

DOC: GA18/EC17/REP/01

**THE EIGHTEENTH PLENARY SESSION OF THE PABSEC GENERAL ASSEMBLY
ECONOMIC, COMMERCIAL, TECHNOLOGICAL AND ENVIRONMENTAL
AFFAIRS COMMITTEE**

**REPORT
ON**

"PROMOTING SUSTAINABLE AGRICULTURE AND RURAL DEVELOPMENT"

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Text adopted by the 18th General Assembly in Sofia on 5 December 2001

I. INTRODUCTION

1. The BSEC member states are undergoing fundamental changes in their development strategies with the aim to successfully integrate into the global economy. In that ongoing process, the PABSEC has constantly promoted sustainability as the only development model for the region. The PABSEC Recommendation 49/2001 on '*Black Sea Environmental Protection: New Challenges*', stresses that sustainable exploitation of natural resources and incorporation of sustainable considerations into sectoral policies such as agriculture, tourism and economy are basic pillars of a regional development strategy.
2. The BSEC region has vast agricultural potential and wide ranging prospects for agro-industry while at the same time presents a unique ecosystem of global importance. The so called 'green revolution' on one hand and the changeover to a market economy on the other hand have forced all BSEC countries to pursue a reconstruction of the agricultural sector which is still important in the regional economy. The agricultural sector is vital to the future of the BSEC region as it employs a great many people and contributes to the national economies in a proportion well in excess of farming activities in the rest of the European countries.
3. This Report stems from the concern of the PABSEC to engage in seeking means of supporting agriculture and revitalising rural areas in a sustainable way so as to ensure the well being of their populations. With this in mind the Committee presents the present Report which attempts to lay down a common basis for agricultural and rural development policies.

4. For the drafting of the Report information was obtained by the contributions of the Hellenic, Romanian, Turkish and Ukrainian delegations as well as from international institutions that operate in the field such as the WTO, UN - FAO, the OECD, the World Bank and the EU.

II. THE CONCEPT OF SUSTAINABLE AGRICULTURE AND RURAL DEVELOPMENT

5. Sustainable Agriculture and Rural Development (SARD) is a concept referring to the need of encompassing economic, environmental and socio-cultural issues in the agricultural policies. The plan of action for implementing sustainable development, Agenda 21, adopted at the Rio Earth Summit (UNCED) in 1992, states:

"The major objective of sustainable agriculture and rural development is to increase food production in a sustainable way and enhance food security. This will involve education initiatives, utilization of economic incentives and the development of appropriate and new technologies, thus ensuring stable supplies of nutritionally adequate food, access to those supplies by vulnerable groups, and production for markets; employment and income generation to alleviate poverty; and natural resource management and environmental protection" (Agenda 21, 1992).

6. Sustainable agriculture integrates three main goals: **environmental health, economic profitability** and **social and economic equity**. Sustainability rests on the principle that we must meet the needs of the present without compromising the ability of future generations to meet their own needs. Three are the main concerns around which SARD strategies develop: i) *food security* – by ensuring an appropriate and sustainable balance between self – sufficiency and self-reliance, ii) *eradication of poverty*, by employment and income generation in rural areas, iii) *environmental protection* and natural resource conservation. These goals require an efficient use of technology.

7. Agriculture has changed dramatically during the last fifty years. Food and fiber productivity soared due to new technologies, mechanisation, increased chemical use,

specialisation and government policies that favoured maximising production. Although these changes have had many positive effects and reduced many risks in farming, there have been significant costs for world's agricultural environment. Prominent among these are soil depletion, ground water contamination, the decline of family farms, increasing cost of production, disintegration of economic and social conditions in rural economies. Sustainable agriculture hence food security are further threatened by the widespread effects of human activities on the environment; global warming, deforestation, soil erosion by water and wind due to inappropriate agricultural techniques as well as overuse of scarce resources, particularly of water resources.

