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Agenda Item 5

CONTRIBUTION OF RURAL DEVELOPMENT IN MEETING THE WORLD FOOD SUMMIT (WFS)/MILLENNIUM DEVELOPMENT GOALS (MDGs) IN THE REGION

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1. At the World Food Summit (WFS) in 1996 governments committed themselves to the goal of halving the number of undernourished people in the world by 2015 by implementing the WFS Plan of Action to eliminate hunger and malnutrition. In 2000 the UN General Assembly pledged in its Millennium Declaration to fulfil a number of development objectives by 2015, which were later made operational with associated targets as the Millennium Development Goals (MDGs) (see Annex).¹
2. The battle to achieve the targets on poverty and hunger reduction has to be fought mainly in rural areas. Globally, extreme poverty continues to be a rural phenomenon despite increasing urbanization. Of the world's 1.1 billion extremely poor people, 75 percent live in rural areas and depend on agriculture, forestry, fisheries and related activities for survival. Alleviation of poverty in rural areas depends on local economic development. Sustainable development in rural areas increases employment opportunities, stems premature rural-urban migration and ultimately reduces poverty at its very source. For these reasons rural development is one of the main concerns of FAO in the strategy it has laid out for advancing the MDGs globally in *FAO and the Challenge of the Millennium Development Goals: The Road Ahead*.
3. This document evaluates rural development in the poorer countries of Europe as a response to the challenge of the WFS and MDGs. The countries covered are those of Central and Eastern Europe, Turkey and the countries of the Commonwealth of Independent States (CIS) (including Central Asia). It first poses the question of why rural development is important for overcoming poverty in the European region. It then considers the role of *pro-poor* development policies in helping countries to attain the WFS and MDG targets. The role of FAO in monitoring the progress of European countries in meeting the goals of the WFS and the Millennium Declaration is then discussed. Finally, the document describes how FAO activities are directed toward rural development and notes how FAO can further assist countries in addressing the MDGs in Europe, as well as what individual governments can do to reach the MDGs.

I. WHY RURAL DEVELOPMENT?

4. In countries where poverty is more prevalent in rural areas, agricultural growth and rural development are often crucial for the reduction of poverty and hunger (see Box 1). Numerous studies have provided evidence that the impact of economic growth on reducing hunger and poverty depends as much on the nature of the growth as on its scale and speed. A World Bank (WB) analysis of data from India found that growth in rural areas and in the agriculture sector had a much greater impact on reducing poverty than did urban and industrial growth (FAO, 2005a). Analysis of the relationship between growth and reduction in hunger reveals a similar pattern. These and other examples tend to support the conclusion that economic growth alone is important, but not sufficient to reduce hunger, and that growth in the agriculture and rural sector has a greater impact in reducing poverty and hunger than do urban and industrial growth.

¹ Target 2 (halve the proportion of people who suffer from hunger) of MDG 1 is similar to FAO's WFS Plan of Action goal (halve the number of people suffering from hunger).

Table 1: Profiles of country groups within Europe, 2004

Region	Caucasus ⁽¹⁾	Central Asia ⁽²⁾	European CIS ⁽³⁾	South eastern Europe ⁽⁴⁾
Population				
Population, millions	17	58	205	97
Rural population, percent	45	61	36	46
Agriculture				
Arable land, ha/rural resident	0.4	1.0	2.0	0.6
Agriculture in GDP, percent	17	26	15	14
Agriculture in employment, percent	46	41	27	24

Note: Group figures are simple averages of country indicators. ⁽¹⁾ Armenia, Azerbaijan and Georgia; ⁽²⁾ Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan; ⁽³⁾ Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russian Federation, Ukraine; ⁽⁴⁾ Balkan countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, TFYR of Macedonia, Romania, Serbia and Montenegro) and Turkey.

Source: World Bank (2006); FAO (2006b).

Box 1: Rural development in Central and Eastern Europe

Though rural areas often have high environmental amenities, they are often disadvantaged in terms of incomes and employment opportunities, out migration of young and skilled people and low population densities. Some of the reasons for these adverse circumstances are the lack of agglomeration advantages enjoyed by urban areas, poorly developed infrastructure and human capital and structural changes in the economy towards a growing importance of services and globalization. In addition to these general problems affecting rural areas, European countries have had additional problems caused by the transition from socialist planning towards a market economy. Transition brought significant losses of employment opportunities in agriculture and agriculture-related business, including processing, as well as in industry in rural areas in the 1990s. Other legacies of the socialist past include mono-structured regional employment opportunities, high average age of the rural population and degraded rural social infrastructure and lack of rural services. Transition has also contributed to more pronounced economic differentiation, including an increase in rural-urban income disparities.

The objective of rural development policies in Europe is to overcome these difficulties through *pro-poor* growth aimed at reducing the disparities between levels of development in rural and urban areas. The overall goals of rural development are to strengthen economic growth as well as to make it more inclusive and *pro-poor*. Rural development measures in Europe have included land reform and land consolidation; rural infrastructure and services improvement; upgrading of food safety regulations, legislation, institutions and governance to better approximate or meet EU standards; decentralization of decision making for improved regional and rural policy-making and associated tax and public sector reform; rural education curriculum reform; and agri-environmental policies aimed at protecting and preserving natural landscape.

Source: Network of Independent Agricultural Experts in the CEE Candidate Countries, 2004. The Future of Rural Areas in an Enlarged EU: Perspectives of the New Member States in Central and Eastern Europe and Bulgaria and Romania.

