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# FAO REGIONAL CONFERENCE FOR EUROPE

**Thirty-second Session**

**2-4 November 2020<sup>1</sup>**

**The future of food systems in Europe and Central Asia – 2022-2025 and beyond**

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<sup>1</sup> Rescheduled from 5-7 May 2020, Tashkent, Uzbekistan

## I. Introduction

1. This document is complementary to the background document “ERC/20/5 Web Annex 5 – Update on the development of the new Strategic Framework” to facilitate the incorporation of the regional specificities into the review of the Strategic Framework during the debate of agenda item 12: “Results and Priorities for FAO in the Region”

2. In order to contribute to this process, the FAO Regional Office for Europe and Central Asia (REU) initiated in July–August 2020 a regional process to review trends and challenges in the region. The review built on the outcomes of the informal consultation in 2019<sup>2</sup> and aimed to identify special drivers in the respective subregions and to revisit the regional priority areas of work for FAO for 2022–2025 and beyond. The review process included the preparation of a comprehensive document outlining the challenges and trends for the region. The document has been prepared by a group of experts and reviewed in a virtual meeting<sup>3</sup> in which more than 20 renowned experts from the region participated.

3. The current document is an executive summary of the long report that summarizes the regional trends and challenges and outlines future priorities of work for the Organization in the region. It is divided into three sections:

- Section II summarizes the regional manifestation of global trends.
- Section III outlines the main trends in the various subregions of Europe and Central Asia (ECA-region).
- Section IV synthesizes the future priorities and emphases of FAO’s work in the ECA-region.

## II. Regional Manifestation of Global Trends

4. The ECA-region is diverse, and its food systems<sup>4</sup> vary significantly, from high-income European Union countries to low-income countries in Central Asia. This report has identified the main trends as most relevant for the region in the context of achieving the Sustainable Development Goals (SDGs) by 2030.

5. **Economic development** is one of the key drivers for achievement of the SDGs. One of the most important economic development trends for agriculture in the region has been its significant growth during recent decades.<sup>5</sup> However, the COVID-19 pandemic crisis in 2020 has had significant negative implications for the economies in the ECA-region.<sup>6</sup> Lockdowns in the region have badly affected

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<sup>2</sup> FAO. 2019. *Minutes of the Secretariat – FAO REU Informal Consultations 2019*.

[http://www.fao.org/fileadmin/user\\_upload/reu/europe/documents/events2019/IC2019/Minutes\\_en.pdf](http://www.fao.org/fileadmin/user_upload/reu/europe/documents/events2019/IC2019/Minutes_en.pdf)

<sup>3</sup> Regional Consultation on The Future of Food Systems in Europe and Central Asia – 2022–2025 and beyond, 27–28 August 2020 <http://www.fao.org/europe/news/detail-news/en/c/1305858/>

<sup>4</sup> See detailed definition in ERC/20/2 at <http://www.fao.org/3/nc226en/nc226en.pdf>.

<sup>5</sup> During 2000–2016, gross production value (in constant 2004–2006 USD) increased by 16 percent in the ECA-region by 87 percent in Central Asia), while per capita production grew by 12 percent (by 50 percent in Central Asia). Source: FAOSTAT.

<sup>6</sup> OECD. 2020. *COVID-19 crisis response in Central Asia*. [https://read.oecd-ilibrary.org/view/?ref=129\\_129634-ujyjsqu30i&title=COVID-19-crisis-response-in-central-asia](https://read.oecd-ilibrary.org/view/?ref=129_129634-ujyjsqu30i&title=COVID-19-crisis-response-in-central-asia).

industries, logistics and the whole food system (and smallholders in particular<sup>7</sup>). This has unavoidably led to decreases in incomes and increases in unemployment and poverty. Moreover, the Russian Federation and the European Union are key destinations for many labour migrants from the ECA-region. Due to the combined effect of COVID-19 and lower oil prices, remittances are estimated to fall in 2020 by 28 percent in the region.<sup>8</sup> However, recent forecasts are expecting a recovery in 2021, though more gradually than previously projected.<sup>9</sup> Farm structures in the ECA-countries are highly diverse, but most of the countries are largely dominated by smallholders and family farms.<sup>10</sup> The inclusion of smallholder farmers and other rural entrepreneurs in agriculture value chains implies the improvement of their access to finance, inputs, services, resources and markets. An important trend is the **rise of global value chains**,<sup>11</sup> in which the value chain actors of the ECA-region are only partly integrated. Another trend in recent years has been the **emergence of short food supply chains** and associated local market development, together with the localization of the food system in the region. Community-led local development efforts also can contribute to the achievement of the Sustainable Development Goals (SDGs) in the region.

6. ECA agricultural systems and natural resources are highly affected by **climate change** through higher temperatures, greater crop water demand, more variable rainfall, and weather extremes. The region is increasingly exposed to intensifying weather patterns, with some areas geographically prone to severe flooding (the Western Balkans) or droughts (Central Asia, the Republic of Moldova and Ukraine).<sup>12</sup> Climate change also impacts animal and plant pathogens and diseases – not only their geographical and temporal distribution, but also mycotoxins and biotoxins in the sea. One of the major challenges in agriculture across non-European Union countries in the region is the need for effective natural resources management, adaptation and climate-smart agriculture.

