



FAO REGIONAL CONFERENCE FOR EUROPE

Thirtieth Session

Antalya, Turkey, 4-6 May 2016

Priorities for FAO's work in the Europe and Central Asia Region

Executive Summary

The document presents a synopsis of the regional drivers of change and of the regional development context in which FAO will provide future support to countries. The trends and drivers of change were identified through a regional strategic review conducted in 2015, which helped to identify major FAO areas of action in the Europe and Central Asia Region.

The document provides an overview of the economic, social and environmental aspects of the region, taking into account the heterogeneity of the Europe and Central Asia Region, and a list of the main drivers of change, which will likely influence the medium-term prospects for the region. Important drivers and challenges for the agricultural sector are linked to rural livelihoods, farm structures, sustainable food production and food systems, agricultural trade and the food insecurity situation and nutrition in countries of the region.

Guidance Sought

The Regional Conference is requested to provide guidance and advice on the extent to which the main drivers of change and future areas of work identified are consistent with conditions in the region.



I. Introduction

1. The quadrennial review of the FAO Strategic Framework and preparation of a new Medium-Term Plan (MTP) 2018-21 will take place during 2016, through the Regional Conferences and Technical Committees, for approval by the Council and Conference in the first half of 2017. In the context of continuity of the overall strategic direction of the Organization, a structured regional strategic review was carried out to identify the main trends and issues in food and agriculture in the Europe and Central Asia Region and their implications for FAO's future work, also contributing regional specificities to the review of the FAO Strategic Framework and preparation of the Medium-Term Plan 2018-21.
2. The document is divided into two sections:
 - a) Section II outlines recent global and regional trends and developments, focusing on drivers of change in the region.
 - b) Section III sets out the major challenges in the medium- and long-term future in the region and provides the basis for the definition of priorities for the future work of FAO in the region.

II. Main global and regional trends and developments

3. Three important global developments in 2014-2015 will frame national and regional action and FAO's work in food and agriculture in the future:
 - i) the 17 Sustainable Development Goals (SDGs) for a universal Agenda 2030 for Sustainable Development, adopted in September 2015, by the United Nations in New York (see ERC/16/3).
 - ii) the Paris Agreement, adopted as an outcome of the UN Global Climate Change Conference (COP21), which aims to strengthen the global response to the threat of climate change in the context of sustainable development and efforts to eradicate poverty.
 - iii) The Rome Declaration on Nutrition and the Framework for Action, adopted by the Second International Conference on Nutrition (ICN2) in 2014, which calls for actions and renewed global commitments to eradicate malnutrition in all its forms (see ERC/16/INF/9).
4. In the coming years, the agricultural and rural sectors of the Europe and Central Asia (ECA) Region will be influenced by global and regionally specific trends. The recent global trends are set out in the Medium-Term Plan 2014-17 (reviewed).¹ Given the diversity of the region, these trends are expected to manifest themselves differently across the ECA countries.
5. The ECA region is divided into three subregions: Caucasus and Central Asia (CCA),² Western Post-Soviet Countries (WPSC),³ South-Eastern Europe (SEE),⁴ in addition to the countries of the European Union and Andorra, Iceland, Israel, Monaco, Norway, San Marino, Switzerland. The geographic focus of this document is on the non-EU countries considering where FAO's technical assistance is concentrated. Medium-term prospects and trends in agriculture for the European Union are highlighted in Box 1, given the importance of the EU in the larger ECA region.

¹ C 2015/3 paragraphs 3-21.

² Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan

³ The name "Western Post-Soviet Countries" (WPSC) is chosen for reasons of convenience, and includes Belarus, Republic of Moldova, Russian Federation and Ukraine.

⁴ Albania, Bosnia and Herzegovina, Montenegro, Serbia, the former Yugoslav Republic of Macedonia, and Turkey.

6. Most of the ECA countries are developing, middle-income economies, with the exception of the Russian Federation, which is a high-income country (World Bank, 2015). All these countries, except for Turkey, have been through a transition of institutions and governance structures after the dissolution of the Soviet Union and Yugoslavia in the early 1990s.

Box 1. Medium-term prospects for EU agricultural markets and income 2015-2025⁵

EU's report on medium-term prospects for the EU agricultural market and income 2015-25 presents the outlook for the major EU agricultural commodity markets and agricultural income to 2025, based on a set of coherent assumptions. It assumes a continuation of current agricultural and trade policies, normal agronomic and climatic conditions and no market disruption. These assumptions imply relatively smooth market developments, while in reality markets tend to be much more volatile. The medium-term outlook reflects current agricultural and trade policies, including future changes already agreed upon. The Common Agricultural Policy (CAP) is accounted for in the model, and although the level of aggregation of the model does not allow for the inclusion of policies at farm level directly, the average types of farm payments are included.

Macroeconomic assumptions include a low oil price level, albeit with an increase over the outlook period to reach USD 107 per barrel by 2025 (this remains one of the most sensitive and uncertain assumptions). After two years of a weakening euro, the exchange rate is assumed to appreciate, with €1 equivalent to USD 1.37 in 2025. Economic growth in the EU is expected to recover, but to remain below 2 percent a year.