8. At the same time, the transition in the agricultural sector to more intensified methods contains the threat of a major rise in rural unemployment. The service and manufacturing sectors will not necessarily be able to provide immediate alternative employment for the labour force being shed by agriculture. Rural areas have only limited resources with which to hold on to their population, thus the result is depopulation of the countryside as people move into urban areas. The consequences of this rural depopulation are visible in the weakening of the level of educational, social, health and leisure services and infrastructure in rural areas. Therefore, SARD extends to social, institutional and economic sustainability and not exclusively to environmental sustainability.

9. The perceptions and issues related to agriculture and rural development are constantly changing as a result of a range of new and sometimes contentious developments, including globalisation, increasing environmental concerns, changes in governance, population dynamics and socio-economic changes.

III. GLOBAL PRESSURES FOR AGRICULTURAL POLICY REFORM

10. Both the WTO led liberalisation of trade and the EU policies put pressure to the BSEC countries to reconstruct their agriculture sector while supporting the sustainability of their rural communities. The factors that shape agricultural reforms in the region may be summarised as following:

i) The general trend towards liberalising commodity prices and production and a more integrated and decentralised rural development. The last round of agricultural trade liberalisation resulted in the Uruguay Round Agreement on Agriculture (URAA) which came into effect in 1995. The policy issues arising in relation to the URAA are: market access, export competition, and domestic support. These areas of reform are the departure points for further liberalisation.

ii) Future EU membership (along with the fact that the EU is a dominant trade partner for all BSEC countries) influences policy reforms in the sector. The reconstruction of the Common Agricultural Policy foreseen in the *Agenda 2000* is an ongoing process and will have long term effects not only for the current EU members (e.g. Greece) but also for future members (e.g. Bulgaria, Romania, Turkey). Of particular importance for the BSEC countries is the EU Special Accession Programme for Agriculture and Rural Development (Sapard) which aims at supporting sustainable agricultural and rural development in the applicant countries during the pre-accession period; at solving problems affecting the long-term adjustment of the agricultural sector and rural areas; at helping implement the Community *acquis* in matters of the common agricultural policy and related policies.

iii) A growing concern on consumer protection and compliance with international and European food quality standards and practices.

iv) The imperatives of international Conventions incorporating environmental concerns in agricultural policies.

11. The restructuring and modernisation of agriculture, and the upgrading of the processing facilities in the BSEC countries is inescapable. Globalisation, membership of the WTO, EU enlargement and the increasing liberalisation of trade mean that these changes are required to face increased competition. There is no way to insulate producers or markets from this trend. It is not possible, for any country to avoid making major adjustments in both primary production as well as in food processing. Responding to global pressures and domestic demands, the BSEC countries are undertaking measures aiming at restructuring, modernising, increasing the productivity, reducing the costs, rationalising the agricultural and processing sectors.

IV. THE REGIONAL CONTEXT FOR SARD

12. **General features.** The BSEC region is one of the few regions of the world that can contribute significantly to the projected increase in world food needs. It is characterised by its diversity in climate, topography and vegetation, in income and in progress with economic and political reforms and in the natural resource base. The contribution of agriculture (including livestock and forestry) to GDP varies widely, from under 10% (Russia) to over 50% (Albania) while the percentage of people living in rural areas ranges from 23% (Russia) to 59% (Albania). Agriculture has a share of 11% in total GDP and 20% of the total labour force. Diversity characterises also arable land which ranges from 57% of the land in Ukraine to 11% in Georgia. The share of the labour force employed in agriculture has been consistently higher than the share of agriculture in GDP implying that agriculture has remained a low productivity and labour – intensive sector of the economy. In many countries over time the number of people dependent on farming will decline; however, in this region and especially in the CIS, farming constitutes an essential 'social safety net' when the rest of the economy has collapsed, and there is much scope for the non-farm rural economy to expand.

13. The Fishing Sector, in spite of its small participation to the GDP, has a special importance for the national economy mostly for the coastal areas, many of which are confronted with development and employment problems.