7. **Social exclusion and poverty** continue to pose challenges to the ECA-region. The urban–rural income gap is a serious issue in the ECA-region, particularly in Central Asian countries.<sup>13</sup> Moreover, the heritage of the centrally planned economy in ECA countries not part of the European Union has resulted in underdeveloped rural areas and poor rural livelihoods due to a lack of investment in rural and social infrastructure. In addition, all forms of migration are of increasing relevance to the ECA-region as they affect rural development efforts. On one hand, migration can cause the depopulation and degradation of rural areas and the exodus of young people due to a lack of job opportunities. The perspectives of youth will be key, as their readiness to take over farm holdings will have significant influence on future farm structures in the region. On the other hand, migration also can generate remittances for the releasing areas, thus providing opportunities for investment.

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<sup>7</sup> **FAO**. 2020. *Coronavirus disease 2019 (COVID-19) and family farming*. <http://www.fao.org/documents/card/en/c/cb0417en>.

<sup>8</sup> **The World Bank**. 2020. *World Bank Predicts Sharpest Decline of Remittances in Recent History*. <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>.

<sup>9</sup> **IMF**. 2020. *World Economic Outlook Update, June 2020*. <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>

<sup>10</sup> **FAO**. 2020. *Smallholders and Family Farms in Europe and Central Asia. Regional Synthesis Report 2019*. Budapest. <https://doi.org/10.4060/ca9586en>.

<sup>11</sup> **World Bank**. 2020. The new face of trade. In *World Development Report 2020*. <https://www.worldbank.org/en/publication/wdr2020>.

<sup>12</sup> **World Bank**. 2020. *ECA Economic Update Spring 2020: Fighting COVID-19*. <http://hdl.handle.net/10986/33476>.

<sup>13</sup> **FAO**. 2016. *Regional Strategic Review Paper: Europe and Central Asia*. <http://www.fao.org/3/b-i6102e.pdf>.

8. In line with global trends, the **agrifood trade environment** in the ECA-region has changed significantly over the past few years. Agrifood trade development has always been a priority for Central and Eastern Europe, Central Asia and the Western Balkans as an opportunity to achieve more income. Therefore, regional cooperation agreements like the Eurasian Economic Union or the association agreements of several countries with the European Union have contributed to the increase of regional integration. Agrifood trade (both exports and imports) has significantly increased in the ECA-region over the past two decades. The export of products by countries in Central Asia, the Caucasus and the Western Balkans is dominated by lower-value-added food products, while higher-value-added products dominate import flows.<sup>14</sup> However, one of the most important consequences of the COVID-19 pandemic regarding agrifood trade has been that some countries in the region initially increased protectionism and reliance on self-sufficiency in food systems. Several food exporting countries started to impose export restrictions in the hope of stabilizing local markets but ended up inadvertently destabilizing global ones.<sup>15</sup>

9. Modern food systems are entering a new stage of technological development, giving a key role to **e-agriculture**, also commonly called **digital agriculture**. This involves designing, developing and applying innovative ways to use information and communication technologies (ICTs) in the rural domain, with a primary focus on agriculture and food, including fisheries, forestry and livestock.<sup>16</sup> Digital agriculture may face various technology challenges, among others the triple divide consisting of digital, rural and gender divides.<sup>17</sup> Digital agriculture may be conceived within the broader concept of **agricultural innovation** that goes beyond IT technology and plays a crucial role in revitalizing rural areas.<sup>18</sup>

10. Socio-economic inequalities strongly influence the situation in the region related to **food security and nutrition**.<sup>19</sup> Rising per-capita annual incomes have changed food choices and the food that people consume. The new challenges of food security also can be captured by the continuing trends of increasing urbanization and ageing of rural populations. The triple burden of malnutrition (undernutrition, micronutrient deficiency, overweight and obesity) remains relevant in the ECA-region, as poor diets contribute to several non-communicable diseases (NCDs) such as diabetes, heart disease, stroke and cancer, contributing to early deaths.<sup>20</sup>

11. A key issue for the region is the increased role of **food safety**.<sup>21</sup> The slow adaptation of internationally recognized food safety standards prevents most countries in the Western Balkans and

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<sup>14</sup> FAO. 2019. *Regional Overview of Food Security and Nutrition in Europe and Central Asia 2019*. <http://www.fao.org/3/ca7153en/CA7153EN.pdf>.

<sup>15</sup> FAO. 2020. *Europe and Central Asia: Regional food market situation and policy bulletin in response to the COVID-19 pandemic*. <http://www.fao.org/documents/card/en/c/ca8869en/>.

<sup>16</sup> FAO. 2018. *E-agriculture: the Use of Information and Communication Technologies (ICTs) for the Development of Sustainable and Inclusive Food Systems and Trade Integration*. ERC/18/3 Web Annex. <http://www.fao.org/3/MW402EN/mw402en.pdf>.

<sup>17</sup> FAO. 2018. *E-agriculture: the Use of Information and Communication Technologies (ICTs) for the Development of Sustainable and Inclusive Food Systems and Trade Integration*. ERC/18/3. <http://www.fao.org/3/MW106EN/mw106en.pdf>.

<sup>18</sup> FAO. 2018. *FAO's work on agricultural innovation: Sowing the seeds of transformation to achieve the SDGs*. <http://www.fao.org/3/CA2460EN/ca2460en.pdf>.

<sup>19</sup> FAO. 2019. *Regional Overview of Food Security and Nutrition in Europe and Central Asia 2019*. <http://www.fao.org/3/ca7153en/CA7153EN.pdf>.

<sup>20</sup> FAO. 2019. *Regional Overview of Food Security and Nutrition in Europe and Central Asia 2019*. <http://www.fao.org/3/ca7153en/CA7153EN.pdf>.