In summary, in a general context of lower energy and commodity prices, EU cereals prices are expected to range on average between €150-€190/tonne. It is expected that there will be an increased demand for feed and a continuous demand for biofuels. The abolition of the sugar quota will result in an alignment of EU prices for sugar with world market prices and it is expected that the EU will become a net exporter. A steady growing world demand in a context of affordable feed prices should favour the livestock sector. Therefore, despite the difficulties faced currently on the milk market, the EU dairy sector could grasp these opportunities to further expand, driven also by growing EU domestic demand. After a strong recovery, which took place in 2014 and 2015, EU per capita meat consumption is predicted to decline slightly, except for poultry meat. Pig-meat production is projected to increase somewhat, driven by demand for export, while beef production is expected to decline.

7. An important characteristic of the countries in the ECA region is the high significance of agriculture in their economies compared to the OECD countries. In all three subregions agriculture value added as a percentage of GDP averages at around 11 percent, though there are substantial deviations from country to country, ranging from 27.9 percent in Tajikistan to as low as 4.6 percent in Kazakhstan and other large oil-exporting countries. Agricultural employment constitutes a large share in total employment across ECA countries, but has been decreasing over time.

8. Population growth in the region has been relatively stagnant with some variations across countries. The countries that have been experiencing positive (yet rather slow) population growth in recent years include CCA countries, the Russian Federation, the former Yugoslav Republic of Macedonia, Montenegro and Turkey. The age composition of the population in the region has also been changing over time. Currently, the share of population above the age of 60 averages at 22 percent for the SEE countries and at 23 percent for the WPSC countries. For CCA countries it is estimated at 12 percent.

⁵ EU Commission. 2015a. Medium-term outlook for the EU agricultural commodity market. Joint Research Centre, Seville, Spain.

9. According to the 2015 OECD/FAO medium-term outlook,⁶ outputs of crops in the Russian Federation, Ukraine and Kazakhstan are projected to grow at a slower pace in the next ten years than in the previous decade, with much of their cereal and oilseed supplies still directed to international markets. However, livestock production in most of these countries, while expanding, will remain insufficient to cater for domestic needs, leaving these countries as large importers of meat and dairy products. Production of wheat in Turkey is foreseen to expand at a sustained pace, mainly in response to a fast-growing domestic demand. Over the next decade, countries such as Azerbaijan, Belarus, China, Israel, Serbia and Turkey are expected to boost exports of livestock products to the Russian Federation, in most cases, capitalizing on their geographical proximity to and cultural ties with that market.

10. By 2020 the majority of the CCA and WPSC countries will experience a slowing down in economic growth compared to 2014, while economic growth rates in SEE countries are expected to be significantly higher (IMF, 2015). Unemployment rates remain relatively high across the region, particularly in the SEE and Central Asian countries. Unemployment of youth is troubling for all subregions, especially in the SEE countries, where it averages 41 percent.

11. Possible upsurge in geopolitical tensions remains one of the major risks that the ECA countries might face in the near future. These include the conflict in Eastern Ukraine and increasing violence and instability in Syria that could intensify the refugee crisis in Europe. Possible re-introduction of border controls within the EU would also have negative economic implications.

12. Climate change constitutes another risk factor for the ECA countries with direct implications for agricultural and rural economies. Climate change has been manifesting itself in the region through an increased number of extreme weather events and natural hazards, such as floods and landslides, changes in water resources availability, natural resources degradation and loss of biodiversity. The extent to which climate change might affect agricultural production and rural livelihoods in ECA countries would largely depend on the level of resilience of the food and agricultural systems.

13. The 2030 Agenda for Sustainable Development will have an important influence on the overall development of the ECA region, as ECA countries will assess their development priorities and determine national and regional targets in accordance with the 17 Sustainable Development Goals, outlined in the agenda. Of particular relevance for the ECA region are goals 1,⁷ 2,⁸ 8,⁹ 13,¹⁰ 12,¹¹ 14,¹² 15¹³ and 17¹⁴ (see document: ERC/16/3).

14. The regional factors that will be driving changes in agricultural and rural economies in ECA include i) rural livelihoods, migration and rural poverty, ii) farm structure, iii) sustainability of food production and food systems, iv) food insecurity, and v) agricultural trade policy. Each of these drivers of change are briefly elaborated below.

⁶ http://www.oecd-ilibrary.org/agriculture-and-food/oecd-fao-agricultural-outlook_19991142

⁷ Goal 1 - End poverty in all its forms everywhere.

⁸ Goal 2 - End of hunger, achieve food security and improved nutrition and promote sustainable agriculture.

⁹ Goal 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

¹⁰ Goal 13 - Take urgent action to combat climate change and its impacts.

¹¹ Goal 12 - Ensure sustainable consumption and production patterns.

