

RADP
ROMANIA AGRIBUSINESS DEVELOPMENT
PROJECT

RADP YEAR 1 WORK PLAN

December 1, 2004 – September 30, 2005

Submitted by:
Chemonics International Inc.

In collaboration with:
J.E. Austin Associates, Inc.
International Fertilizer Development Corporation

To

United States Agency for International Development
Contract No. PCE-1-00-99-00003-00
Task Order No. 824

November 2004

This project addresses USAID Strategic Objective 1.3: Accelerated private sector growth by supporting a market-driven environment. The opinions expressed herein are those of the author(s) and do not necessarily reflect the views of the U.S. Agency for International Development.

TABLE OF CONTENTS

SECTION I:	INTRODUCTION TO THE PROJECT	1
SECTION II:	YEAR 1 WORK PLAN BY PROJECT COMPONENT	5
	Introduction: The Overall Approach	5
	A. Component 1: Strengthened Clusters and Associations	7
	B. Component 2: Increased Productivity	12
	C. Component 3: Marketing – Increased Sales and Exports	22
	D. Project Management	28
ANNEXES		
	Annex A: Donor Programs and Projects in Support of Agribusiness Development	32
	Annex B: RADP Reporting and Task Order Year 1 Deliverables	35
	Annex C: Project Organigram	36
	Annex D: Summary Year 1 Benchmarks	37
	Annex E: RADP Year 1 Activity Timeline	40

SECTION I INTRODUCTION TO THE PROJECT

A. Project Background

The Romania Agribusiness Development Project (RADP) is a three year, seven month program financed by the United States Agency for International Development (USAID). The overall objective of the project is to increase Romania's competitiveness to produce agricultural products for the international and domestic markets. RADP is implemented by Chemonics International Inc., in collaboration with J.E. Austin Associates Inc (JAA) and the International Fertilizer Development Corporation (IFDC), under the RAISE IQC Task Order No. 824.

Romania has been working for the past fifteen years to overcome the state structures and policies that dominated its economic development since the 1950s. As with other sectors of the economy, the transition from a socialist to a free market economy for the agricultural sector has not been easy. Once a major supplier of agricultural exports, Romania's productive capacity and ability to compete in international markets has been drastically curtailed over the past decade. Romania is now a net importer of primary agricultural commodities it once exported and of a significant and increasing amount of processed food.

The country is also at a critical stage in its preparations to join the European Union (EU), scheduled for 2007. Although considerable resources and effort have been invested in these preparations, it is uncertain at this point whether Romania will be able to keep to the rigorous time table set for the needed structural and policy reforms set as conditions precedent. Although the EU's recent *Regular Report on Romania's Progress Towards Accession* (September 2004) noted near completion of land restitution and privatization and significant progress in bringing Romanian legislation in line with that of the EU, the report also noted areas where considerable work is needed. Important issues remaining include a still weak ability to implement and enforce new legislation and regulations, the reliability of plant and veterinary certifications, and upgrading establishments which do not meet EU health and safety standards.

The structure of the agricultural sector is very bi-polar. Ninety-four percent of farms cultivate less than five hectares, while accounting for only 36% of the total agricultural land utilized. Large commercial farms, on the other hand, represent only 3.5% of farm operators but cultivate 45% of the total farmland currently in use. This predominance of small farms remains a major concern if Romanian agriculture is to be competitive with its new partners in the EU. Although more large farms are appearing, the vast majority of farmers are working at the subsistence level with few resources with which to obtain modern technologies and use new methods. To date, support provided by the EU, the World Bank and other donors has been underutilized in the effort to increase the competitiveness of the sector. Finally, business, trade and investment policies and regulations remains overly bureaucratic and slow, and do not foster the environment needed to attract the level of investment, whether domestic or international, needed to help modernize the sector.

The Romania Agri-Business Development Project (RADP) will assist in this process of making agriculture and agri-businesses more competitive. This will be achieved by using a competitive - cluster approach at the industry level to increase cooperation and facilitate policy reform, while promoting productivity increases at the firm and sector level, and a forging of alliances and linkages at the market level to promote increased sales, both domestically and internationally. The RADP program falls under and supports USAID's Strategic Objective 1.3, "Accelerated Private Sector Growth by Supporting a Market Driven Environment" and the two intermediate results below:

Intermediate Result 1.3.2: Strengthened institutions including private sector associations, NGOs, civic organizations and related GOR sector counterparts, in order to build absorption capacity and serve societal goals in a market economy.

Intermediate Result 1.3.3: Improved competitiveness and market responsiveness of the private (agricultural) sector.

The two intermediate results are closely linked and the achieving of each is dependent in some measure on the achievement of the other. In developing this first year work plan to achieve the objective and results outlined above, we present our strategy, approach and specific activities under three components. The three components, presented in the form of results sought, are:

1. Strengthened clusters and associations
2. Improved productivity
3. Increased sales and exports of agricultural products.

Although Component 1 is a key result under the Task Order, it is also an approach to implementation. The strengthening of clusters and product/producer associations is also a means for ensuring sustainability of interventions and impacts after the project. Increased productivity under Component 2 lies at the heart of increasing competitiveness of Romanian agriculture. This component encompasses and will include investment (from commercial banks, from donor funding and from technology transfer through outside investment) as well as specific technical training which will enable agri-businesses to produce more at a lower cost, that is, be more price competitive. Although policy is an overriding factor affecting all three components, we include it under Component 2, since a business friendly environment is critical to efficiently running a business and, perhaps most importantly, to promoting and attracting investment. The third component is actually the starting point: the market. Under Component 3 we group those factors and activities which will ensure that the products produced in Romania are sold: quality, standards, and knowledge of markets and what markets require. Key to success will be forging linkages between buyers and sellers and developing a market mentality among participating firms. Since we firmly believe that the success of this project will be marked by increased sales and exports for Romanian agribusinesses, we see Component 3 as the starting point. This is where individual firms will learn to listen to, understand and respond to the market, which will lead to higher revenues and greater profits.

B. Linkages with Other USAID Programs and Projects of Other Donors

The Ministry of Agriculture, USAID and other donors all have programs and projects in the areas of agriculture and agribusiness, promotion of trade and investment, and policy reform. It will be important to maintain a dialogue with the Government and with these other programs and projects to avoid duplication and overlap and to promote collaboration and develop synergies. Close coordination with EU programs and those of the World Bank will be important, given the size of their respective portfolios and their focus on the agricultural and rural sectors. Bilateral programs with France, Holland, Germany, the U.K. and Canada also have projects which are working in various sectors and sub-sectors of agriculture and rural development.

Of particular importance under RADP will be to closely coordinate activities with the USAID/USDA Agribusiness Development and Policy Support (ADAPS) Project and USDA/FAS investment and trade programs, both of which have objectives similar to those of RADP. Close coordination will also be essential with USAID's Enterprise Development and Strengthening (EDS) Project, which focuses on micro-, small and medium enterprise development and which is also using a cluster approach in working with the agro-tourism and garments/textiles sectors. We are also mindful of the work undertaken with water users associations by the WUA Development Project, and will provide follow-up assistance where appropriate. We will also explore opportunities to use USAID global programs such as the Development Credit Authority (DCA), Trade Development Authority (TDA), and the Global Development Alliance (GDA), all of which could be beneficial during the implementation of RADP. Finally, we have already made contact with USAID's regional competitive project and will continue to seek ways to collaborate.

It will be important to maintain close contact over the life of RADP with other donor agencies and projects, as new programs will continually be coming on stream. In Annex A we provide an initial listing of programs and projects which are working, or have recently been working in areas related to RADP.

C. Activities to Date

This Year 1 Work Plan covers the period October 1, 2004 – September 30, 2005. Below we briefly summarize the activities undertaken since the signing of the Task Order through the end of November 2004.

Administrative. The Chemonics Consortium fielded a three person project start-up team within two weeks of the signing of the contract. This team included the RADP COP, the Project Manager and Project Administrator, the latter two from the Chemonics home office. Three long-term Romanian technical specialists have joined the project, as well as two administrative staff. Active recruitment to fill the remaining technical and administrative staff is on-going. Administrative requirements, often long and arduous – such as registration, obtaining a fiscal code and various other permits, have for the most part been completed. An office has been rented and furnished and is now operational.

Technical. On the technical side, the project team has begun an intensive round of meetings with the various actors in the agricultural and agri-business sectors. This is an on-going process and will continue over the next several months as we continue to gather information, meet the key actors, and solidify and finalize our choices of products, sectors and sub-sectors, clusters and geographic locations where we will focus our initial efforts. Meetings thus far have been limited to the private sector organizations, associations, and individual firms involved either directly or indirectly in agriculture and agri-business. At the request of the Mission, we have not met with the Government of Romania or officials in the Ministry of Agriculture, which will obviously be a major partner and participant under RADP. These important meetings with the Ministry will be undertaken with the Mission, some time after the national elections scheduled for the end of November. Finally, we have made initial contacts with agri-businesses from the U.S. and elsewhere who could possibly be interested in investing in or importing products from Romania. Again, this is a process and activity that will continue over the life of the project.