5. Poverty and hunger in Europe are concentrated in the Balkan countries and in the countries of the CIS. Within most of these countries poverty is concentrated in rural areas, where the majority of inhabitants are employed in agriculture. Table 1 illustrates the rural nature of four sub-regions within Europe. From 36 to 61 percent of the population in each of the sub-regions live in rural areas and agriculture still accounts for a large part of employment. Between 25 and 50 percent of total employment is in agriculture. The large proportion of the population in rural areas and the sizeable share of the labour force employed in agriculture in these countries testify to the importance of economic growth in rural areas in increasing per capita incomes. With the exception of two of the three Caucasus countries, poverty in Europe is also higher in rural rather than urban areas (Table 2). This is particularly true for Albania, Bulgaria, Kazakhstan, Moldova, Romania, the Russian Federation and Ukraine.

Table 2: Population concentration in rural areas and rural versus national poverty in selected European countries

Country	Rural population 2004 (%)	Rural poverty (%)	National poverty (%)
CIS Central Asia			
Kazakhstan	45	39	28
Kyrgyz Republic	66	47	44
Tajikistan	76	n.a.	68
Turkmenistan	54	n.a.	n.a.
Uzbekistan	64	31	28
CIS Europe			
Armenia	37	49	51
Azerbaijan	50	45	45
Belarus	29	n.a.	42
Georgia	48	53	51
Moldova	54	45	40
Russian Federation	27	30	20
Ukraine	33	30	24
Balkans			
Albania	56	30	25
Bosnia and Herzegovina	55	20	20
Bulgaria	30	24	13
Croatia	41	n.a.	8
TFYR of Macedonia	41	25	21
Romania	46	18	11
Serbia and Montenegro	44	14	11

Note: Poverty rates are from the most recent survey year available.

Source: FAO (2006b). Poverty Reduction Strategy Paper (PRSP), PRSP progress reports and Poverty Assessment Studies and MDG progress reports for individual countries (See Reference list).

II. RURAL DEVELOPMENT POLICIES AND THE WFS AND MDG TARGETS

6. The WFS goal, the MDGs and associated targets are a framework for monitoring *pro-poor* growth. *Pro-poor* growth depends, first, on a country's enabling policies to support economic growth. However, economic growth is not necessarily *pro-poor*. *Pro-poor* policies seek to include the poor in the growth process through ensuring access to education, health, social protection and utilities. *Pro-poor* policies directed at rural areas, which typically have higher poverty levels, less developed infrastructure, higher rates of hunger and lower access to health care and education, can be particularly effective in increasing the *pro-poor* nature of economic growth. However, rural development policies are usually viewed as more than just *pro-poor* capacity building. In recent years the main focus of rural development policies has been on making rural areas more competitive in order to realize their unexploited development potential. Unlocking development potential involves mitigating constraints on competitiveness to: (i) open new markets for agricultural producers, (ii) improve the state of knowledge and practice for smallholder agriculture, (iii) improve the enabling environment for rural producers and (iv) improve the quality of rural services and amenities.

7. Progress in reaching the WFS goal and the MDGs depends crucially, first and foremost, on countries' enabling policies to support overall economic growth (Development Committee, 2003). Enabling economic policies are concerned with improving the environment for entrepreneurship, investment and innovation by the private sector, the main engine of growth in an economy. The consensus of development organizations is that economic growth requires sound macroeconomic policies, a key determinant of investor confidence in the economy. Successful development has also generally been associated with an outward orientation in trade policies, since trade can be a crucial engine of economic growth. Good governance and fair government regulation are essential to competitive and efficient functioning of markets, because they provide predictable codes of conduct for business and make for enforceable contracts for investors. Investment and productivity also depend on both the physical and financial infrastructure of a country, for instance in banking and finance, transportation, power and telecommunications.

8. However, economic growth alone may not lead to substantial reductions in poverty and hunger, and is not necessarily *pro-poor*. *Pro-poor* growth policies pertain largely to the government role in building sustainable and stable growth through strengthening its inclusive nature. This means increasing access for the poor to education, health care, social protection and utilities. Effective empowerment of the poor also depends on mechanisms that foster their participation in decisions affecting them. *Pro-poor* growth policies may also be aimed at specific population or ethnic groups or specific regions that have a higher incidence of poverty.

9. Rural development policies have often been considered in this context. The higher incidence of poverty and hunger in rural areas signifies that specific *pro-poor* policies are required in order to develop rural areas. Education enrollment rates tend to be lower in rural areas, access to health care is more difficult, as is access to social protection, utilities, communications infrastructure and roads. Targeted programmes to strengthen human capacity in rural areas and allow equal access to state-provided services are often the main component of *pro-poor* rural development policies (Box 1). Rural development in this sense impacts on all the MDG targets.

10. In recent years, however, the main focus of rural development policies has been on making rural areas more competitive (Organisation for Economic Co-operation and Development (OECD), 2005). The objectives of measures undertaken under this concept are the increase of rural enterprise productivity and the fostering of rural private investment. The means toward these ends are policies aimed at mitigating constraints on competitiveness, such as (i) opening new markets for agricultural producers, (ii) improving the state of knowledge and practice in agricultural technologies and marketing, (iii) improving the enabling environment for rural

producers and (iv) improving the quality of rural services as well as the overall level of amenities in rural areas. The underlying assumptions of rural development policies are that rural areas can offer place-specific amenities which are not offered in urban areas and that there is unexploited development potential in rural regions requiring improvements in the above areas in order to attain its full possibility.

