SAPARD

RURAL DEVELOPMENT PLAN FOR ROMANIA

EX-ANTE APPRAISAL

* THE EX-ANTE APPRAISAL WAS MADE ON THE BASIS OF THE NATIONAL PLAN FOR AGRICULTURE AND RURAL DEVELOPMENT-VERSION FROM APRIL 2000 AND TAKING INTO CONSIDERATION THE SAPARD PROGRAMME ADMINISTRATIVE SYSTEM EXISTING AT THAT TIME.
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1. **INTRODUCTION**

1.1 This ex-ante appraisal of the National Plan for Agricultural and Rural Development for the implementation in Romania of the European Community’s support for pre-accession measures for agricultural and rural development in the applicant countries of central and eastern Europe in the pre-accession period (known as SAPARD) has been undertaken by a team from the Ministry of Agriculture, Fisheries and Food, UK. The appraisal has been conducted in accordance with the requirements of Article 5 of Council Regulation 1268/1999, Article 12 of Commission Regulation 2759/1999, Article 41 of Council Regulation 1260/1999 and Article 43 of Commission Regulation 1750/1999.

1.2 The appraisal has been conducted through:

- a review of the planning process;
- the iterative assessment of a number of drafts of the National Plan for Agricultural and Rural Development;
- the conduct of review meetings with the staff of the Directorate-General of Rural Development in the Romanian Ministry of Agriculture and Food; and
- the identification of secondary sources of information / evidence to confirm or otherwise the analysis of disparities gaps and potentials in rural development.

1.3 The joint objectives of the SAPARD programme as laid down in Article 1 of Council Regulation 1268/1999 are:

“(a) contributing to the implementation of the *acquis communautaire* concerning the common agricultural policy and related policies;

(b) solving priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries.”

The Romanian National Plan for Agricultural and Rural Development was appraised against these objectives.

1.4 The a-priori appraisal of the plan was on-going and iterative process involving missions by MAFF experts to Romania and comment and advice provided through ‘virtual’ twinning. Given the extent and resourcing that MAFF devoted to the a-priori appraisal – as requested by the Romanian Ministry of Agriculture and Food, the final a-priori appraisal report was prepared on-site by an EU expert in co-operation and consultation with central MAFF services. This approach allowed the Romanian authorities to undertake a final review of the National Plan for Agricultural and Rural Development and for these changes to be reflected in this appraisal report.

1.5 It should be noted that this report largely is largely confined to noting the deficiencies within the National Plan for Agricultural and Rural Development. All the positive aspects of this detailed and comprehensive document are accepted.
2. **THE PLANNING PROCESS**

2.1 When appraising the National Plan for Agricultural and Rural Development it was important to continually bear in mind that, with the exception of the Special Preparatory Programme (SPP) which is still in the early stages, to date, the Romanian authorities have never prepared or implemented a rural development programme similar to SAPARD. This position contrasts with that in certain other candidate Member States that have implemented regional/rural development initiatives through the Phare programme.

2.2 It is also important to note that currently in Romania the development of civil society organisations in general and the Ministry of Agriculture’s social partners in particular is still very formative. In consequence, much of the process for the elaboration of the National Plan for Agricultural and Rural Development has, by necessity, been conducted at the national level.

2.3 Elaboration of the National Plan for Agricultural and Rural Development for SAPARD began in October 1998 with the conduct of a workshop attended by representatives of relevant national and local organisations and Commission officials.

2.4 In January 1999, at the national level, an inter-Ministerial Committee was established consisting of representatives from:

- The Ministry of Agriculture and Food
- The Ministry of Finance
- The Ministry of Industry and Trade
- The Ministry of Water, Forests and Environmental Protection
- The Ministry of Public Works and Land Arrangements
- The Ministry for Foreign Affairs
- The Ministry of National Education
- The Ministry of Work and Social Protection
- The National Authority for Tourism
- The Department for Local Public Administration
- The National Commission for Statistics
- The National Agency for Small and Medium Enterprises
- The Forecast National Commission
- The National Agency for Regional Development

This inter-ministerial committee was established to oversee and co-ordinate the preparation of the strategy for agricultural and rural development and approval of the proposed technical measures. The inter-ministerial committee has also played an important role the elaboration of the institutional structure for the implementation of SAPARD in Romania.

2.5 The preparation of the SAPARD National Plan for Agricultural and Rural Development has been closely interwoven with the implementation of the Phare Special Preparatory Programme (SPP) which was supported by the French organisation CNASEA.

2.6 A wide range of other institutions were consulted during the elaboration of the National Plan for Agricultural and Rural Development including:
The National Agency for Consulting in Agriculture, together with its subordinated County Offices (the Romanian farm extension agency);
The Chamber of Trade, Industry and Agriculture of Romania, together with its structures in the territory;
The Competition Office;
The Competition Council;
The National Association of Handicraft Co-operation;
The Romanian Fund for Guarantee of Rural Credit;
The Romanian Fund for Social Development;
The National Association for Rural Tourism and Ecology;
The National Sanitary-Veterinary Agency;
The Central Laboratory of Phytosanitary Quarantine;
The Institute of Hygiene and Public Veterinary Health;
The Institute for Drugs Control and Biological Products for Veterinary Use;
The Institute of Diagnosis and Animal Health;
The Central Laboratory for the Control of Seed Quality;
The State Institute for Testing and Recording of Variety;
The Vegetal Genetic Resources Bank, Suceava;
The National Agency for Improvement and Reproduction in Zootechnology
The Institute of Cadastre and Organisation for Agricultural Land;
The Autonomous Land Improvement Company;
The Institute of Studies of Planing for Land Improvement;
Romanian Waters Autonomous Company;
ROMSILVA;
The National Company for Electricity;
The Academy of Agricultural and Forest Sciences; and
The Agrarian Economics Institute of the Romanian Academy.

The involvement of these organisations was intended to both inform and take part in the elaboration of the strategy and proposed measures.

2.7 In order to build ownership for the eventual actions as well as to gather information, the General-Directorate for Rural Development and Programmes of the Ministry of Agriculture and Food also conducted consultative meetings with a range of professional organisations including:

- The National Association of Farmers,
- The Federation of Private Farmers,
- The Federation of Mountain Farmers - Dorna,
- The “PROPACT” Free Trade Union of the Romanian Peasantry,
- The Association of Bee Breeders,
- The General Association of Cattle Breeders,
- The Foundation for Rural Associations,
- The Association “Ecologist Youth from Romania”,
- The Union of Poultry Breeders,
- The Association of Private Processors of Milk, and
- The National Association of Millers and Bakers.
Reportedly these organisations were, on the whole, of the opinion that in the main the SAPARD programme should be implemented in wholly rural areas and that only in special circumstances should beneficiaries located in polar towns or suburban areas be eligible for support under the programme.

They also apparently identified the difficulty of providing 50% co-financing for revenue generating projects. It is claimed that this would not be possible unless subsidised credit were to be provided or it were to be accepted that some or all of the 50% co-financing could be provided in-kind. It is clear that were subsidised credit to be provided this would breach the maximum 50% public contribution to the eligible costs. Subsidised credit is also exceedingly distorting to the finance sector and could be expected to hinder the development of a sound and viable private agri- and rural financing system. The acceptance of in-kind contribution for the own contribution could also be problematic especially were this to relate to labour. The true value of labour (i.e. the opportunity cost) is particularly difficult to ascertain. Typically in such a situation the opportunity cost of using hired labour would be used an indicator of the value of own labour used. The opportunity cost of own labour would, however, often be below the cost of hired labour. If this were to actually be the case the 50% maximum rate of public financing would implicitly be breached even if in accounting terms were the principle to be maintained. In addition, while it is of course entirely logical that representatives of potential beneficiaries should and would lobby for the maximum level of subsidy possible, given the currently available evidence, it is far from clear that even 50% grant rates are really required (see below).

2.8 Potential beneficiaries from the Special Preparatory Programme (SPP) identified ways in which they believed the SAPARD programme could improve upon the SPP.

2.9 While it has to be recognised that all these proactive and reactive consultative interventions are beneficial they do not amount to a co-ordinated and structured attempt to conduct a bottom-up participatory approach to the identification of the development needs and most beneficial interventions. In some ways this is not surprising. Even existing Member States that have a history of implementing structural operations and Community Initiatives in the form of the Leader and Leader II programmes still have difficult in implementing (or reluctance to implement) inclusive and participatory approaches to programme identification.

2.10 A particular difficulty for Romania has been the limited resourcing that was available for the preparation of the National Plan for Agricultural and Rural Development. A large body of work has largely fallen upon a dedicated but limited team of specialists within the Ministry of Agriculture and Food’s Directorate-General for Rural Development and Programmes. Participatory activities by their nature are labour and time intensive and hence the greater the level of participatory activity the greater the required resourcing. With a severely constrained administrative budget for the Ministry of Agriculture and Food in general such resourcing is difficult. That said, given the financial value of support provided through the Phare programme for the preparation of the National Plan for Agricultural and Rural Development it does seem surprising that a more formal and structured approach to participatory activities was not adopted. Given the benefits that result from such activities that support could usefully have directly assisted such activities.