¹² Goal 14 - Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

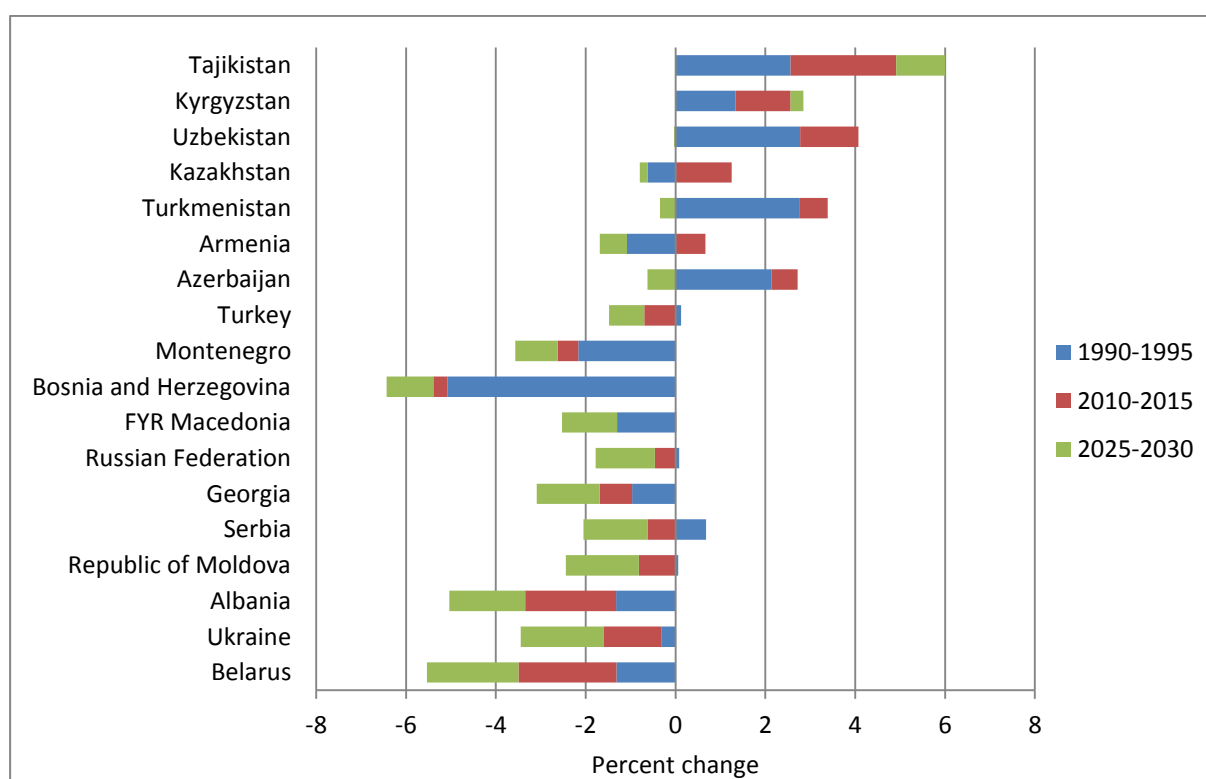
¹³ Goal 15 - Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

¹⁴ Goal 17 - Revitalize the global partnership for sustainable development.

Rural livelihoods, migration and rural poverty

15. In most ECA countries the share of rural population in total population remains substantially higher than the average for OECD economies. On average 45.4 percent of the ECA population lives in rural areas,¹⁵ though there are variations from country to country. By 2030 the share of people living in rural areas will drop by only two percentage points, to an average of 43 percent throughout the region. The pace of decline, however, will differ across countries (Figure 1), being much slower in the CCA countries as opposed to the SEE and WPSC countries. As such, the state of rural livelihoods has profound implications for food security, agricultural development and overall well-being of a large number of rural dwellers in ECA countries.

Figure 1 Rural population change rate¹⁶ in Percent



Source: UN DESA, 2014

16. Age profiles of the rural population differ across ECA countries, resulting in different types of challenges and opportunities for agricultural and rural economies. While in most CCA countries more than 90 percent of the rural population is below the age of 60, in the rural areas of SEE and WPSC countries there is an overall upward trend in age.

17. Throughout the region women represent a substantial part of the agricultural labour force. While the average female share of the agricultural labour force (37 percent) is below the world average of 43 percent, rural women tend to be concentrated in the self-employed sector or in casual, temporary, informal, unpaid or part-time jobs. As a result, women have smaller pensions and are at greater risk of poverty in older age. Women also have limited access to resources such as machinery, technology, information and extension services; limited enjoyment of ownership rights over land; and limited access to credit, entrepreneurial training, innovation and decision-making.