11. The complexity of “mitigating constraints on competitiveness” becomes evident when consideration is given to how business in rural areas is connected with a wider policy framework in numerous sectors. The problem of opening new markets for agricultural producers illustrates how dependent rural development is on the wider regulatory, trade and enabling environment in a country. In order to access high value export markets, food processors need to adhere to stricter food safety standards, and the effectiveness of measures implemented in the country need to be acknowledged by importer country governments. This indicates that it is not sufficient for one or two processors to adhere to stricter food safety standards. The entire food safety system of legislation, regulatory standards, monitoring and enforcement has to be designed in a way that satisfies importer country food safety agencies. In addition, often individual manufacturers need to be accredited by food safety agencies, either public or private.

12. Rural development policies are also employed to overcome specific structural problems of smallholder agriculture which tend to depress rural incomes. In agricultural sectors dominated by small farms no individual farmer has the resources to develop large-scale research programmes or a knowledge base incorporating animal and plant production techniques, health issues, pest protection, marketing and a variety of other issues. The result is low productivity agriculture. Experience in a wide cross-section of (developed and less developed) countries has shown that small farmers often require advisory services on animal and plant health and production, marketing and business issues. In some countries agricultural extension agencies or private consulting firms offer assistance to farmers at subsidized prices. The subsidies are justified as a public good for making scientific, practical and business knowledge about farming practices accessible to all, and increasing the general level of productivity in the sector.

13. The enabling environment for commercial agriculture, fisheries and forestry is largely a function of government policies and regulations in many areas, including land administration, finance, rural taxation and subsidy policy, trade policy and government policies in public infrastructure development (roads and communications). Governments have the ability to create a rules-based, predictable business environment through transparent and clear policies. However, frequently regulation in these areas is incomplete, interventionist and non-transparent. This results in an unstable and unpredictable economic environment that increases the costs for agricultural enterprises.

14. Finally, a number of rural development policies are regional or place based. An important way in which rural development policies can contribute to the attractiveness of rural areas is through the maintenance of rural amenities and public services, such as roads, telephone and electricity coverage, broadband access, clean water and sewerage systems. Other place based rural development policies are community development projects such as LEADER + or similar projects, designed to assist community leaders in mobilizing available resources for local economic development. In the USA and Canada public-private partnerships are used for similar goals.

III. MONITORING *PRO-POOR* GROWTH THROUGH THE WFS AND MDG TARGETS

15. *Pro-poor* growth can only be monitored through a series of multidimensional indicators. The WFS and MDGs include goals on poverty and hunger reduction (WFS target on undernourishment and MDG 1), on ensuring education and gender opportunities (MDG 2 and 3),

on health outcomes (MDG 4, 5 and 6), on sustainable development (MDG 7) and on coordination of development efforts (MDG 8).² Monitoring the attainment of these goals for developing and transition countries is carried out through targets associated with each MDG or through monitoring the number of undernourished (for the WFS goal of halving the number of hungry by 2015). The official targets are monitored by various international organizations, according to their areas of expertise. For instance, the World Bank is the official monitor of the three indicators under Target 1 on poverty reduction. The United Nations Educational, Scientific and Cultural Organization (UNESCO) monitors three indicators under the MDG Target on achieving universal primary education.³

16. FAO has been designated to monitor progress towards reaching a number of WFS and MDG targets.⁴ FAO data on chronic undernourishment are used to monitor the WFS goal of halving the number of undernourished people in the world by 2015 and Target 2 of MDG 1 on halving the proportion of people suffering from hunger. FAO's data on forest landcover are used as one of the indicators for monitoring Target 9 of MDG 7 (ensure environmental sustainability).

Undernourishment

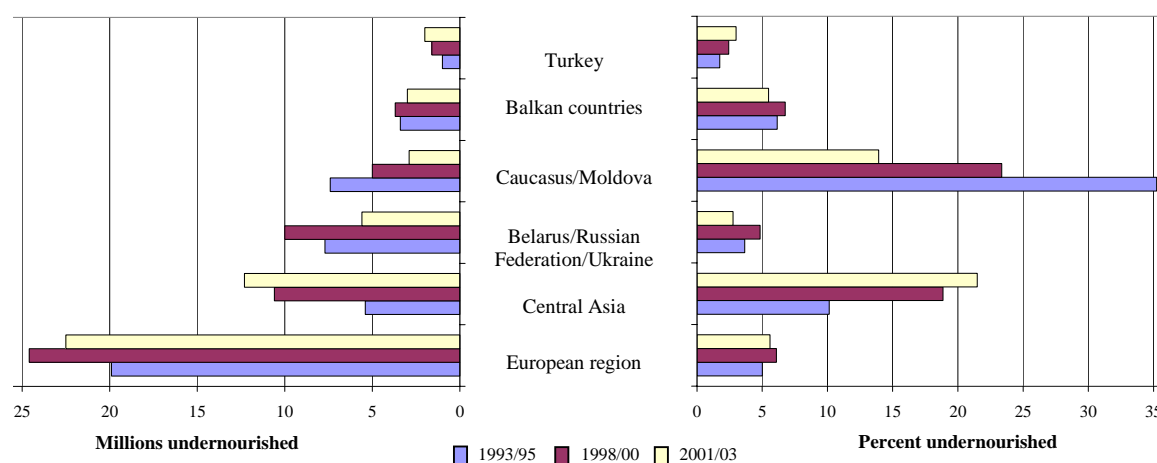
17. At the WFS in 1996 governments committed themselves to the goal of halving the number of undernourished people in the world by 2015. According to FAO statistics, by 2001/03 there were 2.6 million more persons suffering from hunger in the European region than in the base year of 1993/95. This regional aggregate, however, conceals important improvements in some countries and a worsening situation in others. The most conspicuous improvement in undernourishment came in the critically vulnerable countries of the Caucasus and Moldova, where there was a sizeable reduction in undernourishment from 7.4 to 2.9 million people. The Balkan countries and Belarus, the Russian Federation and Ukraine have seen moderate decreases in the number of undernourished. In Turkey there was a sizeable growth in the undernourished population, from 1.0 to 2.0 million people. The largest increase in food insecurity, however, was in the Central Asian countries where the number of undernourished grew from 5.4 to 12.3 million between 1993/95 and 2001/03.