2.11 The need to develop a more structured approach to participatory activities is clear as this will greatly assist local and regional capacity building required for the implementation of the National Plan for Agricultural and Rural Development to result in sustainable activities that
really meet the needs of rural communities. As noted before, it is, however, recognised that even in existing Member States this is not an easy or straightforward task.

2.12 It is important to recognise that in large part the elaboration of the National Plan for Agricultural and Rural Development has been hindered by a paucity of statistical data that at the present time just does not exist in Romania. These is apparently also a lack of evidence based upon secondary data and analyses or rural development issues such as those undertaken by academic institutions, non-governmental organisations (NGOs), etc.

2.13 This lack of statistical data will need to be addressed as an urgent priority in order to provide base-line indicators if realistic monitoring and evaluation is to take place.

2.14 Given the lack of official statistical and other secondary data it is surprising that primary data collection was not undertaken prior to elaboration of the plan. Rapid rural appraisal (RRA) and participatory rural appraisal (PRA) techniques could have provided much useful data and many insights into the development needs and processes in rural Romania. Again, given the value of the financial support provided to Romania through the Phare programme for the elaboration of the National Plan for Agricultural and Rural Development, the lack of use of such techniques which are standard in development environments which lack reliable secondary data sources.

3. **ANALYSIS OF THE CURRENT SITUATION**

3.1 The diagnosis of conditions and needs for rural development has been undertaken on the basis of the official Romanian definition of rural areas (Law 2/1968).

3.2 Romania is a predominantly rural country with rural areas representing approximately 90% of the land area where 45% of the Romanian population live. The population density at 48 inhabitants per square kilometre is relatively low. There are important regional differences within rural Romania, which are, in part, the result of differences in terrain. In mountain areas and within the Danube delta the density of population is especially low.

*Demographic Issues*

3.3 In contrast to normal migratory patterns, due to the severe economic hardships faced in Romania, overall the rural areas of Romania have incurred a net in-flow since 1996. The migratory pattern is, however, differentiated. As is usual net migration from rural areas is most intense among young adults and, in the most disadvantaged areas, in particular young female adults. In such areas the distribution of population is apparently resulting in social problems both related to the ageing of the rural population and the imbalance between genders.

3.4 Migration from rural to urban areas is of course a normal pattern especially amongst young adults and occurs for a number of reasons; access to advanced education and desirable job opportunities are both important, but the lack of services needed or wanted by young adults in rural areas is also important. The recent increase in the rural population could quite rapidly be reversed if and when overall economic conditions improve in urban areas or when the opportunity for increased labour mobility occurs (as might be the case upon accession to the European Union – although usual migratory patterns are from rural areas to urban areas and from urban areas abroad).
3.5 Added to new migration potential resulting from the increase in the young adult population in some regions, the possibility for swift reverses in net inward migration could present significant problems for rural Romania, resulting in an aged, dependent, less educated and possibly predominantly male population being left in rural areas.

3.6 The need to provide services for the younger female population of rural areas identified in the diagnosis is clear for two reasons. First from the point of view of improving the quality of life to reduce migration and social problems. Second, because the migratory trends observed in Romania which indicate a greater labour/social mobility seem to mirror the results of studies from elsewhere in Europe that have suggested that young females are particularly suited to work in the off-farm and/or non-agricultural sectors and can have an important dynamic impact upon the rural economy. Although the need for the development of services required by young female adults is noted in the diagnosis the nature of these services is not. It is in such situations where a participatory approach to the preparation of the National Plan for Agricultural and Rural Development would have yielded a richer understanding of the development needs.

3.7 The creation of employment in rural areas will be a necessary but not a sufficient condition for avoiding severe rural depopulation. There will also be a need to assist the development of rural services. Although the diagnosis of the Romanian rural areas addresses the problems of transport infrastructure, public utilities (especially water and sewage supplies) and social infrastructure, it is largely silent upon the development of the service sector in rural areas. Growth in the service sector would both provide new jobs and improve the quality of life of the rural population and contribute to limiting net rural migration.

3.8 The age structure of the rural population varies between regions. In the north-east, towards the border with the Republic of Moldova, there is a high proportion of young adults whereas in southern and western areas of Romania the proportion of young adults in the rural population is lower. The large proportion of young people in the population represents both a threat in terms of the potential for increased unemployment, rural migration and social problems and an opportunity in terms of the potential to develop new enterprise.

3.9 Less than one third of the rural population is educated to a level beyond gymnasium level and according to the diagnosis only 1 in 1000 of the rural population has graduated from a higher educational institution. The low educational level of the rural population will be a major barrier to the implementation of the acquis communautaire in Romania and to raising the competitiveness of the agricultural, food and rural economies.

3.10 The presentation of the data of these demographic data in map form in the diagnosis would assist their interpretation.

3.11 The appropriate rural development response is likely to vary between regions based upon the demographic profile of the region. For instance, in those areas where the population is relatively more aged it may be the case that the development of agricultural activities may take precedence. In areas where there is a higher proportion of young people and especially females there may be greater scope for (and also need for in terms of service provision) non-agricultural / off-farm enterprise development.

3.12 The regional differentiation of development needs does not fully appear from the diagnosis and should be given added attention when implementing the programme.
The Agricultural Economy

3.13 According to official data in 1997 agriculture was the largest employer providing nearly 37% of total employment – a share that has risen since the beginning of transition. In part the supposed importance of agriculture as an employer has been the nature of the land restitution process which resulted in a large number of small landowners who, with few or no other alternatives, have farmed on a largely subsistence basis. This pattern has been exacerbated by the overall economic decline and the role of agriculture as an employment refuge. Despite the low level of mechanisation, the small size farms and the supposed volume of labour employed thereon suggests that much of the labour is part-time and that considerable hidden unemployment exists in agriculture.\(^1\) The on-going rise in the population working in agriculture needs to be urgently addressed through measures to stimulate off-farm and non-agricultural employment. Farm consolidation will be crucial to providing for a competitive agricultural sector although it must be recognised that this could result in social problems and that social constraints could hinder such an evolution.

3.14 Subject to the provisos about the data, agriculture is by far the largest employer in Romanian rural areas, accounting for around 70% of total employment. The importance of agricultural employment ranges from 30% in the Bucharest region to 60% in the central region and over 70% in the relatively more rural south-west, south-east and north-east regions. Even taking into account the age structure in farming (two thirds of heads of farms being over 50 and one third being over 65 years of age) and the likely low opportunity cost of such labour, the importance of agriculture as an employer clearly points to the need to stimulate the creation of non-agricultural employment especially in the service sector (which would in itself go towards addressing issues related to the demographic trends and female migration rates referred to before).

3.15 Initial land reform in Romania imposed a 10-hectare limit for restitution and distribution. Although this may have been seen to have been equitable it resulted in a considerable fragmentation of holdings. This degree of fragmentation, together with the fact that the land-owners have until now never had any experience of operating as private farmers will be a considerable constraint upon agricultural development. Although formal and informal leasing may be resulting in an actual land use that is somewhat less sub-optimal than that suggested by the land ownership (see OECD, ‘Review of Agricultural Policies: Romania’, March 2000) there is a clear need for the development of the land market. This will ultimately depend upon both further reform and administrative strengthening through the development of the land cadastre (which is being supported through a World Bank project).

3.16 Although without a full census, the picture of the agricultural situation can only be partial, it is clear from informal evidence that Romanian agriculture is largely subsistence based with households consuming the majority of their production and only engaging in the market on the most limited of scales. This will present significant problems for the adoption of the acquis communautaire that are not referred to in the diagnosis. For instance, a considerable proportion of livestock is reportedly slaughtered on-farm. These issues will require further investigation to ensure effective implementation of the rural development measures.

\(^1\) The ‘Agricultural Situation and Prospects in the Central and Eastern European Countries: Romania’ May 1998 working document from DGVI reports the 1996 household labour survey results showing that over 40% of individuals employed in agriculture work on a part-time basis. (p.21)
3.17 As noted before, the diagnosis section of the National Plan for Agricultural and Rural Development draws upon few secondary analyses (at least they are not referenced). Thus the full extent of and reasons behind the subsistence nature of Romanian agriculture does not emerge from the analysis. It is likely, however, that this stems from both production and marketing difficulties. The production difficulties would result from a lack of inputs and farming knowledge; the marketing difficulties from the absence of knowledge of the workings of market economies and, in particular, the relationships within a developed food chain. Both these issues will require addressing through training activities if the agricultural sector (and hence food sector) is not to be marginalised as a result of European accession.

3.18 As identified in the diagnosis improving skill levels in farming will be difficult given the advanced age of the majority of heads of farm. Without experience of farming on an individual basis and with the legacy of the command system, this will particularly be the case for farm business management and agricultural marketing skills. Even in market based economies the increasing need for farmers to produce according to the wants and needs of consumers (and retailers) not only in terms of the actual product but also in terms of the production methods and the provision of information on those methods has been difficult for many farmers to adjust to. A rapid transition cannot be expected. Although extension and training efforts will have some impact upon existing farmers, improved agricultural business educational will be required for a significant impact.