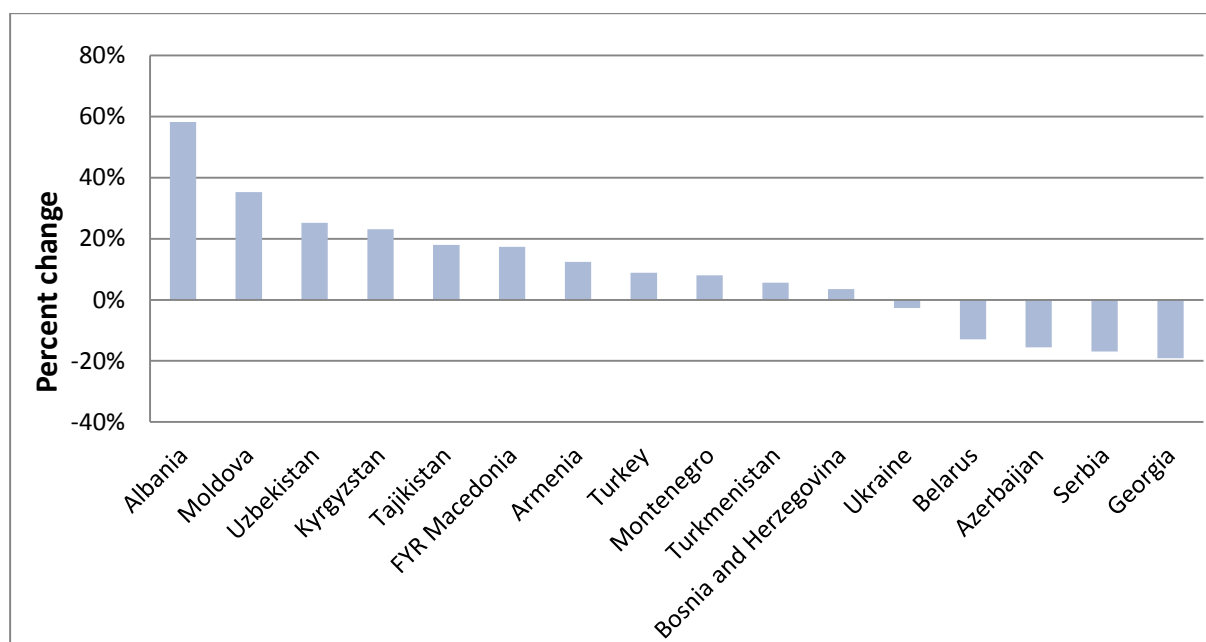
¹⁵ Temporary migration is not captured in the statistics on rural population.

¹⁶ Countries are ranked by change rates projected for 2025-30.

18. A further important driver of change in the region is the rural-urban difference in income, poverty and educational and professional opportunities. According to the Global Multidimensional Poverty Index (2014) developed by the Oxford Poverty and Human Development Initiative, in 2014, 62.8 percent of the poor in ECA countries live in rural areas.

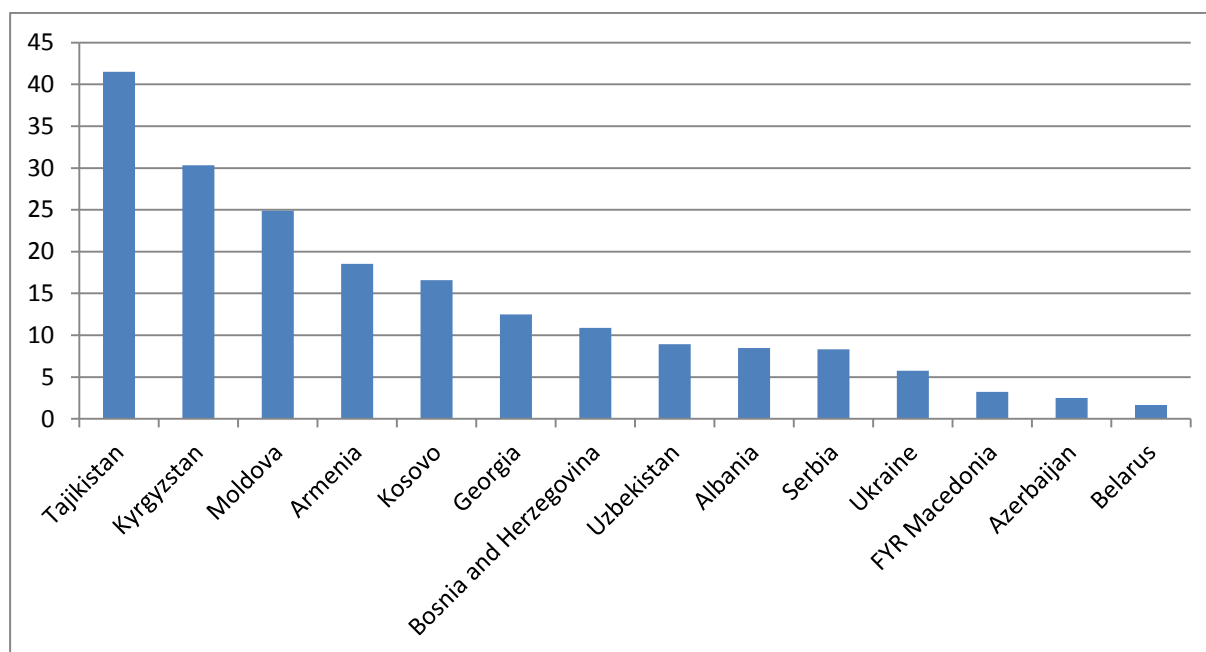
19. Given the lack of opportunities in rural areas, population surplus, as well as wage differences and rates of migration from rural areas, have been accelerating since 2000 for a majority of ECA countries (Figure 2). The Russian Federation remains a key destination for migrants from the former USSR countries, while Germany is a major destination for most of the SEE countries.