² A list of all MDGs and their associated targets is presented in the Annex.

³ For a complete listing of the indicators and targets associated with the Millennium Development Goals by country see http://millenniumindicators.un.org/unsd/mi/mi_goals.asp.

⁴ The 24th Session of the Committee on World Food Security (Rome, 2 - 5 June 1998) requested FAO to develop a consistent set of indicators to be used for a thorough and disaggregated analysis of food insecurity, based on sets of comparable country data. Since 1999 FAO has published estimates of the number of undernourished and the prevalence of undernourishment in a number of countries in *The State of Food Insecurity in the World*. The United Nations Development Group (UNDG) (2003) indicates that FAO is the responsible agency for monitoring the indicator on chronic undernourishment of Target 2, MDG 1 and on forest cover for Target 9 of MDG 7.

Figure 1: Undernourishment in European countries, 1993/95-2001/03



Note: The European region in the figure covers all European region countries in the FAO undernourishment database for which there is information. This includes Turkey, new EU member countries, Balkan and CIS countries. For Turkey, 1993/95 data are from 1990/92. Source: FAO (2006c).

18. FAO is responsible for monitoring fulfilment of Target 2 of MDG 1 which pertains to halving, between 1990 and 2015, the proportion of people who suffer from hunger. For the transition countries 1993/95 has been accepted as a better base year, because the period 1990 to 1994 saw changes in both economic and political systems with extraordinary but temporary falls in agricultural production (see Box 2). Figure 1 illustrates that the relative ranking of countries within the region is similar in the case of absolute numbers and percent undernourished. However, the proportion of people suffering from hunger is a far better indicator for understanding the significance of hunger in these countries. For instance, though the number of undernourished people in Turkey has doubled in the past 11 years, the percentage of people suffering from undernourishment there is still small (3 percent). The achievement of the Caucasus countries and Moldova in reducing undernourishment is even more impressive when seen in terms of the proportion of the population. Undernourishment in these areas was reduced from 35 to 14 percent of the population between 1993/95 and 2001/03.

19. The principal causes of poverty and food insecurity in the FAO European region help to explain the variations in undernourishment in the region:

- man-made disasters (war, conflict, political and economic instability, with ensuing problems of refugees and displaced persons, in Armenia, Azerbaijan, Georgia, Moldova, the Russian Federation and many Balkan countries);
- natural disasters (prolonged drought in areas of Armenia, Azerbaijan, Georgia and Moldova);
- lack of supportive policies and infrastructure for economic development, particularly in rural areas;
- breakdown of social safety nets in the region, and
- a lack of knowledge regarding correct nutrition in many countries of the region.

20. The existence of so many different factors causing food insecurity in the region makes it difficult to draw general conclusions as to what have been the most effective policies to reduce food insecurity.

Box 2: Monitoring trends in the reduction of hunger in transition countries.

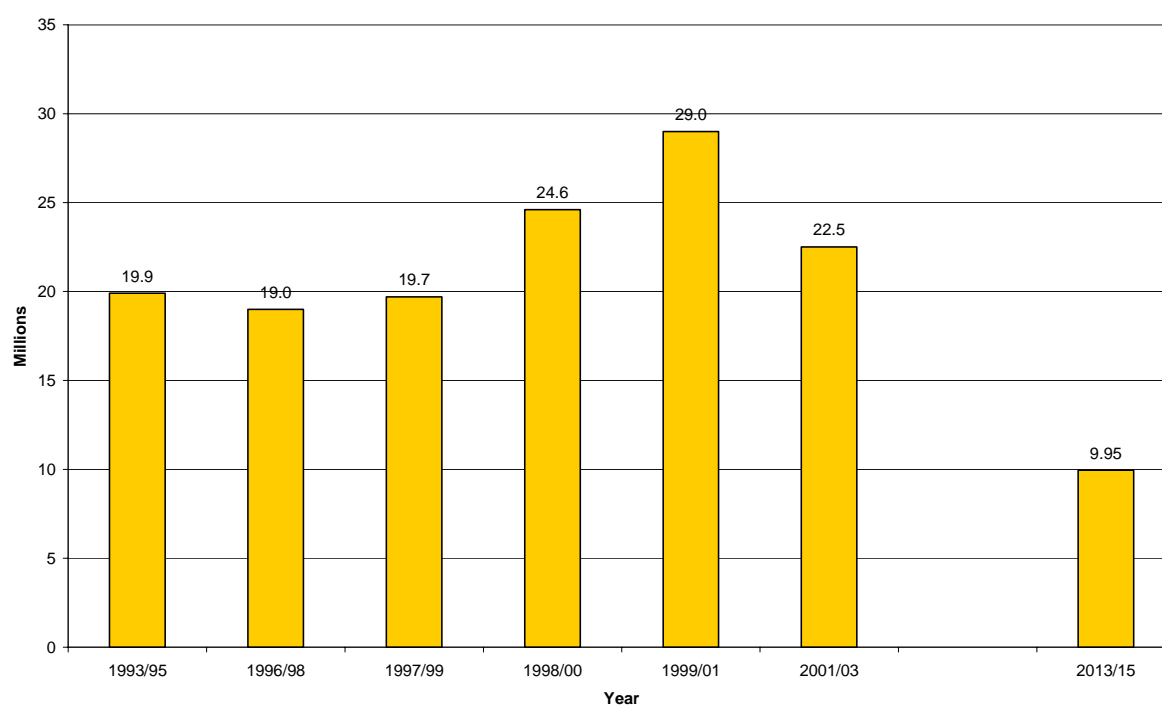
In order to monitor trends in the reduction of hunger FAO generally uses a baseline number of undernourished persons derived from the average of the years 1990 to 1992. For the transition countries FAO has determined that 1993/95 is a more appropriate base year for measuring changes in the number of undernourished. There are two main reasons for this. First, 1990 was one year after the fall of the Berlin Wall and two years before the disintegration of the USSR. In this year social and economic development indicators for most of the former socialist countries of Europe were rather high compared to other countries with similar incomes. After 1990 these social and economic indicators fell sharply, but then recovered as economies began to grow. The use of 1990 as a base year hides the important improvements that occurred in Eastern Europe after 1993 and in the CIS countries after 1998.