SECTION II YEAR 1 WORK PLAN BY PROJECT COMPONENT

Introduction: The Overall Approach

Although the Year 1 Work Plan is presented below in terms of three components, all are part of the bigger whole which will lead to achieving the project objective of a more competitive agri-business sector and of meeting targets of increasing sales and exports. Working with clusters and associations under Component 1, as noted above, is both an approach to implementation and an output. It is also a key activity which will help ensure sustainability after the project. Component 2 is concerned with productivity, or price competitiveness: more product at a lower cost through investment, technology transfer and improved management. The third component encompasses factors that will increase quality and market access. All three components are dependent on forging linkages, within the cluster among firms in the value chain, with investors to improve productivity, and between buyers and sellers to sell more and better product. RADP's role and our approach is to facilitate these interactions and linkages and to promote the necessary transactions.

In our discussions with the Mission we have agreed on two important issues regarding our approach which will be critical to the success of RADP. First, it is important to cast our net as far and as wide as possible, from day one, as to the possible sectors, sub-sectors, and products with which we might potentially work. Thus in addition to looking at opportunities in the traditional agricultural products and food processing, such as grains and cereals, animals and processed meats, fruit and vegetables, etc. we will also investigate possibilities and potential in related areas such as wood and wood products, fisheries, agro-tourism and others. All such sectors are related to the rural, agricultural sector and it will eventually be important for such related sub-sectors to absorb labor as it is released from agriculture.

The second agreement with the Mission is that it is necessary for the project to follow a parallel approach of facilitating transactions while simultaneously working to develop and strengthen clusters and associations. Cluster formation and development does not occur overnight and we cannot and should not depend on facilitating investment, sales and exports only after the clusters are functioning. In addition, promoting investment, sales and exports need not be limited to our target products or sectors or even firms within the clusters. If we are to achieve our targets of increased investment and sales, we need the freedom to react quickly as opportunities arise. In addition, the successful facilitation of such transactions will act as an incentive for stronger involvement and participation of other firms and clusters.

Below we present a matrix of the key results by component.

Key Results (KR) by Component
<p><i>Strengthened Clusters and Associations</i></p> <p>KR 1.1 Focus Products, Associations and Clusters Identified</p> <p>KR 1.2 Clusters and Associations Develop Strategic and Action Plans</p> <p>KR 1.3 Specific (Initial) Project Interventions Identified</p>
<p><i>Increased Productivity</i></p> <p>KR 2.1 Increased Investment in Agriculture</p> <p>KR 2.2 Improved Business and Management Skills</p> <p>KR 2.3 An Improved Business, Policy and Regulatory Environment</p>
<p><i>Marketing: Increased Sales and Exports</i></p> <p>KR 3.1 Partners' Products Meet International Standards</p> <p>KR 3.2 More and Better Market Information Available and Used</p> <p>KR 3.3 Market Linkages Developed</p>

Finally as we go through the initial stages of identifying products, clusters and opportunities, we will have a better idea of the best configuration and placement of project staff. During this initial phase the project will be centered in Bucharest. For now we leave open the question if at some point it may require a different configuration, placing some staff in the field, of opening one or more regional offices, or developing assistance centers to better serve our clients in important economic corridors. It may also make sense to identify several potential clusters (focusing on different product groups) in the same geographic areas, to facilitate project work, reduce costs, and develop programming and impact synergies.

A. COMPONENT 1: STRENGTHENED CLUSTERS AND ASSOCIATIONS

Introduction and Approach

There is often confusion or at least varying definitions of what is a sector or a cluster. We begin by defining what a cluster is, and how RADP will use the cluster approach to improve competitiveness. A sector is generally referred to by a product: the meat sector or the grain sector. Associations are built around a product and usually group the producers – Meat Processors Association or a Poultry Producers Association. Under RADP, the focus is not only on the producer or the producer group. The focus is also on providing assistance wherever it might be needed along the entire value chain from input supply, to production and processing, to packaging and final sale. A cluster is composed of those firms, associated institutions and organizations along the value chain, of a particular product or sector. A cluster is typically within a defined geographic area, but that area can range from a single city or state or even to the entire country. The firms and institutions in a cluster are linked together around a common product and they complement each other. Thus a cluster could include not only the input supplier and the producer and processor, but also government agencies which support (e.g. the extension services) or regulate (a bureau of standards) the product or sector.

Below we briefly describe our strategy under Component 1 and identify the activities which target achieving the following key results, which correspond to deliverables under the task order:

Key Result 1.1:	Focus Products, Associations and Clusters Identified
Key Result 1.2:	Clusters and Associations Develop Strategic and Action Plans
Key Result 1.3:	Specific (Initial) Project Interventions Identified

Strategy

Our strategy is to focus on those products and clusters which offer a strong potential for growth. The products themselves must exhibit the potential, as determined by the market, of being competitive. We will then identify clusters of firms who show themselves willing to work together and with the project to improve that competitiveness. Although we may work initially with only 4 or 5 product groups, we may ultimately work with several clusters around the same product, as for example a fruit and vegetable (F&V) cluster near Timisoara and another F&V cluster, perhaps serving the Bucharest market.

Clusters do not develop overnight. It will take time initially to explain the cluster concept and to identify key leaders around which a cluster will often develop. When developing clusters, our role will be as a facilitator and a catalyst to help the cluster define its priorities, its needs and even its members, beyond the typical producer or product association. Once the cluster begins to form and define itself and its needs, we will provide assistance to strengthen the cluster, its member associations and the firms which make up the cluster. The priorities and the activities that RADP will undertake must flow in large measure from the cluster and

the member firms along the value chain, in defining the policy, the technical and the marketing problems they face.

Although consortium partner J.E. Austin Associates (JAA) will take the lead in identifying and assisting in the formation and strengthening of clusters, a key part of our overall approach is to transfer this methodology to Romania. JAA's experience will be critical in explaining, supporting, leading and moving the cluster formation process forward. It is important, however, that the RADP technical staff, take over this function gradually as we begin to hold similar meetings with additional clusters. Language and clarity are essential in this process. Although we will need to work through translators and interpreters in the beginning, it is essential that JAA gradually turn these responsibilities over to the RADP team.

Key Result 1.1 Focus Products, Associations and Clusters Identified

The identification of focus products, associations and clusters has already started during our initial start-up phase through early discussions with producer associations and individual firms. It is an on-going process which will continue over the life of the project, as new opportunities arise and additional clusters are identified and formed in succeeding years. In our proposal, we identified four product groups and possible cluster locations which we believe have potential: forage crops, dairy products, processed meats, and fresh fruit and vegetables. We are also looking at the potential of other products, such as wine, agro-tourism, and value added wood products. Experience with the cluster/competitive approach has shown that some develop faster than others and that not all clusters or associations are successful. Depending on the results of our investigations, we would like to include additional products and/or clusters beyond the initial four, even before the end of the first year.

Activity 1: Product Competitiveness Diagnostic

Methodology: We will start by looking at the product domestically but also by comparing local products with the same products in other countries. This does not mean that we are necessarily looking at the product only as a potential Romanian export. But such a comparison is needed to provide an indication of the import competition local products will face when EU accession is complete, when others will have easier access to domestic markets. Specific interventions will include:

- *Value chain mapping:* for each of the potential products we will detail the actors and linkages along the value chain: from input suppliers and producer, through processors, exporters and other intermediaries.
- *Product Cost Analysis:* cost is an essential component of competitiveness. Estimation of the costs of production, including transactions costs, will give us an indication of how far productivity will need to be improved to compete.
- *International "Benchmarking":* This benchmarking will give us an indication of where Romanian products stand vis a vis cost/price and quality competition. The benchmarking will be achieved through a series of rapid

market assessments in key neighboring and international markets for the products which appear the most promising and competitive. We will also use this opportunity to begin to identify importers, wholesalers, and retailers of these products as well as import requirements in target countries for future use in promoting Romanian exports.

Product Selection Criteria: A summary of the factors we will consider in making the final choice of products is provided in the table below.

Selection Criteria	Description
Market demand and growth potential	<ul style="list-style-type: none"> • Evidence of strong, effective demand for products being produced • Buyers have ready market for products but are unable to meet demand • Potential for increased revenues at all levels of the subsector • Projected increases in sales, profits, or returns to labor
Opportunities for market linkages	<ul style="list-style-type: none"> • Potential forward or backward linkages between large and small enterprises (including smallholder farms) • Large buyers are overlooking small enterprises as a source of supply or are unable to organize them to meet their demands • Potential for linkages with international and US agribusinesses
Value-added potential	<ul style="list-style-type: none"> • Potential for enterprises to add value to raw materials and gain higher earnings and greater competitiveness
Potential for increased productivity	<ul style="list-style-type: none"> • Potential for technologies or management systems to increase the productivity and earnings of enterprises in the subsector
Competitiveness	<ul style="list-style-type: none"> • Competitiveness of the product or subsector on the world market and/or of in enterprises (large and small) in the sub-sector
Government or donor interest / existing support programs	<ul style="list-style-type: none"> • Government interest in the subsector – expressed in its Agricultural and Rural Development Strategy or indicated through the presence of Inter-professional Organization(s) • Ongoing programs that can provide synergy and complementary activities, or nearly-completed programs whose impacts should be leveraged (e.g. USAID's Water Users Associations Development program)
Potential for employment generation	<ul style="list-style-type: none"> • Potential for enterprises (large and small) to create new employment opportunities as the sub-sector develops or expands
Agency mandates	<ul style="list-style-type: none"> • Mandates such as participation of women and environmental impact, etc.

