

**Opinion of the European Economic and Social Committee on 'Agriculture, Rural Areas and Sustainable Development in the Eastern Partnership Countries'**

**(own-initiative opinion)**

(2016/C 013/20)

**Rapporteur: Ms Dilyana SLAVOVA**

At its plenary session of 21—22 January 2015, the European Economic and Social Committee decided, under Rule 29(2) of its Rules of Procedure, to draw up an own-initiative opinion on:

*Agriculture, Rural Areas and Sustainable Development in the Eastern Partnership Countries*

(own-initiative opinion).

The Section for 'External Relations', which was responsible for preparing the Committee's work on the subject, adopted its opinion on 16 July 2015.

At its 510th plenary session, held on 16—17 September 2015 (meeting of 16 September 2015), the European Economic and Social Committee adopted the following opinion by 217 votes with 6 abstentions.

## **1. Conclusions and recommendations**

1.1. The EU should build strong partnerships with its neighbours. We need to step up close cooperation with countries in our neighbourhood to further strengthen our economic and political ties<sup>(1)</sup>. What happens in the countries in Eastern Europe and the Southern Caucasus has consequences for the EU. As the EU has expanded, these countries have become closer neighbours and their security, stability and prosperity increasingly affect those of the EU. Closer cooperation between the EU and its eastern European partners — Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine (and the cooperation among them) — is of primary importance for EU external relations.

1.2. The EU is committed to growth and stability in its Eastern Partnership Neighbourhood, recognising the importance of agriculture, as well as the upstream and downstream sectors for the maintenance and the socioeconomic development of rural areas.

1.3. For the six Eastern Partnership (EaP) countries, economic development remains a key priority through flows in capital, goods, people and know-how. This can only be achieved in a secure environment, which is a prerequisite for sustainable development, overcoming the all too prevalent corruption.

1.4. The EESC encourages the process of diversification of rural areas in the EaP countries, which could provide an additional income source through alternative activities and opportunities for higher employment.

1.5. The EESC supports the EC and its efforts to set up a stable dialogue on agriculture and rural development with all partner countries and is prepared to assist in implementing policies and related reforms for all those committed to making agriculture and rural development a key sector in their cooperation with the EU. Most EU investments should be focused on the countries which make agriculture and rural development their priority.

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<sup>(1)</sup> Joint consultation paper 'Towards a new European Neighbourhood Policy', 4 March 2015.

1.6. The EESC insists that the EU assist the EaP countries in preparing long-term agricultural and rural development strategies with all the relevant stakeholders, and in building the necessary institutional capacities at national and local levels.

1.7. The EESC expresses its wish for a strong monitoring system to be strictly applied following the implementation of the EU allocated resources to the EaP countries.

1.8. The EESC calls for strategic modernisation of the agricultural sector in the EaP countries that increases domestic production of safe food in a sustainable manner. The EESC believes that the EU should continue to be of great help to the EaP countries in improving the SPS standards of their products and developing their rural development programmes. We hope that the DCFTA will be properly implemented and will also be efficient in this aspect.

1.9. The EESC places great value on the importance of the European Neighbourhood Programme for Agriculture & Rural Development which was launched to support the sector and hopes that ENPARD, together with the ongoing or planned programmes in other countries, will lead to sustainable progress in agriculture and improved living conditions in rural areas in the whole of the EaP region.

1.10. The EESC clearly expresses its readiness to share the EU's experience and know-how in the context of a solid partnership for rural development and for the sustainable development of these regions' agricultural potential in the framework of the ENPARD programmes. This will not only contribute to job creation, but will also help to improve the quality of life for people in rural areas. Moreover, support for agriculture and rural development is also a key element of the EU's commitment to inclusive growth in the neighbourhood.

1.11. The EESC insists that the EU's experience in reforming agriculture and rural areas in pre-accession countries be taken into consideration, together with the diversity of experiences and efforts in partner countries. The EESC calls for a strong focus on the participation of civil society and the involvement of stakeholders in the sector.

1.12. With this opinion, the EESC also clearly states its wish for civil society to be much more widely represented in Platform 2 — 'Economic Integration and Convergence with EU Policies'; in its Panel on Agriculture and Rural Development, the Panel on Environment and Climate Change with regard to the promotion of green technologies, eco-innovation and biodiversity, the Trade Panel on SPS matters and in the SME Panel where the Committee's expertise and skills provide a useful contribution.

