



**ITC: Sustainable Export Development in Romania
(2006-08)**

Final report
Final SECO Evaluation

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Abbreviations and acronyms

| | |
|-------------------|--|
| ADR | Regional Development Agency |
| ADTCP | Asociatia de Design pentru Textile, Confectii si Pilearie |
| ANCA | National Agency for Agricultural Advisory |
| ANEIR | National Association of Exporters and Importers of Romania |
| ANIS | National Software Industrial Association |
| APMR | Romanian Furniture Manufacturers Association |
| ARIES | Romanian Association of Electronics and Software companies |
| ASFOR | Forestry Employers Association in Romania |
| BDS | Business Development Service |
| BDSs | Business Development Service Providers |
| BioTerra | Organic Farmers Association of Romania |
| CCI | Chamber of Commerce and Industry |
| CHF | Swiss francs |
| CIPE | Centre for International Private Enterprise |
| Directorate | Export Promotion Directorate within Ministry of Trade |
| EDS | Export Development Service |
| EDSs | Export Development Service Providers |
| EMDS | Enterprise Management Development Services, ITC technical section |
| EPA | Export Potential Assessment |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FEPAIUS | Romanian Employers Federation of Light Industry |
| FiBI | Forschungsinstitut für biologischen Landbau |
| FNAE | National Federation of Organic Farmers |
| GDP | Gross Domestic Product |
| GTZ | Deutsche Gesellschaft für Technische Zusammenarbeit, German Cooperation Agency |
| HS | Harmonized System |
| IMF | International Monetary Fund |
| INL | National Institute of Wood |
| IPM | International Project Manager |
| IT | Information Technology |
| ITC | International Trade Centre |
| ITC | International Trade Centre |
| MADR | Ministry of Agriculture and Rural Development |
| MAR | Market Analysis and Research, formerly Market Analysis Section (MAS). ITC technical department |
| Ministry of Trade | Ministry of SMEs, Trade and Business Environment |
| MOU | Memorandum of Understanding |
| NASMEC | National Agency for SMEs and Cooperation |
| NEC | National Export Council |
| NES | National Export Strategy |

| | |
|---------|--|
| NPM | National Project Manager |
| OASEC | ITC's Office for Arab States, Europe and the Commonwealth of Independent States |
| PHARE | Poland and Hungary: Assistance for Restructuring their Economies. EU financed pre-accession instrument, formerly available for Romania |
| PMP | Preparing Market Profiles |
| PPP | Power Purchasing Parity |
| RES | Regional Export Strategy |
| RFTC | Romanian Foreign Trade Centre, predecessor of RTPC |
| ROCA | Rețeaua Organizațiilor de Consultanță In Afaceri, network of consultancy firms established under a Phare project |
| RTPC | Romanian Trade Promotion Centre |
| Sapard | Special accession programme for agriculture and rural development |
| SC | Steering Committee |
| SECO | State Secretariat for Economic Affairs of Switzerland |
| SME | Small and Medium sized Enterprise |
| SOC-IEP | Sector Operational Programme 'Increase of Economic Competitiveness' |
| SQAM | Standardisation, Quality Assurance, Accreditation and Metrology |
| SRAC | The Romanian Society for Quality Assurance |
| SWOT | Strength, Weaknesses, Opportunities and Strengths |
| TCAS | Trade Competitiveness Assessment |
| TIN | Trade Information Network |
| TIP | Trade Information Portal |
| UNCTAD | United Nations Conference on Trade and Development |
| UNDP | United Nations Development Programme |
| UNIDO | United Nations Industrial Development Organization |
| USAID | United States Agency for International Development |
| USSR | Union of Soviet Socialist Republics (Soviet Union) |
| VCA | Value Chain Analysis |

Our assessment in a nutshell

What was achieved?

- *Export strategy*: The first two regional export strategies in Romania were prepared, action plans are now monitored and national experts were given advice in how to revise the country's first national export strategy (which was published in 2005).
- *Capacity-building*: Close to 600 business intermediaries, consultants and enterprise staff participated in training, a few were also given advice to in company visits. Training focused on four dynamic export sectors: wooden furniture, garments, organic agriculture and information services. Generally participants appreciated the quality of the training. Some consultants use the acquired knowledge in their services to enterprises, some enterprise managers increased process efficiency in their firms, and in organic farming an export association was formed in the aftermath of training.
- *Trade information*: A national trade information portal has operated for a year and is highly appreciated by exporters.

Is it sustainable?

- *Export strategy*: Yes, Romania is now in a position to prepare national and regional strategies and monitoring them without external technical support.
- *Capacity-building*: Originally, it was expected that only business trainers would be formed and would then be able to give advice to firms in the four sectors. This goal could not be achieved and the expected impact of the actual training on domestic training capacity and on export skills of enterprises is very small.
- *Trade information*: Yes, the portal has a good institutional basis and relies on a solid network.

What was found wanting?

- *Export strategy*: Action plans have not been translated efficiently into action on the ground.
- *Capacity-building*: Project objectives were too ambitious given the financial means and the timeframe available. Project design was insufficient to direct ITC's interventions towards trainers and areas where trade competitiveness could be improved the most.
- *Trade information*: The operation of the portal relies almost exclusively on the staff and budget of the Directorate of Trade Promotion. A further deepening of information is necessary to facilitate its use by individual exporters.

Which are the main lessons?

- *Export strategy*: ITC should pay attention in its support to an effective selection of actions and their translation into feasible reforms and projects.
- *Capacity-building*: An early intense dialogue with enterprise and intermediary counterparts is key to assessing needs and designing implementation plans with each main counterpart in the country. Often other tools than short training are relevant as for instance upgrading specialized academic training, research and development, industrial and IT parks, and clustering. New counterparts should be addressed like lead exporters in agriculture, certifying agencies, and managers of parks and clustering ventures. Time spans for projects should be adapted to achieving significant project outcomes.
- *Trade information*: For its development, the portal requires more dedicated professional staff, unavailable in the Directorate, and a stronger participation of chambers of commerce and other business organizations.

Summary report

The content of this report is based upon a more detailed Technical Background Report which follows. It is not self-contained. The brief and focused findings and recommendations made here have to be read in the context of the analysis and the views expressed in the broader report. Please refer to it whenever you have doubts reading this summary.

A. Background

This report evaluates the project "Sustainable Export Development in Romania (2006-2008)" which was implemented by the International Trade Centre (ITC) from July 2006 to March 2009. The Romanian Ministry of Trade, through its Directorate of Trade Promotion, was ITC's main counterpart. This capacity-building project was funded by the Swiss State Secretariat for Economic Affairs (SECO). The project a) gave support to monitoring and revising the National Export Strategy (NES) 2005 to 2009, and to drafting export strategies in two Romanian regions; b) trained Romanian enterprises and intermediaries to increase their export competitiveness in garments, wood processing and furniture, internet technology services and organic agriculture; and c) was instrumental in establishing a trade information system for exporters.

B. Relevance

For Romania to *implement a National Export Strategy* (NES) was highly relevant in the context of increased international competition and European Union accession and the corresponding need to diversify and increase the value added of exports. The NES is a potent tool to build a national consensus around the best options for higher export competitiveness. More specific export strategies on a regional level are essential as well because they allow for stimulating the formation of industrial clusters, exploiting links with regional universities and regional branding. *Capacity building* of the second project component is complementary to the NES and regional strategies. It concerns four sectors which have a crucial role in Romania's export development. The *trade information portal* and the creation of a corresponding network is an indispensable tool for export promotion efforts everywhere. Its relevance is undisputed to the extent that it does not duplicate already existing trade information systems.

C. Efficiency

Project design

This project followed ITC interventions in Romania since 1992. This is why *several lessons learned* from the past were available when ITC prepared the project. These elements of good practice were included in project design: capacity-building should start with business intermediaries and private consultants before reaching enterprises; the cost of training and advice should be shared with project intermediaries and enterprises; and the role and commitment of project counterparts should be ascertained before the start of a project. Although this advice was taken, ITC did not ensure that the respect for these principles was feasible and that counterpart agencies were strongly committed to them before the project was launched. One of the lessons from the past was that sectors for project intervention should be selected after an initial in-depth analysis of their export potential. This lesson was not fully taken into account by the Government. The four priority sectors of the project were taken from the long list of the first National Export Strategy and corresponded to a well-informed political choice but were not based on strong technical analysis.

The project directly followed the successful launch of the *National Export Strategy 2005-2009* and included a concrete follow-up to the strategy (regional strategies, monitoring and revision of the strategy). No support was planned to help Romania in transforming a great number of planned actions into actual projects, investments and capacity-building activities.

In a special preparatory survey the demand and supply of *capacity-building services* were estimated in the sectors chosen by the Government: garments, wooden furniture, organic farming, and information technology services. This survey had several shortcomings:

- The study was not sufficiently detailed to support a specific capacity-building strategy for each sector. Instead of a quantitative survey, intensive interviews with a small number of enterprise managers and site-visits in enterprises would have been much more telling.
- Many business intermediaries were known to be weak and did not train and advise their members; one would have expected that some intermediaries would be strengthened through the project to assume a more active and sustainable support role.
- Consultants in the four sectors were not included in the survey; therefore it was not possible to define capacity-building actions for private service providers beforehand;
- Capacity-building of intermediaries was to be followed by ITC-assisted training of enterprises by these business intermediaries and consultants, but such a two-phase process with intermediate outputs was impossible to schedule based upon the survey.
- Training was to be both generic and sector-specific; yet the availability of generic training in export matters was not analyzed; in other words, the risk was not verified that project resources would be used inefficiently substituting for available training resources in Romania.

A working group of the first National Export Strategy had identified the main elements of a *national trade information portal* including the concept of decentralized management and the private and public sectors working as partners in searching for and contributing data. It would have been important, at project design stage, to reach a consensus among all the partners on the main structural elements of the portal and the division of labour between private and public agencies. Regulation should also have been prepared at that stage to include trade information among the public export promotion instruments. This would have helped to shorten the gestation period to establish the portal and focus the initial technical assistance on Romanian experts who would be in charge of implementing or providing information to the portal.

Given the transitional role of the Romanian Trade Promotion Centre, its expected functions in the project should have been explained in the project document and the intended future *trade promotion architecture*, including private sector agencies, should have been presented at the outset of the project. The *logical framework* in the project document lacked outcomes and a baseline, and was not corrected at a later stage, when capacity-building objectives and target groups were modified substantially. The project document's *risk assessment* did not evaluate risks and remedies properly in some crucial instances. Finally, the comments in the project document on other external cooperation activities did not sufficiently point to concrete ways to *harmonize ITC's project support* with other donors.

Governance and management

The tripartite Steering Committee for the project played an undistinguished role in guiding the project at critical moments, for instance when the capacity-building component had to be re-oriented. ITC was the implementing agency for the project but had a dynamic counterpart in the Directorate for Export Promotion of the Ministry of SMEs, Trade and Business Environment (henceforth called Ministry of Trade). The outsourcing of project management to ITC did not have negative effects on ownership and project progress in this case. But this modality of project delivery is outdated and should not be considered acceptable for future projects.

ITC was diligent in harmonizing this project with other donor-funded projects. Yet, it could have been even more active exploring in some cases joint action or a sequencing of interventions with others. This was a missed opportunity as innovative approaches were followed by other donors, in some cases addressing the same sectors and target groups as the ITC project.

ITC managed this project efficiently. It had a strong presence in the beneficiary country not only through a project manager in Bucharest but also through frequent visits of the Geneva-based project team. Project records are transparent and complete and reporting was

technically adequate and to the point. However, reporting on progress on the NES component was practically absent, an overhaul of the capacity-building component was not sufficiently planned, and links with other external projects were not sought as actively as called for.

ITC's counterpart, the Export Promotion Directorate of the Ministry of Trade played a large role in project management, coordinating the first and third project module and giving support to ITC for the capacity-building program. It is doubtful that the Directorate will be able to continue absorbing operational tasks, like the coordination of the trade information portal, since its staffing is limited.

Effective project expenditures were substantially in line with the original budget planning. Besides using its in-house experts, ITC employed a number of international and national consultants. In two cases important project tasks were formally sub-contracted to ITC technical units, a practice which in other ITC projects has led to a lack of flexibility and adaptation of training content to local circumstances.

Implementation

National and regional export strategies

Project activities in Module 1 build upon the National Export Strategy 2005-2009 and its Action Plan, which were completed before the project started and were to be implemented in the course of the project. The project was to help in establishing a monitoring tool for NES implementation, prepare local stakeholders to revising the strategy, and launch an export strategy process in two of eight regions of Romania.

ITC's support for *monitoring* was decisive in creating a monitoring tool and was useful in creating some pressure for action by requesting information from Romanian agencies and making the global score public. But it did not help in implementing the NES Action Plan in a major way as too many activities had been included (close to 400 at the beginning) which, in spite of some revisions and downsizing, seldom corresponded to project and policy reform proposals which were ready to be implemented. It was too bad that ITC did not respond positively to the Government's suggestions to help in making this inventory of good ideas a manageable group of NES projects. A first small group of actions could have been selected for immediate attention and funding, while a revision of a larger action plan could have been pursued with more detention. This missing link in export development should have been discovered when the project was prepared.

The *revision of the NES* was to start in 2008 but then was postponed to 2009. ITC's support consisted in doing, in 2007, a "trade competitive assessment" and then workshops for Romanian experts enabling them to prepare "export potential assessments" for specific industries. Both efforts were professionally sound but then were not used directly in the

revision of the NES in 2009, in which ITC used different if connected tools in training stakeholders (enterprise/intermediary surveys and value chain analysis). This way of proceeding appears to reflect a lack of unified doctrine at ITC about how to support developing countries in export development.

ITC did not pay enough attention to support, which through its intensity, technical quality and follow-through, might have led to a better-informed new NES. Concretely, the export challenges for priority industries should have been evaluated using more thorough business environment and factor market analysis as well as external market analysis. This might have led to a more efficient selection of a manageable number of implementing activities in the priority sectors, that is policy reforms, capacity-building projects and public and private investment projects.

The South and West Regions were selected to prepare *regional export strategies* based on their economic dynamism and not on their backwardness. This does not correspond to the initial intention but was a sound choice for a first experience in regional strategizing. ITC was instrumental in launching this process by training stakeholders in a similar (but reduced) way as in the first and second National Export Strategy. Therefore, this support had the same limits as the one for national strategies. While it was very appreciated by the Romanian counterparts and contributed to a sound consensus-building by Romanian regional stakeholders, ITC practically stopped intervening after an initial learning phase.

Regional strategies were coordinated by local Chambers of Commerce. Working groups were formed based upon a previous central decision on priority sectors. Some important private sector groups were not interested in participating in the process. The regional coordinators and the Directorate for Export Promotion provided backstopping. For the Directorate this went well beyond usual monitoring tasks and included organizing meetings, coordinating some working groups, providing a template for the strategy report and posting of the two strategy documents on the trade information portal.

The two regional strategies, which were concluded in 2008, have three common vectors: cluster-building, future export promotion organized at the regional level, and a more ample recourse of enterprises to Romanian specialists who have to be trained and are then available through business and professional organizations and other matching mechanisms. Only few of the activities in the two action plans are operationally defined and can quickly be transformed into new incentive regimes, capacity-building programs and export infrastructure investments. Because of the only incipient nature of proposed reforms and projects but also the absence of political leadership, the two regional strategies have not started to be implemented yet. A decision has been taken now to form Regional Export Councils. These will be able to launch and monitor specific activities with the support of the Directorate of Export Promotion.

Capacity building for export development

The goal of capacity-building was to form a critical mass of enterprise trainers (mainly sector business organizations and consultants) in four promising export sectors. These would start training enterprises in a second stage, guided by ITC experts. From November 2006 to June 2007 basic training in business and export management was provided (“generic training”) while specific export constraints in the four sectors were addressed in a second stage. In the course of the project the original concept of “training of trainers” was gradually abandoned and priority given to enterprise training.

Generic training consisted of workshops on four topics: business management, market profiles, multilateral treaties, and standards and conformity assessments. In business management and training in market profiles proven ITC tools were used. These and the other two types of training were generally appreciated by participants and considered to be of high quality. But they had to be free of charge or inexpensive to meet demand. Also the original focus on consultants and sector intermediaries was maintained only in part and then gradually abandoned.

We have one main objection to this choice of intervention. To the extent that it concerned “EDS providers” including consultants, it did not focus on specific sector constraints (from branding to technical innovation) but on basic business and export skills for which there were several other and more important sources of services available in Romania besides the ITC project. Therefore, to include generic training and apply standard ITC tools was a diversion of resources from the main project objective which was to deal with specific export competitiveness constraints in the four chosen sectors.

Although *wood processing and furniture* counts on a dynamic industry association, this intermediary was not available as project counterpart as it was not interested in developing its own capacity-building services with members and sharing project costs. ITC intervened in workshops with firms and follow-on on-site firm visits in two areas: supply-chain management and environmental standards as priorities identified between the Romanian project counterpart and ITC. The intervention in supply chain management was highly appreciated by participant enterprises and was successful in inducing some enterprises to efficiency gains in their internal production process. It was also an example of how important it is to involve national expertise. Yet changes in sourcing or new investments as an outcome of the intervention could not be observed.

The second intervention was to raise awareness on environmental standards important in destination markets and to define action plans to certify these standards. The seminar and enterprise visits were not well prepared. This meant that the intervention did not focus enough on the Foreign Stewardship Council (FSC) label as the only critical standard for exports to EU countries for which capacity-building services are not readily available in Romania. Also

enterprises were not selected based upon their strong interest in getting certified. It could be observed that wood processing companies higher in the value chain have an interest in upgrading the quality of their supplies and demand FSC certified wood. External cooperation is still called for to stimulate the supply of FSC-wood by the private sector.

Romania's *textile and garments' sector* has a long tradition. Even after downsizing and privatisation since the 1990s it has been a big contributor to production and exports with over 6,000 enterprises. In this situation it would have been essential to develop a coherent capacity-building approach for the garments' sector (and its supply links with textile production) in the ITC project focussing on the known impediments to higher value added and competitiveness based on the experience of Romanian exporters and experts. Such business planning did not take place before the project started. Capacity-building was organized initially without benefitting from a good dialogue with Romanian professional counterparts although solutions to this blockage were found over time. Workshops were organized on international sourcing of the main textile materials and on design — including a forum on trends in fashion business and a designer competition — and a number of garment producers and designers were coached for their participation in international fashion fairs. Romanian participating firms assessed positively these efforts while the main sector counterpart complained about not being sufficiently consulted and informed by ITC experts. But these commendable efforts did not lead to significant next steps and observable outcomes except for a very small number of enterprises.

The project also attempted to organize training in quality management but the response was disappointing. For this reason visits were made to a small number of firms, and, besides a “quick scan” of process efficiency, on-site training sessions were held. This belated needs' assessment led to interesting action proposals by the international expert like value chain integration and clustering in Romania, joint ventures with upscale international textile retailers and brands, and close links with academic institutions in specialized education. None of these proposals were pursued in the project, probably for lack of funds and time. Overall this was the most intensive of the four sector interventions but its impact was limited to a small number of enterprises and training know-how was not transferred to Romanian intermediaries and service providers. No coherence and harmonized action was sought with other cooperation agencies, like GTZ or the European Commission, which were engaged in capacity-building in the same sector.

Capacity-building in *organic farming* was somewhat hindered by weak although dedicated Romanian sector counterparts and, as in other sectors, by a lack of concrete needs' assessment in the design stage of the project. The program started in September 2007 with a workshop combining quality management and packaging including as participants a processor and lead exporter, suppliers to this processor and other producers, a producers' association and a certifying agency. Then a one-day side-event was held at an agricultural fair in May 2008. At that time, assessments by ITC and an international expert organization (FiBL), hired by ITC,

pointed out that a) any export promotion drive had to address the varying support needs of smallholders, food processing companies/exporters, agricultural advisors and certifying companies; and b) priority had to be given to strengthening producer associations in increasing and diversifying their production for the Romanian market; only then would more exports become feasible.

As an outcome of the ITC/FiBL assessment a new producer association was formed and a program was defined comprising of training farming advisors in building organic farmer cooperatives, organizing introductory seminars with the various types of organic farming “operators”, and raising awareness about organic farming with Romanian media representatives. A national organic marketing forum was also planned but was finally held in October 2009 after the end of the project. These events amounted together to a dynamic initial drive to put organic farming and exports on the map and defining some of the key promotion activities. But obviously, the road is still arduous to establish organic farming as a significant producing and exporting sector.

ITC’s intervention in *IT services* was minimal – one international workshop close before the end of the project – but it was very appreciated by Romanian experts because it opened their eyes to the future development challenges of their sector. This can be interpreted as an example of ITC’s and the Government’s flexibility. Yet, it is also a reflection of the lack of adequate needs’ assessment and dialogue with Romanian technical counterparts in project design. The fact is that Romanian IT services exports have been quickly growing in the past decade but that this success is inherently fragile. Some identified needs by Romanian IT experts were top-notch academic education and training of software experts, research and development – particularly incubation in innovative and complex software –, improvements in Romanian data management infrastructure, and public procurement. These were all capacity-building options which could not be pursued in this project.

Trade information system for exporters

Overall, module 3 of capacity-building has been successful. For the first time a national trade information portal is available in Romania and is used frequently by export enterprises. ITC’s support was professionally sound. The preparation of the portal was not smooth and took much time, in part because the Directorate required a legal basis to take charge of the portal and a new government was elected towards the end of 2008. The information network is incomplete because it includes mainly public actors and excludes to a large extent private business associations who tend to have their own websites with a reduced but similar type of content as the national portal. The most precious source of portal content is the 130-people corps of Romania’s trade counsellors who are based in destination export markets. Their market knowledge and networks should be used in a much more direct and concrete way in the future to develop concrete market intelligence for the benefit of enterprises. The portal could also become a tool to create inter-enterprise markets and improve the value chain.

D. Effectiveness

Outputs

National and regional export strategies

The expected outputs were partially achieved. A monitoring unit was created and has prepared monitoring reports. Two regional strategies are ready but are not yet implemented; their management structures have not been created yet although the decision has been prepared. The NES was not revised during project implementation but is being revised now with ITC support, funded from other sources than the project. ITC helped to prepare the analytical basis (trade competitiveness report) for the new NES and trained Romanian experts in export potential assessments. But these tools are not being fully used in the ongoing NES revision. A “missed output” is support to transform the unworkable NES action plan into a set of export promotion projects. This would have been an essential task to make progress in Romanian export development.

Capacity-building in four sectors

The expected output for training of business intermediaries and service providers (tiers 1) was only defined by a target for the number of workshops and participants. No quantitative targets were set for the ITC-assisted training of enterprises by these intermediaries (tiers 2). The actual output was a mix of ITC training of intermediaries and direct enterprise training, with a big weight of the latter. The quantitative objective was to hold in tiers 1 “at least 23 workshops (including ‘learning-by-doing’) either general or sector-specific, targeting around 575 participants.” This quantitative objective was met disregarding that the project was also to include tiers 2 training of enterprises. Generic training accounted for almost 40%, half of which through market analysis seminars. The most intensive interventions on the company-level took place in garments and wood processing and furniture.

This means that the project did not reach a key output which was implicit in the original project document: Business associations and independent service providers in the four sectors were to be trained and reinforced in their management to be able to support affiliated firms through training and advice in improving their trade competitiveness (tiers 2 of module 2). Only marginal progress was made towards this output. When the project focus was gradually shifted from “training of trainers” to enterprise training and advice, because of the lack of interest and insufficient cost-sharing by the designated intermediaries, no new qualitative outputs were defined.

Trade information portal

The expected output, an operating national export information portal, was achieved although it started operating much later than originally expected. It was launched on 6 May 2009 at the Romexpo trade fair in Bucharest.

Outcomes

National and regional export strategies

The project has been instrumental in creating two regional export strategies. Their action plans imply that “new tools” of export promotion like cluster building and business incubation will become more frequent, export development services will be promoted more systematically, and public export promotion will have a strong regional leg in the future. An extension of this experience to the other regions of Romania is moving forward. However, the project has had little impact on an economically sound revision of the National Export Strategy, because of insufficiently intense capacity-building and ITC-internal inefficiencies in coordinating support. The introduction of monitoring of the NES action plan has not been overly effective because Romania still does not manage an actionable pipeline of reforms and projects coming out of NES planning.

Some instances of positive repercussions of NES planning and capacity-building could be observed by the evaluators in activity planning and new initiatives by enterprises and sector associations. These are reflected in the technical background report. It was not possible to verify whether the export strategy process in the two regions has been instrumental in stimulating export initiatives. But a stronger involvement of Regional Development Agencies in the preparation and management of regional export strategies is probable.

Capacity-building in four sectors

The expected outcome of module 2 was very ambitious: Business organizations in the four priority sectors were expected to be in a position to help members in overcoming binding constraints to their trade competitiveness and be fully paid for these services. Even if the project had proceeded as planned, we do not think that the project budget and implementation period would have been sufficient to achieve this goal. With the changes in project scope — the passage from training of trainers to the training of mixed groups and then exclusive enterprise training — this original vision was given up.

Yet no new vision and no new outputs and outcomes were defined. Also, it is impossible to verify the only specific success indicator proposed in the project document, namely that the availability of and demand for quality services from Romanian intermediaries and consultants to companies would increase at least by 25%. Positive but anecdotal evidence was collected

by the evaluators indicating that the generic and sector-specific training led to some training initiatives by “EDS providers”, the creation of a new professional organization and efficiency reforms as well as better staff performance in some enterprises. This evidence is presented in the technical background report which follows this summary report.

Trade Information

As user data for the first seven months of the portal’s existence confirm, the trade information portal is considered a precious source for export business. Because of this initial success, we expect the demand to be growing for the site to become a more operational tool for exporters and channel more individualized proprietary information. We also are of the view that the conditions have improved for the portal to become a partnership of private and public export stakeholders.

Transversal outcomes

The project does not appear to have been instrumental in improving or worsening the *gender balance*. In a future project, potential gender issues should be integrated into stakeholder analysis and project feasibility and lead to specific project activities, if warranted. A typical positive *governance* feature of the project was that it contributed both through support to the national export strategy process and the creation of a national trade information portal to inclusive decision-making and the creation of important public goods. ITC was not sufficiently aware of the importance of giving support to an improved governance of business intermediary institutions as a pre-condition for their strengthened service role in respect to their members.

The project rightly included *environmental standards* in its capacity-building program both in organic agriculture and in wood processing and furniture. A stronger focus of the project on Forest Stewardship Council labels would have been essential as the lack of sustainable forests might become a stumbling block for processed wood and furniture exports in the future. An accent on sustainable manufacturing methods (e.g. avoidance of toxic dyes) and eco-labels in the textile and garments industry might also have been called for.

E. Sustainability

National and Regional Export Strategies

ITC’s support has been sustainable and Romania does not require further support for example to complete the regional strategies. Yet not all of the possible and desirable technical know-how has been transferred. We consider the economic and sector analysis underlying both national and regional strategies as relatively weak and reform and project programming, based

on the action plans, not well developed and managed. These are tasks where Romania, with or without outside help, will have to make further progress.

Capacity-building in four sectors

The achievements of the capacity-building module are clearly not sustainable. What remained of the program after changes in its scope was a good and sometimes excellent training effort concerning about 575 Romanian business intermediaries, consultants, enterprise managers and staff, journalists, and experts from public agencies. This is a beginning and does not represent a critical mass of trained trainers nor of trained enterprises in the four export sectors in Romania. The task of creating export development services in Romania that have a marked positive impact on trade competitiveness in key sectors is still ahead.

