



# A DYNAMIC ADMINISTRATION for a sustainable agriculture and better rural livelihoods



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Joining the European Union has vastly benefitted Romania's agriculture and rural sector. Recent years saw a surge in its farm output, and a historic shift of its agri-food trade to a positive balance.

Increased funding opportunities clearly helped boost sector results. Private investments in the agri-food sector increased strongly, and multiplied the effects of the ample public funding, both national and European. The agriculture and rural administration managed over EUR 14 billion during the 2007-2013 period, and is managing another EUR 21.5 billion over 2014-2020.

A clear vision, and broadly shared strategic priorities for the agri-rural sector are essential for steering these resources towards better sector outcomes. In the medium and long term, Romania will focus on: (i) maximizing its agri-food competitive potential, particularly through strengthening its trade with non-EU partners; (ii) improving its agri-rural climate resilience, mainly through reforming the national irrigation system; and (iii) improving rural livelihoods, through an impactful implementation of the National Rural Development Program 2014-2020.

Strong and modern institutions are needed now, more than ever, to effectively deliver against these major goals, and to ensure a more efficient disbursement of the agri-rural payments and provision of public services. This is even more relevant given the complex requirements of the new Common Agricultural Policy. Better institutions will design and deliver better public policies, and this will lead to greater results in the farm sector and improved rural livelihoods.

This program has significantly contributed to developing a public administration that will be in a better position to respond to the needs and demands of farmers and rural dwellers; such efforts need to be strengthened and continued in the future.

**Daniel Constantin**

Minister of Agriculture and Rural Development

<b>Why</b> this Program? .....	<b>4</b>
<b>What</b> did the Program do? .....	<b>7</b>
<b>1. STRATEGIC MANAGEMENT: Designing change</b> .....	<b>9</b>
1.1 Developing a SECTOR VISION and STRATEGY .....	12
1.2 Building a Strategic Plan .....	13
1.3 The Strategic Plan 2014-2017 in practice .....	15
1.4 Informing the Strategy and the Strategic Plan .....	18
<b>2. OPERATIONAL MANAGEMENT: Managing change</b> .....	<b>23</b>
2.1 Internal Management and Control System (IMCS) .....	24
2.2 Integrated Financial Management System (IFMS) .....	26
2.3 Integrating Information/Data Management .....	27

<b>ARD</b>	Agriculture and Rural Development
<b>CAP</b>	Common Agricultural Policy
<b>EU</b>	European Union
<b>IFMS</b>	Integrated Financial Management System
<b>IMCS</b>	Internal Management and Control System
<b>ISP</b>	Institutional Strategic Plan
<b>ICT</b>	Information and Communication Technology
<b>MADR</b>	Ministry of Agriculture and Rural Development
<b>TA</b>	Technical Assistance





# Why this Program?

A review of the Romanian public administration has shown that, after joining the European Union (EU),

**operational deficiencies are more important constraints to agriculture and rural development than funding restrictions.**

Romania is among the best endowed European countries in terms of land, water and people. Properly exploited, this endowment can lead to increasingly productive rural employment and help reduce income gaps between rural and urban areas.

Progress in agriculture can also importantly contribute to overall economic growth, generation of public savings and a more sustainable trade balance.

Only a modern and efficient public administration will be able to fully tap the benefits - financial, economic, or commercial - of the EU membership in the area of agriculture and rural development.

**The introduction of modern management methods supported by the latest ICT tools will lead to increased administrative capacity in the agriculture and rural development sector.**



The Ministry of Agriculture and Rural Development (MADR) committed to improving its strategic and operational management; the World Bank provided support through a Technical Assistance Program.

**Stronger public management will help:**

1. better realize the potential of Romania's agriculture,
2. better serve farmers, food processors, and rural dwellers, and
3. use public resources more efficiently and effectively.

The Program was implemented between 2012 and 2014. This coincided with the final stage of Romania's preparations for implementing the Common Agricultural Policy (CAP) for the period 2014-2020.

The Program supported MADR in making decisions with regard to the new CAP; yet its focus lay on the modernization of public institutions, so that they would be: 1. better able to identify opportunities and challenges facing the sector, and 2. develop and implement successful long-term solutions.