<sup>21</sup> FAO. 2019. *The Future of Food Safety*. First FAO/WHO/AU International Food Safety Conference Addis, 12–13 February. <http://www.fao.org/3/CA3247EN/ca3247en.pdf>.

Central Asia from obtaining higher shares of the markets in high-income countries, including in the European Union.

### III. Regional trends in food, agriculture and rural development

12. In the following three chapters, subregion-specific issues are presented using the following country groupings: i) Caucasus, Central Asia and Eastern Europe (CCAEE);<sup>22</sup> ii) Western Balkan countries (WB);<sup>23</sup> and iii) European Union Member States (European Union).

#### III.1. Caucasus, Central Asia and Eastern Europe (CCAEE)

13. The three subregions forming the **CCAEE are presented together due to their joint history of transformation from a central planned economy and thus their sharing of similarities. However, the region is very diverse**, with a heterogeneous agrarian structure and different levels and dynamics of economic development and development of agriculture – including in the forestry, fisheries and food industries – and the status of food and nutrition security.

14. **Food systems** have changed drastically in the past 20 years, becoming more global. CCAEE countries have started to be integrated in global value chains, although the global value chain participation index in the CCAEE countries is still low, such as 10 percent in Kazakhstan in 2016.<sup>24</sup> Food systems are impacted by **new demand trends**. Overall income growth, urbanization policies, and growing health and environmental concerns that influence the dietary preferences of the population are among the main drivers of food systems transformation. The section below outlines the main characteristics and trends.

15. **Farm structures** in the CCAEE subregion (except Belarus, Kazakhstan, the Russian Federation and Ukraine) are dominated by smallholders and small family farms. Examples according to the 2012 census data: In Georgia, 77 percent of farms are smaller than 1 ha. In the Republic of Moldova, 36 percent of farms are smaller than 1 ha, with 57 percent between 1 ha and 5 ha and just 7 percent are bigger than 5 ha. Tajikistan has 145 000 commercially oriented farms and more than 1.2 million smallholders with up to 1 ha of land around their house contributing to agriculture production. The average size of Kyrgyz farms is around 2.5 ha.<sup>25</sup>

16. The integration of small farmers and processors **in value chains** is still an issue in the subregion. In countries with agrarian structures dominated by small-scale farmers – such as Armenia and the Central Asian countries – non-inclusive value chains cause the growth of poverty in rural areas. Cooperatives can play an important role in integrating smallholders, but there is little evidence in the CCAEE countries of such a trend. In the absence of a strong legal framework, and with a lack of

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<sup>22</sup> The countries included here are Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan.

<sup>23</sup> The countries included here are Albania, Bosnia and Herzegovina, Montenegro, Serbia and North Macedonia.

<sup>24</sup> **World Bank**. 2020. *Fighting COVID-19*. Europe and Central Asia Economic Update. Spring 2020. <https://openknowledge.worldbank.org/bitstream/handle/10986/33476/9781464815645.pdf>.

<sup>25</sup> **FAO**. 2020. *Smallholders and Family Farms in Europe and Central Asia. Regional Synthesis Report 2019*. Budapest. <https://doi.org/10.4060/ca9586en>.

cooperative education and information services, only 1.5 percent of the agriculture products of the biggest countries in the subregion are sold via agriculture cooperatives.<sup>26</sup> In the same way, the subregion has an underdeveloped institutional framework for agriculture governance, preventing the development of geographical indications and organic products.

17. The economic pressure due to COVID-19-related measures poses a threat to smallholders and small processors in most parts of the subregion. Market closures during the lockdowns prevented farmers from selling their products directly to consumers. At the same time, new niches and opportunities for access to markets have been explored by smallholders. New direct supply chains from farmers to consumers are being built using online platforms.

18. Strategies and visions for the reduction of **food loss and waste** and capacities to reduce food loss and waste along value chains are missing almost in all countries. One result of the pandemic crisis could be that, due to budget constraints, there are not sufficient support measures for the food sector, and smallholders might get marginalized and leave the sector.<sup>27</sup>

19. **Natural resources management** in the subregion has started lately to benefit from the adaptation and introduction of legal frameworks supporting sustainability. Efficient use of land and water resources is under pressure due to unsustainable farm practices, particularly in Central Asia due to water scarcity, salinization and pesticide contamination. Increasing the use of saline- and drought-resistant crops is on its way.<sup>28</sup> On the other hand, **climate change** is causing the melting of glaciers in the mountains of Central Asia, increasing river flows and providing more water for irrigation. In CCAEE countries, climate change mostly affects the northern fringes of the Russian Federation and the arid southern regions.

20. CCAEE countries still need sound policies for **mitigating and adapting** to climate change for better natural resources management. The region is characterized by insufficient budget investment in the mitigation of and adaptation to climate-related risks. Because of geographical reasons, these countries seek a joint policy in this field, especially for transboundary regions, international river basins and sea littorals.

21. At the same time, the **resilience** of farmers and the rural population in most of the CCAEE countries in the present conditions of climate change – especially in terms of emergency preparedness, disaster risk management and social protection measures – requires attention. Greenhouse gas emissions per unit of gross agricultural product is higher in the majority of CCAEE countries than in the rest of the ECA-region.<sup>29</sup>

22. **Rural poverty** still exists in the subregion but in different dimensions: 33 percent of the rural population lives in poverty in Kyrgyzstan and Tajikistan, 9–10 percent in Georgia and the Republic of Moldova and 4 percent in Kazakhstan.<sup>30</sup> The main reasons behind this are a lack of infrastructure and limited employment opportunities. Agriculture is no longer the main **source of employment and income** in rural areas in most of the CCAEE countries.