1.13. Support for agriculture could become a cornerstone of economic reforms in EaP countries on which stronger economic and trade relations with the EU could be built. This would also provide reliable protection against trade disruption with other partners.

## 2. Background

2.1. The Eastern Partnership is made up of six countries in two geographic areas: the South Caucasus, comprising Georgia, Armenia and Azerbaijan on the border of Eastern Europe and Southwest Asia between the Black and Caspian Seas, and Moldova, Ukraine and Belarus. The situation with the EaP countries is relatively dynamic. Two of the countries, Belarus and Armenia<sup>(2)</sup>, are already members of the Eurasian Economic Union. The crisis in Ukraine is ongoing, with state institutions and the rule of law steadily deteriorating, which seems to be bringing about a massive land-grabbing phenomena<sup>(3)</sup>. Border clashes between Armenia and Azerbaijan continue and affect the development of the area.

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<sup>(2)</sup> On 29 May 2014, the presidents of Kazakhstan, Belarus and Russia signed the treaty on the Eurasian Economic Union; Armenia's accession treaty was signed on 9 October 2014 and came into force on 2 January 2015.

<sup>(3)</sup> [http://www.bundestag.de/presse/hib/2015\\_01/-/357564](http://www.bundestag.de/presse/hib/2015_01/-/357564)

2.2. The Committee has produced opinions on Eastern Partnership issues <sup>(4)</sup> but has never considered the problems of rural areas, agriculture and sustainable development in these countries. This opinion therefore focuses on the possibilities of better development of rural areas and achieving sustainability in the Eastern Partnership countries.

2.3. The EU recognises the significance of agriculture, rural areas and sustainable development in EaP countries and ENPARD has been launched to support the sector.

2.4. Platforms are the main tool of the Eastern Partnership multilateral track. Platform 2 deals with economic integration between Partner Countries and the EU and convergence with EU policies, thereby contributing to the goals of the EaP. Platform 2 and its various Panels and Work Areas aim to contribute to the smart, sustainable and inclusive development of a free market economy in Partner Countries.

2.5. In light of the importance of agriculture and rural areas for further sustainable and inclusive development of the EaP countries, the Agriculture and Rural Development Panel (ARD Panel) was established at the end of 2012 and is linked to ENPARD.

2.6. The Panel on Environment and Climate Change focuses on cooperation with regard to enforcing Association Agreements and the gradual approximation with the EU *acquis* in the area of environment and climate change. This includes promoting alignment with EU standards, exchanging information and best practices, building administrative capacities and supporting civil society development. Topics for discussion and activities include waste reduction and recycling, air pollution, biodiversity and water management. The Panel is also trying to develop regional dialogue on climate change policies with a view to strengthening the visibility and negotiation capacity of Partner Countries and to cooperate with EU Member States in global climate negotiations.

2.7. The Eastern Partnership made significant progress in 2014. The new Association Agreements signed with Georgia, Moldova and Ukraine are already being provisionally applied. For Georgia and Moldova, provisional application already includes the Deep and Comprehensive Free Trade Area (DCFTA), while for Ukraine provisional application of this part of the agreement has been postponed until the end of 2015. The AA/DCFTAs involve ambitious political, economic and social reform agendas, drawing the Eastern partner countries concerned closer to the EU.

### 3. General comments

3.1. The agriculture and rural development sectors of the EaP countries vary in nature, composition and relative size, all of which are set against the background of their respective traditions, cultures and organisational methods. Climate, natural resources and location define the natural constraints.

3.2. Agriculture is a major sector in the economic fabric of all EaP countries. It employs a large part of their population and, after decades of difficulties, it still has vast potential for development. Every effort must be made to ensure that the development of a more productive agriculture sector delivers benefits to farmers and rural areas.