Figure 2 Change in migrant stock¹⁷ between 2000 and 2013 (in percent)



20. Migration results in large inflows of remittances (Figure 3) that can play an important role in reducing poverty in rural areas. In countries such as Tajikistan or Kyrgyzstan remittances represent a large share of the GDP which makes them vulnerable, depending on economic conditions of the countries where the migrants are employed. In general, the EU and the resource-rich CIS countries are the main sources of remittances, with the EU accounting for three-quarters of the total and the rich CIS for 10 percent. On the other hand, migration poses human development costs and risks through weakening of family and social cohesion and a decrease in the quality of human capital. Those leaving rural areas to seek employment and income in the cities or overseas are usually the younger, better educated and more skilled members of the family. As ECA agriculture is characterized by already low productivity levels, out-migration from rural areas drives further deterioration of labour and land productivity and quality of rural livelihoods.

¹⁷ Total migrant stock at mid-year.

Figure 3 Remittances inflows as percent of GDP, 2014

Source: World Bank, 2015.

Farm structure

21. Family farms in the ECA region account for the bulk of agricultural production, and therefore play a critical role in both agricultural and rural economies. They are the dominant farm structures across the ECA region, except for some of the WPSC countries and Kazakhstan, where corporate farming is prominent. For example, across the CCA countries, the share of gross agricultural output produced by family farms ranges from 71 percent in Kazakhstan to 98 percent in Uzbekistan.

22. Changes in the farm structure are still ongoing across the region. In most CCA countries (except for Uzbekistan and Kazakhstan) and SEE countries there is an ongoing trend of further land fragmentation. At the same time, Kazakhstan, Russia and Ukraine have been experiencing an opposite trend – a rapid consolidation of farm land in the hands of mega-sized agriholding companies (often larger than 100 000 ha). These companies have been a conduit for substantial capital investments from outside the sector. Agriholdings also pose risks for the rural areas where they operate. First, they displace significant numbers of agricultural workers, which reduces employment and incomes in rural areas. In addition, the main offices of such holdings are located in larger cities and not in the areas where production takes place; thus, agriholdings pay taxes to the cities, leaving rural areas without tax revenues.

23. While family farms serve as the backbone of agricultural systems in ECA countries, they also face many challenges. They often lack access to reliable and stable markets, inputs, financing and extension services. It makes them largely uncompetitive in modern supply chains, and limits their scope of increasing production and generating sustainable incomes.

Sustainability of food production and food systems

24. A complex driver of change in the region is sustainable food production and food systems. A food system encompasses all elements and activities as they relate to production, processing, distribution and consumption of food. Its three dimensions include economic resilience, environmental integrity and social well-being.

Economic sustainability

25. Economic sustainability of food systems in the ECA countries is influenced by two factors: ongoing changes on the demand side of food agricultural systems, driven by changes in food, feed and bioenergy demand; and the ability of the agricultural system to successfully adapt to these changes. The latter largely depends on both the state of rural economy in the region, and health of natural resources.

26. On the demand side, the changing composition of food demand will influence the development of food systems in the ECA region. Increasing incomes and urbanization results in higher consumption of animal protein in the diets, with a move away from cereals (Table 1). Demand for fish products is expected to increase further, offering opportunities for development of this sector.

Table 1 Change in food consumption patterns in selected ECA countries, 2013 compared to 2007

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Russia	Ukraine
Cereals	-11%	-1%	-7.6%	+1%	-6%	-2%	-6%
Fruits	+31%	+35%	+17%	n.a	+46%	+25%	+34%
Vegetables	+16%	-5%	+4%	-3%	+13%	+17%	+38%
Milk and milk products	+15%	+38%	+3%	-7%	-5%	+5%	-2%
Meat	+26%	+42%	+28%	-4%	+28%	+22%	+23%

Source: Drozd et al., 2015.

27. Progress towards more diversified diets has been uneven across the countries and different income groups. In many of the CCA and SEE countries with lower incomes, diets are less diverse, stemming from high shares of household income on food expenditure, which limits the household's ability to diversify its diet. Other reasons include the focus of agricultural and food security policies on a few major crops; a lack of knowledge about nutrition and healthy diets; and traditional consumption patterns.

28. The shift towards consumption of high-value products is also reflected in the evolution of the food sector in selected ECA countries. Oils, fats, meat and meat products constitute the fastest-growing food sectors across ECA countries. New consumption patterns also imply a larger role for processed foods and increase in the demand for feed.

29. Biomass production is recognized as a promising source of renewable energy, diversifying energy supply, creating jobs and lowering greenhouse gas (GHG) emissions. Given the relatively modest amount of bioenergy production in the region and limited projected increases in its demand, the economic effects of bioenergy production at regional level will remain limited but will differ among countries.

30. These changes on the demand side create opportunities for the development of agricultural and rural economies in ECA countries as they allow farmers to produce higher-value foodstuffs and engage in additional income-generating activities such as food processing and bioenergy production. Whether farmers can take advantage of these opportunities largely depends on how well they can integrate into modern value chains.