In fact, after a period of adjustment to the CAP, the institutional attention should now shift to a more comprehensive and ambitious agenda for the future of the sector that uses CAP and domestic resources to make Romania's agriculture and rural areas prosper.

# What did the Program do?

The Program was divided into two key focus areas and four inter-related projects:

- 1 The area of **STRATEGIC MANAGEMENT**, encompassing the formulation of the sector's strategy and the planning of its implementation; and
- 2 The area of **OPERATIONAL MANAGEMENT**, focused on the strengthening of the internal management and control system and the integration of the financial management system.



In the area of **STRATEGIC MANAGEMENT**, the program assisted the MADR in formulating a **2020/2030 Medium- and Long-term Vision for Romania's agriculture sector and rural areas** that would help Romania build an export-driven, high-value and climate resilient agriculture, with rural living conditions more closely aligned to urban.

The Vision was built through a wide consultation process and supported by a series of policy papers and technical notes on some of the most challenging issues facing Romania's agriculture: risk management, optimal programming of CAP direct payments, energy crops, and premium agri-food production.

The Program also supported the MADR with the development of an Institutional Strategic Plan for the period 2014-2017. The Plan reflects the ambitions of the Vision and puts forward programs and measures needed to turn the Vision into reality.

In the area of **OPERATIONAL MANAGEMENT**, the Program proposed practical measures to improve the use of MADR's Internal Management and Control System, including solutions for monitoring and evaluating MADR staff performance and steps towards the automation of the System's implementation.

The Program also helped MADR plan for the introduction of an Integrated Financial Management System that would improve inter-institutional budget coordination, as well as standardize and automate some of the current time-consuming financial processes and ad-hoc solutions.

An **Integrated Data Warehouse** linking various function spread across the agriculture and rural development (ARD) sector would represent a significant step forward, as it would eliminate redundancies, digitalize ARD sector management and improve decision-making.

The Program developed the technical, functional and financial specifications that are required for implementing such an **Integrated Data Warehouse** in MADR and its institutions.

1. **Developing a vision**
2. **Building a strategic plan**
3. **Ensuring operational capacity**
4. **Using modern IT tools**

# 1

## STRATEGIC MANAGEMENT: Designing change

The world is facing a moment of transformation.

Long-term challenges are coming to the fore and call for decisive action - fast-growing global population, increased pressure on natural resources and a rapidly warming planet are defining a new and testing environment. In Europe, ageing adds to the challenge.

All these developments will have profound implications on farming and rural livelihoods. While the global demand for food is rapidly rising, increasing urbanization, growing energy and fertilizer prices, stress on water resources, and increased climate-vulnerability of crops and livestock will curb food production.

In face of this, the EU has embarked on a path of transformation that makes strong commitments to addressing the challenges of food security, sustainable management of natural resources, and balanced territorial development.

## Where do we want to go?

Romania must also make strategic choices about the future of its agriculture and rural areas. These need to be embedded in a clear and stable medium- and long-term vision for the ARD sector.

The vision and its strategic implementation can provide the platform for an effective response to the various sector challenges, and tap global, regional and domestic opportunities.

While clearly anchored in the CAP, the vision needs to recognize the adequate and specific pathways of development for Romania's agriculture and rural areas.



Above all,

**the vision needs to be inclusive, comprehensive and far-reaching, in order to enjoy legitimacy and retain relevance over time.**

This is why the process of its formulation has value on its own: involving key stakeholders and jointly discussing the future of the sector helps forge a mutual understanding about where the future of Romania's agriculture sector and rural development lies.

The Program recognized this and focused on supporting the process, just as much as it did developing the medium and long-term vision and strategy itself.

Six regional workshops offered a platform for wide-ranging stakeholder participation.



## 1.1 Developing a Sector Vision and Strategy

For 2020/2030, Romania is aiming to build an **export-driven, high-value and climate-resilient agriculture, with rural living conditions more closely aligned to urban.**

The Medium and Long-term Vision of Romania's agriculture and rural areas takes a systemic approach, relying on the interconnections between the economy, society and environment.

It also seamlessly integrates the public programs and services that are (co-)financed by the EU, with those that are entirely national (e.g. taxation in agriculture, irrigation, research, or education).