Trade information

The project has contributed in a major way to create a trade information portal which is sustainable although it depends exclusively on national budget support today. A further development of the trade information site is necessary and its management has to be professionalised to facilitate the use of services by individual exporters.

Romania's future trade development architecture

The ITC project has helped in reinforcing some key institutions which support Romania's enterprises in gaining access to external markets, mainly the Directorate of Export Promotion and the "machinery" for preparing and implementing national and regional export strategies. For this architecture to become sustainable and efficient, a new role will have to be found for RTPC, the former national export promotion agency, and the corps of trade counsellors will have to be activated and professionalized. Most importantly, the chambers of commerce and sector business associations will have to become efficient capacity-builders and advisors to their members, and will have to participate actively in the national trade information system. Also, "new actors" will have to become part of the export support system like associations of specialized export services' providers, managers of industrial and IT parks, managers of export clusters, as well as processing enterprises and cooperatives in agriculture which are able to promote and improve the quality of agricultural exports.

F. Lessons for the future

Based upon the evaluation of the ITC project, the following recommendations are made for future export development in Romania and projects associated to it. In some cases these lessons are valid also for projects in other countries backed by ITC, SECO or other external agencies. This is a summary of conclusions and proposals which are based upon the chapters of the technical background report. These chapters reflect interviews with many of the

project's stakeholders in regions of Romania and in Bucharest and then the evaluators' analysis of the quality and results of ITC's work in this project.

Project design

Project design for the project in Romania, as reflected in ITC's project document was not a sufficient anchor for an efficient and effective project. This was particularly the case for module 2, the objectives of which had to be changed right from the initiation phase of the project but then were not determined specifically enough.

Best practice

Only a project with a business plan agreed with the main counterpart agencies in the country has a good potential to be implemented. For the design of the business plan, a thorough needs' assessment is necessary. This study has to include an analysis of the quality and scope of existing service providers in the country. If dynamic export sectors are concerned like in Romania, an intense dialogue between seasoned international sector experts with experts and managers in the country, both in the private and public sectors, will yield the best results.

The goal has to be to identify the binding constraints for export competitiveness in one or several sectors and then to identify the best reform path, institutional changes and capacity-building tools to overcome these constraints. Capacity in public and private business and training institutions has to be reinforced and individual service providers have to be trained so that they are able to train and advise the selected sectors in trade competitiveness. These domestic intermediaries will make external assistance redundant in the future.

Certain objectives can only be reached with a certain intensity of technical assistance and public reforms and the use of several other tools besides training of EDS providers. This means that the time frame of the project has to be flexible, possibly a first project concerning only a first set of steps to reach the ultimate goals, with a second phase to be determined when intermediate goals are reached. Ambitious institution-building goals usually require many years to be reached. Finally, the financing of the project has to cover the identified activities in the business plan. Only if the project counts on a concrete business plan, agreed with counterpart agencies, and an adequate analysis of implementation risks, is it possible to determine a project budget which is sufficient to reach the goals.

Parts of financing to be assumed by the Government, intermediary agencies/service providers and enterprises benefitting from project activities have to be studied with particular care. To determine reasonable rules for cost-sharing, the market price of similar services and the different forms of subsidies available in the country have to be known. The rules for cost-sharing have then to be negotiated and set with the main counterparts in the project, before the project starts.

The public grant resources made available by donor countries should only be used when cost-recovery is not possible or fair and when they do not duplicate or replace other grant resources. Also, the high administrative burden of having to deal with many projects financed from different sources should be reduced as much as possible. This is why project design has to include the search for synergies between different externally-funded projects and, in the best of cases, joint ventures between different projects, that is a common implementation.

Application to Romanian export development

Future cooperation with Romania only has a good potential to be successful if ITC applies more systematically best practice in the design of capacity-building projects. As the goal has to be to enable Romanian institutions and experts to support export industries effectively without relying on external know-how, specific support measures will have to be found in function of the technical capacity and the institutional and managerial status of each Romanian counterpart institution. This is bound to reduce the scope of using standard ITC training and analysis tools and will require meticulous needs' assessments and institutional analysis as a basis for dialoguing with Romanian intermediary institutions and private service providers.

The objective of project preparation will have to be to reach an agreement with each major Romanian counterpart on a business plan with concrete operational goals, institutional reforms and cost-sharing guidelines. Even if such good practice is followed at design stage, flexibility will be needed in adapting these business plans in the course of the project to a dynamic institutional context.

A focus on the three transversal themes —gender balance, governance and environment — during project design might have helped in better planning project activities and achieving higher transversal outcomes. The situation of the female work force in the four sectors could have been inventoried, and social enterprise management, which is known to influence labour productivity, could have been introduced in business and export management teaching. Governance quality in the trade development architecture could have been analyzed and new regional actors identified. This might have led to a more transparent treatment of present inefficiencies (e.g. the role of RTPC, the absence of important private and regional actors) and to project activities which would have improved trade governance. Finally, a focus on environmental issues in the four priority sectors might have helped in better designing training and advice and, therefore, improve the effectiveness of the project for export competitiveness. This is why the terms of reference for the design of a future project will have to include the three transversal themes.

Governance and management

In future projects, an active steering committee which meets at regular intervals should be a must. It should be presented, if this proves necessary, with concrete proposals for change in project scope and delivery mechanisms which then are reflected in modified outputs and outcomes of the project. Project beneficiaries and other stakeholders should be members of the steering committee or an advisory committee which should also include other cooperation agencies active in the same field.

The day-to-day management by ITC of capacity-building projects or parts of them in beneficiary countries should be excluded. Projects should be managed in the beneficiary country by a project unit which is integrated into the public or private sector of the country, ITC working as advisor and provider of international technical skills to this unit and project beneficiaries. An effort should be made both at design stage and during project implementation, to have regular meetings, organized by the responsible local agency, among donors active in the field of the ITC project. Also, ITC should discontinue formal internal outsourcing of project tasks except in cases where these services and their timing can be easily adapted to project needs.

With the expansion of export promotion tasks, the Ministry of Trade should seek to outsource operational tasks like coordinating the trade information system but possibly also other tasks to other agencies, preferably in the private sector. More generally, the project revealed that some of the pillars of Romania's trade development architecture are weak or have still to be built. For the export support system to become sustainable and efficient, the following tasks will have to be pursued:

- a role will have to be found for RTPC, the former national export promotion agencies which today only has marginal tasks but a high cost to the Government;
- the corps of trade counsellors will have to be activated and professionalized;
- chambers of commerce and sector business associations will have to become efficient capacity-builders and advisors to their members, and will have to integrate the national trade information system; if they are willing to perform these functions but are presently not yet ready, ITC should include specific project components for the upgrading and management reform of intermediary institutions;
- as trade development is bound to originate more decidedly in Romania's regions, new regional and industry actors (local chambers of commerce, universities, business incubation/industrial park and cluster managers, lead processors/exporters and the regional development agencies) will have to be given space and attention as drivers of export development.

Project implementation

National and regional export strategies

ITC should give training and advice to national strategy processes with *unified methodological tools and enough intensity* to enable local experts and stakeholders to prepare sound industry strategies. Besides thorough external market analysis this will imply analysing the business environment and factor markets as well as less intuitive and more fact-based (particularly price-based) value chain analysis. Such a demanding path of support will lead to a better definition of implementing activities of the strategy since the key obstacles to increased trade competitiveness in each industry will have been soundly identified. It will also enable the country to use “state of the art” methods in the future and not depend on further technical assistance.

ITC should include in its technical assistance the *management of action plans and their transformation into policy and incentive reforms, capacity-building operations and export infrastructure projects* (like IT and industrial parks as well as logistics’ infrastructure for cluster development). Without such an effort the outcomes of ITC’s support to national strategies risk to remain limited and uncertain. As in the case of the national strategy, ITC should intensify its support to regional strategies and action plans. An additional task might be the training and technical support to regional coordinators, which are so far local Chambers of Commerce.

In the future, *regional export strategies* will cover all of the eight regions of Romania. This will require a strong leadership. The creation of Regional Export Councils will be an essential first step. Also the role of the Regional Development Agencies should be strengthened and synergies should be sought between regional development and export strategies. ADRs could become regional coordinators, maybe in partnership with local chambers of commerce. They could also assume technical functions complementing the Directorate for Export Promotion like technical support in designing export development projects and reforms and monitoring of strategy implementation.

The Romanian Ministry of Trade should make *higher budget allocations* and assign *more staff* to the support of national and regional strategies. The work load implied by providing technical support to the preparation of national and regional strategies is growing exponentially and the Ministry has to be able to draw in experts from other parts of the Government (e.g. the Ministry of Economy and Finance), academic institutions and the private sector. Additional funding might also be required to compensate at least partially regional coordinators in poorer regions.

Capacity-building

In a country like Romania, ITC should rely less on its standard training and analysis tools but design a *tailor-made capacity-building and advice program* to create capacity in the country to train and advise enterprises in dynamic sectors on how to become more competitive internationally. Consultants' associations, sector business member organisations, managers of clusters and industrial parks, university institutes, lead agricultural exporters as well as other donors may become counterparts in such a program. The tools will depend on the binding constraints to sustainable export competitiveness of the sectors and industries concerned.

New tools could be, for instance, partnerships of Romanian university departments with those of leading foreign universities; university outreach programs to enterprises; forming and managing industrial clusters, industrial or services' parks, and business incubators; institutional strengthening of business intermediaries, to enable them to become service providers to their members; and, finally, forming and managing agricultural cooperatives and partnerships with lead exporters. To prepare and negotiate such programs with national partners requires much more ambitious preparatory work than the design study prepared for this project. It will require business plans and project implementation schedules to be negotiated with technical counterpart institutions in the country and it might require a longer time horizon and more financial resources than allocated for this project.

If the goal is to *create a critical mass of service providers* which are knowledgeable about the binding constraints in specific sectors, capacity-building has to be looked at as a path to professional excellence and recognition. The question of professional standards and the official certification of these standards have to be addressed as well as the interest and willingness to pay for training of service providers to become recognized sector export specialists. Another issue is whether SMEs are in a position and willing to pay for export development services, be they provided directly or through intermediary business organizations. In a number of countries some consultants' services are subsidized by the Government through co-financing. Such a voucher scheme is also on the agenda of the EU in Romania (paragraph 28). This is an option which should be studied when preparing a new project.

A more thorough project design in *wood processing and furniture* might have led ITC to consider cooperation with intermediaries at the regional level which have an eminent role in promoting exports and improving the quality of export supply. Examples are lead companies in the supply chain such as major furniture producers or wood processors, regional producer associations or industrial parks and clusters with a high concentration of furniture producers. A future project should consider both innovative cluster development and supply chain integration, working directly with the leaders in these areas.

ITC should be more ambitious in preparing the wood and furniture sector for FSC certification. As a first step, this could take the form of an analysis of the entire value chain — from forest owner to furniture exporter — to weigh the costs and benefits for FSC certification for the sector. In doing so, it could capitalize on the work by APMR in the context of NES 2005-2009. The entire wood and furniture sector could be sensitized to FSC certification and Romanian capacity-builders and certifiers trained in this field. This might be a project for which Swiss know-how in forest management and certification could be tapped.

A future cooperation with Romania in the *garments' sector* would have to start with the same goals as the present project had originally: help Romania's business intermediaries and specialized service providers to acquire the skills and experience so that Romania's exporters will be able to sell higher-valued brands in external markets and integrate better the Romanian part of textile value chains. This means for instance to help in

- upgrading or creating professional organizations which are able to train and promote their members;
- establishing international academic partnerships and upgrading academic training and outreach to stay on top of design innovation and cost-reducing international value-chain management;
- creating regional industrial clusters and regional branding; and
- entering into investment partnerships with international brands.

The action plan for the textile sector of the new National Export Strategy and the activities planned in the emerging regional strategies would be a starting point for the design of such a project.

A separate capacity-building project would have to be organized to continue promoting *organic food exports*. It would have to rely heavily on supporting organic farmer associations, organizing the supply chain for organic exports, deciding on competitive export products and working with food processors, certifying agencies and the agricultural advisory service. A partnership with an international expert organizations (as practiced in this project), would be a good way to train Romanian experts and intermediaries for organic farming.

The main challenge for Romanian *information services* is how to move up the value chain of software production and exports. Therefore, future support should focus on

- top-quality training and research in Romanian universities, possibly through partnerships with IT departments of internationally leading universities;
- enterprise incubation through IT parks, organized as public-private partnerships;
- opportunities of benefiting from Romanian public procurement for specialized software (e.g. in the defence sector);
- continuous training facilities for sector experts organized by industry associations; and

- improving Romania's data bank infrastructure.

Partnerships with Switzerland's universities and its growing IT services' industry could make sense. For instance, Switzerland has accumulated valuable experience in IT cluster development.

Trade information system

This successful effort in creating a national trade information system should now be followed by an enterprise-friendly extension and deepening of portal services. Next steps could be:

- management of the portal in partnership with main private sector organisations to avoid costly duplications and deepen data content;
- an outsourcing of site management from the Directorate of Export Promotion constituting a professional portal team which would be in a position to provide tailor-made answers to enterprises;
- a stronger integration of the corps of foreign-based trade counsellors for answering specific enterprise and business association queries;
- the buying of high-quality data on destination markets of Romanian export products; and
- use of the portal as market place for certain groups of Romanian enterprises e.g. for sourcing and supply procurement.

These more operational services of the portal would have to be paid by users making the portal financially more sustainable and less dependent on budget resources.

Technical background report

Chapter 1: Background

1. This report evaluates the "Sustainable Export Development in Romania (2006-2008)" which was implemented by the International Trade Centre (ITC) from July 2006 to March 2009. The Romanian Ministry of SMEs, Trade and Business Development (henceforth Ministry of Trade), through its Directorate of Trade Promotion, was ITC's main counterpart. This capacity-building project was funded by the Swiss State Secretariat for Economic Affairs (SECO). The project:

- gave support to revising the action plan of the National Export Strategy (NES) 2005 to 2009, which had been established right before the project started, and to drafting export strategies in two Romanian regions;
- trained and gave advice to Romanian enterprises and intermediaries to increase their export competitiveness in four sectors: garments, wood processing and furniture, internet technology services and organic agriculture;
- helped in establishing a trade information system for exporters.

2. Matthias Meyer and Peter Lunenborg (PRAXIMONDO, international experts) and Marius Birsan (national expert) were the evaluators. Meetings and visits in Romania took place from Monday, October 12 to Friday, October 23, 2009 and then from Wednesday, October 28 to Friday, October 30, 2009. Matthias Meyer was in Romania only at the beginning and the end of the visit for a total of six days. The evaluators met a wide range of stakeholders in the area of Bucharest, and paid visits to enterprises, chambers of commerce, sector business associations, training institutes, and cooperation projects in two regions.

3. The evaluating team received terms of reference from SECO (attached as Annex 1). These ask for an ex-post evaluation of performance of the project and involved agencies assessing relevance, efficiency, effectiveness and sustainability. An essential aspect is to extract lessons learned for a potential future SECO project in Romania or for other SECO projects in transition and developing countries. Switzerland has recently committed funds for Romania and Bulgaria through the Enlargement Contribution of the European Commission to new members of the European Union.¹ The Swiss contribution will be managed directly by the two Swiss cooperation agencies (SDC and SECO). The amount earmarked to Romania is CHF 181 million.

Recent economic performance is impressive in spite of a volatile political environment.

4. Romania started its transition to a market economy and democracy in December 1989, after the overthrow of the communist regime under President Nicolae Ceaușescu. Government coalitions have often been unstable and high public positions – in the cabinet, in ministries and autonomous public

¹ The press release is to be found at www.seco-cooperation.admin.ch/aktuell/00154/00575/index.html?lang=en&msg-id=27305.

entities – have frequently been reshuffled, particularly after elections.² For instance, the minister who had export promotion in his portfolio changed three times during project implementation.³ Correspondingly, the General Director of the Romanian Trade Promotion Centre (RTPC), the public trade promotion agency, changed three times during the project's life. This was the main reason why the RTPC was given a limited operational role in the project (contrary to the preceding SECO/ITC project) and major project responsibilities were shifted to the trade promotion unit in the Ministry of Trade (paragraphs 20 and 21).

5. The Romanian economy has experienced a boom in exports, investment and income in the last five years, albeit from a relatively low base. The prospect of EU membership created a strong incentive for change. From 2003 to 2008 the value of exports rose almost three-fold, from \$17.6 billion to \$49.5 billion; however, imports increased faster than exports resulting in a deteriorating trade balance.⁴ In the same period, GDP per capita (in purchasing power terms) rose from \$7,763 to \$12,600, a compounded annual growth rate of over 10%.⁵ FDI inflows increased almost five-fold, from €1.95 billion in 2003 to €9.08 billion in 2008.⁶ Investors are attracted by the potential Romania offers, such as a qualified and in some sectors highly-skilled labour force at low costs, and rich natural resources in the form of agricultural land and mineral deposits. Furthermore, it represents the second largest market in Central Europe, after Poland.⁷

6. Romania is also catching up in its innovation performance but still has some way to go in the European context.⁸ This being said, Romania's international export competitiveness has still weak spots besides limited but improving technological readiness and innovation capacity. Progress should be made in market efficiency, business sophistication, and education.⁹ Also, many interview partners mentioned constraints such as unwillingness of farmers to organize themselves in cooperatives, a general lack of business and marketing skills, and a low degree of self-organization of the private sector.

Lower growth prospects after the economic crisis

7. Romania has been hard hit by the global economic crisis, particularly through plunging FDI inflows, a decrease in remittances and exchange rate depreciation. This also led to a decrease in the trade deficit, recorded in the last months of 2008 and in the first months of 2009.¹⁰ According to IMF staff estimates of October 2009, Romania's real GDP contracted 8.5% in 2009. The economic crisis is likely to lower substantially potential output in Romania; economic growth in the next few years is

² This may be less the case for some public companies with a commercial nature. Recently, the CEO of Transgaz was replaced after the fall of the Government coalition in October 2009. A credit analyst notes the limited market impact of this decision: "This is a political position and people got used to see persons being changed frequently", www.reuters.com/article/rbssUtilitiesNaturalGas/idUSL55142320091005.

³ January 2007: Conservative party (and Trade minister) left Tăriceanu 1 cabinet, April 2007: formation of Tăriceanu 2 cabinet, December 2008: formation of Boc 1 cabinet.

⁴ ITC TradeMap.

⁵ IMF World Economic Outlook, October 2009.

⁶ Romanian Agency for Foreign Investment (ARIS), arisinvest.ro/en/why-romania/fdi-statistics/

⁷ Retailing is an area which is visibly dominated by foreign-owned enterprises such as Metro, Carrefour and IKEA, lured by the growing middle-class. Interestingly, some interview partners noted that Romanian businesses should also look into developing the domestic market, rather than maximizing export potential.

⁸ EU RAPID press release (MEMO/09/18), 22 January 2009.

⁹ Sectoral Operational Programme, "Increase of Economic Competitiveness", Ministry of Economy and Finance, June 2007.

¹⁰ Annual Implementation Report 2008 of Regional Operational Programme 2007-2013, 29 June 2009, Ministry of Development, Public Works and Housing, www.inforegio.ro/user/file/AIR_ROP_29_06_09_EN.doc.

expected to be muted, at around 2%.¹¹ The political deadlock after the fall of the cabinet on 1 October 2009 and the recent contested presidential election threatens to prolong sluggish growth as the new government might not be in a position to take appropriate economic measures. For instance, the IMF postponed the release of a €20 billion rescue package. Conversely, FDI inflows might pick up and businesses might improve productivity faster than expected. Also, public investment from EU funds will continue to strengthen the productive capabilities and hence potential output of Romania's economy, provided absorption capacity remains adequate.¹²

Differences in economic performance across regions and sector

8. The eight development regions, created in 1998 to implement EU regional development programmes, aggregate 41 counties into larger units. They are not territorial-administrative units and have no legal status (see for instance Law no. 315/2004). The only governmental institution at the regional level with legal personality is the Regional Development Agency (ADR), directed by the Regional Development Board which is made up of members from local county authorities. The ADRs monitor or implement regional development projects funded by the EU or the state budget reporting to the Ministry of Regional Development and Tourism.¹³ Each ADR coordinates the regional development strategy and the regional innovation strategy which are bound to have a close link with the regional export strategy.

9. Large inequalities exist in economic performance between development regions. The metropolitan Bucharest-Ilfov region, South-Muntenia (the region around Bucharest-Ilfov) and the West region (Timisoara) are economically strong. The five other development regions count among the ten weakest regions of the EU. As an illustration, GDP per capita in the Bucharest-Ilfov region (84% of EU average) is 3.5 times higher than the North-East region, the poorest region in the EU.¹⁴

10. Recent economic performance varies also per sector. The manufacturing industries which were dominant during communist times, such as the textile and garments and wooden furniture, have restructured but still show declining export shares while internet technology services and organic agriculture are more dynamic.

11. *Textiles and footwear* exports remained at around \$6.8 billion between 2004 and 2008 and as a consequence the export share dropped from 33% to 14% but is still sizable.¹⁵ The phasing out of textile quotas in industrialized countries in 2005 – at the end of the multi-fiber agreement – led to a rise in Asian exports to Romania and a decrease in employment from 359,000 to 270,000 between 2004 and 2008. In 2008, around 6,300 companies were operating in the garments sector, 97% of them SMEs. Value addition in the sector is generally low. Most companies work under the “lohn” system: independent Romanian companies supply labour and machinery and the customer raw material, designs and marketing. The import content of “lohn” export is 60%, virtually all sourced from EU

¹¹ World Bank EU10 Regular Economic Report, October 2009;

siteresources.worldbank.org/ROMANIAEXTN/Resources/RER_Oct09_report.pdf

¹² Different views exist in this respect. In the view of ADR North West, enough projects are lined up and implementation capacity is adequate. Others argue that Romania was even a net contributor to the EU due to lack of absorption capacity (see oeconomica.uab.ro/upload/lucrari/1020082/16.pdf)

¹³ www.mdlpl.ro

¹⁴ Eurostat (2006)

¹⁵ ITC TradeMap. Trade data do not measure added value, so they cannot give precise indications on competitiveness trends.

countries.¹⁶ This model is unsustainable: companies in countries such like China, Turkey and India are often able to procure cheaper raw material. Also, they are better embedded into industrial structures through clusters and vertical integration.¹⁷ Nevertheless, Romania remains the most competitive textile producer in the European Union with many successful enterprises (e.g. Jolidon, J&R Enterprises and Pasmatrix).¹⁸ The European Commission is encouraging members to implement clustering policies in order to enhance the competitiveness of European companies (see paragraph 120). This might be a good way for Romanian textile companies to integrate value chains with a greater national content.

12. *Wooden furniture* is a traditional industry in Romania. Large factories were split into smaller companies after 1989 and the industry is struggling to conquer Western European markets, after the traditional Central European and USSR markets collapsed. Exports grew from \$557 million to \$807 million in the period 2003-2008.¹⁹ The furniture industry traditionally has benefited from an abundant availability of wood. This is why wooden furniture has a major share in total furniture exports, which is primarily (around 80%) exported to European Union countries. According to several interview partners, inadequate forest management and deforestation are becoming bottlenecks for the industry.²⁰ In the National Export Strategy 2005-2009, local sourcing of components is considered a key priority for the furniture industry.

13. *Information technology services* have quickly expanded in the last 15 years attracting FDI from multinationals such as Microsoft, IBM, Nokia, Infineon, to name a few. The specialty of the considerable number of independent Romanian consultants is customized software development for firms in Romania, Germany and other European countries. Turnover has increased from about € 30 million in 1999 to € 1 billion in 2008.²¹ According to an estimate by ANIS, a professional association for software services, outsourcing accounted for around 95% of Romanian software and other internet services exports in 2005; value added of exports is rapidly rising.²² The country's academic institutions now produce between 5,000 and 6,000 graduates annually, almost tripling the output of skilled information specialists in the last ten years. Today only a small number of young experts migrate while ten years ago two-thirds left the country. Yet the quality of academic training is inadequate because it is unable to follow the fast pace of change in the sector.

14. The main challenge of the IT sector is how to include more of the software production value chain in outsourcing projects, as Romanian software companies generally engage in low value-added components in software development (specifications, coding, component testing). They should specialize in higher value components such as process analysis and system integration.²³ ARIES, the other professional association in the sector, sees the following needs for developing production and exports in sustainable ways: a) provide top-quality training in Romanian universities; b) create research and development parks (IT parks) as public-private partnerships; c) develop public procurement for specialized software needs (e.g. military sector); and d) create business-driven skills-training ("ARIES academy").

¹⁶ Implications of the global financial and economic crisis on the Romanian textile and clothing sector, ILO 2009.

¹⁷ National Export Strategy 2005-2009, sectoral strategy for the garments sector.

¹⁸ Lifeline exists for textile crisis, The Diplomat Bucharest, July 2008.

¹⁹ ITC TradeMap. HS Codes 940330,40,50,60. This excludes wooden components.

²⁰ Interviews held with ASFOR and the Ministry of Economy and Finance.

²¹ Interview held with the president of ARIES, a business association in the software and electronics sector.

²² The Romanian Software and Services Industry at a Crossroad, ANIS, crib.mae.ro/upload/docs/6095_anis_art_sec.pdf

²³ National Export Strategy 2005-2009, IT sector.

15. *Organic farming* is also a growth sector in Romania, although expansion has become more moderate in the last years. Recently, organic crop and livestock production has been on the rise. Around 70% of this production is being exported.²⁴ From 2003 to 2008, Romania's organic area increased from 0.4% to 1.0% of cultivated agricultural land (140,132 ha). While this growth is remarkable, it remains under the European average of 2.1% and the stated objective of 150,000 ha in 2007, set in the National Export Strategy 2005-2009. Moreover, some of the other newer EU member states have recorded higher growth rates between 2003 and 2008 and have a higher percentage of agricultural land under organic farming, in particular Poland, Lithuania, Latvia, and Slovak Republic. When interviewed, a farmer from a big cooperative and a consultant from the National Agency for Agricultural Advisory (ANCA) coincided in their negative views on the prospect that conventional farmers would move in significant numbers to organic farming. In many cases, they said, the additional value did not outweigh the additional costs incurred, especially in the current economic environment.

The Romanian export promotion agencies and instruments

16. The Ministry of SMEs, Trade and Business Environment (Ministry of Trade) is the central government agency for export promotion. The Ministry's Export Promotion Directorate is ITC's counterpart and manages most of the relevant functions and programs, and in particular:²⁵

- *National Export Strategy*: the Directorate is the technical secretariat of the NES. This role creates a heavy burden in organising meetings and preparing agendas of the National Export Council and its working groups and then preparing part of the strategy and action plan texts. The Directorate also supports the working groups in regional strategy development. Refer to paragraphs 76, 86, 104, 130 and 131 for a more detailed description of the Directorate's functions in the NES. The national Export Council also advised the Directorate (and sometimes confirmed decisions) on its other export promotion tools which are mentioned below.
- *Trade fairs*: the Directorate rents the exhibition area, pays for the Customs fees of exhibition goods, and finances 50% of travel and accommodation expenses for one participant from each company;²⁶
- *Market studies*: the Directorate finances 50%, when commissioned by a business association;
- *Promotional documents*, such as export catalogues, either by products of a specific sector (e.g. fashion catalogues for trade fairs) or by region (e.g. a CD with export offers of companies in Bacau country);
- *International events and conferences*;
- *External experts invited by professional associations*: the Directorate may participate with up to 50% in transport and accommodation expenses on request of a business association;
- *Trade information system for exporters*: In 2007 the Directorate took over the funding responsibility from RTPC.²⁷

17. In 2008, approximately 70% of the Ministry's total export promotion budget was allocated to trade fairs. Associations select the companies for trade fair participation; a minimum of seven

²⁴ Organic farming, a new challenge for Romanian agriculture, Dan Marius Voicilas, paper presented at Green Week 2009

²⁵ www.dce.gov.ro/Materiale%20site/Pagina_de_baza_Programul_de_promovare_exp_adm_MEC.html

²⁶ See for the detailed definition of incentives at: www.dce.gov.ro/Materiale%20site/norme_misiuni2008.htm

²⁷ Decision no. 296/2007, 21 March 2007

companies have to participate to justify a mission. Market studies are co-financed only sporadically. Some of the expenditures are made by the two bilateral trade directorates (Europe and “the rest of the world”). They are responsible for economic missions to other countries in which business and professional associations as well as some companies may participate.

