



The European Union's Neighbourhood Programme

*Assessment of the Agriculture and Rural
Development Sectors in the Eastern
Partnership countries*

Republic of Belarus



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List of abbreviations

ARD	Agricultural and Rural development
BERAS	Baltic Ecological Recycling Agriculture and Society
BSU	Belarusian State University
BYR	Belarusian Ruble (National currency of Belarus)
CAP	Common Agricultural Policy
CBC	Cross Border Cooperation
CIS	The Commonwealth of Independent States
DCFTA	Deep and Comprehensive Free Trade Agreement
EaP	Eastern Partnership (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine)
ENPARD	European Neighbourhood Programme Agriculture and Rural Development
ENPI	European Neighbourhood and Partnership Instrument
ENRD	The European Network for Rural Development
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
GNI	Gross National Income
GLOBALG.A.P	Good Agricultural Practices: voluntary standards for the certification of production processes of agricultural (including aquaculture) products
GMO	Genetically Modified Organism
HACCP	Hazard Analysis & Critical Control Points
ISO	International Organization for Standardization
MAF	Ministry of Agriculture and Food of the Republic of Belarus
MFA	Ministry of Foreign Affairs of the Republic of Belarus
MoE	Ministry of Economy of the Republic of Belarus
MoNREP	Ministry of Natural Resources and Environmental Protection
NAS	National Academy of Sciences of Belarus
NGO	Non Government Organization
OIE	World Organization for Animal Health
OSCE	Organization for Security and Co-operation in Europe
PCA	Partnership and Cooperation Agreement
PF	Partnership Framework
PPP	Purchasing Power Parity
REUD	Regional Office for Europe and Central Asia of FAO
SMB	Small and medium business
SME	Small and medium enterprises
SWOT	Strength, Weaknesses, Opportunities, Threats
TASIC	Technical Aid to the Commonwealth of Independent States
UN	United Nations
UNDP	United Nations Development Programme
UPOV	International Union for the Protection of New Varieties of Plants
USD	United States Dollar
USAID	United States Agency for International Development
WTO	World Trade Organization

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1. Introduction

1.1. Context and objective of the sector analyses

Most of the EaP countries: Georgia, Armenia, Azerbaijan, Belarus, Moldova and Ukraine have an agricultural sector composed of a majority of practically subsistence small farms with small and fragmented plots, which are mainly utilised for subsistence agriculture, and therefore have limited link to markets, limited resources and growth potential.

There are already donors providing assistance, EU and FAO among them, but the current global crisis with soaring food prices among other consequences, have demonstrated the need of EaP countries to further enhance the formulation of agriculture policies aimed to support farmers and farmers' associations, support private and public stakeholders in the agricultural sector, increase agriculture production on a sustainable basis, and modernize both, agriculture and rural areas.

A general assessment of the agriculture and rural areas will be crucial for developing proper strategies for the agriculture and rural development sector. These studies will contribute to assess the situation in the sector, prioritise and target sub-sectors, areas of intervention and beneficiaries in consultation with the local public and private stakeholders.

The overall scope of the project is in line with the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) an EU initiative built in the EU's best practice experienced in developing agriculture and rural areas. Based on the results of this project, ENPARD programmes and activities could be identified, elaborated and implemented in interested EaP countries.

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2. Background and key figures

2.1. General context and economic indicators

Belarus borders five countries: Latvia to the north, Lithuania to the northwest, Poland to the west, Russia to the north and the east, and Ukraine to the south. The capital city is Minsk; other major cities include Brest, Grodno, Gomel, Mogilev and Vitsebsk, which are also regional administrative centres. Over 40% of the 20.76 million hectares of territory (NS560km x EW650km) is forested. The highest point is Dzyarzhynsk Hill, at 345m, and the lowest point is on the Neman River at 90m, with an average overall elevation of 160m above sea level. There are many streams and 11,000 lakes. Three major rivers run through the country: the Western Dvina (Daugava) flows north-west to the Baltic Sea, the Neman flows westward towards the Baltic sea and the Pripyat flows eastward to the Dnieper, which flows south to the Black Sea.



*Regions (Oblasts):- 6; Municipality Cities of regional significance - 5
Regions (raions): 118 rural, 24 urban districts
Towns, regional & district subordination: 111
Urbanised settlements: 101, Village Councils 1,439 Villages: 23,500*

Data 2011

Population: 9.458mill (*reducing by 25-30 thousand per year*)

Population Minsk: 1.89m

Fertility rate: -0.362%

Life expectancy: 70.5 years

Rural population: 24.2% 2.29(m)

Agriculture: 9,3 % (work force)

Commercial farms 1570, Ave. 4885Ha

Private farms 2337, Ave. 55Ha

Total area million: 20.76m Ha

Agricultural lands 8.874mHa (42.7%)

Arable 5.506m Ha

Perennial 0.122m Ha

Pastures 3.224mHa

Agricultural land holdings:

Private farmers 1.4%

Households, 10.2%

Agro- organisations 86.4%

GDP PPP: \$143.6billion

Agriculture share GDP: 8.5%

GINI (2008): 27.2

GNI PPP¹: \$15,200 per capita

HDI: 0.756 Rank 65th

The Gross Domestic Product grew annually by 7-10 % (constant prices). Due to the accumulated deficit of current trade balance in 2003 – 2010 (-\$8 317 billion, 2010) GDP growth decreased to 5,3% in 2011, together with an almost three-time devaluation of the national currency (BYR).

¹ PPP GNI is gross national income (GNI) converted to international dollars using purchasing power parity rates

The share of agriculture in the economy (including forestry and hunting) remains stable over the years, at about 8,5%, industry is the biggest sector with a 31,7% share. Net taxes on products mount to 13,3%. Belarus produces, per capita, 108 kg of meat (including chicken meat, beef and pork), 687 kg of milk, 396 eggs , 815 kg of potatoes and 884 kg of cereals (2011).

Table 1. Evolution of Gross Domestic Product (GDP) of Belarus over years

	2003	2004	2005	2006	2007	2008	2009	2010	2011 ¹⁾
GDP, at constant prices as percent of the previous year	105,8	104,7	107,0	111,4	109,4	110,2	100,2	107,7	105,3
GDP in US \$, per capita	2017	2506	3284	3930	4840	6645	5073	5682	5264

¹⁾ provisional data due to different currency courses through the year

On 1 October 2012, data from the National Statistical Committee on the external trade balance for the period between January and August 2012, showed a positive trade balance of US\$ 1.6 billion, US\$380 million lower when compared with the data for the previous period.

2.2. Agriculture and rural sector

Agricultural lands and enterprises, crops and efficiency

Belarus was an agro-industrial country during Soviet times, now services and industry have developed significantly, though the agricultural sector remains a developed and an important part of the national economy. The total amount of agricultural land is 8,87 million ha, which from 2005 has fallen by 130 thousand hectares. One of the reasons for the change in land use is that due to increased yields and a consequent higher level of self-sufficiency of foodstuffs, some areas with unproductive soils were planted for forestry.

There are also some special features of national legislation concerning land use and especially agricultural land use: agricultural land is state owned and not for sale, rather available on long-term lease arrangements. As a general rule it is not allowed to change the use of land to another (for example for forest, settlement, industry) without special permit; private farmers can use up to 100 ha of land and their family members or partners can inherit that land to use it for agricultural purposes. Any area over 100 ha should be rented from state; foreign enterprises use land under rental contract conditions.

7,6 million ha of the total amount of the agricultural land (86,4%) are used by agricultural organizations (JSC, Ltd. and others), 127 thousand hectares are used by private (peasant) farmers – 1,4% and 0,9 million are owned by citizens and used for household needs – 10,2% of the total agricultural area. Land used for household needs (including areas under houses and areas for agricultural purposes nearby house, land for “hobby-farming”) significantly reduced from 2006 to 2012 from 1,23 million ha to 0,9 million ha. The main reasons being the generational change and movement of youth to cities and a reduced interest in summerhouse gardening. Thus o the share of land owned by citizens reduced from 13,6% to 10,2% in the last seven years.

Table 2. Number of agricultural organizations and private (peasant) farms (January 1st)

Units/Year	2006	2007	2008	2009	2010	2011	2012
Agricultural organizations	1903	1853	1881	1817	1644	1613	1570
Private (peasant) farms	2222	2188	1949	1867	2001	2118	2337

From a total number of organizations in 2012, 24 – are of foreign ownership and 49 – with a share of foreign ownership. The number of enterprises with foreign funds compared to total number of organizations increased from 1,8 % in 2006 to 4,6 % in 2012, as well as the number of such enterprises in absolute numbers. According to official statistics 23,4 % of enterprises are completely state owned and the rest are private (in the form of joint stock companies, limited liability companies and others). The special feature is that the state is often the main stockholder in such enterprises and most members in the Council/Board are state representatives.

The average size of private farms has remained almost the same over the years – approximately 55 hectares. But the average size of specialized agricultural organization has increased significantly over the years, from 3930 ha in 2006 to 4885 ha in 2012. An explanation for this are the measures taken by the state in 2004 - 2012 in order to improve the efficiency of production and the total production of agricultural products. The strategy was to incorporate unprofitable operations and production units with more effective neighbouring enterprises. Another reason of the enlargement was that large agricultural organizations received, from local authorities, land which was or had become unused or abandoned.

Land use and crops

The structure of land use clearly shows the development and importance of different branches and crops in national agriculture and processing industry (2011):

- cereals – 2.672 million hectares, mainly spring barley and winter wheat
- forage crops – 2.189 million hectares, including mostly maize for silage and one-year grass for silage and hay, some saw area of pastures and grasses
- technical crops – 500,000 hectares, including rape – 318,000 ha, sugar beet – 101,000 ha, fibre flax – 68,000 ha
- potatoes – 345,000 ha
- vegetables – 73,000 hectares
- the rest of the area is covered by meadows and pastures and grass, in second year or more growth; areas used both for pasture and for forage harvesting for privately held animals (kept in private house holdings) and animals in agricultural organizations



Belarus has compact sizes and a rather plain relief. Differences in daily temperatures between for example north-east and south-west can reach 10⁰C in summer and winter and up to 15⁰C in transitional seasons. Precipitation can also vary from 500 to 700 mm between regions. Soil quality varies from poor sand soils to clay, turf- and even some rich black soils and the fertility of soils varies accordingly.

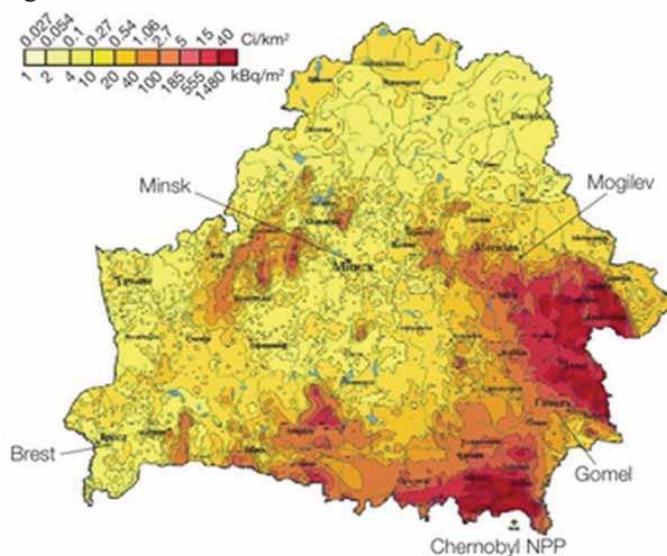
A big and persisting influence on the development of agriculture of Belarus are the consequences of the Chernobyl

accident in April 1986. The economic damage inflicted on the nation was estimated at \$235bn, equivalent to 32 national budgets in 1986. A total of 23% of the Belarusian territory was registered as contaminated, compared with 7% in Ukraine and 1,5% in the European part of Russia. The Belarusian contaminated area includes: more than 3,600 settlements, including 27

towns, with a total (1986) population of 2,2 million people, about one-fifth of the whole population of Belarus.