3.19 As in other central and east European candidate Member States, general economic growth in Romania is likely to result in rapid adjustment of the food and grocery retail sectors, which is to some extent already underway. If Romanian farm producers cannot both produce and actively market their produce according to the rigorous demands of large (probably multiple) retailers they will be excluded from the important added value section of the market. To do this will require both improved knowledge and a change of attitude. Romanian farmers will need to understand that their responsibility for produce does not end at the farm gate; they cannot reasonably expect as in the past, to just deliver their produce to a centralised collection point. The establishment of producer groups has been shown to be particularly effective as a method of jointly technical and market information dissemination, raising the quality of production (which is more cost-effective than raising quality at the stage of first processing, grading, washing, packing etc.). The joint responsibility for marketing through such a producer group will likely, however, be a difficult attitude to establish.

3.20 The diagnosis identifies the difference in the evolution of production in the crop and animal and animal product sub-sectors. The animal and animal products sub-sectors have been particularly hard hit during the transition process. In the ten years since the start of transition cattle numbers have declined by over 50%, pig numbers by nearly 60% and sheep numbers by around 50%. In contrast the total sown area has only fallen 13%, with the cereals area falling less than 10%. The greatest fall was in the area of fruit trees, 25% (from the 1990 level). The reason for the reduction in animal numbers was attributed to the capital requirements for animal production although the difficulties faced by the processing sector in adjusting to a competitive trading system is also likely to in part be a reason. Moreover it is likely that the 1989 animal numbers were above realistic levels. The reduction in the area of orchards is out down to the high cost of maintenance and new plantings although it is

\[2\] Based upon provisional data for 1999 – see OECD Review of Agricultural Policies: Romania, CCNM/AGR/TD(2000)10
likely to be also due to difficulties in the distribution sector and the need for the small Romanian farms to provide subsistence crops for households and livestock.

3.21 Some attempt at the identification of competitiveness in production has been made. Among crops, sunflower production is said to benefit from well organised processing and rapeseed areas have been increasing. In contrast (as in the European Union) it is noted that sugar beet production is only profitable to private farmers with significant subsidy (from taxpayers or consumers). The transformation of the wine sector is said to be giving rise to quality problems although the reasons for this (apart from an increased area of direct producer hybrids) are not identified. An independent study from 1998 identified Romanian having competitive advantage in wheat, sunflower and possibly maize. Pork production was very marginal and sugar, poultry, beef and milk production were uncompetitive.\(^3\) As pork and poultry are, however, dependent upon cereals, it may be the case that the lack of competitiveness in these products could be reversed with appropriate restructuring of the sector.

3.22 Overall much factual information is provided but there is little analysis which identifies the problems, potential solutions and in particular any driving forces towards sustainable development. Although difficult, it is recommended that additional analysis is conducted of development needs and opportunities in different agricultural sub-sectors based upon realistic market analyses. Given the limited availability of funding and the extent of the needs it is recommended that a concentration of funding be placed upon sectors that are expected to be internationally competitive rather than being spread too widely.

3.23 In addition the diagnosis makes no regional reference to production opportunities. This is in contrast to the measures, which identify target areas for certain types of investment. This geographical specialisation and targeting should be grounded in the diagnosis.

3.24 The picture that emerges regarding the structure of input supply and the provision of machinery services to Romanian farms is of one that requires significant restructuring yet no vision is presented for this. Apparently over 1,800 companies supply machinery and transportation services to agriculture. These are based upon the mechanisation companies that existed before 1989. Although the team conducting the a-priori appraisal did not conduct an evaluation of these companies, it is worth mentioning that in other former socialist countries, agricultural service companies based upon such pre-reform organisations have significant management and structural problems. Again an assessment of alternative methods of encouraging the provision of appropriate machinery services to small Romanian farms would have been wise to inform and provide vision.

3.25 Another problem identified is the need for irrigation of large parts of the arable area and the current low rate of operation of the existing facilities. The problems in operating the irrigation system and the reasons for the lack of use are however, again, unfortunately, not identified. While it may be the case that Romania has a plan for and vision of the operation of the irrigation system this is not clear from the diagnosis.

3.26 With respect to the food-processing sector, it is shown that there is still a significant variation in the state of privatisation in the sector.\(^4\) The state of privatisation amongst fish processors (20%), canneries (23%) and meat processors (38%) is low whereas privatisation

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\(^4\) It should be noted that different figures are given in different places in the diagnosis. The following figures are based upon the table at page 27.
in the vegetable oil industry (94%), the milling/bakery sector (90%) and beer/starch producers (82%) is much better. Rightly the programme only allows support to be provided to 100% privately owned companies. It would therefore be wise to rapidly advance privatisation if the balance of development between sectors is to be based upon the development of competitive advantage rather than upon bureaucratic timing.

3.27 The diagnosis suggests that there is significant surplus capacity within the food sector. Whether this is real capacity is, however, far from clear. The fact that the machinery exists and could in theory be used for production is no indication that this is real capacity. Much of the technology is likely to be obsolete at least in terms of the production it could generate even if technically it is still capable of production. A more detailed analysis of the sectors (especially in terms of size of businesses) and a strategy or vision for the development of the food processing sector together with cost analyses for the required upgrading would be desirable. There is a great potential to create substantial excess-capacity – especially in the abattoir and dairy sectors. This would represent a waste of the scarce funding available and is to be avoided.

3.28 It should be noted that the discussion of food-security contained in the diagnosis seems to be based upon a concept of domestic self-sufficiency with the arable land and fodder needed to supply the domestic requirements. Such an approach is, however, incompatible with accession to the internal market. Rather planning and investment should take place on the identification of real markets for produce whether internally or on export markets.

Non Agricultural Activities in Rural Areas

3.29 Little information is provided on the role of and problems faced by non-agricultural/food businesses in Romanian rural areas. Given the need to create off-farm non-agricultural employment in rural areas if the quality of rural life is to be improved, migration to urban areas of young adults to be alleviated and agricultural restructuring to be supported (by providing for a reduction in employment in agriculture) this lack of information and identification of any driving forces towards sustainable development is a major weakness of the diagnosis.

3.30 Some information is provided on the forest resources in Romania but there is little indication of either the economic or environmental importance of the forests in Romania. The only need indicated is the afforestation of 2.5 million hectares of degraded agricultural land. With the proposed forestry absorbing nearly 15% of the Community contribution (see below) this analysis requires significantly more justification.

3.31 It is also claimed that Romania rural areas have great potential for tourism. This may well be the case but the nature of that potential is not explained nor is the need for development of it (apart from a general observation that some accommodation requires improvement to meet legal requirements). The social, cultural, heritage and environmental aspects of tourism and tourism development are ignored, as are any regional aspects of the tourism potential. The establishment of a rural tourism development strategy (and one which is probably regionally differentiated) seems required. The potential market for rural tourism and its various segments requires further elaboration (or investigation) if they are not yet known. The potential size of the market, forecasts for market development and the demands of customers should be explored. The potential length of the tourist season should also be borne in mind as this can be crucial factor in determining the viability or otherwise of investment in tourism development. Both within existing and candidate Member States

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there are indications that rural tourism has been perceived to be a universal panacea for the troubles of rural areas – until at least increased tourism does occur. This is not the case and consequently tourist development requires careful planning and detailed work with communities before, during and after the development if it is to be successful. It is also important to note that without careful screening and monitoring of proposed investments in this sector, support for rural tourism could be used as a guise for gaining grant-in-aid support for investment in private dwellings.

**Rural Infrastructure**

3.32 The data presented indicates significant problems with the rural housing stock with only 6% having WC toilet facilities and sewerage facilities, only 8% having separate bathrooms and 11% having public or private water supply facilities (only 10% of which have sewerage facilities). Although no-indication is given (something that a more participatory approach to the establishment of the strategy could well have revealed), it may be expected that such difficulties are and will be a major cause of the migration of young adults to urban areas.

3.33 Although 45% of the population live in rural areas only 11% of the water supplied through public facilities goes to rural consumers. Less that 50% of rural communas are connected to the public water distribution network, less than ¼ of the rural population lives in these communas and even then in these communas not all villages are connected to the water distribution network. As may be expected the larger the communa the more likely it is to be connected to the public water network. In small communas (under 1000 inhabitants) less than 20% of houses were connected to a public water network. This lack of access to assured potable water supplies is likely to be detrimental to human and animal health, encourage outward migration and hinder the development of farm and food production under the strict hygiene and sanitary conditions required by the acquis communautaire. This of course applies to milk production facilities but also to the cleanliness of animals delivered for slaughter etc. It will be impossible to adhere to food safety standards without access to potable water supplies.

3.34 Less than 3% of villages are connected to a public sewerage network and of the villages connected to a public drinking water network only 14% are connected to a public sewerage network. This lack of sewerage facilities will again endanger public health, limit the possibility for hygienic agricultural and food production and endanger the environment.