18. Yet much of the export promotion effort is not reflected in the export promotion budget because it is the work of the Ministry’s staff. An essential staff asset is the about 130 trade counsellors working mostly out of Romanian embassies and consulates. For instance there are trade counsellors in four locations in the USA and two in France (Paris and Marseille). They are often contacted directly by companies, provide important inputs to the trade information portal and organize the trade fair participation in the foreign location and business-to-business contacts for Romanian companies. When the main Romanian exporters were state companies, the commercial counsellors had a lot of work. In today’s context of a private sector-driven economy, their services are used only at about 50% of their capacity according to a Romanian expert. Administratively, they report to the regional directorates of the Ministry of Trade and not to the Export Promotion Directorate.

19. Some other public entities are involved in or have strong links to export promotion. The Romanian Trade Promotion Centre (RTPC), depending on the Ministry of Trade but with its own board, is the most prominent one. In its first project in Romania from 1992 to 1994 ITC helped to lay the ground for the Romanian Foreign Trade Centre (RFTC), created in 1995. Its name was changed in 2004 to better designate its promotional role. RFTC hosted a Trade Point (a program sponsored by UNCTAD) since 1998 but this function ceased to exist due to lack of funding.²⁸ Through two successive ITC/SECO projects (1997 to 1999 and 2000 to 2004) it was strengthened in its typical public trade promotion functions as pillar for a national trade information system, as trainer for typical export promotion tools, and as an agency familiar with the varying conditions of external market access for its main export sectors.²⁹ In the second project, ITC drafted a strategic plan for strengthening its trade information services and recommended RTPC to cooperate with other trade information suppliers. Consequently, the National Export Strategy gave RTPC a leading role in coordinating the trade information portal (in 2005). This responsibility was transferred to the Ministry of Trade with the SECO/ITC project which is the object of this report.

20. As already mentioned in paragraph 4, RTPC has been a victim of the political transition process in Romania, in which high-level public positions, even in agencies which have a purely technical mandate, are used by political parties and personalities as platforms to keep and manage political power. RTPC implements export promotion tasks delegated by the Ministry of Trade notably in procurement, finances and contract management for trade fairs. Most observers consider RTPC efficient and transparent in executing these tasks for which it has more than a hundred employees. It also provides trade information through its website (www.traderom.ro) and periodic bulletins. Finally, it produces market analyses some of which are sold on charge. In December 2009, RTPC merged with the foreign investment promotion agency, and its network of regional representatives is now closing down.³⁰ It is now called the Romanian Centre for Trade Promotion and Foreign Investments.³¹ For

²⁸ UNCTAD document TD/B/WP/110/Add/1. Switzerland funded the establishment of the Trade Point (ROM/97/A02) and the preparatory phase (RER/96/A52), www.unctad.org/en/docs/wpd110a.pdf.

²⁹ RFTC has also been an intermediary in ITC’s World Trade Net program, which provides business with information on WTO rules and negotiations and helps them to influence trade policy decisions.

³⁰ The evaluators visited a RTPC territorial office twice to learn about its activities, but on both occasions nobody was present. Companies having offices in the same building as RTPC’s territorial office (e.g. in a UNDP business incubator

any external future support to trade promotion in Romania, it will be essential to clarify RTPC's role and staffing, particularly since the Ministry's Directorate for Trade Promotion, with about twelve professionals and no prospect of being able to add staff, is clearly overburdened with operational tasks (like coordinating the trade information portal).

21. Agencies and ministries responsible for SME development automatically have to deal with the export competitiveness of enterprises. NASMEC, the national agency responsible for SME development was dissolved in 2008 and its functions were taken over by the Ministry of Trade.³² The Ministry of Agriculture as well as the Ministry of Economy and Finance implement multi-annual EU (co-)funded competitiveness enhancement programs; the program for 2007-2013 managed by the Ministry of Economy and Finance is highly relevant for export development (paragraph 29). Finally, export financing institutions like the Ex-Im Bank are also involved in giving support to export development.

ITC's history in Romania

22. ITC has a long track record in Romania as we alluded to in paragraph 20. A major part of ITC's assistance was funded by Switzerland that is SECO.³³ Export potential and the need for a national export development strategy were already among the objectives of the first project which ITC implemented from 1992 to 1994. The outputs were not achieved on time, largely because of institutional constraints. ITC helped to build up RTFC/RTPC as a public export promotion agency since its creation in 1995. It intervened in the garments and wooden furniture sectors since 1993 with sector assessments, direct company assistance and strengthening of sector institutions. Two "multiplier organizations" were given support in these sectors. Recommendations were made in 2002/2003 for the IT and organic agriculture sectors. Sector choice was determined after government consultation. For instance, when engineering products were proposed to be targeted in the first project (1992 to 1994), it was changed to textiles and garments on the Government's request.

23. ITC also gave support to purchasing management in Romania for six years, from 1995 to 2000, training 100 people and 24 trainers which then formed a professional association. This association was given support in its institutional build-up. ITC's inputs since 2003 were crucial to the launch of the NES 2005-2009, supported by the "National Export Strategy Design and Management" programme under the ITC Global Trust Fund.

24. Thus, ITC has been Romania's main external partner in building-up its export promotion instruments in the transition to democracy and accession to the European Union. The project under evaluation has to be seen as the most recent phase in a long-standing relationship. It will be important to check whether the project builds upon the achievements of former technical assistance and incorporates the lessons learned from past experience.

building) were uncertain about its role. Likewise, the Chamber of Commerce in Cluj and the territorial representative of the Ministry of Trade were uncertain about the services provided by the local RTPC office.

³¹ Government Decision 1431 / December 10, 2009, see www.traderom.ro.

³² NASMEC implemented several SME projects, (co-) funded by EU, UNIDO, UNCTAD and other donors in the period 2001-2008, some of them related to export development. UN document ECE/TCU/2004/2 "Entrepreneurship and SMEs – the Romanian experience" provides an overview as of 2004. Accessible under en.animmc.ro/files/en/strategic_priorities/THE%20ROMANIAN%20EXPERIENCE.pdf

³³ The main financier of ITC's past technical assistance was SECO/Switzerland. ITC's Global Trust Fund was also used. UNDP made small contributions and France was the main contributor to the first project (1992 to 1994).

Related externally-funded projects

25. The *European Union* is the most significant donor for Romania, if assistance to all sectors is considered. Support goes to a large extent to the private sector — that is small and medium enterprises (SMEs) — to finance enterprise development and to provide technical assistance. As everywhere, this SME support has direct and indirect links with exports and has to be taken into account in project design and implementation of export promotion projects. In the case of the European Union the export relevance of SME projects is not mentioned in project documents as the European Commission is not authorized to enhance the export competitiveness of specific future or present members on the European market, if it is true what the evaluators were told by a Romanian EC insider.

26. A PHARE project implemented between 2004 and 2006 is a good example.³⁴ The project had four outputs:

- It provided business training to consultants. They learned general business skills and how to access EU funds and adopt EU quality standards. Through the project, a network of consulting business firms was established.³⁵
- The capacity of Regional Development Agencies (ADRs) in monitoring and evaluating regional projects was improved.³⁶
- A portal for SMEs (E-simplu) was created. Its main role is to provide information on EU structural funds.³⁷
- A subsidized voucher-based business counselling program was prepared, to be implemented from 2008 on. It has not been implemented yet.

27. The EU has been promoting organic agriculture since the pre-accession period, sometimes involving the main sector associations (FNAE and BioTerra) and by funding European NGOs working in this field³⁸. Currently, FNAE is involved in an eco-learning project, in which farmers learn managerial and marketing skills and acquire knowledge about new technologies through online courses. BioTerra receives EU funds to organize seminars and disseminate information. Avalon, a NGO promoting organic farming in Central and East Europe since 1991, sponsored BioTerra's annual conference in 2009 and the Romanian Organic Marketing Forum. The Forum was organized by ITC as a follow-up to the export development project.

28. According to European Commission documents, the EC will give support to Romania in export promotion through regional development funds. A major programme will help SMEs to implement international standards and access new markets.³⁹ Two notable export promotion instruments funded by this programme are consultancy services to SMEs and participation in trade fairs and economic missions. Specific targets are that 2,000 SMEs should benefit from consulting services by 2015 and

³⁴ See also communication by Ministry of Trade, www.mimmc.ro/comunicate/raport_phare_04_016/

³⁵ The network is called ROCA standing for Rețeaua Organizațiilor de Consultanță In Afaceri. Its present status is uncertain.

³⁶ The first two components were implemented by the UK company Enterprise Ltd for €3.6 million, more than three times the amount of the project under evaluation.

³⁷ She showed us the site to explain that SMEs need assistance to make use of these funds. The website is accessible under www.e-simplu.ro and www.business-entrepreneur.ro.

³⁸ For example the Sapard programme (EuropeAid project 122572/D/SER/RO)

³⁹ This is the Sectoral Operational Programme, ““Increase of Economic Competitiveness”. Ministry of Economy and Finance, June 2007, http://www.mct.ro/img/files_up/1187618421POS_CCE_Aproved.pdf.

1,200 SMEs should participate in trade fairs and exhibitions. This appears to contradict the reluctance of the European Commission to get involved in export promotion (paragraph 26).

29. The *German GTZ* has been active in private sector and export development in Romania since the mid-nineties. Its latest Private Sector and Employment Promotion Project (€14 million) started in 2003. By 2007, the following activities and outputs, related to the four priority sectors, were realized:⁴⁰

- In the *garments* sector, a number of companies received advice⁴¹ and the main sector association FEPAIUS had been strengthened.⁴² A designers' association for textile, garments and leather (ADTCP) was founded, working with the designer schools in Cluj and Timisoara⁴³. Furthermore, a catalogue, providing details of nearly 800 Romanian textile and clothing firms was published and a social dialogue between management and employees in 18 garment companies was organized, in cooperation with FEPAIUS.
- In the *wooden furniture* sector, GTZ strengthened a centre for innovation and wood technology at the University of Brasov. It also contributed to trade promotion activities of the two national associations APMR and ASFOR.⁴⁴
- In *IT services*, the program facilitated the establishment of an incubator, and cooperated with sector associations ANIS and ARIES to foster links between IT companies and the automotive industry.
- In the *wine* sector, the program developed an integrated sector development strategy aiming to re-establish the traditional position of the Romanian wine sector in the EU market.

30. Currently, GTZ is in the process of phasing out. Since 2008, it has focused on regional cooperation and cluster development in the wood sector of Transylvania. It has trained professional associations to help them build cluster organisations. In 2009, a wood cluster in Targu Mures was established with GTZ support (see paragraph 191). Activities are expected to cease by mid-2010.⁴⁵

31. *SECO* has been involved in organic agriculture from 2004 to 2008. It sponsored a conference of organic farmers in 2006, organized by BioTerra every year in October.⁴⁶ More significantly, it strengthened "Ecoinspekt", the first Romanian inspection and certification agency through FiBl. FiBl is a research organic agriculture institute based in Switzerland with offices in Germany and Austria. It disseminates research through advisory work, training courses and documentation. In this certification project, SECO became a shareholder of Ecoinspekt, and through FiBl's network other foreign shareholders were brought in.⁴⁷ Local shareholders could participate for a relatively small amount (€

⁴⁰ External interim evaluation of ongoing GTZ projects/programmes, Promotion of the Private Sector and Employment in Southern Europe (Romania, Croatia, Serbia), 2007, www.gtz.de/de/dokumente/Rumaenia-Kroatia-Serbia_WBF-SOE-Brief-Report_InterimEvaluation-2007.pdf

⁴¹ Example of company assistance: ModaTim, www2.gtz.de/dokumente/AKZ/eng/AKZ_2001_WBF/13-romania.pdf

⁴² FEPAIUS is an employer's federation of companies and associations in the 'light' industry, which comprises textiles, garments and leather. See also Chapter 5 on the garments sector.

⁴³ ADTCP stands for Asociatia de Design pentru Textile, Confectii si Pilearie. The president of ADTCP is also vice-president of FEPAIUS

⁴⁴ APMR is the professional association of employers from the Romanian furniture manufacturing sector and furniture-related sectors, as well as R&D and educational institutes. ASFOR, on the other hand, is the professional association of wood cutters and processors.

⁴⁵ GTZ Romania, interview and e-mail communication.

⁴⁶ www.bioterra.org.ro/raport-de-activitate/narativ/details/15

⁴⁷ Ecoinspekt prepares and inspects companies for the Bio-Suisse Standard, USDA NOP and Naturland and is a certifying agency for EC Regulation No 834/2007, effective since 1 January 2009. The New EU Regulation for Organic Food and Farming, IFOAM, can be checked at www.ifoam.org/about_ifoam/around_world/eu_group-

25,000). Consulted organic agriculture experts consider this project a success as it brought professionalism to the table and enabled a Romanian certification agency to become sustainable.⁴⁸

32. *USAID* established the Centre for International Private Enterprise (CIPE) in 1991. Since then, CIPE has trained executives and volunteers of business associations, chambers of commerce, employers' associations and other types of membership-based organizations in the Central and Eastern Europe region. In Romania it contributed to establishing the “Tech 21 Coalition”, which has been active in the formulation of the IT sector strategy in the National Strategy 2005-2009. The Tech 21 Coalition, comprising of five sector associations, is a member of the National Export Council.⁴⁹ Between 2004 and 2007, *USAID* implemented a rural development project, with a focus on rural tourism, and the production and exports of pork, honey and wine. The main promotion activities were training, market studies, study tours, and attendance at international fairs to link farmers with processors. A two-year training program in private forest ownership resulted in the first Forest Stewardship Council (FSC) certification for 18,200 ha in the Naruja Private Forest District. We will come back to FSC certification in the wood and furniture part of Chapter 5 (starting from paragraph 190).⁵⁰

[new/news/pdf/IFOAM_New_Regulation_FINAL_web_stamp.pdf](#) . Ecoinspekt applied for international accreditation in 2007 and was accredited by the International Organic Accreditation Service (IOAS) in September 2008; see www.ioas.org/xlistiso.pdf.

⁴⁸ During IndagraFair 2009, an agriculture and animal husbandry trade fair in Bucharest, we saw Ecoinspekt advertising.

⁴⁹ Tech 21 coalition: ARIES (electronics and software), ANIS (software), ATIC (IT and telecommunications), ANISP (internet service providers) and the Cable Communications Association, www.cipe.org/opendoors/eng/tech21.html

⁵⁰ *USAID* Romania Agribusiness Development Program, Final Report, July 2007, pdf.usaid.gov/pdf_docs/PDACK242.pdf and Cluster policies in Romania, p.7, EU Cluster Observatory, www.clusterobservatory.eu/upload/Policy_Report_Romania_20080116.pdf.

Chapter 2: Relevance

33. Romania has made good progress in its transition towards a market economy and has performed well up to the economic crisis, as indicated in Chapter 1. Its status as EU member has opened up an enlarged market for Romanian products and services, but has also meant increased competition in the domestic market. At the same time, Romanians migrate to other EU countries where they can take up higher-paid positions. Labour movements to Spain and Italy have been particularly important. As a result, wages in Romania are expected to slowly move towards the EU average. As in many sectors labour productivity is quite low, this would pose a serious threat to the national economy.

34. A National Export Strategy (NES) is highly relevant in the context of increased international competition and the need to diversify and increase the value added of exports. The NES is a potent tool to build a national consensus around the best options for higher competitiveness. More specific export strategies on a regional or cluster level are essential as well. Typically, each region has some concentration of industries as, for instance, cars in the South, textiles and garments in the Nord-East and wood and furniture in the Centre. The directly concerned economic partners in the regions are the prime agents of change. Also, the request for support to regionalization of the NES stems from the highest echelons of Government.

35. The capacity building of the second project component is complementary to the NES and regional strategies. It concerns four sectors which have a crucial role in Romania's development for different reasons. Two industries (textiles/garments and furniture) were mainstays in the socialist economy and had to be privatised and restructured. The IT sector is, besides the automotive industry, the key example of successful diversification into high value added industries. Finally, organic farming is an opportunity to start transforming a lagging sector by tapping into niche markets. The "capacity building for exports" component, therefore, is highly relevant for Romania's development at this moment in time. Yet, to fulfil its promise, the capacity-building has to match the specific and very different needs in each of the four sectors.

36. The trade information portal and the creation of a corresponding network is an indispensable and standard tool in export promotion efforts everywhere. Its relevance is undisputed to the extent that it does not duplicate already existing trade information systems.

37. While the evaluators confirm the relevance of the project, the presence of other cooperation agencies working in the same field and often using much more important means (paragraphs 25 to 32) points to the risk of duplicating efforts and the need to harmonise and integrate support, where feasible.

38. *Conclusions.* All the project components are considered to be relevant when the project started; they continue to be relevant in the current Romanian context, given the priorities of the Romanian Government and the critical development stage in which Romania finds itself as a new and relatively poor EU member.

39. The terms of reference for this evaluation pose additional questions under relevance.⁵¹ These are answered in other chapters of this report. The questions on the choice of regions and sectors are treated in chapter 3 on project design, the adequacy of capacity-building tools used for the regional strategy process is examined in chapter 5 on implementation efficiency, while the relevance of the project approach to other sectors or regions is a forward-looking issue which we address in the recommendations made in Chapters 5, 7, and 8 (implementation efficiency, sustainability and a lessons for the future).

⁵¹ See attached terms of reference paragraph 5.2.

Chapter 3: Project design

Sources for project design

40. This project continues export development efforts by the Romanian Government to which ITC gave technical support since 1992, as described in paragraphs 22 to 24. What are the main lessons which can be taken from this long-term partnership, and how is this experience incorporated in the design of the project under evaluation? Taking the available ex-post evaluation and completion reports as witnesses, the following lessons emerge:⁵²

- *Develop a national export strategy.* A national export strategy is needed to coordinate export promotion and to help setting priorities for ITC interventions.⁵³ The NES 2005-2009 and its action plan realized this recommendation. The NES was in itself a source for the design of the two other project components. In fact, the three project components reinforced each other as complementary tools for export development.
- *Choose sectors based on technical analysis.* This lesson was disregarded at least in the sense that the project document did not comprise of structured economic and sector policy analysis or give other reasoned justifications for sector choice. This is true for the choice of priority sectors in the NES as well as the four industries chosen for capacity-building in module 2. This does not mean that the Government and ITC did not use a wealth of experience in the choice of sector and industry priorities. In fact, we have doubts whether this lesson is applicable in the real world. Good economic and sector policy analysis is all the more essential in identifying the essential reforms and capacity-building activities to be pursued to increase trade competitiveness of enterprises.⁵⁴
- *Continue capacity building of RTPC:* Strictly speaking, this recommendation was disregarded for good reasons as explained in paragraphs 57 and 58. But the thrust of this recommendation is that you need a lead agency and intermediaries (called EDS providers) as pillars of a technical support system for enterprises to become competitive in external markets. These support agencies and service providers have to reach a sufficient quality level of services and have to become financially sustainable. The project document did not develop a vision of such a support system, taking into account the minor role which was attributed to RTPC in the project.
- *Work with intermediaries.* This is a very powerful although quite obvious lesson which comes from the lack of impact earlier ITC interventions had on a significant cross-section of enterprises. It corresponds to a good practice lesson in capacity-building very generally. The recommendation was included in module 2 of the project document but no analysis was made of the conditions under which such intermediaries (mainly sector business associations, chambers of commerce and private business service providers) could become competent and reliable in their work with enterprises.⁵⁵
- *Have companies pay for services provided.* This is an important lesson but it has to be applied with a good understanding of the context. At the company level, cost-sharing works as a filter selecting

⁵² Documents studied are: an independent evaluation of ITC in Romania from 1990 to 2000 (ITC document ITC/EV/6/00), an 2003 ITC Report on priority needs and recommended technical cooperation approaches (project ROM/02/002A and ITC document ITC/DTCC/03/2710), the project report on the SECO-funded export development project 2000-2004 (project ROM/00/001) and the completion/self-evaluation report of this project (ITC/EV/4/04).

⁵³ ITC/EV/6/00, p. 26/28 and ITC/DTCC/03/2710, p. 25

⁵⁴ ITC/EV/6/00, p. 23/29 and ITC/DTCC/03/2710, p. 25

⁵⁵ ITC/DTCC/03/2710, p. 2/26 and ITC/EV/4/04, p. 28

enterprises which have a strong learning and reform interest. But cost-sharing also strengthens the sustainability of “multiplier organizations”.⁵⁶ The project took this principle into account but did not check sufficiently its feasibility in specific situations at design stage.

- *Obtain prior commitment from intermediaries.* Create full understanding among project beneficiaries about project objectives and target groups, before implementing a project.⁵⁷ ITC had previous relations with many stakeholders and counterparts of the project. It consulted with them quite extensively during project preparation according to ITC’s project managers. Yet there was an important gap between reaching a consensus on project content and implementation on the one hand and an agreement on a specific work plan and funding for specific components on the other, even if such agreements could not be formal at this early stage.

The quality at entry of the project

41. *NES implementation.* The affirmed goal of this project component was to have a maximum impact of the completed strategy on export development. The activities and outputs defined in the project document (in short: revising the strategy, creating two regional strategies and monitoring strategy implementation) went in the direction of “transposing the static NES document into dynamically implemented initiatives”.⁵⁸ But there is little evidence that this difficult challenge was fully appreciated and that implementing options were evaluated. To extend the strategy to the regions was an excellent decision as well as to establish a monitoring tool. The sticky point was that the action plan of the original NES comprised of way too many actions (about 400 in 2005) and these were often general intentions and not well identified initiatives.

42. So a major next step had to be to transform the excellent ideas of the different working groups of the NES into a group of manageable proposals for capacity-building projects, investments and policy reforms. This is possible to do through a “concept paper” or a short identification document for each “action” which identifies the main expected outputs and outcomes, the means and timetable required to reach them as well as the responsible agency and team for the project. Maybe a first small group of actions could have been selected for immediate attention (as was the case with the creation of a trade information system and capacity-building for export development through the project under evaluation) while a revision of the action plan, with less and better defined actions, could have been pursued with more detention. In the course of the project the Government and ITC decided to replace the revision of the strategy by the revision of the action plan (paragraph 110 and further). This was a good decision but it did not go far enough to make the strategy more dynamic and result-oriented. Also the stakeholders of NES actions should have been trained at an early stage in making project and policy planning operational.

43. How were the two regions chosen? The Directorate selected two pilot regions for a regional export strategy (South-Muntenia and West Region). This was primarily based on practical considerations. First of all, the Bucharest region is already covered by the NES as the national sector and professional associations, representing the private sector, are based in Bucharest. Secondly, these regions are the most economically advanced regions besides the Bucharest region (paragraph 8). The

⁵⁶ ITC/EV/4/04, p. 28

⁵⁷ ITC/EV/4/04, p. 27

⁵⁸ This is a citation of (part of) the Immediate Objective 1 of the project (page 12 of Project Document).

Government used export value as an indicator of regional economic strength; an export strategy for these regions would be in line with the project goal to maximize impact. Correlated with this, the main chambers of commerce in the region are better endowed to drive the process and bear (part of) the coordinating costs. However, this selection seems to be at odds with the assumption in the project document to focus efforts on the “economically backward regions”. We do not think this is a major problem, taking into account the general level of private sector organization in Romania (paragraph 6) and the fact that regionalisation of export strategies was a first-time effort for Romania as well as for ITC.

44. *Capacity building of intermediaries.* ITC had to answer three critical questions: Which were the sectors to give priority to in the project; what knowledge gap had to be filled; and who should be the trainees, having as a goal to create sustainable training capacity in the country? The four sectors were chosen by the Government based upon the priority-setting and analysis of the NES. The fact that ITC had been involved in garments and wooden furniture since it started activities in Romania and had also made some analysis of the IT and organic farming sectors (paragraph 22) also might have played some role, in the same way as the Swiss connection to organic farming through a certification project (paragraph 32). This was a considerate sector choice given the traditional weight of two sectors in Romanian exports and the exceptional demonstrated export potential of the two others.

45. What was neglected in this selection was what kind of support was crucial in these four sectors. For example it turned out that in the IT sector the tools used in the project were largely irrelevant but that other measures would be very important to render the export dynamism of IT services sustainable (paragraphs 258 to 262). Given the very different characteristics of the sectors – which become obvious when reading the description of their features in the project document and the comments made earlier in this report (paragraphs 9 to 15) – the need for “capacity-building” and the didactic tools employed are bound to be specific to each sector. A certain differentiation of sector upgrading needs was the result of the enterprise survey described in the next paragraph.⁵⁹ But it is surprising not to find an operational “capacity-building strategy” for each sector in the project document and a work plan at sector level. The outputs defined by the project document’s logical framework table are general and common to the four sectors. Concrete sector work plans were to be established during implementation.

46. In 2005 SECO funded a special study to analyze demand and supply of capacity-building services in the selected sectors (‘BDS gaps survey’).⁶⁰ ITC used new survey questionnaires for this analysis for which fifteen Romanian consultants were trained.⁶¹ Close to 400 firms and providers of export development services that is mainly employers’ and professional associations were interviewed.⁶² Yet the results were disappointing.⁶³ The reasons for knowledge gaps and management deficiencies in enterprises were not analysed specifically. The general deficiencies indicated were

⁵⁹ Specific sector objectives are mentioned in “considerations for the project justification” on page 8 of the Project Document.

⁶⁰ ROM/61/97A, implemented between May 2005 and January 2006.

⁶¹ The set of questionnaires and adaptation guidelines is called BizDevKit by ITC. The objective of the BizDevKit is to help business support institutions decide which programme to offer that is programmes that fit enterprise needs, and eventually lead to sustainable operations of business development services.

⁶² Around 10 providers of export development services in each sector. Most companies were from the garments and furniture industry (120, respectively 98). Furthermore, 78 companies in software industry and 47 in organic agriculture.

⁶³ The main documents produced in the preparatory phase are individual reports on each sector and the BDS Gaps Analysis report, which synthesizes findings of the demand and supply surveys.

probably already well-known in professional and government circles in Romania. Also, in the preceding ITC project numerous reports and recommendations had been written on the garments and wooden furniture sector; and capacity needs had been assessed in 2002/2003 comprising of a proposal for technical assistance in the four priority sectors.⁶⁴ In that sense a smaller, better targeted in-depth inquiry with enterprises probably would have yielded more useful results for the design of the capacity-building module.

47. The survey identified potential intermediaries in each sector and evaluated their capacity to become training counterparts in the project. The general message of the survey reports was clear: the surveyed service providers were considered unable to offer business and export development services on a sustainable basis at that time. In the organics sector, trade sector intermediaries are mostly state owned bodies or NGOs that do not receive any fees for services provided. They do not have the organizational capacity and resources needed to respond to firms' requests.⁶⁵ In the software sector, the two main sector associations were judged to be able to meet the need for general business development services, but not for sector-specific assistance.⁶⁶ In the garments sector, the potential of service suppliers was considered as 'extremely low'.⁶⁷ In the wooden furniture sector, Romanian business associations and technical institutes were not considered to be in a position to offer quality services mainly because appointments in these institutions were suspected to be based less on merits and more on political and economic group interests.⁶⁸

48. Given the fact that the EDS providers in the project were the main target group for capacity-building, the survey report should have identified the institutional and management reforms which these business associations should undertake to be in a position to provide quality services to their members. Such a new business plan with each chosen intermediary and specific commitments to reform (including for instance cost-sharing for services provided, and a plan to build up services to members against membership fees paid by enterprises) could then have become the backbone of the capacity-building module.