14. Agricultural production fell during the transition period, from 1990 to 1996 at an average rate of 7.8% per year. It continues to fall for most of the countries in transition but there have also been significant indicators of increase in the last couple of years. The loss of traditional markets and domestic support is the primary cause of the increase of impoverishment of the rural population whose main income comes from agricultural activities. Many rural families now have little financial means, while input use and crop and livestock yields have declined sharply, and there is little investment in farm machinery or maintenance of infrastructure. A number of factors combines to bring the decline of the agricultural and agro-industry sector that today questions the sustainability of the rural communities; the loss of major export markets, shortage of fuel, equipment and fertilisers, lack of progress on land privatisation. The overall macroeconomic instability affects the profitability of the agricultural sector because of the uncertainties and risk created for producers and lenders. It undermines existing financial institutions and the banking system. The relationship between low profitability and unsuccessful reform is related with the difficulties in establishing well-defined property rights.

15. In the social sphere, the increased social problems of the last decade and the growing phenomenon of widespread poverty (on a regional average about half the poor live in rural areas), in the region have strong rural roots. Important reasons for the impoverishment of rural people include social factors such as the breakdown of the

previous institutions (collective farms) and constraints to the development of new institutions (private farms, markets, agro-industry and market oriented public administration). In all BSEC countries, rural people's access to health care, education, roads, water supply and telecommunications is much worse than in urban areas.

16. Land reform and privatisation have been the most contentious issues of the transition. For most of the BSEC countries, the process of privatising the large state-owned farms begun in the early 1990s. Privatisation followed different patterns in each country but numerous obstacles have made privatisation partial in scope. There are technical obstacles (eg. lack of reliable registers), legal ones (eg. ownership rights), economic obstacles (lack of potential returns on investments in the sector) and political obstacles (eg. corruption). Most farms are small family businesses, but there are also cooperatives and associations. Statistics are hard to obtain for all BSEC countries, as a rule, though, the number of young farmers is increasing and the pattern of farming is changing. The demand for labour will fall once farms have been modernised, but this process is still largely incomplete. On the other hand, non-farming activities are being developed but the countryside lacks the physical and social infrastructure to accommodate them.

17. Another aspect is the negative impact of environmental issues such as water pollution, forest loss, and soil degradation on agriculture and the health of rural people. On the other hand, unsustainable agricultural methods and the lack of financial means to invest on the implementation of environmentally friendly technologies in the production and processing sector have heavily weighted on the environmental performance of the region. Improved management of water, land, and forests are key environmental objectives, are expected to contribute to better conditions for agriculture and rural development.

18. Certain accomplishments have to be mentioned here. New laws and institutions now lay the foundation for market economies in all countries of the region and GDP levels have started recovering. Over 50% of agricultural output, most agricultural land and most agro-processing is in private hands. Price, trade and marketing have been progressively liberalised. Most of the countries have introduced public policies which are encouraging for emerging farm product and input markets in the sphere of prices, trade policy, tax, land ownership, and legal reform.

19. Country Specific. Every country in the BSEC has special features. Nevertheless, in order to facilitate a brief presentation of the overall context, countries which share several common characteristics are grouped together.

20. Bulgaria, Moldova and Romania have good agricultural, livestock and forest potential (Romania owns a quarter of agricultural surface of Central & East Europe). Most land has been privatised (in 2000 in Romania, 85% of the land was private property) and the pace of establishing the necessary legal and regulatory infrastructure for a market economy has been intensifying. Land fragmentation is though a crucial issue (as the majority of that subsistence farms have no means to invest in new machinery) and poorly planned restitution of forest land to private owners challenges forest management. Rural poverty is much higher than urban in Romania (2.4 times) and Moldova (1.4 times) but there has been a movement of people to rural areas since land provides for minimum of subsistence. The processing sector has not yet recovered as financial policies are still not favourable to private investments. Currently, in Bulgaria it is estimated that the processing industry utilises only about 40% of its capacity. Self-produced consumption represents one-third of total food consumption in Romania. Rehabilitating the irrigation systems is among the priorities; 31% of the arable land has irrigation facilities in Romania, while in Bulgaria about 40% of the country's system is of

low efficiency. It is noteworthy that in 1998, the private sector accounted for 94.4% of employment in agriculture in Bulgaria. Prospects for EU accession in Bulgaria and Romania are driving reform. The two countries presented in 2000 their National Plans for agriculture and rural development through the SAPARD (EU rural investment funds for pre-accession countries) program. Moldova's economy highly depends on agriculture (the main activity is crop production). Although three-quarters of the territory is agricultural land, decades of intensive cultivation have severely depleted the soil. Since 1996 Moldova has implemented a National Land Program to break up state owned farms into smaller private units. Private farming now accounts for more than 60% of total agricultural production.

