

Answers to the Questionnaire for the Preparatory Study of
The Development of Agricultural Cooperative System in Romania

Answers to the Questionnaire

1. Answers of Yes-No questions

Evaluation component		Questions and Answers	■ Yes	▨ No answer	■ No
Implement- -ation Process	Training in Japan	1. Did you participate in <u>training in Japan</u> ? (Y (22) , N (0))	1		
		2. Was the training <u>effective</u> ? (Y (22) , N (0))	2		
	Technical transfer	3. Do you think that you could <u>learn satisfactorily</u> through the past cooperation with Japan? (Y (22) , N (0))	3		
	Work stability	4. Do you think that you can <u>work</u> to support cooperatives for <u>long time</u> ? (Y (21) , N (0))	4		
	Input	5. Can the Romanian side shoulder <u>travel allowances</u> of staff for the Project? (Y (2) , N (5))	5		
	Farmers' feeling	6. Do you think that you can <u>convince farmers</u> of cooperatives' merits? (Y (20) , N (0))	6		
	Bad/good factors for the Project	7. Are there any <u>problems</u> hampering the implementation of the Project? (Y (17) , N (1))	7		
Relevance	Beneficiaries' needs	8. Do you think that the Project accord to <u>farmers' needs</u> ? (Y (22) , N (0))	8		
	Your needs	9. Do you think that the Project accord to <u>your needs</u> ? (Y (20) , N (0))	9		
	Policy	10. Do you think that the Project (or support to cooperatives) accord to the <u>policy</u> of Romania? (Y (20) , N (0))	10		
		11. Are there any <u>concrete systems</u> or <u>subsidies</u> proposed to support agricultural cooperatives strengthening? (Y (12) , N (7))	11		
Synergy	12. Can you expect <u>synergy</u> effect on the Project with other donors' support? (Y (14) , N (5))	12			
Efficiency	Abroad training	13. Do you think that <u>training in Japan</u> is more effective than training in Europe? (Y (19) , N (0))	13		
Impact	Bad and good factors	14. Are there any <u>problems</u> hampering cooperative promotion in the <u>long run</u> ? (Y (16) , N (5))	14		
	Other multiple effects	15. Will cooperative movement be <u>prevailed</u> to nationwide? (Y (12) , N (6))	15		
		16. Are there any other <u>positive</u> or <u>negative</u> impacts prospected because of the Project? (Y (7) , N (9))	16		
Sustaina- -bility	Institutional & financial stability	17. Will ANCA have enough <u>capacity</u> to support cooperative promotion after the Project period? (Y (11) , N (9))	17		
	Policy	18. Will the Romanian policy support cooperative promotion in the <u>long run</u> ? (Y (19) , N (0))	18		
		19. Do you think that the Romanian government will provide enough <u>legal systems</u> and <u>budget</u> for cooperative promotion? (Y (15) , N (7))	19		
	Gender	20. Do you think that farmers' groups have enough members of <u>female</u> and <u>youth</u> to activate and sustain their activities? (Y (3) , N (9))	20		
	Bad and good factors for the sustainability	21. Are there any <u>problems</u> hampering the <u>sustainability</u> ? (Y (4) , N (8))	21		

2. Answers of descriptive questions

* A.C. ; agricultural cooperative

Evaluation component		Questions and Answers
Implement- ation Process	Training in Japan	<p>1. What you learned in Japan (Y (22) , N (0))</p> <ul style="list-style-type: none"> -Development of A.C. -Distribution of agricultural productions -Management and marketing -Organizing A.C.s and business system (-The role of A.C.s playing in rural development (-Farmers purposes may be materialized only in associated form. (-Business promotion in an integrated manner by cooperatives
		<p>2. Utilization of training result (Y (22) , N (0))</p> <ul style="list-style-type: none"> -How; in the consulting work -What; development of cooperative ideas (principles, objectives, activities developed, types of coops, economical/ financial aspects), knowledge of time management, with education material (-I'm not using the knowledge about A.C.s in my work (at present).
	Technical transfer	<p>3. Output of technical transfer (Y (22) , N (0))</p> <ul style="list-style-type: none"> -How; through training, advisory, consulting -What; to register, to promote cooperative law, to propose a new training courses, to promote Japanese experience, to convince farmers, to establish a pilot cooperative, to implement the policy of the Ministry -The Japanese course and the regular meetings with Japanese experts in Romania have played a very important part in the assimilation of information. I cannot set up A.C.s without support as the economic and social environment currently presents some disfunctions.
	Work stability	<p>4. Work stability and difficulties (Y (21) , N (0))</p> <ul style="list-style-type: none"> -Difficulties; many other activities, unstable working place, no material, transport and finance, farmers' conservativeness -Not included in my present duties (transferred) (-Difficulties; small size dispersed farms, no proper distribution system, farmers mentality, difficult access to credit, lack of know-how regarding efficient use of land, poor processing facilities, lack of proper accounting system
	Input	<p>5. Budget (Y (2) , N (5))</p> <ul style="list-style-type: none"> -It is the domain of our Accounting Department. -Discussions required with head officials among MAFDR and ANCA, or the Romanian party must act on a central level to fundament the legal background, for finances from the state budget, for all expenses incurred by the implementation of the project. -The budget of the public institutions is limited for traveling expenses and the means of transport are very few with a normal quota of 150 Lei/ month. This thing can be decided only at a central level by opening a separate financing line from the state budget with special destination for the project development. The financing source must include the entire general expenses for applying the project, not only the transport expenses.
Farmers' feeling	<p>6. Farmers' feeling, possible difficulties (Y (20) , N (0))</p> <ul style="list-style-type: none"> -Difficulties; the bad experience of farmers in the past cooperative ideas, deficit resources like finance and machineries, farmers' conservative ideas, land disputes (1 M trials), -In my area, I don't have such mental problems. -Enlargement of the consultant networking, stability of the working place 	

	Bad and good factors for the Project	<p>7. Possible influence for implementation (Y (17) , N (1))</p> <p>-Bad; low financial possibilities from farmers, insufficient number of consultant, farmers' mentality (past experience, conservativeness, irresponsibility), farmers elderliness, inappreciation for A.C.s and consultancy work, lack of machineries, legislative background and governmental support</p> <p>-Good; support of JICA, good material bases, the law of A.C., EU accession, valuable specialists, young people that with to get a way of life from agriculture along with the old people, the power of giving examples</p>
Relevance	Beneficiaries' needs	<p>8. Beneficiaries' needs (Y (22) , N (0))</p> <p>-Farmers demand for outside help, technical expertise transfer, profitability, improve yields, facilitating; sell products, buy inputs, access to financial resources</p> <p>-But they are not fully aware of this.</p> <p>(-Through associations small scale fruit and vegetable producers may find links to supermarkets.</p>
	Your needs	<p>9. Your needs (Y (20) , N (0))</p> <p>-Training, experience, exchange with Japanese cooperative, logistics, subsidies, information and grants, financial support, material resources, to draw the logical framework for Romanian A.C.s promoting, involvement of the Japanese experts</p>
	Policy	<p>10. Policy support (Y (20) , N (0))</p> <p>-The law of cooperatives, L.566/04</p>
		<p>11. Supporting system (Y (12) , N (7))</p> <p>-Positive; the law of A.C. provides many facilities including tax exemptions, Measure 3.2 of SAPARD program regarding support of groups of producers,</p> <p>-Negative; No, if there is anything at the level of the county, it wasn't made public for the experts to find out about it, or measures at a central level have to be taken so that the success of this project to become guarantee, insufficient enough to support A.C.s, especially for marketing</p>
	Synergy	<p>12. Synergy effect with other schemes (Y (14) , N (5))</p> <p>-I don't have the knowledge.</p> <p>-SAPARD, PHARE</p> <p>-Yes, the decision in this sense belongs only to the higher authorities that can hire new programs and direct the resources of any kind to this purpose.</p>
Efficiency	Abroad training	<p>13. Training in Japan (Y (19) , N (0))</p> <p>-Because the Japanese cooperative system is developed, experienced, positive and unique. Training is complete with necessary data, theory, field visits and links among governments, A.C.s, banks, schools, etc. Japanese experiences show important role of A.C. in development of rural economy, permanent models for all countries, and business under limited resources like small area of land.</p> <p>-The training course in Japan synthesizes the steps taken by the Japanese farmer in developing the activity, in the benefits brought by this organizing system in changing the mentality for the production at standards, very high level of quality and quantity.</p> <p>(-There were some tries in the cooperative organizations in Romania, this process was interrupted by the collectivism of agriculture.</p>
Impact	Bad and good factors	<p>14. Bad and good factors (Y (16) , N (5))</p> <p>-Bad; poor marketing system, farmers' mentality and lack of knowledge, lack of commercial orientation, poor quality of products, lack of information, lack of consultant network, lack of methodological norms for the A.C. law, few experts</p> <p>-Good; the law facilities for moments, favorable physical environment (soil and climate) for agricultural produce, extensive availability of low cost labor, harmony with Acquis, youth receptivity, wish to change, to associate, to produce better and more for the profit and safety</p>

	Other multiple effects	<p>15. Multiple effect (Y (12) , N (6))</p> <ul style="list-style-type: none"> -Negative; farmers' mentality, difficult and long process, -Positive; agricultural policy in Romania, many other facilities for the farmers, support small and medium size farmers, EU's requirement for group support, mental change, more support from EU and Japan, possibility of favorable environment, inevitable move towards market economy <p>16. Possible impact (Y (7) , N (9))</p> <ul style="list-style-type: none"> -No, for the moment -Positive; the impact would be positive if it would be implemented in larger area. -Negative; there haven't been given laws which could facilitate and support the producers from the cooperatives.
Sustainability	Institutional & financial stability	<p>17. Institutional & financial stability (Y (11) , N (9))</p> <ul style="list-style-type: none"> -Negative; finance, no material support, lack of consultant network to the county level, poor structure of personnel, lack of legislative environment, few trained personnel -Positive; good professionals
	Policy	<p>18. Long-term policy support (Y (19) , N (0))</p> <ul style="list-style-type: none"> -I don't know. -Negative; -Positive; profitability of the farmers, importance of all associative forms, competitive agriculture in future, EU accession support for agri-food sector, -Agricultural growth is a main pillar in the economical development (-Yes, I am optimist. (-The conclusion is that only by cooperatives the agriculture can show performance and profit. <p>19. Legal system & financial support (Y (15) , N (1))</p> <ul style="list-style-type: none"> -Negative; No, not yet, but I hope. -Positive; the new government's agricultural policy support for the farmers in the small and big organization, for profitableness and advantageousness, the EU-Romanian integration and performance agriculture requests a good law system and an adequate budget in order to create a cooperative. (-If the A.C. will develop and lead to agriculture business system development, then society will become wealthy, industrial economy will follow the agricultural economy development.
	Gender	<p>20. Gender (Y (3) , N (9))</p> <ul style="list-style-type: none"> -We don't have the statistical data regarding the numbers of female and young farmers. -Negative; No, 10-15%, young people and women are implicating in other domains of activities, no, 45% female, 10-15% youth, the income from agricultural products is very low. -Positive; involvement of youth, women 55%, youngsters 20% -There are enough supporters among women, but not enough among young people, because there were no tries to attract them to this sector of activity, although many of them have no job at the moment. -Women are in a very large number but the Romanian state should encourage the attraction of the working power towards the round people to agriculture by creating special facilities. (-It depends on the activity's nature which is developed by farmers as; in floriculture and in growing vegetables predominant are women 70%, and in the growing of animals, the cereal culture predominant are men, which represent 80%. We can see an easy tendency of young number growing which work in agriculture, that means a great advantage for developing the future agriculture.

	Bad and good factors for the sustainability	<p>21. Bad and good factors for the sustainability (Y (4) , N (8))</p> <p>-Bad; insufficient financial resources, lack of good processing factories and quality laboratories, insufficient legislation and money, Marketing associations are not established because of instinctive distrust among growers, Failure to meet Acquis requirement (quality, phytosanitary, etc.), poor quality acceptance (street markets), Weakness of the Romanian economy (low incomes, high inflation rates, high unemployment), working place stability for those who have been trained in this field, farmers' mentality, lack of material resources</p> <p>-Good; big potential of agricultural field, maximum benefit of farmer work, the A.C. law</p>
Others	Others	<p>22. Comment</p> <p>-Thank you very much because you of Romanian agriculture.</p> <p>-I think that the Romanian Government should be more involved in this project, meaning a legal and financial support.</p> <p>-We thank to Japanese staff for the ideas for the former project and for their intension to implement this project. I hope the project will be developed in good conditions.</p> <p>-Instruction of a large number of specialists</p> <p>-I believe that it's very useful for Romania to organize and realize a performance agriculture through the A.C.s.</p> <p>-I thank the Japanese experts and the colleagues of ANCA for the training program that I took part into and for the special care to train us for this step in the Romanian agriculture.</p> <p>-I wish to say thank you to the Japanese experts and my colleague from ANCA for the improvement of my professional training and my involvement in this project.</p> <p>-I would like to thank the Japanese experts and my ANCA colleagues for getting me involved in this project and for their sustained efforts in developing this project, which is a challenge for a sustained and notable Romanian agriculture.</p>

PARLIAMENT OF ROMANIA**CHAMBER OF DEPUTIES****SENATE****LAW OF AGRICULTURAL COOPERATION**

The Parliament of Romania has passed the present law.

Chapter I**Domain of enforcement.**

Art. 1 – The present law sets the legal framework of the agricultural co-operation organisation and functioning.

Art. 2 –The Agricultural Co-operative Society represents an association of private individuals and/or legal entities, and as the case may be Romanian legal entity by individual right constituted based on their free willingness with the purpose of promoting the interests of cooperative members, according with the stipulations of the present law.

Art.3

(1) Within the Agricultural Co-operative Society the rights and obligations of the associated members are equal. No matter the percent of the participation quota to the authorised share capital, each member casts only one vote.

(2) The cooperative members decide over the dividends, according to the participation quota to the authorised share capital.

(3) The Agricultural Co-operative Society is an open society, with an unlimited number of members, with a variable capital, that carries on an economic, technical and social activity, to supply goods, services and jobs exclusively or mainly for its members.

Art.4 (1) Agricultural cooperatives are :First Grade Cooperatives and Second Grade Cooperatives

(2) First Grade Cooperatives are private individuals associations;

(3) Second Grade Cooperatives are legal entities organized by First Grade Cooperatives and other private individuals or legal entities, with the purpose of horizontal and vertical integration of economic activity they develop and registered in concordance with the present law.

Art. 5 – (1) The Agricultural Co-operative Society is constituted and functions with a minimum number of five private individuals and/or legal entities, the authorised share capital is made up of shares of equal value which may be money and/or in kind; cash contributions are mandatory to set up any Agricultural Co-operative Society.