Timing: November 2004 – March 2005

Activity 2: Cluster Identification and Formation.

Identification and the coalescing of firms into a cluster is not a point in time occurrence. Identification of possible clusters will run concurrent to our identification and verification of product competitiveness. An important part of this process is to identify leader firms who understand the benefits of including a wider grouping of interests beyond just the producer. Once we begin to identify these leaders we will hold a series of meetings or awareness workshops to explain the cluster approach and process, to describe the purpose of USAID's interest and the role that RADP can play. We will take advantage of the relative down time in the agricultural cycle to hold meetings and working groups early in 2005.

Timing: January – March 2005

Key Result 1.2: Clusters and Associations are Strengthened

Activity 3: Development of Cluster and Association Strategies

The project will provide assistance to each cluster, and possibly to associations, in developing strategic plans. It is important to the process that the ownership of these strategies be theirs, not ours. In some instances, associations within a cluster will also want to develop their own strategies, based on the narrower focus of a producer group or an association of processors. These strategies will focus on defining individual cluster objectives and goals, identifying key problems and constraints, proposing solutions and setting priorities. Although these plans must come from the cluster members themselves, the project will play a facilitating and supporting role.

Timing: March – May 2005

Activity 4: Cluster and Association Strengthening (See Key Result 1.3 and Activity 5 below)

Many of the needs of the clusters and associations will come out of the development of the strategies and action plans. We highlight below the types of support and assistance that the RADP will be able and expects to provide:

- Organization structure and functioning
- Information and information technology
- Information about coming policy changes under the EU
- Advocacy training
- Member services

Strong organizations are made up of strong members. The clusters and associations will be a main conduit of firm level training and assistance that RADP will provide, as for example:

- Product specific technical training
- Management training programs
- Quality and standards under the *acqui communautaire*
- Marketing, price information, etc.

These latter types of assistance are discussed more fully under Component 2 (Productivity) and Component 3 (Marketing). We highlight them here, since the identification of many of the needs and the specific assistance that RADP will provide will come from and through our work in strengthening clusters, associations and their firms.

Timing: Over the life of the project.

Key Result 1.3: Specific (Initial) Project Interventions Identified.*Activity 5: Strategic Plans are Turned into Action Plans*

Cluster and association strategic plans lay out the group's objectives, goals, and problems and constraints. Strategic plans also propose methods to promote the objectives and goals and identify possible means to overcome the constraints. The next step in the process, and one at which many organizations fall short, is to turn the strategy into an action plan. Who is the leader of each specific activity and issue? Who are the members of his team? What are the resources required and where will they come from? What are the steps needed to achieve the desired result? And what is the timetable and benchmarks to measure progress along the way? Although some of these steps could be included in the strategic plan, they generally are not. It is during this stage of prioritizing and action planning that roles are assigned, resources are allocated, and deadlines are set. This stage is also critical to the project as it will also identify areas where RADP assistance may be required. It is clear that RADP cannot and should not do everything. Project resources are limited and the projects and programs of other donors, the government and the cluster members themselves will be harnessed to support priority activities. Areas for specific cluster activities and RADP interventions will be determined at this stage. Activities will generally fall into the following larger groups:

- Cluster and association strengthening
- Technical issues/problems and constraints
- Marketing and market access issues
- Policy and regulatory constraints

Technical, marketing and policy constraints are dealt with under Components 2 and 3. Below we discuss the types of cluster and association assistance that RADP could provide.

Timing: March – June 2005

Activity 6: Strategy Implementation – Association Strengthening

Strategy and action plan implementation will be an on-going activity with the project providing assistance where needed. Below are activities and types of training and technical assistance that may be needed to strengthen the ability of clusters and associations to serve their members.

Information technology:

- IT equipment
- Newsletters and websites
- Market information
- Database creation (members, contacts, clients, resources)
- IT training

Advocacy training: using a learn-by-doing approach—see also Component 2 under policy:

- Defining the issue
- Identifying the key decision maker(s), opponents and allies
- Tactics: using the media; meetings, roundtables, and seminars
- Position and policy papers

Member services:

- Technical training
- Management training programs (accounting, business and market planning, costing and pricing, etc.)
- Quality and standards

Timing: June 2005 – on-going over the life of the project

Benchmarks for Component 1

- Benchmark 1.1: A minimum of four product groups identified and selected by March 30, 2005.
- Benchmark 1.2: Four clusters groups identified by March 30, 2005
- Benchmark 1.3: Agri-business Policy Analysis and Strategy submitted by March 30, 2005. (Also a benchmark under Component 2)
- Benchmark 1.4: Strategic plans for four clusters completed and submitted to the Mission by June 30, 2005.
- Benchmark 1.5: Cluster Program Implementation Plan submitted by June 30, 2005.
- Benchmark 1.6: Investment promotion action planned developed by June 30, 2005.
- Benchmark 1.7: Identification of possible activities to use SAPARD, PHARE, SAF and other funding mechanisms by June 30, 2005.

B. COMPONENT 2: INCREASED PRODUCTIVITY

Introduction and Approach

A major part of developing product competitiveness is the ability to produce at or near the lowest unit cost in a given market. Other factors, such as quality, timing, and marketing factors obviously can also influence competitiveness, but the ability to produce more at a lower cost – increased productivity – is a major determinant of how well a product or firm can compete in domestic or international markets. Increasing productivity, or price/cost competitiveness, is a major objective under RADP. Productivity is increased through a better or more efficient use of the factors of production. New technology, better utilization of existing resources, more efficient management and economies of scale are the means to lower these per unit costs and make Romanian agribusinesses more competitive. Consortium partner, the International Fertilizer Development Corporation (IFDC) will play an

integral role in the planning and implementation of activities aimed at improving productivity under Component 2.

Project resources and efforts will focus in three areas, or in seeking three key results which will enable us to increase productivity:

Key Result 2.1	Increased Investment in Agriculture
Key Result 2.2	Improved Business and Management Skills
Key Result 2.3	An Improved Policy and Regulatory Environment

Under Component 1 we indicated the expected timing of each activity. Many of the specific activities under Components 2 and 3 will not be determined until after cluster/association strategic plans are developed. Many of the activities discussed below will continue over the life of the project. Therefore it is not always possible to indicate a specific time period or duration for each activity.

Strategy

As we have noted before, the policy and business environment is an over-reaching factor and can impact both positively or negatively on cluster development, productivity or marketing. We could have a separate policy activity under each of the three components. However, we have grouped our planned policy activities under the Productivity component, because if the policy impacts negatively on association functioning or product marketing, it ultimately also affects the cost of the product by the time it gets to market.

Our strategy in improving product or sector productivity is two fold. We will provide direct assistance in some instances to our cluster and association partners, but at the same time we will strengthen the ability of other organizations in both the private sector (business service providers) and government agencies (extension for example) to deliver these same services. We do not want to crowd out new service providers who are starting to appear, as for instance consulting firms who now offer assistance in accessing SAPARD funds or those offering business development services (BDS). We will work through qualified private BDS providers to assist with training programs and strengthen others so that they may also participate. As part of this strategy, RADP sponsored training programs will not be free. Participants themselves will be required to fund at least part of the costs, so that they will begin to accept using BDS providers and see this type of assistance as a normal cost of business.

Key Activities

Activity 7: Identification of Private Sector Business Services Providers

An essential part of our approach is to use private sector business service providers as much as possible. We will develop a list of consultants and BDS firms not only in Bucharest, but also in project cluster areas. We will identify the services they provide and assess the quality of those services. Where needed, we will offer training programs to strengthen these firms and improve the quality of the services they provide.

Timing: December 2004 – March 2005

Key Result 2.1: Increased Investment in the Agricultural Sector

Although some firms, especially larger firms, are improving and modernizing their operations, many continue to use outmoded equipment and methods. We will use three interventions to increase investment: technical know-how, improved access to financing; and developing inter-firm linkages.

Activity 8: Facilitation of the Knowledge and Adoption of New Technology and Improved Methods and Techniques

- *Increase Technical Information Available for Focus Products.* As a first step, even before cluster formation is finalized, we will begin an assessment of the products and sectors to determine where the sector stands vis a vis international best practices. We will use sector specialists to meet with clusters and visit with firms, assess their operations, provide individual feedback, and lead workshops/discussions on where the sector stands compared to international best practices. Our preference is to use someone from a leading firm, (local, regional or international) to assist with these assessments and workshops. First preference would be to use a resident sector leader, such as Smithfield for the meat processing cluster in Timisoara or Cargill for the grain sector. Where these are not available we will seek experts from the private sector from regional or international firms. Our experience is that private operators are more willing to listen to someone from within the sector and a potential buyer than they are to a consultant. We will also assist in making relevant trade journals, industry newsletters and technical materials available to firms through the clusters and associations.
- *Technical Training on Improved Techniques and Technologies.* Based on requests from partners and on the needs identified in the strategic plans, the project will also develop and implement training programs in specific technical areas. Examples of the types of training that might be needed are:
 - Drip irrigation
 - Demonstration plots for improved varieties
 - New equipment demonstrations (meat processing, bottling, wood-working, etc. depending on the needs of the specific product/sector)
 - Better storage techniques to reduce losses
 - Etc.