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<sup>26</sup> OECD. 2019. *Monitoring the Development of Agricultural Co-operatives in Kazakhstan*.

<http://www.oecd.org/eurasia/competitiveness-programme/central-asia/Kazakhstan-Monitoring-Agricultural-Co-operatives-2019-EN.pdf>.

<sup>27</sup> World Bank. 2020. *Fighting COVID-19*. Europe and Central Asia Economic Update. Spring 2020.

<https://openknowledge.worldbank.org/bitstream/handle/10986/33476/9781464815645.pdf>.

<sup>28</sup> FAO. 2016. *Land resources and food security of Central Asia and Southern Caucasus*.

<http://www.fao.org/documents/card/en/c/189d83df-5112-4b44-b43c-eb7aeb4dc89/>.

<sup>29</sup> See information on the intensity of emissions at <http://www.fao.org/faostat/en/#data/EI/visualize>.

<sup>30</sup> World Data Atlas. 2020. <https://knoema.ru/atlas/ranks/Уровень-бедности-по-сельскому-порогу-бедности>.

23. A key issue for the increase or decrease of rural poverty is **labour migration**, particularly in Central Asia. The main destination for migrant workers is the Russian Federation, and remittances are an important factor for the economy and for investment in rural areas. In this regard, the **impact of COVID-19** may have long-term consequences for rural development in CCAEE countries. A slow economic recovery and the bankruptcy of some employers will lead to a **slow recovery of jobs for migrant** workers, reductions in their incomes, and increased cases of wage abuse by employers. The decline in labour migrants' incomes will have an immediate impact on peoples' livelihoods in their countries of origin due to a decrease in remittances.

24. Trade in the subregion is growing among the countries – for example, among the Eurasian Economic Union (EEU) members – but the increase of large exports of agriculture commodities to other regions of the world also is significant. However, lower-value-added food products (cereals, fats and oils, fish, oilseeds) still constitute more than 50 percent of total regional exports.

25. **Bilateral and regional trade agreements** remain key factors of agricultural trade in the CCAEE subregion. There are three major directions of trade development: with the European Union countries (within different types of association and cooperation agreements); in the frame of the EEU (Armenia, Belarus, Kazakhstan, Kyrgyzstan, the Russian Federation); and with other regions, e.g. the preferential trade agreement signed between Azerbaijan and Turkey in February 2020.

26. While export restrictions and other trade measures introduced in response to COVID-19 are most likely to be temporary (with some already having been lifted), shifting the policy focus towards greater self-sufficiency in food production will remain a long-term trend and will most likely result in higher subsidies to producers in the CCAEE subregion. **Food self-sufficiency** is an important factor in the subregion, formulated in national policies.<sup>31</sup> The support to achieve this objective is increasing.<sup>32</sup>

27. The development of scientific potential and the introduction of **innovative solutions** have become critically important in ensuring the sustainability and further development of agriculture in the CCAEE subregion. Almost all countries in the subregion have developed policies to support innovation by the state.

28. One of the important trends in innovative development in agriculture in the subregion is **digitalization**. In general, the subregion has a relatively well-developed initial infrastructure for digital agriculture; however, in rural areas this lags behind the national average. Institutional support from the state for the introduction of digital technologies is still needed.

29. In all CCAEE countries, a significant implementation of digitalization in various areas of agriculture is increasing, such as the development of e-commerce, platforms for tracking product quality and, in larger countries, precision farming and drones. The COVID-19 crisis has accelerated these changes. However, capacities for public and private investment need to increase, and the **governance of agricultural innovation systems** need to improve– such as by establishing a longer-term strategy,

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<sup>31</sup> The Food Security Doctrine of the Russian Federation, adopted in 2010, set minimal requirements for the share of local production in the total supply of the main agricultural commodities (they were expanded in the new Food Security Doctrine adopted in 2020, which also focused on increased production, including production in the regions with the least favourable conditions for agriculture). Other CCAEE countries also adopted the same approach by signing the Food Security Concept of the Commonwealth of Independent States countries (adopted 19 December 2010), which declared that food self-sufficiency is fundamental for food security and set minimal requirements for the share of domestic production in total resources of main commodities (<https://fsvps.gov.ru/fsvps-docs/ru/news/files/3143/concept.pdf>). In most of the CCAEE countries, subsidies to producers are seen as the main instrument to achieve these goals.

<sup>32</sup> **OECD**. 2020. *Agricultural Policy Monitoring and Evaluation 2020*. OECD Publishing, Paris. <https://doi.org/10.1787/928181a8-en>.

involving stakeholders, clarifying the role of different organizations, improving coordination among research organizations, and developing comprehensive and coherent evaluation procedures.

30. The **animal health situation** is being challenged by various threats. Rabies, brucellosis and other neglected zoonoses have been persistently problematic for decades. In terms of new threats, African swine fever, after a fast spread throughout the region, is now prevalent in most countries (Eastern Europe, Central Europe and the Caucasus), while lumpy skin disease, after being successfully eradicated in the Balkans, is still present in Turkey and the Russian Federation and is now threatening to spread throughout Central Asia. In addition, the *peste des petits ruminants* and foot and mouth disease are real threats to Central Asia and the Caucasus.<sup>33</sup>

31. Antimicrobial resistance is given attention in the subregion, and the Central Asian and European Surveillance of Antimicrobial Resistance (CAESAR) network was created jointly with the World Health Organization (WHO) and the participation of 19 countries.