Various agrochemical and agricultural measures² carried out on radioactive contaminated soils in Belarus has lowered the amount of Cs-137 and Sr-90 in food products by 2 to 10 times, which has reduced economic damage several times and lowered the exposure of the population to radiation. The caesium content in foodstuffs has decreased by two times. However, the amount of strontium remains high, and is trending to increase. The large scale of the contamination the Chernobyl accident (of the 125 000 km² of land in Belarus, Ukraine and Russia that was affected, 52 000 km² was in agricultural use) means that further work is required, aimed at both minimising the consequences of the Chernobyl accident, and ensuring the recovery and sustainable socio-economic development of the affected areas.

Figure 1. Radioactive contamination of Belarus with caesium-137 (1986)



Main trends in crop production

Main trends and changes of crop production during previous years – an increased area under grain maize, rape and buckwheat. This is due to the more favourable weather conditions for grain maize, which mainly goes for seed, and an increased need for protein fodder (rape), which also provides edible oil and bio-fuel. The most significant reason is the increasing prices on world markets for food, fodder and protein, and the will to increase exports of high value and processed animal products.

Technical crops such as sugar beet and fibre flax are mostly concentrated in regions with favourable weather conditions and existing processing zones: sugar beet grown in central and south-west parts of country within a maximum of 200 km transportation distance to the four processing plants; fibre flax is mostly grown in central, north and north-east parts of Belarus – regions with good levels of precipitation and medium temperatures during the summer. The processing plant for flax is also situated in north-east part of Belarus.

There is an existing national programme for irrigation and drainage, which aims not only to maintain existing drained lands, but also state subsidies to extend through new drainage works.

² caesium and strontium are taken up by plants by the same mechanism as potassium and calcium respectively, thus the extent of their uptake depends on the availability of these elements. High levels of potassium fertilisation can reduce caesium uptake and liming can reduce strontium uptake.

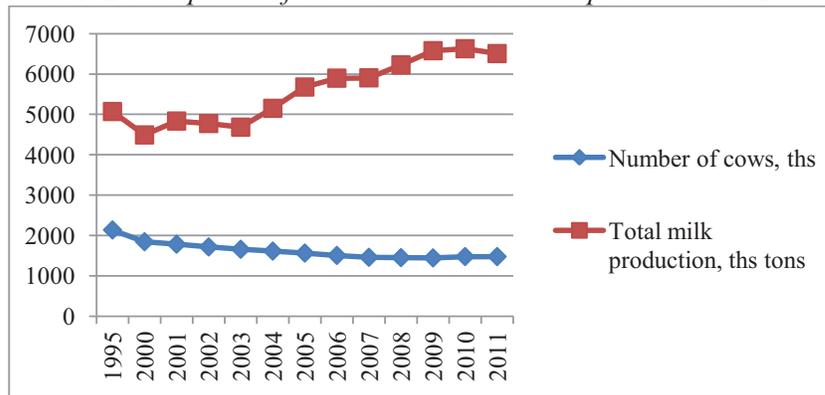
In total there are more than 2950 thousand hectares of drained agricultural lands, 2011, including arable lands and meadows.

Animal husbandry

The number of livestock has constantly decreased over the last twenty years, from 5.054 million in 1995 to 3.924 million in 2003 (dairy cattle, followers and bulls). Before 1990 the main share of animals was in smaller households, for family needs (mainly 1 to 3 cows per family) and sale of any surpluses. From 1990 the number of cows in households is decreasing steadily (reduction of 14% by 149,000 in 2011) as wages increase in rural areas, with more intensive employment and land use by the agricultural enterprises, and because of the migration process. According to the latest statistics more than 60% of rural house-holds have no animals (neither cows nor pigs).

In 2003 state policy began to prioritise milk and beef husbandry as an export sector, and the number of cattle slowly increased to 4.247 million in 2011, The majority of these animals are within agricultural enterprises. However, the number of cows has decreased in the same period from 2.137 million, by 31% to 1.477 million in 2011 – which also points to greater to feeding and breeding.

Chart 1. Development of cows' number and milk production in Belarus 1995-2011



Milk production levels slowly increased from 2370 kg in 2000 to 4400 kg kg/cow/year today with a similar trend in 2012. The main feature is a wide variation in production levels and efficiency levels – from 8000 kg to 2500 kg per year. The current milk price is about 29-30 eurocents per litre. There are efficient and inefficient farms in all enterprise sizes – from 200 to 1200 cows. But most agricultural enterprises including private farmers now try to pay more attention to breeding, semen quality – about 90% of the semen used for AI is produced by the bulls which have high percentage of Canadian and American Holstein cattle genes. Farmers also now pay more attention to the management of feeding and reproduction – the average calving interval, according to official statistics, is about 13,2 months. At the same time some independent studies show pregnancy rate – PR – at 10-13% compared with 16-20% as acceptable, which indicates some lack of information in official statistics.

The beef sector is not very well developed in Belarus, though the effectiveness of existing herds has increased significantly to an average gain in 950 g/day. Thus average production of meat per capita increased by almost 50% from 2000, to 102 kg in 2011. Pork and chicken sectors are rather well developed and both have grown in production during the last 15-20 years. Besides that, the chicken sector grew both in the quantity of operational units, intensity and level of average gain (up to 56-58 g/day). Producers of chicken meat are represented by organizations with state stakeholders and by some with foreign investors. The sectors, milk/meat from sheep and milk from goats are not developed significantly: the number of animals have reduced year

by year since 2000 with most existing stocks held by private peasant farms and households. At the same time some independent studies show pregnancy rate – PR – at 10-13% compared with 16-20% as acceptable, which indicates some lacks of information in official statistics.

Processing

The processing industry includes such large sub-sectors as meat, milk, fish, flour and groats, compound feed production, alcohol-free beverages, tobacco and fibre flax processing amongst others. The processing of primary agricultural products is an important branch in Belarus because it has a big weight in export incomes and because foodstuffs and food security are on the top of the list of priorities of the national authorities. The cost of foodstuffs can account for as much as 40-50% of personal incomes, depending on the region. Partly because of that, prices for primary products at the farm gate, and for processed products (from the group of basic products) are partly under state regulation. Currently, prices at the farm gate level for animal products – milk and meat, purchased for state needs, are fixed by the Decree of the MAF, prices for vegetables and fruits are limited to a maximum level by local authorities. The approach in price regulation changes by year depending on the inflation rate and the market situation in the economy. Prices for other products like cereals, rapeseed, sugar beet and fibre flax, and others, are based on the contract price between producer and processor, and shall not be lower than the prices set out by the Decree.

Another group of price regulations relate to prices for processed food products on the level of the processing industry (EXW according to Incoterms 2010). There is a group of products, considered as basic needs products, for which the prices are strictly limited and can be changed only within narrow boundaries depending on the inflation rate. The number of products in the group has reduced during recent years and today the situation in trade and processing is more liberal.

The food processing industry has more than 800 organisations with more than 1300 processing units and more than 150 thousands employed. The contribution of food processing to the economy is large and the share of food processing in the total volume of industrial production varies in recent years from 17,5 to 20% with almost half of that share contributed by milk and meat processing. The sphere of food processing is an important source of export incomes and due to the large sums of investments in modern and high-tech equipment undertaken in the last 5 years, the current level of quality is of a high level. From 2010 to 2012 a number of enterprises received access to EU markets, import permits based on meeting food safety regulations.

The possibilities for privatization or establishment of new enterprises are limited and according to current state policy, most processing plants can be privatized or sold only on the condition of maintaining employment levels, production volume, saving of existing primary commodity zones and some investments in the social sphere. Most of the existing processing enterprises have a majority share of their capital in state ownership. Generally the existing infrastructure “from farm to fork” provides good possibilities for agricultural enterprises, with a wide network of slaughterhouses, milk industries, primary fibre flax processing plants, cereal storage facilities. Most of the slaughterhouses, milk industries and cereal storage facilities (including compound feed production) are situated no more than 100 km from each other and have their own transport and logistics service. At the same time trading is required to have a guaranteed list of domestic and regional products for sale.

Environment, Renewable energy resources

A wide variety of soil and climatic conditions of Belarus makes it possible, on one hand, to cultivate a large range of crops and raise many species of animals. But, on the other hand, it also imposes an obligation to preserve the existing environment for future generations, to preserve the natural ecosystems and endangered animal breeds and plant species.

The general situation with the environmental situation in the country has improved as compared to the 1980s (up to 1990) when industrial production peaked. The feature of technology used in those years was that little attention paid to the cleaning of emissions and effluents, and that industry was responsible for the bulk of emissions. Today road transport (71% on average in Belarus and 84% in Minsk) form the basis of pollutants in the atmosphere. Second place on emissions (carbon dioxide, sulphur and nitrogen oxides, organic pollution) after transport is oil refining and the chemical industry, concentrated in Novopolotsk and Mozyr, which together with Minsk are three of the most polluted cities in Belarus (116,000 tons of pollutants, year 2010). There also remains the significant problem of the disposal of unused agricultural pesticides, and more questions arise in connection with the intensification of agriculture and an increasing use of mineral fertilizers and pesticides, resulting in elevated levels of nutrients leaching into ground waters, and an increased risk of residual toxins in food and their effects on the health of the nation.

However, tribute should be paid to the policies pursued by the Government in reducing emissions to the atmosphere, surface water, solid waste. Thus, with technical assistance from the European Union, there are a number of projects that resulted in improving the quality of waste water (EU funding), and with funding from international banks the emission control systems of some industrial enterprises have being upgraded. 500 billion rubles (about 45 million euro) was planned in the 2012 budget for environment measures. In addition there is a range of international grants implemented annually in ecology and the environment.

Today the main priority of the Government is to attract investors to the processing of municipal solid waste and renewable energy. So far pilot projects are being implemented for the construction of biogas plants based on large livestock operations, there is a successful state programme for increasing the use of local timber energy resources (wood chips, sawdust, wood), the first project on the commercial use of wind energy is being implemented. Together with the Bank of China a number of small and medium hydroelectric powers shall be constructed. In general, energy from renewable sources provides no more than 5-10% of the total energy consumed. One of the limiting factors is that currently the cost of electricity is subsidized by 60-70%. According to the plans of the Government, it is planned in 2012-2015, on a phased basis, to increase the cost of electricity and thermal energy to the real/market value, which will undoubtedly increase the attractiveness of the industry for investments.

Nature conservation, genetic resources, organic agriculture, Role of NGOs

As noted earlier, the sphere of ecology and environment protection is one of the priority social sectors for the government., In 2011, about 3.5 trillion rubles (640 million USD) were allocated for measures to protect and conserve nature (for environmental protection, including the maintenance of reserves, national parks and sanctuaries, research and development, protection of the environment from harmful emissions), that is nearly 1.2% of GDP for 2011. Nowadays in Belarus there are two reserve and four national parks with a total area of 700 thousand hectares. In addition there is a wide network of nature reserves to preserve the habitat of some rare species of plants, birds and animals. The total area of nature reserves and national parks (national and local) is more than 1,5 million hectares, which is more than 7.5% of the country. In cooperation with FAO in 2007, a programme for the conservation of genetic resources was developed, which is being implemented today. Besides saving genetic resources for research purposes in the sanctuaries and genetic bank, there is a development of a national programme to promote the use of local traditional and extensive animal breeds and plant varieties.

Public organisations play a major role in the environmental field and in some areas NGOs are the initiator and organizer of events, and improvements of legislation. A good example of fruitful cooperation of society with the government - the work of the ornithological NGO " APB Bird Life Belarus – Ptushki Batskaushchini", which has a large number of active members, and

often organizes its activities with the Ministry of Natural Resources and Environmental Protection. Active support of environment and rural settlement development is provided by grants from the EU, and grants from Sweden, Norway and Germany.

In 2012 a number of positive changes in the development of organic agriculture have taken place. In August 2012, under the auspices of the Ministry of Natural Resources and Environmental Protection, the first international conference on organic agriculture was held in Minsk. Work on establishment of national legislation on organic production and certification is going on, the certification of the first farms (total area of the two farms in 2012 - about 107 ha) and of the experimental field at BSU of 12 hectares have been implemented. The government has also plans to establish regions with a dominance of organic farming and the development of agro-ecological tourism in the Braslav, Mjadel and Naroch resort areas.