During and after these training sessions, technical materials will be made available to participants as a guide to better practices and methods. These materials will also be made available on the project and other relevant websites to ensure as wide a distribution and awareness as possible.

- *Study Tours and Trade Shows (see also Activity 22)* Seeing is believing and there is no better way to make believers out of our partners, especially on technical, cost-saving issues than to have them visit trade shows and fairs, and well functioning private sector operations where the improved methods and

technology are in use. We will arrange visits to relevant sector trade shows, but link the tradeshow to visit firms in the same industry where the best practices and techniques are being used. We have already identified several trade shows around which we may be able to organize study tours for our partners. The actual trade show will depend on the purpose (as a study tour or to have a booth), the readiness of partners, and the timing of the show.

Fruit Logistica – Annual international fruit and vegetable trade fair in Berlin.
The Antalya Agricultural Fair – Annual high tech greenhouse fair in Antalya Turkey.

Fresh Summit – Leading fresh fruit and vegetable trade show. Atlanta, Ga.

VIV Europe 2005 – Animal production and meat processing. Utrecht, Netherlands.

INTERMOPO – Bi-annual international fair for dairy products. Dusseldorf, Germany.

MilkTech – Milk and dairy products annual show in Turkey.

ANUGA FOOD TECH – International Food technology fair in Cologne, Germany.

POLOGRA-FOOD – International Trade Fair for the food industry. Poland.

There are also numerous international and regional trade shows on a variety of agricultural and food industry specialties; vineyards and wines; wood products and furniture; as well as food industry shows in neighboring countries where Romanian firms may be able find new suppliers and customers. Final determination will again depend on the selection of products, clusters and industries; on the interest and readiness of our partner firms and associations and the timing of each particular trade show.

Note again, that we revisit the study tours and tradeshow when we speak about marketing and quality under Component 3.

- *Facilitating Buyer/Seller Co-Operatives.* Wherever possible we will look for win-win solutions and activities. A primary example is in the provision of inputs and the marketing of outputs. For many products, the sector is made up of a large number of small producers and a small number of large buyers and input suppliers. We will work with producers, such as for fresh fruit and vegetables, to pool their resources for the purchase of needed inputs, such as seed, fertilizer and equipment. At the other end of the production process, marketing cooperatives can also reduce market costs and facilitate sales by small producers to large buyers, as for instance a fruit and vegetable marketing cooperative selling to the supermarkets or to a processor. Producers benefit from lower input prices by buying in bulk. The input supplier also usually benefits from lower marketing costs. We realize that care must be taken in suggesting marketing or input co-ops as there continues to be mistrust of words like “cooperatives” based on the experience under communism.

- *Facilitating Contractual Buyer-Seller Linkages and Subcontracting.* Extension services are weak in the agricultural sector. One means to increase the availability of extension information is to facilitate linkages between processors and/or buyers on the one hand, and producers on the other. An example from the U.S. is the use of contract farming in the poultry industry. Large producers, in addition to having their own poultry operations, also contract out the raising of broilers. Small family run farms are contracted to raise 5,000 to 10,000 broilers. The large firm provides the inputs (day-old chicks, feed, medicines, etc.) and the technical know-how, in essence acting as a private sector extension service. The contracted farmer also receives a guaranteed price and market. We will explore the use of such contract farming within our clusters: milk supply and processors; vegetable farmers and wholesale or retail firms; herders and meat processors.

Activity 9: Assistance to Project Partners in Accessing Financing and Credit

In speaking with any firm or product association, almost the first problem identified is that of obtaining credit and financing. Whether for startup capital, expansion of existing facilities, operating capital or export financing, the lack of access to affordable credit is seen as a serious constraint to the development and growth of agri-businesses. We do not think that any one single means can solve the problem, particularly over the long run.

- *Donor Funding: SAPARD, PHARE, WB and Others* Donors, and in particular the EU, have made funds available to finance the development of the rural and agricultural sectors. Unfortunately, these funds are not being approved or used as rapidly as was hoped or planned. Although the SAPARD application process is complicated, the process is known. There are an increasing number of private consulting firms and consultants who now offer services in navigating the bureaucratic process. A second, perhaps more difficult problem, is finding co-financing (or actually total financing) before the SAPARD program begins reimbursement. At this point, without discussing SAPARD, and other donor financing opportunities with the Government, it is not possible to say exactly what assistance RADP will provide. During the initial phase of cluster formation, in talking with cluster firms and after discussions with the Government, we will have a better idea of how RADP will be best able to assist.
- *Increase access to commercial lending.* Commercial lending, particularly in developing countries, is not easy. It is even more difficult in the agricultural sector where normal business risks are heightened by the vagaries and uncertainty of the weather. Among the types of activities we may undertake are the following:
 - Seminars and workshops for bankers on lending services not currently available, such as export financing.
 - Link bankers with the clusters and have them lead a work shop of what banks expect when they receive a financing request.
 - Training (maybe even from bankers) on developing acceptable business plans and funding proposals.

- Explore with the Mission and the banking sector the option of using USAID's Development Credit Authority (DCA) as a means to lower commercial bank risk through a partial credit guarantee program.
- *Direct assistance in developing business plans and funding proposals.* Many firms do not have business plans. This is the first thing a bank, or a donor program such as SAPARD will ask for. We will provide direct assistance to partner firms to develop business plans and funding or investment profiles. This same training will also be provided through clusters and associations as a general tool to improve firm management and to make them more efficient. As noted above, we will also attempt to include representatives of the banking sector into this activity.

Again, we will take care not to crowd out business services providers which are appearing and offering business development assistance to private companies. We will encourage them, use them as our partners in RADP sponsored training programs and offer assistance to those who need to improve their training and business skills capacity.

- *Leasing.* Leasing is one alternative means of financing some capital equipment purchases. However, it is still not common and our initial investigations tend to indicate that it quite expensive. We will further explore leasing options and undertake an assessment of current leasing practices. We will also discuss with leasing firms, equipment dealers, and the commercial banking sector to determine if and how RADP may be able to assist.
- *The RADP Strategic Activities Fund (SAF).* The Project's Strategic Activities Fund (SAF) will also be available to provide funding to support cluster, sector or association activities through grants or subcontracting. The SAF will operate on a competitive evaluation and award system. Funds could be available, for example, to fund market studies, setting up a market information system, a sector product promotional campaign or for supporting the construction of a pilot cold storage or packing shed for a farmers' cooperative.

Activity 10: Facilitation of Linkages with Local and International Investors

Perhaps the best means of improving productivity is through the technology transfer that occurs when outside investors either invest directly in starting a business in Romania or by forming joint ventures with existing firms. By working on both sides of the equation, we will be able to identify those international agribusinesses, especially in the U.S., who are looking for investment opportunities and put them in contact with reliable Romanian firms who are looking for investors. We cannot provide due diligence for either party. But we can greatly facilitate the process. To promote these linkages we will:

- Through the Chemonics home office identify potential investors (from the U.S. and elsewhere) both those interested in direct investments and those looking for local partners.
- Arrange inward missions of potential investors, and facilitate their visits and meetings with appropriate government officials and private businesses.

- For local firms looking for outside investors, we will help them develop sound business and investment plans and prepare them for the types of questions, information, and documents that potential investors will require.

Activity 11: Development of Investment Information Materials.

It is important when potential investors come to Romania that they arrive and leave with the sense that Romania is serious about seeking investment. Potential investors must also be received in and leave with a sense of the professionalism of the government and of the business sector. One means of accomplishing this, and also as a means of promoting Romania as a good site for investment, is to improve the promotional and informational materials available to potential investors. If the government and the sectors with which we will work support this activity, we will assist in improving these materials. This work would be conducted through subcontracts to private consulting/marketing firms, possibly using SAF grants through sector organizations. Examples of some of these materials might include:

- Investor profiles of target sectors, describing in detail the sector – playing up the positive, but not hiding the negative: firms and associations, regional concentrations, laws and regulations, taxes and benefits, opportunities and constraints, etc.
- An investment guide – part promotional and part informational on investment opportunities in Romania.
- An Investor Roadmap – that details the procedures and processes necessary to start and operate a business in Romania (a Roadmap is also an excellent means to identify needed reforms in the process).
- Factsheets for in-coming investors, as for example:
 - An overview of the Romanian economy with trends in the macro indicators (interest and exchange rates, inflation, employment and growth)
 - An overview of trade sectors – major imports, exports, trading partners and trends.
- An overview of taxation, the legal business/commercial codes, labor legislation.
- Listings of key business and government contacts
- Reasons for investing in Romania – incentives and inducements, lower labor costs, access to EU and CEFTA markets, etc.

These promotional materials would also be made available on the RAPD website, other relevant websites and through the economic and commercial sections of Romania’s overseas missions.