31. Rural economies across the ECA region are characterized by limited non-farm employment opportunities and income diversification sources, and stagnant entrepreneurial activities, leading to out-migration from rural areas. Smallholders are often not competitive in local markets, and are even less so in national or export markets. Key reasons for this include lack of access to market infrastructure, low factor productivity, limited access to credit resources as well as lack of technical knowledge and bargaining power. As such, for many smallholder farmers, high adjustment costs and barriers to integration into value chains remain prohibitive, particularly in the context of an increasing concentration and dominance of large agro-industrial firms and retailers in ECA countries, which is accompanied by the imposition of more stringent food-quality and safety standards on suppliers.

32. Agricultural policies also affect how well ECA smallholder farmers are able to adjust to changes in demand. There are examples in the region where governments exercise extensive control over production of specific commodities, which can significantly limit farmers' production decisions and options for additional income-generating activities.

33. Another factor impeding agricultural productivity growth and consequently economic sustainability of agricultural systems within the region is lack of agricultural research and development (R&D) and extension services. Both are currently in a dismal state. According to the ASTI¹⁸ global assessment of agricultural R&D spending, in 2008 ECA countries were responsible for only 3 percent of total global agricultural R&D spending. Furthermore, in the same year, ECA countries spent less money on agricultural R&D than Brazil alone.

Environmental sustainability

34. Demand for natural resources has been increasing in ECA countries, due to changing consumption patterns, accelerating urbanization and growing population (in CCA countries). This results in overexploitation, depletion and degradation of natural resources, which is particularly visible for water and land resources.

35. The issue of sustainable irrigation and water-use management is particularly important for sustainability of food systems in the CCA subregion. Most of the Central Asian countries are located in arid climates, characterized by low rainfall and droughts. As such, four out of five Central Asian economies (except Kazakhstan) are highly dependent on irrigation for their agriculture. Furthermore, Turkmenistan, Uzbekistan and Azerbaijan largely depend on water resources originating outside their borders. Agricultural systems highly dependent on irrigation, coupled with increased frequency of droughts and growing anthropogenic pressures, call for urgent improvements in water-use management.

36. Forests and woodlands in the ECA region provide environmental services, protecting watersheds and arresting degradation and desertification. Some increase in afforestation and reforestation in the region is expected, compensating for the loss of forests, although not for the loss of biodiversity, as most afforestation efforts will focus on environmental improvements: establishing shelterbelts and windbreaks and creating urban green spaces.

37. Land degradation remains relevant for most countries in the ECA region, though its severity and causes differ among countries. In Russia, Belarus, Ukraine, and Turkey, major reasons for soil degradation include rapid intensification of agriculture consisting of both overexploitation of the most fertile soils and abandoning less productive lands. Water erosion is the most widespread cause of land degradation in countries of the SEE subregion (except for Turkey). In Central Asian countries major pressures on soils are due to unsustainable water and land management practices, further exacerbated by droughts and population growth. As a result, soil salinization and soil erosion will remain major threats to soil health in the subregion in the near-term future.

38. Environmental (and economic) sustainability of agricultural and food systems can also be adversely affected by food losses that occur in these systems. Overall, causes of food losses and waste in different ECA countries differ and often depend on the country's level of economic development. For example, in the region's middle- and low-income countries, outdated and substandard technologies along the supply chain - including poor storage facilities, cooling systems, and processing facilities and a lack of education and skills - cause high levels of food losses.

¹⁸ IFPRI. 2012. ASTI global assessment of agricultural R&D spending: Developing countries accelerate investment. Washington D.C.

Social sustainability

39. The social aspect of sustainability of food and agricultural systems implies fair access to fundamental rights and requisite conditions of decent livelihoods. However, after the dissolution of the Soviet Union and Yugoslavia in the early 1990s, state support for agriculture and rural development declined or ceased entirely across ECA countries, which led to the breakdown of physical, economic and social infrastructure in rural areas, threatening social sustainability of rural areas. Women and children have been particularly affected by the collapse of social infrastructure, especially in the CCA countries.

