2 SAPARD Overview

2.1 SAPARD in Central and Eastern Europe

This chapter provides a short overview of SAPARD describing the rural development context on which the programme is inscribed; its genesis; the rationale among needs, objectives, priorities and measures; its system of implementation, as well as the financial allocation and spending and the regulatory framework.

2.1.1 Rural Development in Central and Eastern European Countries

Unlike in Northern and Western Europe, the countries in Central and Eastern Europe (CEE) have significantly larger rural populations and have traditionally had far higher number of people engaged in agriculture and food production. For some time, the longer-term changes were similar to those in western parts of Europe, namely a decrease in the importance of the agricultural sector, an increase in part-time farming, the expansion of the non-farm rural economy, as well as a significant amount of rural-urban commuting.

However, the political changes in the 1990s had a profound impact on the agricultural sector and the longer-term development of rural areas. State farms and collective farms were broken up and the land was re-distributed between former owners, their heirs and others deemed entitled to land. In some countries, this process helped bring about a reversal in the drift to the cities, as the newly unemployed took advantage of the land reforms to secure small plots that helped them supplement income from other sources.

In the early 1990s, but to very differing degrees, reforms opened up the markets to new actors, reducing the formal role of the state in running the economy. It was well known that the socio-economic transition in the rural areas was much more protracted than in the urban areas. For some areas, the problem was the lack of economic opportunities, whether in farming or in other industries; for others it was the collapse in local public services, which had a severe impact of the quality of rural life and encouraged those more able to move out; a third and related problem was the supposed mismatch between the actual needs for economic revival and the lower levels of human, social and financial capital available in the countryside.

2.1.2 SAPARD Principles and cornerstones

Taking into account the scale of these problems SAPARD was set up within the framework of programmes for accession, namely ISPA (Instrument for Structural Policies for Pre-Accession)\(^1\) and PHARE (Poland and Hungary: Assistance for Restructuring their Economies)\(^2\). SAPARD was specifically devoted to rural development.

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\(^1\) ISPA was the instrument aimed to provide assistance to large-scale infrastructure projects in the fields of environment and transport. It was implemented initially in the ten applicant countries of Central and Eastern Europe. Croatia started benefiting from the 1 January 2005.

\(^2\) PHARE aimed to strengthen the public administrations and institutions to function effectively after the accession. Although when it was originally created in 1989 was implemented only in Poland and Hungary, it was later expanded to cover the ten applicant countries of Central and Eastern Europe and until 2000 the countries of the Western Balkans as well.
SAPARD was introduced in 1999 by Council Regulation (EC) No 1268/1999 providing assistance for restructuring the agriculture and rural sectors of candidate countries leading up to accession.

Map 1. Acceding countries eligible for SAPARD

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3 Council Regulation (EC) No 1268/1999 of 21 June 1999, on Community Support for pre-accession measures for agriculture and rural development in the applicant countries of Central and Eastern Europe in the pre-accession period

4 As it could be seen from the map, although SAPARD covered 11 applicant countries, the present report covers only three of them, namely: Bulgaria, Romania and Croatia. The report, therefore, constitutes the completion of the previous Synthesis report delivered in November 2010, covering the other applicant countries.
SAPARD was designed in order to address **strategic needs and problems** of the rural areas of the beneficiary countries, namely:

- The need of implementation of the *acquis communautaire* in candidate countries and the need to gain experience in its application and
- The need to face specific structural drawbacks and inequalities in the agricultural sector and the economy of rural areas in these countries.

**Box 1. Objectives of SAPARD**

Accordingly, the two corresponding **overall objectives** of SAPARD were formulated:

- Contributing to the implementation of the *acquis communautaire* concerning the Common Agricultural Policy (CAP) and related policy;
- Solving priorities and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries.

The pre-amble of the regulation explains the scope of what was intended with SAPARD:

*Whereas pre-accession aid for agriculture should follow the priorities of the reformed CAP; whereas such aid should be applied to priority areas to be defined for each country, such as the improvement of structures for processing agricultural and fishery products, distribution, quality control of food as well as veterinary and plant-health controls and the setting-up of producer groups; whereas it should also be possible to finance integrated rural development projects to support local initiatives and agri-environmental measures, to improve the efficiency of farms, to adapt infrastructure as well as measures which will accelerate structural reconversion;*

This paragraph sets out the main aims for programmes to be supported. It also gives working definitions for the development of agriculture and for ‘integrated rural development’. Concerning agriculture the scope of the regulation is clearly stated and restricted to agricultural structural policies. In particular, it should contribute to the preparation of the agri-food sector for their participation in the common market and the application of Community health, hygiene and quality standards. Concerning rural development the statement is more tentative (“it should be possible”). It also contributed to the development of economic activities in rural areas through investments in small businesses and rural infrastructures.

In order to achieve these goals, SAPARD provided the applicant countries with a series of measures based on the following **guiding principles**:

1. Improving market efficiency, quality and health standards;
2. Maintaining and creating jobs and
3. Environmental protection.

Accordingly, the countries were encouraged to select **measures** from a list of 15 eligible measures (Table 1) based on their needs and priorities. Following the principle

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5 Council Regulation EC No 1268/1999, art. 1
6 At the time of the publication of this document (1999), these countries were excluded from the direct payments system - the major part of the First Pillar of the CAP. They were “only” to be prepared for the Second Pillar of the CAP (Rural Development) which constituted the smaller part of the CAP budget.
of subsidiarity, the list only offered a basic “menu”, from which the applicant countries could create their own programme.

