Evaluation

Enabling poor rural people
to overcome poverty

profile

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Romania: Apuseni Development Project

The Apuseni Development Project (ADP), the first and only IFAD loan to Romania, was a rural finance operation that was implemented throughout the mountainous areas of the country. The ADP was designed for implementation over seven years and became effective in November 1999. Total project costs amounted to US$34.11 million; of these, the IFAD loan consisted of US$16.46 million, comprising a Revolving Credit Fund of US$16.0 million, and US$ 0.46 million for institutional support and project administration.

The overall goal of the project was to improve and stabilize the economic environment of rural poor communities in the Apuseni Mountains. This was to be achieved through the provision of rural financial services for the promotion of on- and off-farm enterprises as well as training and capacity building support for poor smallholder families in the north-western region of the country. The project pioneered a new concept in Romania by establishing the Apuseni Revolving Credit Fund, which refinanced investments and working capital loans for those who qualified. The activities eligible for financing included livestock production, small processing plants and activities that would generate income and employment, such as agro-tourism facilities and other small businesses.

Main findings

ADP was designed and implemented under difficult conditions of macroeconomic and financial sector volatility and institutional uncertainty. For the first part of its implementation, the project was essentially non-performing as a result of the early failure of the credit component to disburse funds, mainly due to issues related to credit demand, credit delivery, communication and Technical Assistance (TA) for capacity building. However, following significant modifications introduced in project design, there was a noticeable improvement in project performance. These modifications included; an expansion by three times of the geographical coverage; an extension of the life span of the project; liberalization of loan use; dropping of bank co-financing; a reduction in borrower contributions and modification of the targeting and impact approach to adapt to the country context.

As a result, the evaluation noted strong evidence of improved productivity for the non-poor individual and corporate borrowers who constituted the primary beneficiaries of the IFAD loans under the new implementation arrangements. A Project Impact Assessment exercise, undertaken by IFAD in 2006, indicated that the financial results of all farms were positive, and that borrowers had succeeded in obtaining improved gross margins; these findings were corroborated by the Backward Linkages Survey undertaken by the Office of Evaluation as well as by the findings of the evaluation team.

PROJECT DATA

Project cost: US$34.11 million

IFAD loan: US$16.46 million

Cofinanciers:

- Goverment (US$362,000)
- Beneficiaries (US$5.20 million)
- Domestic financial institution (US$6.99 million)
- Germany (US$2.469 million)

Cooperating institution: United Nations Office for Project Services (UNOPS)

Executing agency: Ministry of Agriculture and Food

Project effectiveness: November 1999

Project completion: June 2007

Bee-keeping project. Group lending was emphasized for specialist producer groups such as beekeepers and farmer associations.

Photo by Hans Dieter Seibel

Dairy farm in the Apuseni mountains. Nearly 57 per cent of borrowers who took out livestock loans (mainly for dairy production), increased their physical assets in the form of additional dairy animals. In many cases, borrowers were doubling or more their herd sizes.

Photo by Hans Dieter Seibel

At the same time, the evaluation found that the potential of the project to achieve its original goal was not fully realized. As a result of the need for collateral and security, IFAD had to abandon pursuit of a lending strategy favouring poor borrowers. As mentioned in the previous paragraph, those who were able to benefit from the loans were non-poor individual and corporate borrowers and the portfolio of loans remained relatively small. For those who were eligible, the loans had a strong impact on productivity; the investment activities of the primary borrowers has created around 1,300 jobs which have been mostly taken up by the unemployed with limited asset and income. In addition to this group, an estimated 1,100 additional jobs have been ensured or created for the rural poor in the diary sector. In total, through the ADP intervention, a range of about 2,300 jobs have been created for the poor.

Key recommendations

Accelerate This evaluation provided no specific recommendations for the portfolio *per se* since further IFAD loans to Romania are not in the pipeline, as the country is now a member of the European Union. However, the following recommendations were offered to IFAD and the Government of Romania for the design and implementation of future projects and programmes similar to the ADP:

- **IFAD is currently revisiting its overall design process through the Action Plan to ensure the quality and enhancement of its products, performance and processes. Within this context, the Fund should:**

  (a) *Review the role of appraisal in the overall design process, distinguishing between its use for "critical assessment" or for "confirmation" of design parameters and assumptions;*

  (b) *Ensure an appraisal function which is independent of formulation;*

  (c) *Review the manner in which TRC and OSC comments provided by them are dealt with in relation to project appraisal and finalization, possibly having OSC comment at the appraisal stage;*

  (d) *Review organizational incentives relating to disbursement as an implicit driver and measure of portfolio and loan performance; and*

  (e) *Consider a trigger mechanism for automatic re-appraisal of non-performing projects, possibly based on supervision performance ratings.*

- **Several findings on the issue of Targeting and Monitoring & Evaluation (M&E) stem from the evaluation of the ADP. Recommendations to this regard include the following:**

  (a) *The need for IFAD to develop a clear target group at the stage of project/programme design in a defined area and remain focused in line with the provisions in its targeting policy;*

  (b) *Consider, where appropriate, the undertaking of a baseline before implementation start-up;*

  (c) *Identify quantitative and qualitative Objectively Verifiable Indicators (OVIs) and include these in the log-frame; and*

  (d) *Ensure that an M&E system is a core activity of any project.*

Further information:

Romania, Apuseni Development Project, Completion Evaluation, Report #1977-RO, December 2008, Office of Evaluation, IFAD, Via Paolo di Dono 44, 00142 Rome, Italy. The full report and profile are available online at www.ifad.org/evaluation; email: evaluation@ifad.org.