21. Agriculture is the largest single sector of the **Albanian** economy accounting for 54.4% of the GDP (1998). Reforms since 1991 have led to a rapid upswing of agriculture but the lack of agriculture equipment and transport to markets along with inadequate irrigation were only addressed in the late 1990s. The privatisation process has left land ownership highly fragmented and the process of registration of ownership titles has led to a large number of conflicting claims over assets. Rural poverty indices are four times higher than in urban areas. Although Albania has extensive forests studies show that 30% of forests had been damaged by the uncontrolled cutting of during the last decade.

22. **Turkey's** agricultural economy is highly diverse; soils are vulnerable to erosion and supplementary irrigation is necessary in most areas. Although its agro-processing sectors are competitive, yet cereal and industrial crop production and marketing face distortionary policies (support to agriculture costs to the government 2.5% of GNP annually). Agriculture contributed 15% of GDP in 1999 and accounted for 45.8% of the workforce indicating that productivity is low. Foreign investors although able to set up joint ventures, cannot purchase land. Turkey has started to adapt its legislation to the European agricultural policy and efforts are made towards strengthening its administrative capacity, to introduce a land register, to encourage the development of producer groups and to improve security and food quality standards.

23. **Southern Russia and Ukraine** have excellent black soils whose fertility, however, is threatened by unsustainable farming practices. Their vast land resources favour extensive methods of farming. Both countries have great potential in contributing to world food security; Russia accounts for 25% of world's production of fish and for 22% of world's forests. In Russia, agriculture still counts for 12.7% of official employment and contributes 6.5% (1998) of GDP and agricultural output still remains at low levels although it grew in 2000 around 2.4%. Agriculture occupies only about 32% of the total land area (some 45% of the total land is forest). Both countries have had great difficulty in achieving consensus for reforms and despite farm privatisation there are few family farms and productivity is below potential. Failure to strengthen land ownership rights has been an impediment to the development of private farming which still remains to a large extent outside the workings of a market economy. Although *Ukraine* was once known as the 'bread basket' of Europe, its agricultural production has declined by over half since independence. Rural development however, is currently experiencing a dynamic development (the 2000 Budget envisages five times more expenses for social development of the rural areas). The agricultural sector accounts for about 19% of GDP. In 2000 the gross agricultural product increased by 7.6% compared to last year while that of the processing industry increased by 25%. Although the private sector accounted for 60% of production in 1999 it is still dominated by household plots rather than by private farms. Nowadays there are 13,7 thousand agricultural enterprises. A number of legislative measures are under way to develop market infrastructure in the sector, including agricultural exchanges, storage and sales cooperatives and wholesale product

exchanges. The Presidential Decree in 1999 is a turning point in the process of land reform in Ukraine. Legislative acts aim at increasing productivity (80% of land resources produces only 1/3 of the agriculture's gross output) and creating favourable crediting for agricultural activities, liberalising the price market while restricting the role of the state. The main objective of the Ukrainian policies is to overcome low profitability and to increase production. The sectors of cattle breeding and plant growing (particularly the seed – farming) receive considerable state support including price support.

24. **Armenia, Azerbaijan and Georgia** have limited agricultural land much of it requiring supplementary irrigation. All have made reasonable progress on macro-economic reform and land privatisation but have had to deal with collapsing economies following the independence, related to civil conflicts. Land degradation and poverty are interlinked as people, faced with higher international prices for fossil fuels, have used fuel- wood for heating and water resources have been used for winter energy generation. Armenia has little arable land and therefore relies heavily on imports for its food, including 60% of its grains and 65% of its dairy products. Agriculture is nevertheless, the largest employer in the country accounting for about 41%. Armenia was the first Soviet Republic to embark on a sustained program of land reform and by 1993, 87% of agricultural land was privatised. In Azerbaijan, agriculture is also the largest employer with 36% of the workforce and a 21.7% share in GDP in 1999. After a decline in 1992-95, the value of the agricultural output began to recover in 1996. The new small farms (44,561 private farms registered in 1999) are losing potential economies of scale. In Georgia by 1995 agricultural output was half of its 1990 levels. Most of its production is now in private hands but progress has been much slower regarding ownership of land; only 13.2% of all land had been privatised by April 1998.