Countries were also allowed to reallocate the original budget of SAPARD between measures based on trends of socioeconomic development, relevant new information and the results observed from the implementation of the measures, utilising the results from monitoring and evaluation.

Table 1. Eligible SAPARD Measures

<table>
<thead>
<tr>
<th>Measure</th>
<th>Short title of measure</th>
<th>Full title of measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure I</td>
<td>Agri-investment</td>
<td>Investments in agricultural holdings</td>
</tr>
<tr>
<td>Measure II</td>
<td>Processing investment</td>
<td>Improving the processing and marketing of agricultural and fishery products</td>
</tr>
<tr>
<td>Measure III</td>
<td>Vet &amp; plant health</td>
<td>Improving the structures for quality, veterinary and plant-health controls, for the quality of foodstuffs and for consumer protection</td>
</tr>
<tr>
<td>Measure IV</td>
<td>Agri-environment</td>
<td>Agriculturally production methods designed to protect the environment and maintain the countryside</td>
</tr>
<tr>
<td>Measure V</td>
<td>Diversification</td>
<td>Development and diversification of economic activities providing for multiple activities and alternative income</td>
</tr>
<tr>
<td>Measure VI</td>
<td>Farm relief</td>
<td>Setting up farm relief and farm management services</td>
</tr>
<tr>
<td>Measure VII</td>
<td>Producer groups</td>
<td>Setting up producer groups</td>
</tr>
<tr>
<td>Measure VIII</td>
<td>Village renewal</td>
<td>Renovation and development of villages and protection and conservation of the rural heritage</td>
</tr>
<tr>
<td>Measure IX</td>
<td>Land improvement</td>
<td>Land improvement and re-parcelling</td>
</tr>
<tr>
<td>Measure X</td>
<td>Land register</td>
<td>Establishment and updating of land registers</td>
</tr>
<tr>
<td>Measure XI</td>
<td>Vocational training</td>
<td>Improvement of vocational training</td>
</tr>
<tr>
<td>Measure XII</td>
<td>Rural infrastructure</td>
<td>Development and improvement of rural infrastructure</td>
</tr>
<tr>
<td>Measure XIII</td>
<td>Water resources</td>
<td>Agricultural water resources management</td>
</tr>
<tr>
<td>Measure XIV</td>
<td>Forestry</td>
<td>Forestry, including afforestation of agricultural areas, investments in forest holdings owned by private forest owners and processing and marketing of forestry products</td>
</tr>
<tr>
<td>Measure XV</td>
<td>Technical assistance</td>
<td>Technical assistance for the measures covered by SAPARD including studies to assist with the preparation and monitoring of the programme, information and publicity campaigns</td>
</tr>
</tbody>
</table>

Source: Council Regulation EC No 1268/1999, art. 2
Box 2. Eligible measures in SAPARD and in Rural Development Programmes of EU-15

SAPARD measures are very similar to those for Rural Development Programmes (RDP) of the Member States. However, there are also differences: The scope of SAPARD is narrower, some RDP-measures are not replicated in SAPARD and others are less pronounced or less defined. On the other hand, there are measures in the field of agriculture and administration, specifically designed for the problems of Candidate Countries. Also, some measures in the field of rural development provide a larger scope for integrating non-agricultural measures. SAPARD measures are defined on Art 2 of Council Regulation (EC) No 1268/1999. The main differences between SAPARD and the RDP measures are:

- Two measures, being only part of SAPARD (and not in RDP), are designed for special CEE problems and they are to support the restructuring of administration and the production system inside agriculture. Without the “establishment and updating of land registers” (which were missing or otherwise inadequate in many CEE countries) it would be almost impossible to apply any central, administrative control over agricultural policies. Also, the support for “setting up producer groups” is essential to restructure CEE production systems in a more Euro-compliant way;

- In the field of human resource management only vocational training can be supported by SAPARD. Neither early retirement nor the setting up of young farmers can be subsidised. However, contrary to the CAP, vocational training is not restricted to agriculture by the legislation.

- SAPARD does not include measures for Less Favoured Areas (LFA),

- Environmental protection is less pronounced in SAPARD (in relation to the proportion of the budget and the range of measures). SAPARD does not include a wide range of agri-environmental measures and measures specifically targeted at environmental protection in agricultural rural areas;

- A few RDP-measures mainly targeted at endogenous development are not part of SAPARD (marketing of quality agricultural products; basic services for rural economies and populations; promotion of tourism and crafts); thus non-agricultural economic activities are supported in SAPARD to a lesser degree than in the RDP.

The most important intended impact of these projects, in line with the overall objectives of SAPARD, can be concluded as follow:

- The agricultural sector is better prepared for accession (i.e. better compliance with EU standards and acquis communautaire, improved competitiveness on the EU market);

- Rural economies are better prepared for accession (i.e. improvement in solving priority and specific rural problems);

- Countries are better prepared for the implementation and utilisation of post-accession rural development programmes.
Table 2 below summarises the overall rationale and Intervention Logic of SAPARD