Food insecurity and malnutrition

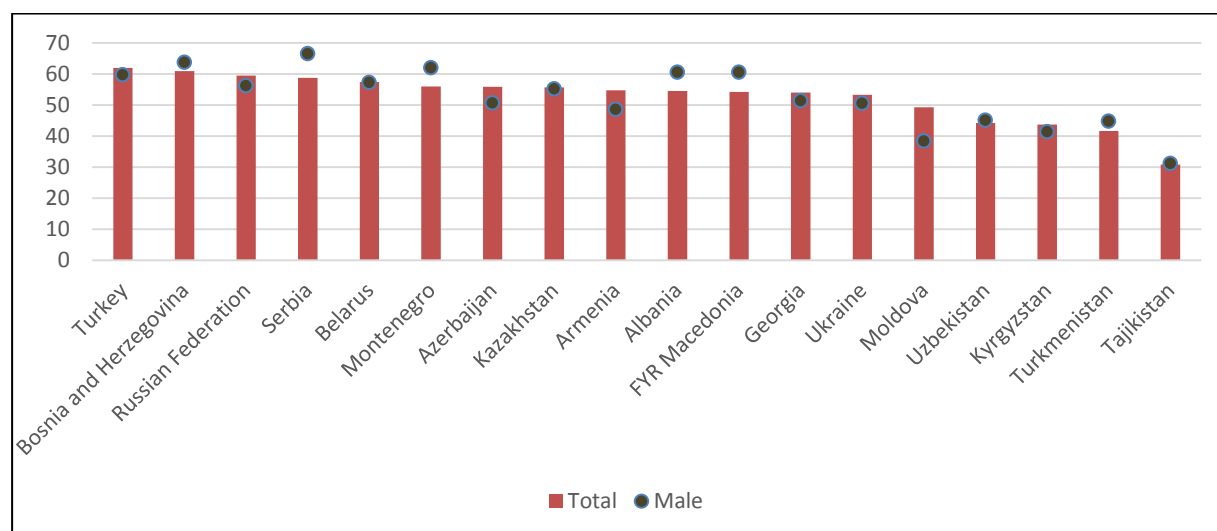
40. Micronutrient deficiencies, overnutrition and unhealthy diets in children and adults are major malnutrition concerns across ECA countries.

41. The low quality of diets and micronutrient deficiencies have resulted in high levels of stunting,¹⁹ which is alarmingly high in Tajikistan, Azerbaijan, Albania and Armenia. Overall, the average percentage of stunted children (under 5 years) in the CCA subregion is more than three times as high as that in the WPSC (average of 6 percent) subregion (FAO, 2015a). Azerbaijan, Albania and Tajikistan also exhibit highest levels of wasting²⁰ and underweight²¹ in children.

Prevalence of obesity

42. The problem of overnutrition is relevant to most countries in all three subregions. As a result, almost 48 percent of people in CCA countries and more than 50 percent in both WPSC and SEE countries are considered overweight or obese. Male obesity is more prevalent in most of the SEE countries, and female obesity is mostly prevalent in the Caucasus, Central Asia, CIS and Ukraine. According to FAO projections less developed countries in the ECA region are expected to have some of the highest rates of obesity in the world by 2050.

Figure 4 Overweight and obesity rates in adults (percent, 2014)



¹⁹ Stunted are children whose height for age is more than two standard deviations below the median for the international reference population aged between 0-59 months (FAO, 2014c);

²⁰ Prevalence of wasting is a proportion of children under five whose weight for height is more than two standard deviations below the median for the international reference population aged between 0-59 months (FAO, 2014c); Prevalence of severe wasting is a proportion of children under five whose weight for height is more than three standard deviations below the median for the international reference population aged between 0-59 months (FAO, 2014c);

²¹ Underweight are considered children whose weight for their age is more than two standard deviations below the median for the international reference population aged between 0-59 months (FAO, 2014c);

Source: WHO, 2014.

43. There is also an upward trend in child obesity. In all the SEE countries as well as in Armenia, Georgia, and Kazakhstan, more than 15 percent of children are overweight or obese. Kazakhstan, the former Yugoslav Republic of Macedonia, Azerbaijan and Armenia have seen a threefold increase in child obesity rates between 2002 and 2014, the fastest in the region, not including EU countries (WHO, 2014).

Agricultural trade policy

44. Four trade and economic integration processes are expected to be important drivers for agriculture in the non-EU countries in the short- and long-term perspective: 1) alignment of trade and sanitary and phytosanitary (SPS) policies to meet World Trade Organization (WTO) commitments; 2) expansion and consolidation of the Eurasian Economic Union (EAEU); 3) expansion of trade and alignment of food safety policies to meet commitments under the Deep and Comprehensive Free Trade Agreements (DCFTAs) made with the European Union and Georgia, Moldova and Ukraine; and 4) continuation of the EU accession process with selected SEE countries (Albania, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey).

45. Currently, 12 ECA countries are members of the WTO, including Albania, Armenia, the former Yugoslav Republic of Macedonia, Georgia, Kyrgyzstan, Moldova, Montenegro, the Russian Federation, Tajikistan and Ukraine. Azerbaijan, Belarus, Bosnia and Herzegovina, Serbia and Uzbekistan are still negotiating their accession. Continuous negotiations regarding tariff reduction schedules and limitations on distortionary agriculture support payments will continue in determining WTO integration processes for these countries.

46. The EAEU, which currently includes Armenia, Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation will be a driver for further integration activities in parts of the region and will open new market opportunities for those countries that are members of the EAEU.

47. Trade integration constitutes an important priority for SEE countries under EU accession. While tariffs and quotas for agricultural products have been eliminated between the EU and the SEE countries (except Turkey), the latter are still in the process of aligning their legislation and standards with those of the EU, which are expected to continue in the medium term. The future intensity of EU enlargement processes remains unclear, given an increasing number of economic and political challenges.

