of the banking sector, its involvement in agricultural lending remains limited. • 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. • A number of micro-finance operations are in place, but they reach only a limited clientele. A good micro-finance law is in place, and the National Bank is developing its MF supervisory capacity and prudential norms and guidelines for MF institutions. | <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 expand long-term investment lending, funding for non-farming activities, processing, agri-services, etc., and let KAFC take deposits. • Promote the use of agricultural land and other forms of collateral; currently, buildings and apartments constitute the main forms of collateral. • Improve business judiciary system; strengthen bankruptcy procedures, including out-of-court settlements. • Develop new financial products, including commodity-based warehouse financing mechanisms, leasing, etc., to alleviate collateral challenges and attract new players into rural lending. |
| <p>5. <u>Institutional Framework</u></p> | <p>The institutions of a “planned” economy are gradually being replaced by institutions that serve private agriculture based on market principles.</p> <ul style="list-style-type: none"> • The agricultural research and education systems have not yet been adapted to the emerging market conditions. • The institutional capacity to undertake agricultural policy analysis is limited. • The Department of Water Resources (DWR) needs to be restructured to reflect its new responsibilities as WUAs are taking over increased responsibilities for managing irrigation systems. • New-style farmer service cooperatives are gradually being established. | <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 to 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. • Privatize services such as animal health, crop protection, seed supply, etc. • Carry out a restructuring study and a subsequent restructuring of the DWR. |

FYR MACEDONIA 2004

| | | | | | |
|--------------------|------------|-------------------------------|-----|-----------------------------------|------|
| Total Population | 2.0 mil | Food and agriculture as | | Agricultural output in 2003 as | |
| Rural Population | 45 % | percentage of 2002 GDP | 10% | percentage of 1990 level | 102% |
| <u>Total Area</u> | 2.6 mil ha | Agriculture and forestry in | | Livestock production in 2003 as | |
| Agriculture area: | 1.3 mil ha | active labor (2003) | 14% | percentage of 1989 level (est.) | 84% |
| Forests | 1.0 mil ha | Food and agriculture | | Share of livestock in agriculture | |
| % of ag. area | | in exports (2003) | 18% | (2001 – est.) | 40% |
| Arable land | 36.3% | in imports (2003) | 15% | Private agricultural area (2003) | 80% |
| Orchards/Vineyards | 3.3% | Traditionally net importer of | | Share of independent private | |
| Meadows | 4.1% | grain, sugar, vegetable oil | | farms in total arable area (2003) | 80% |
| Pastures | 56% | and livestock products. | | Share of private sector in total | |
| Irrigated | 33,273 ha | Traditional exports are | | agricultural output (1999 – est.) | 76% |
| | | tobacco, wine and lamb. | | | |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p> | <p>Concerted actions by the Government has improved the macro economic outlook and reached the agreement with the IMF on a reform program supported by a Stand by Arrangements (approved April 30, 2003).</p> <ul style="list-style-type: none"> • WTO membership was ratified by the Parliament in April 2003. All import and export licenses and export subsidies must be abolished and tariff quota must be allocated on a first come first serve basis or by auction. • A new law is being drafted to limit the role of the State Office for Commodity Reserves to manage a small food security reserve and precludes any further support for wheat and tobacco production. | <p>Implement reform program agreed to the adjustments of the macroeconomic framework</p> <ul style="list-style-type: none"> • A program to reduce trade protection for all commodities from an average of 15% to 8% by 2007. • 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"> • The Stabilization and Association Agreement (SAA) which was signed in April 9, 2001 entered in force on April 1, 2004. The application for EU membership was presented. This will lead to the creation of a new climate for development of trade and investments. • Free Trade Agreements with major trading partners (EU, Yugoslavia, Croatia, Slovenia, Turkey, Bulgaria). The application for a full-fledged membership in the Central European Free Trade Agreement (CEFTA) is being drafted. • Low product quality and difficulty satisfying EU product standards remain major constraints to exports. | <ul style="list-style-type: none"> • Implement the SAA agreement, the first step for EU accession. Admission is expected to be between 2010-2012. • Develop a program to bring Macedonia laws closer to the EU. • Adopt and enforce EU product standards and improve product quality. • Incorporate the EU <i>acquis communautaire</i> and key EU food safety directives into Macedonian laws. |
| C. Taxation | <ul style="list-style-type: none"> • A VAT of 18% 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 |
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| <p>2. <u>Land Reform and Farm Restructuring</u></p> | <p>Land is mostly under private ownership, but markets function poorly.</p> <ul style="list-style-type: none"> • 80% of the arable land is under secure ownership by private farmers. • The new Land Use Law provides for security of tenure. • Land markets are inefficient. 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. • Most of the farm 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, update cadastral records and tradable titles and introduce a land lease registry. • Mandate compulsory registration of sale, lease or mortgage of property. • Establish training course in property evaluation. • Expand the operations of farmers' associations • Create a suitable exit policy for newly privatized farming units which experience liquidity problems, in order to accelerate post-privatization restructuring. |
| <p>3. <u>Competitive Agro-processing and Services for Agriculture.</u></p> | <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 industries producing for the domestic market. Recently, some wineries have begun to export to Europe and neighboring countries. • Most of the agro-processors have now been privatized. Most privatized agro-processors are still in severe financial difficulty due to over-scaled, outdated plant, excess labor and weak management. • Foreign investment last year totaled \$97.55 million (in 2003 it was \$80.64 million). However, foreign investment in agro-processing remains weak. | <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. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p>4. <u>Rural Finance</u></p> | <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"> • Progress has been made in the commercial banking sector, foreign banks have entered to finance export-targeted production and new credit lines have been established for micro-businesses, however: • Financial intermediation is still constrained by continued distrust of the banking system and inadequate laws and procedures for securing loans. • 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. |

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| <p>5. <u>Institutional Framework</u></p> | <p>The Ministry of Agriculture lacks a clear sense of its new roles in a market economy, the capacity to fulfil many of these roles and a coherent framework for future development of the sector.</p> <ul style="list-style-type: none"> • The capacity for trade and price policy analysis in the Ministry need further strengthening. • 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. • 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. |

SERBIA & MONTENEGRO 2004

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|--|-------------|---|-------|--|------|
| <u>Total Population</u> | 8.37 mil | Primary agriculture, hunting and forestry in GDP (1999) | 13.4% | Gross Agricultural Output (GAO) in 2003 as percentage of 1989-91 level | 100% |
| <u>Rural Population</u> | 46% | Agriculture and agro-industry in GDP (1999) | 25% | Share of independent private farms in total arable area (2000) | 85 % |
| <u>Total Area</u> | 10.2 mil ha | Food and agriculture in active labor (1990) | 24% | Share of private sector in total agricultural output (2000) | na |
| <u>Agriculture area:</u> | 5.7 mil ha | Food and agriculture (Serbia only) in exports (2003) | 6.4% | | |
| Arable land | 79% | in imports (2003) | 11% | | |
| Orchards | 6% | | | | |
| Irrigated | 0.6% | | | | |
| Forested | na | | | | |
| Traditionally, net exporter of: cereals, livestock and meat products, raw and processed fruit and vegetables | | | | | |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| 1. <u>Macro-economic Framework for Agriculture</u> | Past price and trade policies severely distorted production incentives and inhibited output. Recent price and trade policy reforms have significantly improved this incentive structure. | Efficient agricultural markets with minimal public intervention. |
| A. <u>Prices/Subsidies</u> | <ul style="list-style-type: none"> • In Serbia, there is a floor price for wheat implemented by the Directorate Commodity Reserves (DCR). The corresponding budget line constituted 6.4% of the total agrarian budget in 2004. • In Serbia, the state provides subsidies for milk, sunflower, soybean, tobacco, oil pumpkin and hops through agro-processors. • In Serbia, while the abolishment of the sugar beet subsidy is a significant step, expenditures on the remaining subsidies divert budgetary resources from public sector activities that are necessary to increase sector productivity. • In Serbia, control of consumer prices is now limited to a maximum price for dark bread. • In Serbia, a fuel subsidy is provided to farmers at a total budgetary expenditure equivalent to 3.1% of the agrarian budget. • In Serbia, fertilizer production is subsidized through state purchases from a particular producer through the Directorate for Commodity Reserves which then provides fertilizers to farmers in exchange for produce at the end of the season. | <ul style="list-style-type: none"> • Phase out commodity and input subsidies according to WTO requirements. • Review the role of public expenditure in supporting increased productivity and growth in agriculture and rural areas. • Abolish the “buyer of last resort” role of the Reform the Directorate for Commodity Reserves. Limit its role to food security according to pre-established operational guidelines to ensure transparency. |
| B. <u>Trade Policy</u> | <ul style="list-style-type: none"> • In Serbia, trade policy is now based on an eight tier tariff structure (1%, 3%, 5%, 10%, 15%, 20%, 25%, 30%). Most agricultural commodities are protected by the two highest tariffs. Additional levies (“special charges”) of up to 127% tariff equivalent apply to 196 agricultural commodities, which are reviewed on an ad hoc basis. It seems that that the | <ul style="list-style-type: none"> • Support the process of joining WTO by placing agricultural trade policy within a broader agricultural development strategy • Tariffs should be reduced further, and export quotas, export subsidies and “additional levies” should be abolished. The stability of the regime should be |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p>2. <u>Land Reform and Farm Restructuring</u></p> | <p>Government intends to abolish the latter.</p> <ul style="list-style-type: none"> • In Serbia, the agrarian budget of 2004 included a budget line equivalent to 2% of the budget for export subsidies for beef, feedstuffs, milk and dairy products, canned and dried fruits and vegetables, fruit juices, refined and non-refined oil, textured protein, and wine and brandy. Rates ranged between 5 – 20%. However, by end of year less than 1% of the allocated amount was actually paid out. • In Serbia, export quotas have been terminated, while export licenses may still apply to a few products such as hides and skins. There are no import quotas or licenses on agricultural commodities. • The Federal Republic of Yugoslavia’s application for WTO membership proceeded slowly due to differences between Serbia and Montenegro. Now a “twin track” approach has been adopted and Serbia and Montenegro have each submitted their own applications. <p>In Serbia, although 80% of farmland is in private ownership, ownership rights to this land are often difficult to establish. Some of the socially-owned agro-kombinats (AK) (< 5000 ha) have been restructured and partially privatized by sale to employees, but their full privatization remain an issue.</p> <ul style="list-style-type: none"> • Private farms average 3-5 ha, and are highly fragmented. Land sales are legal but the land market is thin. Most rural land transfers are affected through inheritance or informal, short-term leases. • Land market development and consolidation of agricultural holdings is a challenge in both Serbia and Montenegro due to incomplete registration of property rights. • In Serbia, 60% of rural land property rights have been established. The Serbian Geodetic Institute (RGZ) is under legal requirement to complete 100% by end of 2005. About 10-15% of land will be very difficult due to lack of registration. • Socially-owned agro-kombinats and cooperatives hold 15% of arable land. Some agrocombinats will need to undergo organizational (break-up into smaller units), labor (shedding off the redundant employees, with social mitigation measures in place, of | <p>maintained.</p> <ul style="list-style-type: none"> • Reforms should be driven by the requirements for WTO membership rather than EU policy. Alignment with EU trade policy and the CAP should be viewed as a medium- to long-term goal, to be pursued once EU accession is imminent. <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. • Clarify (through cooperation between RGZ and MAFWM) land ownership rights, including restitution claims. • One requirement for development of land markets, particularly in the early stages, is that the cost of transactions not be prohibitive. Therefore the Government should refrain from supporting legislation aimed at imposing a transfer tax on land transactions. • Clear ownership and accountability for operation and maintenance of the irrigation and drainage system should be defined and the current decreasing trend of cost-recovery of O&M expenditures reversed. In order to achieve such preliminary and intermediate objectives, financial and technical support to policy strategy and decision making should be ensured, both at Directorate of Water and at interministerial level, and piloting of |

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| <p>3. <u>Competitive Markets for farm output and farm inputs.</u></p> | <p>course) and financial (i.e., partial debt write-off) restructuring before the company or viable parts thereof can be offered for sale.</p> <ul style="list-style-type: none"> • Drainage and flood control are important rural development issues in Serbia requiring substantial funding for rehabilitation. Irrigation seems to have the potential for increasing land productivity in high value added fruit and vegetable production in Central and Southern Serbia. The upcoming IDA/IBRD loan for Irrigation and Drainage Rehabilitation will address urgent needs for rehabilitating drainage and flood control schemes in Vojvodina and pilot small scale irrigation schemes in Central and Southern Serbia. The long term development of the sub-sector needs to be supported by legal and institutional improvements. <p>The collapse of socially-owned agrokombinats and agro-processors has decimated traditional marketing structures. Private sector activity in these markets is also inhibited by the DCRs.</p> <ul style="list-style-type: none"> • In Serbia, agricultural markets are weak and inefficient due to weak supply and demand, the high reliance on barter trade, and the activities of the DCR. • In Serbia most of the agro-processors have corporatised, but have been slow to re-establish due to their tenuous financial position and reliance on barter trade. SME credit lines benefiting agro-processors have increased in recent years, but regional discrepancies remain. | <p>participatory irrigation and drainage organizations should be started. Under the IDR Project, piloting of WUAs will be considered jointly with development of small irrigation schemes in central Serbia while implementation of flood control activities should provide a better picture of the institutional bottlenecks currently existing in Serbia in relation to this type of activity.</p> <p>Competitive, privately owned enterprises for agro-processing and input supply</p> <ul style="list-style-type: none"> • Abolish DCR's "buyer of last report" function and its function in the input market. • Fully implement the program to privatize agricultural input supply, output marketing, and agro-processing enterprises while supporting farmer marketing groups and activities that support the integration of small and medium sized farms into markets • Train agricultural advisors on appropriate quality and safety standards for agricultural exports and promote the extension of this information to farmers and agro-processors. • Provide technical assistance for training in enterprise management and to promote the development of new products and markets. |

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| <p>4. <u>Rural Finance</u></p> | <p>In Serbia, privatization and rationalization of the banking system is now well advanced. There is now non-negligible lending by commercial banks to SMEs, including in agro-processing. However, commercial banks' interest in lending own funds to primary producers is very limited due to limited liquidity in the credit market, high real and perceived risk in agriculture, and high credit demand among urban borrowers.</p> <ul style="list-style-type: none"> • One commercial bank that emphasizes thorough assessment of repayment capacity and risk by loan officers training has experienced remarkably low default rates. • Government instituted a highly subsidized short-term and medium-term agricultural credit scheme, channeled through commercial banks, with the stated goal of providing “affordable credit “ to poor farmers. Government also instituted a rural development grant scheme. • Credit culture is very weak in rural areas. • There is a deep distrust in banks for deposits. A newly drafted Law on Deposit Insurance Fund which raised the level of insured deposits significantly might help. • Limited ability among farmers to conceptualize business ideas and related credits needs in the form of a business plan; • A Law on Leasing has been enacted and led to significant leasing activity of vehicles and machinery including in rural areas. A Law on Warehouse Receipts has been drafted and will help with the use of warehouse receipts as collateral. However, limited number of independent warehouses and lack of Government certification of qualifying warehouses are constraints for implementation. • Land is rarely available for use as collateral due to incomplete or inaccurate ownership registration. Also excessive delays occur in legal procedures for collateral and contract enforcement. • Interest rates on short and medium term credit are high for agriculture due to risk, high transactions cost and limited capital availability. | <ul style="list-style-type: none"> • Support increase and diversification in credit provision to meet needs of various segments on market conditions, through farmer and loan officer training, legal and institutional measures, and provision of international refinancing. • Establish a technical assistance program to strengthen the capacity for agricultural loan appraisal among commercial banks. • Seek IFI credit lines for additional market-based rural credit operations. • Establish an appropriate legal framework for the operation of non-bank financial institutions, notably micro-credit organizations, local savings and credit associations. • Review and adopt suitable international experience on out-of-court settlements for collateral enforcement. Improve contract enforcement. • Analyze the Government’s credit scheme from the points of view of i) crowding out effect, ii) transparency of loan applications; iii) equity; iii) repayment rates. • Conduct public awareness campaign on deposit insurance. • Strengthen agricultural extension system to provide business / marketing advice to farmers. • Institute Government certification of qualifying warehouses. |

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| <p>5. <u>Institutional Framework</u></p> | <p>In Serbia, progress has been made in the last year in transforming the institutional framework to one that will guide Serbian Agriculture to international competitiveness and a market economy. However, weaknesses persist especially with regard to Ministry staff capacity and agricultural advice and training.</p> <ul style="list-style-type: none"> • MAFWM continues to suffer from shortage of skilled technical and policy staff. MAFWM budget increased by significantly in 2004, however staff reduction is required as part of public administration reform. This is in itself not entirely negative as it allows MAFWM to shed unqualified labor, however there is a freeze on new hiring and low salary levels do not attract qualified people. • EU is providing support to MAFWM for restructuring and training, establishment of a policy unit for rural development and of Rural Payments Agency. MAFWM may increase staff in the policy unit while outsourcing regional inspection functions to the private sector. • A farm registry was established in May 2004, registration is voluntary but precondition for accessing any government subsidy, credit or grant. • EU funded programs have helped establish a “Food Chain Laboratories Agency” and installed equipment & training staff at all laboratories in the network of the agency; introduced EU-compatible ear-tagging & registration of all cattle; reform & train the Veterinary, Sanitary & Phyto-sanitary (previously Agricultural) inspection services; and install temporary veterinary & phyto-sanitary border inspection posts at up to 10 border crossings. • The existing system of agricultural advisory service is limited (mainly to agrokombinats) and ad hoc and primarily focused on plant and livestock production and that too is out of date in its information and usefulness to farmers and agro-industry. In general, the knowledge of the staff and the quality of the service provided are inadequate for the increasing and new needs that a modern farm advisory service has to meet. There is no institutional system or support for updating or expanding the knowledge of current providers of farm | <ul style="list-style-type: none"> • Review effectiveness of the farm registry and needs for expansion in line with EU requirements keeping in mind the need for simplicity and evolving policy environment in the EU. • Continue with ear tagging and registration of other livestock. • Promote private provision of veterinary services, extension and standards testing and quality control services. • Develop an effective agricultural advisory service with well trained and informed staff to assist family commercial farms and agro-processors to meet their needs for knowledge and information, incl. production and value adding technologies; access to credit and markets; Government and EU policies, regulations, standards; and environmental, food quality and safety requirements. • In the short run, use a combination of state and user funding with the majority of funding coming from the state, but at the same time create conditions and assist the unobstructed growth of private service and competition. • Establish three to four regional Training and Information Centers focusing on the needs of the three major agro-ecological regions, to serve as knowledge resource base, training of trainers on different topics, provide accreditation to service providers, inspectors and other staff, and support extension providers. • Include producers, agro- industry, food chain and export representatives in the committee that sets agricultural research priorities and selects research projects for public support; develop a revised operational manual for the competitive agricultural research grant program based on successful international experience. The manual should also include monitoring, evaluation and use of research results and impact assessment. Give MAFWM greater responsibility for funding and managing applied agricultural research in cooperation with MSEP and the Ministry of Education. |