Art. 6 Diversified types of co-operatives, legal entities, may be set up and function in agricultural activities, among which:

- a) Service Co-operative Societies, which mainly organise the small agricultural producers, provides in an associating system services that these persons alone cannot benefit from or such services become very expensive when ask for elsewhere.
- b) Purchase and Sales Co-operative Societies, which organise common sales of agriculture products as well as purchasing the necessary materials and technical means for the farm production, in both situations the best prices are sought for.

- c) Agricultural Products Processing and Sale Co-operative Societies. Provides typical products, of a certain brand, permanently on the market and guaranteed.
- d) Manufacturing Co-operative and of Small Industry Societies in agriculture.
- e) Co-operative Societies for Exploitation and Administration of farm land and animal stock;
- f) Mutual Financial Assistance and Agricultural Insurance Co-operative Societies.
- g) Other types of agricultural cooperatives which are organized according to the present law.

Art.7 (1) The Agricultural Co-operative Society has a commercial character, as it generates commodity output and services in agriculture, hence pursuing to:

- a) Providing conditions for cooperative members to obtain the economic benefits.
- b) satisfy the needs of the associated members in supplying the necessary production means.
- c) Obtain agricultural commodity output, according to the market standards.
- d) Create conditions for farm produce processing, finite food product obtaining, at market and consume standards.
- e) Capitalise farm production;
- f) Develop the social-economic rural area;

(2) To achieve its targets and aims, the Agricultural Co-operative Society may have branches(with legal entity), own departments, agencies and other similar offices, with or without legal entity.

Chapter II

Setting up, Organisation and Functioning of the Agricultural Co-operative Societies

Art. 8 (1) The Agricultural Co-operative Societies are based on the following co-operatist principles:

- a) volunteer open association;
- b) democratic control of the cooperative members;
- c) economic participation of the cooperative members;
- d) autonomy and independence of agricultural cooperatives
- e) education , training and information of the cooperative members
- f) co-operation between the co-operative societies;
- g) preoccupation regarding the community ;

(2) The statute principles of the paragraph (1) are being used for interpretation and application of the present law.

Art. 9 For the present law are given the following definitions

- a) **Cooperative member-** a private individual who makes an application form and subscribes with the share capital stipulated in the constitutive document; legal entities who organize the second grade cooperative are being considered cooperative members;
- b) **Founder-** private individual or legal entity who sign the constitutive document of the cooperative.

- c) **The divisible part-** the part of the cooperative's patrimony which includes the value of shares issued for the share capital brought by the cooperative members,
- d) **The indivisible part-** the part of the cooperative's patrimony accumulated as a result of the cooperative's activity, the divisible part is not included;
- e) **Shares**—divisions of share capital, nominative, issued in physical form, with equal value, indivisible, not-negotiable and without interest.

Art.10 (1) The Agricultural Co-operative Societies is set up, organised and functions according to the Constitutive Act. The Constitutive Act is drafted as a unique and authentic document which includes the Decision of Association, the Regulations and the List of the Founder Members, each with their shares.

Art. 11(1) The Constitutive Act has to include at least the following:

- a) the denomination of the Agricultural Co-operative Society and its headquarters;
- b) the List of names, dates and places of birth, the addresses and the citizenship of the associate members, private individuals, the denomination and headquarters of the associate members, legal entities;
- c) the Regulations of the Co-operative Society, which needs to include
 - the activity subject with the exact and complete list of activities;
 - the minimum number of the associate members;
 - the territorial delimitation of the activity area according to the type of co-operatist activity;
 - the operating period of the Agricultural Co-operative Society;

- the way of gaining or losing the associate membership quality of an Agricultural Co-operative Society, as well as the way of expulsion;
- the share value, the minimum number and the maximum limit of shares, subscribed and lodged by all the associate members, specifying each associate member contribution in kind and the evaluation method, as well as the date of the entire paid-up subscribed capital;
- ways of paying the subscribed shares and the conditions of their refunding;
- regulations regarding the election, the structure and the attributions of the General Assembly, Board of Directors and Auditing Commission, their attributions and duties;
- establishing the provisory management and the control body, the date of the first General Assembly convening to elect the management and the control structures;
- method of liquidation and dissolution of the Agricultural Co-operative Society;
- method of the net profit distribution or loss covering in the end of a financial year, method of establishing the minimum reserve fund quota;
- method of convening the General Assemblies, Board of Directors and the conditions for the decisions validation;
- regulations for the book-keeping and patrimonial administration;
- conditions to set up branches, agencies, side headquarters without legal entity;
- any other stipulations necessary due to the dispositions in the present Ordinance and of other legal dispositions.

Art. 12(1) The Agricultural Co-operative Society is to have its own denomination and the words “Agricultural Co-operative Society”.

(2) It is forbidden the denomination of “Agricultural Co-operative Society” for other societies that do not have the regulations of a co-operative society and the according structure;

Art. 13– The Constitutive Act has to be in authentic written form and to be signed by the founder members. The Agricultural Co-operative Society Constitutive Act is approved by the General Assembly of the Founder Members.

Art. 14 – (1) The Agricultural Co-operative Society is registered in the Commerce Register on the grounds of deputy judge’s conclusion, delivered based on the authenticated Constitutive Act, concluded complying with the stipulations of the present law.

(2) The Agricultural Co-operative Society is a legal entity as from the date of the registration in the Co-operative Societies Register.

(3) The application for registration and operation is attached by the Agricultural Co-operative Society Constitutive Act, the evidence of the payments of the minimum number of subscribed shares, the title of the social headquarters, as well as the documents regarding the property evidence on the contributions in kind.

Chapter III

Authorised Share Capital

Art. 15 (1) The Agricultural Co-operative Society authorised share capital is in the amount of minimum ROL 100,000,000,for agricultural cooperative for large scale

managed juridical persons and ROL 5,000,000 for small scale individual producers made up of the subscribed shares and paid according to the Constitutive Act.

(2) The number of shares initially paid cannot be less than 1/10 of the number of the subscribed shares, and the value of a share cannot be less than ROL 100,000.

(3) An associate member of a Agricultural Co-operative Society may hold shares on the conditions of and as far as the Constitutive Act stipulates, but no more than 20 % of the whole share capital of the Agricultural Co-operative Society.

(4) When joining the Agricultural Co-operative Society, the movable and fixed properties are to be evaluated in order to establish the amount of the subscribed shares in kind by the associate members.

(5) What the Agricultural Co-operative Societies for the management and administration of the farm land concerns, the properties brought in use, as well as the land of any kind, continue to remain in the ownership of the associate members.

(6) The increase of the authorised share capital and receiving new associate members are carried out according to the decision of the General Assembly of the Co-operative Members.

(7) Social shares are nominated, individual, non-negotiable, and non-transferable to the thirds.

(8) The Agricultural Co-operative Society may refund the value of the shares only in case of decease, withdrawal or expulsion of any associate members or its dissolution.

Chapter IV

The Quality of the Co-operative Member. Rights and Obligations.

Art. 16(1) The signers of the Constitutive Act as well as the persons who have a decisive role in the constitution of the Agricultural Co-operative Society are regarded as founder members.

(2) Associate member of an Agricultural Co-operative Society is considered any private individual or legal entity whose occupation is totally or mainly agriculture and who:

- a) shares a common aim;
- b) applies for accession, apart from the founder members;
- c) subscribes and pays the number of shares stipulated by the Constitutive Act;
- d) engages to respect the legal stipulations and the Constitutive Act of the Agricultural Co-operative Society;
- e) enjoys their civil rights;
- f) fulfils any other conditions stipulated by the Constitutive Act;

(3) Associate member of an Agricultural Co-operative Society may become any private individual of at least 18 years of age and full competence.

(4) The rights and obligations of the associate members compared to the Agricultural Co-operative Society are settled by the Constitutive Act which has to include dispositions that regulate:

- a) the associate members participation in General Assemblies of the Agricultural Co-operative Society;

- b) the right to elect and be elected in the management bodies or as an auditor for the Agricultural Co-operative Society;
- c) the sharing of the net profit distributions;
- d) the participation of the associate members to the Agricultural Co-operative Society activity;

Art.17 Between the cooperative and members there are the following categories of relations:

- a) patrimonial, according to the number of owned shares.
- b) Work, in case of the cooperative members hired based on individual work contract according to the law.
- c) Cooperation, in case of the cooperative members use its own assets(in addition of services performing) in developing commercial activities

Art.18(1) The liability of an associate member is limited to the number of the subscribed shares.

(2) The associate members Agricultural Co-operative Society are not obliged to work within the agricultural co-operative society. The associate members who work as part of the Agricultural Co-operative Society are paid proportional to their work. The associate members within a Agricultural Co-operative Society, specialists and other absolutely necessary persons, up to a limit approved by The General Meeting may be employed with a Working Contract by the Co-operative, on the conditions stipulated by the law and the Constitutive Act.

Art. 19 –(1) Criteria pursuant to the withdrawal, suspension or expulsion of the associate members from the Agricultural Co-operative Society are settled by the Constitutive Act.

(2) The quality of associate member is gained by signing the Constitutive Act for the founder members or based on an application for accession explicitly acknowledging the Constitutive Act, endorsed by the Board of Directors and approved by the General Assembly for the applicants as from the Agricultural Co-operative Society setting-up.

(3) The quality of an associate member ceases due to withdrawal, expulsion, decease or dissolution.

(4) Withdrawal from the Agricultural Co-operative Society is based on a written application which can be approved only in the end of the financial year, the regulation of the patrimonial assets is to be concluded in up to three months since the annual finance standing approval. The written application is handed in to the Board of Directors three months prior the end of the financial year.

The Constitutive Act settles the time as from the withdrawal from the Agricultural Co-operative Society comes into force.

(5) An associate member can be expelled from the Agricultural Co-operative Society in the following cases:

- a) If he/she has the quality of an associate member in another co-operative with an identical profile;
- b) If he/she did not pay entirely and on time the subscribed shares;
- c) If he/she commits offences to the detriment of the Agricultural Co-operative Society;
- d) If he/she does not fulfil the obligations taken towards it;

- e) If the associate member, legal entity, goes bankrupt and private individuals lay under the judiciary interdiction.
- (6) The exclusion of an associate member can be approved in the end of the financial year.
- (7) The associate member may contest the decision of expulsion within 30 days since its announcement. The appeal is to be discussed upon in the first General Assembly of the Agricultural Co-operative Society and the motivated decision is to be communicated to the co-operator member within 15 days since its endorsement.
- (8) Against the decision of General Meeting the cooperative member may do a legal contest at administrative solicitor's office within 15 days since he took notice about it.
- (9) The Constitutive Act may settle other reasons for the expulsion from the Agricultural Co-operative Society.
- (10) In case of decease, the rights and patrimonial obligations of the descendants of the deceased persons are settled by the Constitutive Act.
- (11) In case of dissolution, the rights and obligations of the successors of the associate members, legal entities, are settled by the Constitutive Act.
- (12) They cannot be either the founder members or the persons elected within the management staff the persons who, complying with the law, are incapable or who were charged with fraudulent book-keeping, misuse of power, forgery and use of forgeries, fraud, dilapidation, perjury, giving and taking bribery, theft, as well as persons whose fiscal record includes facts which constitute offences by law.

Art. 20– In case of the associate member quality cessation, he/she has the right to the restitution of the amount of the paid share, pursuing the subtraction of his/her obligations towards the Agricultural Co-operative Society.

Chapter V

Agricultural Co-operative Society Organisation

General Assembly.

Art. 21-(1) The management bodies of the Agricultural Co-operative Society are: the General Assembly and the Board of Directors.

Art.22 (1)The General Assembly is made up of the founder members and the associate members who agreed to the Constitutive Act of setting it up. The general Assembly can be ordinary or extraordinary.

(2) The Constitutive Act stipulates the methods of convening and adopting the decisions of the Ordinary General Assembly, the quorum and the operating methods.

(3) The associate members can be represented within the General Assemblies by the other associate members, based on a proxy. The Constitutive Act is to regulate the conditions of the representation.

(4) The decisions are taken by the associate members who take part in debates, who hold at least 2/3 of the share capital represented in the Assembly, if the Constitutive Act does not stipulate otherwise.

(5) The Ordinary General Assembly of the Agricultural Co-operative Society is held at least once a year, in the first three months after the tax year was concluded.

Art.23 - The General Meeting has the following duties:

(a) The Ordinary General Assembly approves the annual financial situation, the distribution of the net profit or making good the damage, as well as the administration discharge of the Board of Administration.

(b) The Ordinary General Assembly approves the organisational structure and the leading positions, the conditions of electing these, the limits to carry out the attributions, as well as the way of dismissal and recalling from these positions.

(c) The Ordinary General Assembly approves and modifies the Constitutive Act, the members enlisting and withdrawal from the Agricultural Co-operative Society, as well as the complaints of those who were denied enlisting or were expelled,

(d) Elects the deputy representatives to the General Assemblies of the Branch or Central Unions, indemnities of the members of the Board of Directors and auditors, administrators replacement and sanctioning, Agricultural Co-operative Society dissolution, liquidation or changing and completing its activity purpose.

(e) The Ordinary General Assembly may also approve establishing or increasing the minimum reserve quota;

(f) Election of the management and auditing staff;

(g) appointing, when in law, a controller and/or internal auditor;

(h) any other decisions taken by the Ordinary General Assembly according to the Constitutive Act;

Art. 24- (1) The Extraordinary General Assembly meets every time it is necessary to take a decision to:

a) relocate the headquarters of the Agricultural Co-operative Society;

b) change the activity purpose of the Agricultural Co-operative Society;

- c) extend the operational period of the Agricultural Co-operative Society;
- d) increase the authorised share capital;
- e) reduce the share capital or round it off;
- f) merge with other Agricultural Co-operative Societies or divide it;
- g) dissolve and liquidate the Agricultural Co-operative Society;

(2) To validate the decisions of the Extraordinary General Assembly, when the Constitutive Act does not specify otherwise, it is necessary that 2/3 of the number of members be present.

Art. 25 – (1) The decisions of the General Assembly are recorded in a Minutes, which includes the place, date of the General Assembly meeting, the agenda, the number of the members present to the meeting and the vote conclusion.

(2) The Minutes is signed by the President of the Board of Directors of the Agricultural Co-operative Society and by the person in charge to draft it.

(3) The Minutes is recorded in a special Register, which is kept at the Agricultural Co-operative Society Headquarters.

(4) Any member has the right to consult the Minutes.

Art.26 In the agricultural cooperative each member has the right of one vote.

Board of Directors

Art. 27 – (1) The administration of the Agricultural Co-operative Societies is provided by the Board of Directors. The members of the Board of Directors are elected

and can be revoked by the Ordinary General Assembly. The decision is taken with the vote of the majority of the associate members.

(2) The Board of Directors is set up of an odd number of at least three members, who are elected by the Ordinary General Assembly for a 4-year period of time, according to the provisions of the Constitutive Act. In its turn, the Board of Directors elects a President by an open voting, from its members.