Benchmarks

- | | |
|----------------------|--|
| <i>Benchmark 2.1</i> | One training program on a technology issue developed for each product cluster. September 2005 |
| <i>Benchmark 2.2</i> | At least one work shop held in each cluster on market demand and product demand characteristics. September 2005 |
| <i>Benchmark 2.3</i> | At least one study tour organized for one product group to |

	learn about technical and quality requirement in international markets.	November 2005
<i>Benchmark 2.4</i>	List developed of BDS suppliers in each project region.	March 30, 2005.
<i>Benchmark 2.5</i>	BDS firms assessed, training of trainers programs developed and at least one firms/consultants in each project area is provided training in business plan and funding proposal development and in assisting SAPARD applicants.	September 2005
<i>Benchmark 2.6</i>	Assessment and recommendations concerning opportunities in the leasing sector is completed.	March 30, 2005
<i>Benchmark 2.7</i>	Training program developed and presented to project partners in attracting and negotiating with potential partners.	July 2005
<i>Benchmark 2.8</i>	One inward mission organized for potential outside investors to visit Romania.	November 2005

Key Result 2.2: Enhanced Business and Management Skills of Agribusinesses

Firm cost competitiveness is also a function of the business and management skills of the firm. Prices, market demand, customer likes and dislikes can change rapidly. To compete, the individual operator needs the ability to adapt to changing conditions. Information, information technology and a sound knowledge of his/her own business are all essential if firms are to become and remain competitive. Moroccan spice farmers, for instance, now study current and futures prices before deciding which crops they will plant each year. Romanian farmers and agribusinesses are not yet at that stage, but they need to move quickly in that direction. Many of the types of training programs that we will offer will be identified as we finalize the products and clusters with which we will work and as the clusters and associations identify their own training needs during the strategic planning exercises. Below we list some that we already think will be needed based on our work and discussions over the past month and based on our implementation of similar projects elsewhere.

Activity 12: Technical Assistance and Training to Cluster/Industry Firms on Improved Business and Management Practices.

- *Developing Business and Marketing Plans*
- *Bookkeeping and record keeping*
- *Accounting and Finance*
- *Costing and Pricing*
- *Business and Product Information (Marketing) Materials*
- *Marketing*
- *Use of agents, distributors, or direct sales*

- *Negotiating*
- *Preparing for and Attending Trade Shows*
- *Getting Paid – Especially in Export Markets*
- *Client Relations*
- *Etc.*

Activity 13: Strengthening of Romanian Business Service Providers (see Activity 6). We hope to work through local BDS providers to provide much of the business and management training. We will also work with providers to strengthen them and improve their ability to provide reliable services. This training of trainers might include having a BDS firm attend a particular training session, first as an observer, then as a participant trainer until they are ready to go-it-alone.

Benchmarks

Benchmark 2.9 At least 2 training program/workshops presented in each cluster on improving business and management skills
October 2005

Key Result 2.3: An Improved Business, Policy and Regulatory Environment

Improving the policy and regulatory environment so as to facilitate the growing of businesses, their sales and exports is probably the most important factor in promoting Romanian competitiveness and also the most difficult to achieve. Research over the last few years has shown that it's not the incentives and inducement package that a country offers to entice investors to come that is the primary factor in FDI decisions. Obviously relative prices, input supplies and access provided to related markets are all important factors. More and more it is becoming clear that it's how easy it is to do business in a country that is becoming an important consideration in such decisions.

Activity 14: Development of an Agri-Business Policy Agenda.

Identification of important policy and regulatory constraints to agribusiness development will come through a variety of means: through meetings with individual firms, associations, and cluster members from both the public and private sector. On the sectoral or product level, a listing of the key constraints faced by firms in a sector will come out of our discussions with cluster firms and from their strategic plans. It will also be important to assess the macroeconomic environment and how it impacts on agriculture and agri-business. We have already started this process at the macro level with the assistance of our macroeconomic policy specialist. We will also need to consult with the government on the results of our business environment assessment and on the government's own priorities for policy and regulatory reform. It appears as if Romania has been fairly successful in transposing EU legislation on agriculture. It is also apparent that the country has not been as successful in implementing the new legislation and regulations. RADP may be able to play a central role in assisting the Government to make the laws, legislation, regulations and standards known to the private sector. Workshops, targeted seminars and training programs, technical materials and bulletins and

media campaigns may all be needed to inform the public and in particular agribusinesses about the requirements of the new policies. Issues will include topics such as sanitary and phytosanitary requirements, required inspections, food safety, labeling, animal health and treatment, etc.

Timing: December 2004 – March 2005

Activity 15: Prioritization of Policy Reform Needs.

Focus groups or roundtables will be used to help prioritize policy issues and will include both government and private sector representatives, as well as USAID. Since this work will be concurrent to finalizing product selection and cluster identification, these policy working groups will also be used as a means to foster the concept of public/private partnerships in increasing competitiveness. Inclusion of local and national government and agency officials in clusters will also be a means to promote this partnership.

Timing: March 2005

Activity 16: Implementation of the Project's Policy Reform Agenda.

Once we have submitted our agri-business policy agenda, discussed it with USAID, the Ministry, and project partners, we will develop our strategy for implementation. It is likely that a variety of different means and activities will be required, depending on the policy or regulation in question and the willingness and capacity of the Government or relevant agency to undertake the required reform. We list some indicative activities rated according to the ease or willingness/readiness of the agency to effect the desired change:

- Informational and media campaigns about new legislation, regulations and policies (should be no agency or government objections)
- Policy assessment and development of new policy options (fairly easy since no immediate action is required on the part of the government or an agency; however there could be political opposition to the ultimate reforms)
- Assistance in drafting new legislation/regulations (Government agrees to the need for the change)
- Assistance in training personnel in implementing new legislation/regulation (relatively easy if both the government and agency agree. Can be more difficult if the agency is not on board)
- Government does not agree to a specific policy change or is slow in responding to the concerns of the private sector. (will require private sector lobbying and advocacy – See Activity 6).

The range of policy issues that might emerge could be quite broad, given that we will be working in several sectors. Sector specific and national policy issues could include lack of adequate infrastructure and support services; sector/national tax policy; investment incentives; regulations that slow down, discourage or hinder investment; import and export procedures, etc. At the national level, the policy agenda might also include the need for a national investment, export or competitive strategy.

Timing: April – September 2005 (and over the life of the project)

Benchmarks

Benchmark 2.10 Project Agribusiness Policy Analysis completed and Project policy reform agenda and implementation strategy submitted
March 30, 2005

C. COMPONENT 3: MARKETING: INCREASED SALES AND EXPORTS

Introduction and Approach

Increasing productivity through investment, new technology and training described under Component 2 is only half the battle in making Romanian agri-businesses competitiveness. The other half is the need for firms to meet the demands of the market in terms of product type, quality, standards, and timing. Market demand today is no longer simply the tastes and preferences of the buyer. Today it also includes the increasingly strict legal and regulatory requirements on product quality, safety and environmentally sound production processes. In addition to consumer tastes and preferences and the regulatory requirements, our activities under Component 3 will also focus on teaching marketing skills and facilitating linkages between buyers and sellers and exporters and importers. There are three key results under Component 3:

- | | |
|----------------|---|
| Key Result 3.1 | Partner's Products Meet International Standards |
| Key Result 3.2 | More and Better Market Information Available and Utilized |
| Key Result 3.3 | Market Linkages Developed |

Final determination of the specific training programs, technical assistance to be provided, or trade shows to attend will be determined over the next several months as products, geographic areas to be covered and specific project partner firms and organizations are determined. Below we highlight the types of activities that we envision based on our preliminary meetings and discussion and our experience elsewhere.

Strategy

Even without the imminent entry into the EU, international trade is rapidly moving towards higher and stricter standards in terms of quality, safety, and environmentally sound production practices. If Romanian agriculture and agribusinesses are to compete, they must meet these standards. It is no longer a question of perhaps selling a product of a lower quality or standard at a lower price; it is now a question of market access. Those who do not meet the increasingly high standards will no longer be able to sell their products, whether internationally or in domestic markets. We will provide information and training to assist our partner firms to meet the legal regulations and international standards for their products.

There is also a second determinant of market success, and that is the ability and the necessity of meeting the tastes and preferences of consumers. Note the consumer in this case could also be a processor purchasing raw materials as well as the retail consumer. Although a product may meet all the legal requirements and regulations for health and safety, there is no guarantee it will succeed if it's the wrong size, the wrong shape, the wrong color or available at the wrong time. Therefore our second task in improving product marketing will be to teach our partners and help them "listen to the market". In addition to making more and better market information available to our partners, our approach will be to let the private sector, that is the buyers and the importers themselves provide much of the needed information. Although consultants have a role to play, it is our experience that firms will listen much better and follow the advice much more closely when it comes from an actual potential buyer. Therefore our approach will rely heavily on bringing together buyers and sellers, even before we attempt to "clinch a deal".

