

Romania: Apuseni Development Project (ADP)

Item	Assessment Remarks	Rating
Country& Project Name	Romania: Apuseni Development Project (ADP)	
Loan No.:	485-RO	
Project Id.:	1052	
Board Date	10/09/1998	
Effectiveness Date	November 1999	
Original Closing Date	20 June 2004	
Final Closing Date	30 Jun 07	
Total Project Cost USD(M)	USD 34.1 million	
IFAD loan USD (M)	USD 16.4 million	
Cofinanciers (if any)	Germany: USD 2.5 million	
Implementing Agency	Ministry of Food and Agriculture	
Principal Components	The goal of the project was to improve the quality of life for the rural population in the most disadvantaged areas of the country. The objectives of ADP were to improve the living conditions of the target population in the Apuseni Mountains through increased economic activities and to assist the government to become more effective in managing development in the disadvantaged rural areas. This would be achieved through the following project components: (i) credit funding of on- and off-farm enterprises; and (ii) the provision of rural development services.	
Project Performance		
Design	The ADP was IFAD's first project in Romania. The PCR does not assess project design specifically, which might be due to the fact that soon after project appraisal the country underwent a financial crisis that led to changes in the project structure, although maintaining its goal. An assessment of the original design can be attempted through the information scattered here and there throughout the PCR. The design rightly recognised the potential of the dairy sector, but placed insufficient emphasis on the processing sub-sector. A few strong deterrents to project credit demand were identified by the completion mission, which should have been taken in due consideration at design (although were not identified at MTR either).	4
Implementation	Soon after project appraisal, the country financial crisis intensified and eventually culminated in 1999/2000, leading to changes within government administration and structural adjustments of the financial sector. These changes and adjustments affected the project implementation arrangement, which was rather radically modified. Project coordination was moved to the Ministry of Public Finance (MOPF), which took the lead in conjunction with the Ministry of agriculture, IFAD and UNOPS to undertake all the necessary changes to make the project operational. Although some initial assumptions proved wrong and more changes were needed, the project managed to undertake its activities and to eventually deliver it expected outcomes. The co-financing of BMZ/GTZ (German development agency) did not materialise. The Loan Agreement was amended 3 times: i) June 2001, IFAD to refinance 100% of the loan instead of the original 70%; 2) December 2002, project area expanded following MTR; 3) February 2004, funding of TA and training under IFAD Funds.	4
Relevance	The PCR reports that at the time of appraisal, the ADP objectives were very relevant both to the ADP outputs and to the national policy. This also holds true at ADP completion and beyond, particularly in light of EU's poverty policy, supported with structural adjustment funds. The PCR mission confirmed that project objectives reflected the priorities of the main target group. Relevance from IFAD's point of view was not assessed.	6
Effectiveness	According to the PCRs, ADP objectives can be considered as having been achieved. The GOR's goal was to improve the quality of life for the rural population in the most disadvantaged areas of the country. The project has directly contributed to this goal by increasing the income for 4% of the households in the original judete and improving the commercialisation for another 3.5% through the increase in availability of services and markets. The livelihood security was improved for 11% of the households through letting land and being able to cultivate and harvest small plots for subsistence use. In addition, 7,430 small farmers also benefited from the new judete entering the ADP after the MTR. This is a very good result considering that co-financing of TA, training for capacity building and grant funding of part of the debt financing to strengthening the TAF collateral did not materialise.	4
Efficiency	The actual cost of delivering ADP's outputs consisted of salaries for the PCU and the Departments for Agriculture and Rural Development (DARDs), vehicle and equipment and TA totalling USD 0.841 million and representing 3.5% of total ADP cost. This is extremely efficient if compared to other IFAD financed investments, and to the ADP	4