Current situation in rural areas / Demography and level of life in rural areas

The number of officially employed in country is 4,6 million (2011). The distribution of the employed population across key economic sectors (2011):

Sector	% Employed
Industry	25.4
Agriculture	9.3
Construction	8.6
Transportation and Communications	7.5
Retail, Catering, Logistics	13.7
Education	9.9
Public health services, physical training and social security	6.8
Other	17.8

10.3% of employment is in agriculture which accounts for 8.5% of GDP10,3

As already mentioned, almost 25% of the population live in the countryside, a number that has been slowly and steady decreasing during the last number of years. Due to less possibilities of employment in rural area, almost 48% of all legally employed work in agriculture, compared to 10,3% in average. Agriculture is an important source of income in rural areas. At the same time the salary in agriculture remains rather low over the years. In 2011 it was about 67% of the average salary in the country (about 250 US dollars per month). That feature can be easily seen by comparing the shares of families with the lowest and highest incomes per family member: in 2011: 16,2% of urban population had an income of more than 1 700 000 BYR per family member, for rural area that number was 8,7%; for persons with incomes below 500 000 BYR that shares were respectively 7,7% and 14,9%.

Therefore kitchen gardens and “household plots” still play an important role as a significant source of livelihoods – the rural population still produce a lot of foodstuff for their needs on their own land holdings. The level of self-sufficiency of food varies from almost 93% in potatoes and 88% in vegetables and down to 28% in meat and 15% in milk products. But in accordance with increasing wages and size and intensity of most number of agricultural enterprises, at some rural settlements private household plots have disappeared totally and remain only in the form of smaller kitchen gardens (see Table 3).

Table 3. Development of private household plots production over years.

Self-sufficiency by foodstuffs of own production in rural area, % of total consumption	Years			
	2000	2005	2010	2011
Milk and milk products	67,0	41,2	18,2	15,5
Meat and meat products	56,8	39,7	32,0	28,0

One growing source of income is agro-ecological tourism. According to the national programme which aims for sustainable development of rural areas, there are special tax regulations created for private farms, personal entrepreneurs and other enterprises which deal with agro-ecological tourism. Thus, there is a possibility to take a bank loan for investment and education from 5 to 7 years at a reduced bank rate (contemporary 5% which can be compared with the 22% planned inflation rate in 2012). A loan can be given after a signed agreement between local authorities, person/farmer and a non-governmental organization. The result of the programme is clear – today more than 800 farms/households are registered as enterprises dealing with agro-ecotourism. Support to this is given by the NGO “Country Escape” which participates in a number of international projects, with US and EU funding, and supports development of rural tourism, its promotion and the education of the hosts.

Generally the rural population has the opportunity to implement activities in social lives, in business and financing, with even more favourable conditions than the urban population. Thus families who live and work in small towns and villages (not more than 20 thousands inhabitants) can borrow money from the bank for the construction and/or reconstruction of houses for a reduced bank rate – 3% for up to 10 years.

There are also more favourable tax-rules for enterprises in rural area: all agricultural enterprises have zero tax rate for profit (this rule does not apply to floriculture, beekeeping and fur animal production). Moreover, from May 2012 there is a new state regulation which gives 7 years tax free period for profit tax for all enterprises which have their operation and production in rural area. Despite the incentives provided to rural areas there is a problem in recruiting educated and motivated employees As in many countries young people prefer to move to cities because of higher wages and a more attractive social life.

Import and export in agriculture

Both, traditionally from Soviet time, and because of the high level of production of main food products, agriculture is an important source of income from export. The value of food exports in 2011 was 4,06 billion USD which is 10,1% of the total export value. The outstanding result of foreign trade in 2010 and 2011 is the positive trade balance, which was negative to a value of \$700 million, annually from 1992 to 2008.

Chart 1. Volume of foreign trade in agricultural products and foodstuffs (current prices, \$million)

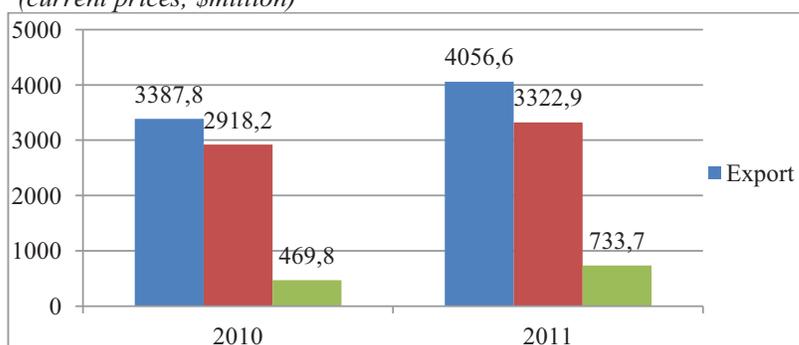
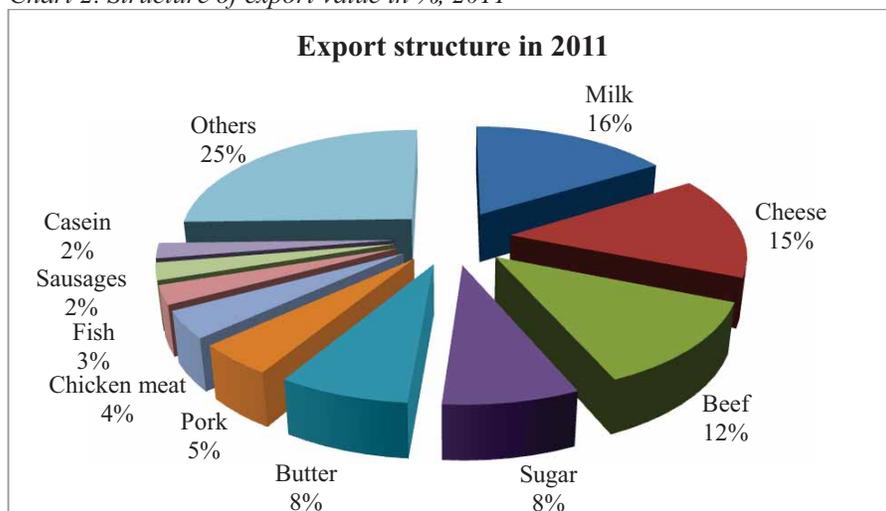


Chart 2. Structure of export value in %, 2011



From the total export of food products in 2011, 89% were sold to Russia, 6% - to other countries of CIS and 5% – outside of the CIS. According to national policy earnings from export of agricultural products are projected to reach a level of 7\$ billion by 2015.. The export of mineral fertilizers – potash and nitrogen: potash to a volume of more than 4 million tons annually, and tractors, crop harvesters and other machinery are also an important part of export earnings..

Table 4. Commodity structure of export (2011)

<i>mineral products</i>	36.0%
chemical industry production, rubber	21,5%
<i>cars, equipment and vehicles</i>	18,1%
black, nonferrous metals and products from them	6,1%
<i>articles of food and agricultural raw materials</i>	9,6%
Others	8,7%

The increased value of foodstuffs export in 2011 related both to difficulties in the currency balance of the country for that year and on the signing of the Custom and Trade Union Agreement with Russia and Kazakhstan in January 2011, which eased trade with these countries. Consequently foreign trade depends a lot on the bilateral and multilateral agreements with Russia and Kazakhstan. At the same time there are two groups of measures of import regulation existing in Belarus:

1. Administrative regulation – special permits from the Ministry of Agriculture and/or the Ministry of Economy shall be obtained. Such permits validate import of goods for some time period and quantity. Other permits according to veterinary restrictions exist as well.
2. Import taxes/tariffs (up to 20% of the customs cost of imported goods) exist both on a regular basis and as a seasonal measure with an aim to enhance sales of domestic machinery (crop harvesters, tractors and others) and domestic food products (meat, milk, vegetables and others). At the same time high-tech machinery and equipment which is important for investment in agricultural production and processing and is not produced in Belarus is imported with a zero rate.

Efficiency and economic situation, Subsidies

Some features contributing to the efficiency of agriculture have been already mentioned and mostly concern the size of farms and the structure of land-use and production. Agriculture development and profitability in Belarus is influenced, not only the world market but also national priorities and exchange rates. As is shown on the table below 2008 to 2011 were years with good profitability for farms mainly because of the devaluation of the national currency and thus a higher competitiveness of foodstuff on the markets abroad.

Table 5. Average profitability/unprofitability of agricultural enterprises over years

	2006	2007	2008	2009	2010	2011
Profitability (+)/ Unprofitability (-)	0,1	-0,04	5,5	-0,5	-1,7	14,5
Plant production	6,4	4,1	20,6	4,6	-1,9	21,6
Animal Husbandry	3,4	-1,1	1,9	-2,5	-2,5	14,5

At the same time measures taken in the last number of years (increased investment grade, use of modern technologies and techniques, higher processing scale etc) have impacted positively on the viability of agriculture. So even if average productivity is still low, financial analysis shows positive trends, as shown in table 6.

Table 6. Payment and effectiveness trends in agriculture over last years.

Indexes	2009	2010	2011
Accounts payable, mln BYR	9 756 461	12 250 047	16 683 845
Accounts receivable, mln BYR	1 555 310	2 042 173	3 309 890
Balance, mln BYR	8 201 151	10 207 874	13 373 955
GDP in agriculture, mln BYR	11 407 703	15 131 801	23 588 261
Debts-to-GPD, %	71,9	67,5	56,7
Subsidies, mln BYR	5 680 200	4 978 600	7 622 900
GDP-to-subsidies BYR	2,01	3,04	3,09
Subsidies, % of total GDP, %	4,13	3,03	2,78
Subsidies per ha, US dollar	232	191	185

As we can see, enterprises in agriculture have problems with liquidity though the situation improved slightly in 2011.

The level of state support is not as high as it was 5-8 years ago. Farms now have to find their own financial sources and their own ways to improve results. Further improvement requires more attention from managers to production routines and everyday control of costs. Prices for electricity and fuel/gas are still on a low level compared to neighbouring countries (0,85-0,9 \$/litre petrol) but will increase in the coming years according to signed Belarus-Russia contracts.

The general conclusion on the state of agricultural enterprises is that their financial results depends a lot on the abilities and competence of farm managers. The latest numbers from the Academy of Science shows that 22% of enterprises account for 50% of the production in agriculture and 70% of gross profit; 32% of enterprises account for 30% of production and 30% of gross profit in agriculture, and; 48% of enterprises account for only 20% of all production in the branch. Such a picture can be seen in almost all regions with the different soil and weather conditions, which indicate the level of management which can be improved.

3. Government Policy for the agriculture and rural development sectors

3.1. Description and assessment of the state of art in national regulations

Belarus is a Presidential Republic. The President of the Republic of Belarus has a full right and an obligation to implement policy in the country and to initiate policy actions. According to these statements state policy in, amongst others, agriculture and rural development is determined mostly by the directions and priorities set by the President prior to the elections. Nowadays priorities and regulations, including financing from state budget and strategic targets, were set at the ***“State Programme of sustainable development of the countryside for 2011-2015”***. The aims of the programme are to provide sustainable social and economic development and an improved demography situation in rural areas. Targets include:

- increased efficiency of agriculture;
- developed business initiative;
- providing food security on internal market – both in quality and quantity;
- increased export potential of agriculture;
- increased incomes of rural population;
- improved social standards in rural areas;
- saved and improved ecology state in rural area;
- increasing of investments in rural areas.

3.2. Description and assessment of the current and planned Governments interventions and strategies

The targets set out in the general programme are described and developed by 16 main programmes, which deal with the different branches of agriculture and rural life, such as “Saving and sustainable use of drained lands”, “Protection of agricultural lands and rural settlements in the Polesse region from flood waters”, “Fish branch development” and others.

Each programme lists a number of target actors of the market, main enterprises and list of measures that shall be taken in order to reach programme targets, the financial sources and schemes of financing. The list of programmes covers all the spheres of agriculture: from seed production to milk, pork, beef and chicken/egg production, to food processing and sales to consumers on the domestic market or abroad.