The final group of activities under the rubric of marketing is to facilitate linkages along the value chain domestically and to link potential foreign importers with domestic producers and processors. In the final analysis, the success of RADP will be measured by the results our partners achieve under Component 3, that is, the increase in sales and exports as a result of the assistance they receive in improving the policy environment, increasing productivity, and meeting quality standards and the demands of the market.

Key Activities

Key Result 3.1 Partner's Products Meet International Standards

This is a key component of the project and will focus on improving product quality, sector standards and ensuring that Romanian products meet international requirements. Again, many of the specific training needs and programs will be identified by the clusters and their members. Our early discussions with producer associations and individual firms have already identified key areas. Although a couple of meat processors have developed HACCP plans, only a few have received certification thus far. The grains sector is working on developing industry and country grading standards, but they would like assistance. A quick look at food product labels show that many do not meet international regulations as to format, content, or language.

Activity 17: Training in International Standards

Under Activity 17 we will focus on bringing Romanian agribusinesses up international quality, health and safety regulations according to EU and international requirements. Indicative types of training programs are listed below.

- *ISO Standards for quality and management*
- *Environmental standards*
- *Sanitary and phytosanitary standards and regulations, HACCP, etc.*
- *Animal health and welfare*

- *Laboratory accreditation and certifications*
- *Labeling*

Specific interventions will be industry or sector specific. For example although ISO management standards may cover all sectors, phytosanitary and HACCP requirements would target food products, drying standards would be an industry standard specific to wood products, and liability insurance may only be relevant for the hotel/tourism sector. Our objective is to assist firms to be compliant with EU and international standards.

Activity 18: Industry Standards and Best Practices

In addition to the legal and regulatory requirements above, there are also industry standards and best practices that we will share with cluster and association partners and their members through technical bulletins, technical assistance and training programs. Examples of some these may include:

- *Packaging: type, size, strength, etc.*
- *Post harvest handling*
- *Transportation and the Cold Chain*
- *Specific product/sector quality and grades and standards*
- *Setting industry standards*

Standards set by the industry, whether codified or not, are an important means of improving the quality and reputation of Romanian products. As an example, one problem cited by members of the wine industry is the mislabeling of wine by either year or vintage by some wineries. Such misrepresentation will ultimately hurt the entire industry. Therefore, if requested we will also provide assistance in developing industry product codes, codes of conduct and monitoring and enforcement mechanisms. As with the legal health and safety regulations, industry standards and best practices will be specific to each product, sector or cluster. Final determination of which specific types of training and assistance will be determined through needs assessments and during the strategic planning exercises.

Benchmarks

<i>Benchmark 3.1</i>	A quality and standards training agenda developed for each product/cluster	June 30, 2005
<i>Benchmark 3.2</i>	One or more bulletins or factsheets on an international/EU standard on quality, health, safety, etc. developed for each focus product/sector.	September 2005
<i>Benchmark 3.3</i>	At least one training program/workshop presented on product quality/safety/health standards in each cluster.	October 2005

Key Result 3.2 More and Better Market Information Available and Utilized

In the introduction and under Component 1, we indicated that international markets and standards will be a prime litmus test for the products and sectors we will select. It is the quality and standards of outside markets that will greatly determine whether Romanian agribusinesses will be able to compete not only in export markets, but also in domestic markets once trade is completely open to outside competition. It is critical for domestic producers, particularly those who are currently exporting or plan to export, to know and to understand how international markets work, how to find and interpret market prices, and understand the tastes and preferences of the consumer, whether it's the retail consumer of cheese, the intermediate buyer of wood, or the processor purchasing raw materials.

Activity 19: Rapid Market Surveys and Product Appraisals (see also Activity 1)

As part of our initial assessment of which products and sectors we will work with, we indicated that we will investigate likely regional and/or international markets to help us determine the likely competitiveness of Romanian products but also to determine in what areas (price, quality, standards, product types) improvement would be needed. The same rapid appraisals will be used to provide initial market information to our partners. Short market bulletins will be developed from these rapid surveys which will provide our partners with the basic information on products comparable to their own in these markets. The information in these bulletins will include:

- Wholesale and retail prices (point in time and time series, where available)
- Seasons and seasonality
- Product types (e.g. size and variety for F&V)
- Current sources of the product in the market (domestic, imported, if imported – from where)
- Distribution channels in the importing markets
- Minimum shipments and packaging requirements
- Import procedures and regulations
- Relevant contacts: importers, wholesalers, distributors, retailers, relevant government agencies, transporters, etc.

Activity 20: Institutionalization of a Market Information System(s)

There appears to be strong interest among private agribusinesses for the creation of a market information system. On such questions as to how such a system would be set up, who would maintain it and have access to it, there is much less agreement. Market information is also a priority of the Ministry and at least the planning stages have received funding at various times through the World Bank (Agricultural Support Services Project) and PHARE. It will be important to find out why these earlier attempts have not been successful. Our immediate interest under RADP is to see that market and technical information are available to our partner firms in the various sectors. We will wait until our products and clusters have been selected so that we can work with producer groups and associations to decide what information is needed, by whom, in what form and how often. One option would be that a producer association might take on the responsibility for collecting and disseminating such information to its members. Another might be to assist a

private firm set up a system that would be financed through subscriptions. Whatever mechanism is finally chosen, we will want to make certain it is sustainable after the project.

Activity 21: Firm and Product Assessments.

Although technical assistance and the types of training programs will be identified during individual visits with firms and during the strategic planning exercises, we will also assist partners to assess their own competitiveness from a business and a product perspective. The Project's Business Development Specialist will work with firms to identify needs in terms of business skills and management. Sector and product specialist will assist in conducting assessments of production processes, quality and standards. Our preference is again, to use the private sector to assist with these assessments. Firms listen better when it is a potential buyer who is evaluating his product or process. As an example, we may ask one of the buyers from Carrefour or NIC or one of the other hypermarkets to participate in a workshop and visit the operations of fruit and vegetable growers so that our partners can learn first hand what a potential buyer is looking for. Wherever possible we would like to link activities such as buyers tours with these product assessments. In the tourism sector, familiarization trips (FAMs) are a good way to introduce Romania as a tourist destination, by bringing in a group of tour package operators from other countries to visit Romania's agro-resorts. At the same time that the FAM group is visiting the resorts, we would ask them to provide an assessment of each resort they visit in terms of accommodations, food, service, transportation, price, promotional material, etc. so that the resort owners will get immediate feedback from experts on what needs to be improved. During this type of "buyers tour" those who are ready for sales may make direct contacts and sales. Those firms and products that are not quite ready will know what areas are in need of improvement.

Activity 22: Study Tours and Attendance at Trade Shows (See Activity 8).

Perhaps the best way to show our partners what is demanded in the market is to take them to the market. Trade shows for individual products or product types is perhaps the easiest way to show participants what the market is demanding in terms of product type, size, color, and quality. Trade shows also point the direction that tastes and preferences are going. In addition, our participants will be able to meet and talk to a variety of buyers, sellers and see new products. Some may form direct linkages with buyers of their product or sellers of a needed input. For those with little or no experience with international trade and exports, the first trip may be as a study tour – to see first hand what it will require to compete. During these study tour visits to a trade show (as opposed to participating) we will also arrange meetings with key sector participants and experts to talk about the market, products, what buyers are looking for and how the markets work. We will combine a visit to a regional or international trade show with visits to factories to see the latest equipment in operation and how an efficient factory or operation is run.

For the more advanced firms and perhaps for those who participated in an initial study tour, the Project will also assist qualified firms to participate in trade shows – that is to show their own products. Participation in such shows is not an easy task and takes advance preparations of up to a year: targeting the right product; development of firm and product promotional materials; product, firm and/or country

information; displays and booth construction; determining and contacting key potential clients beforehand; samples; media coverage, etc.

Some of Romania's products and our partner firms may be ready for their own shows and the project could provide assistance in planning, organization and implementation: a wine tasting show in Romania with invitations to regional and international buyers; a roadshow for small wine tasting presentations or tourism exhibitions to several cities in the U.S. All are ways we will explore to get Romanian products known – in retailing, the saying is “unknown is unsold”. International trade shows and smaller sector events are ways to get the information out and to assist our partners make the contacts necessary to increase their sales.

Benchmarks

Benchmark 3.4 Rapid market surveys completed in 3 markets for project focus products/sectors and other Romanian products offering potential. June 2005

See also Benchmark 2.3

Key Result 3.3 Market Linkages Developed

Activity 23: Facilitated Transactions and Deal-Making

Many of the activities discussed above have also dealt in part with linking Romanian firms, either with investors, buyers or input suppliers. More and better market information, business contacts, trade shows, etc. are all good means to help develop market linkages. We will also take a more direct approach in promoting and cementing these linkages. In the U.S., the RADP Project Manager will identify potential investors and importers, who may have interest in Romania and Romanian products. We will target these firms, develop materials to promote Romania and Romanian products and foster direct linkages with partner firms here. We will assist our partner firms in developing the needed skills to market and sell themselves, their firms and their products and bring them together with the potential buyers and investors we identify. We cannot provide due diligence for either side, though we can assist our Romanian partners in learning how to do their own investigations, how to protect themselves in contractual arrangements, how to negotiate and hopefully assist them to make the deal.