<table>
<thead>
<tr>
<th>Needs</th>
<th>Overall objectives</th>
<th>Eligible measures</th>
<th>Intended overall impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Need for the implementation of the acquis communautaire in candidate countries</td>
<td>- Contributing to the implementation of the acquis communautaire concerning the common agricultural policy and related policies</td>
<td>I. Agri-investment</td>
<td>- Agricultural sectors are better prepared for accession (compliance with EU standards, competitiveness on EU markets)</td>
</tr>
<tr>
<td>- Need to gain experience in its application</td>
<td>- Solving priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries</td>
<td>II. Processing investment</td>
<td>- Rural economies are better prepared for accession; i.e. improvement in solving priority and specific rural problems</td>
</tr>
<tr>
<td>- Need to address specific structural drawbacks and inequalities in the agricultural sector and the economy of rural areas</td>
<td>-</td>
<td>III. Vet &amp; plant health</td>
<td>- Countries are better prepared for the implementation and utilisation of post-accession rural development programmes</td>
</tr>
<tr>
<td>-</td>
<td></td>
<td>IV. Agri-environment</td>
<td></td>
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<td>-</td>
<td></td>
<td>V. Diversification</td>
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<td>-</td>
<td></td>
<td>VI. Farm relief</td>
<td></td>
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<tr>
<td>-</td>
<td></td>
<td>VII. Producer groups</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td></td>
<td>VIII. Village renewal</td>
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<tr>
<td>-</td>
<td></td>
<td>IX. Land improvement</td>
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<tr>
<td>-</td>
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<td>X. Land register</td>
<td></td>
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<tr>
<td>-</td>
<td></td>
<td>XI. Vocational training</td>
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<tr>
<td>-</td>
<td></td>
<td>XII. Rural infrastructure</td>
<td></td>
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<tr>
<td>-</td>
<td></td>
<td>XIII. Water resources</td>
<td></td>
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<tr>
<td>-</td>
<td></td>
<td>XIV. Forestry</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td></td>
<td>XV. Technical assistance</td>
<td></td>
</tr>
</tbody>
</table>
2.1.3 Regulatory framework

SAPARD constituted the first time in the history of the EU that the management of external aid was conferred on applicant countries on a fully decentralised basis. This required an enormous legislative and administrative effort both on the side of the Commission and of the applicant countries.

Together with the main legislative act of SAPARD, namely Council Regulation (EC) No 1268/1999 setting up the basis rules governing the programme, several acts were delivered over the years amending or clarifying certain aspects regarding the implementation of the Programme. The most important are:

- the mentioned Council Regulation (EC) No 1268/1999 of 21 June 1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period;
- Commission Regulation (EC) No 2759/1999 of 22 December 1999 laying down rules for the application of Council Regulation (EC) No 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period and

Finally, as set out in the Council Regulation (EC) No 1268/1999, the Commission prepared ten annual reports from 2000 to 2009 on the implementation of SAPARD in the applicant countries. The reports covered the support granted and progress made towards achieving the objectives of the programme.

2.1.4 System of implementation

Unlike the other pre-accession instruments (PHARE and ISPA), SAPARD was based on a decentralised management of aid; management was conferred to designated agencies in the beneficiary countries. The SAPARD agencies, consisting of an Implementing and a Paying Agency - usually either located in the National Ministry of Agriculture\(^7\) or established as separate yet supervised entities - were responsible for project selection, management, arranging finance and carrying out controls. This approach was similar to the one developed for the Managing and Paying Authorities in Programmes under the Community legislation for Member States implementing the European Agricultural Guidance and Guarantee Fund (EAGGF)\(^8\). Ideally the SAPARD agencies would become the later Authorities for the Common Agricultural Policy.

This decentralised structure offered a first practical opportunity for Candidate Countries to develop the structures and build the capacity to manage and administer EU rural development funds as actual Member States, therefore assessing whether they were mature for accession.

\(^7\) Political reforms and restructuring have often caused (and continue to do so) the names of the responsible ministries to change. For ease of reading they are generically called “Ministry of Agriculture” in this report.

\(^8\) See also Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF)
The Set-up and implementation of SAPARD was based on the following steps:

- **Design and approval of the National Agriculture and Rural Development Plan (NARDP)**: The competent country authorities drew the National Agriculture and Rural Development Plan identifying the needs of the agricultural sector, the strategy proposed, its quantified objectives, the geographical scope and the selected SAPARD measures. The Plan, after compulsory consultations with the socio-economic partners at the national level (in line with the principle of partnership\(^9\)), was adopted by the countries and reviewed by the Commission services. Finally, the Plan, after positive review by the STAR Committee, was finally approved by the EC as a “SAPARD Programme”.

- **Approval of the accreditation of the SAPARD agencies**: SAPARD agencies were responsible for project selection, management, arranging finance, carrying out controls and disbursing payments based on expenditures really incurred by beneficiaries. They were subject to independent audits by the Commission. Each SAPARD implementation system consisted of two “branches”: the Managing Authority responsible for drawing up and monitoring the SAPARD Programme (checking applications, carrying out “on the spot-checks”, issuing approval for works to commence and monitoring the progress of the projects) and the SAPARD Paying Agency responsible for all financial procedures, including checking payment claims and authorising payments.

- **Accreditation of the national SAPARD agencies** by the national competent authority and confirmed by the National Authorising Officer had finally to be approved by the Commission in its conferral of management decision to ensure that it met the accreditation criteria and that the national structures involved in the management of the programme were satisfactory so that allocated funds could start to flow.

- **Signature and conclusion of the Multi-Annual Financial Agreement (MAFA)**: Prior to accession no Community legislation was applicable in the candidate countries. Consequently, a bilateral agreement - the MAFA - was signed between the EC and the beneficiary countries laying down the main requirements for the management and control of the SAPARD funds throughout the programming period. In accordance with the Commission’s communication, MAFA consisted of the following parts:
  - **Financial management**, laying down the detailed provisions for the execution of SAPARD on a decentralised basis in each applicant country;
  - **Management, Monitoring and Evaluation of the Programme**; describing the monitoring and evaluation requirements necessary to determine the effectiveness and efficiency of the programmes.
  - **General Provisions** on issues such as co-ordination with other instruments (for example, PHARE and ISPA), taxation and customs, import and export rules;
  - **Rules on Quarterly and Annual Declarations of expenditure** defining the forms to be completed and the rules to be respected in the declaration of expenditure;

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\(^9\) The full title is “NARPD over 2000-2006 period under SAPARD. In this report it will be referred as the “SAPARD Programme”.