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| <p>5. <u>Institutional Framework</u> (continued)</p> | <p>advisory service or their licensing to improve their effectiveness.</p> <ul style="list-style-type: none"> • Support for fundamental research is considerably higher than for applied on-farm research and there is little demand for the products of research results (except probably for seeds). Most agricultural research is conducted by a large number of research institutes and by the universities, and there is considerable overlap and duplication of efforts. The procedures for allocation of research grants, priority setting and selection of individual projects and their monitoring and evaluation need improvement urgently. | |

Moderate Reformers

(countries with a ranking score of 6.0 or above, but below 7.0)

Azerbaijan

Bosnia Herzegovina

Russia

Kazakhstan

Ukraine

Moldova

Georgia

AZERBAIJAN 2004

| | | | | | |
|-------------------------|---------|---------------------------|-------|----------------------------------|------|
| <u>Total Population</u> | 8 mil | Food and agriculture in | | Agricultural output in 2004 as | 159% |
| Rural Population | 43 % | GDP (2004) | 12.3% | percentage of 1995 level (in | |
| | | Food and agriculture in | | prices of 1995) | |
| <u>Total Area</u> | 8.6 mil | active labor force (2004) | 40.1% | | 105% |
| Agriculture area | ha | | | Agricultural output in 2004 as | |
| Arable land and | 4.5 mil | | | percentage of 2003 level | 33% |
| permanent crops (% of | ha | Food and agriculture | | Individual agricultural area in | |
| agr. area) | | in export (2004) | 5.5% | total agricultural area (2004) | 98% |
| Irrigable land (% of | 39% | in import (2004) | 13% | Share of private sector in total | |
| agr. area) | | | | agricultural output (2004) | |
| Permanent pasture (% | | | | | |
| of agr. area) | 31% | | | | |
| Forested (% of total | | | | | |
| area) | 57% | | | | |
| | | | | | |
| | 12% | | | | |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies and Privatization</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. • Principles of Irrigation Service Fees have been established, fee structure has been established, and very low fee charging has started. | <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. • Avoid direct government interventions in the agricultural sector such as input and price subsidies that create economic distortions. Targeted government interventions should be limited to alleviate poverty of the most vulnerable. • Gradual increase in Irrigation Service Fee needed, accompanied by a transparent calculation of budgets needed for operation and maintenance of irrigation infrastructure by SAIA, as well as by annual performance reviews of O&M staff. |
| <p>B. Trade Policies</p> | <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. | <ul style="list-style-type: none"> • Improve trade regime consistent with WTO mandate. This is an on-going WTO accession process and included in PRSC II agenda. • Include cotton sector in anti-monopoly activities of PRSC II Policy Framework Matrix¹⁰. |

¹⁰ PRSC-I, II and -III do not specify the cotton sector explicitly in the Matrix.

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| | <ul style="list-style-type: none"> • Cotton exports channeled through private companies since 1997. But ginneries privatized in non-transparent manner, resulting in oligopsony, low prices and late payments to farmers. This lead to a dramatic reduction in production and area planted to cotton. • Customs Service remains corrupt and untransparent, restricting trade and reducing foreign direct investment. • Tariffs have been unified with average tariff rate at about 6.5%. A list of VAT exempt goods and services has also been substantially reduced. | <ul style="list-style-type: none"> • Appoint independent external inspectors to verify external trade quantities and prices. • Further pursue long-term aim of joining the WTO. • Pursue reform of Customs Service, perhaps under PRSC action plan. |
| 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. On November 2003, tax exemption has been extended for 5 years • 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. • Related to above, explore potential use of the State Oil Fund of Azerbaijan Republic (SOFAR) to increase the competitiveness of the agricultural sector through targeted investments. |
| 2. <u>Land Reform and Farm Restructuring</u> | <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. Privatization as envisioned in the Law is now 99 percent complete • Effective Distribution began after Land Reform Law was passed (July 1996) and accelerated after January 1997. An area of about 1.4 million ha is now privately owned, and corresponding titles have been distributed to 870,000 families. In addition, ownership of household plots has also been established through titling and some 390,000 (45% of total) land certificates have been issued. • 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 | <p>A working land market for efficient and fair asset transfer and a socially acceptable land consolidation process, well-functioning unified cadastre and registration system.</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. • Develop an implementation mechanism for the law on the state registry of immovable property. • Development of an improved cadastre and registration system. A single organization responsible for the operation of both the legal and technical aspects of immovable property, would be the preferred model. • Establishment of an institutional |

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| | <p>farmers often look for opportunities to associate and establish farmer's associations, such as marketing associations.</p> <ul style="list-style-type: none"> • Law on collateral and a revised land code which codifies rights to land were passed. • The process of registering land titles and transactions is in place. In an effort to reduce transaction costs in land markets and to make land transactions easier a number of regional land cadastral offices were established. The major benefit is that citizens have access to their land records locally and all land transactions are conducted and completed locally. • 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 activities continue to accelerate with some 18,000 transactions registered over the last three years. • A unified registration and cadastre system for all rural and urban land and buildings is being established on a pilot basis within the frame of the WB funded ADCP. • A law on state registry of immovable property was adopted. The Law adequately provides for the creation of a legal and an institutional framework for the establishment of a unified registration system for immovable property. However, cadastre aspects of registration process are not addressed in the law and the new system is based on a dual agency approach. | <p>framework and strategic plan for nationwide implementation of a unified real estate registration and cadastre system.</p> <ul style="list-style-type: none"> • Further decentralization of the responsibilities for land information system to the regional cadastral centers to ensure their self-financing potential. |
| <p>3. <u>Competitive Agroprocessing and Services for Agriculture</u></p> | <p>Small-scale processors in the bread, cotton, poultry, and wine industries have been privatized. Larger enterprises, for example canneries, remain unsold. Absence of efficient and well-organized agricultural markets and processing industry is the key impediment to agricultural growth.</p> <ul style="list-style-type: none"> • Compared to other transition countries, there is almost no vertical coordination in supply chains. This remains a major constraint on market organization. • Foreign investment in agro-processing is still limited. Some has taken place in cotton ginning, and investment is emerging in oilseed and fruit processing. Other foreign investors have pulled out or been dissuaded by business environment. A study on the general | <p>Re-establish 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"> • Implement the regional socio-economic development program for the agro-processing cluster (PRSC II action). • Complete privatization of 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, including |

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| | <p>investment climate in Azerbaijan was completed (FIAS).</p> <ul style="list-style-type: none"> • The Ag. Markets Study on increasing the efficiency of agricultural markets and processing, and restoring the competitiveness of the sector, is nearing completion. • Slower privatization progress in some sub-sectors with large plants, such as canning. Govt. tried to sell, but was unable due to factors including inappropriate size for new market realities and over-estimated values. • Law on Privatization adopted in May 2000 and second phase of Privatization Program under way. • Some progress has been made in recovering market share in FSU markets lost since 1992, and in entering new markets such as the EU (e.g., fruit processing). • Quality remains a constraint, and standards, grades and packaging are insufficient, limiting access to high-value markets. • Basic legal framework for private sector agro-industries still inadequate, inhibiting access to bank credit. The recent law on collateral should help, but no implementation mechanism has been developed. • Poorly managed food aid and smuggled foodstuffs depress prices and decrease incentive to invest. • Law on mortgages is reviewed by Parliament. • Contract law and its enforcement are inadequate to foster coordination between farmers and processors. • Development of market information systems and support services for producers and the marketing chain is underway (ADCP). • There are still few professional associations of producers or processors, and they can have difficulty being recognized by Government. • Debt of private processing companies has been written off. • State-owned Agro-leasing company has been established to lease or sell agricultural machinery purchased from the state budget. Government to approve procedures for leasing and sale of ag. machinery. • Irrigation and drainage infrastructure is in deteriorated condition. • Basic infrastructure continues to deteriorate in rural areas imposing high transaction costs on producers and processors. | <p>improving customs and legal environment and decreasing corruption.</p> <ul style="list-style-type: none"> • Create an enabling environment for private support services to accelerate private sector investment in agro-processing and to improve marketing operations. • Develop an action plan to implement the recommendations of the Ag. Markets Study. • Review cotton industry and assess the need for application of anti-monopoly measures under anti-monopoly cluster of PRSC II). • Develop an implementation mechanism for the law on collateral. • Adopt law on mortgage. • Develop contract law that is dependable, low cost, easy to implement, and judicially fair; disseminate information to farmers and enterprises. • Expand and scale up development of market information systems and support services for producers and the marketing chain. • Encourage formation of producers' organizations and professional associations, help to increase their capacity, and include them in policy forums. • Improve basic rural infrastructure in order to reduce transaction costs and increase market participation. • Improve grades, standards and laboratory facilities, and foster use & production of improved packing materials. • Improve management of food aid and crack down on smuggling of ag. products. • Consider use of SOFAR to provide financial incentives for private investment, for example in equipment leasing and milk collection. • Irrigation is a critical input into agricultural production and infrastructure has to be in a condition to distribute and deliver water when needed. Develop plans for the rehabilitation and modernization of economically viable infrastructure. Invest in that infrastructure. Have users pay gradually more for the upkeep. |

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| <p>4. <u>Rural Financing</u></p> | <p>The former rural credit system has collapsed. The rural financial market is represented by MFIs and emerging Credit Unions. There is poor access to capital in rural areas.</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. • Lack of enforcement mechanisms for Law on Collateral and underdeveloped judicial system make impossible collateralization of loans. • Grass-roots credit institutions are beginning to emerge in the form of credit unions and informal borrowers' groups with World Bank support. • Subsidized credit line to commercial banks and rural credit unions under the National Fund for Entrepreneurship Support. | <p>Development of a rural financial system efficiently serving the agricultural sector through strengthening of the rural credit union system and engaging commercial banks as financial intermediaries in rural areas.</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. • Strengthen technological capacity of commercial banks to do rural financing. • 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. • Strengthen capacity of National bank to supervise micro finance institutions and credit unions. • Improve the Law and prudential norms on credit unions. • Consolidation and expansion of rural financial cooperative system. • Provide an appropriate legal framework for micro finance institutions. • Reduce transaction costs and risks through: <ul style="list-style-type: none"> (i). Establishment of private-sector managed/owned credit bureaus; (ii). Strengthening contract enforcement and collateral system (particularly moveable assets); (iii). Reducing inconsistency of rural lending, with different lenders offering radically different interest rates. |
| <p>5. <u>Institutional Framework</u></p> | <p>Re-organization of MOA has been a continuing process. MOA lacks the resources to effectively carry out its functions.</p> <ul style="list-style-type: none"> • Ministry of Agriculture has been further re-organized by Presidential Decree of October 2004. • State Irrigation Committee was abolished and its functions transferred to the new State Amelioration and Irrigation Agency under the Ministry of Agriculture. • Veterinary department has been upgraded to | <p>Improved capacity of MOA and adequate institutional set up to ensure essential public services in agricultural sector.</p> <ul style="list-style-type: none"> • Adopt medium-term agricultural strategy. • Develop plans for appropriate approaches for sustainable management of irrigation systems. • Establish strong capacity in MOA/Cabinet of Ministers/MED for policy-making; develop new statistical instruments to fulfill pertinent information |

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| <p><u>Institutional Framework</u> (continued)</p> | <p>State Veterinary Services within the MoA.</p> <ul style="list-style-type: none"> • State agencies on Phytosanitary control and agricultural credits have been established under the MoA. • Charter of re-organized MoA (including four new agencies) is being developed. • State Program on Socio-economic development of regions (2004-2008) was adopted. • Users have to take increased technical and financial authority over the management of lower-level irrigation systems Some grass roots efforts to develop water user associations (WUA) are under way but the capacity of managing such systems is not sufficiently developed. • The Law on Amelioration has been amended to include a proper framework for the establishment and operation of WUAs. Irrigation Agency has established WUA support units to provide training and support. This program is supported by WB funded IDSMIP. • A review of the irrigation sub-sector was carried out to identify the current state of irrigation management in some of the larger command systems. • A Rural Strategy Unit has been established under the WB ADCP to assist Government to develop appropriate long-term policy responses to the impact of the anticipated oil revenues on the competitiveness of the rural sector. • A comprehensive Rural Strategy Document with Investment and Financing Plan has been developed by the Rural Strategy Unit. It sets out policies for the ag. sector grounded in strengthening the role of the private sector as the leading force, with the public sector providing an adequate business environment. • 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 with WB support. • 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 | <p>needs required for policy decisions.</p> <ul style="list-style-type: none"> • Further reorganization of veterinary services balancing public and private responsibilities for delivery of veterinary services. • Strengthening the agricultural knowledge and information dissemination system (AKIS) through further support of Regional Advisory Centers as private and semi-public providers of extension services. • Implementation of national strategy for AKIS modernization. • Improve rural infrastructure, notably roads, water system, electricity, reliability, and markets to reduce transaction costs, improve market participation and enhance productivity in the agricultural sector. |

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| <u>Institutional Framework</u> <i>(continued)</i> | <p>priorities and at the farm level.</p> <ul style="list-style-type: none"> • The country now has a more dynamic agricultural information and advisory services. Regional Advisory Centers are now operating in five regions (covering 27 raions). Ultimately, the Government intends the advisory centers to be largely self-financing and therefore, the centers have begun taking steps to develop paid services. • 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. | |

BOSNIA AND HERZEGOVINA 2004

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| <u>Total Population</u> | 3.8 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 (est) | 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 | Food and agriculture in imports (2001) | 25 % | Share of independent private farms in total arable area (2001) | 95 % |
| Arable land | 63 % | Increasing reliance on imports due to the slow recovery and growth of agricultural production | | Share of private sector in total agricultural output (2001) | 85 % |
| Orchards | 4 % | | | | |
| Irrigated | 0.3 % | | | | |
| | 46 % | | | | |

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| <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. Both Ministries of Agriculture are now increasing subsidies and budget support for production.</p> <ul style="list-style-type: none"> • The PRSP now mandates government to use up to 3% of total public expenditure for agriculture subsidies. • Actual Min of Agric budgets are 1.5%-2.5% of total budget expenditure. Subsidization is still low as a consequence and is dispersed across too many programs to be effective. • But subsidies are growing rapidly in both entities, from this low base. This includes producer subsidies, interest rate subsidies and investment incentives. • Floor prices are being introduced for a growing range of commodities in FBiH (wheat, milk, maize, tobacco). Wheat floor price in RS. • No controls on consumer prices for food or agricultural commodities. | <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 many agricultural products. • Negotiations for WTO membership began in 2004 but progress is slow due to the difficulty of agreeing on a common negotiating position, and the weak capacity for policy review and analysis. • As part of the EU Stability Pact, many BiH agric products now have free access to EU | <ul style="list-style-type: none"> • Strengthen the state level capacity for agricultural policy analysis and formulation in order to accelerate the process of joining WTO. • Review the additional levies on agricultural imports to remove distortionary protection. • Strengthen border control and the enforcement of trade regulations. |

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| | <p>markets. The inability to meet EU quality and health requirements continues to limit exports.</p> <ul style="list-style-type: none"> • EU agricultural products will have increasing access to BiH markets after 2006. • Bilateral Trade Agreements with the countries of former Yugoslavia now allow for free trade. | |

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| C. Taxation | <ul style="list-style-type: none"> • The current tax burden on farmers is low. There are few official taxes and most farmers operate in the informal sector. Tax reforms during 2005 will increase farm level taxation. • A Universal VAT of 17% will be introduced in June 2005, with minimal exemptions and an income threshold of 20,000 KM. • Both entities will enforce payment of land taxes, once the new Land Law is enacted. This will provide a more effective basis for bringing unused arable land back into production. • 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. A new land law is now being drafted as the basis for accelerating land restitution, allowing a more rational use of state owned land, and resolving the problem of unused arable land.</p> <ul style="list-style-type: none"> • Private farms average 3-5 ha, and are highly fragmented. • The post-privatization status of state land has not been resolved and an estimated 300,000 ha of high fertility agri-kombinat land lies idle across both entities. • 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. • Land sales are legal but the land market is thin. Most rural land transfers are affected through informal, short-term leases. • Inheritance laws have been reformed to stop land fragmentation in RS, but no equivalent change has been made in FBiH. | <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"> • Enact the new Land Law as the basis for resolving outstanding land ownership and land use issues. • 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 in FBiH to reform land inheritance practices. |

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| <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. Lack of political will to complete this process.</p> <ul style="list-style-type: none"> • Many 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. • The veterinary system has now been privatized in both entities. • Slow progress with EU approximation and the introduction of HACCP and ISO 9000 standards constrains export growth, especially to EU markets. | <p>Competitive, privately owned enterprises for agro-processing, input supply and agricultural services; and product standards consistent with the requirements on EU and international markets.</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. • Provide technical assistance for training in enterprise management. • Promote the development of new products and markets. • Accelerate the process of EU approximation, for food standards and food safety; and the introduction of HACCP and ISO 9000 standards. |
| <p>4. <u>Rural Finance</u></p> | <p>Improved access of agricultural enterprises to available credit.</p> <ul style="list-style-type: none"> • On-going bank sector reform and the entry of foreign banks continue to improve the banking system, and increase the availability of reasonably priced credit. Commercial bank interest rates are now 8%-10%, although there is still a shortage of medium and long-term credit • Commercial banks remain wary of agricultural lending, due to past experience with unprofitable AKs, and their limited expertise in agricultural loan appraisal. • Micro-credit has become an increasingly important source of rural credit. MCOs have increased their total lending, and the agric share of this lending has risen from 10%-20% to 40%-60%. The credit available through these channels remains well short of demand however, even at interest rates of 1.0%-1.5% per month. • The Ministries of Agriculture in both entities are subsidizing interest rates from their budgets. | <p>Continue to improve 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, loan guarantee facilities 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. |