Within Romania we will also facilitate transactions between buyers and sellers, producers and processors, and investors seeking investment opportunities or joint ventures. The Project's Partnership Specialist will take the lead on this, but all Project personnel will participate in this activity. When necessary we will also contract with local consulting firms and marketing specialists to help identify potential buyers, investors, and processors and help link them up with sellers, joint venture partners and producers.

Benchmarks

Benchmark 3.5 One Trade Mission organized for potential buyers and importers to visit Romania to see Romanian products and meet with producers, processors and exporters.
November 2005

D. Project Management

Project management is an integral part of RADP and of the work of the three components. Chemonics has developed well defined operational policies and procedures, information-sharing mechanisms and monitoring and reporting systems. To ensure that the technical and administrative functions of RADP are efficient and provide the proper support, we will undertake a number of management training sessions and events over the first several months of the project.

Activity 1: Accounting and Administrative Training

For all Chemonics projects, a member of the home office Accounting Department visits the field office soon after project startup to help set up our administrative systems and provide training to the project administrative staff in filing, home office – field communications, payroll, approvals, etc. The Project Accountant will also receive training in Chemonics and USAID accounting requirements and procedures, including purchasing, payroll, required supporting backup justifications, spending limits, petty cash, bank transfers, and reporting procedures.

Timing: January 2005

Activity 2: SAF Procedural Manual and Staff Training

The Strategic Activities Fund is an important part of the RADP technical assistance program. It is important to set up the proper guidelines and procedures to ensure that the fund is used properly and efficiently. The Chemonics home office will help the RADP SAF Coordinator, Doina Cindrea, to develop a Grants Manual specific to Romania and the project. The manual will detail the guidelines for how the fund may be used, funding criteria, proposal requirements, bidding procedures, selection committees and selection criteria, project and USAID approvals, and monitoring and evaluation. A member of the home office will also visit Romania to provide training to the Grants Coordinator and the Project Accountant who will oversee the fund.

Timing: First quarter of 2005

Activity 3: Project Monitoring Plan (PMP)

In our proposal we developed an initial project monitoring plan with illustrative indicators and targets. Over the next several months, as the project team develops a better idea of the problems, constraints and possibilities, we will refine the indicators, begin to collect baseline information based on the products, clusters and firms with which we will work; and develop targets to help us monitor implementation and measure impact. Project staff and partners, including cluster representatives, association firms, and USAID will be involved in the process. It is important that all involved in the project develop a common understanding of the indicators and targets and what we all hope to achieve.

Timing: January – June 2005

Activity 4: Communications Strategy

Communications are an important part of any project and they will figure as an integral part of our technical and management approach. Communications between the project and our industry partners, firms and associations are extremely important so that all involved know what activities will occur, for whom and when. A project website, a newsletter and group emails may be means we will want to use to keep everyone informed. Outside of the normal reporting requirements, it is also important to develop mechanisms to keep the Mission informed of project events and to communicate success stories and best practices. Finally, project clusters, associations and at the industry level, there is a need for strategies to keep members informed about events of interest to the particular sector. A home office communications specialist will assist us in developing an effective communications strategy.

Timing First quarter of 2005

Activity 5: Team Building Exercise

The RADP is composed of a variety of components, all of which can be complex. When fully constituted, the project staff will be quite diverse, bringing together a group of persons with very different technical skills. In addition, the approach of a cluster/competitive project is relatively new, especially to Romania. To ensure proper functioning of the project, it is important soon after project startup to have a team building exercise, so that team members can get a better understanding of the project and the important role that each will play. A facilitator from the Chemonics home office will assist with the team building exercise.

Timing First quarter of 2005

Benchmarks

Management 1 Accounting and Administrative Training presented
January 2005

<i>Management 2</i>	SAF Procedural Manual Developed and SAF Coordinator and Accountant trained.	1 st Quarter 2005
<i>Management 3</i>	PMP developed and submitted to USAID	June 30, 2005
<i>Management 4</i>	Project Communications Strategy Developed	1 st Quarter 2005

ANNEXES

Annex A

Donor Programs and Projects in Support of Agribusiness Development

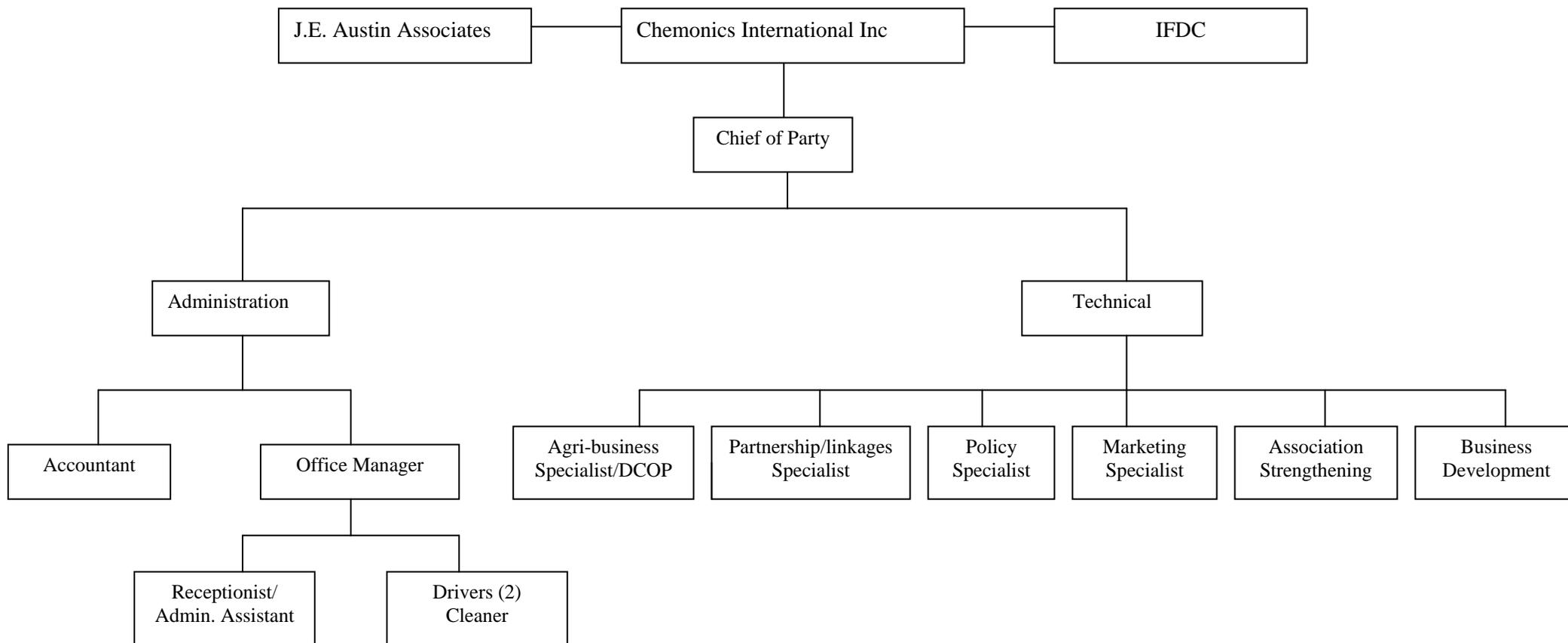
Project	Donor	Activity	Timing
Water User Association Development Project (WUADP) -	USAID	Irrigation rehabilitation and association strengthening.	2001 - 2005
Romanian Agribusiness Development and Policy Support Project (ADAPS) -	USAID - USDA	TA and training for policy reform. Investment/export linkages.	2002- 2006
Financial Markets Reform in Romania -	USAID	Supports sustainable development of capital markets	2001- 2006
Support to Enhance Privatization, Investment and Competitiveness in the Water Sector (SEPIC)	USAID	Environmental and pollution control industrial and agricultural sectors	2003 - 2006
Enterprise Development and Strengthening (EDS)	USAID	MSME strengthening using cluster approach	2002 - 2008
Social and Economic Cohesion Fund	PHARE	Grants for regional infrastructure and HRD	2002-2007
Seed Processing Facility Project	Embassy of Japan	\$80,000 for the construction of communal seed processing facilities.	duration unknown
Cooperative Development Program (JICA)	IDACA	Drafting new cooperative law; TA and training for the development of agricultural cooperatives.	
Country Strategy: Agribusiness	EBRD	Promotion of commercial lending to agribusiness SMEs, commodity-based financing, work jointly with the USDA Warehouse Receipts Program. They invest in projects worth a minimum of 24 million euro.	No terminal date.
Horticultural Chain Development in Romania	Holland	Support to the horticultural sector.	To begin in 2004
Pig Integration - Brasov	Holland		ends 2004
Establishment of Practical Training and Advisory Center	Holland		2002 - August 2007
Enterprise Information Portal - ISDC	Holland		2002 - 2004
Joint venture for production and marketing of organic bee products	Holland		2003 - 2007
Development of market-oriented supply chains for fruits and vegetables	Holland	Establishment of a Task Force for agricultural cluster development	2003 - 2006
Agricultural development of cherry and berry cultivation in Bacau region	Holland		2003 - 2007
Getting connected to European Markets	Holland		2003 - 2007
Strengthening and development of capacity to enforce the phytosanitary acquis	PHARE	Transposing the acquis communautaire and institutional strengthening to support implementation	2003 - 2005
Bovine identification and tracking system	PHARE	Developing and implementing the nation-wide bovine animal Identification and Registration System	2003 - 2004
Animal disease and feeding	PHARE	Regulations, monitoring, and border inspections of animal feeds and waste management	
Integrated Administration Control System (IACS)	PHARE	Designing the IACS to meet Romania accession requirements	2004 - 2006
Strengthening of Ministry of Agriculture to adopt the phytosanitary acquis	France +Dutch	Establishing and building of Border Inspection Laboratory	
Veterinary sector	Holland	Support to adopt the acquis communautaire in Veterinary sector	
National Plan for Agriculture and Rural Development	PHARE	Institutional strengthening to implement National Plan for Agriculture and Rural Development	Starting in 2005
Food Quality	PHARE	Reinforcement of Agri-Food Quality Control Systems	Starting in 2005
Farm Consolidation	PHARE	Prepare the institutional and legal framework required for EAGGF subsidies; foster increase in economies of scale in agri. sector.	2005-2006
Strengthening the capacity to manage the veterinary acquis	PHARE	Strengthening ability for surveillance, prevention, and diagnosis of animal disease..	Starting in 2005
Wine	PHARE	Harmonization of legislation and strengthen the capacity to manage the acquis on wine	Starting in 2005
Bovine identification and registration	PHARE	Developing and implementing the nation-wide bovine animal Identification and Registration System	Starting in 2005
Support for Agricultural policy and Co-ordination	PHARE		Starting in 2005
Agricultural Pollution Control Project	World Bank	The objective of the project <i>is to reduce pollution from agricultural sources in Romania to the Danube River and</i>	2002-2007