(3) The Board of Directors meets on a monthly basis, is convoked by the President and adopts decisions by voting, in the presence of two thirds of its members.

Art. 28 – The Board of Directors has the following main attributions:

- a) secures the Constitutive Act abiding and fulfils the decisions of the General Assemblies;
- b) submits for approval the annual scheme of the economical-financial activity and the revenue/expenses budget to the General Assembly;
- c) analyses the economical and financial activity of the Agricultural Co-operative Society every trimester;
- d) settles the number and structure of the staff of the Agricultural Co-operative Society;
- e) employs and discharge the members of the Executive Management;
- f) organises co-operation actions with other Agricultural Co-operative Societies, which is to submit for approval to the General Assembly;
- g) provides the necessary means to carry out their attributions for the auditors;
- h) submits to the General Assembly, in the end of the financial execution, the annual operational report and the administration report.

Art. 29 – (1) They cannot be members of the Board of Directors those associate members who were convicted for the criminal offences stipulated by art. 12 of the present law.

(2) The members of the Board of Directors cannot be employees of the Agricultural Co-operative Society in the same time. They can receive a salary in the amount established by the General Assembly.

(3) The husband/wife, relatives and in-laws up to the third degree, cannot be elected as members of the same Board of Directors;

Art.30 – (1) The Directors have the obligation to deposit, no later than one months after election, a cash warranty, which cannot be less than the equivalent of ten shares. In case of no deposit in due time, they are denied the right to be members of the Board of Directors.

(2) The cash warranty stipulated in paragraph (1) is returned in case of dismissal or resignation of the Directors, but only after the General Assembly has approved the annual financial situation of the last tax year and granted them discharge.

Art. 31 – (1) The Board of Directors can appoint an Executive Director. If not, this position is to be provided by the President of the Board.

(2) The Executive Director carries out his/her attributions under the guidance of the Board of Directors and has the status of an employee of the Agricultural Co-operative Society.

Art. 32 – (1) The Directors are jointly held responsible in front of the Agricultural Co-operative Society for the following:

- a) carrying out payments by the associate members;

- b) keeping registers according to the law and in the correct way;
- c) surplus recording and the method of its distribution;
- d) judicious efficient management of the Agricultural Co-operative Society patrimony;
- e) fulfilling the obligations, according to the law and the constitutive act, which are not considered special or personal obligations.

(2) The Directors are jointly held responsible as their predecessors in case they have the knowledge about irregularities performed by the former and do not give notice of this situation to the auditors or the General Assembly.

Art. 33– (1) The Director who presents, in a certain operation, directly or indirectly, interests contrary to the Agricultural Co-operative Society, has to notify of this fact the other directors and the auditors and must not take part in any decision regarding this operation. The same obligation falls on the director, in case, during a certain operation, he/she is aware that his/her spouse, relatives and in-laws up to the third degree have an interest in.

(2) The Director who has disrespected the provisions of paragraph (1) is to be held responsible for the damages caused to the Agricultural Co-operative Society.

Art. 34 – (1) Referring the matter of the damages caused by the Agricultural Co-operative Society Directors to the court is settled by the General Assembly.

(2) As from the General Assembly decided to refer the matter to the court of law, the directors mandate ceases and the General Assembly would proceed to their replacement.

(3) The Directors responsibility does not cease when the annual financial situation has been approved or the administration discharged yearly by the General Assembly.

Art 35 – (1) The President of the Board of Directors of the Agricultural Co-operative Society is not an employee. He/she can be remunerated according to the decision of the General Assembly.

(2) The attributions of the President of the Board of Directors are established by the Constitutive Act. The Board of Directors may commission the President a part of their attribution.

Auditors

Art. 36. – (1) The Ordinary General Assembly elects every four year, usually from the outside persons, one up to three permanent auditors of whom one has the quality of an accounting expert or authorised accountant and one up to three deputy auditors. They cannot be appointed auditors, and if they were they decline from their mandate, the employees of the Agricultural Co-operative Society, the relatives of the directors up to the second degree, as well as their spouses. During the holidays, the deputy auditors, by their ages, replace the permanent ones. In case the deputy auditors are not enough to complete the number, the other auditors may co-opt one of the members of the Agricultural Co-operative Society until his/her approval by the General Assembly.

(2) The Accounting expert or the authorised accountant who is not a member of the Agricultural Co-operative Society may carry out his/her activity as a private individual or legal entity.

(3) Complying with the law, at least one auditor has to be accounting expert or authorised accountant, elected from the members of the Accounting Experts and Authorised Accountants Staff in Romania.

Art. 37 – (1) The auditors has the following main attributions:

- a) To supervise and check the Agricultural Co-operative Society management, the correct and regular book-keeping, the legality of the annual financial statement and the revenue/loss account;
- b) to examine, at least once every three months, the Agricultural Co-operative Society registers, to have the knowledge on the financial operations and certify if the documents are drafted by the law;
- c) to carry out periodically and unexpectedly the control of the cash desk, at least once a month;
- d) to verify, at least once per trimester, the situation of the shares from the registers, the existence of titles or securities deposited in the safe keeping of the Agricultural Co-operative Society;
- e) to verify how the conditions regarding the presence of the associate members in the General Assembly are carried out;
- f) to verify and control the annual financial statement, draft their own report at least ten days prior the date of the General Assembly meeting;
- g) to supervise the Agricultural Co-operative Society liquidation operations;

- h) to take part in all ordinary and extraordinary general assembly meetings and make sure the law and the Constitutive Act dispositions are obeyed by the Directors;
 - i) to take part in the Directors' meetings;
 - j) the auditors verify and undertake the deposit of the warranty by the Directors;
- (2) The Auditors in session deliberate and their findings are written down in a special register;
- (3) The control and verifications can be performed by each auditor in turn;
- (4) The auditors are responsible for the way they carry out their mandate to the Agricultural Co-operative Society;
- (5) The auditors have to deposit a warranty in the amount of half the directors' warranty, within a month since their election. The auditors can be remunerated with a fix indemnity settled by the General Assembly.
- (6) The auditors are revoked by the General Assembly, according to the provisions of the Constitutive Act;
- (7) The auditor's mandate ceases by resignation or dismissal.

Chapter VI

Agricultural Co-operative Society Registers

Art. 38.- (1) Apart from the accounts stipulated by law, the Agricultural Co-operative Society has to keep:

- a) the inventory record;
- b) the register of company members and their shares;
- c) separate minutes book for the meetings of the General Assemblies of the associate members;

- d) separate minutes book for the meetings of the Board of Directors;
- e) the register of the auditors when carrying out their mandate;
- f) the record of contributions in kind to the authorised share capital of the Agricultural Co-operative Society;

(2) The registers stipulated by the paragraph (1) have to be numbered, sealed and stamped annually by a notary public.

(3) The registers of the associate members can be manually or computerised operated.

Art. 39– The Board of Directors have to submit the auditors at least one month before the date of the General Assembly meeting, the annual financial statement or the previous tax year, with the revenue/loss account together with the loss report and the annex relevant documents.

Art. 40. – (1) The financial statement and the revenue/loss account are drafted complying with the legislation in force.

(2) The financial statement and the revenue/loss account, together with the directors report are to be handed in to the headquarters of the Agricultural Co-operative Society at least 15 days before the General Assembly meeting, to be examined by the associate members.

Art. 41 – (1) The Board of Directors pledges to hand in a copy of the annual financial statement, attaching the revenue/loss report, to the Fiscal Office, annexing their report, the auditors report and the Minutes of the General Assembly.

(2) The term to hand in the documents stipulated in paragraph (1) is of 15 days due the General Assembly meeting.

Chapter VII

Management Audit

Art. 42 – The Agricultural Co-operative Society are to provide the management audit according to the present law.

Art. 43 – The Board of Directors of the Agricultural Co-operative Societies issues documents of internal provisions pursuant to the structure and own financial control and is to detailed its objectives, according to the purpose of activity and own organisational structure.

Chapter VIII

Financial Means of the Agricultural Co-operative Society

Art. 44– The financial means of the Agricultural Co-operative Society are made up of:

- a) the contribution to the authorised share capital;
- b) the revenues from the activity performed by the Agricultural Co-operative Society;
- c) the sources attracted from the financial-banking system, agricultural credit and other similar sources;
- d) registration fees paid by the associate members, donations, sponsorship, subventions, grants, irredeemable funds and other financial means.

Art. 45 – At least 5 % of the Agricultural Co-operative Society revenue is taken every year to form the minimum reserve quota which is to represent the 5th part of the authorised share capital.

Art 46. – Setting up and using the financial means of the Agricultural Co-operative Society are performed by the regulations in force, approved by the General Assembly.

Chapter IX

Agricultural Co-operative Society Patrimony Legal System

Art. 47– (1) The property of the Agricultural Co-operative Society is made up of a divisible part and an indivisible one.

(2) The indivisible share can be divided among the associate members in case of dissolution and liquidation or, accordingly, it may be refunded as value to the associate members withdrawn from the Agricultural Co-operative Society, proportional to the value of the subscribed and paid shares.

Chapter X

Dissolution, Liquidation, Merging and Division of Agricultural Co-operative Societies

Art. 48. –(1) The Agricultural Co-operative Society may be dissolved, liquidated, merged or divided according to the decision of the General Assembly. The decision has to be taken with the vote of at least 2/3 of the number of the associate members.

(2) The Constitutive Act establishes the conditions for dissolution of the Agricultural Co-operative Society.

(3) The Decision of the Extraordinary General Assembly to dissolve the Agricultural Co-operative Society is recorded in the Commerce Register.

(4) In case the Constitutive Act specifies a limited period for the Agricultural Co-operative Society activity, the dissolution occurs on that date, if it does not decide upon an extension of the operational period.

(5) The merging of the Agricultural Co-operative Society is performed by:

- a) the take-over of an Agricultural Co-operative Society by another Agricultural Co-operative Society;
- b) the merging of two or more Agricultural Co-operative Societies;

(6) The division of the Agricultural Co-operative Society may be partial or total and may occur due to:

- a) the division of the Agricultural Co-operative Society patrimony when ceases to operate, between two or more Agricultural Co-operative Societies which are still operating or are, thus, set up;
- b) the separation and transfer of a part of the Agricultural Co-operative Society patrimony towards one or more Agricultural Co-operative Societies that are still operating or are, thus, set up.

Art. 49– The merging or division results in the dissolution without the liquidation of the Agricultural Co-operative Society which ceases its activity and universally transfer its patrimony towards the beneficiary Agricultural Co-operative Society or Societies, as it is recorded at the time of the merging or division, in return for granting shares to the associate members of the Agricultural Co-operative Society which ceases its activity.

Art. 50–(1) The Agricultural Co-operative Society Directors, who take part in merging or division of the Agricultural Co-operative Societies, have to draw up the Merging or Division Draft, which is to include:

- a) the denomination and headquarters of the Agricultural Co-operative Societies that take part in the operation;
- b) the substantiation and the merging or division conditions;
- c) the setting out and estimation of the assets and liabilities which are to be transferred to the beneficiary Agricultural Co-operative Societies;
- d) the share exchange report;
- e) methods of share handing over;
- f) the quantum of the merging or division premium;
- g) the date of the merging financial statement of the division financial statement, date which is to be the same for all the participant Agricultural Co-operative Societies;
- h) any other data which is of any interest for the operation;

(2) The Merging Draft has to be approved by the General Assemblies of the Agricultural Co-operative Societies which participate, within 60 days since the date the draft is concluded;

(3) When the General Assembly, which is about to approve the merging, is convened, the following documents are to be provided for the associate members at the headquarters of the Agricultural Co-operative Societies, as it follows:

- a) The Merging Draft;
- b) Reports drafted by the Directors of each Agricultural Co-operative Society in question pursuant to the convention and estimated merging effects;
- c) Financial Statement of Merging or the Financial Statement of Division;
- d) Auditors Report.

Art. 51.- The Constitutive Acts of the Agricultural Co-operative Societies newly set-up by merging or division are to be approved by the General Assemblies of the new Agricultural Co-operative Societies.

Art. 52- (1) In case of merging by absorption, the absorbent Agricultural Co-operative Society gains the rights and the obligations of the absorbed Agricultural Co-operative Society, and in case of merging by unification, the rights and obligations of the Agricultural Co-operative Societies which cease their activity pass to the newly set-up Agricultural Co-operative Society.

(2) The Agricultural Co-operative Societies which gain assets due to division are held responsible by the creditor for the obligations of the Agricultural Co-operative Societies which cease their activity due to division or merging, proportional to the gained assets, except for the case when other conditions are settled by the Division or Merging Act.

Art. 53.- The dissolution of the Agricultural Co-operative Society may occur under the following situations:

- a) The impossibility to achieve the operational purpose;

- b) The diminution of the authorised share capital under the amount of half of the minimum amount of the share capital necessary to set up an Agricultural Co-operative Society.
- c) The reduction of the number of the associate members under the minimum number of associate members stipulated by law;
- d) If the General Assemblies have not been held for 2 years in a row.
- e) The Agricultural Co-operative Society bankruptcy;
- f) The impossibility to elect the management bodies complying with the Constitutive Act;
- g) Other situations settled by law or Constitutive Act of the Agricultural Co-operative Society;

Art. 54- The Agricultural Co-operative Societies set up for a limited period of time can decide to continue their activity in the General Assembly which needs a majority of at least two thirds of the total number of the associate members to take a decision. The Constitutive Act may settle other conditions besides this majority.

Art. 55- (1) Prior to the dissolution agreement, the Agricultural Co-operative Society is verified by the Administration Audit Department, whose report is submitted then to the General Assembly meeting.

(2) The decision of the General Assembly to continue the operations has to be communicated to the associate members and is to be registered within ten days at the Register of Commerce and the General Direction of Public Finance and State Audit.

Art. 56- (1) In case of Agricultural Co-operative Society dissolution and liquidation, the General Assembly or, as it is the case, the competent magistrate court, will appoint the liquidators.

(2) The Act of the Liquidators Appointment has to be handed in to the Register of the Commerce to be recorded and published in the Official Monitor of Romania, Part IV.

Art. 57- (1) The liquidators carry out their activity according to the provisions of the Act no. 64/1995 regarding the judicial reorganising procedures and bankruptcy, re-published, with consequent modifications and completions.

(2) In case of liquidation, following the debts payment and shares restitution, approved by the General Assembly, the remained assets following the liquidation operations is divided by the Agricultural Co-operative Society to its members, proportional to the value of the paid shares.

Chapter XI

Agricultural Co-operative Societies Branch Unions

Art. 58- (1) The Branch Unions are set up as a voluntary association of the Agricultural Co-operative Societies that perform their activity in the same domain.

(2) As from the setting up, each Agricultural Co-operative Society may assert their option to accede to the Branch Union of the Agricultural Co-operative Societies. Each option may be mentioned in the Status of the Agricultural Co-operative Society.