3.3. Many of the EaP countries have large rural populations relying to some extent on small and fragmented land plots and the use of communal or state-owned pasturelands for their livelihoods. These small-holders have very limited resources with little growth potential. In many cases, the small-holders account for practically all the national production of agricultural products. The products derived from small-holdings are often primarily for subsistence or semi-subsistence purposes. The selling of any surpluses is made more difficult by limited links to organised markets and a degraded and dilapidated rural infrastructure. The major issues (especially in the South Caucasus) are a lack of cooperation, training and education in the sector as well as lack of a proper taxation system.

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<sup>(4)</sup> OJ C 12, 15.1.2015, p. 48, OJ C 161, 6.6.2013, p. 40, OJ C 299, 4.10.2012, p. 34, OJ C 248, 25.8.2011, p. 37, OJ C 277, 17.11.2009, p. 30.

3.4. Dynamics in the agricultural markets and volatility of food prices have demonstrated the need for the EaP countries to develop agricultural and rural development policies, including measures for small-scale farmers. On one hand, they need to modernise agriculture and increase production on a sustainable basis and on the other hand, they must develop rural areas, infrastructure and increase income opportunities providing for a better quality of life and brighter prospects for families.

3.5. Programmes on regional development, including pilot programmes, aiming at income and employment possibilities potentially offered by alternative activities in rural areas are underway in most countries. These are intended to stimulate the development and economic diversification of rural areas and reduce regional disparities <sup>(5)</sup>.

3.6. The rural populations in all EaP countries have long been taken for granted and often ignored in the policy and programming process. One of the consequences of this policy vacuum has been the gradual depopulation of rural areas as the economically active migrate to cities or abroad. These negative demographic trends, combined with a need for a vibrant working population to support the agri-industry, require the quality of infrastructure and healthcare to be improved and a more robust policy and institutional commitment to be developed in response.

3.7. The South Caucasus agricultural sector does not fully utilise its potential and currently has low productivity and competitiveness. Degradation of natural capital (land, water, forests, etc.), mountainous terrain, decreased crop and animal production, biodiversity damage and the volatility of the ecological balance are among the issues hampering development of the farming sector. Rural poverty, lack of employment opportunities and the low level of rural living standards are amongst the factors contributing to the vulnerability of South Caucasus rural areas.

3.8. In the EaP countries there are still gaps in standards, regulations, legislation and comparative information. There is a need for common standards that must meet international and EU standards, including compliance measures — monitoring and inspection mechanisms for existing regulations. Under-developed food safety and animal health systems, especially in the South Caucasian countries, require efforts and work in the field of compliance with SPS standards, especially veterinary-sanitary standards for animals and animal products.

3.9. The EESC believes that every effort must be made to ensure that the development of a more productive agriculture sector delivers benefits to consumers, farmers and rural areas in general, which are often among the poorer regions in every country. With this in mind, the EU has launched a broad package of programmes in recent years in conjunction with its Eastern partners. These programmes range from providing specific technical assistance to very large sector programmes, to supporting in-depth reforms in the areas of agriculture, rural development and food safety. In any case the EESC is in favour of strictly monitoring the effectiveness of the agricultural reforms in the EaP countries.

3.10. The EESC encourages the EC and the EP to engage in a renewed and deeper policy dialogue on strategic planning and reforms in the spheres of agriculture, forestry and sustainable development at individual country level, respecting the rules set out and increasing the competitiveness of agricultural structures and the transparency of the domestic agricultural markets.

3.11. In order to support the agricultural development process in the EaP countries, the EESC believes that, as a priority, local agricultural organisations should be established and strengthened through development projects designed to improve farmers' level of representation and involvement in the decision-making process.

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<sup>(5)</sup> In 2014 Georgia launched its second regional development programme to provide further support in improving the socioeconomic development of all nine of its regions and the living conditions of the population. The implementation of the regional development support programme continued in Armenia in 2014. Moldova is benefitting from a new project which aim to improve regional planning and project pipelines for north, south and central development regions. A new programme on regional development was launched in Azerbaijan.

3.12. Entrepreneurship should be a focus of EU activity in EaP countries, we should not forget that promoting entrepreneurship in rural areas is of great importance and this could be achieved by providing an appropriate business environment: access to start-up capital, bank loans and proper tax incentives.

3.13. The EESC considers it essential to highlight and enhance the role of women and young people in farming and rural society via broader inclusion in vocational training and special measures in the rural development plans.