		<i>Black Sea.</i>	
Biodiversity Conservation Management	World-Bank	Developing and implement protected area management plans	1999-2004
Agricultural Support Services Project	World Bank loan	(i) Applied Research and Extension (ii) Institution Building	2000-2005
Romania Forest Development Project	World Bank loan	Sustainable management of forest resources	2003-2009
Irrigation Rehabilitation Project	World Bank loan	Sustainable and equitable use of irrigation water for agriculture production.	
Rural Development Project	World Bank loan	Improve capacity of local administrations to undertake socially, economically and technically viable investments.	
Rural Finance Project	World Bank loan	Increase rural access to financial services	2002-2006
Modernizing Agricultural Knowledge and Information System (MAKIS) Project	World Bank loan	Improve competitiveness of farmers and agro-processors through: better inspection control; improved capacity of research, extension, and food safety specialists; increased access to technologies for production, quality control, food safety, processing and marketing.	Starting in 2005

ANNEX B**RADP Reporting and Task Order Year 1 Deliverables**

<i>Deliverable:</i>	<i>Date:</i>
Draft Year 1 Work Plan	November 30, 2004
Proposed format for Quarterly Reports	December 31, 2004
First Quarterly Report due (technical and financial)	January 15, 2005
Agribusiness Policy Analysis	March 30, 2005
Semi-Annual Performance Report (2 nd Quarterly report)	April 15, 2005
Identification of Product Clusters	March 30, 2005
Cluster Program Implementation Plan (cluster strategies and work plans)	June 30, 2005
3 rd Quarterly report	July 15, 2005
Project Performance Monitoring Plan	June 30, 2005
Cluster Program Implementation Plan	June 30, 2005
Annual Report	October 15, 2005

ANNEX C Project Organigram¹



¹ We are reviewing the configuration of Project technical staffing in the light of possible budgetary constraints or a possibly expanded policy component and as we identify clusters/sectors.

ANNEX D

Summary
Year 1 Benchmarks by Project Component

Component/Key Result	Benchmarks	Target Date:
<i>Component 1: Strengthened Clusters and Associations</i>		
KR 1.1 Focus Products, Associations and Clusters Identified	1.1 A minimum of four product groups identified and selected	March 30, 2005
KR 1.2 Clusters and Associations Develop Strategic and Action Plans	1.2 Four cluster groups identified	March 30, 2005
KR 1.3 Specific (Initial) Project Interventions Identified	1.3 Agribusiness Policy Analysis and Strategy completed	March 30, 2005
	1.4 Strategic Plans for four clusters completed	June 30, 2005
	1.5 Cluster Implementation Plan completed	June 30, 2005
<i>Component 2: Increased Productivity</i>		
KR 2.1 Increased Investment in Agriculture	2.1 One training program on a technology issue developed and presented to each cluster	September 2005
KR 2.2 Enhanced Business and Management Skills of Agribusinesses	2.2 At least one workshop held in each cluster on market demand and demand characteristics	September 2005
KR 2.3 Improved Policy and Regulatory Environment	2.3 At least one study tour organized for one product group to learn about technical and quality requirements in international markets	November 2005

		2.4 A list developed of business development services providers (BDS)	March 30, 2005
		2.5 BDS firms assessed, training of trainers programs developed and at least one firm/consultant in each project area is provided training in business plan and funding proposal development and in assisting SAPARD applicants	September 2005
		2.6 Assessment and recommendations concerning opportunities in the leasing sector is completed	March 30, 2005
		2.7 Training program developed and presented to project partners in attracting and negotiating with potential investors	September 2005
		2.8 One inward mission organized for potential outside investors to visit Romania	November 2005
		2.9 At least two training programs/workshops presented in each cluster on improving business and management skills	October 2005
		2.10 Agribusiness Policy Analysis completed and project policy strategy submitted.	March 30, 2005
Component 3: Marketing: Increased Sales and Exports			
	KR 3.1 Partner's Products Meet International Standards	3.1 A quality and standards training agenda developed for each product/cluster	June 30, 2005
	KR 3.2 More and Better Market Information is Available and Utilized	3.2 A bulletin or factsheet describing one standard on quality, health, safety, etc. developed for each focus product/sector	September 2005
	KR 3.3 Market Linkages Developed	3.3 At least one training program/workshop presented on product quality, safety, or health standard in each cluster	October 2005
		3.4 Rapid market surveys completed in 3 markets for focus products/sectors and for other Romanian products which may have export potential.	June 2005

		3.5 One trade mission organized for potential buyers and importers to visit Romania to see products and meet with producers, processors and exporters.	November 2005
	<i>Project Management</i>		
		1 Accounting and Administrative Training presented	January 2005
		2 SAF Procedural Manual Developed and SAF Coordinator and Accountant trained.	1 st Quarter 2005
		3 PMP developed and submitted to USAID	June 30, 2005
		4 Project Communications Strategy Developed	1 st Quarter 2005

ANNEX E: YEAR 1 ACTIVITY TIMELINE

COMPONENT/ACTIVITY	2004			2005											
	Oct.	Nov	Dec	Jan	Feb	Mar	Apr	May	Je	Jl	Aug	Sept	Oct	Nov	Dec
<i>Project Startup</i>	■														
Component 1: Strengthened Clusters and Associations															
<i>1. Product Competitiveness Diagnostic</i>			■												
<i>2. Cluster Identification and Formation</i>			■												
<i>3. Development of Cluster and Association Strategies</i>				■											
<i>4. Cluster and Association Strengthening</i>						■									
<i>5. Strategic Plans are Turned into Action Plans</i>									■						
<i>6. Strategy Implementation</i>											■				
<i>Denotes an on-going activity:</i> ■ . ■ . ■ . ■															

Component 2: Increased Productivity																			
<i>7. Identification of Private Sector Business Services Providers</i>																			
<i>8. Facilitation of the Knowledge and Adoption of New Technology and Improved Methods and Techniques</i>																			
<i>9. Assistance to Project Partners in Accessing Financing and Credit</i>																			
<i>10. Facilitation of Linkages with Local and International Investors</i>																			
<i>11. Development of Investment Information Materials</i>																			
<i>12. Technical Assistance and Training to Cluster Firms on Improved Business and Management Practices</i>																			
<i>13. Strengthening of Romanian Business Service Providers</i>																			
<i>14. Development of an Agri-Business Policy Agenda</i>																			
<i>15. Implementation of the Project's Policy Reform Agenda</i>																			

Component 3: Marketing – Increased Sales and Exports														
16. <i>Training in International Standards</i>													■	■
17. <i>Industry Standards and Best Practices</i>													■	■
18. <i>Rapid Market Surveys and Product Appraisals</i>				■	■	■	■	■	■					
19. <i>Institutionalization of a Market Information System</i>									■	■	■	■	■	■
20. <i>Firm and Product Assessments</i>				■	■	■	■	■	■	■	■	■		
21. <i>Study Tours and Attendance at Trade Shows</i>									■	■	■	■	■	■
22. <i>Facilitated Transactions and Deal-Making</i>									■	■	■	■	■	■
PROJECT MANAGEMENT														
1 <i>Accounting and Administrative Training</i>				■	■	■	■	■						
2 <i>SAF Procedural Manual and Staff training</i>									■	■	■	■	■	■
3 <i>PMP development</i>				■	■									
4 <i>Project Communications Strategy Development</i>														