3.35 The data presented on the rural road network and the need upgrading is unfortunately not totally clear and given the need for efficient distribution systems for efficient agricultural, food and rural economies this should be clarified. That which is clear is that for Romania as a whole the density of public roads per square kilometre is only 20% that of the EU whereas, conversely, the number of car accidents per vehicle is three and a half times that in the EU.

3.36 The access of the rural population to medical and health facilities is particularly low and together with other health risks identified contributes to an infant mortality rate that that is 35% greater than the infant mortality rate in urban areas. The extent of this problem is illustrated by noting that the infant mortality rate in rural Romania is over four times and a half times the EU average and that in some rural areas it is over five and a half times the EU average.
The Environment

3.37 As with sections of the diagnosis dealing with the economic and social aspects of rural life, the section addressing the environmental conditions in rural Romania largely presents factual information while revealing little about the processes that are driving this and failing to present a vision for action.

3.38 For instance, soil erosion (in part as a result of deforestation) affecting 7 million hectares of agricultural land is identified as the most important environmental problem. This may be the case but a more detailed analysis of the environmental factors affecting rural Romania would be welcome.

3.39 Moreover, while the diagnosis notes current and historical air and water pollution levels, the sources and causes of this pollution are not given. The contribution of agriculture in particular to these pollution levels ought to be identified if the overall National Plan for Agricultural and Rural Development is to address development in an environmentally sustainable way. In addition no reference is made to any international commitments that Romania may have on air emissions and the extent to which agricultural emissions need to be modified to achieve the commitments.

Conclusions regarding the Diagnosis

3.40 The diagnosis of the current situation in rural Romania is detailed covering the social, economic and environmental aspects of rural development. Additional information has in particular been included in the diagnosis by the Romanian authorities at the request of the Commission.

3.41 The agricultural and food economy aspects have, however, received the greatest weight within the analysis. The environmental and non-farm economy aspects of rural development have received much less attention. This is clearly in part the result of a lack of data, analysis and previous evaluation results. The diagnosis does attempt to draw out the regional diversity of the rural situation. This was most successfully completed for the demographic / social aspects of rural development (again in large part as a result of data availability). In contrast, a more comprehensive treatment of the regional diversity of the agricultural/food economy and the environmental issues would have been helpful.

3.42 The basis for the diagnosis in the main is official data supplemented by analysis supplied by ministerial experts. As such and most importantly the diagnosis represents an honest attempt to present the extant situation in the rural areas of Romania. Unfortunately the available data is not well segmented and there is in particular a lack of information on farm businesses, farm business diversification and the non-farm economy. Given the number of independent analyses that have and are being conducted, additional (if admittedly partial) information on these problems could have been drawn into the diagnosis. In addition, primary data collection and research – especially using participatory research techniques – could in part have overcome the paucity of official data.

3.43 Given the strategy and measures adopted within the National Plan for Agricultural and Rural Development – in particular the emphasis upon grant-in-aid support for farms and food processing enterprises – the lack of evidence and analysis related to capital availability (or unavailability thereof) is particularly problematic. For instance, evidence of the existence or
development of a profitable commercial farm and processing sectors would have assisted decisions about the overall allocation of funding between measures.

3.44 The diagnosis also contains little information either on the extant institutional framework for rural development and the market economy or upon the need for the strengthening of these institutions. Information upon the development and role of the farm extension service (ANCA) and other rural development organisations would have been helpful for the evaluation of the appropriateness of the strategy and the implementation system.

3.45 Given the nature and objectives of the SAPARD programme another surprising gap in the diagnosis relates to the current state of preparedness for the adoption and implementation of the *acquis communautaire*. Given the measures proposed, in particular this relates to (but should not be limited to) details about: the required upgrading of the abattoir, meat and meat processing and dairy establishments; veterinary, phytosanitary and food laboratories; the state of development of producer organisations in the agricultural and fisheries sectors.

3.46 Overall the diagnosis of the current situation of rural development in Romania identifies many problems but few solutions and especially lacks a vision for rural development.

**SWOT Analysis**

3.47 The SWOT analysis has been radically reconsidered as a result of the comments received on earlier drafts from Commission services and as a result of the ex-ante evaluation. The difficulty for the Romanian authorities in undertaking this analysis must be recognised. First as identified above the diagnosis identifies many weaknesses but few strengths and fewer opportunities. The threats to development are perhaps the least considered. Second, the Romanian authorities appear to have received little training or advice / guidance on the use of the technique and fundamental questions arise as to why, given the importance of the SWOT analysis, this was allowed to be the case.

3.48 The SWOT for the macroeconomic situation of rural development is perhaps best viewed as a reminder of the problems that the Romanian authorities have had in drawing up the National Plan for Agricultural and Rural Development.

3.49 **Natural Resources.** The diversity of agricultural production potential arising from the geographic relief of Romania is identified as a strength of Romania. This is clearly the case in that a diversity of production will in most situations reduce the overall vulnerability of rural areas to adverse market conditions for any one product. It is, however, surprising that this diversity of landscape is not considered to bring other strengths e.g. for rural tourism, non-food production etc. The biodiversity that exists in Romanian rural areas is also identified as a strength. This may well be the case but, whether or not this is the case, does not fully flow out of the diagnosis. Weaknesses identified are: variable rainfall; reduced areas of ‘technical and medicinal plants’ and reduced livestock numbers; the low use of farm inputs. The latter two points do not really relate to natural resources *per se* and are anyway debatable. First, reduced areas of technical and medicinal plants and reduced livestock numbers may be a rational reaction to a lack of markets (and it should be noted that throughout the diagnosis little attention was paid to the existence or otherwise of markets). Second, the low use of farm inputs may rather represent an opportunity in terms of conversion to organic production (for which growing markets exist within current Member States) rather than a weakness. The opportunities that the natural resources give rise to are poorly identified as are the threats. The opportunities should in this evaluator’s opinion be
grounded in market development. That is not to say that important externalities do not exist but rather suggests that advantage should be taken of the opportunity to internalise the benefits of externalities.

3.50 **Human Resources.** The size of the population living in rural areas is correctly identified as a strength as small rural communities are often unsustainable – especially regarding the provision of public services. The number of young people in the population is also identified as a strength. This is less clear since the history of migration suggests that such a population (particularly the most educated and often females) could rapidly depart for urban areas. Such migration in other central and eastern European countries has left behind a disaffected rural youth with significant social problems including alcohol, solvent and drug abuse. This a real threat, although it is agreed that at the moment an opportunity for economic development exists if the development needs of the rural youth are addressed as an urgent priority and some of the more dynamic components of that group are encouraged to remain in rural areas. It should also be noted that the diagnosis revealed important regional diversity in the rural population. This does not get reflected within the SWOT analysis. A regional dimension to the analysis could result in a richer analysis and better targeting of measures.

3.51 **Infrastructure.** Whether previous investment in irrigation facilities for over 30% of the arable area is a strength is not clear. In contrast, the significant weaknesses identified in the rural infrastructure flow out of the diagnosis presented. In this evaluator’s opinion the opportunity that exists given the current low level of infrastructure provision in rural areas is that decisions on infrastructure provision can now be taken on the basis of transparent economic, social and environmental criteria rather than being left with a legacy of inappropriate centrally planned and politically motivated investment. The threat is that even under SAPARD, infrastructure investment could be inappropriate if not carefully planned and subject to economic appraisal and environmental impact assessment.

3.52 **Agri-food Sector – General Framework.** The robustness of the agricultural sector that has resulted from land privatisation is a strength in that the subsistence farm economy that has resulted has avoided worse social problems and poverty that would otherwise have resulted. The fragmentation of land is however a significant weakness of the sector and this is not referred to. Other problems such as the lack of access to rural credit for working an investment capital are not addressed. The only opportunities that seem to be identified are for government intervention in the sector through agricultural policy, subsidised credit and a World Bank loan. In reference to subsidised credit it is reiterated that this is a most distorting policy mechanism that is more likely to weaken rural credit provision hindering rural development. In addition, if subsidised credit were to be added to the grant-rates proposed in the plan the 50% maximum public contribution to revenue generating projects would be breached. On both counts the Romanian authorities are urged not to use subsidised credit to try and stimulate rural development. It is unclear to what the identified threat refers.

3.53 **Agricultural Production.** Romanian strengths in agricultural production potential are not clearly or specifically identified. It is suggested that a commodity based approach is considered analysing the competitiveness of the various sectors of Romanian agriculture. For instance, on the basis of secondary information they may be grouped in the areas of wine, cereals, maize and possibly pigs and poultry but these strengths should verified. Weaknesses relate to the fragmentation of farm holdings and the lack of appropriate mechanisation and support services. Whether the reduction in livestock numbers is truly a
weakness is not clear since no market analysis is presented. A weakness not identified although apparent is the lack of farming and farm business skills amongst the landowners created as a result of land restitution. The identification of the opportunities for agricultural production needs to be based upon market potential. For instance, informal analysis suggests that despite the economic difficulties being encountered in Romania, there is an emerging middle class that wishes to purchase value added agricultural and food items. Currently the shelves of retail outlets catering to this market segment seem to be predominately stocked with imported produce. Opportunities for import substitution would therefore appear to exist. Such opportunities should be explored further. The threat is that farmers will be unable to adjust to the wants and needs of consumers. The reasons for such an inability are identified more clearly.