Art. 59 – Setting up the Branch Unions of the Agricultural Co-operative Societies may be carried out according to the Constitutive Act, by the association of at least five Agricultural Co-operative Societies of the same type.

Art. 60 –(1) The Branch Unions of the Agricultural Co-operative Societies operate as a representative organization without patrimonial purpose and non-profit on the same principles with the Agricultural Co-operative Societies. Their purpose is to provide the necessary services by co-operation to contribute to the development and modernisation of the means and methods of the economic increasing efficiency, of specialisation and concentration of the agricultural cooperatives activity.

(2) The Agricultural Co-operative Societies Branch Unions have the following attributions:

- a) to support the associate co-operatives in the economic, technique, financial, banking and other similar domains, on mutual principle;
- b) to represent the interests of the associate Agricultural Co-operative Societies, based on the mandate, to the public institutions and courts of laws;
- c) promote the co-operation between the Agricultural Co-operative Societies and economic agents in the country and abroad;
- d) the unions are legal entities and have their own patrimony

(3) The Branch Union operates to develop and improve the agricultural output, to also promote social and cultural initiatives, in the interest of the member co-operatives:

- a) providing technical, juridical assistance and of interest in favour of the member co-operatives;

- b) coordinates studies and research in farming, setting up experimental plots and distributing hi-tech knowledge in this field;
- (4) The Constitutive Act of the unions settles:
- a) the purpose and means to carry it out;
 - b) territorial demarcation of the activity area;
 - c) associate members contribution to the union authorised share capital and criteria of participation in the General Assembly meetings;
 - d) method of union activity cessation;

Art. 61 – The revenue of the Branch Unions of the Agricultural Co-operative Societies are made due to donations, subventions and sponsorships. The level of the associate co-operative contributions and payment criteria are settled by the Constitutive Act.

Art. 62 – The Auditors Commission and other bodies are elected according to the procedure of the Agricultural Co-operative Societies, and their attributions are stipulated in the Constitutive Act.

Chapter XII

Branch Co-operative Union Managing Bodies

Art. 63 – Union Managing Bodies are: the General Assembly, the Board of Directors.

Art. 64– (1) The General Assembly is the managing body made up of all the associate members;

(2) The Constitutive Act stipulates the attributions, method of operating of the Ordinary and Extraordinary General Assembly and the method of appointing the associate legal entity representatives, the norm of representation and the principle of the right to a single vote for each member;

Art. 65 – The Board of Directors is made up of 5-11 members and it is elected by the General Assembly for a 4-year period of time, and it may be re-elected.

Art. 66– The Constitutive Act stipulated the method of organisation and operation of the Board of Directors, their attributions, the number of the associate members, the method of election.

Art. 67 – The decisions of the Board of Directors may be carried out by any Executive Director with the help of the employees.

Art. 68 – Merging, dissolution and liquidation are carried out complying with the present law, the Constitutive Act and other legal regulations in the domain;

Chapter XIII

Agricultural Co-operative Society Central Union

Art.69. – The Agricultural Co-operative Society Central Union is a co-ordinator professional organisation – non profit – with autonomous legal personality, non-political, which operates all over Romania’s territory, with the headquarters in Bucharest.

Art.70 – The Agricultural Co-operative Society Central Union is made up due to the Branch Unions voluntary association, it represents and protects their rights and

interests compared to the legislative, executive, judicial power, and other organisations and economic agents from the inside and outside the country.

Art. 71– The method of setting up, the rights and duties of cooperative members, the election of the managing bodies and their structure, the setting up of the initial social patrimony, the necessary funds, own expenses, the operation, the dissolution and the liquidation of the Agricultural Co-operative Society Central Union are stipulated by the Statute.

Art. 72 – At the request of its members, the Central Union place at their disposal studies, projects, speciality works, research on domains and provides technical and juridical assistance to conclude economic contracts.

Art. 73 – The Central Union have the right to set up its own management training courses, marketing courses, and issues certificate to the graduates.

Art. 74 – The Central Union take part in drafting bills of norms which refer to some economic facilities for its members, tax quantum and taxes cashed from them, collaborate with special bodies in the domain of farmers social protection, as well as with banking bodies to incur loans and finance some investment schemes. In addition, it is allowed to set up and edit speciality magazines, to have their own media body, news bulletins and other publications.

Chapter XIV

Agricultural Cooperative Society State Support

Art. 75 The State supports the cooperative movement in agriculture, with the following measures in view:

- a) farm tax exemption, for the first 5 years as from the co-operative setting-up.
- b) Annual tax quota reduction on the revenue by 20 % in the following 10 years of activity.
- c) Access with priority to subventions and state allowance, as well as to external resources, stipulated by the Scheme of Supporting the Agriculture of Romania;
- d) Customs tax exemption for the cooperative units which imports tractors, farm gear, irrigation equipment and other similar ones.

Art. 76.- The present law comes into force within 30 days since its publication in the Official Monitor of Romania, Part I.

This law was passed by the Senate in the session due... complying with the provisions of art. 76. Paragraph (2) of The Constitution of Romania.

This law was passed by the Deputy Chamber in the session due ..., complying with the provisions of art. 76. Paragraph (2) of The Constitution of Romania

PRESIDENT OF THE SENATE

NICOLAE VACAROIU

PRESIDENT OF THE CHAMBER OF DEPUTIES

VALER DORNEANU

II- Analysis of strengths, weaknesses, opportunities and threats (SWOT)

Strengths	Weaknesses	Opportunities	Threats
THE CONTEXT OF RURAL DEVELOPMENT IN ROMANIA			
GENERAL FRAMEWORK			
<p>The geographical position of Romania at the crossroads of main European axes: North-South and East-West.</p> <p>There is an agricultural potential proved by:</p> <ul style="list-style-type: none"> - Romania is a country of medium size, with a significant rural area; - Romania is the second biggest agricultural producer in the Central and Eastern Europe, second to Poland, about 62% of the country's territory, being used for agricultural production and about 28% for forestry; - the population in the rural areas represents 45% of the total population at national level; - Romania disposes of a huge cultural heritage, represented by an aggregate of historical vestige, art facts, museums to which are added the landscape wealth of the territory. <p>The existence of an adequate legislative framework regarding the re-establishment of the ownership right over the agricultural and forestry lands, regarding the legal circulation of land, regarding the renting and licensing of land.</p>	<p>In Romania, the concept of rural development was mentioned for the first time as a target in the governing programme only in December 1996.</p> <p>The high share of agriculture in GDP, in the Gross Added Value and in the occupied population has a negative significance, as it reflects a tendency of des-industrialisation and of agrarisation based on replacing the capital with life work force.</p> <p>The stage of applying the laws regarding the ownership over the land is still lagging behind.</p> <p>The subsistence character of the agriculture practised in the family agricultural holdings that induce a low development of specialised agricultural market.</p> <p>Lack of several normative documents regarding the guidance and development of agricultural markets.</p> <p>There does not exist a real land market.</p> <p>It is to be remarked an insufficiency of financing sources for credits especially for the rural credit and the lack of adequate institutions.</p> <p>Relatively low foreign capital inputs.</p>	<p>Actions are being undertaken for the implementation of the rural development policies and for defining the issues of sustainable rural development.</p> <p>A sustained policy is being promoted for preparing the process of Romania's accession to the EU and in the field of rural development.</p> <p>Elaboration of several programs for maintaining and settlement of rural population, especially of the youth and of the women.</p> <p>Through the above-mentioned programs, there will be assisted those persons who meet the legal conditions.</p>	<p>Lack of complete understanding of the complexity of the problems related to the issues of rural development.</p> <p>Maintaining at high level in the latest years of the inflation rate and of the currency exchange rate and the existence of several short terms scenarios, which foresee the maintaining of the existing level of these rates or at least light decrease of these.</p> <p>Transitory legislation.</p> <p>Low development of the physical and services infrastructure in the rural area.</p> <p>The appearance of disparities between those who are the potential beneficiaries of the programme and the other once, that could induce several regional gaps.</p> <p>Inertia of the institutional system and of the financial banking one.</p> <p>Lack of speciality knowledge of potential beneficiaries of programme.</p>

	<p>The agricultural co-operatives of services for the sectors up-stream and down-stream of agricultural production is still not functioning.</p> <p>The inter-professional structures in the rural environment are not set up yet.</p>		
RURAL DEVELOPMENT POTENTIAL			
AGRICULTURE			
Natural resources (Physical and geographical features)			
<p>Romania's relief is disposed on 3 major levels: mountains, hills and plains, almost equally distributed, in the form of an amphitheatre, a fact that determines a large diversity of animal and plant production.</p> <p>At the same time, the climate correlated with the other natural conditions of Romania ensures a favourable framework for practising of diversified agriculture and forestry.</p> <p>In Romania, there are to be found many soil types, 26.6% of the soil layer being represented by chernozem, very fertile soils.</p> <p>Important resources of mineral waters.</p> <p>Flora and fauna on the Romanian territory are harmoniously distributed and represent a renewable wealth of great value, if rationally valorised. In this field of the bio-diversity, Romania holds about 40% of Europe's flora and fauna, with:</p> <ul style="list-style-type: none"> - more than 3,500 plant species; - about 8,600 bird species; - approx. 100 mammals species. <p>The existence of a well represented forestry fund (27% of the country's territory)</p>	<p>The animal average rainfall are inequality distributed and very depending on altitude, a fact which, correlated with the temperature variation induces the existence of several zones with humidity deficit and even with the tendency of desertification in the Southern part of the country.</p> <p>Against this background, there are recorded higher average consumption of water and agriculture than in other countries, because of exaggerate losses in the supply and distribution networks and because of the dissipation and non-performant technologies used.</p> <p>The productivity of the agricultural land is diminished by 20-25% because of the action of some limitative factors, such as: erosion, compaction, acidifying, depletion in nutritional elements, salty soils, drought.</p>	<p>The use of the natural potential can be accomplished by promoting the investments in the agricultural and forestry holdings, as well as, by improving the processing and the marketing of the agricultural and fishery products, in compliance with the conditions related to the protection of the environment.</p> <p>The natural conditions in Romania (relief, landscape, fauna, etc.) are favourable to the development of eco-tourism, agri-tourism, hunting and fishing, generally by promoting several measures related to the development and diversifying of the economic activities and which create the framework for multiple activities and alternative income.</p>	<p>In Romania, the resources of internal water are limited to about 1,650 cm³/year/inh. and taking into account the Danube too, at about 3,246 cm³/year/inh. much lower than the quantities found in other countries, rich in waters, such as Northern countries, Austria, Switzerland, etc.</p> <p>Low awareness of the issues related to the protection of the environment.</p>

<p>Plant and animal production</p> <p>The agricultural production declined yearly with no more than 15%, under conditions of absorption of labour from non-agricultural sectors and strong diminution of intermediary input.</p> <p>Agriculture was the only sector of the national economy that recorded an increase of the gross added value.</p> <p>Romania is a big agricultural producer. From the point of view of the agricultural land surface, Romania is second big agricultural producer from the candidate states, after Poland.</p> <p>The percentage of agriculture in GDP is 19% in 1998, and the percentage of the population involved in agricultural activities is 36%. From this point of view, agriculture is one of the most important economical branches.</p> <p>At present, agricultural lands mostly belong (84%) to the private sector.</p> <p>All the actions, which are taken, are targeting the strengthening of the private propriety and the changing of the agricultural exploitation system.</p> <p>In order to strengthen the privatisation process have been adopted and are in the process of implementation a succession of legal acts referring to the leasing regime, privatisation of the commercial companies which owns in administration agricultural lands or lands which are permanently under water, and regarding reconstitution of the propriety right upon the agricultural and forestry lands.</p>	<p>Because of a relatively persistent de-capitalisation of economic agents, the asymmetrical de-structuring in the agri-food economy has practically produced "fractures" between: vegetal production and livestock production, within agriculture; agricultural production and food industry; agri- food sector and the rest of the national economy.</p> <p>The present legislation, which creates the general framework for performing contracts, has unclear terms and it is not specialised in agriculture.</p> <p>#Lack of a specialised accountancy system for the agricultural exploitations, system compatible with the EU accountancy one.</p> <p>Lack of means for performing periodically structural analysis of the units acting in the agricultural sector.</p> <p>*Very low level of agricultural labour productivity, due to the poor technical endowment, to the agricultural land fragmentation, and to the lack of management in the private holdings.</p> <p>It is maintained a significant share (72 %) of subsistence holdings, smaller than 3 ha. and the extremely low share (0.3%) of holdings larger than 10 ha.</p> <p>*We point out the absence of a working capital and of preferential credits.</p> <p>Soils are subject to a continuous degradation process. For Romania, the land reclamation problem has been and still is especially acute as agricultural land is affected by various</p>	<p>Stimulation and intervention measures become necessary for the rebuilding of the normal correlation in the sector and also in the rest of the economy, through the diversification of agricultural product processing activities, development of the distribution channels, and strengthening of the markets functioning.</p> <p>There are already created the premises for co-operation with the commercial banks in order to grant preferential credit lines with low interest for agricultural producers.</p> <p>It will be negotiated with the World Bank, a credit guaranteed by the Romanian Government with a total value of 150,000 thou USD; this credit line is destined to increase the financing sources for SAPARD.</p> <p>There is a relative significant segment of young people in rural area and this segment must be sustained by specific policies to become farm managers.</p> <p>The development of associative and co-operative system is an imperative for the increase of agricultural producer negotiating capacity, and it might be realised by setting up producer groups.</p> <p>There are also necessary some actions in order to develop the services for sustaining the agricultural production.</p> <p>For Romania will be envisaged a series of structural policies orientated to:</p> <ul style="list-style-type: none"> - producers which have chosen non-agriculture activities; 	<p>Increase of agriculture share in occupied active population (by 9.3%) and in GAV (by 4.9 %) give to the Romanian transition the feature of a beginning of a new agriculturalisation, with unfavourable impacts on social labour productivity trend (the sensitive decrease of agriculture share in fixed capital stock and investments is to be noticed).</p> <p>The high percentage of old persons managing farms indicates the existence of a low capacity to adjust the production system to the market economy requirements.</p> <p>The subsistence agriculture does not allow to implement new technologies and to extend the agricultural activities.</p> <p>The production system, especially oriented to self-consumption, has determined the lack of connections with the markets and due to this fact the agricultural farms do not respond to the markets signals.</p> <p>The fluctuations of the yields, especially because of the weather conditions, to the chemical products use, and to the adequate technologies use.</p> <p>The very high poverty level of the agricultural producers majority determines the use only of the cheapest production system which allows obtaining the minimum</p>
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<p>limiting factors of the productive capacity.</p> <p>The preponderant cereal feature of the production structure is a negative aspect of Romanian agriculture. Yields are generally 2-3 times lower compared to developed West European countries.</p> <p>A considerable reduction of livestock has been registered due to the reduction of the meat and milk consumption, non-adjustment of the marketing system to the very small dimensions agricultural system, the necessary inputs are not accessible to the small producers due to their high prices.</p> <p>The average yield in livestock sector is far from the technical and technological progress recorded in the West - European countries.</p>	<p>- sustaining the agricultural producers in order to change the actual applied production system, through agricultural activities diversification.</p> <p>* Compared to European Union countries, chemical fertiliser quantity used in Romania is 4 times lower. This fact is a premise for identifying the areas, which are to be converted to the organic agriculture system, by applying agricultural production methods designed to protect the environment and maintain the countryside.</p> <p>There is a diversification potential for the agricultural crops, but there are necessary measures of orientation of the farmers towards specific crops or animal breeding with the high rate of technicality, and also re-orienting the productions.</p>	<p>necessary for self-consumption in farm.</p>
<p>Human resources</p> <p>On the territory defined as rural area live about 45% of the country population.</p> <p>In the latest two years Romania has recorded a demographically growth and the decreasing trend has been stopped in the rural areas characterised by the continuously decreasing number of inhabitants.</p> <p>The rural environment dispose at present, of great resources of young and very young labour, which can be qualified and trained.</p> <p>The percentage of rural population involved in economic activity is higher than 57%.</p> <p>The existence of an important number of agricultural experts (more than 60,000 with high</p>	<p>working force is low because of:</p> <ul style="list-style-type: none"> - the general process of demographic ageing; - migrations village-town and town-village; - high rate of fragmentation of the agricultural working force; - low degree of qualification of the population occupied in agriculture, as compared to other branches; - low degree of technical endowment of labour. <p>Only a small percentage of the young people are in the position of land owners, the farms being managed by old persons,[§]</p> <p>For the surplus of young labour and</p>	<p>The young people represent one of the pressures on labour market and without some sustained and coherent actions to create new employment opportunities it is possible to appear the social instability.</p> <p>The low level of agricultural income, monoculture and the absence of other non-agricultural activities did not stimulate young people to remain in rural areas.</p> <p>Great disparities regarding the living level that are still present between the rural and the urban environment.</p>