25. The agricultural sector in **Greece** occupies 19.8% of the labour force and contributes 8.3% in the GDP (in 1998) compared with an EU average of 3% and represents 30% of the total exports whilst in the same time, creates the requirements for the development of a large number of economic activities and especially of the Greek manufacturing (food and drink industry, textile industry, tobacco processing, etc.). Only 26.5% of the land is cultivated and 40.4% is irrigated. The most important challenge that the sector faces is the reform of the Common Agricultural Policy. There are two other important structural problems that the primary sector encounters and they affect its competitiveness. These problems are related to the intense lack of investments and the extremely acute demographic problem, which the sector is facing.

V. THE BSEC EFFORTS

26. Addressing the sustainability of agriculture and rural development is not a single program of the BSEC but rather an approach that cuts across several projects and Working Groups. Sustainable development has been a constant concern of the BSEC included already in the statutory documents of the organisation. Special interest in benefiting the least developed, rural regions is placed upon the elaboration of sectoral policies and agreements such as in the case of transport and communications development.

27. Taking into consideration the food security issues in the region and the efforts undertaken by the countries to transform their agricultural sector, the BSEC through the WG on Agriculture and Agro-industry has been cooperating with the FAO in preparing a *Regional Strategy for Agriculture Development and Food Programme*. The focus is mainly on fostering agricultural trade among the BSEC Member States and on providing a framework for developing a future BSEC agricultural policy. Under preparation is also the Project on *Policy Assistance on Agricultural Trade and Food Security* by FAO which includes: a) assistance to PERMIS in conducting an annual survey of the agricultural

situation in the BSEC states, b) assistance to national governments in developing food security policies responding to the national situation, particular capacity-building to formulate such policies in the Low Income Food Developing Countries (Albania, Armenia, Azerbaijan, Georgia) and c) advanced training for national specialists and BSEC staff in preparations for the WTO Millennium Round on negotiations in agriculture and trade with focus on issues specific to the region.

28. The BSEC Working Group on Agriculture and Agro-industry develops its work in three basic directions: plant growing and restoration of soil; animal breeding and veterinary science; aquaculture and environment. In the last WG three projects were presented for consideration: establishing a 'Bread Wheat Network', 'Promotion of Beekeeping Among Low Income Rural Families for Supplementary Earnings in the Black Sea' and 'Plant Genetic Resources'.

29. At the same time, in order to mitigate the effects of natural and man made disasters which highly affect the well being of the rural population, the BSEC countries signed the *Agreement on Collaboration in Emergency Assistance and Emergency Response to Natural and Man-Made Disasters* in 1998.

30. So far in the exchanges undertaken among the BSEC Member States the followings have emerged as initiatives to be developed:

- Ushering bio-technology, cultivation of high yield wheat, corn, rice and other cereals;
- Guiding SMEs to export-oriented agriculture products with emphasis in food processing and packing industries;
- Introducing bio-technology and other modern methods in various sectors of agriculture in order to expand production;
- Determining types of agriculture most suitable for mountainous terrain;
- Establishing small-sized (family) farms specialised in fisheries and aquaculture taking into account also the potential in the eight seas which the BSEC region is endowed;
- Exchanging experience and expertise, including training facilities in the development of fisheries and aquaculture covering also cultivation of specific breeds in fisheries;

31. *The BSEC Economic Agenda for the Future* places great emphasis on developing a Regional Strategy for Agricultural Development and Food Security referring particularly to the need to expand regional food and agricultural trade based on the complementarity of the BSEC countries.

32. *Fisheries* and marine living resources being a significant pillar of food security and economic development of the Black Sea –coastal- states has attracted particular attention by the BSEC which has been preparing a Convention for Fisheries and Conservation of living resources of the Black Sea.