48. The goal of the DCFTA is to liberalize trade by progressively removing customs tariffs and quotas, as well as by aligning key sectors of the Georgian, Moldovan and Ukrainian economies to EU standards through extensive harmonization of laws, norms and regulations in various trade-related sectors, including agriculture. It is anticipated that the DCFTAs will open new market opportunities in the EU for the countries in question, while higher production standards, implemented as a result of the FTA agreements, will spur investment in the agricultural sector and will stimulate its modernization and competitiveness. The benefits of the DCFTAs will, however, depend on the timing and comprehensiveness of the reforms agreed upon.

III. Priority areas for FAO's work in the future

49. Global trends and regional drivers of change outlined in the previous section represent major challenges in the medium- and long-term future in Europe and Central Asia and provide the basis for the definition of priorities in the work of FAO in the region.

50. The overarching aim of future work in the region is to **increase the well-being and livelihoods of the rural population. This includes improved access to land and services by the rural population.**

51. Coherent with the previous section the priority areas identified at the ERC 2014 may also frame the future work in the region. This relates in particular to the regional invites and the other focus areas as reflected in ERC16/6 and in line with the Strategic Framework of FAO and the SDGs. Smallholders and family farms are the backbone for rural development and improvement of livelihoods in ECA region. They account for the bulk of agricultural production and thus play a critical role in employment creation, agricultural productivity, forestry and fisheries. Efforts are required to improve the situation for smallholders and family farms as a measure to revitalize rural areas and to reduce out-migration. There is a lack of infrastructure for smallholders, including limited access to advisory services, innovative practices and education facilities that would increase their competitiveness; equitable access to and distribution of land are key components.

52. Tenure systems make a crucial difference in improving livelihoods and food security. Further application of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT) represent an unprecedented consensus on principles and actions for improving tenure security for all, with emphasis on vulnerable and marginalized people. Promotion of the VGGT will continue to be a key priority area in supporting food security.

53. Improvement of livelihoods and food security in the region will not be possible without empowerment of rural women, which involves the removal of constraints to equitable access to resources, support to initiatives that create decent jobs and economic opportunities for the most disadvantaged groups, support to professional education and support to social protection services.

54. In order to effectively address the above issues, action is needed in the medium and long term **to formulate effective policies for sustainable and inclusive growth for farmers and the rural population with emphasis on smallholders and family farms within overall agricultural and development policies.**

55. The alignment of trade and sanitary and phytosanitary (SPS) policies with World Trade Organization (WTO) commitments is a key priority area for the region and requires further attention. This goal includes strengthening the institutional framework for food safety, plant and animal health, strengthening the capacity of member countries' food safety agencies to carry out analyses of food safety risks (risk management, risk assessment and risk communication).

56. In addition to capacity development for member countries' food safety agencies, there is a growing demand in the region for technical assistance in upgrading value chains for selected food products, not only to ensure their consistency with international food safety and quality standards but also in supplying local markets with increasingly diversified, higher-value products. Such capacity development to support food export is most important for small and medium enterprises, including farmers and food business operators. While large food processing companies themselves have the resources for meeting these standards, small businesses often do not. FAO's work on trade facilitation in the region should focus on both the institutional side as well as on technical assistance in the export of selected products for small- and medium-sized businesses.

57. Tackling trade-related challenges mentioned above will require actions to **enhance the reach towards new markets through alignment of trade, food safety and SPS policies to meet WTO commitments and through value-chain development to meet international food safety and quality requirements.**

58. Environmental sustainability and response to challenges and trends in climate change are key issues for the region. The dimensions are different for the subregions, but it is common to all of them that water management and land degradation remain relevant for most of the countries of the region.

Water management requires attention in relation to sustainable land management practices such as conservation agriculture as well as climate conditions, since parts of the region face arid climatic conditions, and thus low rainfall and droughts. Maintaining biodiversity and reducing overexploitation of soils should be addressed as major factors contributing to environmental sustainability.

59. Also important is the integration of the forestry sector with agriculture to decrease land degradation and this should be linked particularly to increasing sustainable land uses and especially to pasture and range management

60. Climate-smart agriculture is a key element to address these challenges by increasing sustainable productivity and income growth, supporting adaptation across the region's agricultural sector to cope with expected changing climatic conditions and build improved resilience of production systems and local communities to adverse and extreme weather conditions, as well as to develop the potential for reducing GHG emissions and increasing carbon sequestration from agriculture compared to past trends.

61. Sustainable natural resources management, combating land degradation and desertification, including mitigation and adaptation to climate change will be key areas of action in the medium and long term.

62. Addressing food insecurity and reduction of all forms of malnutrition is a major challenge in the medium and long term which will require specific actions as listed below.

63. The analysis shows that micronutrient deficiencies, overnutrition and unhealthy diets for children and adults are major malnutrition concerns in the region and, based on projections, will remain so in the medium- and long-term future.

64. This requires support related to the development and management of inclusive governance and coordination mechanisms built upon sustainable food security and nutrition strategies and programmes, including improved nutrition sensitivity of social protection systems as well as participation in related technical working groups. In addition, it is important to support strengthening evidence-based decision-making by enhancing capacities for analysis and increasing availability of food security and nutrition-related data and information.

65. Food security and nutrition-related work will concentrate on policies, investment, programmes, legal frameworks such as the Food Security Laws and Food Security and Nutrition Programmes.