32. **Food safety governance in the** subregion is gradually being strengthened through improvements in institutional and legal frameworks. Food control systems in Central Asian countries show variations in institutional arrangements and share common challenges, including insufficient coordination among ministries and across health–agriculture disciplines, limited food analysis capacities, outdated and inadequate regulations and standards, and weak food surveillance and inspection.<sup>34</sup>

33. Further investments are needed to build efficient value chains with good practices to assure that food safety is applied from farm to fork. Improving food safety requires numerous interventions at once – improving technologies, equipment, connectivity and traceability along value chains, capacities, knowledge and skills.<sup>35</sup> CCAEE countries recognize the importance of **food security**, which is reflected in their national security policies, but they pursue different approaches in terms of ensuring food security. In the past 10 to 15 years, almost all CCAEE countries have seen drastic changes in the structure of nutrition, with increased consumption of higher-caloric-value food and more animal protein. At the same time, the prevalence of undernourishment was 5–8 percent in the region. The triple burden of malnutrition also remains relevant in the subregion. Despite notable progress made by all countries in achieving **healthier nutrition**, the growing rates of **obesity**, and the corresponding increase of non-communicable diseases are of increasing concern. Obesity is closely related to increasing per-capita incomes.<sup>36</sup>

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<sup>33</sup> **FAO.** 2020. *Forecasting threats to the food chain affecting food security in countries and regions*. Food Chain Crisis Early Warning Bulletin. No. 36, July–September 2020. Rome. <http://www.fao.org/3/cb0160en/cb0160en.pdf>.

<sup>34</sup> **CAREC.** 2019. *Proposed Establishment of the CAREC Regional Food Safety Network*. Reference Document for Session 4 of the Senior Officials' Meeting June 2019. <https://www.carecprogram.org/uploads/Proposed-Establishment-CAREC-Regional-Food-Safety-Network.pdf>.

<sup>35</sup> **CAREC.** 2019. *Proposed Establishment of the CAREC Regional Food Safety Network*. Reference Document for Session 4 of the Senior Officials' Meeting June 2019. <https://www.carecprogram.org/uploads/Proposed-Establishment-CAREC-Regional-Food-Safety-Network.pdf>.

<sup>36</sup> **FAO.** 2017. *The State of Food and Nutrition Security in Europe and Central Asia*. <http://www.fao.org/3/i8194en/I8194EN.pdf>.

### III.2. The Western Balkans

34. Agriculture plays an important role in Western Balkans economies,<sup>37</sup> from generating 3 percent of the gross domestic product in North Macedonia all the way to 23 percent in Albania. The countries and territories in the subregion share similar paths of development due to their common historical backgrounds. Their food systems went through a number of similar changes, such as privatization of the food processing and retail sector, consolidation of companies through horizontal or vertical integration, investments in new technologies, diversification of food products, packaging, and improved quality of products and standards of food safety.

35. Farm structures are either fully dominated by smallholders or dualistic, with many small farms and few large corporate farms. An estimated 1.65 million farms operate across the Western Balkans subregion. Average **farm holding sizes** are rather small, with 88 percent of farms being smaller than 5 ha and operating about 44 percent of the total agricultural area. Even where land is concentrated in larger holdings, the farm structure is based on small family enterprises. This differs from countries with distinctly dualistic agriculture, where many smallholders use a small proportion of natural resources and large farms use a greater share of the land, such as in Serbia.

36. **Food value chains** are transforming in response to changing consumer preferences, to increasing demands that foods meet safety and quality requirements, and to the availability of high-quality, low-cost imported food in the subregion. In addition, integration into the global food value chains is relatively low due to the small size of processors. On the other hand, there is a highly concentrated retail sector. The challenge for the sustainable development of agriculture food chains in the Western Balkans is the quantity and quality of agricultural products produced. A large percentage of small farms offer small quantities of products that often do not meet standards for processing, *inter alia* due to the absence or underutilization of plant varieties suitable for processing. Furthermore, agriculture cooperatives and associations (for inputs and marketing) are underdeveloped, limiting the integration of smallholders and the development of an efficient food system.

37. In general, agriculture in the subregion benefits from a **climate** favourable to the production of many varieties of crops. The region has a well-preserved environment, including high-quality and fertile soils and low levels of pollution, due to the limited use of mineral fertilizers and pesticides. A favourable climate, rich biodiversity and natural resources are excellent preconditions for the development of organic farming and tourism.

38. The region is one of the richest parts of Europe in terms of **biodiversity and forest resources**. There is a high number of endemic species and habitats, many of which are either of global or European conservation importance.<sup>38</sup> The conservation of biodiversity and the wider dissemination of High Nature Value (HNV) farming practices are needed. There is a room to integrate ecosystem and biodiversity

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<sup>37</sup> Including six countries and territories, namely Albania, Bosnia and Hercegovina, Kosovo (in the context of United Nations Security Council Resolution 1244 (1999)), Montenegro, North Macedonia and Serbia.

<sup>38</sup> **European Environment Agency**. 2020. *Western Balkan Countries: 20 years of cooperation with the EEA. Key developments, achievements and the way ahead*. <https://www.eea.europa.eu/publications/western-balkan-countries>.

values into national and local planning, development processes, poverty reduction strategies and accounts.