# The Vision lays out five strategic goals

for the agriculture sector and rural development in Romania:

- 1 Reinstating Romania as a net agri-food exporter** by exploiting its sector production potential and responding to strong global food demand.
- 2 Accelerating the structural transition towards professional and economically viable farming** - both medium and large-scale - while adjusting better to expected demographic trends and ensuring equitable options for those exiting the sector.
- 3 Limiting the carbon footprint of agriculture, and promote climate-resilience in farming and rural areas**, particularly through improved water management and renewable energy production.
- 4 Improving living standards in rural areas**, with the aim to provide basic infrastructures and services comparable to urban areas, while also narrowing the rural income gap between Romania and the EU.
- 5 Promote knowledge-driven agriculture**, through strengthened agriculture knowledge and information systems, and better performing administration.

## 1.2 Building a Strategic Plan

Strategic planning is a key management tool for ensuring a coherent and sustained sector development and administrative performance.

### How do we get there and how do we measure progress?

#### A STRATEGIC PLAN:

- 1** operationalizes the strategy and translates long term sector objectives into medium-term priorities for agriculture and rural development;
- 2.** provides further detail on the programs, measures and activities that are needed to achieve the long term strategic objectives;
- 3.** defines clear indicators and sets quantifiable targets for measuring performance and progress;
- 4.** earmarks the human and financial resources that are needed for fulfilling the objectives and targets set.



The vision and strategy should cascade through the organization with a clear definition of measurable goals and individual responsibilities.

## 1.3 The Strategic Plan 2014-2017 in practice

The Program supported MADR with the

### TWO VITAL COMPONENTS OF STRATEGIC PLANNING:

#### 1. Drafting the medium-term Institutional Strategic Plan for 2014-2017:

The development of the draft Strategic Plan 2014-2017 followed the formulation of the sector vision and strategy, to ensure proper alignment of long-, medium- and short- term priorities.

Its review and adoption will also follow that of the sector strategy (ongoing).

There are five key objectives anchored to the vision of building an export-driven, high-value and climate-resilient agriculture, with rural living conditions more closely aligned to urban, supported by a series of programs and measures.

#### 2. Developing a system for conducting strategic planning, tailored to the specific needs of the Romanian ARD administration.

The Program also successfully helped set up and test a new system for conducting strategic planning in MADR. This consisted of:

- Setting up a designated process (see on page 17);
- Comprehensively including all programs and measures managed by MADR, whether they are nationally- or EU-funded;
- Piloting program budgeting;
- Piloting a performance tracking system, which links program budgets to outcomes and outputs.

### IN-DEPTH

Linking objectives, indicators, targets and programs - Example

#### Strategic objective 1:

Increase the share of agri-food consumption covered by domestic production and reinstate Romania as net agri-food exporter

##### Program 1.1

Better market and value chain integration of agri-food producers

##### Program 1.2

Professional training of farmers (knowledge transfer, education, skill development)

##### Program 1.3

Research, development, innovation and technology transfer

#### Program objectives

1.1.1 increased marketing of agri-food products

1.1.2 increased processing of farm products



### IN-DEPTH

Linking objectives, indicators, targets and programs - Example (continued)

#### Program objective 1.1.1:

Increase marketing of agri-food products

##### Quality, nutrition, food safety

###### Measures:

Restructuring and conversion of vineyards

Milk and fruit in schools

National apiculture program

Introduction and maintenance of national herd book

Support to livestock farmers for animal rendering

Quality schemes

##### Access to markets, promotion

###### Measures:

Information and promotion (domestic and export markets)

Export refunds

Producer groups (fruit and vegetables)

Producer groups (measure 142, NRDP)