\(^{10}\) The principle of partnership implies that any appropriate organizations representing the civil society, environmental or non-governmental organizations, can participate in the negotiations concerning the use of structural funds.
- **Guidelines for Certifying Body**, setting out the form, scope and contents of the certificate and report of the body performing the certification of the accounts of the SAPARD Agency and National Fund.
- Community legislation referred to in Regulation (EC) No. 2222/2000 on financial rules for SAPARD adapted for the specific MAFA and
- Dispute settlement provisions describing the procedure to be followed in the event of a dispute.

The MAFA was based, among others, on the following criteria:
- Full decentralisation of management of aid by an agency established under the responsibility of each country;
- Financial allocations to the programmes based on differentiated appropriations with commitment and payment entitlements following the rules of rural development assistance for Member States (RD);
- Application of Clearance of Accounts procedures in line with the Financial Regulation of the EU.

Based on those elements the MAFA introduced a system of Programme Management and Payment procedures, which are comparable to those of the Structural Funds and Rural Development systems.

### 2.1.5 Financial allocations and spending

SAPARD had an initial annual budget for the year 2000 of 529 Million EUR (1999 prices) or about 24% of the total allocation to pre-accession activities under the three instruments (PHARE having 1.587 Million EUR and ISPA 1.058 Million EUR per year).

The allocation of funds in the countries - as set up by the art. 7(3) of the Council Regulation EC No 1268/1999 - was decided upon a formula attributing different weights at the following objective criteria:

- GDP per capita in purchasing power;
- Farming population;
- Agricultural area;
- Specific territorial situation.

90% of funding was allocated to the territories with 65% or more of areas for agriculture and with the share of the agricultural workforce equal to or greater than 35%. The remaining 10% of the funds were allocated on the basis of specific territorial situations. Additionally the final amount could be slightly modified according to the contribution of agriculture to GDP\(^\text{1}\).\(^\text{7}\)

As can be seen in Table 3, this led to a significant variation in the actual amounts of funds available for the different countries. Indeed, 80% of SAPARD funds were allocated to Poland, Bulgaria and Romania.

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Table 3. Annual Indicative budget allocated by the EU per country (in Million EUR, at constant 1999 prices) for the year 2000\textsuperscript{12}

\begin{tabular}{|c|c|c|c|c|c|c|c|c|}
\hline
BG & CZ & EE & HR & HU & LT & LV & PL & RO & SI & SK \\
\hline
53 & 22 & 12 & n.a. & 38 & 30 & 22 & 171 & 153 & 6 & 18 \\
\hline
\end{tabular}

Source: EC (2000) SAPARD questions and answers

However, the financing mentioned in the table was not the final one available per candidate country. In fact, the concrete annual country allocation was based on the Annual Financing Agreements (AFA), an accord between the EU and the candidate country lying down the final financial provisions. Indeed, in pursuance of the principle of additionality, AFA was constituted by EU co-financing, covering up to 75% of the total cost for the investment, and financing from national funds\textsuperscript{13}.

For comparison, the total payments made by the Commission by 31.12.2009\textsuperscript{14} are depicted in the following table:

Table 4. Final accumulated budget spent by the EU per country (in Million EUR, at constant 1999 prices) at the end of year 2009\textsuperscript{15}

\begin{tabular}{|c|c|c|c|c|c|c|c|c|}
\hline
BG & CZ & EE & HR & HU & LT & LV & PL & RO & SI & SK \\
\hline
327 & 92 & 50 & 14 & 160 & 125 & 80 & 708 & 1.03 & 26 & 76 \\
\hline
\end{tabular}

Finally, SAPARD Programmes did not foresee advance payments, but only reimbursements of the expenses already made\textsuperscript{16}. In other words, the beneficiaries had to cover the expenses of the investment ex-ante for being reimbursed by the programme once the expenditures have occurred and were verified.

2.2 SAPARD in Bulgaria, Croatia and Romania

The present chapter offers an overview of the SAPARD Design and Implementation in Bulgaria, Croatia and Romania. It is structured along the

- Rationale and objectives of the three Programmes,
- The selected Measures;
- The allocated funds,
- The number of targeted and implemented projects and
- A summary of common issues encountered.

\textsuperscript{12} These amounts are for comparison only. Final Figures were slightly different.

\textsuperscript{13} In this regard, Regulation 696/2003 introduced certain amendments for which, in case of natural disaster in the SAPARD applicant countries, the share of EU assistance may reach the 85%, if applied with projects/measures for affected regions.

\textsuperscript{14} SAPARD Annual Report 2009, ANNEX A, Financial Execution 2009

\textsuperscript{15} These amounts are for comparison only. Final Figures were slightly different.

\textsuperscript{16} The reimbursements are made on the basis of a payment request accompanied by the justifying documentations.
2.2.1 Short profiles of the three countries

Bulgaria

The Republic of Bulgaria is situated in the south-eastern part of Europe with a total territory of 110,994 km$^2$ and with a population of 7.97 million people. Although its economy experienced a stable growth before and during the year of implementation of SAPARD, its agricultural sector, employing about the 9.6% of the total work force of the country, has been declining (13.9% in 2000 and 12.5% in 2002), mainly on account of the slow growth experienced by the sector.