49. The survey had another major shortcoming besides its limited analysis of enterprise demand. It did not identify the *modus operandi* with a major target group for the "training of trainers" (which was, after all, the main vector of the capacity-building module of the project), namely private consulting firms and independent service providers to enterprises and business associations. In each sector, around ten trade support institutions were evaluated.⁶⁹ The Ministry of Trade, RTPC and a Chamber of Commerce were also included in each of the sector reports. Yet, private consultants were not included in the sample.⁷⁰ Also, the main association in the field, the National Association of Consulting Firms and Management Consultants (AMCOR) was not surveyed.⁷¹ A separate ITC report

⁶⁴ E.g. ITC/DTCC/02/2647 "Strengthening Romania's Export Capacity: textiles and garments sector", ITC/DTCC/02/2619, "Strengthening Romania's Export Capacity: wooden furniture sector"

⁶⁵ Organic Farming Sector Report, Preparatory Phase, August 2005, Final Conclusions and Recommendations, p. 31

⁶⁶ Software and Services Sector Report, Preparatory Phase, August 2005, General Conclusions, p.26

⁶⁷ Garments Manufacturing Sector Report, Preparatory Phase, August 2005, Conclusions Supply Assessment, p. 55

⁶⁸ Furniture Sector Report, Preparatory Phase, August 2005, General Conclusions, p. 122 and beyond

⁶⁹ To be exact: 11 in the software sector, 8 in garments manufacturing, 12 in wooden furniture and 9 in organic agriculture

⁷⁰ ITC, Supply Assessment Guide, Surveying Supply of Business Development Services, 2005

⁷¹ AMCOR is an association of around 90 management consulting firms, see www.amcor.ro

includes some private consultancy firms, but this report had not been incorporated in the BDS Gaps Analysis.⁷²

50. For this reason there are no indications in the project report on what it would take to create a corps of highly-skilled consultants who could provide export-related services to enterprises although these consultants are supposed to be a target group for capacity building. A lot has to be known before launching a technical assistance program about the willingness of enterprises and associations to pay for such services, the consultants' interest in and willingness to pay for this specialized training, the role of their associations, suitable modalities of training, and the advantages of certifying officially such a specialization creating a professional standard. It looks like the reference to consultants in the project report was to pay lip service to the importance of establishing a business sector for export services but ITC (and the Government) did not intend to engage this target group in the project in a meaningful way.

51. This is all the more surprising as at least in one major parallel project, financed by the European Commission (paragraph 27), a voucher scheme was advocated which was to give an incentive to private firms to have recourse to advice by consultants. Also, the NES action plan calls for an ITC technical assistance programme in the furniture sector, suggesting a number of specific interventions⁷³, and expressing a demand for a Certified Trade Advisors Programme, to be implemented by ITC.

52. Finally, the content of training in the two planned stages of the project — first training for EDS providers (tiers 1) and then pilot delivery of services by EDS providers to companies (tiers 2) — was not clearly defined. Training was going to be both generic (general export tools and skills, using preferentially ITC tools) and sector-specific, meaning that the specific binding constraints impeding specific sectors to become more competitive internationally were going to be addressed. Some justification for this “double strategy” can be found in the results of the survey which reveals that at least in some sectors SMEs still lack marketing skills and have not adapted to international management and product standards.

53. But then the pressure for enterprises to adapt to external market demands has been very strong in the last decade with the privatisation of public export enterprises and the integration of the country into the EU. For general business and export skills a service industry has developed in Romania. The same is true for private standards both for coaching of enterprises in preparing for certification as well as for their certification. Also, very substantial programs of technical cooperation have been launched for business development services, particularly emanating from the European Commission, GTZ and USAID (see Chapter 1).

54. For these reasons it might have been justified to spend the relatively limited amounts in the project for capacity-building exclusively on creating a critical mass of Romanian experts specialized in specific sector or product markets and skills e.g. design, branding and sourcing for garments and apparel, moving upscale in IT software production, cluster building for furniture exports, and certification for organic farming. In fact, the budget of the project should have been dimensioned in

⁷² ITC, Romania – Report on Technical Cooperation Activities, 2005

⁷³ NES Plan of Action: 2. Sector competitiveness perspective, Furniture sector; and NES Plan of Action, 3. Client perspective, Segmentation of clients.

function of a feasible specialization program of that sort. The project document lacks any reference to these efficiency considerations in the transfer of external know-how.

55. *Trade Information Portal.* The NES 2005- 2009 and its action plan are an important input for the design of this module. The NES made trade information a strategic consideration and assigned the main coordinating role to RTPC.⁷⁴ The NES action plan called for creating a national portal (minimum 3,000 hits / year) and establishing a decentralized structure of information exchange and dissemination, involving both public and private sector providers.⁷⁵ This corresponds to the functions assigned in the project document to the trade information portal and the trade information network.

56. It is surprising that the preparation phase for this project component was not used to reach agreement with interested private parties on their participation in the network and portal and the design of a specific proposal. An external consultant did a feasibility study for the portal in the early stages of project implementation. As a special “project” was funded for the “BDS gap analysis” considered necessary for the design of module 2, module 3 could have been prepared at the same time. This would have given time to discuss institutional options for the portal and the network other than the one chosen by the Government (RTPC, which was later replaced by the Directorate for Trade Promotion).⁷⁶ In most countries, and Romania is not an exception, chambers of industry and commerce and sector business organizations have websites and provide business information to their members. This is why in many countries private sector organizations are associated to the management of national trade information systems. Such partnerships are the best way to avoid duplication and ensure close links with users which are mainly export-oriented enterprises.

57. *The role of RTPC in the project.* RTPC was built up as Romania’s public export promotion agency since 1995 but lost this function to a large extent with the start of the project under evaluation, as we described earlier in this report (paragraphs 20 and 21). RTPC was placed on the same level as the other business intermediaries (EDS providers) for the purpose of the capacity-building module. Yet it is impossible to find out in the report what its specific functions would be in the capacity-building of intermediaries and later on in using this know-how with enterprises and business intermediaries. The evaluators found in SECO’s initial project identification note in 2005 that RTPC might have a role in training other intermediaries such as local chambers of commerce in conducting market analyses.⁷⁷

58. The project document assigned to RTPC the role of coordinator of the trade information network and the corresponding portal. RTPC was also included in the Steering Committee of the project whose other members were SECO, ITC and the Ministry of Trade. Neither role was assumed by RTPC during the project. In a case where major institutional changes happen at the time a project is approved and implemented, the project document should explain the rationale of such a reform, the agencies which take over the functions of the dispossessed agency, and the future vision of the export

⁷⁴ NES 2005-2009, 4.3.6. Strategic Consideration No.13 - Trade information brings markets closer

⁷⁵ NES Plan of Action, 3. Client perspective, Trade Information

⁷⁶ It is doubtful whether the NES recommendations on trade information represented the views of major stakeholders. The corresponding NES working group did not include any representatives of business organizations. Its members came from the Ministry of Trade, RTPC, and the Institute of World Economy, a public think-tank which publishes several periodic market reports.

⁷⁷ Seco Advocacy Note, 29 March 2005, p. 3

promotion “system” without its previous anchor. Even if such explanations have to respect diplomatic forms, they would be preferable to an “embarrassed” silence which creates doubts on the professional quality of the project document.

59. *Logical Framework.* The logical framework (Annex 1 of project report) is well structured and gives a good overview of the project. It contains objectives at different levels (development objective, immediate objectives and outputs), key indicators, sources of verification and assumptions. The success indicators of the immediate objectives and the exit strategies are actually expected outcomes. This is a confusing and inaccurate way to define outcomes which normally are aligned with outputs. To define outcomes, and corresponding indicators, is the most important single element of results-based project planning. The usefulness of the logical framework depends entirely on detailed project preparation. Weaknesses in project design are immediately reflected in weakly defined outputs and outcomes which cannot be considered a good guidance for project stakeholders. This is the case in the capacity-building module, where the four sectors are not distinguished. Also, no baseline data was collected on the availability, usage and quality of business services provided to companies.

60. This is a project which has changed in important ways during implementation, particularly in its capacity-building delivery. When such changes occur, the logical framework should be corrected by the implementing agency and the new activities and expected outputs and outcomes should be communicated to all project stakeholders. Modified passages of the logical framework should be previously discussed with the funding agency.

61. *Risk analysis* (Section G. of the project report). Overall, project risks are well identified and mitigation measures are accurate. However, in three cases the risk assessment is clearly insufficient:

- The risk created by changing horses in export promotion (the changed role of RTPC) is not even mentioned;
- The lack of delivery capacity (“weak absorption capacity”) of business associations which are counterparts of module 2 is mentioned. But the remedy is wrong. As the experience proved, there was no sufficient critical mass to choose from when some institutions failed to deliver. The risk has to be mitigated by choosing counterparts which agree to be trained and to perform as intermediaries. They have to be given support by the project in their institutional upgrading and reforms which are necessary for a better performance. This is a problem which has to be part of project preparation. Specific “sub-projects” have to be defined accordingly.
- The risk of lacking commitment of main project counterparts is signalled. This was mitigated by “commitments” and “declarations of interests” of these counterparts. Obviously in quite a few cases this was not enough. Instead of “commitments” concrete service packages of the project to counterparts have to be negotiated during project preparation with modalities for cost-sharing, institutional commitments, membership fees and other business management conditions.

62. *Donor coordination.* The project document signals that harmonization of aid was given considerable weight in project design but that institutional support to business services’ intermediaries

by other donors was limited.⁷⁸ Given complementary project goals, there was no anticipated need for harmonization.

63. We don't fully share this assessment. The review of the most important external cooperation providers in paragraphs 25 to 32 reveals that other agencies undertook very promising initiatives with similar target groups than the ITC project. Examples are: the creation of a textile design association with links to a university design department, the promotion of a regional wood cluster, support to a wood innovation centre at a local university, forest management and FSC certification, training of business consultants and business associations, support to a business services association, creation of a trade information portal, multi-form support to organic agriculture, a voucher program for the hiring of business consultants by SMEs, the creation of an IT park and development of an IT strategy.

64. It is difficult to judge whether at the time of project design common planning with other donors and the Government would have created synergies or changed the project focus. But definitely when the scope of the capacity-building module changed, a new harmonization effort might have proved beneficial for that project component. It would also have been useful for the ITC project team to report on other donor initiatives and desirable coordination as part of regular reporting to SECO.

Conclusions

65. *Lessons learned.* This project was a continuation of ITC's interventions since 1992. This is why several lessons learned from the past were available when ITC prepared the project. These elements of good practice were included in project design: capacity-building should start with business intermediaries and private consultants before reaching enterprises; the cost of training and advice should be shared with project intermediaries and enterprises; and the role and commitment of project counterparts should be ascertained before the start of a project. Although this advice was taken, ITC did not ensure that the respect for these principles was feasible and that counterpart agencies were strongly committed to them before the project was launched. One of the lessons from the past was that sectors for project intervention should be selected after an initial in-depth analysis of their export potential. This lesson was not fully taken into account by the Government. The four priority sectors of the project were taken from the long list of the first National Export Strategy and corresponded to a well-informed political choice but were not based on strong technical analysis.

66. *National Export Strategy.* The project directly followed the successful launch of the National Export Strategy 2005-2009 and included a concrete follow-up to the strategy (regional strategies, monitoring and revision of the strategy). But project design neglected the need to help Romania in transforming a great number of planned actions into actual projects, investments and capacity-building activities.

67. *Capacity-building.* In spite of a special preparatory survey expected to define the capacity building component of the project, project design was clearly wanting. To a large extent changes in project focus during implementation and overall modest outputs and outcomes have their main cause

⁷⁸ The importance given to aid coordination is exemplified by the fact that additional external assistance is a success indicator of the NES project module and is a specific responsibility of the Steering Committee.

in the lack of attention to establishing specific business plans with main Romanian counterparts and engaging these counterparts in solid partnerships before the start of the project.

68. In a special preparatory survey the *demand and supply* of capacity-building services were estimated in the sectors chosen by the Government: garments, wooden furniture, organic farming, and information technology services. This survey had several shortcomings:

- The study was not sufficiently detailed to support a specific capacity-building strategy for each sector. Instead of a quantitative survey, intensive interviews with a small number of enterprise managers and site-visits in enterprises would have been much more telling.
- Many business intermediaries were known to be weak and did not train and advise their members; one would have expected that some intermediaries would be strengthened through the project to assume a more active and sustainable support role.
- Consultants in the four sectors were not included in the survey; therefore it was not possible to define capacity-building actions for private service providers beforehand;
- Capacity-building of intermediaries was to be followed by ITC-assisted training of enterprises by these business intermediaries and consultants, but such a two-phase process with intermediate outputs was impossible to schedule based upon the survey.
- Training was to be both generic and sector-specific; yet the availability of generic training in export matters was not analyzed; in other words, the risk was not verified that project resources would be used inefficiently substituting for available training resources in Romania.

69. *Trade information.* A working group of the first National Export Strategy had identified the main elements of a national trade information portal including the concept of decentralized management and the private and public sectors working as partners. It would have been important to reach a consensus on the main structural elements of the portal at project design stage, parallel to a concrete planning of the capacity-building module. This would have avoided a long gestation period to establish the portal and ill-targeted technical assistance.

70. *Other elements of quality at entry.* Given the transitional role of the Romanian Trade Promotion Centre, its expected functions in the project should have been explained in the project document and the intended trade promotion architecture should have been presented at the outset of the project. The logical framework lacked outcomes and a baseline, and was not corrected at a later stage, when project objectives and target groups were modified substantially. The project document's risk assessment did not evaluate risks and remedies properly in some crucial instances. Finally, the comments in the project document on other external cooperation activities did not sufficiently point to the need for harmonization and cooperation with other donors in implementing the project.

Recommendations

71. Future cooperation with Romania only has a good potential to be successful if ITC applies more systematically best practice in the design of capacity-building projects. As the goal has to be to enable Romanian institutions and experts to support export industries effectively without relying on external know-how, specific support measures will have to be found in function of the binding constraints in trade competitiveness as well as the technical capacity and the institutional and managerial status of each Romanian counterpart institution. This is bound to reduce the scope of using

standard ITC training and analysis tools and will require meticulous needs' assessments and institutional analysis as a basis for dialoguing with Romanian intermediary institutions and private service providers. The objective of project preparation will have to be to reach an agreement with each major Romanian counterpart on a business plan with concrete operational goals, institutional reforms and cost-sharing guidelines. Even if such good practice is followed at design stage, flexibility will be needed in adapting these business plans in the course of the project to a dynamic institutional context.

Chapter 4: Governance and Management

Governance

72. *Steering Committee.* A Steering Committee (SC), comprised of SECO, ITC and the Romanian counterpart, represented by the Ministry of Trade (Export Promotion Directorate) provided guidance for project implementation. This guidance was minimal: Two SC meetings were convened, in November 2006 during a trade fair in Berlin and in July 2008 at ITC's Geneva office. In addition two informal encounters between the three parties took place. The functions of this SC are described awkwardly: ensure coordination with other external cooperation, transparency of planning and implementation, and the implementation of recommendations made in progress reports.⁷⁹ These are typical tasks of ITC, the implementing agency. Usually an SC has to intervene when major obstacles appear to achieving the project objectives and changes in project scope have to be decided. It should also intervene when the implementing agency and the Romanian owner of the project disagree on the future course of the project.

73. Such an obstacle was present in the implementation of the capacity-building program of module 2, when business associations did not show interest in training and enterprises became the main target group for advice and training.⁸⁰ We are sure that this change was discussed at the July 2008 meeting of the SC but at a time when these changes had already been introduced. In any case, the fact that the specific new activities in the four sectors did not become part of a modified project document with new expected outputs and outcomes, may be evidence that the SC did not assume diligently its supervising responsibilities.

74. While it was important to have a tripartite committee as a governing organ, what appears as even more significant, looking at the future, is to associate project beneficiaries and other domestic stakeholders collectively to project implementation through an advisory committee to the project or through a steering committee (in which case separate tripartite meetings would still be necessary). In such a new committee the other cooperation agencies active in the same type of support or sectors should be associated as well. This would ensure at the same time a mechanism for aid harmonization.⁸¹

75. *Execution modalities.* As usual for a UN-agency ITC was the executive agency for this project.⁸² What was unusual was ITC's role as implementing agency. ITC selected, hired and contracted all consultants, both domestic and international. The national project manager, although in a contractual relationship with RTPC, got its terms of reference from ITC and reported to it. All financial controls and transactions were performed from headquarters.

⁷⁹ The project document says (p. 18): "The project's Steering Committee (SC) will: (1) ensure coordination of the project's activities with related ongoing export development activities by other Romanian entities and foreign donors in order to promote synergy, (2) ensure transparency in the way that project activities are planned and implemented; and (3) ensure that the overall conclusions drawn from the project progress report are reflected in the work plan for the project's following stages."

⁸⁰ See also our discussion in Chapter on module 2, starting from paragraph 153

⁸¹ This proposal is not new. In SECO's advocacy note for this project of March 29, 2005 "sectoral institutions" were recommended to be part of the future Steering Committee.

⁸² The project document refers to ITC as an executive agency, while the SECO Decision Note refers to ITC as implementation agency.

76. This strong project management role of ITC did not diminish the essential function of the Ministry of Trade's Export Promotion Directorate as ITC's "counterpart" or "co-implementer". In module 1 the Directorate was really in charge as it has acted as technical secretariat for the National Export Strategy. The same is true for the trade information portal (module 3) which has been coordinated by the Directorate since RTPC was discharged from this function in 2007.⁸³ The Directorate was also in a good position to manage the project because this program was complementary to a series of export promotion tasks it has managed through its own budget (see paragraphs 16 to 19). In module 2, it was ITC that was accountable for the activities, often helped by sector business organizations in the selection of members for training and factory-level advice, and organizing training events. Each time a written agreement was signed by ITC and the relevant intermediary.⁸⁴

77. Still, for an international agency to have full management responsibility of a capacity-building project is a remnant of the past. Ownership and alignment of projects to national policies is the message coming from the 2005 Paris Declaration and UNDP policies on national execution of projects. It implies that a local project unit, often integrated into a public agency, is responsible for the day-to-day management of a project and has the prime responsibility for its success. Work plans and interventions of the external partner agency have to be approved as well as the choice of consultants (domestic consultants are usually recruited directly by the local project unit).

78. *Donor coordination and joint action.* As we mentioned earlier, several other technical cooperation agencies worked in private sector development and export promotion during the time this project was implemented. Particularly in the case of the capacity-building module, for which ITC was solely responsible, synergies with these agencies might have been possible and their experience could have proven useful in the design of delivery modalities for capacity-building. Examples are given in paragraph 63. This does not mean that ITC project managers were not diligent in coordinating practical implementation aspects with other donors and ensuring that projects were complementary.⁸⁵ Our view is that more could have been done. ITC should have looked actively for joint action or building its assistance, in some cases, directly upon previous or complementary assistance by other agencies. Also, periodic donor meetings on export promotion and private sector support, with the Ministry of Trade chairing, could have been organised. Finally, it would have been useful for the ITC project team to report on other donor initiatives and desirable coordination as part of its regular reporting to SECO.

79. *Conclusions.* The tripartite Steering Committee for the project played an undistinguished role in guiding the project at critical moments, for instance when the capacity-building component had to be

⁸³ ITC visualized the distribution of responsibilities between SECO, ITC and the Export Promotion Directorate, through flow charts prepared at the beginning of the project. The module 3 chart was updated in 2007 to confirm the prior shift of responsibility for the trade information portal, from RTPC to the Directorate.

⁸⁴ Prior understanding was reached between ITC and the Export Promotion Directorate that the Directorate or RTPC would be responsible for organizing activities in module 2, in case intermediaries would not be interested; this has to be seen in the context of paying local costs (Note for the File, OASEC Mission to Bucharest 17-19 July 2006).

⁸⁵ Reacting to this criticism which refers to several possibilities of joint action mentioned in paragraph 63, ITC points out that on several occasions practical aspects of implementation were coordinated (e.g. trainees in a workshop came from another project, a consultant database of the EU was used for invitations to workshops etc.). Also, the project discussed and coordinated project elements in the case of garments (with GTZ, in early project implementation), with SECO (organic farming), and with the EU (trade information portal) to ensure that they were complementary to these agencies' projects. ITC also mentions the positive impact particularly of the NES Action Plan on several projects funded by other donors.

re-oriented. ITC was the implementing agency for the project but had a dynamic counterpart in the Directorate for Export Promotion of the Ministry of Trade. The outsourcing of project management to ITC did not have negative effects on ownership and project progress in this case. But this modality of project delivery is outdated and should not be considered acceptable for future projects. ITC could have been even more active than it was in harmonizing this project with other donor-funded efforts, leading in some cases to joint action or a sequencing of interventions with other donors. This was a missed opportunity as innovative approaches were followed by other donors, in some cases addressing the same sectors and target groups as the ITC project.

80. *Recommendations.* In future projects, an active steering committee which meets at regular intervals should be a must. It should be presented, if this proves necessary, with concrete proposals for change in project scope and delivery mechanisms which then are reflected in modified outputs and outcomes of the project. Project beneficiaries and other stakeholders should be members of the steering committee or an advisory committee which should also include other cooperation agencies active in the same field.

81. The day-to-day management by ITC of capacity-building projects or parts of them in beneficiary countries should be excluded. Projects should be managed in the beneficiary country by a project unit which is integrated into the public or private sector of the country, ITC working as advisor and provider of international technical skills to this unit and project beneficiaries. Also, an effort should be made both at design stage and during project implementation, to have regular meetings, organized by the responsible local agency, among donors active in the field of the ITC project.

Project Management

82. *The ITC project team.* It comprised of three people: an international project manager, her superior at ITC's headquarters in Geneva, and the "national project manager" in Bucharest reporting to ITC.⁸⁶ The international project manager was recruited to manage this project but has had other tasks at the ITC as well; her superior had been the international project manager in the preceding ITC project in Romania.

83. The national project manager was an RTPC staff member and had been involved in the preceding project. She received terms of reference from ITC but continued to be paid by RTPC and was assigned parallel RTPC tasks. She regularly kept her superior informed about her ITC work. She was crucial in finding willing project partners and organizing meetings between them and ITC experts. She was present at practically all workshops. During workshops, she monitored quality and ensured that participation lists and feedback forms were filled in. She had to replace sometimes uncooperative business intermediaries (who were basically in charge of workshop organization) in arranging logistics, mobilizing participants or providing translation services.⁸⁷

⁸⁶ The name of the responsible ITC unit is Office for the Arab States, Europe and the Commonwealth of Independent States (OASEC). The international project manager is Sabina Timco, the chief of the unit is Elena Boutrimova. The national project manager in Bucharest was Andrea Cios.

⁸⁷ Translation services would normally be the responsibility of the local counterpart. Some counterparts did not make a sufficient effort to mobilize participants.

84. The ITC project team was in charge of planning, coordinating and monitoring project activities. Based on our review of ITC records, seven monitoring missions to Romania took place, lasting on average three to four days. The team kept detailed records of meetings and activities. Feedback forms, participation lists and reports by experts are available and complete. There are three exceptions to this good practice: a) Much of progress on the National Export Strategy module was reported verbally to the ITC project team and no written evidence is available;⁸⁸ b) for major changes in the capacity-building component, ITC should have presented new implementation modalities to the government and SECO and identified new outputs, outcomes and indicators (see paragraph 61); ITC should have been more pro-active in the harmonization of project planning and implementation with other donors active in the same field (see paragraphs 65 and 79).

85. *ITC reporting and SECO monitoring* The project team updated SECO on project progress mainly through annual progress reports and visits of the Swiss Cooperation Office at the Bucharest Embassy but also through phone calls and emails. ITC progress reports display a sound knowledge of what actually happened on the ground. Given the weak role of the Steering Committee (paragraphs 73 to 75), steady monitoring by SECO experts was all the more important. We conclude from interviews that the Swiss Cooperation Office in Bucharest was well informed about the course of the project and reported diligently until the Office was closed at the end of May 2008. Working relations of the ITC team with SECO in Bern were very close until the end of 2006 when SECO's task manager left. ITC staff mentions that there was practically no interchange with SECO during 2007 while new staff was recruited by SECO. This might explain to some extent the lack of dialogue on a modified module 2. With new interlocutors in Bern from 2008 on, working relations have been considered good but not very close.

86. *The Romanian counterpart.* The Export Promotion Directorate was a strong and able project counterpart as mentioned in paragraph 77. In module 1, ITC interventions were primarily determined by requests from the Directorate. In module 2, the Directorate had no direct management role but was still active. For instance, in some cases it mobilized business intermediaries to provide venues for workshops and made subsidies for trade fair participation dependent upon companies' participation in the project. An international expert, who was not received by a sector association, worked directly with firms under the authority and guidance of the Directorate. In module 3, a unit within the Directorate took over the coordination for the Trade Information Portal from RTPC. RTPC ceased to add content after the launch of the portal in May 2009. The unit not only selects and approves all content to be added to the portal but also generates part of the content. It is understaffed to perform this function and there is no prospect for hiring additional professional staff.

87. *Expert selection.* The ITC project team was in charge of hiring international and Romanian experts for the project usually without the national ITC project manager or the Directorate of Export Promotion participating in the decision. It is usual for an international technical organisation to give preference to ITC in-house experts (staff members or experts with ITC term contracts) if they are available. In this case out of 39 experts, only seven were ITC experts.⁸⁹ The ITC project team also

⁸⁸ In our meetings the Export Promotion Directorate mentioned that the ITC project team had provided technical inputs to the export strategy. This indicates that the ITC project team was in a position to make contributions also on technical issues.

⁸⁹ According to ITC figures, the project hired seven ITC experts and 32 external experts (twelve main ICs and ten speakers for conferences; and ten national consultants). ITC regular staff time was estimated at 12.25 months (see also paragraph 91 and 92).

affirms that the preference for internal experts did not impede it to opt for an outsider if this was demanded by Romanian counterparts or the task at hand required special experience not available in-house. Indeed, for instance in organic agriculture an external expert was mandated instead of an ITC expert on organic agriculture in response to a specific demand arising from the project. In most sectors, ITC relies on a small group of international experts which then work in a number of ITC assignments around the world. Some of the national consultants hired were those trained earlier to do the BDS gaps survey (paragraph 47).

88. *Internal subcontracting.* Two project elements, both part of module 2, were formally subcontracted to ITC's Enterprise Management Development Section (EMDS) through a memorandum of understanding which specified activities, outputs, success indicators, timeframe and budget.⁹⁰ The larger component concerned BMS training workshops with a total cost \$165,200 (see generic training, from paragraphs 158 to 170). EDMS made all resource and administrative decisions, such as the recruitment of and contracts with experts, mission planning and travel arrangements. The ITC project unit approved these decisions and cleared divergences from the agreed memorandum.

89. The advantages of such a delegation of tasks are that it discharges the project team from heavy administrative and planning work, and it commits the technical unit to implement the task, one of many accruing to it. In an earlier evaluation of an ITC export development project in Vietnam we pointed to some risks of internal sub-contracting based on the strong views of ITC staff in the country: difficulties to have the technical unit intervene in the project at the right time (as usually the intervention had to be prepared locally and was connected to other activities organized in the country) and adapt the content and delivery method to the local context.⁹¹ Also, it is more difficult to make a maximum use of local consultants with such a delegation. It is possible that in the case of Romania and the type of activities chosen for internal sub-contracting these risks did not weigh heavily. But we still recommend to considering internal sub-contracting an exception.