Cooperation for short chains

Coupled Pillar I support

##### Stock/price management

###### Measures:

Milk quota management

Sugar quota management

State aid for fuel used in agriculture



IN-DEPTH

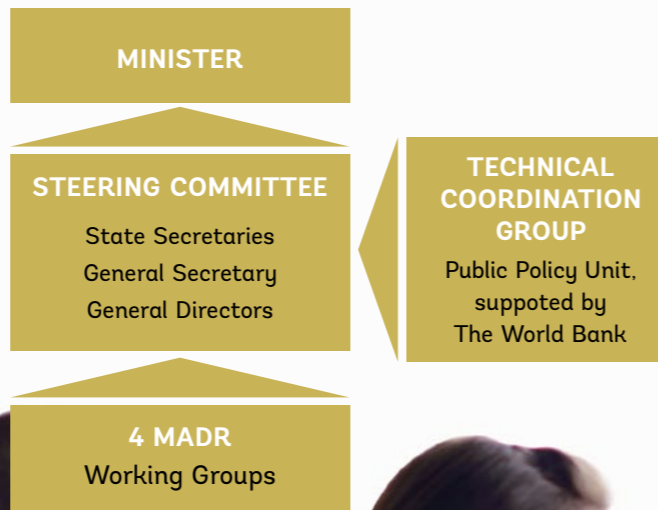
### How was the Strategic Plan prepared?

The preparation of the ISP 2014-17 was carried out mostly between September 2013 and March 2014, building on previous preparatory work.

The process enjoyed a wide, steady and substantial engagement of all relevant MADR senior management and operational staff and was overseen by the Strategic Planning Steering Committee, composed of all MADR's State Secretaries and the Secretary General. MADR's Public Policy Unit provided technical coordination and served as secretariat to the Committee.

Four working groups were established, organized around the strategic goals identified during the formulation of the 2020/2030 Vision. Each of them comprised between 9 and 12 representatives from relevant MADR directorate-generals (including budget and human resources), and subordinated agencies.

The World Bank provided technical support to the MADR Public Policy Unit and to the working groups.



### 1.4 Informing the Strategy and the Strategic Plan

Several public policy reports and technical notes informed the development of the Vision and Sector Strategy, as well as the Strategic Plan.

IN-DEPTH

### National Budget Support Schemes and the New Direct Payments under the 2014-2020 CAP

The 2014-2020 CAP came with an extensive new array of direct payment implementation choices, allowing for much more flexibility at national level. Each of these choices would impact farmers' incomes differently – resulting in a wide range of possible distributional effects across farm size clusters and subsectors. The additional nationally-funded payments (such as transitional national aids – the former “top-ups” – and state aids) could exacerbate or buffer some of these effects.