Second, for many transition countries in the early 1990s official statistics were particularly unreliable. The FAO estimate of the number of undernourished people is derived from available data on population, food production, trade and distribution of food or income within the population. In the CIS countries the reliability of statistics on food production in the private sector and income distribution within the population in this period was particularly weak, due to a lack of reliable survey data. In the centrally planned system data were obtained mainly from administrative records. To replace these, it was necessary to develop sample surveys but this required time and resources.

21. However, two regions are prominent in Figure 1. The first is the Caucasus countries and Moldova. Man-made disasters in the Caucasus countries and Moldova in the early and mid-1990s led to moderately high rates of both poverty and undernourishment. Rates of undernourishment subsequently fell dramatically in the Caucasus countries consequent to the cessation of hostilities and the onset of robust economic growth following extensive reforms. The second region that is conspicuous is Central Asia. While the Caucasus countries have experienced an impressive reduction in food insecurity and a levelling off of poverty rates, Central Asia has sustained a consistent rise in these indicators.

22. What is the basis for the very different situations regarding poverty and food insecurity in Central Asia and the Caucasus countries? One obvious factor has been the record of land and agricultural reform in the two regions. Caucasus countries such as Armenia and Azerbaijan have dismantled large farms and distributed land to individual holdings generating significant growth in agricultural output and rising rural incomes. Central Asian countries, on the contrary, have maintained state ownership of agricultural land (with the exception of Kazakhstan after 2003) and have maintained large farms producing cotton and wheat. Although gross agricultural output has grown in these countries, rural incomes have stagnated and rural poverty has risen.

Figure 2: Number of undernourished in the European region: observed and WFS target



Note: The FAO European region covers all European region countries in the FAO undernourishment database for which there is information. This includes Turkey, new EU member countries, Balkan and CIS countries.

Source: FAO (2000-2004, 2006c).

23. There is currently a gap of 12.6 million persons between the FAO estimate of the number of undernourished in 2001/03 and the WFS target for 2015 of 9.95 million persons, half the number of hungry people in the base year (Figure 2). Individual country data show that undernourishment has grown most sharply in Tajikistan and Uzbekistan. By comparison other low income countries such as Armenia, Azerbaijan, Georgia and the Kyrgyz Republic have already achieved the WFS targets. These countries have experienced rapid reductions in the number of food insecure since the end of the 1990s. However, despite the fall in the number of undernourished in these countries, the proportion of undernourished in the Caucasus countries remains alarmingly high (Figure 1).

Table 3: Percentage change in forest cover in selected European countries, 1990-2005

Sub-region and country	Percent change in forest cover		
	1990-2000	2000-2005	1990-2005
New EU Member Countries	2.6	1.8	4.4
Cyprus	7.5	0.6	8.1
Czech Republic	0.3	0.4	0.7
Estonia	3.7	1.8	5.6
Hungary	5.9	3.6	9.7
Latvia	4.0	1.9	6.0
Lithuania	3.9	3.9	7.9
Malta	-	-	-
Poland	2.0	1.5	3.5
Slovakia	-0.1	0.4	0.4
Slovenia	4.3	2.0	6.4
CIS Europe	0.8	-1.0	-0.3
Armenia	-3.8	-15.0	-18.2
Azerbaijan	-2.2	-1.3	-3.4
Belarus	9.8	-2.5	7.0
Georgia	0.0	0.0	0.0
Republic of Moldova	11.1	-22.0	-13.4
Russian Federation	0.7	-1.0	-0.4
Ukraine	3.4	-2.4	1.0
CIS Central Asia	3.0	-2.6	0.3
Kazakhstan	2.7	-5.9	-3.4
Kyrgyz Republic	0.7	-6.4	-5.7
Tajikistan	22.6	-21.3	-3.5
Turkmenistan	0.0	0.0	0.0
Uzbekistan	5.4	1.8	7.3
Balkans and Turkey	3.1	-0.5	2.6
Albania	22.1	-17.5	0.6
Bosnia and Herzegovina	-0.3	-1.1	-1.4
Bulgaria	4.0	-0.2	3.8
Croatia	1.9	-1.2	0.7
Macedonia, TFYR of	0.0	-0.3	-0.3
Romania	0.4	-0.4	0.0
Serbia and Montenegro	4.8	0.2	5.1
Turkey	3.8	1.1	5.0

Source: FAO (2005b)

Environmental sustainability

24. FAO regularly monitors the world's forests through the Forest Resources Assessment Programme. Data on "forest cover" (the proportion of land area covered by forest) are used to monitor one of the two targets related to ensuring environmental sustainability (MDG 7) on "reversing the loss of environmental resources."⁵ Estimates of changes in forest cover over time provide an indication of the demand for land for forestry and other uses, and may also illustrate the impact of significant environmental disasters and disturbances on forest ecosystems.

