



*Empowered lives.
Resilient nations.*

Development of organic agriculture

Organic agriculture is one of the elements of the “green transition” and is based on the principles of health (soil, plants, animals, humans and the planet), ecology (support for ecosystem sustainability), fairness (in relation to the general environment and life opportunities) and care (for current and future generations and the environment). Organic agriculture has been actively growing in the world since the 1990s. The demand for organic products began primarily in developed countries, but in the last decade the sector has been growing in the countries of Central and Eastern Europe (CEE), too. According to the Food and Agriculture Organization (FAO), organic agriculture has the most significant weight in the Baltic countries, where climatic conditions for conventional agriculture are not so favorable, as well as in the Czech Republic and Slovakia, where, as with the Baltic countries, the area of agricultural land is not so large, and farming conditions are partly complicated by high level land. In Estonia, for example, 18 percent of all agricultural land is used for organic farming. In Latvia and Lithuania, this figure is 13.4 percent and 7.5 percent, respectively. At the same time, the share of organic farming in the Baltic countries is increasing.

In other CEE countries, where agriculture plays a more significant role in the economy, organic farming is considerably less developed. In Poland, Hungary and Bulgaria, 3-4 percent of all agricultural land is used for organic farming, in Romania it is about 2 percent. Its share is steadily increasing in Bulgaria. Obviously, this is due to the development of large traditional agricultural production facilities in these countries, for which the transition to organic farming is difficult.

PROJECT NAME

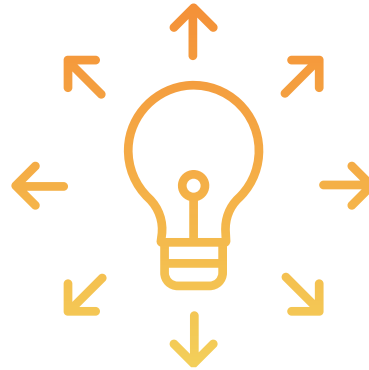
CREATION OF A GUARANTEE FUND FOR ORGANIC FARMERS

PROJECT GOALS

- Improve access for organic farmers to external financing;
- Develop sustainable land use;
- Improve living standards in rural areas by increasing the economic activity of the population via involving it in the activities of organic farms.

CURRENT SITUATION

According to the Center for Environmental Solutions, 25 organic producers were operating or in the process of certification at the beginning of February 2019. Of these, 17 are engaged in organic agriculture with a total area of 1,655.64 ha of certified agricultural land. Accordingly, only 0.6 percent of farms are engaged in organic farming, and their land area is 0.9 percent of the total farming land. Cereals and vegetables are the main products produced by organic farms. Only 4 farms specialize in animal husbandry. In addition, there are 6 certified enterprises that produce and export organic forestry products – birch juice, medicinal herbs, and forest berries.



According to a study by the Center for Environmental Solutions, difficulties in marketing products, associated with insufficient investment in marketing and promotion, are significant barriers to the development of organic farming. In particular, trade networks note problems of irregular supply of products, lack of high-quality packaging and documentation. In addition, the development of the sector is hampered by high entry costs. Organic farming technologies and equipment are expensive compared to conventional farming, due to the smaller size of the organic farming market. There is also the additional costs of the certification procedure, which is carried out in Belarus only by the representative offices of foreign certification companies. The procedure of national certification of organic products was legislatively introduced at the end of 2018, and its practical implementation is planned for the end of 2019.

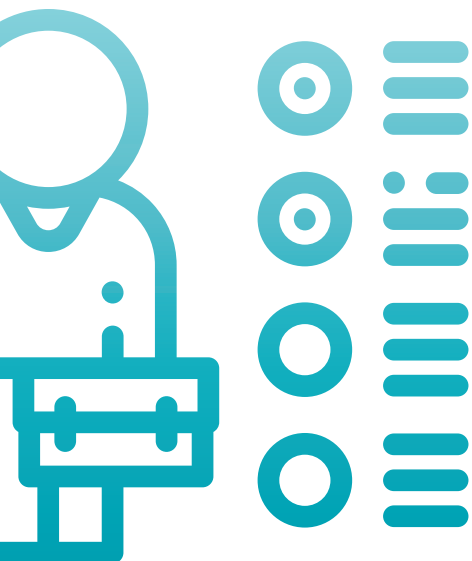


WHAT CAN WE DO?