3.14. The EESC hopes that The Panel on Environment and Climate Change will be successful in implementing the three following projects as part of Platform 2 — 'Economic Integration and Convergence with EU Policies': Shared Environmental Information System (SEIS)<sup>(6)</sup>, the GREEN Project<sup>(7)</sup> and the Clima East Package<sup>(8)</sup>.

3.15. The EESC calls on the EC and the EP to continue their efforts to improve environmental governance and data collection and management systems in the EaP region, to assist EaP countries as regards climate change mitigation and adaptation, to focus on green policy measures and to demonstrate sustainable consumption and production patterns.

3.16. The EESC recognises the importance of the sustainable development programme 'Greening Economies in the Eastern Neighbourhood' (EaP GREEN) which is being implemented by the OECD in cooperation with UNECE, UNEP and UNIDO to assist the EaP countries in their transition to green economies.

#### 4. Country-specific comments

##### 4.1. Armenia

4.1.1. Agriculture is a major economic sector in Armenia, with around a third of the population living in sparsely populated and mountainous rural areas, where low-input, subsistence and semi-subsistence farming is important as a source of livelihood. Practically the entire gross agricultural product (approx. 97 %) is produced by small farms.

4.1.2. Armenia has also implemented one of the most comprehensive land reform programmes; by mid-1994 most of the agricultural land had been privatised. As a result, lands were divided into more than 1,2 million plots.

4.1.3. Armenia has limited land resources, arable land constituting only 16,8 % of its total land area. Fertile volcanic soil allows cultivation of wheat and barley as well as grazing for animals. Irrigated crops include apricots, peaches, plums, apples, cherries, walnuts, quince, figs, pomegranates, other fruits and grapes, the basis for its internationally-known brandy.

4.1.4. Negotiations on the Association Agreement, including a DCFTA, were finalised in July 2013. However, as Armenia joined the Customs Union, as announced in September 2013, the Association Agreement, which was incompatible with membership of the Customs Union, was not signed. The European Union continues to cooperate with Armenia in all areas compatible with this choice.

##### 4.2. Azerbaijan

4.2.1. Since the economy of Azerbaijan relies on oil and gas as the leading sector, agriculture is a key component of the country's non-oil economy. Almost half of the Azeri population lives in rural areas and their livelihood depends on agriculture.

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<sup>(6)</sup> This project aims to promote the protection of the environment in the Eastern Partnership region by extending the principles of SEIS to this area.

<sup>(7)</sup> The overall aim of the GREEN project is to support partner countries in their efforts to shift to a greener economy by decoupling economic growth from environmental degradation and resource depletion.

<sup>(8)</sup> The Clima East Package supports climate change mitigation and adaptation in the Neighbourhood East Region and its aim is gradual alignment with the EU *acquis* in the area of environment and climate change.

4.2.2. Mixed farming is the most common, with similar cropping patterns. The major crops for agriculture in Azerbaijan are agricultural cash crops, grapes, cotton, tobacco, citrus fruits and vegetables. Livestock, dairy products, wine and spirits are also important farm products.

4.2.3. In 2010, the EU and Azerbaijan began negotiations on an Association Agreement (excluding the DCFTA due to the WTO application which is still pending). The government of Azerbaijan officially applied to the WTO secretariat to become a WTO member in 1997 and discussions are still ongoing.

#### 4.3. **Belarus**

4.3.1. The agricultural sector in Belarus employs about one-tenth of the labour force and is dominated by large collective and state farms. Most of the country has mixed crop and livestock farming. Potatoes, sugar beets, barley, wheat, rye and corn (maize) are other important field crops; a large percentage of the grains are used for animal feed. Cattle, poultry and pigs are the main livestock. Nearly two-fifths of Belarus is covered by forests, which are exploited for the production of wood and paper products.

4.3.2. Ratification of an EU-Belarus Partnership and Cooperation Agreement (negotiated in 1995) has been frozen since 1997 in response to the political situation in the country.

4.3.3. Belarus applied for WTO membership in 1993. Its accession process is ongoing.

#### 4.4. **Georgia**

4.4.1. Agriculture in Georgia is essential to the country's population, as it provides an important safety net in rural areas, where almost half of Georgia's inhabitants live. The rural land is highly fragmented — 95 % of farmers are 'small farmers', usually with around 1,2 hectares (ha) and 2 cows per family. This fragmentation was intensified by the land privatisation process of the 1990s, which resulted in a new class of about half a million 'farmers' categorised as self-employed farmers.