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<p>and medium studies) represents a comparative advantage of the Romanian agriculture, the share for an expert with high degree being of 500 hectares.</p> <p>The labour in agriculture is formed mainly of the members of the peasant families, being thus manifest the phenomenon of self-interest.</p>	<p>especially for women, doesn't exist enough specific employment opportunities in the rural area.</p> <p>* A significant number of persons from the urban area received the former land owned, further to applying Law 18/1991 and who deal with agricultural activities without having any knowledge in this field and from this reason they generally make use of a traditional, inefficient farming.</p> <p>* Part of the agricultural experts have left the agriculture and the rural environment for activities in other fields and thus their knowledge is not used for promoting the modern technologies and professional guidance.</p>	<p>training.</p>	
<p>The capital</p>	<p>* A negative aspect is represented by the absence of markets of capital and of the systems of specialised credits.</p> <p>Obsolete production capacities.</p> <p>* The tractors and agricultural machines fleet is obsolete and insufficient for the existing agricultural potential.</p> <p>There were not given back to the former owners the agricultural production means.</p> <p>* The private sector from agriculture is des-capitalised and there did not exist a permanent coherent legal framework for stimulating the inputs of capital.</p>	<p>Promotion of several measures for modernising the production capacities and renovation of the tractors and agricultural machines fleet.</p>	
<p>FOOD INDUSTRY</p> <p>There is a relatively wide range of agricultural products, ensured mainly by the diversity of raw</p>	<p>The great majority of the units for processing and marketing of agricultural and fisheries</p>	<p>Stimulation and intervention measures become necessary for the rebuilding of</p>	<p>Delay in the adoption of the Acquis the communitaire, related the</p>

<p>materials of plant and animal origin, by the installed production capacities and by the existing human resources.</p> <p>The year 1997 meant for the Romanian food industry a decisive stride ahead in the setting up of a genuine competitive environment and in adapting its legislation to the market and competition requirements, especially by adopting some regulations for the import of agri-food products.</p> <p>Fish processing industry is 100% privatised</p>	<p>products are situated in the urban area.</p> <p>Reduction of offer of raw materials for some foodstuffs such as: refined sugar, canned vegetables, canned fruit, tomato paste, meat and meat products, fish and fish products.</p> <p>Stimulation and intervention measures become necessary for the rebuilding of the normal correlation between agricultural and food production, through the diversification of agricultural product processing activities.</p> <p>* Processing capacities from the fish industry are old and moral ear and a lack of capacities for sorting and storing perishable products: meat, milk, eggs, etc.</p>	<p>the normal correlation between agricultural and food production, through the modernisation and diversification of agricultural product processing activities.</p> <p>Promoting investments for modernising and development of the agri-food sector concerning the improvement of processing and marketing of the agricultural and fishery products.</p> <p>Harmonising the legislation regarding the structures for quality, veterinary, plant-health and consumer protection control systems.</p> <p>Sustaining by public and private investments the improving of the structures for quality, veterinary and plant-health controls, for the quality of foodstuffs and for consumer protection.</p>	<p>productive norms and the quality standards.</p> <p>*Lack of specialised markets and of preferential credit systems.</p> <p>*Exports are oriented especially to agricultural products, raw materials (animals, oilseeds, and cereals).</p>
AGRICULTURAL SERVICES			
<p>Comprising of commercial companies for agricultural services in the privatisation process.</p>	<p>Increase of agricultural inputs prices.</p> <p>Low use of mechanisation, land reclamation and irrigation, and for services for storing.</p>	<p>*There are necessary some actions in order to develop the agricultural services in the framework of the measure regarding development and diversification of agricultural activities sustaining the agricultural production.</p>	<p>Existence of disparities between the input prices and the prices of agricultural services as compared to the selling price of agricultural products.</p>
AGRICULTURAL AND TRADE MARKETS			
<p>The control of prices was dominated until 1996, whereas in 1997 there took place the liberalisation the prices and of the trade.</p> <p>EU is by far the most important commercial partner for the agri-food products, absorbing during 1998 about 34 % of the Romanian agri-food products exports and supplying about 44% of the Romanian agri-food products imports.</p>	<p>*Lack of the distribution channels for the agri-food products and of an information system connected to the market.</p> <p>* Penetration on the Romanian market of some imported products, causing a competition with the domestic manufactured products, in the condition of an average 50% decrease of custom duties at the import of foodstuffs and in the conditions of continuing slow rhythm</p>	<p>Developing of programs for the setting up of product channels for the plant and animal production.</p>	<p>Lack of market studies might create difficulties in the placement of objectives.</p>

	<p>in the development of the systemic and structural adjustment of the commercial companies of the state sector.</p>		
<p>OTHER NON-AGRICULTURAL ECONOMIC ACTIVITIES AND THE RURAL TOURISM</p>			
<p>Besides agriculture, which is the main economic activity, there are a lot of other non farming economic activities taking place in the rural area, even without being very extended.</p> <p>The existence of traditional activities and handicrafts, such as bee-keeping, sericulture, ceramics, traditional processing of wood, wool and other raw materials.</p> <p>Rural space has a rich tourist, cultural and spiritual potential.</p> <p>The existence of a large surface covered by waters in almost all counties of the country has determined aquaculture to become a traditional activity practised with lower costs.</p> <p>The fisheries and aquaculture represent also instructive, leisure activities and constitute a tourist attraction.</p>	<p>Of the total SMEs, only 17% operated in the rural area (in 1997).</p> <p>The number of handicraft and services units decreased compared to 1989.</p> <p>Low degree of instruction of the rural population.</p> <p>Agricultural units recently privatised.</p> <p>Tourist policy with weak structure (promotion and organisation).</p> <p>The number of handicraft and artisans is continuously decreasing because these activities are not encouraged and the young peoples are not oriented towards these activities.</p> <p>The adequate legal framework has not yet been harmonised.</p> <p>The state does not support sufficiently the improvement of the fisheries and aquaculture.</p> <p>The privatisation of the large surface covered by waters is delayed.</p> <p>The structures that have to ensure the privatisation of the fisheries sector have not yet been set up.</p>	<p>The action of attracting Romanian villages that dispose of tourism and cultural-spiritual potential in the internal and foreign tourism networks, is a progress experienced by many counties in Romania.</p> <p>The NGOs in the rural environment contribute to the development and promotion of rural tourism through: training courses and the workshops, as well as training in delivering of tourism services.</p> <p>The potential for diversifying rural economy must be sustained by legislation, by setting up the preferential credit system, and also by specific promotion actions.</p> <p>Promoting some investments in order to develop and diversify the economical activities, such as handicrafts, bee-keeping, sericulture, aquaculture and rural tourism, which has a high potential to absorb the labour from rural space.</p> <p>The promotion of some programs for the development of the fisheries and aquaculture represent both alternative incomes for the agricultural producers from the rural areas (even the inhabitants from the most isolated areas), and a premise for the development of the tourism.</p>	<p>Decline of the purchasing power for national tourists.</p> <p>Minimising of the potential of Romanian rural tourism for foreigners.</p> <p>Increasing the tourist number in a not enough prepared framework.</p> <p>Seasonal character of the fisheries activities.</p> <p>The lack of knowledge regarding the aquaculture.</p>

<p>Infrastructure (agricultural, civil, social and cultural)</p> <p>Romania invested in the years '70 and '80 a huge amount of capital in irrigation and land reclamation works, having as a result:</p> <ul style="list-style-type: none"> - 3.5 million hectares of land arranged for irrigation; - 3.3. million hectares of land equipped with drainage systems, about 2.2 million hectares were included in the action of soil erosion control. <p>Referring to the electricity network, in Romania the situation is favourable for the rural population because all the communes of the country are connected to the public or local network of electric power.</p> <p>Almost all the localities in the rural area have links to the public roads.</p>	<p>Over-sizing of land reclamation systems resulted in the incapacity of operating the area equipped with irrigation facilities, under economic conditions. The operating rate of irrigation facilities is extremely low (8 – 25%).</p> <p>There are serious problems related to the financing and execution of land reclamation works because of:</p> <ul style="list-style-type: none"> - lack of capital investments for continuing the master works; - projecting of systems which was performed taking into account great users, these projects being inadequate to the small private users; - shrinking of budgets in financing the maintenance of land reclamation systems. <p>Only a little above half of the communes (54%) have direct access to the national auto, train or air way.</p> <p>The network of drinkable water in the rural environment represents 38.4% of the total length of the national network.</p> <p>In the rural area there are only 5.6% of the total length of existing sewerage pipes in the country.</p> <p>Low degree of sanitary services in the rural areas from the point of view of the sanitary units number and also of their endowment with medical equipment and specialised staff.</p> <p>Low number of education and cultural units in the rural areas and also the low number of specialised staff have as a result a low degree</p>	<p>There are to be identified the areas covered by irrigation systems with approximately low dimensions, which may be improved under economical conditions in order to assure the transition to the private sector. For this purpose, there are to be promoted investments regarding agricultural water resources management, especially for irrigation and drainage.</p> <p>The physical infrastructure must be improved in four priority sectors :</p> <ul style="list-style-type: none"> - Communal roads, - Drinkable water, - Sewage water. <p>Promoting some complementary programs to the SAPARD Programme in order to accomplish the health and education infrastructure.</p>	<p>The most important needs of the sector are threaten by the lack of the financial means and also by the lack of a performance management system.</p>
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<p>of education for the rural population. Non-modernised roads represent more than half of the rural road network.</p> <p>The public utilities are low developed in the rural area: - about 20% of villages are provided with supply of natural gases; - from the total network of sewage only 5.6% are in the rural area; - the network of edible water in the rural area represents 38.4% of the total length of national network.</p>	<p>The forestry output experienced a decrease. Thus, the timber volume exploited in 1997 represents only 75% of 1989).</p> <p>In 1996, for the forest regeneration and plantation afforestation took place on 12,727 thou. ha.</p> <p>The rate of afforestation was drastically reduced compared to that of 1998.</p> <p>The rate of regeneration is very low (0.20%).</p> <p>The limited institutional capabilities of the present public and private institutions dealing with forestry.</p> <p>The shortcomings of the legal and fiscal systems which are not facilitating forestry operations.</p> <p>The limitations imposed by the weak economic environment, particularly concerning the privatisation/ promotion of forestry activities.</p>	<p>The sector of exploitation and processing the forestry products represents a real opportunity to create new jobs and incomes, by promoting investments regarding forestry roads, afforestations, nurseries, modernising the wood harvesting, and also modernising the marketing and processing of the forestry products.</p> <p>The important volume of good quality wooden mass not exploited in latest years (of the governmental quota) due to the economic decline (mostly in the secondary wood-processing sector).</p> <p>The important volume of good quality wooden mass, which can be exploited by improving, and developing the forestry road network.</p> <p>Based on enforcement of the propriety rights on agricultural and forestry lands claimed by the former owners will be returned to the rightful owners, lands which represent about 40% of the</p>	<p>The possible damaging effects of the intended retrocession of state forest lands to their previous owners, if this process is not carefully prepared.</p> <p>Objective or subjective difficulties to bring the products on external market.</p> <p>Insufficient absorption of the products by internal market, due to the lack of correlation between the rhythm of development of different economic sectors and also to the decrease of the financial power of the population.</p> <p>Lack of managerial knowledge of the new owners of the forestry exploitation.</p> <p>Lack of preferential credit systems.</p>
<p>FORESTRY</p>			
<p>Romania has one of the most valuable forestry resources in Europe.</p> <p>The total size of the forest areas is 26.7% of the national territory that ranks second in Central and Eastern Europe, after Poland.</p> <p>The total volume of standing trees that is estimated at more than 1,350 million cubic meters.</p> <p>The total incremental forest growth that is of the order of 27-28 million cubic meters per year.</p> <p>The national exports of wood and wood products that are estimated at 10% of the country's total exports.</p> <p>The high-level educated professionals in the field of forestry (many of them unemployed). Long tradition in the field of forestry activities.</p> <p>The management of forest is made in an unitary way, through forestry arrangements and each forestry activity is based on the severe observance of some technical norms, elaborated</p>			