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	original financing plan with a delivery cost amounting to 10% of cost (USD 3.31 million). The cost efficiency of delivering the project outputs can be attributed to the PCU's capability to coordinate the inputs from the PCIs and DARD in an efficient and effective manner. Another very strong indicator of the high efficiency is that the ADP produced an impact at least equal to the original estimate with 25% fewer available loan/grant funds and limited assistance for TA and training. The number of beneficiaries reached by the project was 26,490 against an appraisal target of 20,450. The average cost per poor beneficiary was US 637 against the USD 1,105 estimated at appraisal. As reported by the PCR, the IERR at appraisal was 35%, while 30% at project completion.	
Partner Performance		
IFAD	According to the PCR, throughout the implementation period, IFAD and UNOPS provided timely support to the PCU requests for loan amendments and administrative changes to the implementation of the project. Timely support was also provided in replenishment of funds, replies to AWP&B and to procurement requests. Both IFAD and UNOPS applied a forward looking approach when dealing with changes to the project, implementation arrangements and targeting mechanism, but at all times keeping changes within the ADP objective.	4
Cooperating Institution	In the PCR main text UNOPS performance assessed together with IFAD's performance. Annex II reports specifically on the six supervision missions undertaken by UNOPS. According to the PCR; in addition to providing moral support and guidance to the PCU, PCIs and DARDs the missions also provided relevant recommendations. During the completion mission, MOFP, PCI and DARDs all expressed their appreciation for the proactive and constructive engagement of the supervision missions. The success of getting the project off the ground can be attributed to the close collaboration between the supervision mission and PCU, DARDs and the PCIs and their branches. This was nurtured by the supervision missions with a positive and forward looking attitude and has generated an impressive result.	3
Government	The Ministry of Public Finance (MOPF) was the signing party to the loan agreement and the Ministry of Agriculture was the initial implementing party; this responsibility was later reassigned to MOPF. According to the PCR, both ministries conducted their statutory function in a timely manner. Particularly MOPF is commended in the PCR for its capability to coordinate ADP implementation in a very effective and efficient manner resulting in a significant impact in the target project area. The DARD had been very instrumental in achieving the project objective and it was obvious that this is particularly true in the judete receiving support from GTZ. PCU played a key role in providing coordination among stakeholders and was also proactive in sharing information.	4
NGO/Other	NA	NA
Cofinancier(s)	The PCR reports that the completion mission was not able to understand the reason why BMZ/GTZ declined co-financing as foreseen at project design. Nevertheless, it reports that GTZ did provide assistance to four judetes and it definitely had a positive effect, particularly on the uptake of credit by poor small framers.	5
Combined Partner Performance		5
Rural Poverty Impact		
Physical Assets	The livestock asset is estimated to have increased by around 40% for 414 (84%) of the Typical Target Farm (TAF) borrowers. The annual asset growth for the remaining borrowers' average around 9% per annum. The assets for the 5,745 (1,610 TAFE getting a milk market and 4,315 small commercial farmers benefiting from other improved markets and services) non-borrowing also increased through acquisition of additional livestock. The assets for the 2,460 getting employment also increased in the form of repair and improvement of their houses.	5
Financial Assets	The ADP credit component benefited 4,670 poor people by moving them above the poverty line, 4,315 small commercial farmers benefited from increased commerce and 21,000 improved their livelihood security by letting their land to mechanisation services or having it cultivated and harvested for subsistence use. A total of 1,108 enterprises were provided with investment loans totalling USD 20.073 million for investments in primary agriculture and in small and medium enterprises. The PCR reports that through all these activities, ADP generated 2,460 jobs. Job creation will eventually absorb the majority of the rural poor smallholders enabling farm consolidation through letting the land no longer used, or selling it to commercial farmers - although the PCR does not explain how the latter will contribute to poverty alleviation. Many of the small agricultural enterprises taking small loans do not have the potential for further growth because of the carrying capacity of the land and the EU's limits to animal units per hectare. It will not be possible for the borrowers and non-borrowers wishing to expand to do so without availability of additional land.	5

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Food Security	Food security is not assessed specifically by the PCR but given the increased physical and financial assets of beneficiaries it is likely to have increased in a proportionate way. Livelihood security improved for the 21,000 smallholder farmers benefiting from letting land and being able to cultivate small plots for subsistence. These smallholdings are either too small for commercial activities or are owned by pensioners only interested in improving their livelihood without entering into risk associated with a loan.	5
Environment	The PCR did not consider that the project would have any negative environmental impact and therefore no specific requirements for environmental protection were stipulated. However, all loans had to be screened by the judet Environmental Agency to ensure EU compliance and it has actually resulted in improvement in handling of waste and improvement in work conditions for employees through reduction of air pollution, noise and increasing safety when operating rotating power tools.	4
Human Assets	The human capital was improved through the training provided to the target group by the DARDs and the SMEs, which also provide training to their employees. The enterprises financed under ADP also had a demonstrative/educational effect on the non-borrowers and has encouraged many to adopt the improved practices without taking a loan. This is particularly true for the value chain approach used by the dairy and vegetable sectors. The dairy sector has provided all employees with various type of on-the-job training and has also financed specialised training for technicians in order to meet the EU required hygienic standard. The increase in general training offered by the DARD will also ensure a continued growth of human capital. Undoubtedly, this growth would have been faster and firmly on track if the TA and training foreseen under the AP had materialised. Nevertheless, the DARD are continuing to provide commercial related TA and training to the agricultural sector.	5
Social Capital and Empowerment	The PCR offers no assessment of beneficiaries' collective capacity in terms of social cohesion, or their ability to influence decision making. Some information is provided on economic opportunities but these are covered under the "financial assets" heading as relevant to the credit component. Not rated.	NR
Ag. Productivity	The livestock asset is estimated to have increased by around 40% for 414 (84%) of the Typical Target Farm (TAF) borrowers. The annual asset growth for the remaining borrowers' average around 9% per annum. The assets for the 5,745 (1,610 Typical Apuseni Farmers Equivalent (TAFE) getting a milk market and 4,315 small commercial farmers benefiting from other improved markets and services) non-borrowing also increased through acquisition of additional livestock.	4
Institutions and Services	The PCR reports that the increased capacity of the Departments for Agriculture and Rural Development (DGRD) staff to establish public/private partnerships in promoting and increasing commercial activities is evident by increasingly engaging the Participating Credit Institutions (PCIs) into rural lending. The ADP also contributed by convincing the PCIs that the agricultural sector is a viable business prospect for commercial banks, stressed by the overall loan loss of less than 0.5%. After the Banca Comerciala Romana (BCR) Alba Branch became a PCI for the ADP it has grown the agricultural share of its loan portfolio from 0% in 2001 to 5% in 2006.	5
Markets	The overall market situation has improved particularly for the dairy sector, resulting in improved prices and competition opening up for increased commercialisation. This is true only in the short term (2-3 years) for farmers with 2-3 milking cows not able to invest in milking machines necessary to meet the microbiological standards required by the dairy processors. The commercial dairy farmer will therefore in the medium term have a herd size of 10-20 cows and will need to employ 1 or 2 persons, likely to be poor.	4
Rural Poverty Impact		4
Overarching Factors		
Innovation	The project did not have any specific in-built innovative features. However, the PCR reports that ADP did use some innovations to ensure market access, reduce investment risks and increase participation of resource constrained potential borrowers: 1) Developing markets: ADP lent money to dairy processors ensuring compliance with EU requirements. Together with the processor, BCR and DGRD the project also promoted credit to farmers within the respective processors' catchment area. This created a dynamic growth of the sector by creating a market for milk production. 2) Clustering agro-tourism; The BCR clustered its lending to the agro-tourism in areas with high natural beauty, historic monuments and high level of passing traffic, thereby creating demand for related recreational activities. The clustering also ensured an overall higher occupancy rate thereby reducing the risk.	5