Besides these programmes, current policy in agriculture depends a lot on the signed agreement with Russia and Kazakhstan on the Trade and Custom Union. Russia is also a main trade partner for Belarus and it is already a fact that Russia has to fulfil its WTO obligations due to membership of the organization from August 2012. Thus the main priorities in the agricultural and rural policies from year 2012 become the preparation of national enterprises to the possible changes on the Russian market by investment in high-tech equipment, technologies and increased efficiency. At the same time it is important to improve the level of life in rural areas and to increase incomes from foodstuff export and to increase wages and incomes in rural areas, which are still at rather low levels, whilst at the same time keeping inflation down by monetary and fiscal policy.

Table 7. Financing of agriculture by state subsidies.

Indexes	2009	2010	2011	2012*
From national budget, bln BYR	5680,2	4978,6	7622,9	11368,2
From local budgets, bln BYR	1879,9	1467,8	3574,9	4947,0
From other state funds, bln BYR	2951,5	2717,4	-	-
Subsidies, USD per 1 ha agr. land	232	191	185	153

* - data for 2012 is planned and provisional

All the programmes named above were developed by the MAF in cooperation with interested Ministries and later approved, between 2008 to the end of 2010. The aims set out in the planned programmes are to be achieved by different policy tools:

- price regulation on the “basic needs” products group in form of fixed prices, fixed prices on the products purchased for state needs;
- internal market protective measures –custom tolls for imported food stuffs;
- investment policy (direct investments in irrigation, state ARD programmes; returnable subsidies for purchase of fuel, mineral fertilizers, pesticides and others; rescheduling of debts of enterprises for investors who invest in non-profitable enterprises; subsidized bank rates for bank loans);
- simplified taxation system for agricultural enterprises (zero mark tax, zero profit tax and some others);
- range of support measures for house holdings in rural areas – fixed prices for products sold to processing plants; reduced bank rates, better access to bank loans; more favourable conditions for private enterprising.

At the same time, the scale and the depth of state regulation including price regulation has reduced through the years and increasingly depends on the current market and price situation. The balance of payments crisis of 2011 has forced a re-think around financing of agriculture

with agriculture enterprises forced to seek alternative sources of financing including outside investors. The crisis did lead to better financial discipline and cost control at the enterprises and according to the first mid-term results of 2012 much better economic results can be predicted. Several big changes and new “hot-points” are a feature of the national policy during 2012 – two new decrees: (Decree #6) gives a seven year tax-free period for enterprises functioning in rural area; the second (Decree #357) creates the possibility to borrow money for high-tech and export potential investment projects from the newly created State Investment and Innovation Fund.

3.3. Assessment of how the correspondent Government programmes fits into the ENPARD approach

Decisions on programmes and planning of content of programmes on ARD are taken in close cooperation and discussion between Ministries, Departments of Government, the National Academy of Science, a number of scientific research institutions on the base of complete market studies, comprehensive statistical information and operational and target studies. Through the implementation process of national programmes, the annual revision of financing sources, sums and prioritizing of investment areas is undertaken with deep analysis of current results.

3.4. Review of policy

The development of agriculture is a priority in Belarus, evidenced by the level of resources used in support of the sector. Productivity growth has led to Soviet era production levels being exceeded. Currently the government is aiming to increase and diversify the export structure, both countries and commodities. Although the equivalent of 2.78% of the GDP is utilised in support of agriculture, limited funding is diverted to non-agricultural and income diversification activities in rural areas. In recent years the government has begun to address rural development. This is in response to the process of urbanisation and to slow the rate of rural depopulation. To date, the approach taken is in line with the existing planning and support mechanisms. Rural tourism is an example of development initiatives already taken

The government is interested in expanding cooperation with the EU, including access to information, assistance in the continuing improvement of productivity and added value to primary agricultural production.

The legal provisions (for instance in food safety) and norms are quite rigid, including for smaller scale on-farm processing, which limits investment and participation, possibilities for rural residents interested in additional on-farm income and activity diversification. The government is aware of the problem and is interested to investigate initiatives, including the experience in European countries, without compromising the established control and monitoring systems. This is especially relevant as moves are made to adjust more to market based mechanisms, in line with requirements under the Common Customs Area and WTO. This is leading to more liberalisation of controls and more requirements for enterprises to work under market prices and secure investment and working capital.

The mechanisms of planning and control are highly integrated. Planning is based on five year plans transcribed into integrated policy execution. The Academy of sciences is the centre piece for developing the draft five year plans, the Ministry of Agriculture engineers plan implementation and the Ministry of Finance acts as treasury, through the main banks. The State Statistical Committee collects and analyses the data for system feedback and control. All the while the state, as landlord, sets production targets, by enterprise, with rigid requirements to meet the plan targets and achievement of outcomes.

Belarus is a regional member only of the EaP. In the context of a regional ENPARD, under the Platform 2 - Economic Integration and Harmonisation with EU Policies, the interest of Belarus is in the form of trade and trade development, access to markets, FDI and technology, including:

- Traceability systems
- EU rules and directives
- Access to information
- Understanding and adapting to the rules - the terms and conditions

The policy dynamic

Belarus is an important regional economy, producing significant amounts of agricultural commodities and products, with developed, long established and important trading links with other EaP countries, the CIS and is looking to increase trade with the EU. Significant policy changes will have to, and are, coming following Russia's accession to the WTO on 23 August 2012³, the most important trading partner for Belarus. This has presented the Belarusian economy with a difficult situation. On the one hand, for the next few years Belarus will be unable to complete the negotiation process for joining the WTO. On the other, in accordance with its commitments as part of the Customs Union with Russia and Kazakhstan, Belarus will be affected by the tariff changes resulting from Russia's membership of the WTO.

Up to 50 items, important to the economy, will be covered by a reduction of import duties by between 7 to 15%. These include refrigerators, televisions and electronic equipment, paint, cleaning products, certain construction materials, paper and paper products, milk powder, trucks, tractors, construction equipment, etc. As a result, due to these obligatory tariff reductions, the Belarusian market will become more open to many foreign products, including trucks and agricultural machines, which (in addition to petroleum products and fertilisers) are among the main products of Belarusian industry.

When Belarus joined the Customs Union with Russia and Kazakhstan in 2010, it required adjustment of its individual customs rates to a common tariff, rates already adjusted to fit WTO rules, a harmonisation of the Customs Union legal system with WTO standards established by May 2011. The accession of Russia to the WTO obliges Belarus to change tariffs, which exceed the rates applicable to Russia. Yet as Belarus is not a WTO member, it will also not be able to benefit from the trade preferences (such as lower export duties) which are available to the WTO member states. In addition, as tariff barriers are reduced, Belarusian exporters, mainly of food and machinery products, to Russia may lose part of their market, as more competitive goods from third countries become available.

This presents the Belarusian government with the need to undertake essential economic reforms and speed up its negotiations on WTO membership.

³ Centre for Eastern Studies

4. Assessment of institutional capacity

Current state funding of programmes in agriculture and rural areas, is provided in two parts:

- One part of the funds are provided to all enterprises, centrally and on equal terms. Under the arrangements enterprises are subsidised for the purchase of genetic materials (AI - semen); a proportion of fertiliser requirements, and a central subsidy for enterprises to construct service housing, with a subsidised interest rate on loans.
- The second part of the funds is provided to those enterprises involved in specific projects - targeting government programmes such as “Programme for the construction and modernization of grain drying systems”, “Development programme for selection and seed production”, “Livestock pure-bred breeding programme”, “Development programme for potato production, vegetable and fruit growing”. Participation in such specialized programmes includes a list of target indexes, which participating enterprises should achieve after successful implementation of the programme; the results are controlled by local executive authorities and the Ministry of Agriculture and the Ministry of Finance, through which the government programmes are funded.

Foreign investment in the implementation of government programmes in agriculture and rural areas is limited. Most investment is in projects with the guarantee of the Government of the Republic of Belarus. More often foreign investments come indirectly - in the form of the credit resources of banks, including banks with foreign capital.

4.1. Assessment of government institutions for managing, implementing and monitoring an ENPARD approaches

The Ministry of Agriculture and Food of the Republic of the Republic of Belarus is the central executive body responsible for development of agrarian policy and food security of the country. The main tasks of the MAF are: implementation of unified state policy and the implementation of governance and regulation in agriculture, fisheries, fish breeding, food production, as well as in seed production, crop variety testing, plant quarantine and protection, conservation and improvement of soil fertility, breeding, veterinary, providing of quality of food raw materials and food, irrigation, mechanization and electrification of agriculture. Other important issues of the Ministry are improving of the economic policies and management methods, enhancing of the agriculture efficiency, ensuring the implementation of science and technology achievements, investments attraction, increase of the volume and quality of exported products. MAF also represents Belarus interests in the International Union for the Protection of New Varieties of Plants (UPOV), Food and Agriculture Organization of the United Nations (FAO), World Organisation for Animal Health (OIE).

Regional and district committees on agriculture and food are the structural units of local executive committees (local authorities) and provide MAF functionality in the field, make the primary contact and cooperation with agricultural enterprises, and monitor the implementation of programmes and plans.

Ministry of Natural Resources and Environmental Protection of the Republic of Belarus. The Ministry carries out the duties of conservation, restoration and enrichment of natural resources, control of their rational use, protection and control of water resources. The Ministry actively cooperates with national non-governmental organizations of Belarus, regularly and effectively participates in joint projects with UNDP, OSCE and also implements EU technical assistance projects.

National Academy of Sciences. The structure of the NAS of Belarus has a number of research institutes involved in applied and theoretical research in agriculture. Among the units of the Academy are the Central Botanical Garden, Agricultural Library, research institutes on potato growing, fruit growing, vegetables growing, agricultural economics, animal husbandry, farming and breeding, and other units that implement research projects both under contract with enterprises, and joint projects of EU technical assistance.

Educational institutions - The Belarusian Agricultural Academy (BSAA), the Academy of Veterinary Medicine (AVM), Agricultural Technical University (AU), professional and technical education institutions – high-schools and colleges, provide training of expert/specialists and agriculture personnel. Universities in Belarus have some experience in implementing projects for international student exchange and EU co-operation projects.

Non-government organizations. Belarusian NGOs are active in the implementation of joint projects, both by means of EU technical assistance and by means of UNDP programmes, European countries and USAID. Also NGOs try to involve state agencies in the implementation of projects, mostly in the sphere of ecology, development of agro-ecological tourism and educational projects.

The system of planning and control is highly structured, and enforced. External development support measures have to be implemented within the constraints and directions of the system, or operate in areas not included within the system parameters.

As the system control parameters, such as price control, become more liberalised and internationalised to enable participation within the framework of international trade, the system will, and is adjusting, to enable and attract the necessary investment and adaption of its human and capital resources to effectively compete on price, quality and value terms.

4.2. Assessment of agriculture and rural economy stakeholders for managing, implementing and monitoring an ENPARD approach

A feature of agricultural enterprises is that only a small percentage have experience in working with foreign banks/foreign credit lines or cooperate with foreign investors. The majority of agricultural organisations are conservative, and are cautious, slow and uncertain in taking production decisions for fear of taking independent decisions. At the same time, they have extensive experience in working with machinery and equipment procured on lease finance terms. The vast majority of companies actively support the development of local social services – schools and kindergartens, are engaged in the maintenance of local roads, provide transportation services to the local population, assist the individual house holdings in machinery services and fodder preparation.

Farms and self-employed entrepreneurs in rural areas of Belarus are actively developing, trying to occupy free niches on the market and to compete with large agricultural enterprises. Although Belarusian farms are not united in public organization, they normally take an active social position, tend to study and develop and, where it's possible, to participate in international projects of development of infrastructure of rural areas and the development of entrepreneurship.

Local governments are the executive branch of government and implement central policy of the state. One of the main tasks is the arrangement of conditions to enable the district enterprises to achieve set region development indicators which are part of national programmes. In addition, some executive committees have successfully participated and are participating in projects to develop cross-border cooperation with Lithuania, Latvia and Poland. In the Vitebsk region there are successfully implemented technical assistance projects for the improvement water quality (installing iron removal stations), and the installation of modern equipment for waste water treatment. In the Gomel region there is an implemented project, development of regions affected by the Chernobyl accident.

4.3. Assessment of the need for training of the agriculture and rural economy stakeholders

As described in chapters 4.2. and 4.1., the main stakeholders in agriculture usually have little experience in planning and implementing projects. A similar situation exists in the sphere of local authorities, which have subordinate local offices of the Ministry of Agriculture and Food. These can be an important element in providing information services and consultations to agricultural enterprises in the regions. At the same time, the processing plants tend to have a high information potential and actively implement ISO and HACCP quality control systems: education and training is an important part for successful implementation of development programmes.