4.4.2. Milk and meat are the highest value agriculture products overall. Livestock keepers provide animals with very little high quality feed, relying on free, or extremely cheap, grazing and hay in the winter. This not only results in low milk yields, but it makes competitive meat production extremely difficult. Wine production is also a very important part of the agricultural sector. Most farming activity is concentrated in the fertile river valley flood plains, with the main produce being citrus fruits, grapes and nuts.

4.4.3. Relations between the EU and Georgia have been guided by the Partnership and Cooperation Agreement (PCA), which has been replaced by the EU-Georgia Association Agreement, including a DCFTA, signed on 27 June 2014 and provisionally applied since 1 September 2014. As regards trade in agricultural products, ambitious concessions have been made in the DCFTA. The import of EU agricultural products into Georgia is fully liberalised.

#### 4.5. **Moldova**

4.5.1. Agriculture is extremely important for Moldova. Agricultural land accounts for around 75 % of total land area and most of it is used to grow temporary crops. About one-tenth of the land is used to cultivate permanent crops. Moldovan society is predominantly rural; the agriculture sector employs 26,4 % of the working population, and generates 14,6 % of the country's GDP.

4.5.2. As a result of the land reform, the structure of agricultural land use has changed. After privatisation in the 1990s, a large share of land remains as small individual plots. The privatisation process has resulted in an average landholding of 1,4 ha, further subdivided into separate plots based on land type (arable, orchard, vineyard), to around 1 million title holders. Of the total agricultural land 0,66 million ha are under a public form of ownership (26,2 %) and 1,84 million ha are held under a private form of ownership and/or use (73,8 %).

4.5.3. In terms of the value of agricultural production, plant production contributes over two thirds of the overall value, while animal production and services contribute around 30 % and 2,4 % respectively. Grapes and milk are the highest value agricultural products.

4.5.4. Since 1998, relations between the EU and Moldova have been guided by the Partnership and Cooperation Agreement, now replaced by the EU-Moldova Association Agreement signed on 27 June 2014, including a DCFTA in force on a provisional basis since 1 September 2014.

#### 4.6. *Ukraine*

4.6.1. Partly because of rich soils and a favourable climate, Ukraine's crop production is highly developed. Its output of grain and potatoes is among the highest in Europe, and the country is among the world's largest producers of sugar beets and sunflower oil. Ukraine's livestock sector lags behind the crop sector but its total output is still considerably larger than that of most other European countries.

4.6.2. A new Association Agreement, including a DCFTA, was negotiated in 2007-2011 and initialled in 2012. The political parts of the Association Agreement were finally signed on 21 March 2014 while the remaining parts of the agreement including the DCFTA were signed on 27 June 2014. Since 23 April 2014 the EU has unilaterally provided autonomous trade preference to support Ukraine in the current situation.

4.6.3. The EU-funded project 'Improvement of Food Safety control System in Ukraine' (IFSSU) was launched in July 2014 with the objectives of improving the sanitary quality of Ukrainian food products and of increasing the confidence of Ukrainian consumers in national production. The EU is also assisting the State Veterinary and Phytosanitary Service of Ukraine to improve the system of ensuring safe food 'from farm to fork'. With a budget of almost EUR 3,8 million for 33 months, the IFSSU project is part of the priority area 'Food safety and food security'.

### 5. **The role of ENPARD**

5.1. ENPARD was established by two joint Communications of the European Commission and the European External Action service of March and May 2011, as part of the EU commitment to inclusive growth and stability in its neighbourhood, recognising the potential importance of agriculture in terms of food security, sustainable production and rural employment.

5.2. The EU offers a dialogue on ENPARD to all partner countries, and is prepared to assist in implementing ENPARD policies and related reforms for all those committed to making agriculture and rural development a focal point in their cooperation with the EU. This includes assistance in preparing long-term agricultural and rural development strategies with all the relevant stakeholders and in building necessary institutional capacities at national and local levels.