25. Table 3 illustrates that forest cover has been relatively stable in the non-EU European countries from 1990 to 2005 with the exception of Albania, Armenia, Moldova and Tajikistan. In these countries the forest cover area shrank by 15 to 22 percent between 2000 and 2005. Reductions in forest cover occur either through deforestation or natural disasters due to forest fires, insects or diseases, through overexploitation of forest products, poor harvesting and management practices or as a result of extreme climatic events (e.g. drought, frost, storms and floods). A decrease in forest cover may have far reaching social, economic and environmental consequences.

26. In contrast to other regions, forest cover in the new EU countries has increased substantially. This is possibly due to the large-scale adjustment of land use connected with the transition from collective to private agriculture. There was a considerable reduction in the land area used for agricultural production as a result of these changes in the 1990s. FAO's role in monitoring Target 9 of MDG 7 does not only relate to the indicator on forestry coverage. FAO also chairs the Sub-group on Environment, an inter-agency assembly charged with providing information for reviews of progress in reaching MDG targets, and collaborates with other UN and non-UN agencies in the development of further indicators related to environmental sustainability.

IV. THE ROAD AHEAD FOR FAO IN EUROPE

27. In this document it has been emphasized that rural development policies form part of a *pro-poor* development agenda for rural areas. Development of rural areas can make a substantial contribution to reaching the targets of the WFS Plan of Action and the MDGs in the countries of the European region, because of the larger concentration of the poor in rural areas, provided the targets are appropriately defined (see Box 3). FAO's work is focussed on assisting countries in reaching the targets of the WFS and the MDGs through rural development. The Organization's activities, based on its mandate in the area of sustainable development of agriculture, fisheries, forestry and other related rural activities, are concentrated on MDG 1 (hunger and poverty alleviation), MDG 7 (ensuring environmental sustainable development) and MDG 8 (developing a global partnership for development).

28. In Europe FAO works in three main areas to foster the development of rural areas through mitigating constraints on competitiveness:

Technical assistance

29. FAO assists countries in the development of rural areas mainly through technical assistance in the area of agriculture (including activities downstream and upstream of primary production), forestry, fisheries and rural development. These activities are aimed at increasing agricultural productivity and assisting farmers to access new markets. In regions that have few alternative resources available for territorial development, agricultural growth is essential for the economic expansion of the area. Improving agricultural productivity also presupposes increasing farm labour productivity by replacing labour with non-labour inputs, such as fertilizer, pesticides,

⁵ Forest land is defined as land spanning more than 0.5 ha with trees higher than 5 m and a canopy cover of more than 10 percent, or trees able to reach these thresholds *in situ*. It does not include land that is predominantly under agricultural or urban land use.

managerial skills and capital, machinery and land. The transition from subsistence or local market production to a more national market-oriented agriculture generates income for the local population to invest in the development of agricultural activities and diversification. Much of FAO assistance to countries in the European Region deals with issues of institutional reform. Accessing new markets in countries with stricter food safety standards, such as the EU, often necessitates capacity building and restructuring and upgrading of the food safety control system, as well as the introduction of new quality and safety standards. In the forestry sector, FAO assists countries to improve their legislative framework with regard to the regulation and proper management of private and public forests, formulating strategies for sustainable development of mountain resources and assessment of forest resources.

Box 3: Measuring development progress in Europe

The MDGs outlined by the UN Development Group (UNDG)⁶ are not always the most appropriate for measuring development progress in Europe. It has already been noted that FAO uses 1993/95, rather than 1990, as the base year for measuring progress towards reduction of undernourishment in transition countries. The WB also believes that 1990 is unsuitable as a baseline year for the poverty target under MDG 1, since the use of 1990 as a baseline year conceals the important improvements that occurred after 1993 in Eastern Europe and after 1998 in the CIS countries. The \$1 per person per day poverty line is also viewed by the WB as an inappropriate indicator of poverty in the cold climates of Europe. Colder temperatures mean that spending on clothes, heating and food is considerably higher than in other regions. For these reasons a \$2.15 per person per day poverty line is deemed to be more appropriate for measuring progress in the reduction of poverty.

Progress on achieving education goals is another area where European countries differ from countries in other regions. For Target 3 of MDG 2 (ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling), a more appropriately defined indicator for Eastern Europe is completion of the compulsory cycle of schooling. Unlike other countries, all European countries have compulsory education for citizens that goes far beyond primary schooling, in most cases, nine years or more.

Development progress on life expectancy is another area where Eastern European countries differ from countries in other regions. MDG 4 focuses on the reduction of child mortality as a means to prolonging life expectancy. For European transition countries focusing on high adult mortality rather than child mortality can have a greater impact on life expectancy. Compared with other countries with similar income levels child mortality in European transition countries is relatively low. Adult mortality (ages 15-64) from non-communicable diseases, however, is quite high.

Sources: World Bank, 2004a. *Millennium Development Goals for Health in Europe and Central Asia: Relevance and Policy Implications*; World Bank, 2005a. *Millennium Development Goals: Progress and Prospects in Europe and Central Asia*.

30. In the European region the prospect of EU accession for selected countries and the associated prospective of assistance is a powerful incentive for supporting the values that underlie successful democratic market economies and for building enabling institutions for food safety, control of transboundary migration of plant and animal diseases, rural development and responsible use of pesticides. FAO technical assistance to countries to enable them to comply with EU standards and to prepare for accession is an important part of its work in the region.