3.54 Processing and Marketing. The strength of the Romanian food processing sector are not adequately addressed. These may be for niche market of broad products (e.g. the wine potential). Similarly the weaknesses of food processing are not identified – these are likely to be market/demand based rather than the supply side issues identified in the table. The identified opportunities are intervention, new investment and harmonised legislation –none of which indicates market awareness. The threats identified are delays in adopting the acquis, the lack of specialised markets and ‘preferential’ (i.e. subsidised) credit and the importance of exports of basic agricultural products. The lack of specialised markets and the importance of exports of basic agricultural products are rather weaknesses and the lack of preferential credit is not a threat – in fact the threat would be the introduction of such a scheme.

3.55 Agricultural services. This section is entirely inadequate given the claimed need for investment in farm machinery.

3.56 Other Agricultural and Non-agricultural activities. The SWOT analysis of Romanian rural areas identified under this heading is also much too general. For instance, although it is claimed that opportunities exist in the tourism sector these are quantified.

3.57 Forestry. The size of the forestry sector is identified as being an important strength. The weaknesses are identified as being the reduction in output since 1989, the legislative framework, the lack of privatisation to date and the lack of forest roads. None of these weaknesses are grounded in the diagnosis. It is claimed that the forest sector represents an opportunity to create jobs and incomes although this is not quantified and could be questioned as forestry often employs few people. It seems more likely that significant increases in jobs in rural areas from forestry will only result from an increase in the extent to which value is added to the wood product at a local level. Threats identified are: getting the restitution process wrong; a lack of managerial know-how (which seems to contradict the identified strength of the existence of highly qualified professionals); insufficient domestic market demand; and the lack of subsidised credit (see comments before on this topic). A threat not identified is that of clear or almost clear felling as a result of the restitution process. It is surprising that ecological, biodiversity and landscape are not addressed as part of the SWOT analysis for the forest sector.

3.58 Environmental conditions. The SWOT analysis under this heading is inadequate.

3.59 Administrative capacity. Rather than identifying the strengths in the administrative capacity the analysis merely identifies the organisations involved (i.e. Communas and public communal authorities). Weaknesses are identified as a lack of experience and a lack of
partnerships between the public other sectors (presumable non-governmental and private). The experience to be gained through the operation of the special preparatory programme and ‘Twinning’ is identified as an opportunity. It is believed that the administrative capacity will need to be improved much more than possible through these measures alone. Threats to programme implementation are rightly identified as the lack of trained personnel and the lack of planning capacity. To these issues the low pay of public sector officials should also be added.

**Conclusions on the SWOT Analysis**

3.60 Overall the SWOT analysis is very weak and does not always flow from the preceding diagnosis. Agricultural issues are given by far the greatest treatment with other issues receiving superficial attention. The lack of a coherent treatment of non-agricultural and environmental issues is particularly disturbing.

3.61 The driving forces towards sustainable development do not emerge from the SWOT.

3.62 No coherent ranking of disparities is presented.

**Analysis of Previous Operations**

3.63 Information is presented upon the allocation of budget of the Ministry of Agriculture and Food and upon the previous programmes that have been operated through Phare and the World Bank. Unfortunately no evaluation is presented and the ways in which the lessons from previous operations have been incorporated into the National Plan for Agricultural and Rural Development is not shown.

3.64 To date Romania has not had a culture of consistent monitoring and evaluation. Administrative procedures in particular do not allow auditing. These problems are compounded by a lack of information technology and operational budget to cover office consumables.

4. **Assessment of the Relevance and Consistency of the Proposed Strategy.**

4.1 The strategy groups the proposed measures in the following four priority ‘axes’:

(i) Improving access to markets and the competitiveness of agricultural processed products.
(ii) Improving Infrastructure for rural development and agriculture.
(iii) Development of the rural economy.
(iv) Development of human resources.

4.2 The measures proposed for ‘Improving access to markets and the competitiveness of agricultural processed products’ are:

- Measure 1.1 Processing and marketing of agricultural and fisheries products.
- Measure 1.2 Improving the structures for quality, veterinary and plant-health controls, foodstuffs and consumer protection.
4.3 The measures proposed for ‘Improving Infrastructure for rural development and agriculture’ are:

Measure 2.1 Development and Improvement of Rural Infrastructure.
Measure 2.2 Management of Water resources.

4.4 The measures proposed for ‘Development of the rural economy’ are:

Measure 3.1 Investments in Agricultural Holdings.
Measure 3.2 Setting up producer groups.
Measure 3.3 Agri-environmental measures.
Measure 3.4 Development and diversification of economic activities, multiple activities and alternative incomes.
Measure 3.5 Forestry.

4.5 The measures proposed for ‘Development of human resources’ are:

Measure 4.1 Improving vocational training.
Measure 4.2 Technical Assistance.

4.5 The strategic objectives identified to be achieved by these measures have been identified as the overall objectives of the SAPARD programme, namely:

- Contributing to the implementation of the _acquis communautaire_ concerning the common agricultural policy and related policies.
- Solving priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries.

It is suggested that these objectives be more fully elaborated in the Romanian context so that the achievement of these objectives can be quantified and evaluated.

4.6 In order to assess the strategy and the proposed measures it is necessary to a-priori identify those that are most suited to public sector investment/intervention. Overall such investment should be directed towards providing the economic, social and natural environment for successful business and social development to take place. Public funding should be used for measures:

- which supply public goods (i.e. that yield benefits that are non-excludable and where one-individual/firms’ consumption of the good does not detract from any other individual/firm’s consumption of the good) since the supply of such goods by the private sector will be sub-optimal;
- which overcome market failures that prevent the development of private business.

4.7 It has been suggested that four consequences flow from these principles in relation to SAPARD:\(^5\):

- “that the adoption of the acquis is fundamentally about improving the necessary conditions for a market economy to work, for example in the areas of food hygiene, quality standards and price reporting and thus these activities might justifiably be subsidised;

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• that the problems of allocating public funds to private beneficiaries are reduced by lowering the grant rate in structural funding;
• the number of objectives for such programmes are reduced and in consequence the chances of success are increased by simpler implementation and monitoring requirements;
• subsidies for investment should be justified by the objectives to be achieved rather than simply on some indication of need.” (quoted from Section 1.5.1)

4.8 As pointed out in the ex-ante appraisal of the Polish SAPARD National Plan for Agricultural and Rural Development the reality is that despite expectations, the financial allocations for SAPARD are very small in relation to the cost of achieving the objectives that they should be targeted on creating the appropriate conditions for rural development.

4.9 It is also important in this regard that SAPARD should be viewed as one component of what should be a co-ordinated set of interventions that range from macroeconomic policies and cross-cutting legal developments (enforcement of property rights, transparent bankruptcy procedures, etc.) via health and educational policies to the economic regeneration and environmental protection interventions through structural funding such as SAPARD. The proposed World Bank supported rural development project to increase rural incomes and living standards is referred to within the National Plan for Agricultural and Rural Development and in the main it seems that the wider scope of coverage of that programme in terms of actions that could be supported (e.g. for social infrastructure, off-farm diversification) would complement the provisions of the SAPARD programme although there appears to exist the possibility for overlap in areas related to rural infrastructure provision. Given the diagnosis and the possibility of rural infrastructure support under SAPARD, greater concentration of the World Bank project upon social infrastructure and non-agricultural activities would assist the creation of a synergistic rural development policy.

4.10 From this point of view it is unfortunate that the National Plan for Agricultural and Rural Development does not fit SAPARD into the framework of generalised rural development policy. If this were undertaken the coherence of the proposed strategy may be more apparent. It appears, however, (and it is admitted that this perception may be incorrect) that in Romania a more piecemeal approach is adopted to rural development policy and that interventions in the social, cultural, economic and environmental spheres are not fully co-ordinated and take place on a more ad-hoc basis. This is not overly surprising given the difficulty that even existing Member states can encounter in co-ordinating such actions in rural areas.

4.11 For instance, the broadness of the diagnosis and the problems identified contrasts with the somewhat narrowness of the measures proposed. The high infant mortality rate and the low educational opportunities in rural areas are particularly striking but the measures allowable under SAPARD are likely to only have a very limited impact upon such problems. In some ways it is inevitable that the case is made for the types funding available under the SAPARD programme but it is important to see that these measures only form one strand of rural development policy.

4.12 Given the constraints on the Romanian government budget, a particular concern in this regard, is that the required Romanian public co-financing for the SAPARD programme does not detract from the allocation of public funding to other priority areas for rural development, e.g. health care and education. With such tight strictures on the budget there
is a potential for the required co-financing of the SAPARD programme to skew financing towards those measures eligible under SAPARD. This may have undesirable consequences which, ideally, should be explored.