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| <p>5. <u>Institutional Framework</u></p> | <p>Institutions remain weak, under-resourced and resistant to reform; and public leadership of the sector remains inadequate. The fragmentation and poor co-ordination of public institutions, both within and between entities, are an increasing constraint to public service provision, and to membership of WTO and the EU.</p> <ul style="list-style-type: none"> • Sector stagnation is a reflection of weak public leadership and inability to complete critical reforms. • Poor co-ordination between State and Entity governments further weakens public leadership. The independence and financial resources of Canton governments severely exacerbate these weaknesses in FBiH. • Both entities continue to support public institutions which duplicate pre-war facilities and make poor use of the limited agricultural budget. • A donor program to establish a public agricultural extension service has made some progress in RS, but has had minimal impact in FBiH due to weak Canton support. • Donor programs have improved the (public) institutional framework for animal health but the system remains very weak. • An EU funded study of the public institutions in agriculture has recommended a framework for institutional reform, based on the establishment of a State level Ministry of Agriculture and a considerable increase in the human and financial resources for agricultural institutions. • Agricultural research and education programs are still under-resourced, and poorly supported. • The current law on farmer associations still limits the ability to operate as a business enterprise, and confers no tax advantages. | <p>Establish an efficient, effective public administration to provide appropriate support for commercial agriculture, and to serve as the basis for WTO membership and EU Accession.</p> <ul style="list-style-type: none"> • Support state level initiatives to centralize and rationalize public institutions and the provision of public services, with particular emphasis on the institutions associated with WTO membership and EU Accession. • Complete the existing agenda for institutional reform, and establish 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 programs and institutions to make them needs-based and demand-driven, and increase public support for these institutions. • Revise the legal basis for farmer associations to allow them to operate as business enterprises, with all tax advantages. |

RUSSIA 2004

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| <u>Total Population</u> | 144.2 | Agriculture in GDP (2003) | 5.4% | Agricultural output in 2003 as percentage of 1990 level (in constant prices) | 70.4% |
| Rural Population | 26.6% | Agriculture in active labor (2003) | 11.0% | Share of livestock in agriculture (2003) | 44.9% |
| <u>Total Area</u> | 1709.8 mil ha | Food and agriculture in exports (2003) | 1.7% | | |
| Agriculture area: | 220.8 (12.9%) | in imports (2003) | 21.8% | | |
| Forest: | 870.9(50.9%) | Agriculture in fixed assets (2003) | 3.7% | Lands earmarked for agriculture (2004): | |
| Surface waters, including swamps | 225.7 (13.2%) | Net importer of livestock and dairy products and sugar | | in State and municipal property | 68.1% |
| Other lands | 392.4 (23.0%) | | | in citizens' property | 30.7% |
| | | | | in juridical persons' property | 1.2% |
| | | | | Share of household plots and family private farms in total agricultural output (2003). | (55.8 HP+4.5 Family farms) |

| POLICY | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| 1. <u>Overall and Macro-economic Framework for Agriculture</u> | <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. The Law "On Agriculture in the RF" (Farm Bill) has been a matter of debates in the State Duma and in the RF Government since 2003. It was expected to identify a set of policy interventions (mechanisms) and specify their implementation for 3-5 years. A delay in this law approval is caused by the principal difference of opinion of the economic block ministries and the MOA on mechanisms to be used to support agriculture and amounts of this support.</p> <ul style="list-style-type: none"> • The restructuring of the GOR and administrative reform measures have not caused an improvement in the RF MOA performance and its more efficient interactions with other ministries and sub-national authorities. A introduction of the performance-based budgeting is expected to help the MOA to focus its activity on key issues of agriculture and rural development. • Little price intervention at the federal level, | <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 interventions at the provincial level, integration of national markets and complete linkage with global markets.</p> <p>Introduction of a market-oriented Law "On Agriculture in the RF" (Farm Bill)</p> <ul style="list-style-type: none"> • Assist the Russian counterparts in preparing this Law on Agriculture; provide recommendations on the drafts in the process of their discussions in the RF Government and in the State Duma. • Assist the MOA to make its organizational structure and functions more efficient. • 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 creditworthiness). |

| POLICY | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| A. Prices/Subsidies | <p>though there is serious discussion of re-imposition of some controls, under the rubric of “regulation”.</p> <ul style="list-style-type: none"> • The MOA requests measures to eliminate price disparity (to fix the base ratio and then compensate the sector for the faster growth of agricultural input prices compared to farm-gate prices). The economic block ministries do not recognize the problem and refuse from paying compensations. Foreign observers indicate that prices for fuel and energy used by Russian agriculture are below the world market prices. • Substantial intervention by some provincial governments in the form of administrative controls on prices or margins, barriers to inter-regional trade. • The share of consolidated budget expenditures under Section 08 (Agriculture and Fishery) in GDP has fallen from 0.75% in 2000 (7.1% of GAO) to 0.49% (5.7% of GAO) in 2003. • 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 writeoffs, commodity credits at regional level—and lack of focus on supporting private farms. | <ul style="list-style-type: none"> • Within sectoral budget consistent with macroeconomic stabilization, achieve expenditure switching toward public goods and services, and away from programs that distort incentives. <p>Provide the RF Government with recommendations on more efficient support to agriculture from the Federal and regional budgets on the basis of public expenditure review made by the WB in Russia.</p> <ul style="list-style-type: none"> • The tendency towards reducing the number of federal budget expenditures that act as an obstacle to fair competition and hinder the domestic market development should be preserved. |
| 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. These quotas are used in 2005. • 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. |

| POLICY | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| | <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 2005 only 1/3 of 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. The issue of land shares is not resolved. High costs of land parcels apportionment, accounting, and registration hamper the development of land market. Only 10% of all land transactions (0.42m. out of 4.36m. transactions) account for actual free market land sales. | <ul style="list-style-type: none"> • 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. • Reduce costs of accounting and registration of agricultural lands and time spent by rural population on these operations. • Complete preparation of two World Bank Projects, Cadastre and Registration. |
| <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. • 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. Monopolistic state of food processors keeps farm-gate prices low, as a result for example milk production becomes unprofitable for many farmers. | <p>Removal of legal and institutional constraints to market development.</p> <ul style="list-style-type: none"> • Create farmer/processor market information systems. • 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. • Improve collection and dissemination of market information. • Expand and upgrade public facilities for output marketing (farmers’ markets, wholesale markets, etc.). <p>Phase out local government procurement schemes, and stop the new scheme on federal level. Any procurement should be cash-based.</p> |

| POLICY | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p>4. <u>Rural Financing</u></p> | <p>Rosselkhozbank is the main bank servicing agriculture sector. Before 2001, the Government (through the MOA) administered programs of soft loans (rates about 25% 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 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 • Pass the Law on Rural Credit Cooperatives. |

| POLICY | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| 5. <u>Institutional Reform</u> | <p>Institutional reforms are uneven, with excessive local intervention.</p> <ul style="list-style-type: none"> • Ministry of Agriculture has been reorganized to meet requirements of a market economy, and focus on policy issues. Provision of State services and management of state property in the sector have become a primary responsibility of one Federal Service and two Federal Agencies which are being organized under the MOA. The State Bread Inspectorate was abolished in 2004. Now the Minister of Agriculture is trying to revitalize its functions by shifting them to its subordinate Agencies and Services. • Access to information and advisory services insufficient to support competitive production and marketing. • Agricultural research is under funded and insufficiently linked with international partners. • Local administrations retain an excessive role in market intervention. • Agricultural education has not been revitalized. Currently, only agricultural universities are under the jurisdiction of the Ministry of Agriculture. • Proposals to allow Producers' Unions to perform governmental roles in licensing and controlling new market entry. | <p>Reduce local involvement in procurement and refocus research and education.</p> <ul style="list-style-type: none"> • Ministry of Agriculture needs further institutional re-structuring 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. • Refrain from restoration of the State Bread Inspectorate and revitalization of some old functions of the RF MOA. |

KAZAKHSTAN 2004

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|----------------------------------|------------|--|-------|--|--------|
| <u>Total Population, 2004</u> | 15.07 M | Agricultural GDP 2004, billion KZT (estimate) | 450 | Agricultural output in 2004 as percentage of 2003 level. | 114.3% |
| Rural Population | 43.0 % | Agriculture and forestry, fishing and hunting in total GDP, 2004 | 8 % | Share of livestock in agriculture, 2004 | 44.1% |
| <u>Total Area</u> | 272.5 M ha | Agriculture, hunting, fishing and forestry in active labor force, 2004 | 6.5 % | Share of crop in agriculture, 2004 | 55.9% |
| Agriculture area, 2004: | 222.6 M ha | Food and agriculture, export absolute value mln USD 2004 | 830 | Agricultural enterprises (JSC, partnerships, etc.) out of all land users engaged in agricultural production, peasant private farms | 39.2% |
| Arable land (o.w. actually used) | 21.4 M ha | Share in total export | 4.2 % | | |
| Hayfields | 17.5 M ha | Food and agriculture, import absolute value mln USD 2004 | 930 | | 55.4% |
| Pasture | 2.3 M ha | Share in total import | 7.3 % | | |
| Forest Fund Lands | 78.8 M ha | Average monthly wage, in economy 2004 KZT | 29500 | Household plots' share in livestock husbandry | 86% |
| Reserved Land | 22.3 M ha | in agricultural sector 2004 KZT | 12600 | All agricultural produce is provided by private enterprises | |
| | 126.3 M ha | Traditionally net exporter of wheat and cotton products | | | |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices and Subsidies</p> | <p>Agricultural markets are liberalized, but increasing subsidies may cause distortions.</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. • A comprehensive State AgroFood Program 2003-2005 continued its implementation in 2004. The program identifies an amount in the order of 8% of state budget to support for the sector. Thanks to this program, agricultural producers can purchase inputs such as fuel, lubricants, seeds, fertilizers and other inputs with a 40% subsidy. The program also provides financial support for state owned enterprises (Food Contract Corporation, KazAgro-Marketing, etc.) to address underdevelopment of the private sector. However implementation difficulties seem to | <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. • Monitor and evaluate the outcome of the AgroFood Program to improve its effectiveness and implementation. This should comprise an evaluation of impact of the state-owned enterprises created to support agricultural marketing and rural financing. There are some risks that these state owned enterprises act as players in the market and compete with the private sector rather than supporting it, having the advantage of state financial support. • The Ministry of Agriculture should study the possibility of targeting support to those agricultural activities suitable to specific |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| | <p>create a disincentive for small farms to access these subsidies, which may benefit less than large farms.</p> <ul style="list-style-type: none"> • Rapid increase of oil export is causing an appreciation of the domestic currency and draining financial and human resources out of the agricultural sector (Dutch disease). • The Rural Development State Program is contributing to increase public investments in rural areas, particularly in infrastructure, but their effects are not yet visible. • Market distortions such as illegal control of city markets and bazaars by groups in power that often collude with local authorities leads to abnormal price inflation for fruit and vegetables. • In order to support agricultural producers and to maintain the state food reserves the Government annually exercises a state program of grain procurement. However fluctuations of international prices continue to create difficulties to producers. | <p>eco-regions.</p> <ul style="list-style-type: none"> • The Ministry of Agriculture should make concrete efforts to disseminate information and demonstrate opportunities of diversification from wheat. Diversification from a primary product such as wheat could considerably increase agricultural export potential. • Supervisory bodies should enhance their work to ensure competitive environment in the market of fruits and vegetables. |
| B. Trade Policies | <ul style="list-style-type: none"> • Negotiation of WTO membership is advancing with intense discussions on agricultural subsidies and SPS requirements. WTO accession process is negotiated in parallel with Russia and expected to be completed by 2007. • Foreign trade is liberalized but constrained by inadequate control of standards, insufficient transportation facilities, and customs and police barriers. • No export tariffs on any agricultural commodities (except for temporary ones). • Small 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 access world markets without increasing protection. • Introduce WTO conformed trading regime and complete membership procedures. • Complete and fully implement mutual removal of VAT for trade inside CIS. • Continue to reduce interference by local authorities in agricultural markets. |
| C. Taxation | <ul style="list-style-type: none"> • Effective January 1, 2004, VAT rate was unified at 15%. • Individual private farms have to pay a consolidated “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"> • Consider further tax reduction as a preferable way than subsidies to support the sector. • Consider increasing water charges as an incentive for water savings, while increasing public investments in developing and O&M of irrigation schemes. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p>2. <u>Land Reform and Farm Restructuring</u></p> | <p>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.</p> <ul style="list-style-type: none"> • The 2003 Land Code allows private ownership of agricultural land. The government is selling land for an estimated, and since January 1, 2005 owners of land use rights are not anymore allowed to sub-lease their rights. However it seems that implementation of the Land Code is facing some difficulties and the amount of land sold to private ownership remains fairly low. • A recent survey found out that 60% of households perceived the land reform as fair, a share higher than expected by many observers. • Adoption of the new Land Code is believed to (i) create incentive for proper investment in maintenance of land resources and soil fertility, and (ii) enable the use of land as collateral that should invigorate economic activities in rural area. However, numerous other steps will be needed before this will be realized in practice. • The farm restructuring and ownership changes to date are beginning to yield increases in farm productivity or improved profitability. However the process has been characterized by a limited transparency. • Total number of farms doubled in the past 6 years from 70,000 to almost 140,000. The increase is due to family farms, most of which are concentrated in southern regions. • A Water Code and a Forest Code were also approved in 2003. 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. • The regulatory framework addressing the issue of ownership of subsoil resources including underground water have been recently revised. Although the new land and water codes and amendment to the subsoil use law and oil law all address ownership of underground water and wells, the issue is not yet fully clear and it is expected that implementation difficulties will arise. | <p>Efficient farming based on transparent ownership and land use rights.</p> <ul style="list-style-type: none"> • The Government should closely monitor the land code implementation, possibly with international support, to increase the transparency of the process. • Continue to facilitate the further restructuring of farms. • Explore measures to reverse negative social impact of excessive concentration of land. • Facilitate the financial consolidation of newly emerging farms by introducing international accounting practices. • Use bankruptcy procedures to accelerate farm consolidation, use land as collateral to stimulate rural crediting by commercial banks. • Develop and implement pragmatic and low cost measures to delineate the remaining notional land certificates for land parcels. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <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 is continuing to focus on the competitiveness of the sector to prepare it for WTO accession. Pursuant to that several governmental programs are being implemented to support agricultural producers and agroprocessing industry, comprising a cluster approach to the cotton value chain. • Increase attention to quality at the highest level, but still limited actions to create incentive to improve quality and competitiveness: price information does not cover quality, and price differentials are limited and insufficiently disseminated. • A compulsory crop insurance has been approved. Its results have to be tested. • Agro-processing enterprises remain under-invested and technologically backward when compared to more developed countries. The private sector started to bring some improvements. • A reform of the agricultural research and extension system has started, though it is still formal rather than substantial. A lot remains to be done to have the public system provide tangible benefits to the sector. | <p>Private-based and competitive agroprocessing and input supply and facilitation of entry of new private entrepreneurs.</p> <ul style="list-style-type: none"> • Improve the legal and policy environment for direct domestic and foreign investment in agroprocessing. • Target public service delivery to the many new (small) emerging farmers. • Improve public-private partnership comprising an increased use of private sector to deliver public services. Avoid the potential conflict of interests created by state-owned enterprises. • Harmonize of national safety and quality standards and increase the capacity of public and private sector to monitor standards (a recently negotiated World Bank project will contribute to this objective). • Intensify the effort to substantially reform and improve the public agricultural research and extension system. • Increase attention to quality by providing price information linked to quality and supporting price incentives to produce higher quality agricultural products. • Improve provision of public goods such as market information, land titling and registration, disease control, seeds and grain quality analysis and grading. |
| <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 mostly benefiting large producers.</p> <ul style="list-style-type: none"> • Several actions to facilitate access to credit have been started. Some risk causing market distortions. | <p>Viable financial institutions efficiently serving the food and agricultural sector.</p> <ul style="list-style-type: none"> • Continue to facilitate accessibility of credit resources, particularly for long term investments, for small borrowers engaged in agricultural production and processing. • Provide technical assistance and consulting services to potential borrowers. |

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| <p>5. <u>Institutional Framework</u></p> | <ul style="list-style-type: none"> • Amount of rural lending are expected to increase. In 2003 the agricultural sector has received about US\$800m) of credits from commercial banks. However most are directed to large farms and to operational lending. Small farm and long term credit to renew obsolete equipment is far below needs. • Efforts now underway, with World Bank support to create incentives for formal bank financing for small and medium farms for long term investments. • A new leasing law was passed, incorporating suggestion of IFC. • 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. • A program of machinery leasing being implemented by the state owned enterprise <i>KazAgroFinance</i>. The terms of such leasing arrangements vary, but all have some element of interest rate subsidies. <i>KazAgroFinance</i> is supported by subsidized loans from the state. <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"> • After the expansion of the role of the Ministry of Agriculture in 2003, the Government continues to adjust its structure. However this may be consequence of political imperatives rather than search for efficiency. Some critical activities fields like water management, forestry and fishery are subject to the revision of their function. • Sector institutions suffer for limited managerial capacity and entrenched bureaucratic mentality and remain only weakly attuned to end-users' priorities. Many surveys reveal that the majority of users remain highly unconfident of public sector initiatives. An exception is the recent survey which found out that 60% of households perceived the land reform as fair, a share higher than expected by many observers. | <ul style="list-style-type: none"> • Implement the plan to support to micro-finance. • Review the program of leasing of agricultural machinery being carried out by <i>Kazagrofinance</i> to determine its costs and sustainability. • Privatize established state owned enterprises such as <i>KazAgroFinance</i>. <p>Effective provision of public goods and support services.</p> <ul style="list-style-type: none"> • Accelerate the reform of public administration in agriculture by improving human resources management without increasing the number of staff. • Increase public-private partnerships, comprising outsourcing from the private sector. • Increase training and monitoring of public sector performances. Establish a staff survey for the Ministry of Agriculture as an instrument for managerial decisions. |
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UKRAINE 2004