90. *Project expenditures.* According to the budget, SECO was expected to contribute a maximum of USD 1,130,000 to this project, the Romanian government an estimated USD 160,000, which would comprise the salary of the NPM and an administrative assistant, office costs and the setup and maintenance of the trade information portal.⁹² ITC's net contribution in terms of regular staff⁹³ was estimated at 12.25 months, which amounted to USD 208,500.⁹⁴ In addition, intermediaries were expected to bear all local costs according to the cost-sharing principle (paragraph 41).

⁹⁰ The other arrangement (also with EMDS) was for some activities in the garments sector.

⁹¹ Matthias Meyer and Leelananda Silva, Evaluation Report of the Project "Support to Trade Promotion and Export Development in Vietnam" (VIE/61/94), ITC Geneva, November 25, 2005.

⁹² SECO Completion Note.

⁹³ There are three categories of ITC experts: ITC regular staff, ITC Advisors and in-house consultants. The latter two categories are experts on short or fixed term contracts, funded from extra-budgetary resources (i.e. projects). In case of a shortfall, the general resources are drawn upon.

⁹⁴ SECO asked for an explicit specification of ITC's contribution to this project (i.e. ITC regular staff charged to this project). ITC's contribution is based on SECO's Notice of Decision of 28 March 2006. The budgeted amount and time was split per module, USD 60,000 (4 months) for module 1, USD 112,500 (6.25 months) for module 2 and USD 36,000 (2 months) for module 3. In total USD 208,500 (12.25 months). The final reporting does not split up the costs or ITC regular staff time per module. ITC confirmed that ITC regular staff time amounted to the budgeted time. According to ITC, the budgeted amount was USD 384,600 instead of USD 208,500.

91. We found no major differences between effective expenditures and the original project budget:

- SECO contributed the budgeted amount.
- The Romanian government did not pay for an administrative assistant to the NPM. On the other hand, the Ministry of Trade (Directorate and RTPC) as well as the Ministry of Agriculture (government agency ANCA, see paragraph 240) sponsored the majority of conferences and workshops, which was not accounted for in the budget. In addition, the export promotion programme for trade fair participation complemented some project activities.⁹⁵ Therefore, we have no reason to assume that actual costs are substantially different from USD 160,000.
- ITC's budgeted staff time corresponds to the actual situation. As regards the international project manager, SECO wanted that the project would fund 50% of the position. ITC estimates that the actual time the international project manager dedicated to this project was 60% to 70%. This small difference has been met by drawing upon ITC general resources.⁹⁶
- Contributions by the private sector were not specified in the budget. The local Chambers of Commerce contributed significantly, by accommodating market analysis workshops (see paragraph 171), bearing the costs for regional export strategy design and workshops, and taking on the role of regional coordinator (see paragraph 124). In a select number of training activities, participating companies paid a fee covering their own food and accommodation.

92. *Conclusions.* ITC managed this project efficiently. It had a strong presence in the beneficiary country not only through a national project manager in Bucharest but also through frequent visits of the Geneva-based project team. Project records were transparent and complete and reporting was technically adequate and to the point. However, reporting on progress on the NES component was practically absent, an overhaul of the capacity-building component was not sufficiently planned, and links with other external projects were not sufficiently sought. ITC's counterpart, the Export Promotion Directorate of the Ministry of Trade, played a large role in project management, coordinating the first and third project module and giving support to ITC for the capacity-building program. The Directorate will not be able to continue absorbing operational tasks like the coordination of the trade information portal as its staffing is limited. Effective project expenditures were substantially in line with the original budget planning.

93. Effective project expenditures were substantially in line with the original budget planning. Besides using its in-house experts, ITC employed a number of international and national consultants. In two cases important project tasks were formally sub-contracted to ITC technical units, a practice which in other ITC projects has led to a lack of flexibility and adaptation of training content to local circumstances.

94. *Recommendations.* With the expansion of export promotion tasks, the Ministry of Trade should seek to outsource operational tasks like coordinating the trade information system but possibly also other tasks to other agencies, preferably in the private sector. ITC should discontinue formal internal

⁹⁵ Training in trade fair participation in the garments sector, see the section on the garments sector in Chapter 5

⁹⁶ In fact, actual expenditures reported to SECO seem to correspond with a 60-70% imputation to the project. Given that (i) the project lasted for three years, (ii) the IPM worked for 60-70% for this project and (iii) the monthly costs of the IPM are \$9,000, budgeted costs would have been around $\$9,000 \times 36 \times 65\% = \$210,600$ which approximates reported actual costs.

outsourcing of project tasks except in cases where these services and their timing can be easily adapted to project needs.

Chapter 5: Implementation efficiency

A. Introduction

Expected activities and outputs

95. The project had three components with the following expected activities and outputs:

- Activities under **module 1** were to enable the Government to monitor the NES Action Plan, complete a revised NES, and produce two regional export strategies.
- In **module 2**, business associations, public agencies and private consultants (so-called providers of export development services, EDS) should be trained in export promotion tools during a period of 12 to 18 months. In the second stage, intermediaries would deliver these services to companies, under guidance from ITC. Interventions would focus on intermediaries working with companies in garments, wooden furniture, software services and organic agriculture. At the end of the project, a number of EDS providers would be able to train and give advice to companies in the four chosen sectors in export promotion techniques and a first group of companies would have been formed.
- Under **module 3**, a trade information system for exporters (a network and a portal) was expected to be operational at the end of the project.

SECO and ITC principles

96. All projects funded by SECO are guided by a group of operational principles. They are to ensure that the past experience in capacity-building projects (“good practice”) is taken into account and project results become sustainable. ITC is bound by similar principles. These are reflected in the project document.⁹⁷ Six of these principles are particularly important to guide implementation and, therefore, our evaluation of the quality and efficiency of implementing this project:

- *Interventions should be “demand-driven”*. This refers to the fact that project beneficiaries have to have a strong motivation to learn and engage in the know-how transfer and exchange. Only if they “own” the project because they can expect that it improves significantly their professional and economic prospects, will they really learn.
- *Cost-sharing*. This is the test that demand exists but also a condition for the sustainability of project results since the training and advice to enterprises by EDS providers will have to be fully paid after the project ends. Practically, intermediaries should pay partially for their own training and bear local costs of training of enterprises. Enterprises themselves should pay at least in part for being trained and given advice to. More generally, the local stakeholders and the government counterpart in particular should bear part of project costs.
- *Flexibility*. When effective demand changes and when obstacles appear to achieving the initial project objectives, the project has to adapt to the new situation. This obvious good management principle is dangerous when it becomes an excuse for bad project preparation.
- *Use of national expertise*. Whenever possible, national consultants and training institutions are preferred to external expertise as this reinforces lasting national capacities and more autonomy

⁹⁷ Project document, page 16: “Project key principles to ensure sustainability”. Eleven principles are mentioned, yet some of them cover the same ground.

from technical assistance. It also lowers significantly the cost of services. In practice, a combination of domestic and international expertise is called for, international expertise intervening in a subsidiary way.

- *A multiplier approach by focussing on trainers.* This is the ideal way of reinforcing national expertise in a capacity-building project because it ensures that the knowledge transfer reaches a significant number of enterprises and remains active well beyond the project's life.
- *Dovetailing with other donors.* It is a must to seek synergies between cooperation agencies active in the same field and align all aid to domestic priorities and demand.

97. The contribution of projects to three “transversal themes” is also examined in SECO projects. These are gender, governance and environment. Transversal themes are taken into account in Chapter 6 on project results, since this contribution may be considered an outcome of the project. It is impossible to analyse the achievement of specific “transversal objectives” in this evaluation as such objectives were not defined during project design.

Some expected outputs changed dramatically during the project

98. The multiplier approach for the capacity-building module proved soon to become inoperable in part because it had never been well prepared (paragraphs 47 to 49). The target group shifted to a large extent from intermediaries to companies. Some elements of the original project objectives were maintained like the training of local consultants for preparatory surveys (BMS training, paragraphs 157 to 169) who then worked in the follow-up to enterprise workshops, the teaching — mainly in the first year of the project — of generic skills with mixed groups of intermediaries and enterprises, and workshops with agricultural advisors in organic agriculture (paragraph 252).

The agenda for this chapter

99. In the remainder of the chapter, we look at each of the project's expected outputs and inquire on the way activities leading to that output were implemented. The main structure of the project's logical framework is followed. The first module has three outputs (1.1 to 1.3). The second module is structured along the distinction of “generic” (2.1) versus “sector-specific” activities (2.2 to 2.5) for each of the four priority sectors. The activities under module 3 are described under a single section as the trade information portal and the agencies' network sustaining the portal are two chapters of the same novel.

B. National and regional export strategies (module 1)

100. A National Export Council was set up in April 2004, comprised of the main interested public agencies and nationally organized sector associations.⁹⁸ The IT services sector was represented by the Tech-21 coalition (see paragraph 33), the furniture sector by AMPR and the garments sector by FEPAIUS. The (organic) agricultural sector was not represented in the Council as it was less

⁹⁸ Currently, the National Export Council has 29 members, of which 15 represent the private sector. Regional employers' or producer associations, Regional Development Agencies (ADRs), IT parks or business incubators, local chambers of commerce, associations in sub-sectors or other regional representatives were neither included in the design of the National Export Strategy 2005-2009 nor are part of the National Export Council.

organized at the national level.⁹⁹ Sixteen sectors were chosen as priority sectors based upon a governmental decision. Sixteen sector and seven thematic working groups were then set up, each one with an appointed coordinator. Their task was to draft an export promotion strategy, based on ITC methodologies. In the end, about 400 people from government, business associations, NGOs and academic institutions were involved. After having been trained by ITC experts, sector working groups used a simple form of value chain analysis to write each sector strategy and decide on actions to promote exports in these sectors.¹⁰⁰ Correspondingly, an action plan was drafted which identified specific initiatives to be implemented.

101. Value chain analysis (VCA) maps an international value chain for a certain product from the final consumer to raw materials, but focussing on the national value chain components. Ideally, company-level price information is used. Some guess work is inevitable if price information is unavailable or if the analysis moves from single products to product groups or sectors. The outcome is an informed choice based upon where most value currently is created, where national companies could capture higher value, and what promotional and product-enhancing activities they should pursue, following market demands ('critical success factors').

102. The concept behind VCA is sound. Traditionally, many consider the trade balance as a measure of economic success. In VCA, economic success is retaining as much value nationally through integration of (part of) the value chain. VCA does not identify the most promising sectors, but provides guidance on which activities to pursue in a given sector. If we look at how VCA was applied in the NES 2005-2009, the story is nuanced. For most sector strategies, the VCA was quite simplistic; we could not establish a direct link between the VCA and the sector strategy (and the resulting Action Plan). The garments sector strategy is one of the exceptions; it has a relatively well-researched VCA (see Annex 4). But even in this case, the lack of price information is an obstacle to determine the best strategic option. One cannot assume that working groups can do this analysis without intensive technical support and supporting data. However, even in a rudimentary form it remains a useful consensus building tool and offers a structured method to decide on priorities and actions in each chosen sector.

103. ITC's guide to sector strategies stresses the importance of public sector support for and private sector involvement in export strategies.¹⁰¹ The Romanian Government considered it a major success factor for the first NES to establish a National Export Council prior to strategy design.¹⁰² At drafting stage the NEC ensured commitment from private parties, in particular sector associations. It was a strong sign indicating that the government embarked on a serious effort, which would continue after the document's completion.

⁹⁹ A related sector, food processing, is represented by RomAlimenta, www.romalimento.ro

¹⁰⁰ The result was fifteen sector strategies and five cross-sector strategies. Sector strategies were drafted for the four priority sectors of the ITC project plus audio visuals, handicraft, electronics, plastics, glassware and ceramics, rural tourism, tire industry, automotive industry, chemical fertilizer, steel, and wine. Thematic strategies were drafted for trade information, competency development, trade facilitation, quality management, and finally R&D and innovation.

¹⁰¹ "Export Strategy Design Sector-Level Strategy – Product Sectors, Guidelines for Strategy-Makers", ITC, 2006, www.intracen.org/wedf/ef2006/Strategy-Tools/Product-Sectors-En.pdf

¹⁰² Costin Lianu, "Impact measurement of the National Export Strategy through a Balanced Score Card Methodology", , paper presented at Spiru Haret University, 2008..

104. The most important tasks of the National Export Council are now to direct the implementation of the NES Action Plan, approve and update the schedule of international fairs in which Romania participates and approve the budget for export promotion instruments (see paragraph 17). In addition, the Council is the main forum in which new export promotion initiatives are discussed and approved. As the Ministry of Trade (that is the Export Promotion Directorate) acts as the technical secretariat of the Council, it has found an excellent platform to discuss its policies, have operational decisions (like the participation in trade fairs) approved by a representative body, get support for public investment in export development, and have an institutional link to its public and private clients.¹⁰³

105. The three outputs under the first module build upon ITC's earlier interventions in respect to the NES and the institutional framework provided by the National Export Council. The project aimed at a) giving support to the monitoring of the NES Action Plan by the Council; b) revising the NES by contributing more technical analysis; and c) taking export promotion one step further by establishing regional export strategies which promise to be more down-to-earth than the NES and implicate directly regional organizations and enterprise clusters. After discussing these three outputs, we give a glimpse into the revision process of NES for the period 2010 to 2014, which started after the end of this project.

Monitoring of NES Action Plan (output 1.1)

106. The National Export Council established a monitoring unit in 2005, formed by three staff members of the Export Promotion Directorate. All "action coordinators" of the NES had to inform the unit periodically about the status of initiatives in the Action Plan. The monitoring unit then compiled the results according to a "balanced score card methodology" provided by ITC.¹⁰⁴ The monitoring helped in revising the Action Plan. In 2006, the first monitoring report identified two bottlenecks in monitoring: a) a large number of initiatives in the Action Plan were non-measurable or overlapping, and b) it was difficult to get information on progress. This resulted in the elimination of around 100 initiatives (from 397 to 294) in the 2007 Action Plan. In subsequent years, the Action Plan did not undergo major revisions. Satisfactory results were announced for 2007 and 2008 (68.6% and 70.4%, respectively).¹⁰⁵

107. We have questions about what these results actually represent.¹⁰⁶ As mentioned before in paragraphs 42 and 43, the Action Plan is a good repository of ideas but needs refinement to enable monitoring. The quality of monitoring is not determined by applying the balanced score card methodology, concerned with calculating numbers in a certain way. Good monitoring begins with detailed and "actionable" activities to be monitored. Capacity-building measures, physical investments, institutional and policy reforms have to be defined, a timetable and funding determined, and an agency and a project team made responsible for the activity. The reduction of activities in the Action Plan in the course of the project did not achieve this, if we take the latest revised Action Plan of

¹⁰³ Minutes of National Export Council, 19 December 2008. Point 4 lists all activities of the Council between 2005 and 2008.

¹⁰⁴ The Monitoring Unit scored each initiative in the Action Plan with 0 (did not start), 1 (below target), 2 (met target) or 3 (over target). All scores were added up and divided by the maximum score, three times the number of initiatives. A final figure between 52% and 80% implies that the strategy met its targets.

¹⁰⁵ Costin Lianu, paper cited in footnote 99... The Action Plan for 2008 has seven initiatives less than the 2007 version.

¹⁰⁶ A similar concern was raised in the National Export Council of 24 April 2009 when the monitoring results over 2008 were presented.

2008 as witness. In this situation, the monitoring results provide information whether an idea in the Action Plan is still considered important and somebody is doing something about it, but it does not give much information about its implementation “on the ground”.

108. During the project, ITC support to implementing the NES was minimal. In November 2006, ITC organized a one-day workshop in which the Monitoring Unit was trained. Afterwards we were unable to find specific workshops on how to create a measurable Action Plan or how to monitor its implementation. The Directorate had asked for such support in 2008 but this request was not answered positively by ITC. Former staff members in the Monitoring Unit left; during our field interviews new staff was in the process of being trained internally.

109. We conclude that the project support to monitoring was useful in creating some pressure for action by requesting information and making the global score public but that a much more important activity should have been given support to, namely the preparation of a group of project and policy reform proposals. A first small group of actions could have been selected for immediate attention and funding, while a revision of a larger action plan could have been pursued with more detention. This missing link in export development should have been discovered when the project was prepared (paragraph 42 and 43).¹⁰⁷

Revision of NES (output 1.2)

110. Originally the NES was going to be revised from 2008 on, to be ready before the new five-year period 2010 to 2014. In 2008 the National Export Council decided to postpone the preparation of the new strategy. Meanwhile the NES Action Plan was revised. Finally, the strategy revision started in February 2009, very late to be ready for the beginning of 2010. The first NES process had shown that a 12 to 18 month period was necessary to complete an NES preparation cycle.

111. This meant that ITC support became extemporaneous and risked not to be instrumental for the NES revision. Four ITC activities were planned: the introduction of two strategy tools — a trade competitiveness assessment (TCA) and an export potential assessment (EPA), technical support to the Export Strategy Council during the revision, and the organisation of a national symposium. The two assessment tools were introduced in 2007. The third activity, on-going technical support to the NES revision, has started in February 2009 (paragraph 138 and further). ITC is financing this activity from other sources, as the project was closed in March 2009.

112. *Trade Competitiveness Assessment.* The TCA was conducted in 2007 by ITC’s Market Analysis Section using data from the Romanian National Commission for Economic Forecasting and from several international sources. The Directorate advised ITC on the selection of peer countries.¹⁰⁸ The study analysed Romania’s trade potential (strengths and weaknesses) in terms of production factors and business environment and then compared these production conditions with those of peer countries. The report is comprehensive giving a lot of food for thought. It did not directly lead to selecting

¹⁰⁷ In the context of least-developed countries this is exactly the issue which had to be solved when trade sector (DTIS) studies were organised in each country through the WTO-based Integrated Framework. In the best of cases the action plans developed have become the project portfolio in the trade sector.

¹⁰⁸ Bulgaria, Croatia, Italy, Poland, Tunisia, Turkey, and Ukraine

sectors and product groups with export potential but it was a good basis for the following workshops on export potential assessment and sector and industry studies for the revised NES.

113. *Export Potential Assessment*. EPA is a report that identifies promising export sectors and markets, and makes industry-specific recommendations for future growth. If ITC itself drafts such a country report, it includes consultations with enterprises and private sector industry groups to identify industries with export potential among ten to twenty industries.¹⁰⁹ Two consecutive workshops were held in April and July 2007 — lasting three and four days — for Romanian experts to learn how to prepare industry-specific EPAs. Fourteen Romanian experts participated in the first and twelve in the second workshop. Nine people attended both workshops of which four from the General Directorate for Industrial Policy of the Ministry of Economy and Finance (GDIP).¹¹⁰

114. Training focused on how to use ITC market analysis tools such as TradeMap and Market Access Map, and how to write and structure a market analysis report. Information on other trade information sources was also provided. It included participatory exercises to apply gained knowledge. After the second workshop, participants were instructed to write a market analysis report, to be submitted before the end of the year. GDIP showed us two draft papers which they have not yet submitted to ITC. After field interviews, a look at material presented during the workshops and an interview with ITCs division in charge of these reports (Market Analysis and Research), we have doubts on whether the methodology followed in the workshops corresponds entirely to the one followed in ITC EPA country studies. Actually, the workshops were similar to market analysis training delivered in the second project component (paragraphs 171 to 175), with the main differences that the EPA methodology was presented and a greater emphasis was laid upon report writing and finding alternative data sources related to domestic supply conditions.

115. Workshop participants from GDIP mentioned that they were unable to access ITC tools and were therefore not able to complete the homework and drafting of similar market analyses.¹¹¹ This was not the case of RTPC participants in EPA workshops which had access to ITC tools and made use of it. The workshops helped RTPC to produce higher-quality market analyses some of which are distributed only on charge, ranging from specific products (e.g. wine) to countries (e.g. Algeria, part of larger project on EUROMED countries¹¹²). Within RTPC, knowledge transfer on how to write market analyses has taken place.

116. *Methodology used in NES revision*. As mentioned before, the NES revision process started in early 2009. This would have been the time to initiate Export Potential Assessments and present findings of the Trade Competitiveness Assessment Study. In that sense ITC's support to the NES revision was ill-timed. But a more important question remains open. Which methodology has been or

¹⁰⁹ "ITC's Market Analysis Tools and Trade Analysis", presented at World Bank Institute, T. Paulmier, May 2009

¹¹⁰ Other participants were from RTPC (1), the National Institute for Research and Development for Textiles and Leather (2), and the Export Promotion Directorate (2).

¹¹¹ It is not quite clear whether GDIP will be in a position to participate in the new NES exercise. They are in charge of developing industrial policies or reporting to the European Commission. We understand that they are informed about progress on the NES but are not actively involved themselves neither have provided input to NES working groups. However, representatives of the Ministry of Economy and Finance are members of NES 2010-2014 working groups (electronics, automotives, furniture, textiles and garments). See www.portaldecomert.ro/Files/SNE-SECT_200963810733.doc.

¹¹² Euromed countries are the non-EU countries bordering the Mediterranean Sea, ec.europa.eu/external_relations/euromed/index_en.htm

will be used to prepare the sector and industry priorities and to inform the action plan? In the first round NES in 2005 a sometimes very simplified value chain analysis was used (paragraphs 101 and 102). For the NES revision, a trade competitiveness study is available and some Romanian experts were trained in market analysis/export potential assessment in the project.¹¹³

117. These latter tools are not being used directly in the revision of the NES which is taking place now. The tools that are promoted by ITC and are actually used are surveys of enterprises and intermediaries as well as value chain analysis. According to ITC, the surveys take into account additional criteria, not included in the trade competitiveness study and export potential assessment. Looking at the questionnaires underlying these surveys, it is clear that some of the questions are similar to the ones which are answered in the TCA report and EPA. But the methodology is less elaborate. It appears to rely mostly on yes/no answers in the survey and not on qualitative information and statistics about the business environment, factor markets and enterprise management which are used not only by ITC but by leading international institutions dealing with private sector growth and exports (e.g. OECD, the World Bank and IFC). In addition, a simplified form of value chain analysis is used, a micro-economic instrument which is useful for stakeholders as an intuitive tool to design specific industry strategies and action plans.

118. It is not for us to make recommendations on the right tools and support strategies of ITC for country support. Yet we consider it inefficient to write reports and do workshops on tools which then are not used (or used under different names) by the same ITC in its support to an NES process in a country. So the two open questions are: a) Why did ITC use two set of tools which are only in part reconcilable to inform export strategy processes in Romania? b) Shouldn't a follow-up to the EPA workshops have been planned in which ITC would have continued to provide backstopping assistance to a more systematic choice of export priority sectors and measures to make these export sectors internationally more competitive?

Two Regional Export Strategies (output 1.3)

119. *Expectations for the regional strategies.* This project was to give support to two regional export strategies as a pilot undertaking, with a preference for “economically backward” regions. The main aim was to involve regional stakeholders which would draft region-specific action plans. The expectation was that this would lead to greater ownership and more effective export-enhancing measures. Also, a well-defined action plan might lead to a good use of EU structural funds for projects that serve exporters. The main perceived risk of this plan was the absence of regional political institutions other than Regional Development Agencies (paragraph 8), that would ensure political viability to regional export strategies.

120. One main hope was that regional export strategies would advocate cluster development, a concept promoted by the European Commission, which has gained more significance since the launch

¹¹³ We see Value Chain Analysis and EPA/TCAS as complementary tools. The advantage of EPA or TCAS is that it uses national trade data and widely available indicators as opposed to VCA which is a purely micro-economic and to some extent intuitive approach. On the other hand, VCA is a more versatile and can be applied to services and good sectors where data are scarce. If the integration of the value chain or cluster development is at stake, VCA is probably to be preferred.

of the EU Lisbon Strategy for growth and jobs in 2000.¹¹⁴ An enterprise cluster is “a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities”.¹¹⁵ Industrial, scientific or technologic parks are related concepts. Government support can influence productivity of the companies in a cluster, by promoting innovation, encouraging interaction between companies and stimulating the emergence of new businesses. In the recent past a group of promising clusters have sprung up in Romania: textiles in the North-East Region (Bacau county) and the West Region (Timis county), software in various counties (Timis, Cluj and Bucharest), wood processing in Transylvania, steel and metal in the Central Region, and the automotive industry in the South region.¹¹⁶

121. Larger export companies may have an interest in cluster development. An example was the wood processing cluster in Targu Mures (Transylvania) in October 2009, which is formed around SC Mobex and its suppliers (see paragraph 191). SC Mobex is one of the major producers in the region with around 1,100 employees. An important objective of regional export strategies is to assist existing cluster organisations or to help creating such structures for identified priority sectors working with the major exporters in the region.

122. *The selection of the regions.* The Directorate selected the South region (Sud-Muntenia) and the West region for the pilot experience, based on practical reasons rather than prior technical or needs analysis (see paragraph 44). The South Region (seven counties) is the region around Bucharest. The capital of the West region (four counties) is Timisoara, the second largest city of Romania. These two regions as well as the Bucharest region have a more dynamic private sector than other more “economically backward” regions. It is important for pilot experiences to take place in a favourable environment. They can then serve as model for more difficult cases where special local inhibiting factors will have to be addressed. From this viewpoint, the choice of the two regions was appropriate.

123. *The coordinating role of the Chambers of Commerce.* The Directorate initiated the regional activities by sensitizing the regions and requesting a local branch of the Chamber of Commerce to take a coordinating role.¹¹⁷ Regional coordinators were responsible for sending out invitations, ascertaining sufficient participation in main and working group meetings, hosting ITC-led workshops and ensuring the overall quality of the strategy.

124. The choice of local Chambers of Commerce (CCIs) as coordinators was appropriate: they represent the private sector, are relatively well-organized and are present in the entire country. The Directorate is familiar with CCIs as they fulfil a role in certain export promotion activities, such as the compilation of CDs with regional export offers. County chambers have organized themselves at the regional level as associations, with a rotating presidency. During our interviews, the two concerned

¹¹⁴ EC document COM(2008) 652, “Towards world-class clusters in the European Union: Implementing the broad-based innovation strategy” describes the development of European cluster policies and proposes a policy agenda for the future, ec.europa.eu/enterprise/policies/innovation/files/com_2008_652_en.pdf. The Lisbon Strategy has recently been superseded by the Europe 2020 strategy.

¹¹⁵ Cluster policy in Europe, a brief summary of cluster policy in 31 European countries, January 2008, www.clusterobservatory.eu/upload/Synthesis_report_cluster_mapping.pdf

¹¹⁶ Clusters – a viable solution to regional development, article in “Theoretical Developments in Contemporary Economics”, Aurel Vlaicu University of Arad, 2008, conferinta.uav.ro/files/conferinta-2008/36.pdf

¹¹⁷ The following county chambers assumed the role of regional coordinator: Prahova CCI in the South-East region, Timisoara CCI in the West region and Bacau CCI in the North-East region.

chambers considered that the export strategies were in the eminent interest of their membership; they were therefore willing to commit some of their own resources to the strategy development.