4.13 The measures proposed in the strategy are driven be those available under the SAPARD programme. Given the wide-ranging needs they are all relevant to the situation of Romania’s rural areas. There is, however, a concern that although following the first version of the plan there was a concentration of measures, the measures are still too dispersed. That said it is important to note that the majority of funding is concentrated upon four of the measures: processing and marketing of the agricultural and fisheries products (21% of total cost and 18% of EC funding); investments in agricultural holdings (21% of total and 17% of EC funding); development and improvement of rural infrastructure (13% of total cost and 21% of EC funding); forestry (19% of total cost and 15% of EC funding). Together with rural diversification (12% of total cost and 10% of EC funding) these measures account for 87% of the total cost of the SAPARD programme and 80% of EC funding. The other proposed measures absorb little funding and are intended to support the creation of the environment required for the success of the overall programme.

4.14 Although there is a significant concentration on certain measures it is not abundantly clear from the current presentation of the programme that the balance between measures is appropriate. Indeed the rationale for the funding allocation in unclear to this evaluator. In terms of EC funding the ranking of the measures is as follows:

i) Rural infrastructure (21% of EC funding and 13% of Total cost);
ii) Investment in agricultural and fisheries processing (18% of EC funding and 21% of total cost);
iii) Investment in farm holdings (17% of EC funding and 21% of total cost);
iv) Forestry (15% of EC funding and 19% of total cost);
v) Rural diversification (10% of EC funding and 12% of total cost);
vi) Vocational training (4% of EC funding and 2% of total cost);
vii) Agricultural Water Resource Management (4% of EC funding and 2% of total cost);
viii) Technical assistance – Romania (4% of EC funding and 2% of total cost);
ix) Improving the structures for quality, veterinary and plant health controls foodstuffs and consumer protection (3% of EC funding and 3% of total cost);
x) Agri-environmental measures (3% of EC funding and 2% of total cost);
xii) Establishing Producer Groups (2% of EC funding and 1% of total cost).

Balance of the proposed measures

4.15 Development and Improvement of Rural Infrastructure. The requirements for improved rural infrastructure are evident from the diagnosis and with improved water supplies, sewerage facilities may be expected to go a long way to solving some of the severe social difficulties that exist in rural Romania. Investment in such rural infrastructure may also assist the lowering of the high levels of infant mortality. Clean water and waste water facilities are also a prerequisite for the implementation of the hygiene and sanitary requirements of the acquis communautaire. The need for improved rural roads to ease the marketing of farm produce is also clear. In terms of the implementation of the Common Agricultural Policy, particularly relating to the grains sub-sector, improved rural roads will

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6 For clarity, in the following list the percentages of EC funding and total cost are rounded to the nearest 1%.
assist in avoiding the build up of intervention stocks purely as a result of marketing and transport difficulties. The importance given to this measure is therefore deemed appropriate.

4.16 The coverage of this measure seems appropriate with the emphasis being placed upon water supplies, sewage removal and roads. The diagnosis additionally identified the problems of rural telephony and electrification but the exclusion of support for these issues is justified on the basis that the most cost-efficient method of supporting rural telephony and electrification will be through demonopolisation and privatisation. The use of structural funds such as SAPARD to substitute for reform in the telephony and electricity markets would anywhere in Europe represent a gross waste of taxpayer resources and Romania’s avoidance of this is to be congratulated.

4.17 **Improving access to markets and the competitiveness of agricultural processed products.**
The cost of upgrading food processing facilities to EC requirements is well established and an urgent priority if the objective of Romanian accession is to be achieved. However, given the low incomes and high proportion of income that Romanian households already spend on food, it is not feasible for Romanian consumers to bear the full-cost of the improved food safety that will result from implementation of the acquis communautaire. Thus, the relative importance given to this measure is also deemed to be appropriate.

4.18 As implied before, the coverage of the measure to support the upgrading of food processing facilities could usefully be targeted on those products where there is most need. The meat and dairy processing sectors are evident based upon the importance in terms of the adoption of the acquis. Assistance for fisheries processing will also assist the adoption of the acquis. The wine sector is one where Romanian competitive advantage should be possible to clearly establish and as such targeted investment in this sub-sector appears justified. Whether public supported investment in the cereals/grains sector is justified is questionable – especially as the major organisations involved in this sector are multinationals. In contrast, while the Romanian fruit and vegetable sub-sector should be expected to have competitive advantage, these sub-sectors appear to be under performing.

4.19 In respect of the eligibility criteria for the measure it is noted that the economic-financial viability of the projects should be demonstrated. It is recommended that the criteria for such demonstration be set at the current stage to avoid the possibility of un-transparent project selection. Given that economic viability for individual project will be highly subjective (as a result of the choice of shadow prices) it is recommended that project selection be based upon financial appraisal criteria, and that the negative list of investments be extended to exclude the most distorted markets and those that would only be privately profitable with large scale public subsidy (e.g. sugar). The criteria for project financial viability could then be set on the basis of objective criteria such as demonstration of a positive net present value at an 8% real discount rate.

4.20 **Investments in Agricultural Holdings.** The cost of upgrading farms to be able to fulfil the requirements of the acquis communautaire (e.g. for milk production) will also be great. The fragmentation that resulted from the restitution process would result in the vast majority of Romanian farms being permanently excluded from the market place and consigned to subsistence were the requirements of the acquis to be implemented and public support not provided for farm upgrading. Additional targeting of the eligible investments under the measure to those directly related to the acquis implementation would, however, improve the appropriateness of this measure.
4.21 The intended scope of this measure in terms of the precise breakdown of the numbers of different types of projects and types of investment seems inappropriate and not market lead. Given the large need of the farm sector together with the need to ensure that real markets exist for the produce it is recommended that a negative list of product related investments be established e.g. sugar beet production, tobacco and maybe others. This would both concentrate funding on products where Romania has a competitive advantage and avoid those markets, which are characterised by significant market problems.

4.22 **Forestry.** In contrast, the relative importance given to the forestry is far from clear given the lack of detail in the diagnosis and SWOT analysis. On the basis of the current evidence the weight given to this measure in the programme is not believed to be justified.

4.23 **Development and diversification of economic activities, multiple activities and alternative incomes.** The need for rural diversification is readily apparent and will be a prerequisite for sustainable rural development, restructuring of the agricultural sector and the avoidance of significant rural depopulation. Although the need and opportunities for rural diversification do not fully come out of the diagnosis of the SWOT it is believed that increased importance should be given to this measure. That said, it is important to recognise that rural tourism is not a universal panacea and that realistic market evaluation should take place. Additional allocations for rural diversification measures could be obtained from reducing the support for the forestry measure.

4.24 The proposed scope of the measure seems to be rather limited in terms of the potential development needs of Romanian rural economies. This is of course difficult to judge in that the measure is not well grounded in the diagnosis or the SWOT. The limitation of the measure to handicrafts, agricultural services, agri-tourism, aquaculture, sericulture, bee-keeping and mushroom cultivation, however, further skews the support provided through the SAPARD programme to the agricultural sector. This is unlikely to produce balanced and sustainable rural development. Significant migratory losses from the younger and better educated rural population are likely to result if more significant non-agricultural development is not supported.

4.25 **Improving vocational training.** The development of human capital is a clear case for public sector involvement as it is one of the few long-term solutions to raising rural employment and incomes. As such and given the identified problem of sufficient education in rural areas the allocation for this measure seems low.

4.26 **Agricultural water resource management.** The water related problems that affect Romanian agriculture suggest the relevance of this measure. It should, however, be borne in mind that the efficiency and sustainability of water management systems can be complex to ensure and that the description of the measure does not indicate that the complexity of ensuring such sustainability has been considered. Simple public subsidy of irrigation and drainage systems will not provide long-term benefit unless maintained and operated efficiently. These issues should be addressed to establish the complete relevance of the measure.

4.27 **Improving the structures for quality, veterinary and plant-health controls, foodstuffs and consumer protection.** This measure would be intended to support the development of

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7 Subsidies for other inputs such as capital equipment etc. eventually becoming capitalised into the cost of the input and hence providing no long-term benefit to rural populations.
private laboratories for veterinary, plant-health and food quality monitoring. Given the importance of these laboratories for the implementation of the acquis ready for accession, the relevance of the measure is clear. It is presumed that the financial allocation has been based upon technical assessments although it has not proved possible to verify this.

4.28 *Agri-environmental Measures.* Such programmes are a compulsory components of the National Plan for Agricultural and Rural Developments of the member States and as such to prepare for accession in readiness it is clear that the Romanian need to develop their experience in operating such programmes the bureaucratic requirements of which are often complex. The need for such a measure is, therefore, clearly grounded in the adoption of the acquis.

4.29 The design of the agri-environmental measure appears to be inadequate. It is far from clear what types of agri-environmental commitment by farmers will be supported. The current description of the measure seems to represent little more than a good intention. The uptake of the measure may also be limited or non-existent given that it is proposed that ‘support granted through SAPARD shall not exceed 20% of the calculated income loss’. Unless the rest of the income loss is to be granted from other sources given the low incomes of Romanian farm households the likelihood of uptake seems to be questionable.

4.30 *Setting up producer groups.* Establishing producer groups is a measure that also has a clear grounding in the adoption and implementation of the acquis communautaire. Given the importance of fruit and vegetable production, Tobacco and Wine production in Romania and the importance of these structures for the implementation of the Common Agricultural Policy, the financial allocation to this measure seems low.