⁶ UN Development Group, 2003.

Country policy assistance

31. In its policy advisory work FAO stresses that *pro-poor* rural development begins with an enabling environment for commercial agriculture, fisheries and forestry established by government policies and regulation. A rules-based, predictable business environment in the area of land administration, rural taxation and subsidy policy, trade policy, government market interventions and government policies in public infrastructure development (roads and communications) can reduce transaction costs for producers and consumers. FAO offers technical guidelines and assistance in the implementation of land cadastres that establish a system for public monitoring of transfers of property rights. The Organization has also developed guidelines for the design of land consolidation programmes and the use of land administration for rural development planning, often in collaboration with the World Bank. Furthermore, FAO has recommended technical guidelines and offers assistance in the design of rural tax policies, and with regard to responsible fisheries and forestry. These and other forms of assistance aim at creating a predictable, rules-based business environment to reduce transaction costs for producers.

32. Improvement of agricultural productivity often has the effect of reducing the labour force that can profitably be employed there. Rural development measures, such as improving rural infrastructure and the creation of an enabling policy environment can lead to the creation of alternative rural employment in manufacturing and services. Further *pro-poor* policies for rural growth include land reform and government support for rural health care and education. The ability of rural regions to retain labour and create jobs often depends on the quality of rural social services. Local government is often best placed to decide which policies can most effectively assist in creating new jobs outside of the agricultural sector. Based on project experience in several Balkan countries, FAO has now developed a regional project approach to offer capacity building in rural development policies for local governments.

Provision of global public goods

33. A third important task of FAO is assisting in the establishment of a rules-based system to manage environmental, trade, disease and food safety risks at global and country levels. A rules-based enabling environment is essential for the development of markets and trade both within countries and between them. The two statutory bodies of FAO that support the standards underlying the WTO Sanitary and Phytosanitary (SPS) Agreement play an important role in assisting producers in accessing high value markets. To implement the SPS Agreement the WTO relies in part on three multilateral standards organizations: the Codex Alimentarius for human health measures; the International Office of Epizootics (OIE) for animal and human health measures; and the International Plant Protection Convention (IPPC) for plant health measures. FAO is host to the Secretariat of the IPPC, an international treaty to secure action to prevent the spread and introduction of pests of plants and plant products, and to promote appropriate measures for their control. The Codex Alimentarius was created in 1963 by FAO and WHO to develop food standards, guidelines and related texts such as codes of practice. The principal objectives of the Codex Alimentarius are protecting the health of consumers, ensuring fair trade practices in the food trade and promoting coordination of all food standards work undertaken by international governmental and non-governmental organizations. The statutory bodies of FAO are part of FAO's role as a provider of public goods and its role as a knowledge organization (see also document ERC/06/4).

34. There is a critical connection within FAO between the three avenues referred to above for furthering development of rural areas. As a knowledge organization, FAO serves as a centre of excellence on technical and policy matters. Technical and policy assistance are ways to work together with member countries and to apply solutions to the problems of hunger, poverty and sustainable development. The experience gained is applied in subsequent assistance, and adjustments and improvements are made in order to maintain FAO's standing as a centre of excellence and as a repository of knowledge on development issues.

A. FURTHER ACTIONS BY FAO TO ASSIST COUNTRIES IN REACHING THE MDGs IN EUROPE

35. The MDGs provide a focal point for UN and other development agencies in assisting countries in fostering *pro-poor* development. In such a way the MDGs can facilitate coordination and cooperation between development partners in helping countries to implement *pro-poor* development policies. The MDGs do not, however, provide an analysis of effective strategies to achieve *pro-poor* growth. FAO can support countries in making progress towards the MDGs by raising awareness among UN agencies and countries of the effectiveness of rural development in fostering *pro-poor* growth. Such awareness raising should take place at various levels:

Country policy assistance

36. Many countries in the European region still need to develop agricultural strategies and the relationship between the achievement of the MDGs and rural development is seldom recognized. FAO can raise awareness of how rural development can contribute to *pro-poor* growth through analytical studies and seminars. FAO can also assist countries in formulating rural development strategies with an explicit focus on the MDGs. Finally, FAO can demonstrate the *pro-poor* growth potential of rural development through technical assistance and capacity building projects.

Collaboration with other UN agencies

37. FAO participates in various UN system mechanisms and partnerships created to enhance the effectiveness of the UN system's support to its member nations. At the global level, it is a member of the UNDG which provides policy guidance on operational and programme policy issues to the UN Country Teams (UNCTs). At the country level, FAO works closely with other specialized agencies of the UN family as part of UNCTs to formulate Common Country Assessments (CCA) and define UN Development Assistance Frameworks (UNDAFs). The Regional Office for Europe (REU) and the Sub-regional Office for Central and Eastern Europe (SEUR) have participated in CCA and UNDAF formulations and reviews in Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Moldova, Serbia and Montenegro, TFYR of Macedonia and Ukraine. In addition, the FAO Representation in Turkey has participated in CCA and UNDAF formulations in Turkey. FAO has also participated in MDG thematic working groups (Kosovo) and UN appeals (e.g. Serbia and Montenegro and Tajikistan), where it acts as the focal point for the agriculture and rural sector. In collaboration with the World Health Organization (WHO) and the World Organization for Animal Health (OIE), FAO has taken a leading role at global and country level in coordinating and monitoring Highly Pathogenic Avian Influenza (HPAI).