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Replicability and Scaling-up	Replicability is not assessed in the PCR, but it reports that both of these BCR innovations have been widely promoted by the ADP throughout the project area and have proved to be very powerful instruments in generating economic activity of sufficient scale to drive the near-by local economy (second level multiplier at work).	5
Innovation, Replicability and Scaling-up		5
Sustainability and Ownership	The low level of loan losses (<0.5%) is a good indication of the viability of the investments, also confirmed by the overall return on the investment although it is lower than estimated at appraisal (30% against 35%). The two credit institutions involved in project implementation (BCR and Banca Comerciala Carpatica - BCC) clearly expressed their post ADP interest in continued lending for agricultural investments. However, they would concentrate on the dairy farmers with herd size of 10-20 animals and large scale crop production of 20-40 hectares (therefore not on the poorest). They also confirmed that they would continue to utilise the Apuseni Revolving Credit Fund (ARCF) for refinancing lending to agriculture particularly for the co-financing of EU structural grants. As regards the creation of human assets, the PCR mission confirmed that DARD is continuing to promote the ARCF and assist linking the potential borrowers with the PCIs, prepare business plans and provide them with necessary training within DARD's general training menu.	5
Targeting	The targeting mechanisms at appraisal included the following criteria: (i) potential borrowers had to reside in the Apuseni Mountain area designated communal; (ii) a Typical Target Farm (TAF) borrower would have 2.6 hectare with 2 cow plus offspring and 4 sheep; (iii) 80% of the Apuseni Revolving Credit Fund (ARCF) funds should be for loans less than USD 7 000; (iv) off-farm investments should not exceed USD 50 000; and (v) potential borrowers should be credit worthy; and technically competent regarding proposed investment. Although the targeting mechanism seems potentially complicated, the PCR does not report difficulties in reaching the target group so identified.	5
Gender	Romania, as other Eastern European countries has a long and well established tradition for gender equality and is also included in the national legislative framework. It was therefore not specifically dealt with at AR. Out of the total investment loans financed under ADP only 11% were registered as being women, however, most loans were for family businesses, (since traditionally wife and husband are joint responsibility) bringing the women direct participation to 69%, accounting for 21% of total loan portfolio value. It is also estimated that women occupy at least 50% of the jobs being created by ADP.	6
Overall Performance		5
Estimated number of beneficiaries	The number of beneficiaries reached by the project was 26,490 against an appraisal target of 20,450.	
PCR Quality		
Scope	The PCR follows almost fully the PCR guidelines but the "Project at a glance" section and the executive summary are missing. An acronyms section is also missing, undermining the reader's comprehension. The PCR refers to a project component for institutional development that is not listed with the two project components (credit and rural development services).	4
Quality	The PCR presents a good balance between quantitative and qualitative data, although in some sections they could have been better presented.	4
Lessons	The few lessons drawn are relevant but given that this was IFAD's first project in the country more could have been done to derive as many lessons as possible for future IFAD activities.	2