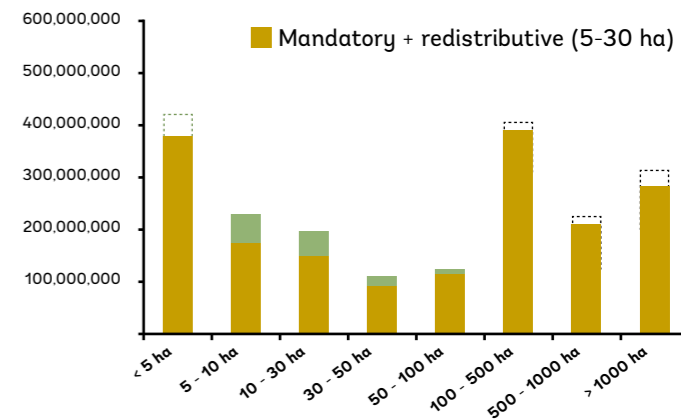
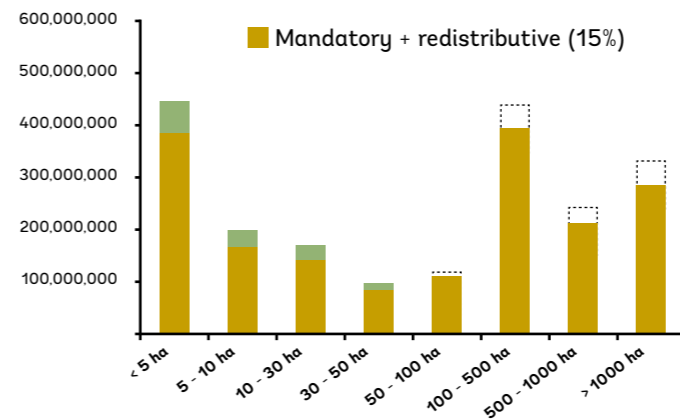
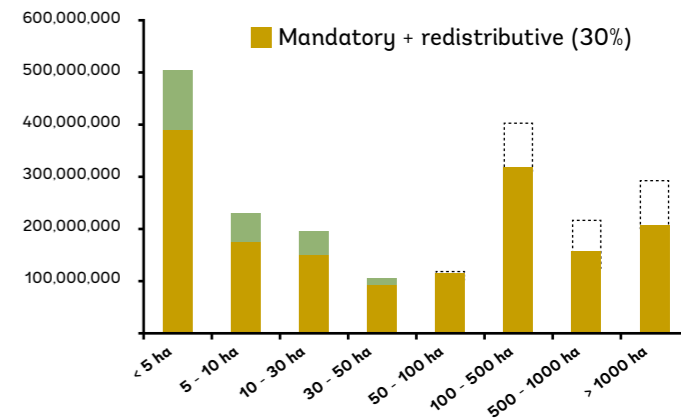
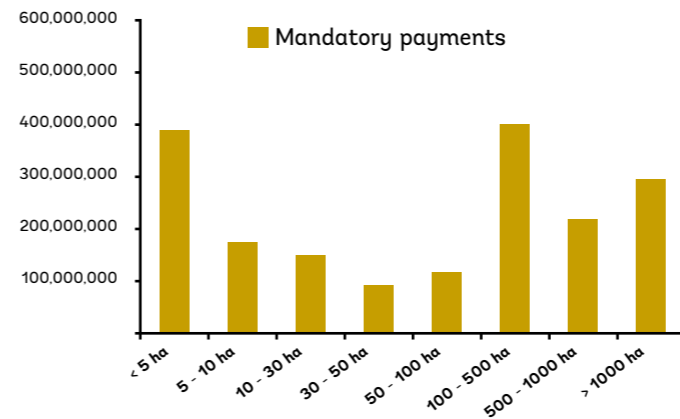
By simulating the various income distribution impacts under several direct payment programming scenarios, this policy paper helped inform some of the choices Romania eventually made. In doing so, it also integrated recommendations on how to streamline some of the nationally-funded support programs that were affected by low participation rates, were narrowly targeted to small groups of beneficiaries or, on the contrary, were diluted across very large numbers of recipients.

## IN-DEPTH

## National Budget Support Schemes and the New Direct Payments under the 2014-2020 CAP (continued)

### Key recommendations included:

1. taking advantage of the 'Redistributive Payment', as it can ensure a better equity of direct payment distribution and can implicitly target support to the medium size farmers who are involved in high-value production (e.g. livestock, horticulture, wine);
2. revisiting and limiting the use of transitional national aids during 2015-2020, while being selective and strategic in the targeting of these payments, and following a transparent phasing out schedule until 2020;
3. improving the performance assessment of measures chosen, regardless of the policy decisions made, both through a more targeted data collection and analysis, and through strengthening administrative capacity; and
4. reshuffling state aids primarily towards measures that promote structural transformation or have public good benefits.



The figure shows different income redistribution scenarios of direct payments (taking into account the basic, green and redistributive payment) by farm size clusters (EUR million, average 2015-2020)

## IN-DEPTH

## Risk Management in agriculture

Price volatility and climatic risks are the two main channels through which the Romanian farmers are exposed to income volatility. The mapping of existing risk management instruments reveals options for mitigation, in particular in the fragmented market of agricultural insurance.

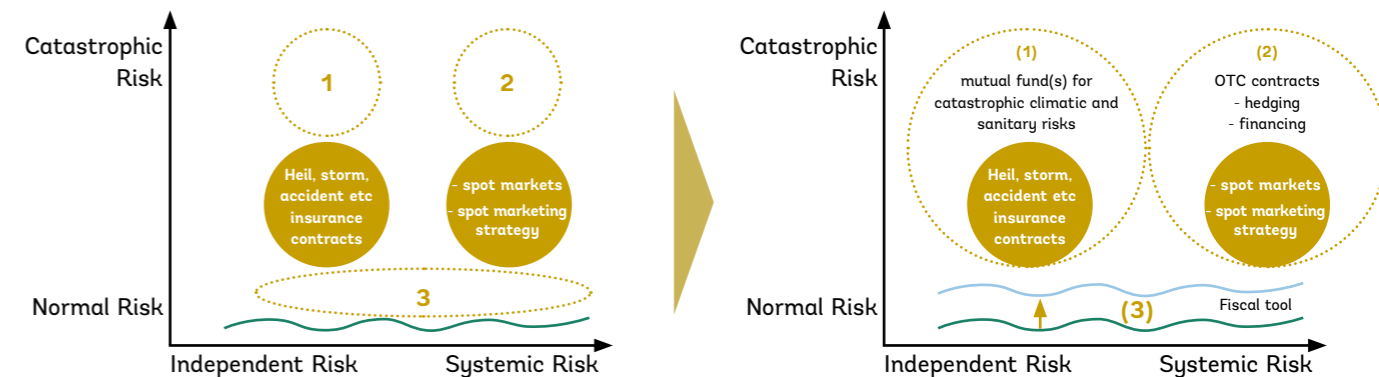
The policy paper identified five key areas where progress is essential for the strengthening of agriculture risk management in Romania:

1. the development of the Over-The-Counter (OTC) market;
2. the strengthening of the agricultural insurance market;
3. the establishment of mutual fund(s) to address production risks;
4. the development of instruments for the stabilization of farm income;
5. the strengthening of overall agricultural risk market governance.

Romanian farmers would greatly benefit from the existence of an instrument that would mitigate production and catastrophic risks - mostly climatic and sanitary adverse events of catastrophic nature with a systemic component. Mutual funds appear to be well placed to bridge the gap, and the 2014-2020 CAP offers new incentives for developing private mutual funds.

The policy paper weighed costs and benefits associated with the possible governance structure of mutual funds in Romania, and recommended that:

1. a single mutual fund – with a common section for common agricultural risks and specialized sections for specific risks related to type of farming – is preferred;
2. the fund should be based on mandatory affiliation;
3. the choice of composition of the Management Board is key, and options need to be carefully analyzed and discussed with stakeholders (farmers and insurance companies, in particular);
4. it needs to include clear incentives for risk prevention.

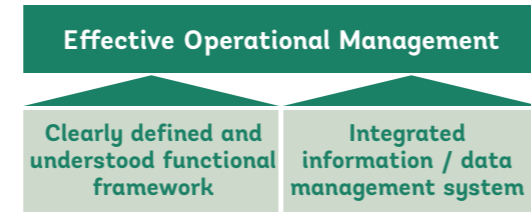


# 2

## OPERATIONAL MANAGEMENT: Managing change

Operational management represents a set of rules and procedures that guide an organization through the implementation of its goals.

In order to be effective, modern operation management should be built on **1.** a clearly defined and understood functional framework, and on **2.** a fully digitalized and integrated information/data management system.



The Technical Assistance Program supported MADR in strengthening both its **functional** framework consisting of the internal management and control system and the financial management system, as well as the **information / data management** system.

### 2.1 Internal Management and Control System (IMCS)

The IMCS is a framework of policies, procedures, standards, and controls, which can be supported by an IT platform or application, to meet the institution's strategic and operational objectives and to enable efficient and effective operations.

The functioning of the internal management and control system would benefit from a set of practical measures and functional specifications in order to help the administration transition from a point where IMCS implementation is largely perceived as an obligation to a point where IMCS implementation is understood as the driver of positive change.

**The IMCS implementation should not be perceived as an obligation, but as the driver of positive change.**



## IN-DEPTH

### Why is an effective Internal Management and Control System (IMCS) important?

The IMCS provides a framework within which operational decisions are made, managed and monitored.

There are three key benefits that an effective IMCS brings:

1. it optimizes work and thus saves valuable resources and puts them to their best use;
2. it brings stability by standardizing procedures, operations proceed smoothly despite senior management changes;
3. it ensures knowledge transfer to new employees and thus new staff members can become effective sooner.

New solutions for monitoring and evaluating staff performance would result in efficiency gains. Similarly, introducing automated implementation through a document management system and dashboard reporting within MADR, subordinated agencies and decentralized entities, would lead to better and more consistent results. Finally, senior management leadership on IMCS and dedicated IMCS financial and human resources are essential ingredients for the system to deliver best results.