5. Review of existing ongoing programmes

The two priority areas of EU programmes are 1) *Good governance and People to people contacts* which include “Border Management and Customs, Migration & Asylum, Education and Youth, Mines Destruction and others”; and 2) *Socioeconomic Development and economic Modernization* with Agriculture, Energy, Environment & Sustainable Development

5.1. Collection and comparison of results from different data sources

EU

At present EU actions in the field of agriculture are limited to official consultations between the Ministry of Food and Agriculture of Belarus (first round of talks took place in Minsk on 02.12.09 on DG AGRI - Agriculture and rural development and DG SANCO – Health and Consumer Protection) aiming at harmonisation of the Belarusian veterinary and food legislation in order to allow the export of the Belarusian agricultural products to the EU. The convergence of the Belarusian and European legislation in the field of quality of animal products is the main condition for open access of the Belarusian foodstuffs to the EU market.

The only past project focused on agriculture is the, *Strengthening Smallholder's agricultural activities on radioactive contaminated lands of the Bragin district*, implemented within the framework of the *CORE Programme* “Cooperation for Rehabilitation of living conditions in Chernobyl affected areas in Belarus”. The aim of the project was to create gradually, together with public and private, local, national and international participants, the conditions and means for the sustainable and profound development of territorial processes in which the rural population will improve its living conditions through the development of private agricultural activities. It will be achieved through technical, information and methodology support to rural producers' local initiatives for improving potato, vegetable, milk and meat productions in accordance with 48 radiological and economic criteria. The project was planned to be implemented during two years in five villages of the Bragin district, with the participation of 150 rural families. Throughout the project, support given to the participants' initiatives (individual or common) will progressively build and strengthen the rural population's role and participation in local development strategies.

Some of the agriculture related projects are also realized within the NSA/LA instrument like the project *Territorial Approach for Village Development* (€247927) implemented by the International Foundation for Rural Development (BY) which provides information support in agriculture technologies for rural entrepreneurs. Most of the projects implementing in Belarus by EU financing are about environment problems, some examples are listed below.

Protection of Freshwaters and Marine Environment in the Wider Black Sea Region (ENPI/2009/021-924 with a budget of 13.000.000) the aim is Content: to improve availability and quality of data on the ecological, chemical, and hydro-morphological status of trans-boundary river basins including groundwater, to develop River Basin Management Plans for selected river basins / sub-river basins according to the requirements of the EU WFD.

Support for the implementation of the CBD (Convention on biodiversity) Programme of Work on Protected Areas in the EU Neighbourhood Policy Areas and Russia (ENRTP AAP 2008, contract n. DCI-ENV/2008/ 149-825 with a budget of 1.484.000). The task of the project is extension of the implementation of the EU's Natura 2000 principles through the Emerald Network.

COOL Bricks – Climate Change, Cultural Heritage & Energy Efficient Monuments

(CBC Baltic Sea Region with a budget of € 4.308.970) Tasks are conservation of heritage, in particular historical buildings, is a common goal in the BSR. Due to the common identity in the BSR it is very important to protect the historical buildings to preserve the individual characteristics and therewith the attractiveness and competitiveness of the cities around the Baltic Sea. Furthermore the CO₂-reduction is an accepted and common goal in all cities and regions around the Baltic Sea Region.

Project on reduction of the eutrophication of the Baltic Sea today (PRESTO)

(CBC Baltic Sea Region with a budget of € 4.553.950) Content: increases the competence of operating staff of the waste water treatment plants, plant designers and trainers of future wastewater engineers by organizing courses on modern waste water treatment, showing practical examples of reconstruction projects in their different stages and giving opportunities for exchange of information between waste water treatment specialists from Belarus and EU-member countries.

Eco-villages for sustainable rural development

(CBC Baltic Sea Region with a budget of € 1.467.330) The project aims at helping our society to get closer to nature again and to develop new ways of living together on the land in a genuinely more sustainable way. This is especially important given the climate crisis and resource shortages. The eco-village concept is an innovation offering solutions to many resource, climate and social life problems faced by societies of the BSR.

One more ongoing project in agriculture is ***BERAS Implementation*** (CBC Baltic Sea Region with a budget of € 4.500.000). BERAS has participants in 9 countries around Baltic Sea including Belarus. Ecological recycling agriculture is based on the ecological principles of renewable resources, recycling and biodiversity which make the farm part of the ecosystem. One of the aims is to establish and support the development of local food clusters in all countries around the Baltic Sea. These learning centres engage farmers, gardeners, processors, teachers and pupils, chefs and consumers. Another aim is to build up a dialogue with politicians in order to promote a good environmental status of the Baltic Sea, mitigate adverse climate effects from agriculture, and secure a sustainable and prosperous development in the region.

5.2. Presentation of benchmarks

Considering the common view of EU and Republic of Belarus on sustainable (which is the right balance between **economic viability, environmental benefits and social acceptability**), the following structure of benchmarks is proposed:

- Taking joint political decisions by Belarusian and EU politicians on the recognition of the importance of ENPARD and the mutual need in the development of ARD policy
- Increased productivity without affecting the capacity of soil and water to regenerate and to be maintained in good conditions and to be improved, including improved indicators on biodiversity of soil and ecosystems
- producing high quality, safe, healthy food and saving and ensuring national culinary traditions as an important part of cultural heritage
- increased incomes for farms/farmers/employees and increased motivation and knowledge in production, economy, management, marketing and at the same time improved quality of life in rural areas; enhanced cooperation between state and private in order to “reach better future” by common forces
- delivered ecosystem services (preserve valuable habitats, biodiversity, genetics)
- successful development of the country on a regional basis, in an important, positive and acceptable way for Belarus and neighbouring countries that have tight economic and cultural contacts – Russia, Poland, Ukraine, Moldova, the Baltic States

6. Bottlenecks and SWOT analysis

6.1. Sectors specific SWOT analysis (strengths, weakness, opportunities and threats)

Both the agriculture sector (including food production and processing) and the sustainable development of rural areas are important for the national economy, employment and the environment. These become more important in line with trends of globalization in the world economy, and increased competition between countries. An increasing urban population and differences in the levels of livelihoods between the countryside and the city is also a fact. A clear picture on the state and prospects of national agriculture and rural area is therefore important.

Strengths

- *Agriculture is an important source of GDP and is at the top of priority list for the Government and the President;*
- *A highly structured and integrated planning, control, financing and feedback system provides the means to enact policy quickly and effectively;*
- *A large existing market (Russia) for export oriented products – milk and meat products, potatoes, sugar beets and some others;*
- *Industrial scale production with new technologies and continued investment in modern technologies and equipment;*
- *Good geographical position which gives advantages in logistics of products;*
- *Wide range of climate zones with favourable conditions for plenty of crops;*
- *Lower costs of labour and fuel on internal market compared with EU countries;*
- *Strong traditions of agriculture among population, positive attitude to the role of agriculture in society, good system of professional education;*
- *Increased effectiveness of agriculture during recent years including agricultural GDP value, labour productivity, yields of crops, productivity of animals;*
- *A developed processing industry which has invested a lot in recent years on equipment and able to provide products in accordance with EU food safety and health regulations;*
- *An effective system of crop insurance;*
- *Properly based structure of state policy programmes for agriculture and rural areas.*

Weakness

- *Restrictions on property rights and the rigid requirements of the state planning system act against attracting foreign direct investment and independent entrepreneurial activity;*
- *Productivity is still rather low in comparison with European/American levels;*
- *An increased urbanisation processes in the last decades, causing difficulties in securing highly educated and skilled employees in rural areas;*
- *Slow response of the sector, and enterprises to changing market demands;*
- *Scientific research is academic and not always linked to market and producer needs;*
- *Lack in infrastructure for storage, packing, processing of potatoes, vegetables and fruits, a barrier to the sale of high quality products;*
- *Bureaucracy and restrictions in rights of ownership makes the sector unattractive for investors and managers who can increase effectiveness;*
- *Most of exported food stuffs goes to one country;*

- *Organic agriculture is not developed, only the first steps have been taken, there is no state regulation of organic production or national certification body;*
- *Absence of state programme for renewable energy sources.*

Opportunities

- *Participation in Customs Union together with Russia and Kazakhstan opens up new possibilities for export trade. Increased liberalisation of market mechanisms required for the continued access to existing markets, and increase of international trade;*
- *Creation of “Law on organic production” and state support system during transition to organic production can help to take an available niche on the domestic market and to diversify export markets or to create new ones;*
- *Improved system of state control/operation of agriculture and rural development can make it more attractive for investors;*
- *Better competence of farm managers can be followed by improved efficiency and higher wages of employees as well which shall also favour rural areas;*
- *Introduction of “green energy” technologies can give extra income and make agricultural enterprises and rural settlements more sustainable;*
- *Creation of unique national product/brand and/or breed/sort with a range of processed products can be one more attractiveness of rural areas and can support rural tourism;*
- *Unique nature with rich birdlife and biodiversity can be source of extra incomes through the tourist’s visits.*

Threats

- *Lack of investment in agriculture due to an unfavourable business and investment climate;*
- *National breeds are not in use and are at risk; imported breeds and crosses with high productivity dominate;*
- *Increasing level of urbanisation and declining numbers of the educated and skilled needed for enterprise development and maintenance in rural areas;*
- *High intensity agriculture can cause increased contamination of ground and surface water, decrease biodiversity and health problems;*
- *Increased competition on the Russian market as a result of the entry of Russia to the WTO, The causes and effects of the 2011 finance and currency crises are not all resolved.*

6.2. List of the most relevant priorities areas

The above weaknesses and threats of agriculture weaken the current position of agriculture to some extent and could threaten the sustainable and balanced development of agriculture and rural areas in Belarus in the future, so the focus should be directed at building a sustainable model of agriculture, its infrastructure and an enabling environment of life for the rural population.

1. Increase of competitiveness and economic efficiency of enterprises has a great importance:
 - Training education, extension and knowledge of “best practice” towards a more effective production.
 - Extension of knowledge on cost control, production and financial management on farm and enterprise level.
 - Promotion of the use of a balanced nutrition cycle including organic and mineral fertilisers and integrated management of plant protection.
 - Diversification of product markets.
 - Implementation of the programme for the support of business investment in infrastructure, storage and sale of fruits and vegetables.
 - Implementation of the programme for the introduction of the digital land registry, global data bank of livestock pedigree records and conservation of local traditional breeds.
2. Organic production:
 - Adoption of the "Law on Organic Agriculture" and of the programmes of its development. It is also important to develop a system of measures to support organic farms.
 - Development and implementation of measures for the conservation of biodiversity and the protection of the environment, especially of groundwater and surface water.
 - Making certain changes to the current planning of the enterprises for a quicker response to changing market demands and increasing management initiatives.
3. Implementation of measures to increase the attractiveness of rural areas for young people by raising income levels and by improving the social component.
4. Measures to increase investment attractiveness, to attract skilled managers and professionals and to increase their motivation.
5. Development of a programme to support small-scale green energy as an additional resource to improve the sustainability of agricultural enterprises and rural communities.

7. Recommendations on actions that could be implemented in a bilateral context

As described in chapters the 4-6 the main issues of agriculture and rural development policy of Belarus and EU are similar. The structure of actions that could be implemented is presented within two important blocks:

1. *Improving productivity, marketing and efficiency*

- Training, education, extension and knowledge of “best practice” practical experience and applied research, which can lead to more effective production and improved productivity
- Investment in professional development on cost control, production and financial management and marketing at the farm level, including implementing GLOBAL GAP, HACCP and ISO systems, which can also indirectly lead to an improved ecological situation at local (village) and global level (region, country, Black and Baltic Sea)
- Activities and measures to enhance public-private-partnerships by useful cooperation between local authorities and enterprises; to improve level of local MAF offices in order they are better able to plan, implement and finance ARD measures and to support enterprises by the information and consulting on a sustainable regular basis following the implementation of an ARD programme
- Important task can be to support organisations and local authorities in a transition period to entering WTO and to be prepared by the higher competition grade at the Custom Union, to be able to response quickly on the market demands changes.