125. Two Regional Development Agencies (ADRs) indicated to the evaluators that they could take up a coordinating role as they garnered experience through coordinating and monitoring Regional Development Strategies. ADRs are relatively new institutions reporting to the Ministry of Regional Development and Tourism (see a more ample description in paragraph 8). As the ADR is the only “political” institution at the regional level and has an economic and social planning mandate, a more important participation in export strategies is called for. In fact, regional development and export strategies should complement each other. It is interesting to note that in our discussions with Romanian public and private stakeholders the relevance of regional development strategies for determining export priorities came up very rarely. In our view, ADRs should be able to assume the role of regional coordinator in some regions, maybe in partnership with CCIs. They could also become technical secretariats for the RES or monitor their implementation, in an analogous way as the Directorate does for the NES (paragraph 106 and further).

126. *ITC has had an initiating role.* In the **South Region**, three ITC meetings took place. In a first one-day meeting in November 2006, at which main stakeholders (public and private) were invited, ITC argued the need for a strategy, explained the basics of strategy design and ensured commitment from participants. Based on this meeting, sector priorities were confirmed and five sector working groups were established: petrochemicals, automotive components, organic agriculture, services (IT, communication and transport) and tourism.¹¹⁸ Also working group coordinators were appointed (two for each sector), who then involved more stakeholders.

127. In a second meeting in March 2007 (and then a follow-up meeting in June 2007) the working groups were trained in the actual strategy design using ITC methodologies. The design methodology was similar to the one of the later NES revision (paragraph 145) with the difference that no formal enterprise survey was undertaken. To prepare the sector strategies and define implementing activities value chain analysis was used (paragraph 101). The ITC’s export strategy design manual¹¹⁹ was distributed as reference and the regional coordinator and the Directorate did back-stopping.

128. The involvement and representation of the private sector differed between working groups. For instance, in the automotive industry the sector association (ACAROM)¹²⁰ did not respond to invitations for participation. Renault Dacia was asked to appoint a representative, but they did not show interest in the initiative.¹²¹ In services, the two working group coordinators were from the Bucharest region. On the other hand, the working group coordinator for organic agriculture was the

¹¹⁸ Communication by the Export Promotion Directorate to working group coordinators, April 2007. The following working group coordinators were appointed. Petrochemicals: a local Chamber of Commerce (Prahova) and the consulting company Petroconsult. Automotive components: Regional Development Agency Sud Muntenia. Organic agriculture: FNAE (see Chapter 5 on organic agriculture). Services: two local Chambers of Commerce from outside the region (CCI Bucharest and CCI Ilfov. Tourism: two county councils (Dambovita and Prahova)

¹¹⁹ There are two design manuals: one for sectors (products) and one for services. See Services: www.portaldecomert.ro/Files/Service-Sectors_2009218597234.pdf

¹²⁰ ACAROM stands for Asociatia Constructorilor de Automobile din Romania – the Automotive Manufacturers Association of Romania, www.acarom.ro

¹²¹ For the NES 2010-2014, Dacia Renault nominated a person, but the formulation of an export strategy for the automotive industry is not making much progress as of November 2009.

National Federation of Organic Farmers (paragraph 238), with a large membership base in the South Region.

129. In the **West Region**, two ITC meetings took place in March 2007. Seven sector working groups were established: IT, tourism, automotive components, electronics, organic agriculture, textiles and wood processing. The Timisoara CCI engaged successfully key enterprises and universities, including an IT business incubator.

130. *The role of the Export Promotion Directorate.* The Directorate remained actively involved throughout the process. Its staff attended all meetings, sometimes functioned as working group co-coordinators, gave to coordinators contact details of major export companies and professional associations, moulded the regional export strategy documents into a uniform structure, and posted the documents on the trade information portal. In doing so, the Directorate complemented the tasks of the regional coordinator, sometimes overbearingly in the view of some regional stakeholders.

131. For the Directorate the regional export strategy design was very time-consuming.¹²² It has a very positive view of Timisoara CCI's role as this coordinator organized very actively meetings for and with interested companies. The choice for regional coordinators and the distribution of tasks between the Directorate and regional coordinators becomes even more relevant now with the development of strategies for all regions. For instance the Bacau CCI, the coordinator for the newly included third region, the North East Region, expressed the need for a budget allocation from the Ministry before engaging more fully with members. This situation might affect negatively private sector involvement which is essential for the quality of the strategy.¹²³

132. *The content of the two RES.* In both project regions the export strategy was completed in 2008.¹²⁴ The two strategies emphasize some common themes:

- **Clustering** is called for that is alliances between strong meso-institutions, universities, business and authorities; key is to identify to be done by local Chambers of Commerce, Regional Development Agencies and local authorities (see also paragraphs 121 and 122).
- **Regional export promotion:** creation of promotion material and export catalogues, trade fairs and missions, stimulating the formation of exporters' associations, creation of a promotional centre for regional exporters and promoting the use of geographical indications.
- **Mobilizing business services to enterprises** through EU info-points, the training of consultants, professional associations and Chambers of Commerce.

133. The **South Region Action Plan** contains generally described initiatives, written in a similar format as the NES Action Plan (paragraph 42 and 43). Compared to the NES, it is of lower quality, as

¹²² Minutes of ITC project monitoring mission, February 2008

¹²³ Although CCI Bacau identified ten main exporters in the region (Carreman Romania, Lonfil, Iasitex, Iasi Conf, Forestar, Rifil, Ulerom, Samotex, Swedwood Romania, Modin), none of them attended meetings. Five other companies participated in the first meeting (April 2009) and none on May 2009. However, employers' associations joined the second meeting. At the time of the interviews in October, the North East region strategy was not ready yet.

¹²⁴ The regional export strategies can be found at the trade information portal. The project also financed the first strategy meeting of high-level representatives in the North-East Region.

www.portaldecomert.ro/AsistanceAll.aspx?id_n_entry_type=27&id_entry=424

it contains overly general proposals and does not clearly formulate sector priorities. The majority of proposals relate to the tourism sector. Planned actions include the revitalization of a wine road, rehabilitation of specific museums and compilation of brochures portraying touristic attractions of cultural value.

134. In the **West Region** sector activities are more specific. Confining ourselves to the four priority sectors of this project, major proposals are:

- IT services: develop skills to increase IT services' exports, that is courses in marketing, negotiations, cost and price policies in software development, development of after-sales services, and online sales. In addition, specific steps towards building an IT cluster are formulated, from assessing existing cluster development initiatives to the formation of a task-force who would facilitate export activities in the cluster.
- Organic agriculture: establish producers' associations.
- Textiles: make possible partnerships between Romanian companies and foreign buyers through foreign market experts, training of consultants which would provide business services (primarily related to labelling and standards).
- Wood processing: strengthen regional organic wood associations, provide technical assistance to manufacturers to implement new environmental protection technologies, develop an action program for sustainable wood processing.

135. Other noteworthy proposals include "training centres besides higher education institutions" for managers in the tourism sector aiming at increasing the level of professionalism and quality of service delivery. In the automotive sector, the action plan proposes to amend legislation on work permits which would make it more attractive for workers from Serbia to take up temporary jobs in Romania.

136. *Strategy implementation*. Although completed for quite some time, the export strategies are not being implemented yet. One reason for this is that what has worked for the NES has not been applied to the regions yet: an Executive Council which directs the implementation. The other reason is that, even if there was enough political drive to implement concrete measures, you cannot implement only generally defined activities. An interlocutor from a Regional Development Agency described the RES Action Plans as a meaningful 'wish list'. In other words, these ideas still need to be transformed into manageable projects with investment commitments from the concerned parties.

137. The RES documents explicitly recognize the need for such an institution, the Regional Export Council, and lists potential members of these envisaged Councils.¹²⁵ Yet it will be difficult for these Councils to have the same terms of reference as the National Export Council which can approve an annual budget and advises on the distribution of export promotion funds (see paragraph 105). In September 2009, a one-day workshop was organized by the Directorate for representatives of local Chambers of Commerce, Regional Development Agencies and regional or local professional/sector associations. The goal was to raise awareness on the importance of establishing Regional Export Councils. The modalities under which such Councils should be working is the main topic for the working group on regional development, established under the National Export Strategy 2010 to 2014.

¹²⁵ The 25 county (export) councils mentioned in the SECO completion note do not exist.

The National Export Strategy 2010 to 2014

138. The revision process for a new Export Strategy started in February 2009, when ITC organized a meeting together with all national associations and presented the key findings from implementation and monitoring of the NES 2005-2009 and actions needed to develop the National Export Strategy 2005-2009. The Directorate decided that the Regional Export Strategy pilot was successful and started the design process for the other five regions.

139. In April 2009, the National Export Council decided to embark on export strategies for eight sectors: automotive industry; ICT; furniture; textiles and footwear; electronics; organic agriculture and wine; handicrafts and rural tourism; and professional services. Initial working groups for each sector were formed during May 2009.¹²⁶ In the same month, ITC recruited a national consultant on export strategies. Her main task is to assemble working groups in cooperation with the Directorate, to ensure private sector involvement, and to guide them in producing a value chain analysis and sector strategy. She regularly meets with the working group coordinators.

140. Value Chain Analysis remains the main analytical tool for the design of the export strategy. Additionally, companies and Trade Support Institutions are surveyed through questionnaires sent by the Directorate (paragraph 118). The number of sectors was narrowed from sixteen to eight, on advice from ITC.¹²⁷ A communication from the Export Promotion Directorate to the working groups justified this by stressing its limited resources, in terms of time and money. Conceiving a strategy for sixteen sectors takes more coordination time. Furthermore, focusing on fewer sectors could leave more time to draft higher-quality action plans with better defined goals.¹²⁸ Also, expanding at the same time into regional strategy design for the other regions leads to additional time pressure for the Directorate.

141. By December 2009 twelve sector strategies were in progress; some of them (e.g. textiles and footwear) have been split up in two sectors and others were added by the Directorate (design), and others concern one product (organic agriculture, honey). This shows that sector choice is a dynamic process, and depends largely on a functioning working group with stakeholders that matter, willing to devote time. The national consultant told us that the strategies for wine and furniture were in the most advanced stage.¹²⁹ No action plan had been formulated at that time.

Conclusions

142. Project activities in Module 1 build upon the National Export Strategy 2005-2009 and its Action Plan, which were completed before the project started and were to be implemented in the course of the project. The project was to help in establishing a monitoring tool for NES implementation, prepare

¹²⁶ Naturally, the composition of the new working groups is similar to the former working groups

¹²⁷ Interview with ITC

¹²⁸ An additional reason mentioned in the communication was that 'other ministries have already formulated strategies in their domain'. We do not know which sectors are referred to. Unlikely the Ministry of Agriculture and Rural Development, Ministry of Regional Development and Tourism or the Ministry of Communications and Information Society, as organic agriculture, (rural) tourism and ITC would also be related to their respective mandate.

¹²⁹ The following 12 sectors: automotive industry, ICT, furniture, textiles, footwear, audiovisual, design, handicraft, rural tourism, organic agriculture (honey), wine, electronics

local stakeholders to revising the strategy, and launch a similar strategy process in two of eight regions of Romania, the South and the West Regions.

143. *Monitoring.* ITC's support for monitoring was decisive in creating a monitoring tool and was useful in creating some pressure for action by requesting information from Romanian agencies and making the global score public. But it did not help in implementing the NES Action Plan in a major way as too many activities had been included (close to 400 at the beginning) and in spite of some revisions and downsizing, these activities seldom corresponded to project and policy reform proposals which were ready to be implemented. It was too bad that ITC did not respond positively to the Government's request to make out of this inventory of good ideas a manageable group of NES projects. A first small group of actions could have been selected for immediate attention and funding, while a revision of a larger action plan could have been pursued with more detention. This missing link in export development should have been discovered when the project was prepared.

144. *Revision of the NES.* The revision was to start in 2008 but then was postponed to 2009. ITC's support consisted in doing, in 2007, a "trade competitive assessment" and then workshops for Romanian experts enabling them to prepare "export potential assessments" for specific industries. Both efforts were professionally sound but then were not used directly in the revision of the NES in 2009 in which ITC used different if connected tools in training stakeholders (enterprise/intermediary surveys and value chain analysis). This inefficient way of proceeding appears to reflect the lack of a unified doctrine at ITC about supporting member countries in export development. Independently of these inefficiencies, ITC has not paid enough attention to support which through its intensity, technical quality and follow-through might have led to a better-informed new NES (that is a more thorough business environment and factor market analysis of the priority sectors and their challenges, both internal and external) and consequently to a selection of a manageable number of implementing activities (policy changes, capacity-building projects and public and private investment projects).

145. *Two regional export strategies.* The South and West Regions were selected based on their economic dynamism and not on their backwardness. This does not correspond to the initial intention but was a sound choice for a first experience in regional strategizing. ITC was instrumental in launching this process by training stakeholders in a similar (but reduced) way as in the first and second National Export Strategy. Therefore, this support had the same limits as the one for national strategies. While it was very appreciated by the Romanian counterparts and contributed to a sound consensus-building by Romanian regional stakeholders, it practically stopped after an initial learning phase and led to often non-actionable activities.

146. Regional strategies were coordinated by local branches of the Chamber of Commerce. Working groups were formed based upon a previous central decision on priority sectors. Some important private sector groups were not interested in participating in the process. The regional coordinators and the Directorate for Export Promotion provided backstopping. For the Directorate this went well beyond usual monitoring tasks and included the organization of meetings, the coordination of some working groups, the provision of a template for the strategy report and the posting of the two strategy documents on the trade information portal.

147. The two strategies, which were concluded in 2008, have three common vectors: cluster-building, future export promotion organized at the regional level, and a more ample recourse of enterprises to

Romanian specialists who have to be trained and are then available through business and professional organizations and other matching mechanisms. Only few of the activities in the two action plans are operationally defined and can quickly be transformed into new incentive regimes, capacity-building programs and infrastructure investments. Because of the only incipient nature of proposed reforms and projects but also the absence of political leadership, the two RES have not started to be implemented yet. A decision has been taken now to form Regional Export Councils. These will be able to launch and monitor specific activities with the support of the Directorate of Export Promotion.

Recommendations

148. ITC should give training and advice to national strategy processes with unified methodological tools and enough intensity to enable local experts and stakeholders to prepare sound industry strategies. Besides thorough external market analysis this will imply analysing the business environment and factor markets as well as less intuitive and more fact-based (particularly price-based) value chain analysis. Such a demanding path of support will lead to a better definition of implementing activities of the strategy as the key obstacles to increased trade competitiveness in each industry will have been soundly identified. It will also enable the country to use “state of the art” methods in the future and not depend on further technical assistance.

149. ITC should include in its technical assistance the management of action plans and their transformation into policy and incentive reforms, capacity-building operations and export infrastructure projects (like IT and industrial parks as well as logistics’ infrastructure for cluster development). Without such an effort the outcomes of ITC’s support to national strategies risk to remain limited and uncertain.

150. As in the case of the national strategy, ITC should intensify its support to regional strategies and action plans. An additional task might be the training and technical support to regional coordinators, which are so far local branches of the National Chamber of Commerce.

151. In the future, regional export strategies will cover all of the eight regions of Romania. This will require a strong leadership. The creation of Regional Export Councils will be an essential first step. Also the role of the Regional Development Agencies should be strengthened and synergies should be sought between regional development and export strategies. ADRs could become regional coordinators, maybe in partnership with local chambers of commerce. They could also assume technical functions complementing the Directorate.

152. The Romanian Ministry of Trade should make higher budget allocations and assign more staff to the support of national and regional strategies. The work load implied by providing technical support to the preparation of national and regional strategies is growing exponentially and the Ministry has to be able to draw in experts from other parts of the Government (e.g. the Ministry of Economy and Finance), academic institutions and the private sector. Additional funding might also be required to compensate at least partially regional coordinators in poorer regions.

C. Capacity Building for Export Development (module 2)

153. The aim of the project was to first train intermediaries in export development services (EDS providers), who — in a second stage — would provide services to companies under ITC’s guidance. The content of training for these two stages was not clearly defined. In the project document a distinction was made between ‘generic’ and ‘sector-specific’ training. During project implementation, generic training was open for participants in any of the four sectors, with a focus on delivery of standardized ITC business and export management tools. Training groups were service providers (mainly business associations and consultants) but included enterprise staff as well.¹³⁰ Sector-specific training addressed the most important obstacles to more and better exports in each sector, and comprised of more intensive and focused interventions. The workshop participants were exclusively from one sector and came mainly from companies (see also Annex 3).

154. The departure from the original concept of working with intermediaries and focusing on four sectors was modified from the operational start of module 2. In the first phase, intermediaries were not trained in sector-specific issues but in ITC standard tools for enterprise training, sometimes with sector applications. Also, the training was only in part designed for the participants to become qualified trainers which would have implied more methodological courses and a much more intense curriculum including enterprise-level analysis and advice.

155. Most generic training took place in the first phase of the project, from November 2006 to June 2007, after which mainly sector-specific training was provided (except for some training sessions in market profiles in 2008). Sector-specific workshops started in April 2007 in the wood and furniture sector, in July 2007 in garments, and in September 2007 in organic agriculture. At the end of the project (March 2009) a single activity was organized for the IT sector. We start the review of capacity-building by assessing generic training (output 2.1) and carry on with sector-specific training, sector by sector (output 2.2 to 2.5).

156. *Conclusions.* The goal of capacity-building was to form a critical mass of enterprise trainers (mainly sector business organizations and consultants) in four promising export sectors. These would start training enterprises in a second stage, guided by ITC experts. From November 2006 to June 2007 basic training in business and export management was provided (“generic training”) while specific export constraints in the four sectors were addressed in a second stage. In the course of the project the original concept of “training of trainers” was gradually abandoned and priority given to enterprise training.

Generic training (output 2.1)

157. Workshops were held on four topics: business management, market profiles, standards and conformity assessments, and multilateral treaties. In the workshops on the first two topics, ITC grouped participants of each sector towards the end of the training, and then used sector cases with each group to apply the methodologies taught in the workshops. This sector-targeted application of

¹³⁰ Consultants, public agencies and representatives of chambers of commerce are often not specialized in one specific sector. For intermediary training to be oriented towards specific sector issues implies a selection of technical and commercial sector specialists and dealing generally with smaller groups of trainees.

generic training was not limited to participants from the sector (as consultants and other intermediaries are often not attributable to a specific sector) and in rare cases the targeted sector was not one of the priority sectors.

158. *Business management training.* The BDS gaps survey used in the preparatory phase indicated a lack of general business management and marketing skills of SMEs across the four sectors (paragraph 47). Based upon that, ITC organized workshops with consultants using its Business Management System (BMS) tool. BMS was developed to train consultants in developing countries, able to identify business and export management weaknesses in enterprises and to advise and train the firms accordingly.¹³¹ When participants successfully pass a BMS program, ITC provides a certification, which has three levels: Associate, Adviser and Expert. Consultants certified by ITC have formed a network, “Enterprise Management Development” (EMD).¹³²

159. The first planned activity of the project was a BMS training program for two batches starting in October and November 2006 (in Bucharest and Cluj, respectively). It was cancelled because an insufficient number of participants could be mobilized. The first monitoring mission concluded that the main reason was a ‘supply-driven marketing approach’; it was unclear for potential participants, what the seminar was about and who was targeted, as both service providers and enterprises were invited.¹³³

160. Mixing consultants (and other EDS providers) and companies in the same courses is usually not advisable because the knowledge entry level is different and the learning motivation as well. Enterprises normally look for knowledge which is directly applicable to solving their daily problems and have very limited time for learning. Case-based learning, with cases being brought-in directly by participants and group learning are preferred methods. Also, it is best to have teachers or facilitators which have gained practical experience in the field of the participants. In contrast, consultants deal with different clients in different situations and usually have at least an MBA and/or an engineering background. Teaching of consultants requires therefore more in-depth courses, the apprenticeship of “best-practice” methodologies as well as courses about teaching methods and the conditions for efficient learning.

161. ITC took two initiatives. First, the advertisement was rewritten and targeted to EDS providers only, without altering training content. Second, RTPC, the organizer for the Bucharest program, was replaced by NASMEC, the government agency for SMEs (paragraph 21). NASMEC and UNDP offered ITC the facilities of a business incubator building in Brasov, established through a UNDP Business Incubator project, in exchange for participation of the business incubator managers in training.¹³⁴ This also helped to advertise the training with additional intermediaries. This is an example of how harmonizing with other donors helped ITC in project implementation.

¹³¹ ITC EMD, www.intracen.org/emds/docs/materials/bms.html

¹³² www.emd-consulting.com

¹³³ Source: Minutes of the OASEC Mission to Bucharest, 16-20 October 2006. According to ITC, other reasons for the cancellations were ‘coordination problems with our Bucharest resources’. The advertisement for the seminars appeared way too late (and in conjunction with some festivities in Romania). However, everything was well-planned in the following year and ITC received lots of applications for the training sessions.

¹³⁴ See also UNDP Romania, Establishment and Development of Business Incubators in Romania, www.undp.ro/projects.php?project_id=33

162. Starting in February 2007, this program was implemented for two batches of around 25 participants in Brasov and Cluj, under an internal ITC subcontracting arrangement (see paragraphs 88 and 89). Four trainers from ITC conducted two successive four-day workshops in both locations. The Brasov training group was relatively heterogeneous: half of the group were consultants or cluster managers (managers of business incubators, industrial parks, business centres), 25% came from public agencies, and 25% were enterprise managers. The training group of the Cluj workshop was more homogeneous, composed mostly of consultants.¹³⁵ Applicants had to submit a CV, but the presence of participants other than EDS providers reveal that no stringent criteria were applied and that consultants were not necessarily specialized in one of the four sectors. Nevertheless, the original approach of training trainers was largely maintained in the case of the BMS training.

163. In this training program, Compass and Snapshot were the two main ITC proprietary tools taught. The first workshop was centred on Compass, which provides for a structured method to design business strategies. After the workshop, this tool was applied to a real-life company by the participants. National consultants, who had been trained in this tool during the preparatory stage (paragraph 47), supervised participants in the implementation of their fieldwork, that is the application of Compass to their company of choice. Three months later, results were discussed in the subsequent workshop. The Snapshot tool was then taught, a methodology to assess the management, export and e-readiness of SMEs.¹³⁶ The basis for Snapshot is a questionnaire to assess demand for business development services, similar to the questionnaire underlying the BDS gaps analysis.¹³⁷ After these two workshops, all participants were certified as BMS Associates.¹³⁸

164. Participants paid around \$200, covering accommodation and food. Our interviews indicate that the majority of people paid out of their own pocket. Furthermore, they considered the program as inexpensive and good value for money. Taking into account the actual cost of the training per participant (around \$3,300) or the cost of a 24-hour (8x3 hours) strategy management course at the Bucharest School of Management (1,500 RON or about \$500), this fee is far below current market prices.¹³⁹ Similar training is also funded by resources from other externally-funded projects, especially the EU.

165. On the last day of each workshop sector-specific sessions took place in which participants were grouped in the four priority sectors. This gave ITC the opportunity to present the results from the preparatory phase. It was very useful to have these sessions, as obviously some of the management issues are sector-specific (for instance in Romania IT service firms have very different markets to deal with than organic farms

166. All interviewed participants were positive about the program. Communication skills and knowledge of the experts were considered excellent. The ITC tools helped them in asking the right

¹³⁵ An exception was an unemployed person and three credit analysts working within banks.

¹³⁶ Other ITC tools that can be used for a more detailed assessment of export competence are NeedSME, ExportSME, or e-SME.

¹³⁷ See also www.elan-romania.eu/ida, a website of one of the participants. After free registration, it makes available the questionnaires underlying Compass and Snapshot.

¹³⁸ According to an EMD report to the ITC project unit, participants would receive a certificate as BMS Adviser after completion of a second fieldwork (after the workshops), but we could not confirm this

¹³⁹ Total costs for this component was \$165,200 with 52 people benefiting. For Bucharest School of Management, see www.bsm-mba.ro/en/short_course/planificarea_strategica_de_marketing (valid December 2009)

questions, when diagnosing a business. According to participants in both seminars, more examples tailored to participants' experience and the detailed presentation of case studies would have improved the quality. The application of the tools to a real-life company was appreciated by participants. Understandably, since this was a learning experience, it did not have a large impact on the diagnosed firms. A participating credit-analyst told us, that the company he diagnosed, appreciated to learn about crafting better business strategies, but the exercise did not lead to a concrete company reform.¹⁴⁰ More importantly, a consultant reported that she was not sure about the correct application of the tool and would like to have more exercises. She mentioned licensing as a hindrance to further experiment with the tools.

167. Participants appreciated the awarded certificate. Certification is an important selling point for consultants in Romania. Currently, many consultants specialize in advice on how to access EU funds or in providing training financed through EU programs, but recognize they have to provide other services in the future. During the training ITC explained how to become certified as an 'Adviser' or 'Expert'. Nevertheless, some consultants who were interested in getting certified did not know how to get certified. A participating consultant indicated that certification is a potent tool in selling consultancy services, but she had difficulties in transforming the BMS training into a marketable service.¹⁴¹ This could be a marketing problem or related to a weak entrepreneurial culture in which many enterprises are not used yet to ask for outside advice. However, the EC promotes demand for consultancy services through subsidization (see paragraph 28) The best participants are often hired for other ITC tasks, such as a consultant from IPA Craiova¹⁴² and the consultants trained for the preparatory survey who conducted the needs assessment in the garments' sector (paragraph 221).

168. We have two critical observations on this training in spite of its intrinsic value to participants. Many participants were business intermediaries, and particularly consultants, with a multi-sector background. For instance, Nachmea, an engineering and technical consulting company was put in the organic agriculture group. The director of the Association of Industrial, Technological, Scientific Parks and Business Incubators (APITSAR) participated in the wooden furniture group. ITC tried to include these 'generalists' in a sector that matched best their knowledge and expertise. But should the participants in training of trainers in these four dynamic export sectors not be experts and consultants who are already specialized in these sectors, e.g. experts who have experience in operating an IT services firm, who have been managers in textile or furniture firms, or who are ANSA advisors to farmers?

169. The second comment refers to the priority of ITC business management training in this project. The original intention of the ITC project was to create higher trade competitiveness in four highly promising export sectors by building training and advice capacity among Romanian trainers and technical experts in these four sectors (the "EDS providers"). In light of that objective, the BMS courses — even if definitely an excellent tool for business and export management — were not of high priority. The courses turned out to be a cheap and appreciated source of training for fifty consultants and other participants in business and export management analysis. Yet this is an area in which

¹⁴⁰ This was an IT company of a family member of the participant.

¹⁴¹ The same is true for BMS consultants trained during the preparatory stage according to an internal report from Market Development Section to ITC project unit, September 2007

¹⁴² IPA Craiova is a software services and industrial automation engineering company, based in the South-West of Romania, www.ipacv.ro

academic and outreach programs exist in Romania and which receives ample support from other external agencies. Also, if such training had been a priority in the context of this program, ITC should have rolled out a more intensive program with a higher focus on export development. For instance, EMDS has an Export Competence Programme, building on BMS, which involves more workshops and uses an 'export competence tool' instead of Snapshot.¹⁴³

170. Finally a point on certification. For future trainers in Romania, like in any other country, certification is a plus for their market value, provided that the professional standard represented by the certification is well known, registered, accredited and supervised. This is usually a function of national professional associations, following international standards, and is often endorsed by national standard agencies and training institutions. As the capacity-building of sector experts had been one of the original goals of this project, sector certification schemes should have been looked into at preparatory stage. In other words, a Romanian certification of textile sector experts or furniture designers (and their affiliation to a representative international professional association) might be a more relevant objective of the project than obtaining an ITC certificate for business and export management.