5.3. This programme is already delivering results in Georgia: the law on Agricultural Cooperatives, the network of 54 'agricultural strategy information and consultation centres', etc. On 11 March 2014, the European Union signed four grants totalling EUR 15 million in support of small farmers within the ENPARD initiative in Georgia. The projects will assist the establishment of more than 160 cooperatives with technical assistance and will target all the regions of Georgia. The aim of these cooperatives is to allow small farmers to organise collectively and to gain economies of scale, enhance their efficiency and improve their links to the markets. The total ENPARD for Georgia amounts to EUR 52 million for five years (March 2013-March 2018).

5.4. EU assistance to Armenia amounted to EUR 157 million for 2011-13 (compared to EUR 98,4 million for 2007-2010). In December 2013 the EU adopted new funding of EUR 41 million to support civil society, regional development and agriculture in Armenia within the framework of the European Neighbourhood Policy. Of this overall amount, EUR 25 million have been allocated to implement the ENPARD initiative in Armenia. This funding will be used, in particular, to improve the performance of agriculture related institutions, to support the development of farmers' associations, to develop agriculture statistics and to improve access to more affordable food for Armenian citizens. It also relates to improving the conditions in rural areas by creating jobs, developing public-private partnerships and training the labour force.

5.5. As regards Moldova, the 'Economic stimulation in rural areas' programme, which has been underway since 2010, has proved to be a useful instrument for job creation in Moldova's provinces. Agriculture and rural development has been identified as a focal sector for the Moldova-EU development cooperation in 2014-2017 amounting to between EUR 100 and 120 million available for assistance to the sector. In this context, a comprehensive EUR 64 million ENPARD Moldova programme was adopted in summer 2014 and started being implemented from the beginning of 2015. Through budget support and technical assistance the programme will support a long-term comprehensive sector development strategy prepared by the government. This financial aid helps raise the competitiveness of the agricultural sector and will deepen the discussion on the development of new policies.

## 6. The role of the EESC

6.1. The EESC, aware of the fundamental role of civil society in the EaP countries, is ready to play an active role and share its expertise with the aim of building a more efficient agricultural sector, in particular by:

- assisting in mapping civil society organisations in the sphere of agriculture and sustainable development and improving the situation through an open and inclusive dialogue with a broad range of stakeholders,
- sharing its expertise, including that gained from new Member States joining the EU, in defining specific criteria and processes for the establishment of truly representative agricultural and environmental civil society organisations and their inclusion in decision-making in the EaP countries,
- exchanging best practice in areas such as agriculture, rural development networks, sustainable development, entrepreneurship and corporate social responsibility,
- getting more actively involved in the work of EaP Platform 2 'Economic Integration and Convergence with EU Policies', especially in the Panel on Agriculture and Rural Development, and also in the Panel on Environment and Climate Change with regard to the promotion of green technologies, eco-innovation and biodiversity.

Brussels, 16 September 2015.

*The President*  
*of the European Economic and Social Committee*  
Henri MALOSSE

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ANNEX I<sup>(1)</sup>**EU assistance to Eastern Partnership Countries (2014-2020)**

Country	2014-2017 allocation (million EUR)	Focal sector	Indicative allocation (%)
Armenia	140-170	Private sector development	35
		Public administration reform	25
		Justice sector reform	20
Azerbaijan	77-94	Regional and rural development	40
		Justice sector reform	20
		Education and skills development	20
Belarus	71-89	Social inclusion	30
		Environment	25
		Local/regional economic development	25
Georgia	335-410	Public administration reform	25
		Agriculture and rural development	30
		Justice sector reform	25
Moldova	335-410	Public administration reform	30
		Agriculture and rural development	30
		Police reform and border management	20
	2014 allocation		
Ukraine	355	Special measure: State Building Contract	

<sup>(1)</sup> Information from the website of the European External Action Service:  
[http://eeas.europa.eu/enp/documents/financing-the-enp/index\\_en.htm](http://eeas.europa.eu/enp/documents/financing-the-enp/index_en.htm)

## ANNEX II

[https://www.zm.gov.lv/public/ck/files/Joint\\_statement\\_16\\_04\\_2015.pdf](https://www.zm.gov.lv/public/ck/files/Joint_statement_16_04_2015.pdf)

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