4.31 Given the importance of producer organisations to the operation of the Common Fisheries Policy it is recommended that this measure be extended to cover producer organisations in the fisheries and aquaculture sectors.

4.32 *Technical Assistance.* The relevance of the technical assistance measures is not questioned. Extensive information activities will be required to provide for transparent implementation of the programme. Currently, despite the extensive press coverage of the SAPARD programme, anecdotal evidence indicates that even the most developed farmers/processors have little understanding of the opportunities that will be offered by SAPARD.

*Appropriateness of the sectors, geographical areas, populations/beneficiaries addressed.*

4.33 Overall, it is this evaluator’s opinion that the proposed strategy is overly reliant upon seeking the solution to rural development in the agricultural and agri-food sectors. Although it is clear that currently the food supply chain has broken down and that opportunities exist for its improvement, it is also clear that an efficient agri-food sector will not provide employment for the numbers of people currently employed in these sectors. Thus, if the population of the rural areas are to be maintained alternative employment opportunities outside agriculture (and probably most often off-farm) must be sought.

4.34 The migration patterns in rural Romania suggest that a potential driving force toward sustainable rural development would be through making full use of the young adult female population that seem to exhibit greater labour and geographic mobility. The needs of this group do not seem to have been fully taken into account in the plan. The further
development and widening of the scope of the rural diversification measure would appear to be appropriate.

4.35 The focus of the programme’s direct impact on securing/creating employment is largely restricted to the agricultural, agri-food processing and agriculturally related service sectors. Given the needed restructuring of these sectors and the large reduction in employment therein this balance seems in appropriate and unsustainable. Greater attention is advised for the non-farm and non-agricultural components of rural society and the rural economy.

4.36 The proposed programme is expected to improve market efficiency although this could further be supported by increasing the allocation for producer organisations, extending the scope of the support for producer organisations to the fisheries and aquaculture sectors, and limiting the investment support for agri-processing/marketing and farm holdings to products where Romania has a clear potential competitive advantage, e.g. wine, fruit and vegetables, etc.

4.37 The proposed programme fully supports the introduction of improved veterinary and plant-health standards and is well-balanced in this respect.

4.38 The environmental concerns have been integrated into the rural development programming process. The environmental restrictions on investments and the proposed agric-environmental measure will, however, require further definition if environmental protection is to be fully integrated into the operation of the plan.

4.39 The lack of a coherent ranking of the disparities to be addressed by the SAPARD programme makes it difficult for the evaluation to give an assessment of the extent to which the programme will solve priority and specific problems for sustainable rural development. Suffice to note that, given the lack of previous experience in Romania with integrated rural development and the budget funding problems – the extent to which the SAPARD programme is skewed to the agri-food sector may well result in unsustainable rural development – not least because other funding patterns may be distorted by the need to co-finance the SAPARD programme. This represents a significant risk. There is a clear need for balanced rural development if socio-cultural problems are not to result.

Consistency between operational and global objectives (Internal Coherence)

4.40 The evaluator’s understanding of the relationship between the operational and global objectives of the plan are shown in Annexes 1 and 2 to this report.

4.41 The first point to note is that the way in which the National Programme for Agricultural and Rural Development (NPARD for SAPARD) relates to the overall objectives of Romanian development is not specified. This limits the ability to judge the way in which the SAPARD programme fits into the broader fabric of Romanian policies for rural areas. It is recommended that the role of SAPARD in relation to wider objectives is considered so as to avoid the inadvertent possibility of SAPARD skewing the overall rural development policy hindering the development of the sustainability of rural society and the rural economy.

4.42 Secondly, it should be noted that the general objectives are only specified as the objectives laid down in the SAPARD Regulation:
“(a) contributing to the implementation of the acquis communautaire concerning the common agricultural policy and related policies;

(b) solving priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries.”

4.43 This definition of general objectives is not perceived to be sufficient. It is recommended that Romania specify the ways in which the plan is intended to contribute to the adoption of the acquis and what the priority and specific problems are for sustainable rural development policy in Romania. The latter is particularly important in the light that the plan does not contain a coherent ranking of disparities to be addressed and does not identify driving forces towards sustainable development.

4.44 The specific objectives of the priorities and operational objectives of the measures are somewhat better defined.

4.45 Despite the deficiencies in the definition of the general and overall objectives, the hierarchy of objectives shown in the strategy and summarised Annexes 1 and 2 is coherent and demonstrates the internal coherence of the priorities and measures.

4.46 Unfortunately the hierarchy presented under the elaboration of each measure does not display the same level of coherence. Indeed, it is this evaluator’s opinion that the impact indicators should be set at the level of the plan as a whole rather than at the level of each measure. Similarly the result indicators should be set at the level of the priorities rather than at the level of each measure as is currently the case. (see figure on next page).

4.47 Setting the objectives and indicators in this way will assist the understanding of the hierarchy of objectives. For instance, in Measure 1.1 ‘protection of the environment’ is mentioned as a specific objective, yet normally that would be seen as a general objective. Conversely, a coherent identification of causality may result in some listed specific objectives being recognised as actually being operational objectives i.e. leading to the achievement of specific objectives. It is recommended that the CAUSALITY of operational objectives to specific objectives to general objectives is reviewed as at the moment the logic of the causality is not apparent.

4.48 As part of the review of the logic of the objectives, it is recommended that consideration be also given to concentrating on the most important objectives. This would ease the monitoring and indicator problems referred to below.
4.49

Balance between the Support Measures

4.50 As referred to before, in terms of sustainable rural development the balance between the support measures may be inappropriate. Additional, support seems particularly called for in relation to non-agricultural / non-farm activities and support for producer organisations. The extent of the support proposed for forestry measures is not justified by the current diagnosis or SWOT analysis.

4.51 These points made, it is also important to recognise the consistency between the proposed measures – at least in relation to agricultural/agri-food development. Currently the agri-food production chain in Romania has largely broken down. Farm fragmentation resulting from restitution with a 10 hectare limit, the lack of the new landowners private farming
experience (especially in relation to the operation of markets) and the lack of access to farming inputs has resulted in many household barely eking out a living by subsistence farming with small marketable surpluses. The lack of off-take from the farms limits the ability of the agri-food sector to adjust to the new market situation. This is compounded by the need to source produce from a large number of small producers without appropriate intermediaries. Conversely the problems of the agri-food processing sector and its lack of competitiveness has limited the ability of the processing sector to offer sufficiently encouraging prices to farmers. The proposed programme should go a long way to breaking this vicious circle with targeted interventions at the farm, producer organisation, processing levels. Supported by the measures for infrastructure development, and for veterinary, plant-health and food laboratories, these measures should provide for integrated development of the food chain.

4.52 It is believed that a different and more sustainable balance between the various support measures would have resulted from a greater use of participatory / consultative techniques with various segments of the rural community.

4.53 In terms of the financial allocations the balance between measures should also take into account the anticipated private sector contributions. Within the proposed measures the private sector contribution is always set at the minimum 50% required by Regulation 1268/1999. Officials from the Romanian Ministry of Agriculture and Food and their advisors from the French Ministry of Agriculture have indicated that these grant rates were set on the advice of the Commission services. Given that the intention should be to achieve the programme’s objectives at least-cost it is presumed that any advice given has been misinterpreted. As noted in the Polish a-priori appraisal, high grant rates limit the number of beneficiaries and could encourage potential beneficiaries to make inappropriate investments by making bad investments feasible and profitable. The objective in terms of setting grant rates should be to obtain the maximum leverage of private funding possible. Other than some experience of applications under the Special Preparatory Programme no objective evidence seems to have been used to set grant rates. Somewhat surprisingly given the support provided for preparing the National Plan for Agricultural and Rural Development case study examples of the financial feasibility and profitability of various types of investments have not been prepared to assist in the setting of the grant rates. The proposed use of the maximum grant rate in all circumstances also negates the possibility of using varying grant rates to vary incentives for undertaking the investment. For instance, higher grant rates could be set for investments that have explicit animal welfare or environmental protection goals.

4.54 It is recommended that the proposed grant rates be reduced and differentiated. The adoption of a system under the measure for supporting agricultural and fisheries processing activities whereby applicants would present bids for grant assistance with applications lower rates of grant assistance receiving preference, would support the overall development of the competitiveness of the agri-food sector by favouring the most competitive investments and minimising the distortion of competition. Such a system could also be very transparent and ease auditing difficulties.

Adequacy of the Proposed Plan and other Relevant Policies and Programmes (external coherence)

4.55 Through supporting the establishment of producer groups the SAPARD plan will contribute to the preparation for the implementation of the Common Agricultural Policy in Romania.
4.56 The inclusion of an agri-environmental measure will assist Romania prepare for this obligatory component of rural development programmes under Council Regulation 1257/1999.