39. Forests cover a significant portion of the territory of countries in the subregion, from 29 percent of the total area in Serbia to 54 percent in Montenegro.<sup>39</sup> Great human pressure on forest resources (firewood and grazing) has caused forest degradation, especially in high forests or forests close to settlements. Investments in forest management are not significant.<sup>40</sup> There remains a lack of sufficient institutional framework for sustainable forest management – e.g. sustainable logging and afforestation – linking it to biodiversity conservation.

40. In order to develop **rural areas**, emphasis is given to increasing the competitiveness of farms, increasing the productivity and efficiency of farm production, diversifying activities, developing tourism and preserving the environment and landscape.

41. **The COVID-19 pandemic** has caused an increase in the number of unemployed, low-skilled workers in Western Balkans countries and territories, and a decrease in the total amount of remittances has led to backward migration, from urban to rural areas. This poses new challenges for policymakers in the development and implementation of policies and measures to address this socio-economic process and to assure economically, socially and environmentally sustainable rural development.

42. The **European Union Accession** process is a key driver for change in the subregion. It influences the formulation of policies and measures in agriculture in the countries and territories of the Western Balkans. A key problem for the effective implementation of the developed policies, measures and programmes in the field of agriculture is the political instability in the region, which is expressed in frequent changes of governments.

43. European Union negotiations have resulted in **trade preferences**. The European Union granted autonomous trade preferences to all of the Western Balkans in 2000. These preferences<sup>41</sup> allow nearly all exports to enter the European Union without customs duties or limits on quantities. Trade has constantly increased between the subregion and the European Union, resulting in increased imports and exports. For some countries, the negative trade balance with the European Union is decreasing, while for others it is increasing.<sup>42</sup> In addition, the Central European Free Trade Agreement (CEFTA) plays a key role for trade within the subregion.

44. **Innovation** in agriculture is among the strategic priorities in the countries and territories of the Western Balkans, with the aim of achieving higher productivity and competitiveness. However, implementation is still hampered, and barriers exist in limited financing opportunities, training, infrastructure and research and development. **Digital technologies** are seen as a tool to increase production, provide farmers with real-time information, ensure higher quality of final products, and reduce carbon footprints. Impediments in the region remain the absence of digital awareness and skills among farmers and a lack of technology, broadband and regulation for data security.

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<sup>39</sup> Source: National statistical offices in listed countries and territories for 2019.

<sup>40</sup> **Forum Synergies**. 2016. *Forests and Woodlands in Western Balkan*. Forestry Fact Sheet. [https://www.forum-synergies.eu/IMG/pdf/fs\\_factsheet\\_forestry\\_srb\\_16\\_11\\_07\\_3\\_.pdf](https://www.forum-synergies.eu/IMG/pdf/fs_factsheet_forestry_srb_16_11_07_3_.pdf).

<sup>41</sup> **European Commission**. 2009. COUNCIL REGULATION (EC) No 1215/2009 of 30 November 2009 introducing exceptional trade measures for countries and territories participating in or linked to the European Union's Stabilisation and Association process (codified version) (OJ L 328, 15.12.2009, p. 1).

<sup>42</sup> **European Commission**. 2020. Statistics. In: *European Commission* [online]. <https://ec.europa.eu/trade/policy/countries-and-regions/statistics/>.

45. High-impact animal diseases such as African swine fever are threatening Balkan countries and territories. Lumpy skin disease, though apparently eradicated from the region, still constitutes a potential re-emerging threat.<sup>43</sup> With no previous experience, veterinary services are faced with serious challenges due to lack of preparedness. Regional approaches to tackle the threats before they become larger crises are paramount for effective control and prevention. They also are cost effective. **Food safety regulation** in the region is influenced by the adoption of the *acquis communautaire* of the European Union. The level of implementation varies in the subregion. Independent food safety agencies have been established to define the relevant institutional framework. In addition, there is increasing importance on large retailers setting their own standards. Key drivers are consumer demand and the increasing presence of large international retailers. This causes increased pressure on farmers to invest in adequate standards if they want access to the market.

46. Dynamic changes in the external environment pose new challenges to food systems in observed countries and territories, requiring not only the production of healthy food but also the provision of good nutrition for healthy diets. The share of the undernourished population is relatively low in the past decade (ranging from less than 2.5 percent in Bosnia and Herzegovina and Montenegro to 4.6 percent in Serbia).<sup>44</sup> Nevertheless, the achievement of Sustainable Development Goal 2 requires actions to minimize and eliminate the share of malnourished people by improving all elements of the food system and through the joint action of all stakeholders.

### *III.3. European Union Countries<sup>45</sup>*

47. As a global player, the European Union plays a key role in achieving SDGs by 2030. As the European Union is the biggest exporter and importer of agricultural and food products globally, it also drives global agrifood supply and demand in various ways. The most important drivers and associated opportunities in the European Union that might affect FAO programme countries in Europe and Central Asia are presented below.

48. **As to food value chains**, the Farm to Fork Strategy of the European Union is at the heart of the Green Deal and the Common Agricultural Policy. Besides certain agricultural market opportunities, productivity and price issues, the opportunity for the ECA-region is to concentrate on producing higher-value-added foodstuffs and on additional income-generating activities such as food processing. Integration into European and global agrifood value chains is key to local farmers being able to take advantage of these opportunities.