Since the development of organic farming is of great social importance, it is actively supported by individual states and the international community. The International Federation of Organic Agriculture Movements (IFOAM) has analyzed the global experience of state support for organic farming and has identified 25 types of tools that are used to support the sector by stimulating supply and/or demand. One of these is investment support aimed at equalizing the conditions of activity between conventional and organic farming. Bank lending support is considered to be the most optimal tool of investment support.

One of the possible tools to improve the availability of bank lending is the creation of a guarantee fund that would act as a guarantor for loans issued to farmers for the development of organic agriculture. The creation of the institute of guarantee funds for entrepreneurs in Belarus has been discussed for more than 10 years, and a guarantee fund for small and medium-sized businesses is expected to be launched in 2019.

It is proposed to launch a similar fund for farmers working in the sector of organic farming. The banking sector, in particular the Development Bank and/or Belagroprombank and any other banks interested in lending to organic producers, would be invited to create a guarantee fund. Trade networks interested in expanding their product offering with organic products could also contribute to the fund. The state should act as a regulator. In the future, the activities of the guarantee fund can be extended to lease agreements.



The success of the project also requires the adoption by the state, local authorities, and civil society of measures to inform relevant groups about the possibilities of opening organic farms, the relevant technical requirements and the existing tools to support organic farming. In particular, active labour market policy measures can be supplemented by training courses in organic agriculture for rural families, with a special focus on large families.

NATIONAL ACCELERATORS



Green transition to inclusive and sustainable growth
(enhanced development of micro, small and medium-sized enterprises, availability of financing, and more rational use of natural resources).

SDGs



(via creating income sources in rural areas, where the risk of absolute poverty is higher than the national average)



(via developing sustainable farming and increasing farms' productivity)



(via improving farming and entrepreneurial opportunities in rural areas)



(via creating new jobs in rural areas)



(via increasing the sources of income in rural areas, where wages are lower than the national average)



(via developing local production facilities and markets)



(via ensuring the environmental nature of land use)

EXPECTED RESULTS



BANKS/ INVESTORS

would earn income from payments for the guarantees provided (in the form of a rate for the volume of guarantees provided), and benefit from placing the fund's resources on their deposits



THE REMAINING BANKS

banks would receive additional income from an increased volume of loans issued to farmers



FARMERS

would benefit from external financing for investment in organic agriculture



LOCAL AUTHORITIES AND THE COMMUNITY

would benefit from improved living standards in rural areas (increased economic activity of the population, reduced poverty), increased business activity and increased investment attractiveness of the region, as well as preserved ecosystems and soil fertility



THE POPULATION

would have access to ecologically clean organic food, which contributes to improved diet and health



TRADE ENTERPRISES

would be able to maintain their offering of organic agriculture products at the level of demand



MANUFACTURERS OF ORGANIC AGRICULTURE MACHINERY AND EQUIPMENT

would benefit from an increase in demand for their products

SDG INDICATORS RELEVANT TO THE PROJECT



The area of land affected by various types of soil degradation

15.3.1.1.

15.3.1.

The area of degraded land as a percentage of the total land area

12.3.1.

Global Food Loss Index

10.1.1.

Growth rates of household expenditure or income per capita among the bottom 40 percent of the population and the total population

8.5.2.

Unemployment rate, by sex, age and disability status



The share of the population living below the national poverty line, by sex and age

1.2.1.

The proportion of men, women and children of all ages living in poverty in all its forms, taking into account the selected quantitative indicators of multifactorial poverty

1.2.2.2.

1.4.2.

The share of the aggregate adult population that has guaranteed land tenure rights confirmed by legally recognized documents and considers its land rights guaranteed, by sex and land tenure forms



2.3.1.

Output per production unit, by farm size class

2.3.2.1.

The average income of small food producers

2.4.1.

The share of agricultural land on which productive and sustainable farming practices are used

2.a.2.

The aggregate flow of official funds (official development assistance plus other flows of official funds) to agriculture

RELEVANT SDG INDICATORS

POTENTIAL INVESTORS