4.57 A major component of the plan is the adoption of the acquis in respect of food hygiene and safety. The way in which this will be achieved, however, does not appear to be well elaborated in the plan. For instance, it seems desirable that where acquis related standards exist that would be directly relevant to any investment proposed, that the acquis related standards are respected under investment supported through SAPARD whether or not legally binding standards have yet been adopted in Romanian law. A clear example of this would be investment in an abattoir – in such proposals it should be a requirement that all new structural work and all new investment meets the requirements of the acquis. This principle does not seem to be clearly enshrined within the current plan.

4.58 So far there seems to have been a lack of consideration of the extent to which the implementation of the National Plan for Agricultural and Rural Development would assist Romania to meet relevant international obligations.

5. ASSESSMENT AND QUANTIFICATION OF THE EXPECTED IMPACTS OF THE SELECTED PRIORITIES.

5.1 A large number of quantified indicators have been set of impacts, results and outputs. It is concerning that the a-priori appraisal revealed no systematic basis or evidence had been used for the derivation of the causal relationship between inputs, outputs, results and impacts.

5.2 Furthermore, no guidance seems to have been followed in designing the most cost-effective / environmentally sensitive forms of intervention. In this regard the proposals for lowering and varying grant rates set out above are reiterated.

5.3 No attention was paid to the issues of additionality, displacement or multipliers in designing the programme and at the time of preparing the final report for the a-priori appraisal the relevant staff of the Ministry of Agriculture were unaware of these concepts.

5.4 In consequence the reliability that can be placed upon the indicators is questionable.

5.5 Overall it is claimed that the implementation of the programme would result in the creation of 292,000 jobs. This represents a total cost per job of around Euro 7,500 per job and a cost to the EC of around Euro 3,600 per job.

5.6 The number of expected projects is vast:

- 3,800 processing/marketing projects
- 224 quality laboratory projects
- 552 infrastructure projects
- 183 water resource management projects
- 11,500 farm investment projects
- 480 producer group projects
5.7 The number of processing projects seems particularly large and the average cost per project low in relation to the expected costs of upgrading or establishing facilities in accordance with the provisions of the acquis communautaire.

5.8 In common with the comments above regarding the logic of the causality of operational objectives to specific objectives to general objectives the logic of the monitoring indicators also requires review. Overall the output indicators appear consistent and appropriate. It is, however, concerning that so many result indicators are defined with target levels given that there appears to be no analysis underlying the target levels that were set. This could result in Romania committing itself to unobtainable targets. It is recommended that together with the review of the objectives the result indicators also be revisited and that while it may be appropriate to monitor a wide range of indicators target level are only set for the most important result indicators. These target levels should ideally be based upon previous evidence or the results of analysis.

5.9 It is also important to note that to date, the establishment of base-line indicators for non-supported conditions has not been rigorously considered. While it commendable that it is intended to adapt existing software for the monitoring of the progress and outputs from each supported project in order to be able evaluate the results and impacts of the programme it will be necessary to monitor non-supported companies/farms/individuals/etc., and general conditions e.g. environmental conditions etc. Baselines must be set for these to measure progress during the implementation of the programme.

- 222 agri-environmental projects
- 6,900 rural diversification projects
- 5,018 Forestry projects
- 6,671 vocational training projects

5.7 The average cost per project is thus:

- Euro 123,425 for processing/marketing projects
- Euro 252,183 for quality laboratory projects
- Euro 538,435 for infrastructure projects
- Euro 268,885 for water resource management projects
- Euro 41,077 for farm investment projects
- Euro 49,200 for producer group projects
- Euro 159,581 for agri-environmental projects
- Euro 38,796 for rural diversification projects
- Euro 83,157 for Forestry projects
- Euro 7,672 for vocational training projects
6. **Verification of the Proposed Implementing Arrangements**

6.1 The National Plan for Agricultural and Rural Development presents a detailed description of the arrangements by which the SAPRAD programme will be implemented in Romania.

6.2 In accordance with the Commission requirements that Romania comply with the provisions of Council Regulation 1258/1999 on the financing of the Common Agricultural Policy, Romania has nominated the following:

- Accrediting body – the National Fund in the Ministry of Finance;
- Co-ordinating body – the National Fund in the Ministry of Finance;
- Certifying body – Court of Audit
- Paying Agency - ‘An independent structure organised as a General-Directorate or Directorate’

6.3 The ‘Implementing Body’ (an organisation not identified Council Regulation 1258/1999) in will undertake the technical services for payment authorisation and the recovery of funds fraudulently contracted of used. The plan notes that the allocation of other tasks shall be made according to the provisions of Council Regulation 1258/1999 and Commission Regulation 1663/95.

6.4 A general description of the organisation of the Paying Agency is given in the plan although it is understood that much detail remains to be finalised. In outline however, it would appear that various tasks of the paying agency will be delegated to various departments within the Ministry of Finance. The system will of course require full accreditation but, given the description, it would appear that the organisation of the paying agency in this way may result is a less than fully transparent system. It also seems to contradict the claim that the paying agency will be established as ‘An independent structure organised as a General-Directorate or Directorate’.

6.5 As noted above in relation to the establishment of baseline indicators it is understood that the Ministry of Agriculture and Food will make use of a specialised computer system for the monitoring of project implementation. No provision is, however, made for the non-project development of rural areas either to allow the comparison of assisted and non-assisted firms/farms/individuals or for the general monitoring of rural/regional development. As such the provisions for monitoring and evaluation are not yet well enough developed. It is recommended that the requirements for monitoring of non-project development are established as a matter of urgency. This is particularly the case given that baseline indicators should be established prior to the commencement of the programme.

6.6 The plan contains a detailed description of paying procedures. These will require detailed checking as part of the accreditation function of the Paying and Implementing agencies.

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8 It is recommended that the Romanian authorities note that Council Regulation 729/70 has been repealed by Council Regulation 1258/1999.
6.7 It is understood that:

- at commune level the farm extension service and the ‘agricultural centres’ will be used to disseminate information regarding SAPARD;
- differing application deadlines will be set for each measure;
- applications will be made in the first instance to the Ministry of Agriculture’s Judet office (DGAA);
- at Judet level the eligibility of the project and the beneficiary will be verified;
- projects up to Euro 100,000 will be pre-selected at Judet level and sent to one of 8 regional consultative committees (RCCs) for approval;
- projects over Euro 100,000 will be sent to the regional consultative committees (RCCs) for prioritisation;
- all projects will be subject to final selection by the National Selection Committee (NSC) but that for projects under Euro 100,000 this will generally be a ‘rubber stamp’ function depending upon financial availability but that for projects over Euro 100,000 this will involve substantive decisions.

6.8 It is also understood that the reasoning for the initial centralisation of the functions is that due to poor statistical data it is not possible to allocate the funding on a Judet or regional basis, but that over time it is intended to decentralise decision making.

6.9 A number of issues arise in respect of the proposed implementation system. The first relates to the level of discretion in the selection of projects. It is this evaluator’s opinion that clear consistent and transparent project selection criteria must be set prior to receiving applications and that subject to those criteria the selection committees at local regional and national level should have no discretion.

6.10 The second issue relates to appeals. No appeals procedure is referred to in the documentation. Although transparent procedures and the lack of discretion for selection committees should limit the possibility of appeals procedures for these should be specified so as to demonstrate the transparency of the process. It is recommended that appeals be contracted out from State organisations to one of the large international accounting/auditing firms so as to demonstrate independence.

6.11 The third issue relates to timescales – deadlines should be set for notification of project selection and for receipt of and answer to appeals.

6.12 The fourth issue relates to the monitoring of fraudulent activity either by applicants or within the implementation system. It is recommended that an independent and professional anti-fraud unit be established to ensure the integrity of the system.

6.13 A fifth issue relates to the possibility for a national committee to select the vast number of projects anticipated – especially as all projects over Euro 100,000 have to be selected at national level (and it should be recognised that at current exchange rates even some advanced tractors would exceed this limit). While the difficulty in undertaking a-priori allocation of funding is recognised – it is recommended that alternative solutions to the national selection committee selecting all projects be explored. One alternative possibility might be for the regional consultative committees to provisionally select projects subject to overall funding approval and only submit the global funding required for approval by the national selection committee. Then if the national selection committee were to have to
approve a funding for a measure in a region that was lower than the value of projects provisionally selected, it would be for the RCC to conduct final selection on the basis of the authorised funding. A second and possibly joint solution would be to raise the Euro 100,000 limit.

6.14 Finally, it is currently unclear as to whether potential beneficiaries could apply for and receive grant support for the preparation of a project proposal. Given the expected limited experience of applicants in making applications it is expected that they will require professional support, yet it is expected that many will not be able to afford that support. To assist project implementation technical assistance should be available. The type of technical assistance and the potential providers could also vary according to the type of measure to be prepared and the expected value of the funding application. For instance, it is expected that the local extension service could not correctly prepare a project proposal for a large scale agri-processing investment (e.g. a new dairy unit, abattoir, etc.) and that a large and possibly international consultancy support may be required. It is recommended that additional consideration be given to the nature of technical assistance to be provided under the programme be reconsidered and more fully explained as the lack of experience in preparing project proposals may be a limiting factor in implementation and possibly could result in ‘disallowances’ if ill-prepared projects are inadvertently given funding.