49. **Climate change**, which is changing production patterns and land use, introducing new pests and diseases and causing extreme weather events, is one of the biggest challenges for European Union agriculture. There is a continuous and ongoing effort in European Union agriculture and food systems to be climate smart and environmentally friendly, especially under the Biodiversity Strategy and the

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<sup>43</sup> **FAO.** 2020. *Forecasting threats to the food chain affecting food security in countries and regions*. Food Chain Crisis Early Warning Bulletin No. 36, July–September 2020. Rome.  
<http://www.fao.org/3/cb0160en/cb0160en.pdf>.

<sup>44</sup> **FAO.** 2020. *The State of Food Security and Nutrition in the World 2020*.  
<http://www.fao.org/3/ca9692en/online/ca9692en.html>.

<sup>45</sup> The chapter does not analyse the specific situation in the countries of the European Union. However, due to the close relations of the programme countries of the region with the European Union, a separate chapter has been summarized on the European Union influence.

Green Deal. The European Union clearly has the influence to encourage the ECA-region to produce in a more environmentally friendly way. Agrifood products produced in unsustainable ways will fail to meet European Union demand (and standards) and therefore result in decreased market opportunities.

50. **Regional trade** with the European Union is significant and is mainly determined by a number of free trade agreements, out of which the Deep and Comprehensive Free Trade Area<sup>46</sup> (DCFTA) and Stabilization and Association Agreement<sup>47</sup> (SAA) seem to be the most important. Trade in high-value-added agrifood products is now a strategic orientation of ECA countries, which has just partly been met during recent years. Increased trade with European Union countries might be a good opportunity to pursue, as besides direct short-term gains, the European Union has the power to support low-income countries in achieving the SDGs through liberalized agrifood trade policies.

51. **Innovation and digitalization** will be the key drivers of European Union agricultural and food systems in the twenty-first century. New technologies and processes, new breeding technologies, and improved information, logistics and food chain organization can further boost European Union agricultural productivity. While the European Union is one of the leaders in digital agriculture, digitalization – although accelerated by the COVID-19 pandemic - in many parts of the ECA-region and especially in the Balkans and the Caucasus suffers from underinvestment.

52. Regarding **healthy diets and the demand for high-quality products**, European Union consumers have increased demands regarding the quality of the food they consume, including issues related to health and origin. In the short term, an increasing demand for organic food is expected in the European Union, though such demand in the medium term can be challenged by other environmentally friendly alternatives. However, as a contradicting trend, due to busy lifestyles, demand for highly processed foods (including snacks), on-the-go products and food deliveries have increased. High consumer expectations coupled with high European Union standards offer opportunities for high-value markets, including in ECA countries.

53. Regarding **food safety**, the European Union food safety and other requirements to market access are demanding for all producers, including those from the ECA-region, especially during the COVID-19 pandemic. It is becoming increasingly important to inform consumers of product composition and preparation as well as nutrition and health aspects. For ECA countries, acquiring the necessary investments in infrastructure and building capabilities to meet the current requirements is probably the most important opportunity for better market integration.

#### IV. FAO Regional Priority Areas for Action for 2022-25 and beyond

54. This chapter summarizes, based on the trends and challenges in the previous sections, the regional priorities for 2022 and onwards.

55. As countries steer their efforts towards achieving the SDGs, the ambition of the 2030 Agenda for Sustainable Development is increasingly calling for: integrated programming and policy coherence that build on synergies and minimize trade-offs; cross-disciplinary, inter-ministerial and multistakeholder dialogue and coordination; new partnerships that can facilitate the engagement of all stakeholders in the achievement of the SDGs; and a strong focus on the principle of leaving no one behind, to ensure that the needs of the most marginalized groups are addressed. FAO will reflect these

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<sup>46</sup> With Georgia, Republic of Moldova and Ukraine.

<sup>47</sup> With Western Balkan countries and territories.

SDG principles throughout the work on the four regional priority areas, supporting countries in their SDG implementation. In fact, the transformation of food systems is key to supporting the achievement of multiple SDGs and the right to adequate food.<sup>48</sup>

56. Partnerships, inter-agency future collaborations and enhanced policy dialogues are efficient tools supporting all priority areas. Partnerships with global, regional and local non-governmental and civil society organizations also would help boost existing synergies. The priorities can be accomplished by bringing in a full spectrum of tools (modern technologies, including artificial intelligence), as suggested by the FAO Hand-in-Hand Initiative.

57. Focusing on the period of 2022–25 with an outlook to the long-term priorities until 2030 (linked to the 2030 Agenda), the regional priority areas and major FAO areas of action in Europe and Central Asia in the coming years focus on the following:

### **1. Formulating effective policies, promoting digital innovation, and facilitating rural livelihoods with emphasis on smallholders, women and youth**

58. It seems evident from the analysis above that effective policies facilitating rural transformation are highly needed in the ECA-region. The large number of smallholders and the exclusion of women and youth in rural areas call for action. Job creation and decent working conditions in rural areas should be central in future policies to address the root causes of rural out-migration and to facilitate cooperation among smallholders. These issues are especially important in times of COVID-19, decreasing job opportunities and salaries, and collapsing local labour markets. Besides managing specific problems, these actions also should focus on promoting digital agriculture in order to encourage innovation in agriculture and rural areas. Attention should be paid to reducing rural poverty, increasing opportunities for young women and men, formalizing jobs in the agricultural sector, and increasing access of vulnerable groups in rural communities to productive resources. The work under Priority Area 1 will contribute to achieving SDG 1, SDG 2, SDG 5, SDG 8, SDG 10 and SDG 17.

