

government. A key element of this is improving information disclosure, shareholder registration, accounting and audit standards, etc. where foreign technical assistance will likely be needed to enable enforcement of new regulatory and legal standards. The agenda for financial reform should also cover privatization of several large commercial banks that remain under state ownership, including the formerly specialized Soviet agriculture and industrial banks (Agroprom and Promstroibanks).

15. Agriculture. There have been substantial changes in the agricultural sector as a result of price and trade liberalization, reductions in subsidies and directed credits, privatization of agro-industrial enterprises, and partial progress with enhancing private land rights for farmers. Further reforms are now needed to complete price, trade, and subsidy elimination and to address the second stage of liberalization. The key remaining issues include de-monopolization of agricultural distribution and marketing, implementation of land privatization legislation, improvement of agricultural credit markets and a strengthening of agricultural institutions to better serve a market-based agricultural sector. This is a massive agenda, which may best begin through "demonstration programs" that target selected regions, drawing on international support.

16. Social Protection. The benefits financed by social extra-budgetary funds set up in 1991/92, including pensions, unemployment insurance, alongside cash transfers targeted to mothers and children, continue to be the main social safety nets for the population. In addition, local governments maintain modest social assistance programs to alleviate poverty. There were no major changes to these programs during 1994, despite growing unemployment and evidence that about one-fifth of the poor receive no form of public assistance. Real benefit levels continued to be eroded by inflation due to inadequate indexation. At the end of 1994 the minimum pension (received by roughly one fourth of all pensioners) was equal to just 60 percent of the minimum subsistence income level for the elderly. Due to rapid inflation, the average unemployment benefit had declined to about 13 percent of the minimum adult subsistence income by end-1994.

17. The Government has appeared reluctant to introduce fundamental changes in social benefit programs because of the fiscal cost of raising low benefits and political sensitivity of reducing benefits which are poorly targeted. As minimum benefit levels are eroded, the need to restructure social