In order to solve these deficiencies and in particular to prepare the country for the accession in the EU, the SAPARD Programme was adopted by the Council of Ministers in November 1999 and was approved by the EC in October 2000.

The Minister of Agriculture and Forestry was assigned to implement the Programme, the State Fund Agriculture (SFA) performed the functions of a SAPARD Agency. The bodies responsible were the Monitoring Committee, the Managing Authority and the SAPARD Agency.

The Monitoring Committee included representatives of other ministries, a representative of the EC, local authorities, NGOs and socio-economic partners in the relevant sector and rural areas.

The administrative and organizational structure of the SAPARD Agency included a Management Board, a Chief Executive Director and two Deputies, as well as Selection Committee, Operational Department, Financial Department, Internal Audit Department, Legal Department (and Anti-Fraud unit) and an IT Department. The Financial Department performed the functions of the Paying Agency.

Three measures namely Measures I, II, and V had the allocation of the 80% of the available funding.

Bulgaria joined the EU on 1 January 2007. The contracting to final beneficiaries under SAPARD stopped on 31 October 2007.

Croatia

The Republic of Croatia is located in the south-western part of Europe and has a total land area of 56,594 km$^2$ with 4,290,612 inhabitants. It submitted the request to become EU Member State on 21st March 2003, and was granted candidate status on 18th June 2004. Its accession to the EU was completed on 1st of July 2013, therefore, unlike the other SAPARD beneficiaries, Croatia was the only granted candidate which did not become Member State neither during the SAPARD Programme implementation, nor after its full execution.

Accordingly, to solve these deficiencies, the Plan for agriculture and rural development 2005-2006 was approved by the EC on 8th February 2006 as a SAPARD programme covering only one financial allocation, 2006, in conjunction with the signing of the Multi-

17 OECD definition of rural areas (150 inhabitants/Km$^2$)
Annual Financing Agreement (MAFA) on 29th December 2005, between the Government of Croatia and the EC, on behalf of the EU.

The Ministry of Agriculture, Forestry and Water Management was responsible for the SAPARD Programme in the Republic of Croatia, supported by the National Authorisation Officer, which was in charge of financial management of Community pre-accession funds.

The Directorate for Sustainable Development of Rural Areas acted as Managing Authority, while the Directorate for Market and Structural Support in Agriculture (both belonging to the aforementioned Ministry) acted as the SAPARD Agency. The Department for Internal Audit took over the role of the Paying Agency.

Unlike the other accessing countries, only one annual allocation for 2006 was implemented under SAPARD in Croatia from April 2006 (when MAFA came into force) to 2009.

Croatia stopped contracting to final beneficiaries under SAPARD in August 2009.

Romania

Romania is located at the intersection of Central and South-eastern Europe with a surface of 238,391 Km$^2$ and with 19 million inhabitants. Due to several reasons such as low income, low number of local jobs and unsatisfactory living conditions, the main demographic trends characterising the Romanian rural population are population decline (e.g. a decrease of 4.47% from 2000 to 2010) and aging, combined with a measurable increase of women's participation in the agricultural sector.

In 2000, Romania started a decade of integration, a period characterised by reforms designed to improve the Romania's living conditions and to prepare Romania's admission into the EU. In the framework of agriculture, the National Plan for Agriculture and Rural Development (NPARD), approved by the EC in December 2000, was the reference document.

Responsibility in Romania was initially within the Ministry of European Integration (from 2000 until 2004), then for a short period of time transferred to the Ministry of Finances and finally to the Ministry of Agriculture, Forestry and Rural Development acting as the Managing Authority. The Monitoring Committee composed of members representing governmental and non-governmental institutions/bodies, as well as representatives of the European Commission was also hosted by the responsible Ministry.

The National Fund from the Ministry of Finances was in charge of the control and verification of the implementation procedures applied by the SAPARD Agency. The Certification Body functions were fulfilled by the Romanian Court of Auditors.

The SAPARD Agency in charge with the operational and financial implementation of the Programme was in September 2000 as an independent body, subordinated to the Ministry of Agriculture, consisting of eight Regional Offices and of the Delegated Technical Services, namely the County Departments for Agriculture and the specialized services from the Ministry of Transport, Building and Tourism. Each of the regional offices contained two departments:

- Programme Implementation Division; and
- Payments Pre-authorisation Division.
In 2006, following the dissolution of the Agency, the role and the duties entrusted to it were transferred to the Agency of Payments for Rural Development and Fishery, which was represented on territorial level by 8 Regional Centres and 42 County Offices.

Romania joined the EU on 1 January 2007. The contracting to final beneficiaries under SAPARD stopped on the 31 July 2007.

2.2.2 Rationale and objectives of the three Programmes

The accessing countries, in order to be eligible for co-financing from SAPARD, had to design and obtain from the EC approval for its “SAPARD Programme”. The SAPARD Programmes for Bulgaria, Croatia and Romania all developed an extensive SWOT analysis of the condition of the agriculture and rural areas, each of which contains the weaknesses and threats upon which the programme objectives and strategies were built.

The major problems identified by the three SAPARD Programmes, could be summarized as follows:  

- The major presence of family agricultural holdings, inducing a low development of agricultural market, as well as low qualification of the labour workforce;
- Certain demographic trends, such as aging and migrations to urban settlements, bringing to a high rate of fragmentation of the agricultural working force;
- Low use of mechanisation and therefore very low level of agricultural labour productivity;
- Lack of distribution channels, as well as inefficient marketing capacity;
- Limited institutional capacity of the public and private institutions dealing with agriculture, forestry and fishery;
- Pollution in general, erosion and land-sliding processes, combined with low awareness of issues related to environmental protection;
- Fragmented land ownership and lack of legislative solutions for it.