59. Major FAO areas of action in the Europe and Central Asia region:

1. Promote innovation in agriculture and the food industry. Support the creation of institutional frameworks and governance for innovative food systems.
2. Support decreasing inequalities in the development of urban and rural areas.
3. Facilitate equal access among smallholders to the benefits of innovations and digitalization of agriculture.
4. Support the development of digitalization, information and communications technology infrastructure and digital skills. Support smallholders' access to markets, finance, resources and inputs.

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<sup>48</sup> **Committee on World Food Security.** *CFS Voluntary Guidelines on Food Systems and Nutrition*. Zero Draft. [http://www.fao.org/fileadmin/templates/cfs/Docs1819/Nutrition/CFS\\_Zero\\_Draft\\_Voluntary\\_Guidelines\\_Food\\_Systems\\_and\\_Nutrition.pdf](http://www.fao.org/fileadmin/templates/cfs/Docs1819/Nutrition/CFS_Zero_Draft_Voluntary_Guidelines_Food_Systems_and_Nutrition.pdf).

5. Support inclusive value chains, including the promotion of cooperatives and producer associations and the participation of smallholders.
6. Support the improvement of farm structures by addressing land fragmentation, land abandonment and the development of agricultural land markets.

## **2. Food system transformation and support in exploring new markets through the alignment of trade, food safety and sanitary and phytosanitary policies to meet WTO commitments and promote value chain development**

60. Supporting access to regional and global markets is a powerful driver for the development of food systems and the unlocking and realizing of market potential in the local, regional and interregional domains. Many countries of the ECA-region are restrained by limited capacity to comply with the requirements of international trade agreements and global food safety and quality standards, including the addressing of sanitary, animal health and phytosanitary issues. Compliance with standards is essential to maximizing all food market access opportunities, including entering global value chains. Assuring food safety also is essential for food and nutrition security for all consumers. The COVID-19 pandemic has made these issues even more important. Targeting these issues should also be of high priority in the future so that the ECA-region is more connected to global and regional markets through international trade by meeting global safety and quality standards and by focusing on higher-value-added products. The work under Priority Area 2 will contribute to the achievement of SDG 2, SDG 8, SDG 12 and SDG 17.

61. Major FAO areas of action in the Europe and Central Asia region:

1. Support access to national and regional markets.
2. Facilitate institutional frameworks, governing capacities and systems for food safety, animal and plant health and protection.
3. Support increased compliance with standards and food safety capacities of value chain operators, from farm to fork.
4. Support the production of high-value-added products and efficient value chains.
5. Facilitate the transformation of national food systems, emphasizing food supply, food environment and consumer behaviour.

## **3. Promoting sustainable natural resources management and facilitating resilience in agriculture, forestry and other land use sectors including mitigating and adapting to climate change**

62. ECA food systems require a structural transformation towards more sustainable models. Existing agricultural production practices in the ECA-region are still unsustainable. Changing climatic conditions, including extreme weather events, combined with pest and disease outbreaks and reductions in biodiversity conservation, are highly affecting the environment and human livelihoods. Such a transformation would improve the efficiency of the use, conservation and protection of resources. It also would enhance the resilience of ecosystems and communities. The COVID-19 crisis has the potential to

trigger enormous effects on biodiversity and conservation outcomes.<sup>49</sup> It could facilitate the further development of conservation strategies to safeguard both biodiversity and human health. In this context, climate change mitigation and adaptation strategies are key for future development. Such an approach should include the proper dissemination and promotion of sustainable development and support for sound natural resources management. The work under Priority Area 3 will contribute to the achievement of SDG 2, SDG 13, SDG 14 and SDG 15.

63. Major FAO areas of action in the Europe and Central Asia region:

1. Maintain and facilitate the preservation of biodiversity.
2. Better address the sustainability of the food industry.
3. Disseminate data and knowledge to smallholders on sustainable farming practices.
4. Facilitate resilience in agriculture, forestry and other land-use sectors, including mitigating and adapting to climate change.
5. Raise awareness of sustainable development and support capacity building.
6. Support sound and integrated natural resources management on farm, community and national levels.

#### **4. Addressing food insecurity and reducing all forms of malnutrition**

64. The current food security situation in the ECA-region is dominated by the prevalence of the triple burden of malnutrition – undernutrition, micronutrient deficiencies, as and overweight and obesity. More nutritious, sustainable and healthy diets are needed, as are changes in consumption patterns and behaviours. To facilitate healthy diets, support also is needed for increased dissemination of information on food and nutrition. This needs to be accompanied with adequate social protection measures for the rural poor and vulnerable groups. The importance for such actions also has been underlined by the COVID-19 situation and the implications of an economic crisis on incomes among rural poor and vulnerable groups. The work under Priority Area 4 will contribute to the achievement of SDG 1, SDG 2, SDG 3 and SDG 12.

65. Major FAO areas of action in the Europe and Central Asia region:

1. Support the reduction of all forms of malnutrition.
2. Enhance equitable access to safe and nutritious food and healthy diets for all.
3. Facilitate food and nutrition education and information on healthier diets.
4. Facilitate access to social networks for the poor, especially in rural areas.

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<sup>49</sup> Pearson, R.M., Sievers, M., McClure, E.C., Turschwell, M.P. & Connolly, R.M. 2020. COVID-19 recovery can benefit biodiversity. *Science*, 22 May 2020: Vol. 368, Issue 6493, pp. 838–839. DOI: 10.1126/science.abc1430.