2. *Improving rural areas and economy*

- Strengthening the capacity of the local administration and facilitating the participation of the local communities in rural development activities
- Add value at village level by production and diversification of rural activities and employment opportunities: increased market access; production of traditional food stuffs on a small farm level, support to rural tourism to diversify income and livelihood opportunities.
- Support the development of small-scale renewable energy. The effect which society gets from SME development in renewable energy will be higher than just more megawatts of “clean” energy, but will add to the social conditions, comfort and quality of life.
- Sustainable agriculture and organic production, as a rural economic engine. The first organic farms only appeared in 2012. Consumers are prepared to pay a premium price for extra quality. Other benefits from the development of organic agriculture include reducing the pollution of ground waters, reduced eutrophication of rivers and lakes and leaking of residues to the Baltic and Black Seas; an improved health situation among farmers and a lower risk from allergies.

The system enhances biodiversity and a higher value of agro-landscapes. To further develop organic production investment in organic production education and training based on practical education and advisory services in organic production. Forming a national certification and controlling body needs time and knowledge, close contacts with foreign producers, certification bodies, NGO’s, research institutions and investment in the organic agriculture infrastructure capacity.

Bi-lateral cooperation could be implemented in different ways. An important issue for successful implementation is the training of authorities in ARD financing mechanisms and implementing procedures and changes in the structure of AFI organisation. Co-operation in agriculture and rural development is an urgent priority.

8. Identification of regional gaps and priorities and recommendations for future actions

Belarus is a country with a developed agriculture and one of the good features is that agricultural enterprises are large in scale and have the possibility to influence local authorities in order to provide support and decisions, which can be positive for both the enterprises and for the community. At the same time there are some deviations in the structure of the branch, which can be improved.

Belarus has a central place as a transit country from EU and Baltic states to Russia, the Ukraine, Moldova and to north-west Russia. The current policy of Belarus is to keep mutual and stable economic contacts, first of all inside the Customs Union (Belarus-Russia-Kazakhstan), the Ukraine and the EU, with a particular interest in the Baltic States. Moldova and South Caucasus republics are also important trade partners.

Belarus seeks to be the dominant agricultural producer for the market of the former USSR. This includes exports of agricultural products and machinery and equipment with a specialisation in products in the “*good quality - acceptable price*” niche. These plans can be realized through the use of existing preferences and improved trade cooperation on a regional level. The disparities described below are counted as hindrances and need to be improved in order to promote the position of Belarus on regional markets:

Disparities in livestock production

The livestock population in Belarus is presented by dairy cattle with a stable and increasing production; by the poultry branch with developed technologies and strong competitiveness, and by the pig industry. At the same time south and north districts of Belarus have favourable climate and soil conditions for low-input production of beef and sheep, with large pasture areas, although lacking in an available workforce.

The milk industry has agricultural enterprises employing a range of technologies - milking robots, pipeline milking and even churn based milking systems... Belarus has the opportunity to become a real player in milk production in the region. The main task is to: 1) increase efficiency in livestock production – inputs cost control, quality of feeding, with a special attention to improve fodder, technology level and labour efficiency; 2) to maximize the use of nature and climatic benefits and other advantages (good precipitation level, good preconditions for legumes as a domestic source of protein, strong traditions of cattle production). Information and education is an important tool because through increased production and improved efficiency regional markets can be supplied with high quality milk products and the domestic population will have wide range of milk and meat products.

Plant production and Good Practices

Though yields in agriculture have improved in the last years, some crops still have low yields even when intensive technologies are utilised. For that reason Belarus is required to import agricultural products that could be grown domestically with lower input costs. Belarus has the opportunity to supply the domestic market with many quality products produced in an environmentally friendly way, to provide livestock with fodder and to produce organic products for a growing demand on the Russian and domestic markets, in line with a growing world market for organic products. Information about business possibilities in this branch and the technologies are important, but perhaps more important is to create the conditions for enterprises to be more market driven and interested in the profitability of their businesses.

The market for organic products is the fastest growing market in the world with annual increases of 15 to 30 %. Such niches as “Fair-trade”, “GMO-free” and “Health cost” give extra support to developing the market for organic products. Belarus has several geographical regions which have an extra value as recreation regions and important environment status on another side.

Good Agriculture Practices, and organic agriculture, are important tools in protecting the Baltic Sea and the Black Sea, as there is large drainage area in Belarus and agriculture is a main source of nutrient leakage to seas and lakes. The experience of Latvia and Lithuania in developing sustainable agriculture is a positive example.

Customs Union

After signing an agreement with Russia and Kazakhstan, 2012, Belarus became a member of the Customs Union with the same rules of trade, quality demands to all products. Besides this Russia has entered the WTO and shall implement bilateral obligations with the WTO, which will have an influence on the competitiveness of Belarusian products on the Russian market. The second feature is a large number of agricultural enterprises in Belarus are of low efficiency and most of them more or less are under state and management. At the same time most of farms and processing industries in Russia are private and market driven. There is thus a risk of unequal competitiveness, requiring national enterprises, especially agricultural producers, to be prepared both technologically and mentally to work within market conditions.

Cross-border cooperation (CBC)

Cross-border cooperation focuses on the economic and social development of border areas, efficient border management and people-to-people contacts. It is an effective tool for implementing **Neighbourhood Programmes**. The CBC also improves contacts between small and medium cities and local authorities. The important areas for Belarus are: Ukraine-Poland, Belarus-Lithuania and cooperation with Latvia.

The Territorial cooperation project

The Territorial cooperation project is an EaP programme modelled after EU CBC programmes, involving border regions of the EaP countries without participation of EU members in the projects. There are 3 CBC components: Ukraine-Belarus (the biggest), Georgia-Armenia, Georgia-Azerbaijan. The programme is expected to be operative in 2013⁴.

It is expected that ENPARD will help partner countries to operate more effectively in foreign markets, to stimulate farming domestically and to promote long-term agricultural and rural development strategies.

In this respect the Panel on Agriculture and Rural Development would help take forward common policy thematic issues:

1. **Agriculture and Rural Development policy**, institutional and regulatory framework development including:
 - Strategic planning and programming
 - Standards and regulations
2. **Agriculture and livestock sector competitiveness** and sustainable productivity enhancement including:
 - Animal and plant health and food safety
 - Producer and food chain group formation and/or development
3. **Community-led (local) rural development**
 - Support framework for community-led rural development
 - Support measures

⁴ Action fiche: http://ec.europa.eu/europeaid/documents/aap/2011/af_aap_2011_enpi-e_p2.pdf

9. Conclusions and Lessons Learnt

Belarus is a country that was part of the former USSR. After 1990 Belarus chose its own development path. Situated on routes from Central Europe to Russia and Asia, provides benefits and economic opportunities, but also risks because of the economic influences and differences between the EU-27 countries and Russia.

Belarus is the only country of the former USSR, which maintained a large scale agriculture, and state ownership of land. Today all the forms of ownership, and sizes of enterprises have the opportunity to develop business in the agriculture and rural development branch. At the same time it is important that the Government and local authorities understand the importance of a comprehensive ARD policy.

Current results show that the choice, which was made in 2003, and began with the implementation of “National Programme of renovation and development of rural areas for 2005-2010” and the on-going “State Programme of sustainable development of rural areas for 2011-2015” was correct. The Government will review the midterm results of the current Programme and set corrected targets for 2013. Concurrently the MAF, as head of the working group formed from all the Ministries and the NAS, will start to prepare the concept of state programme for the next programming period, 2015-2020.

Given these actions, and considering the importance of agriculture for the sustainable development of the country, and understanding a need for food security, this assessment, this study, will help to determine gaps and weaknesses of the ARD sector in Belarus - conclusions in the form of proposed priority areas for domestic support and at the international cooperation level.

The common agricultural policy of the EU, together with the ENPARD initiative provides an opportunity for the Belarusian ARD sector to develop mutually beneficial relations with countries of the EU, EaP, and on regional platform with other neighbouring countries. The conclusion, amongst others, from the useful discussions with representatives of the National MAF, Moe, National Academy of Sciences, main stakeholders in agriculture and rural development sector, is a list of proposals for priority areas for the national ARD sector:

1. Increase of competitiveness and economic efficiency of enterprises is of great importance:
 - Training education, extension and knowledge of “best practices” towards more effective production.
 - Extension of knowledge on cost control, production and finance management at farm and enterprise level.
 - Promotion of the use of a balanced nutrition cycle including organic and mineral fertilisers and integrated management of plant protection.
 - Diversification of markets for products.
 - Implementation of the programme for the support of business investment in infrastructure, storage and sale of fruits and vegetables.
 - Implementation of the programme for the introduction of an electronic land registry and global data bank of livestock pedigree records and the conservation of local traditional breeds.
2. Another important direction - good practices and sustainable agriculture
 - Adoption of the "Law on Organic Agriculture" and a development programme, with a system of measures to support organic production.
 - Development and implementation of measures for the conservation of biodiversity and the protection of the environment, especially of groundwater and surface water.
 - Changes to the current planning method for enterprises, to enable quicker response to changing market demands and increasing management initiatives.

3. Implementation of measures to increase the attractiveness of rural areas for young people by raising income levels and improving the social component.
4. Measures to increase its investment attractiveness and to attract skilled managers and professionals and to increase their motivation.
5. Development of a programme to support small “green energy” as an additional resource to improve the sustainability of agricultural enterprises and rural communities.

A number of directions for bilateral and multilateral cooperation are also proposed:

1. *Improving productivity, marketing and efficiency*

- Training, education, extension and knowledge of “best practice” practical experience and applied research, which can lead to more effective production and improved productivity
- Investment in professional development on cost control, production and financial management and marketing at the farm level, including implementing GLOBALGAP, HACCP and ISO systems, which can also indirectly lead to an improved ecological situation at local (village) and global level (region, country, Black and Baltic Sea)
- Activities and measures to enhance public-private-partnerships by useful cooperation between local authorities and enterprises; to improve level of local MAF offices in order they are better able to plan, implement and finance ARD measures and to support enterprises by the information and consulting on a sustainable regular basis following the implementation of an (ENP)ARD programme
- Important task can be to support organisations and local authorities in a transition period to entering WTO and to be prepared by the higher competition grade at the Custom Union, to be able to response quickly on the market demands changes

2. *Improving rural areas and economy*

- Strengthening the capacity of the local administration and facilitating the participation of the local communities in rural development activities
- Add value at village level by production and diversifying rural activities and employment opportunities: small scale production of traditional food stuffs, rural tourism: to combine tourism with the living countryside
- Support the development of small-scale renewable energy, for both clean energy and improved comfort and quality of life in rural areas.
- Organic agriculture has the potential to become a rural economy engine.