171. *Market profiles.* In this project, five workshops on preparing market profiles were held.¹⁴⁴ Workshops lasted about four days; two ITC experts were the teachers.¹⁴⁵ The maximum number of participants was set at 25; the average number of participants was 20. The goal was two-fold: train market researchers to prepare short "market profiles" which would assist companies in identifying export markets for a particular product, and train people in generating content for the trade information portal in synergy with module 3. The first market profile workshop was held in November 2006 at RTPC's premises in Bucharest. The Directorate recommended future events to take place at local Chambers of Commerce since they regularly organize meetings and are present in each county. Consequently, four other workshops were organized at local CCIs. They advertised the events as a free activity through their websites and sometimes local newspapers.

172. Each workshop had a different composition of participants. The first two workshops were mainly composed of Chambers of Commerce and sector business associations, while later workshops consisted mainly of companies, complemented by participants from Chambers of Commerce, students or consultants.¹⁴⁶ The market analysis training did not directly train people who later were to generate content for the trade information portal, since a portal content management team had not been established yet (see paragraph 269, module 3).

¹⁴³ This is a training program comprising of four modules, twice as intensive as the BMS program in this project. In Ghana participants had to follow a nine-month training program of workshops and several field assignments before getting certified as Advisers. See www.intracen.org/emds/docs/what/export.html and also Ghana Export Promotion Council, "11 Consultants Certified by ITC as first EMD Advisers in Ghana", September 2009, www.gepcghana.com/news.php?news=40

¹⁴⁴ The five workshops and local organizing partners in chronological order: November 2006 (RTPC), October 2007 (Bacau CCI), June/July 2008 (Timisoara CCI) and October 2008 (Baia Mare CCI) and February 2009 (Timisoara CCI). The February 2009 workshop does not appear in the project's time schedule.

¹⁴⁵ One from the Market Analysis Department (MAR, formerly MAS) and one from the Trade Information System (TIS) department. Their cost was not charged to the project's budget.

¹⁴⁶ More exact numbers on the audience. RTPC (November 2006): RTPC (4), Export Promotion Directorate (3), Chamber of Commerce (7), several professional and sector associations on the national level (in total 27 participants). Bacau CCI (October 2007): Chamber of Commerce (13), business associations (5). In total 18 participants. Timisoara CCI (Jun/July 2008): Companies (9), Timisoara CCI (3), Consultants (2), Business incubator for software and IT (1), Export Promotion Directorate (1) Academic (1). In total 17 participants. Baia Mara (October 2008): local exporters, Chamber of Commerce and MBA students (in total 15 participants). We do not have the participant's list for the fifth workshop.

173. During the first two days teaching focused on using ITC's statistical tools Trade Map and Market Access Map.¹⁴⁷ Furthermore, participants were guided in looking for trade information. In the remaining two days, participants worked in small groups to create a profile for a product of relevance to them, using the ITC statistical tools and other trade information sources. On the last day they presented their work and received feedback from instructors and other participants. Sectors or products were not necessarily among the four priority sectors. Examples are lighting fixtures with a focus on products produced by the Romanian firm Elba, wind turbines for the Hungarian markets, and paint for the Russian market. Honey proved to be a popular product: working groups created profiles in three different workshops, for the Polish, French and Greek market respectively.¹⁴⁸

174. Several sector and business associations participated in this training, which could have been (but were not) intermediaries in later sector-specific interventions, such as the Woodworkers' Association of Covasna County (Ko-Fa) in the wooden furniture sector, the Light Industry Association of Bacau county (CONTEXIN) in the garments sector and the Romanian Association of Ecologist Beekeepers in the organic agriculture sector.

175. The tools and methods used were very useful for a first market approach for groups of Romanian companies or industries but they were not sufficient for individual companies interested in specific markets. Companies need very detailed information on products or services relevant for them. This is usually not covered by the goods' classification in Trade Map. IKEA wooden furniture is indistinguishable from "art nouveau" wooden furniture. Non-organic agricultural products have the same code as non-organic products. In addition, Trade Map does not adequately cover services' trade (e.g. IT). Therefore, the importance of a tool such as Trade Map should not be overstated; access to other, mostly proprietary sources with information on prices, demand in foreign markets and competitors is of equal importance. This is part of the know-how of seasoned sector experts (e.g. ex-sales' managers of big Romanian export companies) together with their good access to an international professional network. The new trade information portal, if developed beyond the stage it reached with the completed activities of module 3 and with professionals answering enterprise queries, could also be used to open doors and data sources which are not easily accessible.

176. *Workshop on strategic multilateral treaties.* In December 2006 ITC experts and three international experts discussed the costs and benefits of ten multilateral treaties relevant for trade, which Romania had not ratified yet, in a one-day workshop.¹⁴⁹ Five conventions were identified as strategic by the participants, mostly coming from the Ministry of Trade, Justice, Foreign Affairs, CCIs and universities.¹⁵⁰ A draft report was submitted to the Export Promotion Directorate in February 2007 for consideration. The event was preceded by training on LegaCarta, an ITC tool identifying multilateral treaties affecting trade. The participants were the same as in the workshop on multilateral treaties.¹⁵¹ Romania has not acceded yet to any of the five treaties.

¹⁴⁷ An overview of ITC market analysis tools is to be found at: www.intracen.org/marketanalysis

¹⁴⁸ In the National Export Strategy 2010-2014, honey is the main product under consideration in the sector strategy for organic agriculture (see preceding Chapter in the section on the NES 2010-2014)

¹⁴⁹ Respectively from the Institute for the Unification of Private Law (UNIDROIT), International Maritime Organization (IMO) and the World Customs Organization (WCO)

¹⁵⁰ The most relevant for this project is the Lisbon Agreement for the Protection of Appellations of Origin and their international registration, in the context of decentralisation of export promotion / regional branding.

¹⁵¹ www.legacarta.org

177. LegaCarta training was among the possible content of training listed in the project document.¹⁵² We recognize that international commercial treaties usually have beneficial effects on export expansion and should be considered as part of export promotion tools. In that sense these seminars were useful. But as in the case of other “generic” capacity-building, the link with “binding constraints” for export expansion and trade competitiveness is not very close. We assume that this training was the result of a request by the Export Promotion Directorate and ITC proved to be flexible.

178. *Workshop on standards and conformity assessments.* In March 2007, ITC organized a two-day workshop in cooperation with the Romanian Society for Quality Assurance (SRAC), using their facilities in Sinaia.¹⁵³ SRAC is the largest Romanian certification agency. Two ITC experts informed participants about the implications of the WTO SPS and TBT agreements and SRAC made a presentation on the national SQAM architecture.¹⁵⁴

179. Invitations were sent out by SRAC through faxes and e-mails, after inputs from the ITC project unit. A preference for participants from the four priority sectors was mentioned in the invitation. But, finally, SRAC invited around 3,000 people from all sectors, as they were unable to discriminate participants by sector.¹⁵⁵ ITC shortened the workshop from four to two days due to lack of participants. Ultimately, 21 participants attended, mainly from the IT and energy sectors. SRAC told us that this was a good number because even for free training on standards (e.g. CE marking) usually not many participants would show up. Firm managers in Romania have less time now and have more responsibilities, so they become more selective in attending seminars and look for directly applicable knowledge. The companies considered the seminar adequate, but not specific enough for their circumstances. The question is why the workshop did not focus on private management and product standards which, today, are probably of more direct interest for exporters. In any case, SRAC found this seminar useful as it provided the Society with relevant ITC publications and increased its profile among members.

180. SRAC certifies most frequently ISO 9001, ISO 14001, OHSAS 18001, and ISO 22000/HACCP.¹⁵⁶ According to SRAC, the certification market in Romania is relatively mature for these standards. Specialized services’ companies prepare firms for certification and there is considerable competition for the certification of these standards. As a consequence, SRAC has expanded into more advanced certifications such as SA8000 and is planning to expand to the less developed market of Bulgaria and to poorer regions of Romania.

181. *The role of generic training.* As we mentioned earlier (for instance in paragraph 169 on BMS training) we consider that generic training workshops were not central in the original project objectives for capacity-building. These workshops were rolled out first because no specific plan and counterpart commitment existed at the beginning of the project on how to work with intermediaries

¹⁵² Project document, p.13

¹⁵³ Sinaia is a ski resort at the foot of the Carpathian Mountains not far from Bucharest.

¹⁵⁴ SQAM stands for Standardisation, Quality Assurance, Accreditation and Metrology.

¹⁵⁵ ITC was informed that about 500-600 people were contacted by SRAC and not 3,000 (500 faxes sent, posting announcement on SRAC website and follow-up with phone calls).

¹⁵⁶ All these standards specify how a company should organize its internal processes. ISO 9001 is a general quality management standard, ISO 14001 is related to environment, OHSAS 18001 to occupational health and safety and ISO 22000/HACCP to food handling and safety. SA 8000 is a social management standard based upon the main ILO conventions.

and with which intermediaries to work (see corresponding paragraphs in Chapter 3 on project design). Generic training appeared as the most obvious choice, particularly since the needs' analysis at project design stage (paragraph 48) revealed that in many enterprises some basic business management knowledge was lacking.

182. Part of the generic training had elements of the original design to train intermediaries, especially in BMS training, which had the stated goal of training consultants, and in the first workshops on market profiles. However, even here, the link was quite loose with the intent to create capacity in Romania to train and advise enterprises in four dynamic sectors on how to become more competitive internationally. There was no previous identification of the most critical sector constraints and a focused training of consultants and intermediaries specialized in these four sectors. Gradually companies were included in the training, intermediaries from other sectors and "generalist" consultants.

183. The choice to work in Romania's regions rather than in Bucharest recognized the need to build capacity for export development where it is relatively more in need. In the BMS and market profiles training several regional business associations and managers of incubators, industrial parks and cluster organisations participated. This was an excellent initiative. But if ITC's objective had been to build domestic training capacity in the regions, this should have been concretely identified and prepared with regional leaders and organisations at design stage. As it happened, such identification missions took place in the course of the project in some sectors.

184. Overall, we believe this generic introduction of the capacity-building program (with some small continuation of generic training at later stages) was a suboptimal capacity-building strategy. This type of capacity-building did not have the highest priority even if, obviously, many SMEs probably still lack general skills. The generic skills of companies in an EU accession country can be assumed to be at a higher level than in an average developing country. There are many alternative ways to get these business management skills in Romania. One of them is well-performing enterprises (quality-management in textiles for instance), others are consultants, university outreach programs, and sector organisations which have staff which are well versed. Also considerable resources from other externally-funded projects, especially the EU, were (and to continue to be) exactly dedicated to capacity-building in generic issues.

185. The project had limited resources, and in all four sectors the critical sector outputs and outcomes in terms of increased competitiveness turned out to be very little ambitious (see the sector-specific capacity-building sections which follow). The project should have had much more ambitious sector objectives and in respect to that the opportunity cost of providing general training was very high. Furthermore, the fact that on several occasions the manifested interest for workshops was limited or non-existent, even in the absence of fees or low fees only covering accommodation and food, is a strong indication that the chosen areas of generic training were "supply-driven" or "nice to have".

186. *Conclusions.* Generic training consisted of workshops on four topics: business management, market profiles, multilateral treaties, and standards and conformity assessments. In business management and training in market profiles proven ITC tools were used. These and the other two types of training were generally appreciated by participants and considered to be of high quality. But

they had to be free of charge or inexpensive to meet demand. Also the original focus on consultants and sector intermediaries was maintained only in part and then gradually abandoned.

187. We have one main objection to this choice of intervention. To the extent that it concerned “EDS providers” including consultants, it did not focus on specific sector constraints (from branding to technical innovation) but on basic business and export skills for which there were several other and more important sources of services available in Romania besides the ITC project. Therefore, to include generic training and applying corresponding ITC tools was an expensive diversion of resources from the main project objective which was to deal with specific export competitiveness constraints in the four chosen sectors.

188. *Recommendations.* In a country like Romania, ITC should rely less on its standard training and analysis tools but design a tailor-made training of trainers’ program. The goal has to be to create capacity in Romania to train and advise enterprises in dynamic sectors on how to become more competitive internationally. To prepare and negotiate such a capacity-building program with national partners requires much more ambitious preparatory work than the design work performed for this project. Consultants’ associations, sector business member organisations, managers of clusters and industrial parks, technical university institutes and other donors will have to become counterparts in project preparation.

189. If the goal is to create a critical mass of service providers which are knowledgeable about the binding constraints in specific sectors, capacity-building has to be looked at as a path to professional excellence and recognition. The question of professional standards and the official certification of these standards have to be addressed by ITC as well as the interest and willingness to pay for training of service providers to become recognized sector export specialists.

Wood processing and and furniture (output 2.2)

190. In this sector, the Romanian Furniture Manufacturers Association (APMR) would have been an obvious intermediary. The sector association has around 500 members, of which 260 are furniture producers representing more than 65% of Romanian furniture exports.¹⁵⁷ They organize trade fairs, hold an annual furniture design contest, publish a Romanian furniture export catalogue for traders and inform their members through a glossy information magazine issued five times a year (“Mobila”). Furthermore, APMR actively contributed to the furniture sector strategy in the NES 2005-2009. When we asked what kind of training APMR offers, we were referred to an EU PHARE project assisting companies to comply with EU environmental, quality and safety norms, which came to a close at the end of 2009.¹⁵⁸ APMR showed an interest in similar training being provided to their members but did not see the need to build up training and advice capacity as a business organisation. It does not conduct training for its members on a regular basis. Therefore, APMR was reluctant to be implicated in a project only offering training, which worked on the basis of cost-sharing.

¹⁵⁷ Other members are suppliers to wooden furniture producers (machinery, textiles, etc.), traders, and educational and research institutions.

¹⁵⁸ Phare project RO2006/018 – 147.02.02.01, “Support to Romanian SMEs from four sectors of the national economy to comply with EU directives regarding the environment protection, the product quality and safety, and work safety”. The four sectors are wood processing, furniture, electronics and textiles.

191. APMR is, however, involved in other projects. In October 2009, during the time of our field visit, the first Transylvanian wood and furniture cluster was inaugurated through a Memorandum of Understanding in Târgu-Mureş. This is a joint project of ASFOR and APMR, with advice from GTZ.¹⁵⁹ It is formed around SC Mobex, the major wooden furniture exporter in the region and companies operating in furniture manufacturing, woodworking, and the components and accessories' industry. Joint activities are product promotion, the sourcing of raw materials and accessing financial and technical support from European funds. An export promotion working group and acquisition and financing group were established. It is expected that participating firms will specialize more through this cooperation and that new business opportunities and innovative products and production processes will emerge.

192. ITC was involved in two company training and coaching programmes: one on supply chain management (starting April 2007) and a second programme on environmental norms (starting November 2008). The training content of the workshops was the result of bilateral talks between the ITC project coordinators and the Directorate. The identified partners were government agencies, business sector associations and Chambers of Commerce. The Chamber of Commerce of Covasna (a county located in Transylvania) and the Forestry Employers' Association of Romania (ASFOR) mobilized and selected participants in the first and second intervention, respectively. The choice for the Covasna Chamber seems appropriate as many furniture producers are concentrated in Transylvania. ASFOR is the professional association of wood cutters and processors, and has no members from the wood furniture industry. Some large companies, such as Losan Romania¹⁶⁰ (included in the second coaching programme) are members of ASFOR as well as of APMR. Having ASFOR as partner implied a widening of the target group from furniture producers to wood processors, which are not necessarily suppliers to furniture companies.

193. *First intervention: company coaching in supply chain management* In April 2007, an ITC in-house expert and an international expert led a four-day workshop in which seven companies were taught about the basics of purchasing and supply chain management, illustrated through best-practice examples in other countries and sectors. On the third day, a national consultant held a presentation about the "kaizen" methodology. The essence of this approach is efficiency gains by recording defects, analyzing production and budget planning and reorganizing work flows. After the workshop the same companies were visited by the national consultant and the two experts. Five companies agreed to prepare and discuss an initial action plan. Participants paid a small fee for the workshop but not for the subsequent coaching.¹⁶¹

194. The national consultant has excellent sector expertise. She works at the Wood Faculty of the University of Brasov, mainly teaching design and business management courses.¹⁶² She was a national consultant in the 2000-2004 SECO/ITC project which assisted three wooden furniture

¹⁵⁹ Mobila 5/2009, www.apmr.eu/ro/1009/evenimente/299/. This cluster initiative is still at infant stage. We could not ascertain how many companies will be participating in the cluster. Many initial participants would be suppliers to SC Mobex.

¹⁶⁰ Losan Romania has more than 400 employees. It belongs to the Spanish group Grupo Losan, one of the most important Spanish manufacturers of veneer, chipboard, melamine panels, veneers panels and furniture. See www.losan.ro

¹⁶¹ A fee of USD 60 for companies located in Covasna county and USD 120 located outside Covasna county.

¹⁶² She showed us some of the winning pieces of the APMR furniture design contest. Although she applauded the initiative, she commented that it was the buyer in the destination country market which really decided on the winning design.

companies in improving their design capacity. She told us her knowledge about “kaizen” was one of the main reasons for getting a contract with ITC.

195. Supply chain management is becoming more important for the wood and furniture sector. As mentioned already in the Background Chapter, local sourcing of furniture components was a priority of the NES 2005-2009 (paragraph 13). The national consultant told us that destination markets were increasingly demanding combined furniture, that is, ‘non-traditional’ furniture design not primarily made from massive wood.¹⁶³ This might lead to increased sourcing of furniture components like glass, metal and veneer.

196. In the course of May 2007 final action plans were validated and signed by the general manager and production manager of the companies. The national consultant evaluated progress three times: in June to August, October and December 2007. ITC experts checked the quality of work of the national consultant through her reports.

197. Overall, the participating companies were positive about the coaching trajectory. Larix, one of the coached companies, reported that the action plan led to cutting 18 employee positions, increasing work productivity by 12%, and reducing scrap by 2.2%.¹⁶⁴ While outside the scope of the approved action plan, SC Hax requested the national consultant for a cost-price calculation. This enabled this small company to improve their market offers. At the time of the field visit, the owner was in Bucharest busy in meetings to conclude new deals.

198. The coaching programme following the workshop did not entirely focus on supply chain management or sourcing, but rather on improving internal efficiency. Consequently, most reforms formulated in the action plan did not require major investments such as the introduction of procurement systems or installation of new physical equipment. Companies benefited from almost free and relatively frequent advice from an experienced consultant, flexible enough to provide assistance in additional areas when demanded. The only question we have is whether this analysis and advice on process efficiency explicitly took into account cleaner production methodology (energy-efficiency, reduction of waste and waste management/recycling needs), which today should be standard for an international expert agency.

199. *Second intervention: company coaching in environmental norms.* The need for training on implementation of EU regulations and social responsibility standards for the wooden sector was requested by the sector association APMR on the occasion of an ITC mission to Bucharest in February 2008. Subsequently, in November 2008, ITC in a one-day awareness raising event an international expert and a national consultant gave an overview of mandatory and voluntary environmental requirements. They designed the seminar based upon terms of reference and feedback from an ITC standards and quality management expert.¹⁶⁵ Mandatory requirements focused on EU Directives and national regulations while the voluntary standards chosen were ISO 14001 (see also paragraph 180)

¹⁶³ Other interlocutors and trade figures suggest that current Romanian designs, including those made from massive wood, remain quite competitive. In addition, non-traditional markets such as Russia and India are becoming new destinations for traditional wooden furniture.

¹⁶⁴ Letter from the Director of Larix, dated 17 December 2007

¹⁶⁵ The ITC expert also reviewed the agenda and presentation material beforehand, and received reports from the consultants afterwards.

and the Forestry Stewardship Council (FSC) label. Ten companies, of which one wooden furniture manufacturer, attended. They liked the to-the-point character and structured overviews of the seminar, but indicated that topics on wooden furniture were not relevant for them.

200. What is the FSC standard? It refers to a group of private standards stipulating conditions under which forest owners and enterprises can guarantee customers that their products (partially) made from wood are originating from sustainably managed forests. Certification agencies, accredited by FSC, verify compliance with these conditions. The two basic FSC certifications are for forest management (FM) and the Chain-of-Custody (CoC). Forest owners should obtain FM certification, valid for five years. All companies that manufacture, process or trade in timber or non-timber forest products wanting to market their product as FSC-certified, should obtain a FSC Chain-of-Custody (CoC) certification¹⁶⁶, as should their respective suppliers. When we talk about the FSC standard for wood processing companies, it implicitly refers to this supply chain management standard. FSC CoC criteria are related to the physical segregation of wood flows, allowing FSC wood to be identified as coming from a FSC-certified forest. CoC certification is relatively simple compared to FM certification. In Romania, only three entities are holding a FM certificate.¹⁶⁷

201. The only private party practicing FSC forest management was trained by USAID to get prepared for certification (paragraph 33)¹⁶⁸ Romsilva, the state authority managing 66% of the total forest area, has certified 25% of its area in 2005, making it the largest supplier of FSC-certified wood. It has the ambitious goal to increase the certified area to 100% in 2010. If implemented, this should contribute substantially to the recovery of the Romanian forest (paragraph 13).

202. After the workshop, the international expert and national consultant visited five wood processing companies. The visited companies, except for one, were different from those who attended the seminar.¹⁶⁹ Their goal was to verify compliance with a set of mandatory norms and to identify the most relevant voluntary environmental norm to increase their EU exports.¹⁷⁰ The visits revealed some non-compliance with mandatory norms for which remediating actions were recommended. The team also found that FSC was the most relevant standard to increase higher value exports to EU markets.¹⁷¹ The environmental management norm ISO 14001 (paragraph 180) was not seen as directly relevant for exports, although some companies were interested to know more about implementing this standard.

203. After this visit, the national consultant discussed an action plan with the companies, comprising of remediating action to comply with mandatory standards and training and implementation of the FSC CoC standard and the ISO 14001 environmental management standard. The national consultant identified areas with FSC certified forests closest to the wood processor. In February 2009, the national consultant visited four of the companies again to assess progress in the actions defined. In

¹⁶⁶ FSC Standard for Chain of Custody Certification, FSC, January 2008, www.fsc.org/fileadmin/web-data/public/document_center/international_FSC_policies/standards/FSC_STD_40_004_V2_0_EN_Standard_for_CoC_Certification_2008_01.pdf

¹⁶⁷ FSC Certificate Database, info.fsc.org. This means at least 17% of the Romanian forest area is FSC-certified

¹⁶⁸ Asociația Obștilor Vrâncene – Ocolul Silvic Năruja.

¹⁶⁹ According to the consultant's report, this company did have the intention to obtain FSC (or ISO 14001) certification, as they mainly export sawn timber and wooden furniture components to China. Apparently, FSC certification is not critical for their wooden spoon exports to Germany.

¹⁷⁰ FSC, ISO 14001, EMAS and Ecolabels. EMAS and Ecolabels are EU norms.

¹⁷¹ The EU environmental norms EMAS and Ecolabels were not demanded by the EU market.

addition, he informed high-level management about the FSC CoC and the ISO 140001 standard. Most actions were not implemented, with the main reason given by the concerned companies that there were no nearby FSC-certified forests.

204. The actual reasons may have been different. According to the representative of ASFOR, most wood processing companies are aware of the applicable standards (FSC and ISO 14001), but generally do not have enough money to implement them. This may be true for the smaller enterprises, who cannot keep up with the newest standards and technology. But most other companies will only certify their exports if they expect to get a premium price in the destination market. Two of the five visited wood processing companies sell their products (sawn timber) to Asia or the Middle-East. In these markets, FSC certification does not fetch a premium price. The situation of Losan, the largest company participating in this intervention, is quite different. It already holds a FSC CoC certification and wants to increase procurement of FSC wood. In Losan's opinion, the ITC intervention was too short to involve its suppliers in a meaningful manner and get them to supply FSC wood.¹⁷²

205. This intervention targeted wood processors, rather than wooden furniture producers. Interestingly, FSC CoC certification for wooden furniture producers is virtually non-existent. Some companies producing garden furniture have FSC CoC certification but none of the about 120 furniture manufacturers and traders included in the APMR Romanian furniture export catalogue has been certified. We are surprised by this fact, given that furniture exports are mainly directed towards the EU market which supposedly has a demand for FSC certification.

206. We do not understand why ITC should assist to verify compliance with mandatory requirements in a country with a fully functioning national inspection agency (Romanian Environmental Authority). The choice of ISO 14001 was not of high priority either in a country where services to advise on and certify this management standard are available.¹⁷³ It would have been better to focus directly on FSC as an obviously relevant standard for the wood and furniture sector, based on a needs assessment of a representative sample of enterprises. The training should have included large enterprises (like Losan, paragraphs 192 and 204) or foreign importers of Romanian wood products with a clear demand for FSC wood. Such a preparatory phase to the intervention would have identified a group of companies with a real ambition to get prepared for FSC certification and would have given clear indications on the impediments for certification. The project would also have had to include the preparation of willing companies for certification and the actual certification as a measurable outcome.

207. *Conclusions.* Although the wood processing and furniture industry counts on a dynamic sector association, this intermediary was not available as project counterpart as it was not interested in developing its own capacity-building services with members and sharing project costs. ITC intervened in workshops with firms and follow-on firm visits in two areas: supply-chain management and environmental standards as priorities identified between the Romanian project counterpart and ITC.

¹⁷² With the aim to stimulate wood suppliers to obtain FSC certification, the consultant advised Losan to send a letter to 15 suppliers, informed them about the requirements for FSC certification

¹⁷³ For instance, the national consultant is currently employed by Denkstatt Romania, founded as subsidiary of the German Denkstatt GmbH in 2007. Its core business is the introduction of environmental management systems, see www.denkstatt.at/denkstatt--romania.

208. The intervention in supply chain management was highly appreciated by participant enterprises and was successful in inducing some enterprises to efficiency gains in their internal production process. It was also an example of how important it is to involve national expertise. Yet changes in sourcing or new investments as an outcome of the intervention could not be observed.

209. The second intervention had as a goal to raise awareness on environmental standards important in destination markets and the definition of action plans to certify these standards. The seminar and enterprise visits were not well prepared. This meant that the intervention did not focus enough on the Foreign Stewardship Council (FSC) label as the only critical standard for exports to EU countries for which capacity-building services are not readily available in Romania. Also enterprises were not selected based upon their strong interest in getting certified. It could be observed that wood processing companies higher in the value chain have an interest in upgrading the quality of their supplies and demand FSC certified wood. External cooperation is still called for to stimulate the supply of FSC-wood by the private sector.

210. *Recommendations.* A more thorough project design might have led ITC to consider cooperation with intermediaries at the regional level which have an eminent role in promoting exports and improving the quality of export supply. Examples are lead companies in the supply chain such as major furniture producers or wood processors, regional producer associations or industrial parks and clusters with a high concentration of furniture producers. A future project should consider both innovative cluster development and supply chain integration, working directly with the leaders in these areas.

211. ITC should be more ambitious in preparing the wood and furniture sector for FSC certification. As a first step, this could take the form of a value chain analysis of the entire value chain – from forest owner to furniture exporter – to weigh the costs and benefits for FSC certification for the sector. In doing so, it could capitalize on the work by APMR in the context of NES 2005-2009. The entire wooden furniture sector could be sensitized to FSC certification and Romanian capacity-builders and certifiers trained in this field.

Garments (output 2.3)

212. FEPAIUS is the main association in the garments sector. It is an employer's federation of companies and associations in the 'light' industry, which comprises textiles, garments and leather.¹⁷⁴ FEPAIUS lobbies the Romanian government for favourable policies in these sectors, designates representatives to negotiate collective labour agreements and advocates foreign investment. FEPAIUS organizes fairs and economic missions in the garments sector. It selects the companies to be co-funded by the Ministry of Trade. There is no specialized garments association with separate membership, secretariat and sector specialists.