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|-------------------------|------------|---|-----|---|-----|
| <u>Total Population</u> | 47.3 mil | Food and agriculture in GDP 2004 | 14% | Agricultural output in 2004 as percentage of 1990 level | 63% |
| Rural Population | 32 % | Food and agriculture in active labor (2004) | 25% | Livestock production in 2004 as percentage of 1986-1990 level | 47% |
| <u>Total Area</u> | 60 mil ha. | Food and agriculture in exports (2004) | 12% | Share of livestock in agriculture (2004) | 39% |
| Agriculture area: | 42 mil ha. | In imports (2004) | 10% | Share of individual in total agricultural land (2003) | 37% |
| Arable land | 77.9% | Traditionally net exporter: grain, oil seeds, sugar, dairy products, beef and pork. | | Share of individual in total agricultural output (2004) | 65% |
| Orchards | 1.9% | | | | |
| Irrigated | 5.0% | | | | |
| Forested | 15.6% | | | | |

| ISSUE | STATUS OF REFORMS | OBJECTIVES PROPOSED ACTIONS |
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| 1. <u>Macro-economic Framework for Agriculture</u> | Market liberalization is advanced, although hampered by government interventions in selected markets and underdeveloped market structures. | Minimal Government intervention in agricultural markets. |
| A. Prices/Subsidies. | <ul style="list-style-type: none"> • Prior to 2003, the government abolished fixed producer prices for agricultural commodities (in 1994); wrote off public debts accumulated by the farming enterprises (in 2000); removed budget credit that was provided mainly in the form of input supplies (in 2001); in addition, implicit taxation on agricultural producers has been significantly reduced between 1998-2001. • Lack of competitive domestic markets and underdeveloped infrastructure and trading system still keep high margins between producer prices and border prices. • In 2004, the budget allocated UAH 421m (US\$79m) to support livestock production. In addition, around UAH 500m (US\$94m) were paid by processing enterprises as a subsidy to farms for the meat and milk sold by farms for processing (see Section C. Taxation). • In 2004, UAH 248m (US\$47m) were paid to farms that grow spring crops. Another UAH 110m (US\$21m) were paid as subsidies for the purchase of fertilizers. Also, UAH 36m (US\$ 7m) was used to subsidize 30% of the cost of domestic agricultural machinery purchased by farmers in 2004. In addition, the government facilitated the supply of subsidized fuel to the farming sector. • Since 2000, the government maintains minimum prices for sugarbeet and sugar and quotas for the supply of sugar to the domestic market. In 2004, the min. price of sugarbeet was UAH 165/t (US\$ 31/t) and sugar UAH 2,370/t (US\$ 446/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 the 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 |
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| B. <u>Trade Policies</u> | <ul style="list-style-type: none"> • In 2004, the government reestablished direct purchases of agricultural commodities through the State Reserve Company which bought 0.6 m tons of grain to increase state grain reserves. • A system of pledge purchases of grain by the national and local government was established in 2000. In 2004, the government has spent UAH 176m (US\$33) for pledge purchases of grain). • In response to low 2003 grain harvest, the government enforced a temporary export ban on food quality wheat, informal restrictions on inter-regional trade and price caps on grain, and tightened controls on profit margins for bread at the local level. These measures were gradually released after a bumper grain crop was harvested in 2004. • Quotas on imports of some meat products were introduced in 1997 but never implemented in practice. • Average weighed agricultural and food sector import tariffs were at the level of 20% in 2004, with many tariffs set in specific form (Euro/ton) at equivalent ad valorem rates of 50% or even higher. | <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 by seeking duty-free access for these products to the markets of the states of the FSU. |
| C. <u>Taxation</u> | <ul style="list-style-type: none"> • Agricultural imports are in most cases 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. • 25% profit tax for food industry and for intermediary activities was maintained in 2004. • The primary agriculture continues to pay single land tax that is calculated based on land area in use with certain adjustments for land quality. This tax that was to expire on December 31, 2003 has been extended for CY 2004. In 2004, the criteria for business entities in agriculture to qualify for the single tax remained unchanged: a farm had to receive at least 75% of revenues from primary agriculture and on-farm processing. • As of January 1, 2000, farms have been receiving back the VAT paid on all off-farm sales of agricultural commodities. In 2004, farms received UAH 1.5 bn (US\$ 280m) through the repayment of VAT. Farms are | <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 |
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| <p>2. <u>Land Reform and Farm Restructuring</u></p> | <p>allowed to use these funds only for the purchase of inputs.</p> <ul style="list-style-type: none"> • In 2001-2004, 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. <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"> • Virtually all large-scale collective agricultural enterprises have been re-registered as private, private-lease enterprises or cooperatives in 2000-2001 following a December 1999 Decree of the President. • The process of issuing land share certificates has been completed. However, only about 10% of all collective farm members have left the large collective agricultural enterprise. • 70% of farmers who received land share certificates rented them out to farms where the certificates have been issued. • Ongoing process of privatization: the land provided for private and household farmers prior to 2002 and the land plots withdrawn by individual farmers from former collectives reached 14.1m ha or about 37% of total agricultural land by end 2003. • Replacement of land share certificates with land titles with physical allocation of land continued to be slow in 2004. According to official statistics, 4.5m or about 69% of farmers who received land share certificates exchanged them for land titles as of January 1, 2005. | <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 |
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| | <ul style="list-style-type: none"> • Moratorium on sales of agricultural land that was to expire on January 1, 2005 has been extended by another two years – to January 1, 2007. The limit of 100 ha on the area of land which can be owned by one individual remains in place until 2010. • The Parliament suspended all transactions with land share certificates in early 2001, except for lease or inheritance. • Land registration does not meet the needs of a functioning land market. • In July 2004, the Parliament passed a law which sets up a legal framework for the unification of the registration of land and immovable property under one agency. However, the unified title registration system has not been introduced as key by-laws and regulations are still to be approved by the Cabinet. • A Mortgage Law approved in June 2003, set up the legal framework for mortgage transactions but left detailed regulation of agricultural land mortgage transactions to a separate law which still needs to be drafted and approved. | |
| <p>3. <u>Competitive Agro-processing and Services for Agriculture</u></p> | <p>Privatization and demonopolization have 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. This has included the majority of grain storage and processing facilities. • 96 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 in 1993-1994; Anti-Monopoly Committee (AMC) is active in preventing collusion and local monopolies. • By end 2004, the total FDI to agriculture processing and food industry totaled US\$ 1,124m which accounted for about 14% of total FDI in the economy. | <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 number of grain elevators, which still allows some government control. • Create a policy and legal environment supportive of direct foreign investment. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES PROPOSED ACTIONS |
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| 4. <u>Rural Financing</u> | <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 still weak and its financing to the productive sector is limited. The size and presence non-bank lenders are negligible. High interest rates (average of 17% in 2004) and the insufficient collateral limit lending to agriculture. Although there has been an improvement in short term lending by commercial banks (est. UAH 7.7 billion in 2004), there is little medium and almost no long term lending. • The government allocated UAH 144m (US\$ 27m) to subsidize 10% of interest rate charged by commercial banks lending to primary agriculture and 7% of interest charged to processing and service enterprises in 2004. | <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. • Phase-out the interest rate subsidy program and replace it with instruments which maintain more transparent instruments that maintain level-playing field for lending to the sector. |
| 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 in agriculture sector at the central and local level 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 has started to develop. Advisory services were piloted by donors in half of regions. • Law on agricultural extension system was passed by the Parliament in June 2004. | <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. |

MOLDOVA 2004

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| <u>Total Population</u> | 4.2 mil | Agriculture in GDP (2003) | 19% | Agricultural output in 2003 as percentage of 1989-1990 level | 55% |
| Rural Population | 59 % | Agriculture in active labor (2003) | 43% | Livestock production in 2003 as percentage of 1989-1990 level | 27% |
| <u>Total Area</u> | 3.4 mil ha | Food and agriculture in exports (2003) | 59% | Share of livestock in agriculture. (2003) | 12% |
| Agriculture area (2004): | 2.5 mil ha | in imports (2003) | 12% | Agricultural area in private use (2004) | 73% |
| Arable land | 73% | Traditionally net exporter of wine, processed and unprocessed fruits and vegetables, and pork. | | Share of private sector in total agricultural output (2003) | 75% |
| Orchards and vineyards | 8.5% | | | | |
| Irrigated | 7% | | | | |
| Forested | 13% | | | | |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p>1. Macro-economic Framework for Agriculture</p> <p>A. Prices/ Subsidies</p> | <ul style="list-style-type: none"> • General price and market liberalization, with exception for sun-flower seeds and wheat. • In 2004, Government spent a total of about US\$4.7m on direct subsidies and transfers to farmers, equivalent to 32% of total expenditures on agriculture. • In 2004, MAFI spent US\$2.5m for direct subsidies and transfers to farmers via the Agricultural Sector Support Fund. US\$1.8m of this was discussed and agreed upon with IDA for use as credit incentives, and was similar to a program in 2003. However, another US\$0.8m was spent on the creation of agricultural machinery stations. This was not agreed upon with IDA, and was implemented in a manner that was non-transparent, and threatened to undermine the successful 2KR Program and repayment discipline. It is also only for large agricultural enterprises/cooperatives. Government has requested a doubling of these subsidies in 2005, to US\$5m, with US\$1.5m for machinery stations. • In 2004, another US\$2.2m was spent on direct subsidies and transfers to farmers, but outside of MAFI's budget. This included subsidies for land preparation, promoting use of new land, and enhancing soil fertility. | <ul style="list-style-type: none"> • Minimal Government intervention in agricultural markets. • Maintain the liberal course of market and price policies. • Maintain a no intervention policy for agricultural markets. • Improve the efficiency of use of scarce public funds for the sector by investing in appropriate public goods and services that are more effective in spurring sustainable growth than subsidies. • Increase the transparency and reduce the distortionary impacts of any remaining subsidies. • Ensure that public services and investments do not discriminate against certain ownership structures or sizes of enterprises (especially small farmers). |

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| <p>A. Prices/ Subsidies (continued)</p> <p>B. Trade Policies</p> | <ul style="list-style-type: none"> • Other indirect subsidies to agro-enterprises were provided at the direction of Government in the form of forgiveness or freezing of debt in 2004. This includes US\$9m of cancelled arrears to 30 enterprises, and US\$10m of frozen debt for 9 tobacco enterprises. This is not reflected in MAFI's budget. • For 2005, Government has requested US\$0.8 m to subsidize the plantation of vineyards and orchards. Only those who plant more than 5 ha will receive compensation, thereby leaving out most small farmers, and subsidizing large, often foreign investors who don't need these incentives. • 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. However, due a poor harvest of wheat in 2003, and a subsequent lack of sufficient wheat on the domestic markets, the Government has moved to increasing significantly its wheat reserves. This process, and subsequent interventions on the bread and flour markets, have been non-transparent, distortional and detrimental to private suppliers and producers. • Export of agricultural products was liberalized in 1997; but many non-tariff intra- and foreign trade barriers exist. Licensing requirements were eased in 2001 and 2002, however some regulatory control continued to have been exercised in 2004 in the form of reference prices and administrative impediments. This is particularly true for cereals and sunflower seeds. In 2004, Government passed a resolution declaring that all exports of wheat and wheat flour must be done through the Universal Commodity Exchange. Up to 12 different documents are required to export, and shipments are allowed only by rail. As a result, exports have decreased substantially. | <ul style="list-style-type: none"> • Introduce market methods in procuring grain for government purposes and for marketing of grain and input deliveries based on inter-governmental agreements. • Reform the Universal Commodity Exchange to make it voluntary, and increase availability of price and other trade information. • Maintain low import tariffs and abstain from quantitative export restrictions; drastically reduce non-tariff barriers. • Develop a strategic policy, including: • Ensure timely and accurate VAT reimbursements for exports; • Eliminate ad-hoc export barriers on selected commodities |

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| <p>2. <u>Land Reform and Farm Restructuring</u> (continued)</p> | <ul style="list-style-type: none"> • Procedures for administering transactions of agricultural land were introduced and the transfer fee was reduced to 2% of the sales value. But anecdotal evidence suggests that other transaction costs might be constraining the sales market. • While there have been some transitional problems in leasing markets, including unfair practice and abuse of market power by some larger land users, the market seems to be stabilizing and abuses decreasing. Alternative dispute resolution mechanisms are arising. • In 2002, the Parliament adopted a set of amendments to the Land Code of 1991, aimed at streamlining voluntary land consolidation. The Law on Agricultural Land Lease provides a reasonable foundation for the leasing market. Unlike similar laws in Europe, it emphasizes the protection of small lessors rather than the more powerful and often monopsonistic corporate lessees. • In many localities today a form of informal land consolidation is taking place through the leasing market. Over 50% of the agricultural land in the country is presently leased. • Despite the progress that has been made, Government remains concerned about land fragmentation. In response, over the objection of the Bank, Government intends to adopt a new Land Code, as well as a Law on Land Organization, to facilitate consolidation. Early drafts of these documents are highly intrusive on private ownership rights, and are focused exclusively on administrative-led consolidation of land. These developments are cause for concern, and must be monitored carefully. Meanwhile, Government has agreed to accept technical assistance from the Bank on the design of voluntary, market-based land consolidation pilots. | |

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| <p>3. <u>Competitive Agroprocessing and Services for Agriculture</u></p> | <ul style="list-style-type: none"> • Continued progress in privatization and de-monopolization of remaining state owned agro-processing enterprises has been slow. • 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. • With the notable exception of the wine sector, many agroprocessing sector enterprises are still operating the old fashioned way (without any significant restructuring) and are in effect bankrupt. • Continued debt write-offs reduce incentive of enterprises to restructure and become competitive. • Frequently changing restrictions on import of raw agricultural materials creates an environment of uncertainty and discourages especially foreign investment in processing. • Anti-monopoly regulations are not fully in place. • With the notable exception of the wine sector, there is still limited new entry of the private sector into the processing sector. • Limited foreign participation/investment in the privatized agro-processing enterprises (except wine). | <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. • Provide incentives for development of processor-driven vertically coordinated supply chains by reducing transaction costs. • Promote the participation of foreign investors in privatization auctions. • Work with private sector to reform restrictions on ag. imports so that they meet Government's policy objectives, but do not discourage investment. • 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. |

GEORGIA 2004

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|-------------------------|------------|--|-------|--|------|
| <u>Total Population</u> | 4.6mil | Food and agriculture in GDP (2003) (estimated) | 19.2% | Agricultural output in 2003 as percentage 1996 levels | 128% |
| Rural Population | 47.8% | Food and agriculture in active labor (2003) | 55% | Livestock production in 2003 as percentage of 1996 levels | 134% |
| <u>Total Area</u> | 7.6 mil ha | Food and agriculture as percent of total | | Agricultural area in individual private ownership (2003) | 26% |
| Agriculture area: | 3 mil ha. | in exports (2003) | 9% | Agricultural area leased by private individuals from Government. | 25% |
| Arable land | 26% | in imports (2003) | 19% | Agricultural Land controlled by Government | 49% |
| Orchards | 9% | Traditionally net exporter of wine, processed and fresh fruits, vegetables and tea | | | |
| Irrigated | 45% | | | | |
| Forested | 40% | | | | |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p>1. <u>Macro-economic Framework for Agriculture</u></p> <p>A. Prices/Subsidies</p> <p>B. Trade Policies</p> | <p>Liberal agricultural markets mainly free of Government intervention.</p> <ul style="list-style-type: none"> • In general, the producer prices have been liberalized and minimal government intervention on agricultural markets, except political pressure for low price of bread. • 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. • 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 June 2000. Georgia has six FTAs (Armenia, Azerbaijan Kazakhstan, Russia, Turkmenistan and Ukraine). | <p>Competitive and functioning agriculture markets, without Government intervention.</p> <ul style="list-style-type: none"> • Prices of agriculture inputs and outputs determined by markets. • Phase out remaining producer subsidies on irrigation water and energy. • Water charges be worked out. • Food aid be distributed through market channels. • 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. • VAT was abolished for small primary producers and replacing it with a single land tax. |

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| | <ul style="list-style-type: none"> • The 2001 Presidential Decree established time table to move from two-tier systems. In 2002 the number of mandatory standards reduced to 78. • Illegal rent seeking and bureaucracy seriously constrains domestic markets. | <ul style="list-style-type: none"> • Develop a new standard system, move away from mandatory to voluntary international technical regulation. • Border inspection and control be streamlined. |
| <p>C. Taxation</p> <p>2. <u>Land Reform and Farm Restructuring</u></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. <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. | <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. <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. |

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| <p>3. <u>Competitive Agro-processing 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. • 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 agro-processing companies operating in rural areas. | <p>Competitive, privately owned processing, input supply and service sub-sectors.</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. |

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| 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 agro-processing 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. • Rural Credit Unions and 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 the support to credit unions in capacity building for self-sustaining operation. • Develop legal frameworks for non-bank financial institutions. • 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 below 6.0)

Tajikistan

Uzbekistan

Belarus

Turkmenistan

TAJIKISTAN 2004

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|--------------------------------------|-----------|--|-----|--|------|
| <u>Total Population (2004)</u> | 6.6 mil. | Food and agriculture in GDP 2003 | 24% | Agricultural output in 2003 as percentage of 1993 level | 112% |
| Rural Population | 74.0 % | Active labor in Food and Agriculture (2003) | 68% | | |
| <u>Total Area (ha)</u> | 14.3 mil. | Food and agriculture in exports (2003) | 27% | Livestock production in 2003 as percentage of 1993 level | 57% |
| Agriculture area | 4.6 mil. | Food and agriculture in imports (2003) | 7% | | |
| Arable land | 16.0 % | | | | |
| Orchards area | 2.2 % | | | | |
| Pastures | 80.8 % | | | | |
| Irrigated area of AL | 79.0 % | | | | |
| GDP 2004 | 10.6 (E) | 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. | | Livestock production as a percentage of GDP (2003) | 9% |
| GNP per capita (2004) | \$ 370 | | | | |
| Exchange rate TJ SOMONI to US\$ 2005 | 3.02=1.00 | | | Arable area in private use in 2004 (independent peasant family and Cooperative/associations (Dehkan farms) | 72% |