Belarus Co-operation agenda

Panel on Agriculture and Rural Development

Issues:

1. Agriculture and livestock sector competitiveness and sustainable productivity enhancement

- Development and delivery of information packages for dissemination through the national education, training, extension and professional development network

2. Agriculture Enterprise Management Development:

- i. Farm business management: management information systems and gross margin analysis
- ii. Extension service information packages on gross margin and costing principles
- iii. Curriculum development at colleges: Farm business management
Marketing and distribution
- iv. Data service for collection of farm business accountancy network

10. References and sources used

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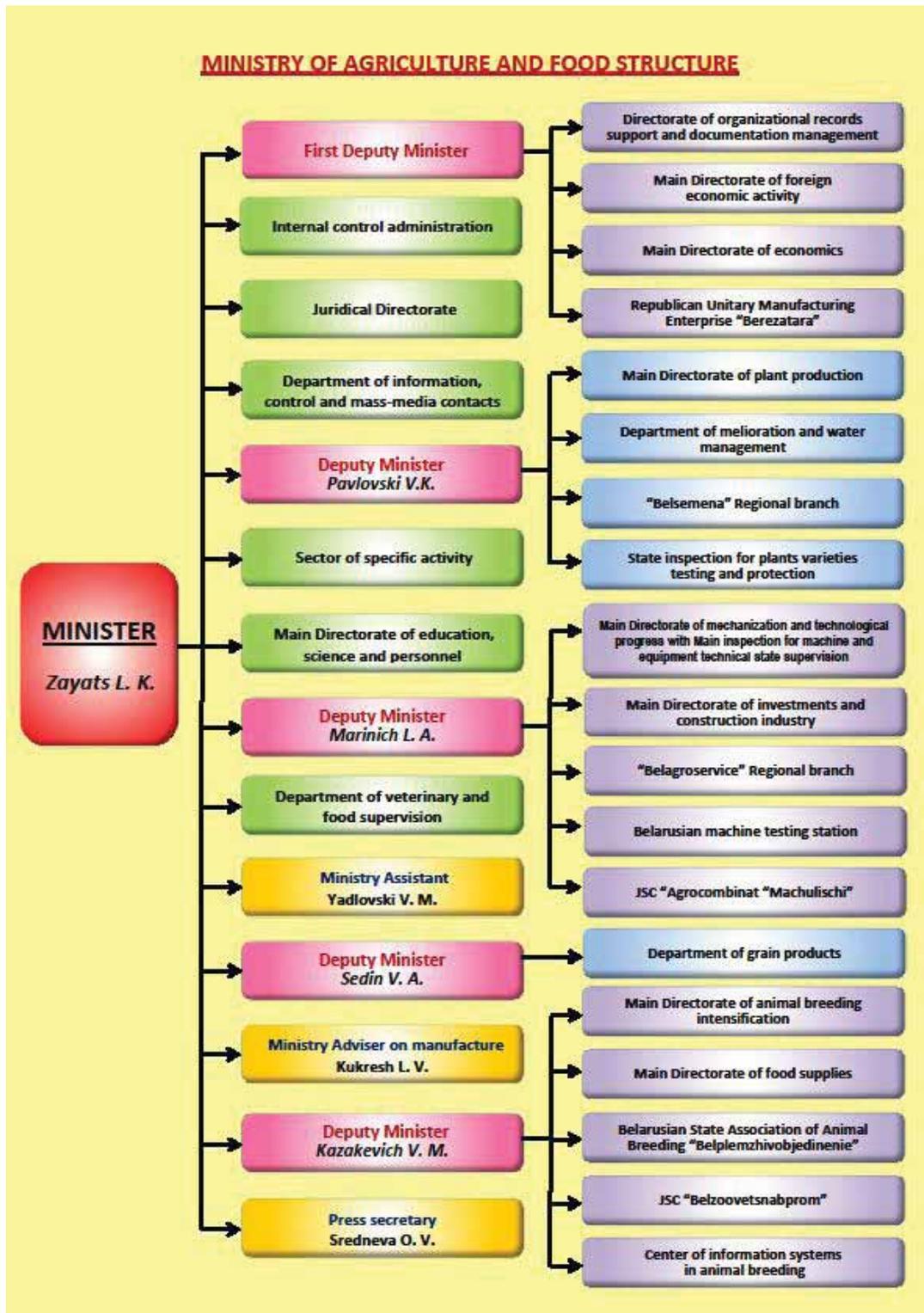
11. Annexes

Annex 1: Organization structure of the Ministry of Agriculture and Food of the Republic of Belarus

Annex 2: Workshop Report

Annex 3: State Programmes for agriculture and rural development 2011-2015

Annex 1: Organisation structure of the Ministry of Agriculture and Food of the Republic of Belarus



Annex 2: Workshop Report

Workshop Programme, Wednesday, 3rd October 2012, Hotel Minsk Conference Hall

13.00 Registration of the participants

13.30 Opening: Ms Alla L. LOMAKINA, Deputy of Head of General Directorate of Economic, Ministry of Agriculture and Food of the Republic of Belarus

13.45 An introduction to the workshop, concept and strategy, Mr. Richard Eberlin, FAO Land Tenure and Rural Development Officer.

14.00 Presentation of the study, “Assessment of the Agriculture and Rural Development Sectors“:

- Priorities, gaps and targeting in agriculture and rural development,
Mr. Mark Le Seilleur, FAO international consultant

- The concept of the development of agriculture in Belarus,
Nikolai M. IVANCHENKO, Minsk Regional Executive Committee
Assistant to the President - Chief Inspector of the Minsk region

- Food Security and Food safety of the Republic of Belarus: modern aspects, Zinaida ILYINA, Head of the Market department, The Institute of System Research in Agroindustrial Complex of NAS of Belarus

- Country report, *Mr. Ivan Kyssa*, FAO national consultant.

14.30 Coffee Break

15.00 Group discussions, moderated by *Dragan Angelovski*, FAO international consultant.

16.30 Summary of conclusions/recommendations and lessons learned, presenting guiding principles for future intervention. *Dragan Angelovski*, FAO international consultant.

17.00 Closing of the workshop.

17.30 Buffet

List of Participants

EC-FAO study “Assessment of the agriculture and rural development sectors in the Eastern Partnership countries”, 3rd October, Minsk List of participants

Nr.	Name	Institutions
1.	Nikolai M. IVANCHENKO	Minsk Regional Executive Committee, Assistant to the President - Chief Inspector of the Minsk region
2.	Vladimir G. GUSAKOV	Academician-Secretary, The National Academy of Sciences of Belarus
3.	Zinaida ILYINA	Head of the Market department, The Institute of System Research in Agro-industrial Complex of NAS of Belarus
4.	Vasily A. PRUDNIKOV	Head of General Directorate of Foreign Economic, Ministry of Agriculture and Food of the Republic of Belarus
5.	Lyudmila I. NIZHEVICH	Head of General Directorate of Economic, Ministry of Agriculture and Food of the Republic of Belarus
6.	Richard EBERLIN	FAO Land Tenure and Rural Development Officer (REU)
7.	Magali HERRANZ	FAO Associate Animal Production and Health Officer (REU)
8.	Marc Le SEELLEU	FAO International consultant
9.	Dragan ANGELOVSKI	FAO International consultant
10.	Ivan KYSSA	FAO National Consultant
11.	Dzmitry LUTAYEU	FAO National Consultant
12.	Iryna KAZAKEVICH	FAO National Correspondent in Belarus, Head of Finance Department of the Institute of System Research in Agroindustrial Complex, NAS of Belarus
13.	Tamara S. USACHOVA	Deputy of Head of General Directorate of Foreign Economic, Ministry of Agriculture and Food of the Republic of Belarus
14.	Alla L. LOMAKINA	Deputy of Head of General Directorate of Economic, Ministry of Agriculture and Food of the Republic of Belarus
15.	Alexander G. BELOUSOV	The Head of Crop Production Department, Ministry of Agriculture and Food of the Republic of Belarus
16.	Vladimir A. GRUSHEVICH	Deputy of Head of Department of Cooperation with Foreign Countries, Ministry of Agriculture and Food of the Republic of Belarus
17.	Igor L. KRASNOV	Deputy of Head of the Directorate of Multilateral Diplomacy, Ministry of Foreign Affairs
18.	Igor G. ERMAKOV	Specialist of the Directorate of Multilateral Diplomacy, Ministry of Foreign Affairs of the Republic of Belarus
19.	Gennadi IVANOV	Specialist of Rural Development Department, The Economy Research Institute of the Ministry of Economy
20.	Dmitri A. KRYLOV	Head of Private Farm “DAK”
21.	Aliaksei VAVOKHIN	Project manager – Economy and trade, Delegation of the European Union to Belarus
22.	Tatsiana ALIAKSEYEVA	Adviser to UN Resident Coordinator, United Nations Office in Belarus

Group Discussions - summary

1. Policy Documents related to Rural Development and Agriculture

The agricultural support policies in Belarus are based on the previous system while in the same time embracing certain western principles. In general the planning is based on five year plans transcribed into policy documents (Development strategy which is not exclusively for the Agricultural sector). The Academy of sciences is the centre piece for developing the draft five year plans.

On basis of the general policy documents Sector programmes are developed, through a generally top-down approach which includes consultative processes with various stakeholders. The sector programmes are designed and adopted on annual basis and if needed minor changes can be introduced on basis of obtained results.

The Ministry of Agriculture then further elaborates on these policies through detailed regulation of the sector and preparation of support programmes for the producers. Out of the number of policies that steer the agricultural sector the ones with provisions on rural development are further elaborated below.

✓ National level

In total there are 16 programmes that focus on agriculture and rural development amongst which the most important are the:

- Programme for revitalization and rural development⁵,
- Programme for support of rural households ,
- Programme for direct investments⁶
- Programme for innovative development and
- Legislations for price regulation⁷

The programmes account for a very comprehensive and structured approach to support to agriculture and rural development.

✓ Regional/Local level

Based on the targets in the national 5 year plans the Regional authorities and the Local authorities prepare their own 5 year plans. The Local authorities being on the end of the chain negotiate or delegate targets to both large companies and individual farmers.

The rural infrastructure (transport and social) was evaluated as appropriate and in good repair by all stakeholders. The government follows a total of 40 standards on social infrastructure and services (per number of residents). On basis of these standards infrastructure/services is provided/established by the Government in all regions of the country.

⁵ The funds for the programme are approximately 40 million US\$ since 2006. The government backed fund (government and banks) provide for 59% of the investment while the beneficiary provides 31% of the investment.

⁶ Based on the State programme for rural development

⁷ Based on the Law and Instructions for price regulation

Unemployment in the rural areas is low while there are no food security issues. However, the prospect of having better incomes is still accounting for the loss of some 30,000 rural inhabitants per year.

2. Support programmes for Rural Development

Support programmes are developed by the relevant Ministries mainly on annual basis and in accordance to the policy documents.

The support programmes are the main planning instruments for implementation of the support, identifying the budget allocations for each measure and the target beneficiaries.

Belarus provides a number of structural support measures and incentives to farmers (including small private and large companies), which are in principle evenly distributed to all beneficiaries. Many support measures can be considered as direct production subsidies while others are more inclining towards rural development.

The main support mechanisms provided for through the support programmes include:

- Direct subsidies are mainly provided in the form of direct inputs such as fertilizers, fuel etc., procured and sold at government regulated prices. Some changes were introduced from 2011, with reduction in the quantity of direct inputs.
- Mechanism for prices regulation including subsidized buyout prices for small farmers⁸;
- Mechanism for government buyouts for certain products (including surpluses) at regulated prices. The price regulation is done in accordance to the Law on Price regulation from 1999, but is reviewed currently to be actual with last changes dated April 2012. It provides instructions on defining prices of key agricultural products, setting annual quantities for each farm to be procured and the recommended prices. This law applies to key commodities such as wheat, but does not affect crops like fruits and vegetables;
- Support through government provided loans and credits;
- Beneficial single tax rate⁹ for all stakeholders involved in agricultural production.
- The government also provides for mandatory subsidized insurance of the crops by a state owned agency. The insured company contributes with 6% to the lost amount;
- Investment subsidies are in the form of grants and credited machinery, value adding facilities etc.
- Other special development programmes spearheaded through presidential decrees relate to rural investments rather than direct subsidies. Such decrees are providing for adding value to primary production¹⁰.

3. Participation of stakeholders in the preparation of policy documents and support programmes

The Academy of sciences develops the first draft of the five year plans. The draft is then sent for comments to the Ministry of Agriculture, the Agricultural comity in the Parliament and other stakeholders including the regional authorities. Once comments are received the five year plans

⁸ Programme for support to rural households provides for the procurement of all classes of milk from rural households at the rate of 1st class of milk.

⁹ 1% is a rate which enterprises pay instead of all the other taxes – s.c. “single” tax

¹⁰ Establishment of some 100 eco touristic resorts nationwide, establishment of multiple dairy processing units etc.

are sent for adoption to the Parliament. Farmers and companies are represented through the local authorities.

4. Statistics used in the preparation of policy documents and support programmes

Belarus has a State Statistical Agency that provides official statistics which are used by all stakeholders for analysis. The statistics are updated on annual basis. The Agency is approximating its practices to internationally used methodologies.

The data from the regional level is collected and compiled by regional commissions of statistics which working on basis of the inputs provided by the local commissions on statistics. For the primary production activities the Ministry of Agriculture gathers and provides data to the State Statistical Agency through its branch offices in the districts.

5. Indicators and targets in the policy documents and support programmes

The five year plans generally include quantitative targets on national, regional and local level. On basis of these targets the Ministry of Agriculture prepares subsidy programmes which provide means to the farmers to achieve the targets set forth in the 5 year plans.