<p>during a period of 50 years of research.</p> <p>The high share of deciduous species with high economic value: 64.1%.</p> <p>In Romania, there are the only virgin woods in Europe about 50,000 hectares.</p> <p>Existence at the national level of a forestry monitoring system accomplished according to the European norms, under which the phytosanitary health of the forestry fund is under permanent surveillance.</p> <p>The diversified offer for the market: wood of high quality from valuable species (oak, cherry, fir-tree, etc.), forestry nursing trees, forestry seeds, fruits of the wood and high quality mushrooms, hunting and game, fish and bee-keeping, etc.</p> <p>Offers important resources for eco-tourism, forestry-tourism, and hunting-tourism.</p> <p>The function of protection it exerts against the desertification the phenomena, against winds, erosion, etc.</p>	<p>The low level of technologies for harvesting, transports and primary processing of woods.</p> <p>The lack of public financing for investments projects.</p> <p>The imbalances in the national forest road network (two million ha cannot be exploited due to a lack of forest roads – the average road density is of 6.2 m/ha and the network is yet highly irregular).</p> <p>From the total of 6.4 mill ha of forestry surfaces, 6 mill ha are state owned and the rest of 400 thou.(6% of total) are private owned.</p> <p>The high level of export of forestry products with a low processing degree.</p> <p>Lack of valorising the waste resulted in the primary processing process.</p> <p>Deforestation of about 25,000 hectares out of the total area of 330,000 hectares of the forests found in private property (recently given back to the former owners).</p> <p>Inefficient marketing in all activities in the forestry sector.</p>	<p>forestry total surface of the country.</p> <p>Promoting investments in order to develop and diversify the economical activity and the social and environmental functions of the forests by sustaining multifunctional projects.</p>	
<p>ENVIRONMENTAL PROTECTION IN AGRICULTURE</p> <p>Pressure upon the environment created by the agricultural production has decreased a lot in the same time with the animal breeding units elimination, with decreasing the irrigation water quantity, and also with the very strong decreasing of the chemical fertilisers and pesticides use.</p> <p>For the entire country, average annual emissions</p>		<p>In the latest years the water quality improved a great deal, and due to this fact we may realise some efficient investments for water resources management.</p> <p>This aspect must be taken into account in the process of promoting and placing the SAPARD objectives, in order not to</p>	<p>The most important problem is the soil erosion, which affects 7 mil. ha agricultural land and which has the tendency to expand and intensify.</p>

<p>compared to the number of inhabitants are close to the European average, and for some substances (CO2) being below the EU countries' average.</p> <p>This is the result of reducing the economical activity after 1989, namely the closing of some industrial factories and of some animal husbandry units and the introduction of non-polluting technologies.</p> <p>The setting up since 1992 of a new system for the monitoring of soil quality, harmonised with other European systems and which comprises 940 representative sites/ placements, out of which 670 on agricultural area and 270 on areas under forestry use.</p> <p>Existence of the possibility of obtaining ecological agricultural products exclusively based on natural conditions.</p>	<p>fertilisation - especially before 1990 - and on the other side because of the extractive and processing industries.</p> <p>About 7 million hectares agricultural land are affected by the erosion process and by the land-sliding process. On an area of about 3.5 million hectares, the erosion is very powerful, in some instances the soil losses being of about 20-25 tones/hectares/year as compared to 2-3 tones/ hectares/year represented by the recovering capacity of the soil.</p> <p>Agriculture is also polluted by other human activities, especially in the areas close to industrial centres of big cities.</p> <p>The low awareness of the issues related to the environment protection, manifested both at the decisional level, and, especially, among the population:</p> <p>an incomplete legislative framework in the field of environments protection and lack of firm measures in what regards the cases of serious infringement of the strict environmental norms,</p> <p>massive deforestation in the woods recently recovered by the former owners and in some other situations, have led to the appearance of numerous land-sliding phenomena and to soil erosion,</p> <p>practising of an aggressive rural tourism in what regards the environment.</p>	<p>increase the pollution effects.</p> <p>For all projects, the environmental surveillance must be done to avoid negative impact.</p>
<p>INFORMATION</p> <p>With the setting up in 1998 of the National Agency for Agricultural Consultancy and of its territorial structures it had started up ensuring of the informational flow from the macro-economic</p> <p>Data gathering at national level is made through the Agency of the National Commission for Statistics, a service that does not develop an adequate agricultural</p>		

<p>level to the micro-economic level.</p>	<p>statistics of the rural area.</p>		
<p>ADMINISTRATIVE CAPACITY</p> <p>"The Commune" is the basic administrative unit on which territory the rural policy can be implemented.</p> <p>The public communal authorities are the local partners of the national authorities for the attainment of the rural policy.</p> <p>The institutional structure of the public administration in agriculture follows the territorial administrative structure of the country: at the village level: agricultural centres< at county level: the Directorates for Agriculture and Food Industry, at central level, the Ministry of Agriculture and Food.</p> <p>The high level of knowledge of the experts working in the public administration in the agricultural and rural domains.</p>	<p>Absence of an official database in the agriculture and rural development fields.</p> <p>The low number of development actions directly addressed to the communes and their inhabitants, most of the development actions being targeted on the urban areas.</p> <p>Local structures have not yet gained the experience needed in the implementation and management of local development programmes.</p> <p>Lack of partnership/co-operation between the mayor houses and the other social-economical partners.</p> <p>Low degree of technical endowment and low degree of instruction of the personnel.</p> <p>Ministry of Agriculture and Food has taken over the tasks and functions regarding the rural development starting with the year 1997.</p> <p>Starting with the year 1998 it have been established 8 development regions, but the base administrative units have remained the counties.</p> <p>At the present time, the agricultural statistic and the statistic of the rural areas are very low developed.</p> <p>The local structures of the public administration in the field of agriculture do not have still the necessary experience for the implementation and management of the</p>	<p>The capacity of local management of the programmes is possible to be improved by initiating national and/or regional coherent programmes.</p> <p>The existence of some institutional twinning programmes means opportunities of local and/or regional and/or national administration, together with the Special Preparatory Programme.</p> <p>Promoting the structures for SAPARD Programme implementation and monitoring.</p>	<p>The lack of well-trained persons and their instability in the public administration structures is a major threat to insure a proper implementation of the development programmes.</p> <p>The village and county administrations have a low planning and implementation capacity due to the very low level of available financial resources.</p>

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	<p>programs of local development.</p> <p>Delay in the setting up of public administrative structures at the regional level, due to budgetary difficulties.</p> <p>Des-structuring of the civil society *reduced number of NGOs in agriculture and rural development and their lack of functionality.</p>		
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III - STRATEGY AND PRIORITIES FOR AGRICULTURE AND RURAL DEVELOPMENT IN ROMANIA

1. Strategy Framework

Agriculture remains a key sector of Romania in the framework of the pre accession period to the European Union. Thus, around of 41% of the employed population work in the primary sector which represent approximately 14% of the Romanian GDP.

The Copenhagen Summit Decisions, the Annual Report of EC of October 1999 on the Romanian's Progress towards Accession as well as the general provisions of the EU Agenda 2000 Framework and the bilateral phase of the acquis screening reached the same conclusions as those of the National Strategy for the economical development of Romania presented to the European Union in March this year, meaning the need for Romania to create a functional market oriented economy, consistent with the principles, norms, mechanisms, institutions, and policies of European Union. The convergence foreseen in this respect is based on an evaluation of resources and opportunities of domestic and international context, and respond as laid down by the updated National Programme for the Adoption of the Acquis to the double requirement of finalisation of a market oriented economy and of preparation for the accession to the European Union, for using the historical chance offered by the decision of the European Council in Helsinki of December 1999 to open the negotiation of accession for Romania. In this given context will have priority the harmonisation of the legislation concerning the SAPARD Programme measures.

In the National Programme for Accession of Romania to the European Union (May 2000), in volume I, chapter 3, item 3.4.2.5. *Integrated Agricultural and Rural Development*, is mentioned that the National Plan for Agriculture and Rural Development (NPARD) is a component part of the National Development Plan, as this latter was approved by the Government Decision 749/1999.

In volume II of the National Programme for Accession of Romania to the European Union – Annexes, item 3.4.2.5. *Agriculture, Rural Development*, in accordance with the Europe Agreement (1994) and with the Accession Partnership, are mentioned the legal documents which are to be elaborated / amended, and are established the deadlines by which the action of legislative harmonisation is to be accomplished, taking into account also the implementation of the SAPARD Programme.

Thus, Romania shall implement in the agricultural sector the structural adjustments necessary to its integration in the Common Agricultural Policy and it shall support the investments that respect the Community rules regarding economic, environmental and social fields. Consequently, Romania shall undertake:

- On the one hand, in the economic field, the following actions :
 - To set-up optimal dimensioned agricultural holdings, economically efficient, by investments and by excluding the marginal exploitations;
 - To focus on the structural reforms through the strengthening of agricultural holdings, privatisation of commercial companies from the rural areas where nowadays the state has majority capital,

- To improve the legal and institutional framework for a good functioning of agricultural market, and to support the development of the infrastructure necessary for this market,
- To sustain policies by agricultural products in order to improve the whole chain from the production to the consumer, both on the internal and external market, in conformity with the quality standards of the EU,
- To diversify the rural economy by non-agricultural economic activities,
- To support the vocational training of agricultural producers and land or forest owners.

• On the other hand, in the regulation field of the administrative reforms that will allow:

- To align its legislation (especially in the veterinary and phyto-sanitary fields) to the *acquis communautaire* and to prepare consequently its integration in the Common Agricultural Policy;
- To enforce its administrative capacity by training people in order to allow an optimal framing of this economic sector;
- To build the institutional structures necessary to the administration of the Common Agricultural policy.

Romania has begun to develop a certain number of reforms in the framework of this policy:

- The giving back of the agriculture and forestry land and the establishment of the private property in agriculture, at the same time with the approval of the Land Law No. 18/1991, with surfaces not exceeding 10 ha, and by the approval of the Law No. 1/2000 for the reconstitution of the agriculture and forestry land property right required in conformity with the provision of the Land Law No. 18/1991 and of the Law No. 169/1997, the surface which will be gave back has no mare than 50 ha;
- The setting up of the legal frame for: the transfer of the land by the approval of the Law No. 54/1998 regarding the legal transfer of the land; the granting conditions stated by the Law no. 219/1998 regarding the granting conditions; the leasing of the land in conformity with the Law no. 16/1994 regarding the leasing; defining elements of the land reform and for the establishment of the land market;
- The ensuring of the legal frame for the privatisation of the agriculture companies (in conformity with the Government Urgency Ordinance No. 198/1998 regarding the privatisation of the companies having in administration agriculture land or land being always under water shine) and of the food industry companies (Government Urgency Ordinance No. 88/1997 regarding the privatisation of the companies and the Law No. 99/1999 regarding the acceleration of the privatisation process);
- The administrative – institutional reform of the Ministry of Agriculture and Food (Government Decision No. 331/2000 for the modification and completion of the Government Decision No. 6/1999 regarding the organisation and functioning of the Ministry of Agriculture and Food).
- The setting-up of the SAPARD Agency with the Government Urgency Ordinance No 142/2000.

2.Objectives of the Plan

On the long term, the strategy proposed by the National Plan for Agriculture and Rural Development (NPARD) is to contribute to the accession of Romania to the European Union and allowing that Romanian agriculture shall be reinforced in order to be able to cope with the Community market competition's pressure and at the same time improve the life conditions of the economic agents of rural areas.

Having regard to:

- (i) objectives under the Accession Partnership (98/C/202/08 JOCE 29.06.1998),
- (ii) council Regulation 1268/99 on SAPARD,
- (iii) the economic priorities laid down by the National Program for the Adoption of the acquis,

"Art 1(2) Community Support shall comply with the conditions laid down in the framework of accession partnerships and shall relate in particular to:

- a) contributing to the implementation of the acquis communautaire concerning the CAP and related policies",*
- b) solving priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant Countries;*

(iv) the socio-economic conditions prevailing in Romania rural areas, their strengths, as well as potential,

(v) the multifunctional role of agriculture as provided for in the reform Agenda 2000 and on the basis of the following principles:

- *a competitive agriculture sector which can gradually face-up to the world market;*
- *production methods environmentally friendly, able to supply quality products;*
- *various forms of agriculture with the following lines:*
 - *to keep the tradition,*
 - *to maintain the countryside,*
 - *to maintain the active rural communities,*
 - *to maintain the employment,*
- *a simpler agricultural policy more understandable which establishes a clear line between the decision that have to be taken jointly and which should stay in the hands of each state;*
- *recognition of the services provided by farmers to the society,*
- *to insure an equal treatment of men and women.*

The support given by the Community in the period 2000-2006 through the SAPARD Programme shall be focussed on actions designed to contribute to the reaching of the following general objectives proposed for SAPARD Programme:

- i) The implementation of the acquis communautaire concerning the common agricultural policy, the environment protection and related policies in the field of food and consumer protection regulations, public health, well been and good health condition of the animals and plants health.*

This objective of the Romanian strategy for integration in the European Union for agriculture, food industry, fisheries and rural development sectors is represented by implementing of the *acquis communautaire*.

SAPARD will support practical development to implement the provisions of the *acquis* regarding:

- Food standards;
- Control measures in order to assure the consumers protection, the public health and the animal and plants healthcare;
- Environment protection.

ii) Engaging for the environment protection, the transposition in the national legislation and implementation of the Directive "Nitrates", of the programme "Natura 2000" and of the Directive "Evaluation of the Environmental Impact"(Annexes I and II).

iii) Solving priorities and specific problems for the sustainable adaptation of the agricultural sector and rural areas of Romania

Taking into account the identified strengths, disparities, gaps and opportunities, the short and long term strategy proposed through the National Plan for Rural Development shall have the following strategic objectives:

- *sustainable development of an competitive agro-food sector by modernising and improving the processing, marketing of agricultural and fisheries products;*
- *to increase standard of living in rural areas by improving and developing the necessary infrastructures, and by defining and setting up the good agriculture practice for sustainable agriculture and rural development;*
- *to develop the rural economy, by setting up and modernising the fixed assets, for private agricultural and forestry holdings, developing and the diversifying the economic activities, in order to maintain and/or create alternative/supplementary incomes and new jobs;*
- *to develop human resources by improving the vocational training for farmers and owners of forestry lands and by building and consolidating the institutional capacity.*

For all of these strategic objectives, priority will be given to the investments that allow the implementation of the *acquis communautaire*.

3. Strategies and priorities for SAPARD Assistance

The strategy for SAPARD assistance described below aims at achieving the main objectives of the National Agriculture and Rural Development Plan while taking into consideration the following constraints:

- The priorities set in Art. 4.3 of Council Regulation 1268/1999, in particular: *"In their plans, applicant countries shall ensure that priority is given to measures to improve market efficiency, quality and health standards and measures to create new employment in rural areas, in compliance with the provisions on the protection of the environment";*

- The list of eligible Measures given in the Art. 2 of Council regulation 1268/1999. To achieve the priorities, the operational objectives referring to the measures proposed by the SAPARD Regulations is as follows, regrouped in four priorities. The general and

specific objectives of each measure are to be found in the measures of the SAPARD Programme that will be promoted. These priorities are the following:

Priority 1: Improving the access to markets and of the competitiveness of agricultural processed products;

Priority 2: Improving infrastructures for rural development and agriculture;

Priority 3: Development of rural economy;

Priority 4: Development of human resources.

The elaboration of priorities, in the framework of the rural development strategy, is based upon the following two important principles

- A strong correlation between priorities, by correlating the measures corresponding to each priority, and especially in order to obtain cumulated results, ensuring the development of production chains, the stabilisation of the foodstuff market and implicitly an integrated development of the rural area;
- Previous promotion of certain priorities, which must ensure the development of some resources in the areas with potential as well as a good orientation and management of the programme funds.