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| 1. <u>Macro-economic Framework for Agriculture</u> | <ul style="list-style-type: none"> The macroeconomic environment has improved—inflation went down from 39% at the end of 2001 to less than 6% at the end of 2004, and international reserves as a proportion of imports have increased to over two months of imports. During 2001-2004, real GDP growth averaged 10% per year. The debt burden has been eased significantly, owing to the Russian debt swap and Pakistani debt write-off in 2004. The public sector external debt fell from 85% in 2002 to 40 percent in 2004. Most important of all, the poverty rate declined from 82% in 1999 to 64% in 2003. Inequality has increased marginally. The government's overall development approach for the sector is to reverse the decline in 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 output market has been liberalized. | <p>Creation of an enabling environment for private sector development and implementation of 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 |

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| <p>A. Prices/Subsidies</p> | <ul style="list-style-type: none"> • Although the Government is engaged in the privatization of the agricultural sector through the privatization of state and collective farms and enterprises, this privatization has by and large occurred only on paper due to outstanding farm debt issues. • Although the cotton market is stated to have been liberalized and all the ginneries in the country privatized, the government continues to interfere in the cotton production and marketing through administrative coercion, future contracts to cartels, fuel allocation, water allocation and licensing for export. • Grain and cotton prices have reached almost international prices and the trend continues during 2004. But farm gate price for the cotton continues to be extremely low (less than 30%). • Water Use charges for irrigation was raised by 200% during June 2004, 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. | <ul style="list-style-type: none"> • Intensification of the activities for privatization of the remaining state and collective farms in a transparent and more equitable manner and estoppels of large-scale transfer of land to cotton firms on long term leases. • 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 rayon border restrictions. |
| <p>B. Trade Policies</p> | <ul style="list-style-type: none"> • Privatization of cotton ginneries has been completed. There are now 38 cotton ginneries in Tajikistan of which three are not operational. Privatization of another set of 340 SMEs has been completed. • There has been some progress in liberalizing 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. |

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| <p>C. Taxation</p> <p>2. <u>Land Reform and Farm Restructuring</u></p> | <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, but there exists indirect fee which has grown up to \$120 to 160/certificate. • 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. <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, the law permits for long term (30 to 90 years) land lease tenure that is transferable or bequeathed. Primary land users have tenure of unlimited duration or life-long inheritable tenure. Secondary land users are lessees of land plots. Four types of land tenure: (a) Land tenure of unlimited duration, available to state-run and co-operative agricultural enterprises, and other enterprises and associations. (b) Life-long inheritable tenure, available to physical persons or groups of citizens to establish dehkan farms or to take up other “traditional farming activity.”; (c) Land Use (term based), available to secondary users for general use only and (d) Land lease, 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. • So far, according to the SLC out of 850 collective and state farms prior to the reforms 544 have already been reorganized in to | <ul style="list-style-type: none"> • Simplify the taxation system; organize wider information campaign to educate the people about the tax and land fee 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 transparent. <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 |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p>3. <u>Competitive Agro-processing and Services for Agriculture</u></p> | <p>dehkan farms, but majority of them have not changed their mode of operation. Some collective and state farms will not be reorganized (1 per raion set aside for seed / livestock production & research).</p> <ul style="list-style-type: none"> • The SLC claims that around 1.47m ha of agriculture land have been distributed to 488,485 shareholders of which 267,487 hectares are arable (179,091 ha. Irrigated). • Privatization of majority of ex-state and collective farms are stalled as these farms are stated to be in debt and in precarious financial condition as the farms had borrowed under future contract not only for cultivating cotton with the state guarantee but also some non transparent borrowings. • 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>New privatization law passed by parliament in November 2003 and the new procedures are expected to improve the legal framework and privatization of agro-processing sector</p> <ul style="list-style-type: none"> • Implementation of the privatization program continues to be on track. In addition, the transparency of the privatization process is likely to receive greater attention, especially now that the country is moving to privatize large enterprises. • 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. • Convoluted licensing procedures, absence of | <p>entities in agriculture to provide for transparency, autonomy and framework for easy restructuring of farms and agencies and enterprises providing farm support services.</p> <ul style="list-style-type: none"> • 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 rain fed farming systems. <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 |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
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| <p>4. <u>Rural Financing</u></p> | <p>incentive and harassment of tax authorities of newly emerging and venturing entrepreneurs.</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. The 2002 abolition of taxes on foreign bank transfers and the elimination of the top authorities’ prerogative to attach bank deposits,¹¹ have contributed to the attractiveness and growth of the financial banking sector. Between 2002 and 2004, remittances through the banking sector went from US\$65m to US\$313m. • 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 systems continue with high involvement of the Government including the “so-called” future contracts operations (in reality an exploitative scheme having nothing to do with a real futures market), 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, and Mercy Corps. <p>From the newly created Micro-finance Bank of Tajikistan, existing interest bearing revolving funds operated locally with donor support, or newly created member owned revolving funds building on the Non Bank Financing Organization (NBFO) model</p> | <p>new products, packaging and marketing to meet outside markets</p> <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. • 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. <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 |

¹¹ To preclude the tax authorities from freezing accounts without obtaining a prior court order, the Tax Code was amended accordingly during 2001-02.

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
|---------------------------------------|--|--|
| <p>5. <u>Institutional Reform</u></p> | <p>developed under the World Bank financed Farm Privatization Support Project. The regulatory framework of these NBFOs still needs to be clarified with respect to the prudential requirements.</p> <p>Reforms to restructure government institutions are progress but very slow.</p> <ul style="list-style-type: none"> • Public sector Input supply agencies cease 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 continues 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. | <p>public agricultural administration to the needs of a market economy.</p> <ul style="list-style-type: none"> • 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. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
|-------|--|---|
| | <ul style="list-style-type: none"> • Agricultural Research, Extension and Education systems have not yet developed to serve the emerging private farmers and privatized farms continue to adopt old farming technology, Research scientists of Academy of Agricultural Sciences are not exposed to Global Scientific Advancement and access to information on modern production technology is limited. • Institutional Information system and research support required to promote a market-based agriculture is not in place. | <ul style="list-style-type: none"> • 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 Jamoat, Raions, Oblasts and State level. |

UZBEKISTAN 2004

| | | | | | |
|-------------------------|--------------|-----------------------|-------|-------------------------------------|--------|
| <u>Total Population</u> | 26.1 mil | Food and agriculture | | Agricultural output in 2004 as | |
| Rural Population | 63% | in GDP 2004 | 26,8% | percentage of 2003 level | 110.1% |
| Total Area | 44.4 mil. ha | Food and agriculture | | Crop production | 126.4% |
| Agriculture area: | 25.8 mil. ha | in active labor force | 35.9% | Livestock production | 106.6% |
| Arable land | 3.7 mil. ha | (2004) | | Share of livestock in agriculture | 49.8% |
| Orchards, | 0.3 mil. ha | Food and agriculture | | (2004) | |
| vineyards | 21.4 mil. ha | in export (2004) | 39.9% | Agricultural area in private use | 57.3% |
| Pasture & Forest | 4.2 mil. ha | in import (2004) | 12.9% | (2004) | |
| Irrigated | | Second largest | | Share of household plots and | |
| | | exporter of cotton | | private farms in total agricultural | |
| | | lint. | | output (2004) | 80.1% |

| ISSUES | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
|--|--|--|
| 1. <u>Macro-economic Framework for Agriculture</u> | In theory the Government is committed to restructure the agricultural sector towards market economy, but actual reforms are proceeding with an extremely low pace. | Reduction of distortions to increase the agricultural sector efficiency. |
| A. Production controls | <ul style="list-style-type: none"> • The state order system has been replaced by a state procurement system. In theory obligatory sales to the state should not exceed 50% of actual production of cotton and grain. This does not apply in practice to cotton, which is the most distorted sub-sector. • Production and domestic market of most other crops and livestock products has been liberalized. | <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. |
| B. Prices/Subsidies | <ul style="list-style-type: none"> • Cotton heavy taxing levels remains, with strong implicit taxes, even after accounting for the strong subsidies. • Tax levels of other agricultural products are similar to those of other sectors. • Subsidies remains in water supply, subsidized interest rates, and highly discretionary debt write-offs. | <ul style="list-style-type: none"> • Reduce tax both taxes and subsidies, particularly on cotton, should be reduced to reduce distortions. Net transfer from cotton should also gradually reduce. Higher land tax and improved water pricing would be an alternative source of state revenue which create an incentive to increase production and efficiency. • Reduce implicit taxes hidden in low cotton state procurement prices. |
| C. Trade Policies | <ul style="list-style-type: none"> • Both international and domestic trade restrictions are in practice applied and reduce sector's efficiency. • Traditional international markets for cotton maintained, but limited 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"> • Reduce formal trade restriction (export licenses, etc.) • Gradually reduce informal trade restrictions. Reduce border controls and facilitate exports. • 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 |
|---|---|--|
| <p>2. <u>Land Reform and Farm Restructuring</u></p> | <p>Government committed to state farm restructuring and privatization.</p> <ul style="list-style-type: none"> • The pace of reform of cooperative farms (shirkats) has increased significantly in 2004. However this reform fall short of a full privatization. Land use rights of new individual farmers can be revoked if the production targets for strategic crops (cotton and wheat) are not achieved. Nonetheless these land use rights are positively affecting farmers' behavior, increasing their profitability even though not necessarily their production. • The reform process will cause increase of rural unemployment. • The reform process lacks transparency and equity. Some cases of mismanagement of the reform process are reported to have caused conflicts. | <p>Implement an equitable and transparent process of reform of cooperative farms (shirkats)</p> <ul style="list-style-type: none"> • 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. • Closely monitor the reform process and allow the possibility for a fair process of review with checks and possibility of appealing decisions. • Evaluate different options for safety nets to cushion the effects of increased unemployment. This could comprise the option of using household plots as a safety net. • Build the foundations for a farming system based on private ownership or long-term leases with irrevocable rights to inherit, pledge and sub-lease |
| <p>3. <u>Competitive Agro-Processing and Services for Agriculture</u></p> | <p>Limited progress in the plans 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 of the cotton ginning and oilseeds processing sub-sectors, but the remaining areas of agro-industry are being privatized at an accelerated rate. Extremely low ginning outturn (around 33% in average) is a clear evidence of the low efficiency of cotton processing. • The water law has been revised and more than 200 water users associations achieved a legal status. • Despite deregulation, inputs distribution remain effectively under monopoly control. | <p>Efficient, privately owned agrobusiness firms subject to market forces. Easy access of new foreign and domestic operators.</p> <ul style="list-style-type: none"> • Implement long discussed plans to privatize cotton ginneries. • Develop a multi-year plan to introduce higher irrigation water tariffs to increase cost recovery of the O&M costs of irrigation and drainage. • Introduce measures for disaggregating monopoly input suppliers and start their gradual privatization. |

| ISSUES | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
|-----------------------------------|---|--|
| 4. <u>Rural Finance</u> | <p>Government effort to reorganize financial services on commercial lines are not producing concrete results.</p> <ul style="list-style-type: none"> • Plans to pass management of operational credit to cotton producers from ginners to commercial banks. But subsidies will remain. • Some private banks (e.g., Hamkorbank) are increasing their actives in rural areas. | <p>Improve efficiency of the financial sector to serve agriculture.</p> <ul style="list-style-type: none"> • Decouple provision of state subsidized credit from requirement to sell products to the state. • Encourage credit associations and rural micro-finance. • 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. • Facilitate access to cash. |
| 5. <u>Institutional Framework</u> | <p>The ministry of agriculture and water resources is mostly dedicated to implement policies designed by others rather than develop new policies on the basis of evaluation of existing ones.</p> <ul style="list-style-type: none"> • Agriculture and water resources were reorganized under the single Ministry of Agriculture and Water Resources (MAWR). • The reform of cooperative farms (shirkat) will create difficulties to collect data. New individual farmers will not have incentives to regularly provide information as shirkats have been doing. | <p>Improve efficiency of public sector administration.</p> <ul style="list-style-type: none"> • Focus public services on policy formulation, demand driven research, information dissemination, monitoring and evaluation. • Develop a permanent system of data collection and analysis to improve evaluation of existing policies. • Improve business environment, comprising access to cash, to facilitate the process of privatization. |

BELARUS 2004

| | | | | | |
|-------------------------|------------|---|-------|---|-------|
| <u>Total Population</u> | 9.85 m | Agriculture and Forestry in GDP | 8.3% | Agricultural output in 2003 as percentage of 1990 level | 78.2% |
| Rural Population | 28.5 % | Agriculture and Forestry in active labor | 11.9% | Livestock production in 2003 as percentage of 1990 level | 58.8% |
| <u>Total Area</u> | 20.76 m ha | Food and agriculture in exports | 8.6% | Share of livestock in agriculture | 42.5% |
| Agriculture area: | 9.1 m ha | in imports | 12.3% | Share of private land in total agricultural land [^] | 17% |
| Arable land | 61.1% | | | Share of private farms in total agricultural land | 1.6% |
| Orchards | 1.3% | | | Share of private sector in total agricultural output [^] | 46.6% |
| Pastures/meadow | 36.2% | | | | |
| Forested | 43.2% | Traditionally net exporter of livestock products, potatoes, and flax. | | | |

Note: All data are as of the end-2003, unless otherwise is stated. [^]Refer to households' plots and private farms.

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
|--|---|---|
| 1. <u>Macro-economic Framework for Agriculture</u> | Agricultural markets are under Government control. | Competitive and functioning agricultural markets without Government intervention. |
| A. Prices/Subsidies | <ul style="list-style-type: none"> • Some progress was made in agri-food sector reform in early 1990s. The pace of reforms stalled in 1996 and then has shown some improvements again after 2000. Macro-economic stabilization, open trade regime and liberalization of foreign exchange markets have substantially contributed to the improved terms of trade for agricultural producers. Despite these recent reforms, land, labor and capital productivity in agriculture remains low and the state continues to dominate agri-food sector. • Starting with 2002, the share of state purchases was substantially reduced (from more than 50% in 1998 to 11.6% in 2002), but remains exceptionally high for certain products. Thus, in 2003, the share of state orders was 100% for flax fiber, 95% for sugar beet, 77% for rapeseed. | <ul style="list-style-type: none"> • To liberalize all food prices and abolish processor, wholesaler and retailing margins. • Initiate the program of farm restructuring and accelerate privatization of agro-possessing enterprises. • Reduce agriculture subsidies and modernize the support to agriculture and rural areas. • Private upstream sector. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
|---|---|---|
| <p>A. Prices/Subsidies <i>(continued)</i></p> | <ul style="list-style-type: none"> • Producer prices for major plant growing products, have been largely liberalized since 2002, however price and retail margins continue to be fixed by the state for a certain number of “socially important” commodities. Input price subsidies have been reduced, but some very serious price distortions remain. • On a per hectare basis, Belarus has the highest level of agricultural subsidies (in excess of US\$100 per hectare). Following WTO accession negotiations, the level of market distorting subsidies has been limited to about US\$504m annually. In this connection, the Government’s recent program on “The revival and development of rural areas”, displaces the emphasis from the state support to production to development of rural infrastructure, investment in human resources and technical modernization. | |
| <p>B. Trade Policies</p> | <ul style="list-style-type: none"> • Minimum export price are applied to selected food products (pork, beef, dry milk, hides and skins, linen). • Tariff measures – export and import duties are low in general (about 10% on average) as defined by the Government resolution (from June 28, 2002 with further amendments) and Belarus enjoys an open trade regime with Russia. • The share of the private sector in retail trade is continuously increasing and now dominates retail turnover. However, the state continues to maintain the leading share in the wholesaling of agricultural products. • In early 2005, Belarus has successfully completed the negotiated on WTO membership. • In 2005, following a change in VAT legislation in Russia, Belarus has adapted its taxation system; effectively extending its extensive regulation of trading margins to the vast majority of private retail and whole sale traders. | <ul style="list-style-type: none"> • Eliminate minimum export price requirements. • Stimulate the development of private wholesale markets. • Privatize trading enterprises. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
|--|---|--|
| C. Taxation | <ul style="list-style-type: none"> • Previously high levels of implicit taxation of agricultural producers has been gradually eliminated since 2001-2002, however when coupled with maximum retail prices and trading margins that remained unchanged are now taxing agro-processors. • Overall tax on agricultural wages is 30.5%, less compared to other sectors (36%). • Land cadastre for Belarus was completed in 2000. By the Law of Republic of Belarus from January 4, 2003 “On amendments and additions to the Law on payments for land”, tax rates on agricultural land are defined depending on the grade according to the land cadastre and are to be adjusted annually in line with inflation. | <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. |
| 2. <u>Land Reform and Farm Restructuring</u> | <p>Land reform and farm restructuring are still at a very early stage.</p> <ul style="list-style-type: none"> • Most of agricultural land remains in state ownership. • As of February 1, 2004, 1767 agricultural enterprises have been transformed. Out of total number of transformed enterprises, 12% were joined to other enterprises, 1.2% were taken into lease by private farms and the rest were transformed into other legal entities (see above). This transformation of kolkhozes and sovkhozes is taking place without substantially changing their mode of operation, however with an important exception of the transfer of social infrastructure to the local governments and reduction in the number of farm management personnel. Further reforms are planned under “The Program for revival and development of rural areas” which foresees several experiments with flexible land lease arrangements and provision of greater financial incentives for managers and farm workers. • 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 2503 by the beginning of 2004. Only 1% of arable land belongs to farms. | <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. • Develop mortgage procedures for land, other real estate, and moveable assets. The mortgage law should allow lessees to mortgage their leasehold interest. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
|---|---|---|
| <p>2. <u>Land Reform and Farm Restructuring</u> (continued)</p> | <ul style="list-style-type: none"> • Housing and household land - 11.4% of total agricultural land - was given for full private ownership. • At the same time, Belarus has a very modern land and immovable property cadastre system and the new version of the Land Code is expected to be approved in 2005. The new Land Code will allow for stronger land use rights as well as introduce a novel concept of the private property for agricultural land. | |
| <p>3. <u>Competitive Agro processing 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 sub sectors are still owned and operated by the state-owned companies or by the local municipality. • The privatization of agro processing and input supply industries is at a standstill. As of end-2003, only about one third of total number of republican properties of these sectors had been transformed (corporatized). • On communal level, by end-2003 about 90% of agri-processing enterprises had been transformed (mostly, corporatized and some – privatized), over 60% of input supply enterprises had been transformed (practically exclusively by corporatization). • There is minimal foreign participation in the process of privatization, precluding an important source of funding for much needed technical renovation and modernization of production. | <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 agro processing and input supply. • Demonopolize state corporations (associations) and privatize them individually by plant or unit. • Adopt anti-monopoly legislation. • Facilitate foreign investment by implementing foreign investment laws. |
| <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 agro-processing have serious liquidity crises and rely on Government credit and soft credit from the banking system. • Agricultural and agro-processing enterprises receive direct budget financing from central and local budgets as well as from targeted fund for support of agricultural producers, food and agricultural science. • The effective private agricultural banking system is absent. | <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 credit unions. • Restructure Belagroprombank. • Phase-out subsidized credits to agricultural producers. • Switch the emphasis of financial support of agriculture from “red” and “yellow” measures to “green measures”. |