33. At the regional level, for the success in poverty alleviation efforts, the role of the *Black Sea Trade and Development Bank* is fundamental. The Bank supports food industry in the region, particularly through financing SMEs in the sector. In Georgia the Bank has financed one of the largest producers of flour (USD 1 million) with the aim to increase local production of quality flour. As the company exports its products to Armenia and Azerbaijan and imports grain from Ukraine, Russia and Bulgaria, the loan also stimulates trade among the Bank's member countries.

34. According to proposals by PABSEC national delegations actions of common interest within the BSEC framework that could be undertaken are: a) creation of regional network for documentation, collection and assessment of vegetal genetic resources b) simplifying the sanitary-veterinary procedures on import, export and transit of animal product, c) monitoring the epidemiological situation of the BSEC countries, d) training of the public administration civil servants and rural actors, e) investment in pilot projects

(demonstration farms), f) conclusion of inter-governmental agreements that stimulate the opening of markets for agricultural and food products.

VI. STRATEGIES AND PRIORITIES

35. The general development aims of SARD policies should be: i) the improvement of the competitiveness of BSEC agriculture in view of the challenges of a constantly more competitive international environment and ii) viable and integrated development of the rural society for the restitution of the upset social and environmental balance. SARD plans must give therefore, priority to measures to improve market efficiency, quality and health standards of agricultural products and measures to maintain jobs and create new employment opportunities in rural areas, with due regards for provisions on the protection of the environment. Of course, a stable macro-economic framework and a competitive trade regime are essential for dynamic rural development. Areas for action where national policies and BSEC efforts need to focus on are:

36. **Enhancing Agricultural Productivity and Competitiveness.** Reversing deteriorating agriculture performance and facilitating growth to increase rural income is a fundamental means of revitalising rural economies. Farms represent the crucial element of agricultural production. There is a need thus, to secure land tenure for the creation of economically viable and efficient farms, facilitating the emergence of competitive processing and marketing infrastructures and support of technological change in agriculture. The demand for applying new technologies on agriculture development is high but poor rural population finds it difficult to pay for it or for the associated inputs (and the relevant research) it requires. Productivity can only improve with the introduction of new technologies, including the use of machines, improved plant and animal stock or varieties, better crop and post-harvest care and importantly higher investment and access to water.

37. Keeping the agricultural sector competitive, is a complex endeavour which requires the implementation of efficient policies and measures: acceleration of land reform for the creation of a land market; development of co-operatives and of the agro-food industry; reinforcement of professional organisations and Chambers of Agriculture; restructuring of rural banks and insurance schemes; intensification of international trade; supporting private investment, etc. As to the *processing industry* major progress is required in terms of legislation, technical standards, and of course respecting sanitary rules. It is clear that progress in this field requires considerable investment and upgrading of facilities. Ensuring that the domestic macro-economic environment facilitates investment in the food industry is also a necessary part of the process. In this context, the contribution which can be made to agriculture through direct investment by international processing companies should not be under-estimated. In some cases such investments are already bearing fruit. In areas such as dairy products, and confectionary, direct investment by foreign companies is helping ensure that domestic agricultural producers supply quality raw materials to ensure a competitive position for the processed product both at home and abroad.

38. **Rural Development.** The development of rural areas should be based on regional factors, and support local initiatives.

a. *Infrastructure networks and facilities.* Countries should provide rural areas with up-to-date supply and infrastructure networks (communications, transportation, energy) including the service sector that meet the needs of the rural population. Concerted actions to improve village infrastructure and support related industries lead to the improvement of the overall social and entrepreneurial environment in rural areas and have a clear impact on alternative employment creation.

b. Human capital. Human capital is an indispensable asset of rural communities and as such it should be given priority through capacity building programs and actions. Capacity building is based on education and technical, environmental and economic knowledge and access to information for the development of 'new skills' among the rural population.

c. Income policy. The income of farmers needs to be diversified and increasingly come from entrepreneurial activities primarily through the efficient production and marketing as well as non-farm activities such as eco-tourism.

d. Strengthening institutions. Participatory and transparent institutions accountable to citizens, are the cornerstone of a social development strategy, and a major contributor to rural development. Institutions need to be strengthened to ensure an optimal structure of land, ownership and property rights for achieving the strategic roles of agriculture.