In summary, the condition of agriculture in Bulgaria, Croatia and Romania, were quite similar to the conditions of the other eight accessing countries: significantly underdeveloped conditions in agriculture and rural areas compared to the EU-15 countries, mainly on account of lack of basic requirement in agriculture.

Based on the deficiencies identified and in line with the objectives set up by SAPARD, each of the NARDPs established their own objectives to be pursued through several priorities of interventions.

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16 NARDPs Reports for the countries of Romania, Croatia and Bulgaria.
Table 5. SAPARD Programme Objectives in Bulgaria, Croatia and Romania

<table>
<thead>
<tr>
<th>Topic</th>
<th>Bulgaria</th>
<th>Croatia</th>
</tr>
</thead>
</table>
| Overall Goal        | "...achieving sustainable low-inflationary economic growth as a major precondition for the generation of higher income and improvement of living conditions and standard with a view to Bulgaria’s future integration into the EU social and economic area.” | - Improved competitiveness and efficiency of agricultural, forestry and fishery production, processing and marketing of products;  
- Improved quality, hygiene, environmental and animal welfare standards,  
- Additional employment opportunities and income ...in rural areas...  
- Achieving sustainable rural development. |
| SAPARD Objectives   | - Development of efficient and sustainable agricultural production and competitive food processing sector through improved market and technological infrastructure and strategic investment policies, ultimately aimed at reaching EU standards.  
- Sustainable rural development, consistent with the best international environmental practices by providing alternative employment opportunities, economic diversification, development and rehabilitation of infrastructure | - The implementation of the Acquis Communautaire concerning the Common Agricultural Policy (CAP) and related policies;  
- Finding sustainable solutions for pressing adaptation problems in specific priority fields of the agricultural sector and Croatia’s rural areas. |
|                     |                                                                           | - The implementation of the Acquis Communautaire concerning the CAP, the environment protection and related policies in the field of food and consumer protection regulations, public health, well being and good health condition of the animals and plants health  
- Engaging for the environment protection, the transposition in the national legislation and implementation of the [EU Environmental] Directives  
- Solving priorities and specific problems for the sustainable adaptation of the agricultural sector and rural areas of Romania |

...contribute to the accession of Romania to the European Union and allowing that Romanian agriculture shall be reinforced in order to be able to cope with the Community market competition’s pressure and at the same time improve the life conditions of the economic agents of rural areas..."
Source: NARDP Documents for Bulgaria, Croatia and Romania

As it can be seen in the table above Bulgaria and Romania followed a similar approach in the formulation of the narrative to their Intervention Logic addressing the preparation for EU accession and for the adaptation steps needed as an overall goal. Croatia followed a more operational approach.

The specific SAPARD objectives of all three countries were closely modelled to the Objectives of Article 1 of the Regulation 1268/1999, the implementation of the acquis communautaire being omnipresent. Priorities were also formulated in a similar manner, addressing the rural economy, improving infrastructures and creating employment opportunities. The three countries selected out of the “menu” of eligible measures the following:

Table 6. Selected SAPARD eligible measures per Country
As can be inferred from the table, Romania and Bulgaria selected the same number of measures, while Croatia, although it planned to implement four, it ultimately ended up implementing only two within the tight frame of its single annual allocation of 2006.

It must be mentioned that the measures for each country were not implemented concurrently, but some measures had conferral of management at early stage, while other measures had conferral of management even two or three years later (see Figure 1).

It is the opinion of this report, based on the review of the programme documents and the evaluation reports and the field research that the link between intended impacts and planned measures was not always consistent, since the implemented measures were not always matching the identified needs; a characteristic example is the Measure XI on vocational training. Moreover, although the monitoring system assumed greater relevance compared to the past, it did not reach the level where the causal chain between measures implemented and result or impact achieved could be followed save be used for corrective interventions.

In summary, with regard to the intervention logic, it could be argued that, similarly to the EU8, the objectives were not obvious consequences of the identified needs and
problems, and moreover, the strategic choices on eligible measures were not always underpinned by programme objectives.

2.2.3 Administrative Timeline

This part comprises a timeline representing the different steps through which SAPARD was implemented in the three countries.

It illustrates when the SAPARD Programmewas approved, when the SAPARD Agency was accredited, when the MAFA was signed and subsequently when the countries had conferral of management, the different stages of signing of AFAs, the last approved project, the last payment and finally the closure of the programme.

The Bulgarian programme envisaged 10 measures, three of which (I, II, V) had conferral of financial management in May 2001, six measures (VII, VIII, XI, XII, XIV, XV and II.1) had conferral in August 2003, while Measure IV started in October 2006.

Croatia instead had conferral of financial management for measures I and II in October 2006. Measure XII on rural infrastructure did not receive conferral due to the low level of preparedness at the local level, while conferral for measure XV on technical assistance was not requested due to the short time for implementation and the coverage of related tasks by other funding sources (PHARE and World Bank).

Romania experienced a more lengthy conferral period with some measures (II, XII, XV) receiving conferral in July 2002, a second batch (I, V, XI) following in December 2004 and another four (III, IV, VII and XIV) coming as late as March 2006.
Although the expected date for paying the contracts was initially established for the end of 2008, in December 2008 the Commission extended the deadline by one year to "n+3" in order to increase the absorption of funds.

2.2.4 Financial Performance

Out of the set of selected measures, the financial supports allocated were – like in EU 8 – concentrated on rural infrastructures (36%) and on processing investments (27%). These two measures absorbed almost two thirds of the funds. Another 22% were allocated to Agri-investments. Thus, 85% of the funds were allocated to three measures, which is also the overall SAPARD benchmark in the period 2000-2006 (See Table 7 below).