TURKMENISTAN 2004

| | | | | | |
|-------------------------|--------------|---|-----|--|-----|
| <u>Total Population</u> | 6.3 mil | Food and agriculture in GDP (2004) | 20% | Agricultural output in 2002 as percentage of 1989-91 levels | 91% |
| Rural Population | 55 % | Food and agriculture in active labor force (2004) | 55% | Share of livestock in agriculture (2002) | 63% |
| <u>Total Area</u> | 49.1 mil ha. | | | Arable land in private use (2002 - household plots and private farms) | 8% |
| Agriculture area: | 40.2 mil ha. | Food and agriculture in export (2002) | 4% | | |
| Arable land | 4% | in import (2002) | 8% | | |
| Pasture and Meadows | 96% | | | | |
| Forested | 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 (2002) | 80% |
| | | | | Agricultural area under family lease (2002) | 86% |

| 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 50% of grains and 100% for 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 (about 10% 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. • Since 2002 crop year the mandatory state purchases of grains (wheat and rice) have been reduced to 50% of the planned production, with the leaseholders being allowed to trade the output domestically freely. Cotton which is still subject to 100% procurement by the state, although starting from the crop of 2002 the producers are allowed to retain the seeds and other by-products of raw cotton processing. The prices paid by the state for these commodities however remain much lower than their corresponding border values. • Material 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 private (“daihan”) 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 and reduce state orders by 75% over the medium term. • Phase out input subsidies and stimulate procurement and distribution of inputs by private sector operators. • Develop a multi-year plan to introduce higher irrigation water tariffs towards cost recovery levels of the O & M costs of irrigation and drainage over the medium and long-term. |
| 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. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
|---|--|---|
| 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. |
| 2. <u>Land Reform and Farm Restructuring</u> | <p>Land Reform is Making Progress</p> <ul style="list-style-type: none"> • A new Land Code came into affect in 2004 allowing for private property of up to 3 Hectares to a land lessee that has shown a satisfactory performance over 10 year period. • Roughly 85% of land in peasant associations allocated to households via leaseholds (10 to 15 years duration). No current plans for farm privatization. • About 8% of land in individual private farms with the majority of them holding property lands over the land. • Leaseholds convertible to ownership upon successful performance for two years. • Since independence the arable land holdings of the households have been increased by 50%. | <p>Accelerate the Pace of Land Reform and Private Farmer Support.</p> <ul style="list-style-type: none"> • Develop a program of privatization/transformation of peasant associations into private “daihan” 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. |

| ISSUE | STATUS OF REFORMS | OBJECTIVES/PROPOSED ACTIONS |
|-----------------------------------|--|---|
| 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. |

C. STATISTICAL ANNEX

| | |
|----------------------|--|
| Caucasus | Armenia, Azerbaijan, Georgia |
| Central Asia | Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan |
| Euro CIS | Belarus, Moldova, Russia, Ukraine |
| New EU Members (8) | Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia |
| EU Accession (2) | Bulgaria, Romania |
| Other Central Europe | Albania, Bosnia, Croatia, Macedonia, Yugoslavia |
| Turkey | Turkey |

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

Table 1: Cereals

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total ECA (CEE+CIS+Turkey) | 142.26 | 135.67 | 124.60 | 109.51 | 114.20 | 119.42 | 107.83 | 114.51 |
| Total CEE + CIS | 128.53 | 121.54 | 110.66 | 95.44 | 100.24 | 105.64 | 94.03 | 100.52 |
| Total CEE | 27.60 | 28.79 | 27.05 | 27.98 | 26.82 | 26.87 | 25.02 | 27.35 |
| Total CIS | 100.93 | 92.75 | 83.61 | 67.46 | 73.42 | 78.78 | 69.00 | 73.17 |
| New EU Members (8) | 15.87 | 16.07 | 15.88 | 16.27 | 15.89 | 15.34 | 14.96 | 15.82 |
| EU Accession (2) | 8.00 | 8.86 | 7.63 | 7.85 | 7.43 | 8.03 | 6.71 | 7.57 |
| Other CEE | 3.72 | 3.86 | 3.54 | 3.86 | 3.50 | 3.50 | 3.35 | 3.96 |
| Euro CIS | 75.34 | 69.39 | 63.67 | 51.55 | 56.63 | 60.16 | 50.25 | 55.78 |
| Caucasus | 1.04 | 1.02 | 1.06 | 1.15 | 1.14 | 1.36 | 1.31 | 1.32 |
| Central Asia | 24.55 | 22.33 | 18.88 | 14.76 | 15.66 | 17.26 | 17.44 | 16.07 |
| Turkey | 13.73 | 14.13 | 13.94 | 14.07 | 13.95 | 13.78 | 13.81 | 14.00 |
| World | 709.22 | 695.55 | 704.21 | 680.60 | 674.19 | 662.67 | 672.79 | 681.24 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|------|------|------|------|------|------|------|------|
| Total ECA (CEE+CIS+Turkey) | 2.03 | 1.88 | 1.83 | 2.00 | 1.92 | 2.35 | 2.06 | 2.54 |
| Total CEE + CIS | 2.02 | 1.88 | 1.79 | 1.95 | 1.86 | 2.36 | 2.03 | 2.56 |
| Total CEE | 2.71 | 2.98 | 2.99 | 3.23 | 2.65 | 3.31 | 2.85 | 3.87 |
| Total CIS | 1.83 | 1.53 | 1.41 | 1.41 | 1.57 | 2.04 | 1.74 | 2.07 |
| New EU Members (8) | 2.81 | 2.99 | 3.23 | 3.39 | 2.88 | 3.47 | 3.00 | 3.91 |
| EU Accession (2) | 2.36 | 2.78 | 2.31 | 2.65 | 2.02 | 2.63 | 2.50 | 3.82 |
| Other CEE | 3.09 | 3.41 | 3.37 | 3.75 | 2.92 | 4.12 | 2.87 | 3.81 |
| Euro CIS | 1.97 | 1.72 | 1.55 | 1.54 | 1.67 | 2.18 | 1.83 | 2.26 |
| Caucasus | 2.04 | 1.69 | 1.85 | 1.62 | 1.88 | 2.36 | 2.32 | 2.39 |
| Central Asia | 1.40 | 0.95 | 0.91 | 0.94 | 1.20 | 1.52 | 1.44 | 1.40 |
| Turkey | 2.12 | 1.91 | 2.11 | 2.36 | 2.31 | 2.24 | 2.23 | 2.43 |
| World | 2.78 | 2.81 | 2.94 | 3.06 | 3.06 | 3.06 | 3.09 | 3.31 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| Total ECA (CEE+CIS+Turkey) | 289.03 | 255.08 | 227.85 | 219.00 | 218.80 | 280.12 | 221.93 | 291.29 |
| Total CEE + CIS | 259.87 | 228.06 | 198.51 | 185.81 | 186.55 | 249.30 | 191.13 | 257.33 |
| Total CEE | 74.92 | 85.85 | 80.86 | 90.47 | 71.05 | 88.82 | 71.25 | 105.85 |
| Total CIS | 184.95 | 142.21 | 117.65 | 95.34 | 115.51 | 160.49 | 119.88 | 151.48 |
| New EU Members (8) | 44.54 | 48.08 | 51.31 | 55.17 | 45.83 | 53.27 | 44.87 | 61.85 |
| EU Accession (2) | 18.88 | 24.63 | 17.60 | 20.83 | 15.00 | 21.12 | 16.77 | 28.92 |
| Other CEE | 11.51 | 13.15 | 11.95 | 14.47 | 10.22 | 14.43 | 9.61 | 15.08 |
| Euro CIS | 148.38 | 119.18 | 98.50 | 79.59 | 94.60 | 131.09 | 91.76 | 125.88 |
| Caucasus | 2.13 | 1.73 | 1.96 | 1.86 | 2.14 | 3.21 | 3.05 | 3.16 |
| Central Asia | 34.44 | 21.31 | 17.19 | 13.90 | 18.76 | 26.18 | 25.08 | 22.43 |
| Turkey | 29.16 | 27.01 | 29.34 | 33.19 | 32.25 | 30.82 | 30.80 | 33.97 |
| World | 1,973.32 | 1,956.68 | 2,072.11 | 2,083.96 | 2,059.76 | 2,028.94 | 2,079.28 | 2,252.02 |

Table 2: Wheat

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total ECA (CEE+CIS+Turkey) | 64.62 | 61.67 | 62.22 | 58.58 | 60.12 | 66.81 | 55.93 | 62.09 |
| Total CEE + CIS | 55.15 | 51.87 | 52.87 | 49.18 | 50.72 | 57.51 | 46.53 | 52.69 |
| Total CEE | 8.60 | 10.38 | 9.29 | 10.30 | 9.80 | 10.10 | 8.32 | 10.22 |
| Total CIS | 46.55 | 41.49 | 43.58 | 38.88 | 40.91 | 47.42 | 38.21 | 42.47 |
| New EU Members (8) | 4.87 | 5.16 | 5.47 | 5.77 | 5.67 | 5.37 | 4.98 | 5.64 |
| EU Accession (2) | 2.57 | 3.73 | 2.74 | 3.14 | 2.91 | 3.52 | 2.25 | 3.17 |
| Other CEE | 1.16 | 1.49 | 1.08 | 1.40 | 1.23 | 1.21 | 1.09 | 1.41 |
| Euro CIS | 30.97 | 27.07 | 29.09 | 26.22 | 27.33 | 32.05 | 22.99 | 28.36 |
| Caucasus | 0.61 | 0.61 | 0.62 | 0.77 | 0.69 | 0.89 | 0.83 | 0.84 |
| Central Asia | 14.98 | 13.81 | 13.87 | 11.89 | 12.89 | 14.48 | 14.38 | 13.27 |
| Turkey | 9.47 | 9.80 | 9.35 | 9.40 | 9.40 | 9.30 | 9.40 | 9.40 |
| World | 222.43 | 215.16 | 226.86 | 220.12 | 215.39 | 213.77 | 208.53 | 217.56 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|------|------|------|------|------|------|------|------|
| Total ECA (CEE+CIS+Turkey) | 2.10 | 1.81 | 1.75 | 1.92 | 1.91 | 2.24 | 1.84 | 2.34 |
| Total CEE + CIS | 2.11 | 1.81 | 1.71 | 1.86 | 1.85 | 2.27 | 1.81 | 2.36 |
| Total CEE | 3.22 | 3.31 | 2.95 | 3.42 | 3.14 | 3.30 | 2.82 | 3.87 |
| Total CIS | 1.90 | 1.44 | 1.45 | 1.44 | 1.54 | 2.05 | 1.59 | 2.00 |
| New EU Members (8) | 3.57 | 3.76 | 3.56 | 3.77 | 3.44 | 3.86 | 3.27 | 4.25 |
| EU Accession (2) | 2.59 | 2.65 | 1.81 | 2.67 | 2.48 | 2.43 | 1.99 | 3.48 |
| Other CEE | 3.14 | 3.41 | 2.73 | 3.62 | 3.32 | 3.35 | 2.43 | 3.20 |
| Euro CIS | 2.16 | 1.73 | 1.71 | 1.67 | 1.70 | 2.29 | 1.68 | 2.27 |
| Caucasus | 2.10 | 1.62 | 1.71 | 1.58 | 2.07 | 2.46 | 2.35 | 2.65 |
| Central Asia | 1.37 | 0.86 | 0.88 | 0.94 | 1.18 | 1.49 | 1.41 | 1.36 |
| Turkey | 2.04 | 1.79 | 1.98 | 2.24 | 2.23 | 2.10 | 2.02 | 2.23 |
| World | 2.54 | 2.45 | 2.58 | 2.70 | 2.72 | 2.68 | 2.67 | 2.87 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total ECA (CEE+CIS+Turkey) | 135.66 | 111.59 | 109.03 | 112.27 | 114.76 | 149.86 | 103.18 | 145.32 |
| Total CEE + CIS | 116.35 | 94.07 | 90.51 | 91.25 | 93.76 | 130.36 | 84.18 | 124.32 |
| Total CEE | 27.66 | 34.34 | 27.36 | 35.22 | 30.79 | 33.31 | 23.43 | 39.51 |
| Total CIS | 88.68 | 59.73 | 63.15 | 56.04 | 62.97 | 97.05 | 60.75 | 84.82 |
| New EU Members (8) | 17.37 | 19.38 | 19.46 | 21.77 | 19.51 | 20.70 | 16.30 | 23.97 |
| EU Accession (2) | 6.65 | 9.89 | 4.95 | 8.39 | 7.22 | 8.54 | 4.48 | 11.03 |
| Other CEE | 3.65 | 5.07 | 2.95 | 5.06 | 4.06 | 4.07 | 2.64 | 4.50 |
| Euro CIS | 66.93 | 46.87 | 49.85 | 43.69 | 46.35 | 73.30 | 38.55 | 64.50 |
| Caucasus | 1.28 | 0.98 | 1.07 | 1.21 | 1.42 | 2.18 | 1.96 | 2.24 |
| Central Asia | 20.48 | 11.88 | 12.24 | 11.14 | 15.20 | 21.57 | 20.25 | 18.08 |
| Turkey | 19.32 | 17.51 | 18.52 | 21.01 | 21.01 | 19.50 | 19.00 | 21.00 |
| World | 565.13 | 527.09 | 585.14 | 593.36 | 585.33 | 573.97 | 557.50 | 624.09 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total ECA (CEE+CIS+Turkey) | 76.93 | 73.41 | 61.80 | 50.43 | 53.51 | 52.19 | 51.40 | 51.94 |
| Total CEE + CIS | 72.72 | 69.12 | 57.27 | 45.82 | 49.02 | 47.78 | 47.06 | 47.42 |
| Total CEE | 18.97 | 18.40 | 17.75 | 17.66 | 17.00 | 16.76 | 16.69 | 17.12 |
| Total CIS | 53.75 | 50.72 | 39.53 | 28.16 | 32.01 | 31.02 | 30.37 | 30.30 |
| New EU Members (8) | 11.00 | 10.91 | 10.41 | 10.50 | 10.21 | 9.97 | 9.98 | 10.18 |
| EU Accession (2) | 5.41 | 5.12 | 4.88 | 4.71 | 4.52 | 4.51 | 4.46 | 4.39 |
| Other CEE | 2.55 | 2.37 | 2.46 | 2.45 | 2.27 | 2.29 | 2.26 | 2.55 |
| Euro CIS | 44.08 | 42.11 | 34.40 | 25.17 | 29.10 | 27.96 | 27.09 | 27.24 |
| Caucasus | 0.43 | 0.42 | 0.43 | 0.38 | 0.45 | 0.47 | 0.48 | 0.48 |
| Central Asia | 9.24 | 8.19 | 4.69 | 2.61 | 2.47 | 2.59 | 2.80 | 2.58 |
| Turkey | 4.21 | 4.29 | 4.53 | 4.61 | 4.50 | 4.42 | 4.34 | 4.52 |
| World | 339.51 | 333.22 | 327.16 | 308.79 | 304.68 | 301.33 | 312.02 | 310.42 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|------|------|------|------|------|------|------|------|
| Total ECA (CEE+CIS+Turkey) | 1.96 | 1.93 | 1.90 | 2.09 | 1.91 | 2.47 | 2.28 | 2.77 |
| Total CEE + CIS | 1.95 | 1.92 | 1.86 | 2.04 | 1.87 | 2.47 | 2.25 | 2.77 |
| Total CEE | 2.49 | 2.80 | 3.01 | 3.13 | 2.36 | 3.31 | 2.86 | 3.87 |
| Total CIS | 1.75 | 1.60 | 1.35 | 1.36 | 1.60 | 2.01 | 1.91 | 2.15 |
| New EU Members (8) | 2.47 | 2.63 | 3.06 | 3.18 | 2.58 | 3.27 | 2.86 | 3.72 |
| EU Accession (2) | 2.25 | 2.87 | 2.59 | 2.64 | 1.72 | 2.79 | 2.75 | 4.07 |
| Other CEE | 3.06 | 3.41 | 3.65 | 3.83 | 2.70 | 4.53 | 3.08 | 4.14 |
| Euro CIS | 1.83 | 1.70 | 1.40 | 1.41 | 1.64 | 2.05 | 1.94 | 2.23 |
| Caucasus | 1.96 | 1.79 | 2.04 | 1.68 | 1.56 | 2.16 | 2.26 | 1.90 |
| Central Asia | 1.39 | 1.04 | 0.90 | 0.81 | 1.24 | 1.58 | 1.48 | 1.37 |
| Turkey | 2.28 | 2.17 | 2.33 | 2.58 | 2.42 | 2.48 | 2.63 | 2.78 |
| World | 2.59 | 2.67 | 2.81 | 2.95 | 2.87 | 2.93 | 3.00 | 3.28 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|----------|
| Total ECA (CEE+CIS+Turkey) | 151.10 | 141.75 | 117.25 | 105.24 | 102.44 | 128.76 | 117.10 | 144.05 |
| Total CEE + CIS | 141.48 | 132.45 | 106.70 | 93.38 | 91.55 | 117.80 | 105.68 | 131.49 |
| Total CEE | 47.15 | 51.48 | 53.44 | 55.21 | 40.21 | 55.47 | 47.78 | 66.30 |
| Total CIS | 94.33 | 80.98 | 53.27 | 38.17 | 51.34 | 62.32 | 57.90 | 65.18 |
| New EU Members (8) | 27.16 | 28.69 | 31.84 | 33.39 | 26.31 | 32.56 | 28.55 | 37.87 |
| EU Accession (2) | 12.18 | 14.72 | 12.63 | 12.43 | 7.76 | 12.56 | 12.27 | 17.87 |
| Other CEE | 7.82 | 8.07 | 8.97 | 9.39 | 6.14 | 10.35 | 6.95 | 10.56 |
| Euro CIS | 80.61 | 71.70 | 48.18 | 35.42 | 47.58 | 57.23 | 52.68 | 60.73 |
| Caucasus | 0.85 | 0.75 | 0.89 | 0.64 | 0.70 | 1.01 | 1.07 | 0.91 |
| Central Asia | 12.87 | 8.53 | 4.20 | 2.11 | 3.07 | 4.08 | 4.15 | 3.54 |
| Turkey | 9.62 | 9.30 | 10.55 | 11.86 | 10.89 | 10.96 | 11.43 | 12.57 |
| World | 879.93 | 890.93 | 917.93 | 911.10 | 875.44 | 883.90 | 935.53 | 1,019.43 |