In the framework of the first principle, the first priority cannot be fully developed without supply in agricultural raw materials. These resources must be diversified, stable from the quantitative point of view, of superior quality and having competitive prices. These are the objectives pursued in the framework of the third priority. Also, the implementation of the regular supply flow of the marketing and processing units is conditioned by the existence of an sufficient infrastructure network and especially by a network of dense rural axis, which will allow to service the supply units. This objective meets the objective of the second priority. Finally, the implementation and efficient functioning of the production or processing units are conditioned by the training of the economic agents, who are necessary to their functioning. This objective is also provided for in the framework of the fourth priority. Thus, the impact of the first priority will be reached by implementing in the same areas the measures belonging to the second, third and fourth priority.

In the framework of the second principle, Romania will favour during the first years of development of SAPARD the implementation of infrastructure projects that are necessary to the functioning of an economy in rural area. Romania will therefore mobilise 50% of the Community assistance during the first two years for infrastructure projects, which have already finalised their technical studies. There will be implemented standard and specific training courses from the beginning of the programme in order to make viable the operations regarding agricultural holdings and units for processing and marketing of agricultural and fishery products. Thus, there will be ensured all the conditions that will be very necessary to the development and modernisation of modern vegetable and animal farms, as well as the capacities of processing agricultural products in accordance with EU standards. Moreover, this will help to elaborate studies and analyses regarding the market, the production structures, the areas with various development potentials (rural tourism, production diversification, handicraft etc.).

The available amount provided through the programme is significant, but, due to the fact that the problems are substantial, the impact of the programme will be relatively limited to

solving the problems and to implementing the acquis. The programme will have also a positive impact on the preparation for the accession at the EU.

Priority 1: Improving the access to markets and of the competitiveness of agricultural processed products

The specific objectives are:

- Orientation of production in accordance with foreseeable market tendencies or the development encouragement of new markets for agricultural products, especially for processing and marketing of agricultural products grown according to the environmental standards in force, and in certain cases biological products can be used (in particular organic farming).
- Quality improvement of processed products and control of food products quality, by respecting the minimum requirements of food hygiene according to EU standards;
- Improvement and control of sanitary conditions;
- The establishment and strengthening of commercial private agri-food and fish processors.

Measure 1.1: Processing and marketing of agricultural and fisheries products.

Applying art. 2 from the Council Regulation (EC) no. 1268/1999, art. 3 from the Regulation of European Commission no. 2759/99 and art. 25 and 26 from the Regulation of European Council (EC) no. 1257/1999, the measure has as a general objective the support for investments, destined to the improvement and rationalisation of processing and marketing of agricultural and fisheries production in order to accomplish progressively the accordance with the *acquis communautaire*, contributing thus to the increasing of competitiveness and added value for these products, being in the same time a sector with a big potential in creating new jobs. This measure will be accompanied with the on-going privatisation of the sector and the suppression of over-capacity owned by the State.

Due to the fact that processing sector is for about 85% situated in urban area, investments supported within this measure should have to address also to those units for restructuring and modernisation of the production processes and avoiding the low utilisation of some production capacities. Supporting of some small and medium processing capacities in rural space is justified as long as there is a surplus of raw materials which can be absorbed by the units belonging to the rural space, without diminishing the quantity of raw materials destined to the processing units from urban area.

This measure will be put in practice taking into account the following operational objectives:

- Support for investments for improving the processing and marketing of agricultural products, by sectors and by specific objectives;
- Support for investments for monitoring quality (control laboratories inside the processing plants);
- Stimulating investments aiming at the protection and enhancement of the environment as well as livestock hygiene and animal welfare ("green investments").

This measure gives a priority to the production sectors for which the implementation of *acquis communautaire* needs important investments (milk, meat, fruit and vegetables, wine,

fish) but also doesn't exclude other sectors which represent important potentials to put in value (cereals and oilseeds). In those sectors, only the modernisation of existing capacities will be sustained.

This measure will give a priority to the projects higher than 100.000 EURO but also doesn't exclude smaller projects (between 30.000 and 100.000 EURO for those projects located in rural areas and based on local markets.

The vocational training in this sector will be supported by the measure Technical assistance of SAPARD.

Measure 1.2: Improving the structures for quality, veterinary, and plant-health controls, foodstuffs and consumer protection.

According to article No. 2 of Council Regulation (EC) No. 1268/ 1999, the measure has as general objective implementation of the *acquis communautaire* in the sanitary- veterinary, plant-health food quality control fields in order to contribute to the improvement of quality of raw materials and of finite agri-food products and to improve the competitiveness of the domestic market and for export prospects.

For this measure, support is insured complementarily by both Phare and SAPARD funds. Taking into account that the aim of this measure is institutional building it could be financed especially by Phare Programme. If the Phare Programme will not be able to finance the projects, these will be financed by SAPARD.

Phare will focus on the following directions:

- Consolidation of institutions building and national legislation in compliance with European one (*acquis communautaire*) regarding the investments,
- Finalising ongoing programmes and measures,
- Modernisation and making operative the multi-functional border inspection (including those referring to border inspection for animal health),
- Investment projects of more than 2 millions EURO (eligible value).

SAPARD shall focus, among others, on smaller actions at local level.

This measure requires the harmonisation of the national legislation with the *acquis communautaire* as specified in the framework of the measure.

This measure will be put in practice taking into account the following operational objectives:

- Establishment of new laboratories in public and private sectors;
- Modernisation, extension and equipment endowment of the existing laboratories;
- Setting up an information and communication network system for public laboratories.

The public laboratories supported by this measure are considered as investment in infrastructure not generating substantial net revenue.

Priority 2: Improving infrastructures for rural development and agriculture

According to article No. 2 of Council Regulation (EC) No. 1268/ 1999, the general directions are in order to improve the rural infrastructure, to increase the living and working standards and to maintain the population in the rural areas, by promoting specific objectives, such as:

• Improvement of access of the inhabitants living in the rural area to holdings, of communication between rural areas, and of access to national network.

• Improvement of hygiene and sanitary conditions of the living houses, and of the productive activities carried out according to the standards in force;

• To ensure the necessary water consumption for the agricultural crops and for livestock in areas with humidity deficit, in terms of economic efficiency, by increasing the economical and technical efficiency of the existing irrigation systems and reduction of the water losses from the irrigation network.

• To increase the capacity of protection of the agriculture lands against floods, by developing new digging and other specifically systems and by the rehabilitation of the existing ones.

The water infrastructure, as any other infrastructure investment project, shall be subject to an EIA. Therefore, the environmental aspects will be considered via the related procedure. Management of the water and irrigation infrastructure will be ensured by the beneficiaries and the implementing agency shall include in the grant contract clauses in this respect, since it would be rather complicate to list such details within the body text of the Plan.

Drainage systems and water treatment mentioned techniques are subject of technical review to decide weather it is technically feasible. Anyway, by economic point of view and as a follow-up of existing environmental protection obligations , the exact techniques will be fixed. Apparently, therefore it will be no need for an additional formal procedure in that respect.

Measure 2.1 Development and improvement of rural infrastructure

The purpose of this measure is to improve the access of the inhabitants living in the rural localities to the public services, to set-up of prerequisites for modernising the degree of comfort in rural areas, to improve of the quality of the environment and diminishing of polluting sources etc.

This measure will be put in practice taking into account the following operational objectives:

• Building and modernisation of local communal roads and bridges;

• Building and modernisation of the drinking water supply systems;

• Better management of the sewage water systems through investments related to water treatment stations,

This measure will be implemented with a big amount for the first two years, taking into account the needs in this sector, and also in an integrated way in order to support investments linked with other measures of the SAPARD program.

The investment supported by this measure is considered as investment in infrastructure not generating substantial net revenue.

Measure 2.2 Management of water resources for agriculture

According to the provisions of Article 2 of European Council Regulation 1268/1999, the general objectives of this measure are to ensure a sustainable management of the water resources in the rural area, to maintain and stabilise the production, to preserve and protect the environment, to contribute to the increasing of the incomes and to support rural employment.

The operational objectives within the framework of this measure are the rehabilitation and upgrading of existing irrigation systems, as well as in the rehabilitation and modernisation of existing drainage systems.

These can be accomplished taking into account the following operational objectives:

- Rehabilitation and upgrading of existing irrigation systems;
- Rehabilitation and modernisation of existing drainage systems;
- Reduction of water losses in the irrigation network;
- Protection against flows.

This measure will sustain the investments of the National Society of Land Reclamation which keeps the management by concession of the infrastructures owned by the state, as well as the investments supported by the new association of water users for the management of secondary water networks.

This measure will be implemented in areas without high natural value. All the projects submitted in the framework of this measure have to present an Environmental Impact Assessment according to the law n°137/1995 on Environment Protection.

The details for the implementation of this measure will be discuss with the Commission before the beginning of its application foreseen in 2002.

The investment promoted by administration and supported by this measure is considered as investment in infrastructure not generating substantial net revenue.

Priority 3: Development of rural economy

According to provisions of Council Regulation (EC) No. 2759/99, for appliance of the provisions of Council Regulation (EC) No. 1268/1999 and Council Regulation (EC) No. 1257/1999, this priority has as specific objectives the support for investments in agricultural holdings, setting-up producer groups, diversification of the activities in rural areas, which will help the adaptation of the rural economy with the acquis communautaire, for improving the agricultural incomes, the employment and the orientation of the production to the market economy.

The specific objectives are oriented to:

- Decreasing production costs,
- Adjusting the production to the need of the market,
- Ensuring the optimal use of the manpower available by encouraging the creation of new employment,
- Improving and diversifying production,
- Improving the quality,
- Promote the diversification of agricultural activities,
- Establish in common joint rules concerning the information on the production, especially on the harvesting and market distribution, officially acknowledged within the candidate country,
- To preserve the high natural value agriculture environment that is potentially threatened,
- Protection and improvement of forest resources by a better valorisation of the forest.

Measure 3.1 Investments in agricultural holdings

The measure shall be implemented with priority for activating the agricultural potential at the same time with the valorisation of local resource in view of making efficient the practised exploitation to insure the agricultural income. There must be granted support the

setting up or modernisation of the investments in accordance with the *acquis communautaire*. The exploitations that will receive support from SAPARD Programme should comply with the national legislation and if the legislation is updated during the implementation of the project should comply before the payment with the harmonised legislation in force.

This measure will be put in practice taking into account like operational objective the promotion of investments in animal and plant sectors at farm level, in order to improve the farm buildings and to clothe it with new machinery and/or animals with a high genetic quality.

The minimal conditions of viability for each sector of production are fixed in the measure, as regards the minimal agriculture area or the minimal number of animals bred, as regards the minimal technical conditions of breeding and feeding, and using of manure, as regards the minimal conditions in order to respect the national legislation of environment.

Measure 3.2 Setting-up producer groups

The general objective of this measure is to increase the income of the producers who are members of producers groups and to maintain and create employment in rural areas by setting-up such groups. The purpose of producers groups is to market in common their products and establishes the joint rules of production. Consequently, the quality and marketing conditions of the products obtained by the producers groups must be also improved.

Taking into consideration Art. 6 of the Commission Regulation no 2759/1999, there were established the following operational objectives:

- Support to encourage the setting-up and to facilitate the administrative operations of producer groups;
- To stimulate especially the young farmers (under 40 years old) to be involved in setting-up producer groups.
- The quality increasing, by setting up producer groups leads to application of modern technologies and implicitly to the increase of the product quality.

The delayed beginning of this measure will allow, through the technical studies that will be implemented and financed within the technical assistance measure of SAPARD Programme, to define its intervention framework and to draw up its implementation methods. The details for the implementation of this measure will be discuss with the Commission before the beginning of its application foreseen in 2002, after the establishment of the necessary legal framework.

Measure 3.3 Agri-environmental measures

The development of the practical experience of implementation of agri-environmental measures, both at administrative and local level, respectively at the farm level, according to the principles of the CAP will speed up the process of legislative harmonisation that Romania is undertaking as well as the absorption of experience from the EU Member States.

The Ministry of Water, Forestry and Environmental Protection has already started preparing the legal context for the implementation of agri-environmental measures and major pieces of legislation have been already approved in this respect; e.g. Government Ordinance no. 34/1999, referring to organically production and its certification.

According to Article 22 of the Council Regulation (EC) no.1257/1999 the support for the agricultural production methods designed to protect the environment and maintain the countryside (agri-environment) will contribute to multiply the actions of accomplishing the objectives of the community policies regarding the agriculture and the environment; Particularly, the support granted through this measure shall promote like operational objective putting into practice pilot projects aiming at conversion to organic agriculture, the protection of areas with special bio-diversity / natural interest and maintain / improve the rural landscape and natural environment.

The details for the implementation of this measure will be discuss with the Commission before the beginning of its application foreseen in 2002. A study will be done on the framework of the technical assistance that will define the concept of good agricultural practice, the activities that go beyond them and the estimated income loss. This study will also establish the zones and the conditions of implementation.

Measure 3.4 Development and diversification of economic activities, multiple activities, alternative income

The general direction of this measure, established according to the provisions of the Council Regulation (EC) No.1257/1999, specifies that the support will envisage to support employment and to generate alternative incomes by diversifying rural activities related to agriculture.

This measure will be put in practice taking into account the following operational objectives:

- To sustain the agricultural activities in the rural area through the accomplishment of specific services; in this respect, it is proposed to sustain the setting-up of circle of agricultural machinery and services for repairing agricultural machines.
- To sustain the activity of youth and women;
- To sustain the activities which are specific to the rural tourism (agro and silvotourism);
- To preserve and to develop traditional handicraft activities;
- To develop aquaculture, bee-keeping, sericulture and mushrooms cultivation.

It has to be mentioned that Romania has already an experience in the rural tourism, by the existence of marketing networks (ANTREC, FRDMR etc) and the classification of the agrotouristic units according to their level of comfort. It is proposed to give a priority to the modernisation of existing units, but also to create new units if the applicant bases the investment on a study of the potential market in the area where the project is carried out.

Measure 3.5 Forestry

According to the provisions of Article 29 of European Council Regulation no 1257/1999, the support for the forestry sector will contribute to achieve the general directions:

- Preserving and developing of economic, ecological and social function of the forest in the rural areas, concomitant with the extension of afforested areas, in order to increase the product added value of the forest and to increase the incomes of forest owners;
- Fulfilling of the arrangements that Romania agreed upon in the Pan-European Conference on Forests Protection.
- The support shall promote one or more of the following operational objectives:
 - Financial support for local communities for the a forestation of the abandoned land and the forestry roadway system;

MEASURE 3.2

SETTING UP PRODUCERS GROUPS

1. BACKGROUND

• Even if agriculture was the first sector of the national economy in which were laid the bases of the private property (Law 18/1991), it is however ascertained a deep crisis, affecting all the elements of the agricultural system:

- the structures of social-economical organisation of the agricultural owners and producers;
- the production structures;
- the rate of conversion and the production levels;
- the agricultural management etc.