38. Despite these efforts, the capacity of rural development to contribute to the achievement of the MDGs is often not fully recognized by the UNCTs. FAO needs to intensify its collaboration with UNCTs to demonstrate how rural development can foster *pro-poor* growth. Such a task presents an added challenge in the European region, since in most countries FAO is a non-resident agency. Despite this drawback FAO needs to proactively find ways to be present in countries with policy advice and technical inputs for the CCA and UNDAF exercises. A UNDG Working Group on Non-Resident Agencies was specifically created to find ways in which non-resident UN agencies can contribute more fully to the work of the UNCTs. UNCTs and the UNDG can make it easier for non-resident agencies to contribute to CCAs and UNDAFs by ensuring that the FAO Regional and Sub-regional Offices are kept informed regarding the schedule of CCA and UNDAF activities, as well as regarding other important UNCT coordination meetings and efforts.

Collaboration with non-UN agencies

39. From 2007 the European Neighbourhood Policy (ENP) of the EU - targeting neighbours of EU member countries - will seek to ensure stable, prosperous neighbours by offering the possibility of facilitated trade agreements in return for progress on Action Plans agreed upon with the European Union. The ENP could be a powerful tool for rural development, particularly in the

area of agricultural competitiveness and food safety. For this reason FAO endeavours to coordinate its country support with this new EU assistance framework.

40. However, many of the most critical problems exist in those countries in the region that are not part of the ENP - the low income countries of Central Asia. Poverty Reduction Strategy Programmes (PRSPs) are the most important development strategies for focusing aid in these countries. FAO will intensify work with UN agencies, the WB, the European Commission and bilateral donors to coordinate assistance that is compatible with PRSPs in order to assist the poorest countries of the region to achieve the MDGs. In this context it is essential to establish regular consultation mechanisms with development partners.

41. FAO and the European Commission (EC) are already collaborating closely in a number of areas of FAO's mandate. The European Commission for the Control of Foot and Mouth Disease is partially funded by the EU Directorate-General 'Health and Consumer Protection'. A further example of EC-FAO collaboration is the EC Food Security Programme which, between 2000 and 2004, has funded programmes in four CIS countries (Armenia, Azerbaijan, Georgia and the Kyrgyz Republic). From 2005 to 2007 the EC is funding another worldwide food security programme at FAO that includes five CIS countries (Armenia, Georgia, the Kyrgyz Republic, Moldova and Tajikistan.). REU has also recently completed a study of the dairy sector in Turkey which will be used in programming for the EU Instrument for Pre-Accession Rural Development (IPARD).

42. REU collaborates with FAO's Investment Centre, the WB and other International Financial Institutions (IFIs) (e.g. the European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank (ADB)) by reviewing WB project concept notes (e.g. for Croatia, TFYR of Macedonia and Ukraine), and coordinating assistance with WB task managers. Under the FAO/WB Cooperative Programme, the WB has increased its sector work through specific rural development and country assistance for project formulation and monitoring. Loans and credits aimed at the rural sector have increased from US\$5 billion in financial year (FY) 2002 to US\$7 billion in FYs 2003 and 2004, out of which agriculture received 20 percent and rural infrastructure 30 percent.

B. FURTHER ACTIONS BY COUNTRIES TO REACH THE MDGs IN EUROPE

43. The MDGs and their associated targets present a list of indicators which countries can use to measure *pro-poor* development. However, the value of the MDGs as a development tool is often more apparent to UN agencies than to the countries themselves. Individual governments must be convinced of the utility of the MDGs and become active stakeholders in them. The MDGs can be made more operational for national governments through the following actions:

Integration of the MDGs into national development strategies

44. The MDG targets can be useful measures of *pro-poor* development. As such, they can be employed as benchmark indicators of progress in national development strategies. The importance of agriculture in employment and the higher rates of poverty in rural areas in the countries of this region advocate for including rural development plans as an integral part of national development strategies.

Definition of rural development strategies

45. Governments need to be convinced of the value of *pro-poor* growth. The Millennium Declaration states that countries around the world have a shared responsibility both to uphold fundamental values such as freedom and social justice and to ensure peace, economic development and the eradication of extreme poverty. The MDGs are simply tools to be utilized in achieving the eradication of poverty, and the way to make them operational is to recognize the importance of *pro-poor* growth. FAO can also raise awareness of how rural development can

contribute to *pro-poor* growth through national and regional projects in rural development capacity building. In addition, a number of countries in the European region still need to develop agricultural strategies. However, governments must first be convinced of the importance of *pro-poor* growth and of the effectiveness of rural development in achieving it.

THE MILLENNIUM DEVELOPMENT GOALS AND ASSOCIATED TARGETS

ANNEX

Millennium Development Goals	Targets
Goal 1: Eradicate extreme poverty and hunger	Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 per day. Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
Goal 2: Achieve universal primary education	Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
Goal 3: Promote gender equality and empower women.	Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.
Goal 4: Reduce child mortality	Target 5: Reduce by two thirds between 1990 and 2015, the under five mortality rate.
Goal 5: Improve maternal health	Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.
Goal 6: Combat HIV/AIDS, malaria and other diseases	Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS. Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.
Goal 7: Ensure environmental sustainability	Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources. Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation. Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

<p>Goal 8: Develop a global partnership for development.</p>	<p>Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.</p> <p>Target 13: Address the special needs of the least developed countries.</p> <p>Target 14: Address the special needs of landlocked countries and small island developing states (through the Programme of Action for the sustainable Development of Small Island Developing States and the outcome of the 22nd special session of the General Assembly).</p> <p>Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.</p> <p>Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work by youth.</p> <p>Target 17: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.</p> <p>Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.</p>

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