Table 4: Maize

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total ECA (CEE+CIS+Turkey) | 10.75 | 9.32 | 9.70 | 9.65 | 10.43 | 10.02 | 11.33 | 11.30 |
| Total CEE + CIS | 10.23 | 8.84 | 9.15 | 9.10 | 9.87 | 9.52 | 10.76 | 10.60 |
| Total CEE | 7.61 | 6.96 | 7.14 | 6.90 | 6.99 | 6.87 | 7.10 | 7.36 |
| Total CIS | 2.62 | 1.88 | 2.01 | 2.20 | 2.88 | 2.65 | 3.65 | 3.24 |
| New EU Members (8) | 1.51 | 1.49 | 1.33 | 1.30 | 1.59 | 1.78 | 1.68 | 1.89 |
| EU Accession (2) | 3.96 | 3.48 | 3.75 | 3.56 | 3.52 | 3.20 | 3.53 | 3.38 |
| Other CEE | 2.15 | 1.99 | 2.05 | 2.04 | 1.89 | 1.89 | 1.89 | 2.10 |
| Euro CIS | 2.19 | 1.46 | 1.65 | 1.81 | 2.45 | 2.19 | 3.20 | 2.80 |
| Caucasus | 0.10 | 0.14 | 0.16 | 0.22 | 0.22 | 0.23 | 0.23 | 0.22 |
| Central Asia | 0.33 | 0.28 | 0.20 | 0.17 | 0.20 | 0.23 | 0.22 | 0.22 |
| Turkey | 0.52 | 0.49 | 0.55 | 0.55 | 0.56 | 0.50 | 0.58 | 0.70 |
| World | 137.03 | 138.33 | 139.89 | 139.04 | 138.44 | 138.42 | 143.39 | 145.14 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|------|------|------|------|------|------|------|------|
| Total ECA (CEE+CIS+Turkey) | 2.83 | 3.21 | 3.44 | 3.50 | 2.67 | 3.94 | 3.50 | 4.58 |
| Total CEE + CIS | 2.76 | 3.17 | 3.43 | 3.46 | 2.59 | 3.93 | 3.43 | 4.60 |
| Total CEE | 2.78 | 3.42 | 3.70 | 3.78 | 2.56 | 4.20 | 3.48 | 4.95 |
| Total CIS | 2.70 | 2.25 | 2.50 | 2.45 | 2.65 | 3.22 | 3.33 | 3.80 |
| New EU Members (8) | 3.72 | 3.95 | 5.67 | 6.00 | 4.37 | 5.52 | 4.58 | 6.53 |
| EU Accession (2) | 2.17 | 3.09 | 2.84 | 2.79 | 1.62 | 3.03 | 3.04 | 4.34 |
| Other CEE | 3.24 | 3.62 | 3.99 | 4.09 | 2.80 | 4.94 | 3.32 | 4.52 |
| Euro CIS | 2.56 | 2.10 | 2.40 | 2.41 | 2.62 | 3.18 | 3.26 | 3.78 |
| Caucasus | 2.48 | 2.52 | 3.28 | 2.09 | 1.86 | 2.37 | 2.74 | 2.48 |
| Central Asia | 3.72 | 2.92 | 2.69 | 3.25 | 3.74 | 4.45 | 4.85 | 5.34 |
| Turkey | 4.24 | 3.81 | 3.64 | 4.18 | 4.14 | 4.20 | 4.87 | 4.29 |
| World | 3.89 | 4.11 | 4.21 | 4.43 | 4.28 | 4.35 | 4.46 | 4.86 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total ECA (CEE+CIS+Turkey) | 30.44 | 29.90 | 33.42 | 33.75 | 27.84 | 39.48 | 39.66 | 51.77 |
| Total CEE + CIS | 28.21 | 28.05 | 31.42 | 31.45 | 25.54 | 37.38 | 36.86 | 48.77 |
| Total CEE | 21.14 | 23.81 | 26.40 | 26.07 | 17.93 | 28.85 | 24.71 | 36.46 |
| Total CIS | 7.08 | 4.23 | 5.02 | 5.38 | 7.61 | 8.53 | 12.15 | 12.32 |
| New EU Members (8) | 5.60 | 5.89 | 7.55 | 7.81 | 6.93 | 9.82 | 7.70 | 12.35 |
| EU Accession (2) | 8.57 | 10.73 | 10.65 | 9.93 | 5.70 | 9.69 | 10.74 | 14.63 |
| Other CEE | 6.97 | 7.20 | 8.20 | 8.33 | 5.30 | 9.34 | 6.28 | 9.48 |
| Euro CIS | 5.62 | 3.06 | 3.97 | 4.37 | 6.44 | 6.97 | 10.44 | 10.59 |
| Caucasus | 0.25 | 0.36 | 0.51 | 0.45 | 0.41 | 0.54 | 0.62 | 0.55 |
| Central Asia | 1.21 | 0.81 | 0.55 | 0.56 | 0.77 | 1.02 | 1.09 | 1.18 |
| Turkey | 2.23 | 1.85 | 2.00 | 2.30 | 2.30 | 2.10 | 2.80 | 3.00 |
| World | 533.57 | 569.22 | 589.15 | 615.51 | 592.48 | 601.99 | 640.06 | 705.29 |

Table 5: Oil Crops

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total ECA (CEE+CIS+Turkey) | 14.88 | 14.24 | 15.86 | 16.15 | 17.27 | 16.65 | 20.27 | 19.12 |
| Total CEE + CIS | 12.92 | 12.35 | 13.84 | 14.06 | 15.36 | 14.64 | 18.30 | 17.08 |
| Total CEE | 3.05 | 2.81 | 3.33 | 3.70 | 3.67 | 3.76 | 4.37 | 4.41 |
| Total CIS | 9.86 | 9.54 | 10.51 | 10.36 | 11.69 | 10.87 | 13.93 | 12.67 |
| New EU Members (8) | 1.26 | 1.25 | 1.34 | 1.58 | 1.59 | 1.78 | 1.85 | 2.07 |
| EU Accession (2) | 1.35 | 1.20 | 1.56 | 1.72 | 1.62 | 1.57 | 2.02 | 1.80 |
| Other CEE | 0.44 | 0.36 | 0.43 | 0.40 | 0.46 | 0.41 | 0.50 | 0.54 |
| Euro CIS | 6.48 | 6.27 | 7.38 | 7.25 | 8.65 | 7.82 | 10.48 | 9.50 |
| Caucasus | 0.25 | 0.24 | 0.25 | 0.21 | 0.12 | 0.11 | 0.13 | 0.14 |
| Central Asia | 3.13 | 3.03 | 2.88 | 2.89 | 2.91 | 2.95 | 3.32 | 3.03 |
| Turkey | 1.97 | 1.89 | 2.02 | 2.09 | 1.91 | 2.01 | 1.97 | 2.04 |
| World | 188.23 | 199.37 | 203.42 | 216.96 | 222.15 | 219.48 | 234.21 | 246.83 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|------|------|------|------|------|------|------|------|
| Total ECA (CEE+CIS+Turkey) | 0.38 | 0.36 | 0.36 | 0.38 | 0.40 | 0.43 | 0.40 | 0.45 |
| Total CEE + CIS | 0.38 | 0.35 | 0.34 | 0.36 | 0.38 | 0.42 | 0.40 | 0.45 |
| Total CEE | 0.56 | 0.59 | 0.56 | 0.57 | 0.52 | 0.61 | 0.57 | 0.74 |
| Total CIS | 0.33 | 0.28 | 0.27 | 0.29 | 0.34 | 0.35 | 0.35 | 0.34 |
| New EU Members (8) | 0.68 | 0.69 | 0.70 | 0.75 | 0.73 | 0.74 | 0.66 | 0.89 |
| EU Accession (2) | 0.45 | 0.49 | 0.45 | 0.42 | 0.32 | 0.46 | 0.50 | 0.61 |
| Other CEE | 0.52 | 0.52 | 0.56 | 0.54 | 0.51 | 0.60 | 0.54 | 0.59 |
| Euro CIS | 0.39 | 0.31 | 0.31 | 0.34 | 0.39 | 0.41 | 0.40 | 0.38 |
| Caucasus | 0.14 | 0.13 | 0.10 | 0.10 | 0.10 | 0.20 | 0.22 | 0.22 |
| Central Asia | 0.22 | 0.22 | 0.17 | 0.18 | 0.18 | 0.20 | 0.19 | 0.23 |
| Turkey | 0.38 | 0.43 | 0.48 | 0.48 | 0.51 | 0.50 | 0.41 | 0.47 |
| World | 0.42 | 0.44 | 0.46 | 0.47 | 0.50 | 0.52 | 0.52 | 0.53 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|-------|-------|-------|--------|--------|--------|--------|--------|
| Total ECA (CEE+CIS+Turkey) | 5.72 | 5.12 | 5.66 | 6.11 | 6.83 | 7.13 | 8.15 | 8.57 |
| Total CEE + CIS | 4.96 | 4.30 | 4.70 | 5.12 | 5.86 | 6.12 | 7.35 | 7.62 |
| Total CEE | 1.70 | 1.64 | 1.87 | 2.13 | 1.92 | 2.30 | 2.49 | 3.25 |
| Total CIS | 3.27 | 2.66 | 2.83 | 2.99 | 3.94 | 3.83 | 4.87 | 4.36 |
| New EU Members (8) | 0.86 | 0.87 | 0.93 | 1.19 | 1.16 | 1.32 | 1.22 | 1.84 |
| EU Accession (2) | 0.60 | 0.59 | 0.70 | 0.72 | 0.52 | 0.73 | 1.00 | 1.10 |
| Other CEE | 0.23 | 0.19 | 0.24 | 0.22 | 0.23 | 0.24 | 0.27 | 0.32 |
| Euro CIS | 2.53 | 1.95 | 2.31 | 2.45 | 3.40 | 3.23 | 4.22 | 3.64 |
| Caucasus | 0.03 | 0.03 | 0.03 | 0.02 | 0.01 | 0.02 | 0.03 | 0.03 |
| Central Asia | 0.70 | 0.68 | 0.49 | 0.52 | 0.53 | 0.58 | 0.62 | 0.69 |
| Turkey | 0.76 | 0.82 | 0.96 | 0.99 | 0.98 | 1.01 | 0.80 | 0.96 |
| World | 78.75 | 88.24 | 93.43 | 102.62 | 110.40 | 114.09 | 122.01 | 130.19 |

Table 6: Rape and Sunflower Seed

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total ECA (CEE+CIS+Turkey) | 8.33 | 8.56 | 10.25 | 10.52 | 11.88 | 11.30 | 14.17 | 13.11 |
| Total CEE + CIS | 7.72 | 7.98 | 9.68 | 9.94 | 11.34 | 10.75 | 13.70 | 12.59 |
| Total CEE | 2.48 | 2.42 | 2.94 | 3.14 | 3.13 | 3.28 | 3.72 | 3.69 |
| Total CIS | 5.24 | 5.55 | 6.74 | 6.79 | 8.20 | 7.47 | 9.98 | 8.90 |
| New EU Members (8) | 1.12 | 1.12 | 1.25 | 1.41 | 1.46 | 1.62 | 1.63 | 1.78 |
| EU Accession (2) | 1.09 | 1.08 | 1.42 | 1.52 | 1.47 | 1.46 | 1.84 | 1.62 |
| Other CEE | 0.27 | 0.22 | 0.27 | 0.21 | 0.20 | 0.20 | 0.26 | 0.29 |
| Euro CIS | 4.89 | 5.20 | 6.38 | 6.50 | 7.89 | 7.04 | 9.43 | 8.43 |
| Caucasus | 0.01 | 0.02 | 0.04 | 0.05 | 0.02 | 0.05 | 0.06 | 0.05 |
| Central Asia | 0.33 | 0.33 | 0.32 | 0.24 | 0.30 | 0.38 | 0.49 | 0.41 |
| Turkey | 0.61 | 0.59 | 0.58 | 0.59 | 0.54 | 0.55 | 0.47 | 0.52 |
| World | 38.31 | 41.26 | 42.10 | 46.46 | 46.84 | 41.95 | 46.47 | 47.62 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|------|------|------|------|------|------|------|------|
| Total ECA (CEE+CIS+Turkey) | 1.30 | 1.07 | 1.04 | 1.11 | 1.14 | 1.24 | 1.18 | 1.30 |
| Total CEE + CIS | 1.28 | 1.06 | 1.02 | 1.09 | 1.13 | 1.23 | 1.16 | 1.30 |
| Total CEE | 1.60 | 1.60 | 1.50 | 1.57 | 1.46 | 1.63 | 1.53 | 2.06 |
| Total CIS | 1.13 | 0.82 | 0.81 | 0.86 | 1.00 | 1.05 | 1.02 | 0.99 |
| New EU Members (8) | 1.90 | 1.90 | 1.84 | 2.07 | 2.00 | 2.02 | 1.80 | 2.53 |
| EU Accession (2) | 1.25 | 1.27 | 1.15 | 1.07 | 0.84 | 1.16 | 1.26 | 1.56 |
| Other CEE | 1.74 | 1.70 | 1.78 | 1.79 | 2.09 | 1.91 | 1.84 | 1.95 |
| Euro CIS | 1.17 | 0.85 | 0.85 | 0.88 | 1.02 | 1.07 | 1.04 | 1.00 |
| Caucasus | 0.56 | 0.40 | 0.13 | 0.49 | 0.41 | 0.70 | 0.76 | 0.80 |
| Central Asia | 0.48 | 0.40 | 0.28 | 0.52 | 0.52 | 0.69 | 0.73 | 0.88 |
| Turkey | 1.56 | 1.26 | 1.36 | 1.47 | 1.48 | 1.55 | 1.70 | 1.25 |
| World | 1.27 | 1.25 | 1.31 | 1.31 | 1.41 | 1.40 | 1.38 | 1.47 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total ECA (CEE+CIS+Turkey) | 10.82 | 9.19 | 10.68 | 11.67 | 13.56 | 14.03 | 16.73 | 17.04 |
| Total CEE + CIS | 9.87 | 8.45 | 9.90 | 10.81 | 12.76 | 13.18 | 15.93 | 16.39 |
| Total CEE | 3.96 | 3.88 | 4.41 | 4.94 | 4.58 | 5.36 | 5.71 | 7.58 |
| Total CIS | 5.92 | 4.57 | 5.49 | 5.87 | 8.18 | 7.82 | 10.23 | 8.81 |
| New EU Members (8) | 2.12 | 2.13 | 2.30 | 2.92 | 2.91 | 3.28 | 2.92 | 4.48 |
| EU Accession (2) | 1.37 | 1.37 | 1.63 | 1.63 | 1.24 | 1.69 | 2.31 | 2.53 |
| Other CEE | 0.47 | 0.38 | 0.48 | 0.38 | 0.43 | 0.39 | 0.47 | 0.56 |
| Euro CIS | 5.75 | 4.43 | 5.39 | 5.72 | 8.01 | 7.53 | 9.82 | 8.41 |
| Caucasus | 0.01 | 0.01 | 0.00 | 0.02 | 0.01 | 0.03 | 0.04 | 0.04 |
| Central Asia | 0.16 | 0.13 | 0.09 | 0.12 | 0.16 | 0.26 | 0.36 | 0.36 |
| Turkey | 0.95 | 0.74 | 0.78 | 0.86 | 0.80 | 0.85 | 0.80 | 0.65 |
| World | 48.66 | 51.49 | 55.14 | 60.76 | 65.90 | 58.53 | 64.35 | 69.86 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|------|------|------|------|------|------|------|------|
| Total ECA (CEE+CIS+Turkey) | 4.60 | 4.10 | 3.93 | 3.14 | 2.75 | 2.66 | 2.65 | 2.76 |
| Total CEE + CIS | 4.20 | 3.69 | 3.51 | 2.63 | 2.34 | 2.29 | 2.33 | 2.43 |
| Total CEE | 1.05 | 0.90 | 1.00 | 0.86 | 0.65 | 0.64 | 0.63 | 0.64 |
| Total CIS | 3.15 | 2.78 | 2.51 | 1.78 | 1.69 | 1.65 | 1.71 | 1.79 |
| New EU Members (8) | 0.71 | 0.67 | 0.76 | 0.65 | 0.53 | 0.51 | 0.50 | 0.51 |
| EU Accession (2) | 0.20 | 0.14 | 0.14 | 0.12 | 0.05 | 0.04 | 0.04 | 0.04 |
| Other CEE | 0.14 | 0.09 | 0.09 | 0.09 | 0.07 | 0.08 | 0.09 | 0.10 |
| Euro CIS | 3.06 | 2.71 | 2.45 | 1.72 | 1.61 | 1.58 | 1.63 | 1.72 |
| Caucasus | 0.00 | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Central Asia | 0.09 | 0.07 | 0.05 | 0.05 | 0.08 | 0.06 | 0.08 | 0.07 |
| Turkey | 0.40 | 0.41 | 0.42 | 0.50 | 0.41 | 0.37 | 0.31 | 0.33 |
| World | 8.47 | 7.98 | 7.65 | 6.78 | 5.99 | 6.04 | 5.74 | 5.84 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total ECA (CEE+CIS+Turkey) | 22.10 | 20.71 | 23.80 | 26.56 | 26.34 | 29.09 | 27.46 | 27.48 |
| Total CEE + CIS | 20.58 | 19.51 | 22.52 | 23.19 | 22.92 | 26.60 | 25.75 | 25.47 |
| Total CEE | 26.42 | 29.53 | 36.20 | 36.24 | 35.07 | 42.60 | 36.86 | 38.80 |
| Total CIS | 18.64 | 16.26 | 17.04 | 16.90 | 18.23 | 20.41 | 21.66 | 20.69 |
| New EU Members (8) | 28.82 | 30.16 | 39.15 | 38.84 | 38.57 | 44.34 | 40.13 | 40.90 |
| EU Accession (2) | 16.21 | 24.51 | 20.33 | 20.47 | 13.63 | 22.99 | 20.18 | 13.50 |
| Other CEE | 28.61 | 32.51 | 36.64 | 38.29 | 23.89 | 42.19 | 26.48 | 37.78 |
| Euro CIS | 18.78 | 16.48 | 17.19 | 16.94 | 18.46 | 20.50 | 21.73 | 20.64 |
| Caucasus | 15.00 | 5.34 | 5.59 | 14.47 | 18.70 | 44.40 | 36.32 | 31.41 |
| Central Asia | 14.13 | 8.42 | 11.10 | 15.55 | 13.47 | 17.20 | 19.54 | 21.18 |
| Turkey | 38.17 | 31.42 | 34.42 | 44.17 | 45.90 | 44.36 | 40.20 | 42.32 |
| World | 33.33 | 31.98 | 34.77 | 38.82 | 41.08 | 42.49 | 40.58 | 40.70 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total ECA (CEE+CIS+Turkey) | 101.55 | 84.92 | 93.55 | 83.32 | 72.47 | 77.31 | 72.74 | 75.95 |
| Total CEE + CIS | 86.42 | 71.97 | 79.01 | 61.03 | 53.65 | 60.79 | 60.12 | 61.98 |
| Total CEE | 27.67 | 26.69 | 36.33 | 31.02 | 22.86 | 27.16 | 23.15 | 24.92 |
| Total CIS | 58.75 | 45.28 | 42.68 | 30.02 | 30.79 | 33.62 | 36.97 | 37.06 |
| New EU Members (8) | 20.58 | 20.32 | 29.92 | 25.27 | 20.52 | 22.79 | 19.88 | 20.69 |
| EU Accession (2) | 3.20 | 3.38 | 2.94 | 2.42 | 0.69 | 1.01 | 0.77 | 0.51 |
| Other CEE | 3.89 | 2.98 | 3.48 | 3.33 | 1.65 | 3.36 | 2.49 | 3.73 |
| Euro CIS | 57.42 | 44.69 | 42.10 | 29.20 | 29.67 | 32.39 | 35.35 | 35.51 |
| Caucasus | 0.02 | 0.03 | 0.05 | 0.04 | 0.07 | 0.12 | 0.13 | 0.11 |
| Central Asia | 1.31 | 0.57 | 0.53 | 0.77 | 1.05 | 1.12 | 1.49 | 1.44 |
| Turkey | 15.13 | 12.94 | 14.54 | 22.28 | 18.82 | 16.52 | 12.62 | 13.97 |
| World | 282.24 | 255.07 | 265.86 | 263.15 | 246.22 | 256.44 | 232.84 | 237.86 |