• The private agriculture is actually characterised by an excessive dividing of the agricultural production system. The land market is not operating.

• The tendency to co-operate in activities of marketing and even of production is reduced, affecting the income of the peasant households.

• The efficient organisation in producers groups depends mainly on the geographical location of the agricultural holding materialised in different structures and shares of the agricultural crops, as well as on the endowment with production means.

• The necessity to organise the agricultural producers for economical purposes, in order to improve the capital and labour management, to protect the producer's interests on the market and in their relation with the state.

• The situation of the producers groups in the sectors considered as priority in the application of this measure is:

- The surface cultivated with vegetables is of 231,712 ha area (1999) from which the private sector occupies 195,500 ha. The associations represent 2% from total surface tilled of the private sector. Typical of the present vegetable growing is the culture on small plots, the quantities obtained being reduced. It is necessary to organise groups of 20-50 members, cultivating a surface of 25-50 ha, varying with the production assortment and destination.

- The potato culture occupies a 273,000 ha area, 97.4% being in the private sector. The private associations represent 4% from total surface tilled of the whole private sector. The association degree being very small, it is necessary to set up producers groups, having in average over 40 associates and cultivating a surface of over 150 ha.

- Orchards occupy a 236,000 ha area, from which 73.2% represents the private sector. In this sector the associative form is insignificant, in order to improve the quality of the production and the efficiency, it is necessary to set up producers groups.

- Viticulture occupies 265,000 ha, area from which 81.6% in the private sector. It is necessary to set up producers groups for the purpose of obtaining a stable production from quantitative and qualitative point of view. In 1996 from the total vineyard patrimony 166.1 thou. ha are represented by the vinis vinifera varieties

and the difference of 117.7 thou. ha are represented by the hybrid varieties directly productive.

- Milk: in 1999 the milk cows livestock was of 1,633 thou. heads out of which the private sector represented 1,588 thou. heads which represents 97.2% (15,827 thou heads) of the total amount. The milk production obtained in 1999 was of 50,159 thou. hl of which over 96% in the private sector. As a result, it is necessary to organise the cattle breeders in producers groups in view of improving the conditions of collecting and increasing the degree of valorisation of the obtained production.

- Organising in-groups of the meat producers will have as a result improving of the quality indices of animal production. Presently, the structure of the livestock destined to the meat production is as follows:

Animal type	Number of heads		Tones of meat in living weight	
	Total	Private	Total	Private
Cattle	3,051,149	2,929,183	312,163	290,529
Poultry	69,143,019	64,737,879	335,627	310,631
Mutton and goat	8,679,145	8,463,505	116,496	112,564
Pigs	5,849,360	5,020,993	793,511	674,653

- The setting up of producers groups will contribute to the increase of the economical efficiency of the agricultural and forestry holdings, having an important role in the improvement of the products quality, of the supplying and distributions networks, as well as in the establishment of a balance between supply and demand, reducing the dependence upon imports.

- Setting up producers groups in view of joint marketing, according to certain production rules, in order to increase the income of the producers who are members of producers groups and to maintain or create employment in rural areas by setting-up such groups

2. OBJECTIVES

General objective

Setting up producers groups in view of joint marketing, according to certain production rules, in order to increase the income of the producers who are members of producers groups.

Specific objectives

The support shall be granted to the producers groups recognised after the approval of the norms regarding their setting up and set up in order to:

- jointly adapt the production and the out put of these groups members to the market requirements;
- jointly marketing their goods, including sales centralisation, preparation for sale and wholesalers supplying;
- establish joint rules concerning the information on the production, especially on the harvesting and market distribution, officially acknowledged;

- developing the producers groups in the following priority sectors: fruit/vegetable, potatoes, grapes, milk and meat, forestry, fisheries, aquaculture.

Operational objectives

- Support to encourage the setting-up and to facilitate the administrative operations of producer groups;
- To stimulate especially the young farmers (under 40 years old) to be involved in setting-up producer groups.

3. CORRELATION WITH OTHER MEASURES

This measure shall be applied simultaneously with the following SAPARD measures:

- improvement of the agricultural and fishery products processing and marketing;
- investments in agricultural households;
- technical assistance;
- rural infrastructure development and improvement, as part of the integrated rural development.
- Vocational training.

4. FIELD OF ACTION OF THE MEASURE

- Support may be granted to encourage the setting up and to facilitate the administrative operations of the producers groups, during the first five years following the date of acknowledgement.
- Support granted to producers groups recognised after the approval of the program and procedures regarding their setting up for the first five years following the date on which they are acknowledged, shall be granted towards the costs of setting up and running the producer organisation, at a flat rate.

5. ELIGIBILITY CRITERIA

All the producers groups, within the limits of the sector, product or products for which they are acknowledged, shall assure the following general conditions:

- The activity of the group will be located in the rural area (NUTS 5), defined according to the national legislation.
- The group should demonstrate that it promotes economical-financial viability during a period of at least 5 years.
- They shall have a status including rights according to the national legislation.
- The production group should have legal status, which will allow it to claim its rights and obligations according to the national legislation.
- The production group's responsible must submit one of the professional training conditions mentioned below:
 - a diploma (university degree, specialisation, high school) which should demonstrate the professional training within the field of action of the group;
 - professional experience (minimum three years) proved by a competence statement achieved by traditional - practising of a skill for at least or a statement

on own responsibility that the project's responsible will make a professional training course until the first payment.

• Will be eligible for financial support the recognised group which has:

A minimum number of members 30 (10 for fisheries) and the minimum turnover has to be 20,000 EURO, out of which:

1. A minimum marketed production by sort:

a) Vegetables – 600 t;

b) Potatoes – 1,200 t;

c) Fruit - 750 t;

d) Grapes – 420 t;

e) Milk – 6,500 hl;

f) Meat:

- cattle 200 t

- mutton 80 t

- pork 250 t

- poultry 100 t

g) Fish - 100 t.

2. A minimum cultivated area or number of heads (animals) for the recognition of the group :

- vegetables – 60 Ha

- potatoes – 100 Ha

- fruit – 60 Ha

- vineyards – 60 Ha

- milk 180 heads

- meat:

cattle – 1,000 heads;

mutton – 3,500 heads;

pigs – 2,000 heads;

poultry – 80,000 heads

- forestry: volume marketed by the group: 20,000 m³ /year;

- fish: produced quantity 100 t/year.

6. RECOGNITION PROCEDURES

The national recognition procedures of producers groups regarding the competent authority and responsible services, the conditions for the withdrawal of recognition, the appeal mechanism, as well as the conditions for obtaining of the support will be detailed in a legislative norm.

The applying of this measure will not start before the beginning of 2002 after the approval of the detailed conditions after the consultation of the EC.

7. SELECTION CRITERIA

The eligible agricultural groups will be selected according to the following criteria:

No.	Criteria for recognition	Score (if yes)
1	Agricultural area and/or number of animals owned by the producer's	max 30

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	group:	15
	a) Cultivated area: <100 Ha	30
	>100 Ha	
	b) Number of animals:	30
	milk > 250 heads	30
	meat: cattle > 1,500 heads	30
	mutton > 4,000 heads	30
	pigs > 2,500 heads	30
	poultry > 100,000 heads	30
	c) Fishery production > 100 t / year	
2	Number of group members	max25
	30 – 50	10
	>50	25
	Number of group members for fishery	
	10-15	15
	>15	25
3	Producer groups having at least 20% of the members under 40 years	25
4	Producer groups having for purpose the joint sale of the some products obtained as a result of an organic agriculture at least: 10% by value in 5 years	20
	Total	100

Forestry Producers Groups

N°	Criteria for project assessment	Score (if yes)
1	Number of economic agents entering in the group: → 3 - 5 members → > 5 members	max10 5 10
3	Volume of the production marketed by the producers group → 20.000 - 40.000 m ³ → 40.000 - 60.000 m ³ → > 60.000 m ³	max30 5 20 30
4	Number of assortments *: → 2 from 6 assortments → 4 from 6 assortments → 6 from 6 assortments * logs, timber wood, cellulose, pale, wood for rural construction, fire wood	max25 5 10 25
5	Projects having in view the ecological exploitation technologies	35
	TOTAL	100

Note: After each annual portion which was accorded to the beneficiary the selection criteria will be verified.

8. BENEFICIARIES

The agricultural, fisheries and forestry producers groups, legally established and recognised.

9. NATIONAL LEGISLATION IN FORCE

The list of the normative documents regarding this measure is presented in Appendix 1.

The stage of the national legislation harmonisation with the Aquis Communautaire

- It is estimated to be approved a norm regarding setting up of producers groups and their recognition, including the methodology norms for application. For the elaboration of this norm it is to be taken in view specific Community legislation on the organisation and operation of the producers groups: Regulation n° 1360/1978 on the Setting up of producers groups and their associations; Regulation n° 2084/1980 on the operation expenses of the producers groups and their associations; European Commission Directive n° 386/1996 on the improvement of the Directives (EEC) n° 220/1991 by imposing detailed rules for the application of the Regulation (EEC) n° 1360/1978 on the producers groups and associations.
- It is necessary to draw up a draft Law on the organisation and operation of the inspection body for the quality standards, which will sustain the consolidation of the economical position of the producers groups.
- MAF has also, with PHARE assistance, elaborated a draft Law on the co-operative agricultural organisations, which is expected to be adopted in the 2nd semester of 2000.

10. FINANCIAL DISPOSITIONS

- The aid dedicated to the producers groups shall be granted according to the group setting up at a flat rate.
- The aid shall be established for each producer's organisation based on his or her yearly-marketed production and will be:
 - amount for the first, second, third, fourth and fifth year to 5%, 5%, 4% 3% and 2% respectively of the value marketed production up to 200,000 EURO/year.
 - amount for the first, second, third, fourth and fifth year to 2.5%, 2.5%, 2%, 1.5% and 1.5% respectively of the values of marketed production exceeding 200,000 EURO/year.
- paid in annual instalments and subject to a ceiling for each producer organisation of:
 - 20,000 EURO for the first year
 - 20,000 EURO for the second year
 - 16,000 EURO for the third year
 - 12,000 EURO for the fourth year
 - 10,000 EURO for the fifth year.

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- The measure shall be applied from 2002 after the clarification of the details and consultation with EC.

INDICATIVE BUDGET UNDER THE MEASURE / EURO (Constant prices 2000)

Year	Total cost	Public expenditure	Community contribution	National public contribution	Private participation
Measure 3.2	1=2+5	2=3+4	3	4	5
2000	0	0	0	0	0
2001	0	0	0	0	0
2002	5904000	5904000	4428000	1476000	0
2003	5904000	5904000	4428000	1476000	0
2004	3936000	3936000	2952000	984000	0
2005	3936000	3936000	2952000	984000	0
2006	3936000	3936000	2952000	984000	0
TOTAL	23616000	23616000	17712000	5904000	0

The definition of the financial criteria for calculation of the support afforded annually to the producers groups will make the object of a study within the measure " Technical assistance".

The eligible project activities have to take place after the signature of the contract with exception to feasibility and technical studies, in the limit of the percentage approved in the measures.

11. GEOGRAPHICAL COVERAGE

The project must be located in the rural area, defined according to the law.

12. OUTPUT, RESULT AND IMPACT INDICATORS

Output indicators

Number of producers groups supported: 500, out of which

- Vegetables 70
- Potatoes 70
- Fruits 70
- Grapes 75
- Milk 100

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-
- Forestry 40
 - Meat 55
 - Fishery 20

Number of group members: 17,000

Number of sustained young's (under 40): 3,400 (20%)

Results indicators

Adjustment to the market needs

The volume of the primary production marketed by a producers group

- a. vegetables 1000 t;
- b. potatoes 2,000 t
- c. fruits 1000 t
- d. grapes 540 t
- e. milk 8500 hl
- f. meat 300 t
- g. forestry 20,000 m³/year
- h. fishery 100 t / year

Ratio of 'marketed primary agricultural products by the producers groups to marketed primary agricultural products.

Impact indicators

Income's improving

Increasing of producer's incomes related to the previous situation 20%

Employment and social impact

Number of full-time equivalent jobs (FTEs)

- maintained in better conditions 17,000
- created 480

13. PROGRAMME PROMOTION

The potential beneficiaries will be informed about the existence / conditions of the eligibility of the present measure through:

- Public announcement in media
- Distribution of information leaflets
- Seminaries
- Meetings with the potential beneficiaries

14. SUPPORTING DOCUMENTS

- The recognition document of the producers group according to the norm that will be elaborated accordingly;
- The registration document of the producers group;
- Proving documents (annually) of the accomplished and accounted productions for establishing the lump sum afforded each year;
- A letter of intent or pre-contracts for the trading of relevant part of the output, and pre-contracts for the purchasing of a relevant quantity of raw materials;

- Commitment of the wine grower producers groups they will replace the area cultivated with hybrid varieties with high value varieties;
- Statement from the producers group that they will keep the number of members;
- Justifying documents which can prove the marketing of the products.

15. FINANCING CONDITIONS

- The members of the group have to respect the group recognising conditions and the grant receiving conditions;
- The beneficiaries shall draw up balances sheet at the end of the year;
- A group may receive one grant per type of recognised product between 2002 – 2006;
- The beneficiary will collaborate and will forward any information required by the officials of the MAF, SAPARD Agency, EU Commission or by other structures authorised to check and audit the project implementation;
- The support granted will be claimed back if the financed procurement are not used according to the intended purpose within a period of 5 years after the completion of the project (the date of the last instalment);

16. IMPLEMENTING AUTHORITY

- The regional and central offices of SAPARD Agency shall ensure the co-ordination of the programme (programme publicity, receipt of projects, organisation of the regional selection committee ; forwarding of projects to the technical services and to the headquarters of the SAPARD Agency, technical and financial monitoring of the programme at regional level);
- The delegated technical services responsible with the on the spot checking and with the checking of expenditures made are the following:
 - Decentralised services of the MAF;
 - Decentralised services of the MWFEP for the recognition of the group and for providing the financial assistance;

NATIONAL LEGISLATION

Law no. 31/1990 regarding the commercial companies.

Law no. 36/1991 regarding the agricultural companies and other forms of association in agriculture.

Ordinance of the Government no. 32/1997 for the change and addenda of Law 31/1990 regarding the commercial companies.

Law no. 84/1998 regarding the trademarks and the geographical indications.

Regulation no. 1/1997 regarding the authorisation of economic concentrations.

Law 169/1997 regarding the amendment and completion of the Land Law no. 18/19991.

Law 18/1991 of the Land.

Ordinance of the Government no. 55/2000 regarding associations and foundations.

*An entire list of legislation which comprise the minimal list with legislative packet necessary for the SAPARD programme (basic legislation and practise, existing draft laws and regulations which will be elaborated) is presented in annex 71. The process of harmonizing is in course and comprised all legal aspect for implementation.