The quantitative targets are something the Government is looking into lately, as they have concluded that some improvement of the economic situation (low unemployment, no food insecurity etc.) and available and maintained infrastructure are not sufficient to keep people in the rural areas.

The specific Ministry developed support programmes contain more detailed indicators in accordance to the legal provisions mandatory for state budget allocations.

According to the legal provisions all programmes must contain a section that provides for monitoring and evaluation of the programmes. The programmes with inappropriately prepared indicators and monitoring practices in accordance to the legislations are rejected for funding once they are submitted to the Ministry of Finance.

6. Synergies with programmes implemented by other Ministries and other stakeholders

The Ministry of Economy acts as the coordination unit for all activities related to rural areas. The Ministry of Economy prepares analysis of the economies and social aspects of the rural communities.

Each Ministry prepares analysis of their respective sectors, while the Ministry of agriculture focuses on agricultural production.

7. Investment support mechanisms and access to credits

Belarus spends 2,78% (2011) of the GDP on various agricultural subsidies mostly in the form of direct payments, while a part is dedicated to axis one type of interventions, aimed towards modernization of the agricultural sector and establishment of multiannual plantations.

A part of the support mechanisms are based on investment support (co-financing) between the Government and the producers. The main difference compared to the western type support measures is the approach used. To add a context to it, what is regulated through applications

from producers processed by a central authority (Payment Agency) in the western economies, is done through government endorsed lists of beneficiaries (most often large enterprises) which benefit from investment support (credited, granted or partially granted investments) in Belarus.

The Belarus system is adjusted to the economy of scale. It does not emphasize support for initiatives from small farmers and makes decisions on pure economics, rather than sustainability needs of the rural communities.

Credit access for beneficiaries of the state programmes in general is not a constraint, as the government also operates programmes that deal with subsidized credit provision. Credits and loans are provided with very favourable interests rates, while a separate entity provides bank guarantees for beneficiaries.

The six biggest banks in state ownership out of a total of 31 bank registered by National Bank are involved in credit provision are government owned. Very few other banks are involved in the agricultural sector.

At times the banks and the government agree for debt write-offs and they provide interest subsidies. Access to credits is somewhat constraining for small farmers which tend to get neglected among the large companies. Given the fact that the land belongs to the state, farmers are able to only provide guarantees with their facilities and equipment.

There are few international projects providing assistance in Belarus. Registration of foreign projects is rather slow and it may take up to two years. Using of the term initiative is more appropriate, as the term project seems to have a different connotation and therefore it requires much less time for registration. In addition differences in tax payment while implementing Project and Initiative are notable.

State organisations have no possibility to participate in the ENPI programme as they have no means to co-finance needed 10%. A draft law aiming to change this is being reviewed by the Parliament at the moment.

There is no agreement signed between Belarus and the EU and therefore only regional initiatives are currently implemented.

8. Institutional setup for agricultural and rural development support

Belarus uses financing mechanisms that pass through the Ministry of Agriculture and Food, which defines the budgets as well as the target beneficiaries, on basis of upwards flowing information from regional and local authorities.

Once the support programmes prepared by the Ministry are provided and approved by the Ministry of Finance the budgets are set, disbursements through the National treasury utilizing its National and Regional departments are effectuated.

Regional departments of the Ministry of Agriculture also are checking the financial statements prior the disbursement of funds to the end beneficiaries.

The National treasury is regularly audited by the Revision department, which is responsible for control of institutions handling budgetary funds.

The funds are sourced from the Agricultural development fund, which is basically a fund filled up with taxes, applied to all non-agricultural economic activities.

The system in place is evaluated as reliable by all stakeholders. However, it appears that the system is more designed for disbursement of funds, while processing of documents/applications seem to rest more with the local branches of Ministry of Agriculture and the Local Authorities.

For the purposes of registering of beneficiaries the Ministry of Agriculture and Food and the Treasury, rely on local authorities who are registering all of the farms and companies on their territory, almost regardless of the size.

9. Conclusions and recommendations

- Rural development is one of the identified priorities for the country which is obvious given the attention paid to the sector and the sizable investments. The focus on the sector has already resulted in unprecedented achievements by surpassing the Soviet era production levels. Currently the government is aiming to increase and diversify the export structure of both export countries and export commodities.
- The government is interested in expanding of the cooperation with the EU in regards to Technical Assistance for improvement of the productivity and adding value to the primary agricultural production. Including applied science in agriculture and latest production techniques.
- Beside the fact that Belarus spends about 2.78% of the GDP on agriculture, limited funding is diverted to non-agricultural and income diversification activities.
- In recent years the government has realized the need to more appropriately address the rural development and adding value to primary agriculture, and has started several activities. However, the approach used is in line with the existing support mechanisms and in general it is insensitive to small farmers/businesses and bottom up diversification initiatives (rural tourism). In addition the legal provisions (for instance in food safety) are quite rigid, without exclusions for on-farm processing, traditional products etc., which severely limits the investment possibilities for the rural residents interested in additional on-farm income and activity diversification.

The government seems aware of this problem and is interested to know more on how assistance to such initiatives can/is provided in the western countries, without compromising the already established system of criteria and controls.

- It is unlikely that ENPARD support can be channelled through the government mechanisms in Belarus. Therefore a separate structure (probably utilizing dedicated support projects) might be more feasible. However, taking in account the size of the Belarus farmers (including the small farmers) the modality will have to be designed with larger contributions/investments in mind. It is recommended that axis 1 and axis 2 type of activities for small farmers are considered only, as this support mechanism is missing in the Belarus arsenal of agricultural and rural development support measures.

It is also unlikely that the Government would contribute with own funds to any ENPARD type support activities, mainly due to difficulties in aligning its instruments rather than due to lack of vision or resources. ENPARD funds should be appropriately used for further Technical Assistance of various stakeholders and awareness rising on all levels.

Annex 3: State Programmes for agriculture and rural development 2011-2015

№	Programme name	Targets
1.	STATE PROGRAMME of Sustainable Rural Development for 2011 – 2015	Sustainable socio-economic development and improving the demographic situation on the basis of economic efficiency increase of the agro-industrial complex (further - AIC), the development of entrepreneurial initiatives, ensuring balance in the domestic food market, increase of export potential, increase of rural incomes, the level of welfare and engineering arrangement of villages, conservation and improvement of the environment in them, investments attracting and efficient use
1.1	State programme "Conservation and Use of reclaimed lands for the years 2011-2015" (Council of Ministers of the Republic of Belarus Decree № 1262 dd. 31.08.2010)	Increasing the productivity of reclaimed land through reclamation activities and drainage of highly fertile land.
1.2	State Programme "Engineering water management activities for the Protection of human settlements and agricultural lands from floods in most areas flood-prone regions of Polesie for the years 2011-2015 (Council of Ministers of the Republic of Belarus Decree № 1280 dd. 06.09.2010).	Providing protection of human settlements, engineer utilities, industrial and social infrastructure from natural disasters (overflows and floods), the creation of favourable conditions for the production of crops and livestock in the protected agricultural arable and meadow lands of the Polesie region.
1.3	State programme of reconstruction and repair of drainage systems, maintenance of the hydrological regime in the lands of the National Park "Belovezhskaya Pushcha" and its buffer zone for the years 2011-2012 (Council of Ministers of the Republic of Belarus Decree № 1481 dd.11.10.2010).	Preservation of unique natural complexes of biological and landscape diversity of the national park, the creation and maintenance of optimal water conditions for the growth and development of plants and vital activity of animals, increasing productivity of agricultural lands. The state programme is focused on the protection of soil and vegetation from degradation, and water bodies - from depletion and pollution, creating favourable conditions for living of the population.
1.4	State programme of development of fisheries activities for the years 2011-2015 (Council of Ministers of the Republic of Belarus Decree № 1453 dd. 07.10.2010).	A steady supply of the population with high-quality fish and fishery products, and its supply for export.
1.5	State Integrated Programme of the Development of potato, vegetable and fruit growing for the years 2011 - 2015 (Council of Ministers of the Republic of Belarus Decree № 1926 dd.	Improving the efficiency of potato and vegetables industry, meeting the needs of the Republic of Belarus in the potato of high quality for food, seed, and industrial processing purposes, an increase of exports.

	31.12.2010).	
1.6	Republic programme of supplying of agricultural organizations with modern technology and equipment, construction, renovation, modernization of production facilities of these organizations for the years 2011-2015 (President of the Republic of Belarus Decree № 35 dd. 24.01.2011).	Supplying of agricultural organizations with modern technology and equipment, construction, renovation, modernization of production facilities of these organizations
1.7	Republican programme of construction of new and modernization of existing grain cleaning and drying facilities for the years 2011 - 2015 (Council of Ministers of the Republic of Belarus Decree № 1909 dd. 30.12.2010).	In 2011 - 2015 years the creation of 703 grain cleaning and drying systems fully equipped with the necessary set of machinery and equipment for the sum over 1885 billion BYR, to construct 225 grain storages of silage type with capacity of 1.544 million tons for the sum of more than 609.4 billion BYR, renovate and re-equip 629 dryers M-819 for the sum over 204.4 billion BYR, to set in agricultural organizations 4702 units of machinery and equipment for the sum over 455 billion BYR. In organizations that produce elite seeds, it is planned to build 38 seed-cleaning lines for the sum over 201 billion BYR.
1.8	Programme of reconstruction, technical re-equipment and new construction of pig-breeding complex for the years 2011-2015 (draft programme is being finalized). 05.05.2011. № 568	The increase in pork production and improvements in efficiency of pig-breeding branch, as well as ensuring a stable supply of the population and processing industry with high-quality pork of domestic production with the sustainable development of the market.
1.9	Republican programme of the development of dairy industry for the years 2010-2015 (Council of Ministers of the Republic of Belarus Decree № 1678 dd. 12.11.2010).	Increase the economic efficiency of dairy industry on the basis of competitive products production, providing the processing industry with raw material, a stable supply of the population with high-quality dairy products by introducing energy- and resource-saving technologies of production, an increase of dairy products exports, creating optimal conditions for the development of dairy organizations, forming a flexible framework of production and sale of dairy products, increase of the economic efficiency of dairy cattle breeding by increasing of milk production the concentration of dairy cattle herds in agricultural and other organizations (and their branches).
1.10	Programme Poultry Breeding Development in the Republic of Belarus for the years 2011-2015 (Council of Ministers of the Republic of Belarus Decree № 1395 dd. 28.09.2010).	Ensuring a stable supply of the population of the Republic with high-quality poultry products, allowing to satisfy the needs in the egg and poultry, as well as to implement these products for export.
1.12	The Republican Programme for Purebred Livestock Breeding for the years 2011-2015 (Council of	Improvement of purebred livestock breeding database and achievement of level corresponding to the livestock breeding development indicators of European countries,

	Ministers of the Republic of Belarus Decree № 1917 dd. 31.12.2010).	livestock, increasing the genetic potential of all types of farm animals, birds, fish and bees.
1.13	Programme of development and support of private households of citizens for the years 2011 - 2015 years (Council of Ministers of the Republic of Belarus Decree № 1578 dd. 27.10.2010).	Satisfaction of population needs in food, maintenance of food security of the state, increase of incomes, providing of employment and improvement of social and economic conditions of the population.
1.14	Programme of development of selection and seed growing of grains, legumes, industrial and fodder crops for the years 2008-2013 (Council of Ministers of the Republic of Belarus Decree № 625 dd. 29.04.2008).	Ensuring the significantly increase of the selection works effectiveness of cereals, legumes, fodder crops and sugar beet.
1.15	The state programme "Peat" for the years 2008-2010 and for the period up to the year 2020 (Council of Ministers of the Republic of Belarus Decree № 94 dd. 23.01.2008).	Increase of production volumes and use of peat in energy industry and agriculture, the creation of new and improvement of existing technologies for the development of peat deposits, extraction, processing and use of peat
1.16	State programme of development of veterinary drugs production for the years 2010-2015 (Council of Ministers of the Republic of Belarus Decree № 454 dd. 27.03.2010).	Expanding the range of veterinary drugs production in the Republic for providing cattle breeding in the country.