Moreover, it should be noted that SAPARD in the three countries experienced a reallocation of funds within measures, determined by the late implementation of the programme or by the problems for the Commission to confer management (e.g. Croatia).

The initial allocation of funds proved to be inefficient. Delays and the risk of de-commitment have led to the reallocation of funds to measures with higher absorption capacity (e.g. Measure I: Agri-investment or Measure II: Processing investment), mainly in order to absorb in a short time the high amount of financing available. High absorption capacity can be attributed to intense needs, but also to administrative reasons, standardisation potential for applications (e.g. the purchase of mechanical equipment can be easier replicated rather than agri-environmental measures), lower
interest on the beneficiaries’ sides etc. Concurrently, measures with low absorption capacity (either due to administrative reasons or) faced a reduced budget.

Table 7. Initial allocated EU contribution 2000-2006 per measure (in EUR)

<table>
<thead>
<tr>
<th>Measure</th>
<th>Bulgaria</th>
<th>Romania</th>
<th>Croatia</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Agri-investment</td>
<td>145,669,868</td>
<td>195,418,480</td>
<td>8,474,576</td>
</tr>
<tr>
<td>II Processing investment</td>
<td>149,007,443</td>
<td>285,868,434</td>
<td>16,525,424</td>
</tr>
<tr>
<td>III Vet &amp; plant health</td>
<td>28,343,695</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>IV Agri-environment</td>
<td>9,501,731</td>
<td>1,387,128</td>
<td>--</td>
</tr>
<tr>
<td>V Diversification</td>
<td>56,382,685</td>
<td>63,255,547</td>
<td>--</td>
</tr>
<tr>
<td>VI Farm relief</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>VII Producer groups</td>
<td>389,170</td>
<td>750,000</td>
<td>--</td>
</tr>
<tr>
<td>VIII Village renewal</td>
<td>45,795,183</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>IX Land improvement</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>X Land register</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>XI Vocational training</td>
<td>336,411</td>
<td>2,961,929</td>
<td>--</td>
</tr>
<tr>
<td>XII Rural infrastructures</td>
<td>33,222,340</td>
<td>524,809,099</td>
<td>--</td>
</tr>
<tr>
<td>XIII Water resources</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>XIV Forestry</td>
<td>3,057,828</td>
<td>55,838,255</td>
<td>--</td>
</tr>
<tr>
<td>XV Technical assistance</td>
<td>433,495</td>
<td>1,153,125</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>443,757,633</strong></td>
<td><strong>1,159,785,692</strong></td>
<td><strong>25,000,000</strong></td>
</tr>
</tbody>
</table>

Source: Ex-post evaluation reports & Final Annual Implementation Report

As evident from Table 8, the country with the highest allocation of funding is Romania, followed by Bulgaria and Croatia. Interestingly, considering all the SAPARD countries beneficiaries, after Poland, Romania was the country with the highest EU allocated resources19.

Table 8. Total Commission payments of SAPARD in Bulgaria, Croatia, Romania by 31.12.2009

<table>
<thead>
<tr>
<th></th>
<th>Initially total approved budget (MEUR)</th>
<th>Total utilised budget (MEUR) at end of 2009</th>
<th>Budget absorption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>44420</td>
<td>327</td>
<td>73,6%</td>
</tr>
<tr>
<td>Croatia</td>
<td>25</td>
<td>13</td>
<td>55,8%</td>
</tr>
<tr>
<td>Romania</td>
<td>1.159</td>
<td>1.030</td>
<td>88,9%</td>
</tr>
</tbody>
</table>

Source: SAPARD Annual Report 2009, Annex A

19 Council Regulation EC No 1268/1999, art. 1
20 The total amount for Bulgaria was subject to de-commitments. Out of the original 444 million EUR, the amount was finally reduced to 371 million EUR.
Comparing those numbers to 2006, the figures for Bulgaria and Romania were at appr. 46% of the committed funds being actually paid by the Commission. It enhanced in the two following years to 62% in 2007 and to almost 70% in 2008; payment interruptions and recovery of funds by the Commission reduced the final figure. Considering these delays, the payment rate for all three countries at the end of 2009 was a considerable improvement. However, it is still low if compared to the rate of the EU 8 Member States, which reached almost 100% (the Latvian programme being an exception with a rate of 95%). At this point it should also be pointed out that the Croatian Programme poses an exception in its size, magnitude (37 projects) and formally one year of implementation; thus comparisons are reasonable between Bulgaria, Romania and the rest of the 2004 Enlargement wave.

The major difficulties that the countries faced were the late and slow start and a slowdown in implementation in 2008, due to control issues in Bulgaria and Romania. EC missions carried out in 2008 to Bulgaria and Romania led to a request to the national authorities to draw up an action plan to remedy the identified control deficiencies and to inform the Commission of the implementation. The Commission interrupted reimbursements of declared expenditure with regard to three important measures in the case of Bulgaria, and for all measures of Romania, until proper implementation of their action plans. It should be mentioned here that the overall absorption might be finally even lower since at least for Bulgaria there might be additional claims for funds recovery21.

In the case of Croatia overall absorption was low due to the tight time-plan and more attractive national programmes implemented in the same period.

2.2.5 Projects implemented

The table below gives an overview of the total numbers of projects targeted in the SAPARD Programme, approved by the SAPARD agency and finally implemented and paid out. In line with the budget available, Romania implemented the highest number of projects (4,374), and Bulgaria 2,595. Only 37 projects were paid in Croatia. Moreover, it is evident that the number of paid projects is very low compared to the initially targeted projects.