39. Mobilising Investment and Facilitating Private Sector Development in Rural Areas. Private sector is a crucial element in improving rural well being. In general, measures should aim at mobilising the private sector to provide investment capital, production and services. The creation of a regulatory framework and financial institutions that allow the development of a competitive private sector and efficient markets is a mandatory step. What is crucial for the development of the private sector in rural areas as well as of agriculture particularly in the availability of credits. Agriculture is no different from any other sector in its need for credit and it must compete for the limited funds available. It is thus important to strengthen the two main forms of credit; that supplied by the commercial banking sector as well as subsidised credit and credit guarantees. As most of the agro-processing is on the hands of small and medium sized business, priority should be given to financial and other forms of incentives such as compensatory payments to existing SMEs and business start-ups in the rural areas.

40. Investment in rural development is often not of first priority to governments. What is needed is an investment strategy plan that obtain maximum leverage from directing limited government resources toward public goods such as transportation infrastructure that can unleash private investment inflows.

41. Managing the natural resources. The new challenges that environmental protection policies of the BSEC member states need to address are in detail presented in the PABSEC Recommendation 49/2001. Countries should ensure that investments are focused on projects that meet the minimum required environmental standards. There are four important components of the natural resource base of rural life to address – land, forests and water. Technology and research are needed to limit the pollution and depletion of water resources, erosion and contamination of soil, loss of biodiversity and irreversible damage to or destruction of fragile ecosystems that can result from the intensification or expansion of agricultural production. There is also the need for reduced reliance on non-renewable energy sources.

42. Supportive Policies and Legislation (e.g. licensing, sanitary measures, intellectual property rights, taxation). Although measures that encourage market-oriented reforms and reduce state intervention have been already taken, further progress is needed in the process of setting up a regulatory framework for the privatisation of agricultural commercial companies and for price liberalisation and less state intervention. Any price support programme requires accurate information on the market conditions and should be cautiously applied as it might result in growing support and protection for agriculture. Clear legislation regarding land ownership and land reform and redistribution is a crucial issue for the development of agriculture in the BSEC region. The continuing uncertainty over land ownership is constraining the development of an operational land market and discouraging investment in the sector. However, privatisation alone in the absence of adequate corporate governance and enabling macro-economic policies will fail to revitalise the sector. A credible regulatory environment and enforcement capacity is

central to all aspects related to secure economic transactions and rural finance. A basic element of agrarian reforms that needs to be strengthened is *transparency*.

43. At the same time, the BSEC countries should take legal steps to abide with international regulations and fulfil their obligations regarding the incorporation of environmental concerns in their sectoral policies including agriculture. Alignment with international and European regulations and establishment of the administrative structures and institutions to implement them, remains a great challenge for all BSEC countries.

44. It is important to point out that reaching the goal of sustainable agriculture there is responsibility of all participants, including farmers, central and local authorities, researchers and consumers. Each group has its own contribution to make.

VII. CONCLUSIONS

45. There is an increasing concern among BSEC member states about the sustainability of agricultural and rural development policies. Most BSEC countries are still confronted with the challenge of satisfying food demands and reducing poverty in the region while preserving their natural resources. At the same time maintaining a competitive agricultural sector that can be successfully integrated in the global markets is a long-term policy goal. The economic potential of the region is significant and the rural economy will continue to form a significant part of BSEC's economic and social structure well in the 21st century.

46. Environmental, economic and cultural sustainability of the rural communities of the Black Sea requires regional synergies. With this in mind, a series of steps are summarised in the previous section and in the accompanying Recommendation 54/2001. The BSEC and its Related Bodies can play an important role in identifying common regional concerns in the field of sustainable agriculture and rural development (SARD) upon which regional commitments can be negotiated and agreed.

47. Putting across the message that implementing SARD policies on a wide scale can benefit all, but in different ways, is an important political challenge at the regional and national level, requiring consensus among diverse governmental and inter-governmental bodies to harmonise policies and action programs.