The Program assessed the status of IMCS implementation in MADR and its subordinated institutions, and made recommendations for its improvement. In particular, it:

- proposed streamlined procedures;
- clarified responsibilities;
- trained MADR staff, and
- developed a blueprint for IMCS automation



## 2.2 Integrated Financial Management System (IFMS)

Modern financial management systems help institutions integrate and simplify their work processes, allowing for considerable efficiency gains.

At present, MADR and its subordinated entities use different IFMS solutions - a situation that prevents the most optimal use of resources, as well as limits data access and analysis.

**A single ICT-driven IFMS would bring significant cost savings, optimize workflows, as well as greatly improve coordination of financial and management functions across the ARD sector.**



An upgraded and integrated IFMS would eliminate present-day manual labor-intensive processes (e.g. budget reporting, budget planning) and ad-hoc solutions and replace them with standardized and automated actions.

In addition, a single ICT-driven IFMS would strengthen the coordination of financial management functions between MADR and its subordinated entities, lower running and maintenance costs, as well as simplify the exchange of data.

The Program assessed the status of IFMS implementation in MADR and its subordinated institutions, and made recommendations for its improvement. It also developed the functional, technical and financial specifications for an automated, IT platform to support the IFMS.

## 2.3 Integrating Information/ Data Management

The deployment of modern ICT tools offers cost-efficient and labor-saving methods that can support both strategic and operational management.

For public administrations the most important potential improvements relate to information/data management practices, work-flows, inter-departmental coordination and staff performance.

**The development of a single Integrated Data Warehouse for the ARD sector would lead to better decision-making and improved sector performance.**



For MADR and its subordinated agencies this represents a formidable opportunity.

The integration and upgrading of **four key pillars**:

1. sector data management;
2. sector performance monitoring;
3. internal management and control;
4. financial management.

into a single integrated IT-driven data warehouse would lead to major efficiency gains by

- facilitating access to data;
- strengthening performance monitoring;
- improving management and decision-making;
- improving inter-departmental coordination.

As a result, better policy formulation and implementation would lead to improved sector performance.



### 1. ARD SECTOR DATA MANAGEMENT

An ARD sector information database would underpin the better understanding and future development of the ARD sector in Romania. The introduction of a sector-wide data warehouse would facilitate data collection, processing, analysis/reporting and delivery/dissemination - spearheading qualitative improvements in policy assessment, policy formulation and ultimately decision-making and management across the sector.

### 2. ARD SECTOR PERFORMANCE MONITORING

Significant efficiency gains can also be generated by introducing an electronic system for strategic planning and performance assessment. Such a system would link together the monitoring of all components of strategic planning (objectives > indicators > targets > measures) and thus allow for easy access to sector progress.

### 3. INTERNAL MANAGEMENT AND CONTROL

A modern ICT-driven IMCS would digitalize document and records management within the ARD sector administration, as well as enable electronic institutional and aggregate reporting. At the same time, integrated ICT tools would ensure automation and reduce labor-intensive manual operations.

### 4. FINANCIAL MANAGEMENT

In the area of financial management, the benefits of transitioning to an ICT-driven central system would be equally significant. First, integrating procurement, commitment accounting and payment processing would simplify financial operations. Second, automatically collecting all budgetary requests would lead to a considerable reduction in labor-intensive manual work. Finally, making budgetary usage reporting and all other financial data an integral part of a single data warehouse would improve financial planning, as well as increase transparency.



## Why a single Integrated Data Warehouse?

The introduction of improved data management and use has already partly occurred in selected areas of Romania's ARD administration. Overall, these attempts represent tangible, yet limited strides towards maximizing the potential of ICT tools available.

An Integrated Data Warehouse represents a much greater potential to

1. link the various functions across the ARD sector administration,
2. eliminate redundancies and
3. generate synergies.

Only an overarching ICT toolbox would bring about noticeable improvements in the quality of decision-making and ultimately result in better sector performance.

## What did the Program do?

The Program developed and piloted IT prototypes for each of the above modules of the Integrated Data Warehouse.

These were accompanied by the development of user manuals and staff training in MADR and its subordinated institutions.

Also, the Program developed the full technical and functional specifications for the roll-out of a full-fledged integrated data warehouse across the Romanian ARD administration, and estimated the associated implementation budget.



## An Integrated Data Warehouse