This table should be compared to Table 8 on Budget absorption. It is notable that will the range of achievement of the output targets in terms of number of projects ranged from 10% in Romania to 22% in Croatia and 27% in Bulgaria, the overall budget absorption was much higher. This is an indication that as a general rule, larger, more expenditure-heavy projects were implemented. The reasons for that are discussed in the Chapters 4 and 5.

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21 Information provided during the third Monitoring Group Meeting for this report.
Table 9. Number of approved and implemented/reimbursed projects per measure

<table>
<thead>
<tr>
<th>Measure</th>
<th>Bulgaria</th>
<th></th>
<th></th>
<th>Romania</th>
<th></th>
<th></th>
<th>Croatia</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Targeted</td>
<td>Approved</td>
<td>Re-imbursed</td>
<td>Targeted</td>
<td>Approved</td>
<td>Re-imbursed</td>
<td>Targeted</td>
<td>Approved</td>
<td>Re-imbursed</td>
</tr>
<tr>
<td>I   Agri-investment</td>
<td>5.850</td>
<td>1.880</td>
<td>1.485</td>
<td>11.000</td>
<td>1.935</td>
<td>1.916</td>
<td>110</td>
<td>26</td>
<td>19</td>
</tr>
<tr>
<td>II  Proces. investment</td>
<td>630</td>
<td>341</td>
<td>267</td>
<td>1.900</td>
<td>459</td>
<td>450</td>
<td>51</td>
<td>23</td>
<td>18</td>
</tr>
<tr>
<td>III Vet &amp; plant health</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>20</td>
<td>20</td>
<td>19</td>
<td>--</td>
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<td>--</td>
</tr>
<tr>
<td>IV  Agri-environment</td>
<td>n.a.</td>
<td>201</td>
<td>105</td>
<td>600</td>
<td>1</td>
<td>0</td>
<td>--</td>
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<td>--</td>
</tr>
<tr>
<td>V   Diversification</td>
<td>2.860</td>
<td>706</td>
<td>468</td>
<td>7.150</td>
<td>1.058</td>
<td>1.018</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>VI  Farm relief</td>
<td>--</td>
<td>--</td>
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<td>--</td>
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<tr>
<td>VII Producer groups</td>
<td>n.a.</td>
<td>10</td>
<td>4</td>
<td>700</td>
<td>3</td>
<td>0</td>
<td>--</td>
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</tr>
<tr>
<td>VIII Village renewal</td>
<td>n.a.</td>
<td>222</td>
<td>176</td>
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<tr>
<td>IX  Land improvement</td>
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<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>X   Land register</td>
<td>--</td>
<td>--</td>
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<td>--</td>
<td>--</td>
<td>--</td>
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<td>--</td>
</tr>
<tr>
<td>XI  Vocational training</td>
<td>n.a.</td>
<td>3</td>
<td>3</td>
<td>305</td>
<td>5</td>
<td>5</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>XII Rural infrastructure</td>
<td>n.a.</td>
<td>58</td>
<td>44</td>
<td>724</td>
<td>847</td>
<td>843</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>XIII Water resources</td>
<td>--</td>
<td>--</td>
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<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
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</tr>
<tr>
<td>XIV Forestry</td>
<td>n.a.</td>
<td>57</td>
<td>32</td>
<td>2.400</td>
<td>113</td>
<td>113</td>
<td>--</td>
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</tr>
<tr>
<td>XV  TA</td>
<td>n.a.</td>
<td>15</td>
<td>11</td>
<td>n.a.</td>
<td>10</td>
<td>10</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: Ex-post evaluation reports

2.2.6 Common features among the three Programmes

While the three SAPARD programmes were delivered under different settings, yet some common issues arose:
• While the three programmes fared differently in total financial performance (ranging from 48 to 89%), the deviation among targeted and implemented projects was overall high (achievements between 10 and 27%);

• Ratio of approved to submitted projects was very low; beneficiaries were unable to prepare projects meeting the eligibility criteria established by the programme;

• Demanding eligibility and implementation criteria, which could not have been met by the majority of the holdings, have influenced the type of projects and beneficiaries being successful. For example it is mentioned that in the case of Bulgaria for “...simple project for the purchase of a combine harvester and a plough, the number of pages in the application file was 2,477 and for the file with the payment request 601 pages”\textsuperscript{22}. Similar remarks are contained in the Croatian (p.70f) and the Romanian Ex-post reports (p.180f).

• The low level of beneficiaries capacity in dealing with the requirements of the SAPARD Programme was paired by the inexperience of the administration especially considering ineffective decentralised structures, the lack of adequate consultancy and the long idle times between the submission of the application for financing and the receipt of contribution mainly due to the preference of the Paying Agency to exhaust all possibilities of covering her position in case of irregularities;

• As a consequence of the slow progress made by the administration, late conferral of certain measures has influenced the overall performance (this was less the case for Croatia, where the whole programme was implemented under a tight timetable and covering only Measure I and II in the final version, hence not implemented Measures XII and XV did not influence the overall picture);

• On the positive side the whole procedure of transposition, planning, accreditation and conferral of management has improved the capacity of the administration synchronisation of national legislation and the familiarisation with EU practices and the acquis communautaire and the functioning of the EC. This capacity can be utilised also in the Rural Development Programmes as a Member State;

• Last but not least, those beneficiaries supported have improved the situation of their holdings, improved productivity and competitiveness and have complied with EU standards.

\textsuperscript{22} Court of Auditors (2004), Special Report No 2/2004 concerning pre-accession aid, 2004/C295/01