Table 8: Milk

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total ECA (CEE+CIS+Turkey) | 58.30 | 55.52 | 50.46 | 44.61 | 42.09 | 39.46 | 39.95 | 39.34 |
| Total CEE + CIS | 52.23 | 49.43 | 44.50 | 39.13 | 36.81 | 35.07 | 34.35 | 33.84 |
| Total CEE | 12.68 | 11.05 | 10.34 | 9.84 | 9.20 | 8.76 | 8.70 | 8.87 |
| Total CIS | 39.54 | 38.39 | 34.15 | 29.29 | 27.60 | 26.31 | 25.65 | 24.97 |
| New EU Members (8) | 8.00 | 6.78 | 6.21 | 5.64 | 5.13 | 4.83 | 4.78 | 4.79 |
| EU Accession (2) | 2.27 | 1.89 | 1.92 | 2.07 | 2.12 | 2.05 | 2.10 | 2.25 |
| Other CEE | 2.41 | 2.38 | 2.21 | 2.13 | 1.95 | 1.88 | 1.81 | 1.83 |
| Euro CIS | 31.03 | 29.99 | 26.39 | 22.03 | 20.18 | 18.60 | 17.78 | 17.11 |
| Caucasus | 1.53 | 1.47 | 1.58 | 1.70 | 1.85 | 1.98 | 2.04 | 2.05 |
| Central Asia | 6.98 | 6.93 | 6.18 | 5.56 | 5.57 | 5.72 | 5.83 | 5.81 |
| Turkey | 6.07 | 6.08 | 5.97 | 5.49 | 5.28 | 4.39 | 5.60 | 5.50 |
| World | 226.06 | 225.80 | 224.16 | 223.71 | 226.87 | 231.93 | 235.09 | 235.75 |

Table 8b: Cow Milk Production [million tons]

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total ECA (CEE+CIS+Turkey) | 128.83 | 119.71 | 108.53 | 104.75 | 101.05 | 104.06 | 105.84 | 105.74 |
| Total CEE + CIS | 120.11 | 110.59 | 99.07 | 95.92 | 92.32 | 96.57 | 96.33 | 96.34 |
| Total CEE | 34.71 | 31.78 | 31.84 | 32.89 | 31.39 | 31.82 | 31.72 | 33.24 |
| Total CIS | 85.40 | 78.80 | 67.23 | 63.03 | 60.93 | 64.75 | 64.61 | 63.10 |
| New EU Members (8) | 26.04 | 22.73 | 21.95 | 22.80 | 21.70 | 21.83 | 21.60 | 22.05 |
| EU Accession (2) | 5.05 | 5.49 | 5.85 | 5.84 | 5.71 | 5.94 | 6.04 | 7.07 |
| Other CEE | 3.62 | 3.56 | 4.04 | 4.25 | 3.98 | 4.05 | 4.07 | 4.12 |
| Euro CIS | 72.98 | 66.29 | 56.76 | 52.31 | 49.44 | 52.41 | 51.59 | 50.66 |
| Caucasus | 1.60 | 1.60 | 1.77 | 1.97 | 2.06 | 2.30 | 2.39 | 2.34 |
| Central Asia | 10.81 | 10.90 | 8.70 | 8.75 | 9.43 | 10.04 | 10.63 | 10.10 |
| Turkey | 8.72 | 9.13 | 9.47 | 8.83 | 8.73 | 7.49 | 9.51 | 9.40 |
| World | 460.68 | 461.32 | 466.94 | 475.63 | 490.36 | 507.99 | 516.56 | 515.84 |

Table 9: Ruminant Meat

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| Total ECA (CEE+CIS+Turkey) | 147.37 | 133.71 | 114.41 | 96.45 | 88.08 | 84.74 | 83.87 | 75.67 |
| Total CEE + CIS | 135.40 | 121.80 | 102.62 | 85.26 | 77.02 | 74.19 | 74.06 | 65.87 |
| Total CEE | 28.55 | 23.56 | 21.45 | 20.20 | 18.26 | 16.99 | 16.97 | 17.49 |
| Total CIS | 106.84 | 98.24 | 81.18 | 65.07 | 58.76 | 57.20 | 57.09 | 48.39 |
| New EU Members (8) | 18.76 | 14.85 | 13.45 | 12.59 | 11.19 | 10.32 | 10.21 | 9.99 |
| EU Accession (2) | 5.67 | 4.71 | 4.13 | 3.85 | 3.73 | 3.51 | 3.57 | 3.86 |
| Other CEE | 4.13 | 4.00 | 3.87 | 3.76 | 3.34 | 3.16 | 3.19 | 3.64 |
| Euro CIS | 85.98 | 77.29 | 63.03 | 49.63 | 43.41 | 41.02 | 40.05 | 36.79 |
| Caucasus | 3.31 | 2.76 | 2.86 | 3.04 | 3.27 | 3.49 | 3.62 | 3.72 |
| Central Asia | 17.55 | 18.19 | 15.28 | 12.39 | 12.09 | 12.69 | 13.42 | 7.88 |
| Turkey | 11.97 | 11.91 | 11.79 | 11.19 | 11.05 | 10.55 | 9.80 | 9.80 |
| World | 1,304.17 | 1,315.36 | 1,318.00 | 1,308.13 | 1,312.06 | 1,323.26 | 1,331.55 | 1,334.50 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| Total ECA (CEE+CIS+Turkey) | 222.89 | 197.95 | 152.21 | 122.36 | 115.51 | 111.85 | 113.19 | 106.50 |
| Total CEE + CIS | 171.69 | 150.28 | 109.30 | 83.75 | 77.48 | 77.85 | 81.23 | 74.80 |
| Total CEE | 36.85 | 30.55 | 27.30 | 23.94 | 22.22 | 19.56 | 20.06 | 20.66 |
| Total CIS | 134.84 | 119.73 | 82.00 | 59.81 | 55.27 | 58.30 | 61.17 | 54.14 |
| New EU Members (8) | 5.07 | 3.13 | 2.48 | 2.22 | 2.18 | 2.26 | 2.31 | 2.49 |
| EU Accession (2) | 22.09 | 16.71 | 15.30 | 13.36 | 12.27 | 10.02 | 10.43 | 11.00 |
| Other CEE | 9.69 | 10.70 | 9.52 | 8.36 | 7.76 | 7.27 | 7.32 | 7.17 |
| Euro CIS | 64.78 | 52.34 | 33.78 | 22.53 | 17.82 | 18.39 | 19.13 | 19.82 |
| Caucasus | 7.79 | 6.23 | 5.97 | 6.40 | 6.96 | 7.81 | 8.29 | 8.67 |
| Central Asia | 62.27 | 61.15 | 42.25 | 30.88 | 30.50 | 32.10 | 33.75 | 25.65 |
| Turkey | 51.20 | 47.67 | 42.90 | 38.61 | 38.03 | 33.99 | 31.95 | 31.70 |
| World | 1,762.39 | 1,743.96 | 1,751.54 | 1,742.05 | 1,776.38 | 1,779.13 | 1,790.02 | 1,818.87 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total ECA (CEE+CIS+Turkey) | 10.96 | 9.84 | 8.12 | 7.21 | 6.53 | 6.32 | 6.47 | 6.52 |
| Total CEE + CIS | 10.28 | 9.14 | 7.44 | 6.47 | 5.80 | 5.66 | 5.87 | 5.91 |
| Total CEE | 2.36 | 1.84 | 1.65 | 1.52 | 1.40 | 1.22 | 1.32 | 1.31 |
| Total CIS | 7.92 | 7.30 | 5.79 | 4.95 | 4.40 | 4.44 | 4.55 | 4.60 |
| New EU Members (8) | 1.46 | 1.02 | 0.89 | 0.86 | 0.74 | 0.61 | 0.66 | 0.64 |
| EU Accession (2) | 0.54 | 0.47 | 0.38 | 0.32 | 0.34 | 0.31 | 0.35 | 0.37 |
| Other CEE | 0.36 | 0.35 | 0.38 | 0.35 | 0.33 | 0.30 | 0.30 | 0.30 |
| Euro CIS | 6.23 | 5.48 | 4.26 | 3.54 | 3.04 | 3.06 | 3.12 | 3.25 |
| Caucasus | 0.16 | 0.15 | 0.17 | 0.17 | 0.19 | 0.19 | 0.20 | 0.20 |
| Central Asia | 1.53 | 1.67 | 1.36 | 1.24 | 1.17 | 1.18 | 1.22 | 1.15 |
| Turkey | 0.67 | 0.70 | 0.67 | 0.74 | 0.73 | 0.66 | 0.60 | 0.60 |
| World | 65.48 | 66.33 | 67.64 | 68.99 | 71.28 | 72.73 | 73.62 | 73.98 |

Table 10: Pork

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total ECA (CEE+CIS+Turkey) | 124.61 | 103.28 | 91.45 | 79.79 | 77.56 | 71.77 | 75.15 | 70.60 |
| Total CEE + CIS | 124.60 | 103.27 | 91.45 | 79.78 | 77.56 | 71.77 | 75.15 | 70.59 |
| Total CEE | 59.65 | 50.37 | 48.27 | 46.97 | 43.25 | 41.64 | 42.74 | 41.64 |
| Total CIS | 64.94 | 52.91 | 43.18 | 32.82 | 34.31 | 30.13 | 32.40 | 28.95 |
| New EU Members (8) | 39.97 | 33.41 | 31.95 | 32.44 | 29.88 | 30.90 | 31.11 | 30.23 |
| EU Accession (2) | 14.10 | 11.33 | 10.10 | 8.58 | 7.36 | 5.24 | 6.02 | 6.18 |
| Other CEE | 5.59 | 5.62 | 6.22 | 5.96 | 6.00 | 5.50 | 5.61 | 5.24 |
| Euro CIS | 59.68 | 49.20 | 40.68 | 31.31 | 32.59 | 28.24 | 30.38 | 27.09 |
| Caucasus | 1.09 | 0.49 | 0.46 | 0.41 | 0.50 | 0.56 | 0.58 | 0.58 |
| Central Asia | 4.17 | 3.21 | 2.03 | 1.10 | 1.22 | 1.33 | 1.45 | 1.28 |
| Turkey | 0.01 | 0.01 | 0.01 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 |
| World | 869.41 | 881.83 | 858.96 | 868.46 | 902.76 | 938.38 | 950.95 | 951.77 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|--------|
| Total ECA (CEE+CIS+Turkey) | 10.55 | 8.48 | 8.38 | 7.83 | 7.66 | 7.75 | 8.08 | 7.99 |
| Total CEE + CIS | 10.55 | 8.48 | 8.38 | 7.83 | 7.66 | 7.75 | 8.07 | 7.99 |
| Total CEE | 5.77 | 4.89 | 5.35 | 5.11 | 4.85 | 4.95 | 5.16 | 5.00 |
| Total CIS | 4.78 | 3.59 | 3.03 | 2.73 | 2.82 | 2.80 | 2.92 | 2.99 |
| New EU Members (8) | 3.98 | 3.24 | 3.71 | 3.53 | 3.32 | 3.47 | 3.66 | 3.49 |
| EU Accession (2) | 1.10 | 0.98 | 0.88 | 0.87 | 0.75 | 0.72 | 0.78 | 0.78 |
| Other CEE | 0.69 | 0.67 | 0.76 | 0.71 | 0.78 | 0.76 | 0.72 | 0.72 |
| Euro CIS | 4.40 | 3.33 | 2.83 | 2.55 | 2.60 | 2.52 | 2.64 | 2.73 |
| Caucasus | 0.08 | 0.06 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 |
| Central Asia | 0.30 | 0.20 | 0.15 | 0.13 | 0.17 | 0.23 | 0.22 | 0.21 |
| Turkey | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| World | 74.07 | 79.19 | 79.32 | 88.42 | 90.18 | 95.39 | 98.58 | 100.39 |

Table 11: Poultry

Table 11a: Number of Poultry [billion head]

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total ECA (CEE+CIS+Turkey) | 1.64 | 1.40 | 1.12 | 1.07 | 1.11 | 1.11 | 1.16 | 1.18 |
| Total CEE + CIS | 1.50 | 1.22 | 0.98 | 0.89 | 0.87 | 0.89 | 0.91 | 0.92 |
| Total CEE | 0.38 | 0.30 | 0.31 | 0.29 | 0.27 | 0.30 | 0.30 | 0.31 |
| Total CIS | 1.12 | 0.92 | 0.67 | 0.60 | 0.60 | 0.59 | 0.61 | 0.62 |
| New EU Members (8) | 0.19 | 0.15 | 0.15 | 0.15 | 0.13 | 0.15 | 0.14 | 0.16 |
| EU Accession (2) | 0.14 | 0.10 | 0.11 | 0.09 | 0.09 | 0.10 | 0.11 | 0.10 |
| Other CEE | 0.05 | 0.04 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 |
| Euro CIS | 0.96 | 0.80 | 0.61 | 0.54 | 0.53 | 0.52 | 0.53 | 0.53 |
| 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 | 0.05 | 0.05 | 0.05 |
| Turkey | 0.15 | 0.18 | 0.14 | 0.18 | 0.25 | 0.22 | 0.25 | 0.26 |
| World | 12.62 | 13.77 | 14.97 | 14.51 | 16.06 | 17.56 | 17.69 | 17.75 |

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

| | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total ECA (CEE+CIS+Turkey) | 4.33 | 3.59 | 3.25 | 3.50 | 3.79 | 4.53 | 4.80 | 4.98 |
| Total CEE + CIS | 3.89 | 3.10 | 2.82 | 2.99 | 3.13 | 3.82 | 3.92 | 4.03 |
| Total CEE | 1.54 | 1.50 | 1.74 | 1.93 | 2.00 | 2.37 | 2.33 | 2.41 |
| Total CIS | 2.35 | 1.60 | 1.08 | 1.06 | 1.13 | 1.45 | 1.59 | 1.62 |
| New EU Members (8) | 0.99 | 1.00 | 1.18 | 1.40 | 1.50 | 1.76 | 1.73 | 1.80 |
| EU Accession (2) | 0.38 | 0.34 | 0.39 | 0.37 | 0.36 | 0.46 | 0.45 | 0.47 |
| Other CEE | 0.17 | 0.15 | 0.17 | 0.16 | 0.14 | 0.15 | 0.14 | 0.15 |
| Euro CIS | 2.09 | 1.45 | 0.99 | 0.98 | 1.04 | 1.34 | 1.48 | 1.51 |
| Caucasus | 0.05 | 0.03 | 0.03 | 0.03 | 0.03 | 0.04 | 0.04 | 0.05 |
| Central Asia | 0.21 | 0.12 | 0.06 | 0.05 | 0.06 | 0.06 | 0.07 | 0.06 |
| Turkey | 0.44 | 0.49 | 0.44 | 0.51 | 0.66 | 0.71 | 0.89 | 0.95 |
| World | 45.40 | 50.87 | 56.42 | 62.45 | 69.21 | 74.61 | 76.39 | 78.23 |