213. FEPAIUS was actively involved in the design of the National Export Strategy and its action plan for the garments sector, and considered the NES as a necessity for the sector. Compared to other sector strategies, the garments' sector has prepared the most comprehensive value chain analysis as part of the NES. It is attached as Annex 4 to this report. From the beginning of the project, FEPAIUS had

¹⁷⁴ In other words, HS Chapter 51 to 64. The term 'light' and 'heavy' industry are a remnant from the Communist' past.

high expectations that this project would help in implementing its part of the NES Action Plan, especially in the areas of raw material supply, packaging, design and ecological labels for garments.

214. In spite of this strong interest, the initial capacity-building concept of the ITC project was not realized, namely that intermediaries like FEPAIUS would be assisted in becoming advisors and trainers for garment enterprises and that a group of Romanian textile and garment experts would be formed to enhance the trade competitiveness of the garments' sector. This fundamental change in the project objectives took place in all four priority sectors of the project, maybe not always for the same reasons.

215. FEPAIUS reported that they were confused by the link of the project with the National Export Strategy process. The expectation that ITC would contribute to implementing the NES Action Plan was not clear to its management; they concluded from discussions with ITC and the Directorate that project support had different goals than implementing the Action Plan and was determined by the views and field assessments of ITC and international experts. Yet, the NES 2005-2009 process led to proposals which have local support and remain valid. It will be important how the textile action plan will be revised in the ongoing NES revision 2010-2014.

216. In January 2007, ITC and the Export Promotion Directorate planned several workshops for the garments' sector without initially benefitting from a good dialogue with FEPAIUS. The sector association doubted whether these workshops would contribute to making FEPAIUS a more effective intermediary and how they corresponded to the NES Action Plan. Nevertheless, all interventions were agreed with FEPAIUS. Workshops were planned on VAT reimbursement, sourcing, quality management and 'e-applications'.¹⁷⁵ The VAT event was cancelled later on because VAT reimbursement was no longer a problem after EU accession. FEPAIUS was not interested in the 'e-applications' workshop. However, FEPAIUS found later proposals by ITC relevant. They referred to coaching in trade fair participation and a fashion forum.¹⁷⁶

217. Consequently, ITC organized the following activities in the garment sector from July 2007 until the end of the project, generally with the logistical support of FEPAIUS: a sourcing and design workshop, a needs assessment mission, company visits for quality management, coaching of enterprises for their participation in trade fairs, a forum on trends in the global fashion business, and towards the end of the project, a designer competition.

218. *Sourcing and design workshop.* In July 2007, an ITC expert and international expert conducted a three-day workshop with seventeen participants. Participants, mobilized by FEPAIUS, were largely comprised of garments manufacturers and a number of designers. Participants learned about sourcing from global markets and product design. This workshop was highly relevant according to FEPAIUS and participating companies. Raw material supply (mainly wool, but also acrylic, polyester and cotton) had been identified as a major challenge in the garments sector strategy. The privatisation of the formerly public textile industry and dwindling state support caused a reduction in weaving mill capacity. Therefore, efficient sourcing from abroad has become a necessity.

¹⁷⁵ ITC Minutes, January 2007

¹⁷⁶ ITC Minutes, February 2008

219. In addition, intense competitive pressures are felt from companies in other countries. Most companies continue to operate in a “lohn” system (paragraph 11 and 12).¹⁷⁷ The sector has to start marketing its own branded product, since competitor countries such as China, India and Turkey generally have lower raw material costs and EU accession exercises an upward pressure on Romanian wages (paragraph 34). As a consequence, sourcing as well as product design have become essential skills to lower production costs and brand Romanian products which will increase domestic value added.

220. The workshop had no follow-up in enterprises to change sourcing programs or procurement practices. One interlocutor told us that the workshop confirmed the strategic direction of his company. He indicated that more advice is needed on how to efficiently make the shift. In a transition period, the company has to operate in the “lohn” system and at the same time produce own collections. This could possibly entail a different mode of production, making different business contacts, visiting different trade fairs, thereby increasing costs compared to continuing with the status quo.

221. *Follow-up to BMS training.* During a week in September 2007, an international expert and two national consultants visited sixteen factories in four cities as a follow-up to BMS/marketing training earlier in the year. Only a few of the companies visited had actually participated in the marketing training. The goal was to “improve their competencies using the concepts and technologies taught during the project”.¹⁷⁸ It is very doubtful whether such a goal can be achieved in a one-time factory visit. Factory visits are useful if they help enterprises to define action plans and to implement them. But this requires much more intense and repeated coaching and makes only sense if enterprises have expressed a strong wish for reform. It is not known whether any traces remained of that mission in management decisions by the visited enterprises.

222. But the factory visits had a very positive “spin-off”: the consultants were able to identify the main needs of the Romanian garments’ sector. The national consultants were familiar with the garments sector, as they had surveyed garments’ companies during the preparatory phase (paragraph 47). In addition, one of them held a manager’s position in one of the companies visited. The mission concluded that production efficiency was a strong point and marketing the main weakness of the Romanian garments sector. FEPAIUS was sent a report on the proceedings. However, FEPAIUS managers were of the view that they had not been informed properly on the outcome of this mission. They provided a list of companies to ITC, but they apparently did not receive adequate feedback after the mission. Such missions should have taken place during project preparation instead of the BDS gap survey. It could have been the first step to negotiate an action and work plan with the sector which then could have been included in the project document.

223. *Quality management training.* In October 2007, ITC planned a two-day quality management seminar together with FEPAIUS and the standards’ agency SRAC. An international expert was to be the main teacher.¹⁷⁹ Companies as well as service providers (consultants and sector specialists) were invited. The companies were asked to fill in a questionnaire beforehand. Not enough participants registered to justify a seminar to take place. It is true that SRAC posted the invitation for the seminar

¹⁷⁷ Sometimes the term ‘CMT’ (Cut-Make-Trim) is utilized. A CMT contractor is a firm that is contracted to cut, make (sew), and trim a product from sourced fabrics, patterns and threads, generally provided by the outsourcing firm.

¹⁷⁸ Quote from the international consultant’s mission report.

¹⁷⁹ Rajesh Bheda, www.rajeshbheda.com

only on its website, and did not carry out a mass-mailing as was done for the March 2007 workshop (paragraph 179). Also, the National Project Manager thought that FEPAIUS could have mobilized its members more effectively. But the real reason for the lack of interest was probably that quality management was not a key problem for the garments sector as the ITC needs assessment mission a month before had realized.

224. The seminar was then transformed into a four-day visit of eight companies in Bucharest and Iași (a city in the North East), about three hours in each firm. The expert presented general concepts of quality management, assessed company needs, and gave quick advice. He concluded that product quality of most apparel manufacturers visited was ‘very good’. For the future, he recommended that

- Romanian companies that are currently under contracts with high-end costumers should be guided to become ‘full package service providers’: they should carry out more steps in the garments’ value chain, such as design, fabric purchase, packaging and distribution.
- Companies should form joint ventures with Western European apparel producers or brands.
- The garments’ sector should cooperate better with research institutions or universities. In practical terms, this implies that a university develops a curriculum in close collaboration with professional and sector associations, and promotes internship programs for students. This recommendation was also among the messages of the Iași Round Table organized at a later stage (see below, paragraph 231).

225. The follow-up consisted of making the presentations available to ITC and the visited companies. We contacted some of the visited companies in Iași, but they could not recall these visits or told us they were ‘just visited’. One company was concerned about disclosing information because of the consultant’s nationality (which happened to be Indian).

226. It is inefficient to use scarce project resources and the services of an international expert to raise awareness of eight Romanian companies on quality management through in-company visits. This all the more as ITC knew after the assessment mission, which took place shortly before, that quality management was not a critical export issue for Romanian garment companies. Also, we assume that many quality management specialists operate in a country with over 6,000 textile companies in the formal sector, some of them producing for top international brands. In reality, this intervention resembled a second assessment mission and yielded useful recommendations for future interventions.

227. *Training for trade fair participation.* In May 2008, an international garments expert held a half-day information event where twenty garments manufacturers and designers learned how to effectively take part in European fashion fairs. In this event, the importance of trade fair selection was stressed.¹⁸⁰ One participant commented to the evaluators that trade fair selection was indeed important: the firm did not get any orders because it simply participated in the wrong fair. On another note, a large company with 700 people staff told us they had had already six years of experience in the French market and would have liked to have received more specific information about the German and UK

¹⁸⁰ Prêt à Porter Paris is a fair for producers wanting to sell to independent retailers or department stores. Zoom Fatex is primarily for manufacturers working for high leveled brands and small retail chains. Igedo CPD Düsseldorf is only for specialized retailers coming from the northern part of Europe, and not appropriate for large outsourcing contractors.

market. But overall, the participating companies appreciated the workshop. It was repeated in February 2009.

228. After the first workshop, the expert interviewed the participants and selected twelve companies, manufacturers as well as designers, based on criteria set by FEPAIUS and the Directorate. In June 2008, she visited each company. During those visits, companies were advised on how to prepare promotion material and collections for the fair. She divided the companies in three groups and accompanied the companies at each trade fair: first at “Igedo CPD Dusseldorf” in July 2008, then at “Prêt à Porter” and “Zoom Fatex” in Paris,, both in September 2008. The expert made sure the companies would meet customers and presented themselves in a professional way. At the fairs, the international expert also gave practical advice to other Romanian companies.

229. At the trade fairs the international expert tried to get companies interested in thinking about getting production orders from non-European markets, such as the ex-Soviet republics (CIS) and Asia. She had good contacts in Hong Kong and tried to assemble enough companies to go to the Hong Kong trade fair to establish business contacts. Eventually only four companies signed up and the trip was cancelled.

230. Quite a few visited companies criticised FEPAIUS’s efficiency in organizing trade fairs and economic missions. Also, invitations to prospective clients are not always done in a proper way and members are not always informed early on potential buyer meetings organized by FEPAIUS.¹⁸¹ The international expert made efforts to form a specialized garments association on a national level, but this failed. The main obstacles were to find enough financial resources to maintain a new association and lack of trust among prospective members.¹⁸² This effort might have been a reason for a difficult relationship of the ITC consultant with FEPAIUS’s director. The consultant was accused of acting on her own, without coordinating with FEPAIUS.

231. *Iași Round Table on trends in the fashion business.* In June 2008, the Faculty of Textile, Leather and Industrial Management of the University of Iași hosted a round table event, in which roughly 15 garments companies and 12 faculty members from the University of Iași participated. The goal was to develop a common framework to strengthen links between Romanian academia and the garment sector. An ITC staff member, the international fashion expert and a speaker from the University of Manchester spoke about trends in the global fashion business, the importance of branding and design, and ways for universities to improve their curricula. Also, the creation of a new garments’ association was advocated. The location of the event was well-chosen, as this is one of the better universities in the garments sector and many garments companies are located in this area.

232. Today the competitive advantage of the European garments sector lies in its focus on quality and design, innovation and technology, and high value added products. This requires adequate education and industry-specific training programmes. Generally speaking, the educational system for the garments sector is well organized in Romania.¹⁸³ The professional staff of the University displayed a

¹⁸¹ FEPAIUS organized a fashion event at the French Embassy in Paris on 17 December 2009. The membership was informed one week in advance.

¹⁸² The prospective chairman was from a company based in Bucharest, which could explain some resistance from companies in other regions.

¹⁸³ Implications of the global financial and economic crisis on the Romanian textile and clothing sector, ILO Geneva 2009. v

high level of knowledge about each participating company. They know the majority of managers of garments companies in the area, as they personally trained them. According to them, internship programmes in which student gain practical experience are the norm. A main barrier is that Romanian garment companies invest relatively little in job-related training. They expressed disappointment as the Forum did not have concrete outcomes.¹⁸⁴

233. *Working with fashion designers.* Towards the end of the project, the assistance was focusing more on independent designers than on garment companies because good fashion design is probably the single most important element for better market access in garments. The international fashion expert also recommended a focus on designers. In her reports to ITC, she advocated the need for a designers' association; the function of which would be to offer practical legal assistance to enforce payments, training in trade fair participation and branding. This envisaged association would have a different function than ADTCP established under GTZ's assistance (see paragraph 30).¹⁸⁵ Under this project, only the first preparatory steps for a Romanian DVD designer competition were financed; further steps were funded by ITC through other financing.¹⁸⁶ This activity was planned to promote the image of Romanian designers abroad. An international jury would select video clips with creations of the best designers. Winning designers would be awarded a prize; a DVD would be compiled and distributed by the Ministry through Romanian embassies abroad. Finally, the competition was cancelled since only two designers prepared presentable video clips on time.

234. *Conclusions.* Romania's textile and garments' sector has a long tradition and even after downsizing and privatisation since the 1990s is a big contributor to production and exports with over 6,000 enterprises. In this situation it would have been essential to develop a coherent capacity-building approach in the ITC project focussing on the known impediments to higher value added and competitiveness in garments based on the experience of Romanian exporters and experts. This was not done in the design stage and the capacity-building activities were organized initially without benefitting from a good dialogue with Romanian professional counterparts although solutions to this blockage were found over time. Workshops were organized on international sourcing of the main textile materials, and on design – including a forum on trends in fashion business and a designer competition – and a number of garment producers and designers were coached for their participation in international fashion fairs. Romanian participating firms assessed positively these efforts while the main sector counterpart complained about not being sufficiently consulted and informed by ITC experts. But these efforts did not lead to significant next steps and observable outcomes except for a very small number of enterprises.

235. The project also attempted to organize training in quality management but the response was disappointing. For this reason visits were made to a small number of firms and besides a “quick scan” of process efficiency on-site training sessions were held. This belated needs' assessment led to interesting action proposals by the international expert like value chain integration and clustering in Romania, joint ventures with upscale international textile retailers and brands, and close links with

¹⁸⁴ When presented with the outcomes reported by ITC, they told us their University had been already in contact with the University of Manchester before, and including internship programmes in the curriculum was unnecessary

¹⁸⁵ ADTCP caters for industrial designers and appears to focus on internships and job placements. It is headed by a professor at the University of Art and Design in Cluj-Napoca. Unfortunately, we could not visit her during our field visit in Cluj; she was prevented from meeting us due to health problems

¹⁸⁶ ITC project RER 61/109A, Export Development in Eastern Europe, with focus on Romania

academic institutions in specialized education, None of these proposals were pursued in the project, probably for lack of funds and time.

236. Overall this was the most intensive of the four sector interventions but its impact was limited to a small number of enterprises and training know-how was transferred only marginally to Romanian intermediaries and service providers. No coherence and harmonized action was sought with other cooperation agencies, like GTZ or the European Commission which were engaged in capacity-building in the same sector.

237. *Recommendations.* A future cooperation with Romania in the textile and garments' sector would have to start with the same goals as the present project had originally: help Romania's business intermediaries and specialized service providers to acquire the skills and experience so that Romania's exporters will be able to sell higher-valued brands in external markets and integrate better the Romanian part of textile value chains. This means for instance to help in a) upgrading professional organizations which are able to train and promote their members, b) establishing international academic partnerships and upgrade academic training and outreach to stay on top of design innovation and cost-reducing international value-chain management, c) creating regional industrial clusters and regional branding, and d) entering into partnerships with international brands. The action plan for the textile sector of the new National Export Strategy and the activities planned in the emerging regional strategies will be a departure point for the design of such a project.

Organic agriculture (output 2.4)

238. Insiders point to the National Federation of Organic Farmers (FNAE) and the Organic Farmers Association of Romania (BioTerra) as the two main sector associations in organic agriculture.¹⁸⁷ FNAE is a federation of five associations including BioTerra. Relations between the presidents of FNAE and BioTerra are strained, and consequently they operate independently and do not seek to cooperate. BioTerra's core members are farmers who learned about organic farming through internships in Switzerland in the 1990s. Staff and resources of both organizations are limited, as was already known in the preparatory phase (paragraph 48). In fact, both organizations are practically managed by one person with the help of a few friends. They rely on subsidies, primarily from the EU and the Romanian government. When we visited the president of BioTerra, he was preparing hundreds of information folders for an annual conference of organic farmers by himself. We consider the presidents of BioTerra and FNAE knowledgeable about and genuinely committed to organic agriculture¹⁸⁸, but less well-versed in practically managing an association so that it becomes strong and sustainable.

239. Seventy-one percent of farmers possess less than two hectares of productive land. This highly fragmented ownership is a constraint to the development of competitive agriculture and a major obstacle for exports. The president of FNAE related the story of an individual honey producer unable to deliver two trucks of forty tons each week. His proposed solution was to establish a producer

¹⁸⁷ Two new associations are BioRomania (further described below) and Eco Ruralis. We met representatives from Eco Ruralis during our field trip. Founded by a group of enthusiastic group of young people, it currently operates as an advocacy group promoting interests of small scale traditional and organic farmers. See www.ecoruralis.ro.

¹⁸⁸ The president of Bioterra is an organic farmer himself and the president of FNAE is an academic in the field of organic agriculture

association or cooperative to collate and export production. The small average output of farming families is also why one has to think of including “lead exporters” in any promotion effort; these are firms which process local food and other agricultural items for exports. Delta Dunari Organics (DDO) is one of these companies exporting exclusively to an Italian enterprise, who helped DDO to create a traceability system. The farmers supplying to DDO were said to have little knowledge about how to produce organically. Just as Losan (paragraph 204) has an interest in supplying FSC-certified wood, DDO has an interest in farmers supplying high-quality organic produce. The funding by DDO of training for suppliers is a demonstration of this interest.

240. Other groups of importance are certification agencies of organic production and exports and technical advisors to farmers. Many of these advisors work for ANCA, the National Agency for Agricultural Advisory, an agency under the Ministry of Agriculture and Rural Development (MADR).¹⁸⁹ ANCA consultants are fully paid by the Ministry and work in all regions. They are the equivalent in agriculture of business consultants for industrial and service firms providing basic training and consultancy to farmers. ASIMCOV, the union of SMEs in Covasna county, did not rate ANCA’s performance high and recommended that market incentives should be introduced to improve the work of agricultural advisors. An ANCA consultant told us that the main constraint to deliver high quality advice was the low level of specialisation within ANCA: everybody has to know everything.

241. *Schedule of ITC support.* In January 2007, five sector-specific activities were planned for organic agriculture: one quality management workshop, one seminar on international contracts, two workshops on international packaging, and one company coaching program for supply chain management.¹⁹⁰ The first intervention of ITC took place in September 2007, combining two workshops (quality management and packaging). ITC recruited FiBl and a national consultant to carry out a mission in April 2008 and to propose a new sector-specific program, since BioTerra and FNAE remained reluctant to host meetings and mobilize participants for the remaining planned activities. In 2008 the project financed a one-day congress on organic exports, trained ANCA farm advisors, raised awareness twice among ‘organic operators’ and organized two events for the media.

242. *Quality management and packaging.* ITC planned a workshop on packaging together with the Directorate in early 2007. BioTerra was not interested to host such a workshop. Then the Directorate convinced FNAE to organize it. Finally, in September 2007, a three-day workshop with 30 participants was organized by FNAE, together with the company Delta Dunari Organics (DDO). Participants were suppliers to DDO, a certification agency, a honey producing association and potato and cereal farmers, which were not connected to DDO.

243. Two international experts, a quality management and a packaging expert were brought in. During the first 1.5 days, the quality management expert organized group discussions around three main themes: definition of quality, key principles of organic agriculture and how to ensure organic integrity, which received the most interest. The second 1.5 days the packaging expert taught the basics of packaging and led discussions around case studies (organic sauces, herbs). The packaging sessions proved to be most relevant for the honey producer association, but less so for the bulk suppliers. There were no follow-up activities.

¹⁸⁹ www.consultantaagricola.ro

¹⁹⁰ ITC Minutes, January 2007

244. The experts did not receive a list of participants beforehand, but adapted well to their target group. Slides were not translated into Romanian prior to the event, and FNAE did not provide translation during the event, which caused a considerable slowdown. Participants paid a fee of USD 315 covering accommodation and meals. Some of the participations were funded by DDO according to an insider.

245. *Assessment mission no.1.* An ITC expert on organic agriculture attended the first 1.5 days of the workshop and then went on a field visit of a week. He met with a wide range of stakeholders¹⁹¹ and prepared a report of findings and recommendation for future interventions. The following conclusions and lessons emerged from his visit and from the workshop experience of the two international experts:

- BioTerra did not want to be involved in the project and wanted to be reimbursed for services provided to ITC.
- FNAE had no members who exported and it was uncertain whether the Federation would be interested in the next stage of support.
- SECO wished that interventions in the organic agriculture sector would build upon a SECO project for organic agriculture implemented by the Research Institute for Organic Agriculture (FiBL, paragraph 32).
- Some stakeholders were interested in capacity building and were willing to pay for it: Producer organizations of export products (e.g. honey), certification agencies, food processing companies, and agricultural advisors from ANCA.
- Different target groups (producers, processors, exporters) needed a different kind of capacity building.

246. This is the type of information which should have been available at project design stage to shape a support program through the project for organic agriculture. This would have been more helpful than the “BDS gap survey” which did not inform well the project preparation process (paragraphs 47 to 51). Yet, even this report could not give specific recommendations for capacity building. A more extensive round of interviews, farm and enterprise visits, and more extensive consultations with other projects, as for instance the one of SECO and the EU (paragraph 27) would have been called for.

247. *Assessment mission no.2.* In April 2008, an ITC/FiBl expert and a national consultant visited a cross-section of organic farmers and processors, BioTerra and ANCA. The national consultant was formerly recruited by ITC in the preparatory phase surveying a similar group. They used the information to prepare a programme in organic farming for the rest of the project and advocate the idea of an annual expert meeting called “organic market forum”. Their mission report concluded that the strengthening of a Romanian market for organic farming had to be given priority. Such a process would take many years. An important element of market-building would be to create associations promoting organic farming and cooperatives to market products. In such a context, export development was a second priority as it had to build upon a strong production and marketing capacity which did not exist at that time.

¹⁹¹ Workshop participants, FNAE, BioTerra, ANCA, SECO representatives and a national consultant on organic agriculture recruited by ITC.

248. BioRomania, an association of organic operators, was founded as a result of this mission, with the national consultant as executive director. The majority of founding companies were those visited during the assessment mission. The main priority of BioRomania is increasing domestic production and consumption of organic products in line with the conclusion of the mission report.¹⁹² Membership is open for organic operators, an umbrella term covering producers, processors, domestic retailers as well as exporters. BioRomania creates a platform for member companies to advertise their organic produce and lobby the government. During the conference on organic exports in May 2008 (below, paragraph 250), BioRomania members gave presentations, distributed food and mobilized participants. ITC, in turn, sponsored some networking events after these conference activities and gave a grant to BioRomania amounting to USD 2290.

249. The Ministry of Agriculture and Rural Development is BioRomania's the main lobbying target, the Ministry of Trade less so. The Export Promotion Directorate started co-funding trade fair participation of organic producers for the first time during the project.¹⁹³ According to an export manager of one of the founding members, the Ministry could in the future facilitate much needed business-to-business contacts.¹⁹⁴

250. *Congress on organic exports.* In May 2008, ITC organized a one-day workshop as a co-event of the agricultural fair Agraria.¹⁹⁵ BioTerra was to be responsible for organizing the conference paying for local support cost and mobilizing participants. However, BioTerra withdrew from the partnership two weeks before the event. Consequently, the National Project Manager had to supplant BioTerra as organizer. The question is why ITC insisted in working with BioTerra, when it was known that the association had always been reluctant. A more practical approach would have been to ask the trade fair organizer to arrange meeting facilities. Advertisement of an ITC event could have attracted more visitors to the fair, with small additional costs.¹⁹⁶ At the congress, the FiBl expert, a German organic farming cooperative and BioRomania members spoke about what is needed to start producing and exporting organic products.

251. By summer 2008, FiBl made an ambitious plan of activities. Two major proposals were training of ANCA consultants and organizing an organic marketing forum. As the project was drawing to a close, only the ANCA training was implemented in time, along with two awareness raising meetings for (potential) organic operators and two events for the media. The forum was organized during our field visit in October 2009, financed by another project.¹⁹⁷

252. *ANCA farm advisor training.* In November 2008, a two-day workshop with ANCA was held in which ANCA consultants were trained in advising farmers how to establish organic farming cooperatives. The FiBl expert, other international experts and the executive director of BioRomania were the lecturers. Costs for translation were borne by ITC. We heard mixed messages from the field

¹⁹² Sibiu statement, BioRomania, June 2008, www.bio-romania.org/statement-from-sibiu

¹⁹³ BioFach in Nuremberg, www.biofach.de

¹⁹⁴ At the same time, this export manager displayed a negative predisposition to join economic missions for organic agriculture if they were to be organized by the Ministry of Trade. According to him, it would damage his reputation as exporting company.

¹⁹⁵ www.agraria.info.ro/en

¹⁹⁶ The organizer of the fair, Expo Transilvania, has more than fifteen years of experience in the organization of fairs and exhibitions, hosting yearly more than thirty specialized or general events.

¹⁹⁷ www.organicforum.ro

about the usefulness of the workshop: ANCA in Bucharest found it helpful and thought it should be repeated, while an ANCA consultant told us that knowledge on how to set up a cooperative was widely available. According to him, the major constraint was that many farmers resisted joining a cooperative.

253. *Awareness raising for organic operators.* Following the two-day workshop, a one-day seminar on organic business management and marketing was organized, also with ANCA. The training group was a mix of ANCA consultants, producers and processors. The consultants found it very useful. However, the reaction of producers and processors was mixed. According to some of them, the seminar addressed too many issues, targeting different groups. Some items were dropped because of time pressure. As was pointed out before, capacity building needs vary among different groups. A farmer is not necessarily interested in packaging or export excellence, which is of higher concern for a processor. A retailer has no direct need to learn how to manage organic production. A similar workshop was replicated in April 2009. This time local support costs were borne by BioRomania. The agenda was shortened, but the target group remained mixed. Both workshops attracted around 30 to 35 participants, who did not pay a fee.

254. *Media events.* Two one-day media seminars were organized in November 2008 and April 2009. International experts including the FiBL expert spoke. The goal was to sensitize Romanian media on organic agriculture. BioRomania had the opportunity to present itself. Meeting rooms were provided by the Ministry of Agriculture. Participants of both events appreciated the messages transmitted, the networking opportunities and the tasting of organic products. At the same time they found that the seminar lasted too long. It increased publicity for organic agriculture, including through radio coverage.

255. *Conclusions.* Capacity-building in organic farming suffered from weak although dedicated Romanian sector counterparts and, as in other sectors, from a lack of concrete needs' assessment in the design stage of the project. The program started in September 2007 with a workshop combining quality management and packaging including as participants a processor and lead exporter, suppliers to this processor and other producers, a producers' association and a certifying agency. Then a one-day side-event was held at an agricultural fair in May 2008. At that time, assessments by ITC and an international expert organization (FiBL) pointed out that a) any export promotion drive had to address the varying support needs of smallholders, food processing companies/exporters, agricultural advisors and certifying companies; and b) priority had to be given to strengthening producer associations in increasing and diversifying their production for the Romanian market; only then would more exports become feasible.

256. As an outcome of the FiBL assessment a new producer association was formed and a program was defined comprising of training farming advisors in building organic farmer cooperatives, organizing introductory seminars with the various types of organic farming "operators" and raising awareness about organic farming with Romanian media representatives. A national organic marketing forum was also planned but was finally held in October 2009 after the end of the project. These events amounted to a dynamic initial drive to put organic farming and exports on the map and defining some of the key promotion activities. But obviously, the road is still arduous to establish organic farming as a significant producing and exporting sector.

257. *Recommendations.* To continue promoting organic food exports a separate capacity-building project would have to be organized which would have to rely heavily on supporting organic farmer associations and on organizing the supply chain for organic exports, deciding on competitive export products and working with food processors, certifying agencies and the agricultural advisory service. A partnership with an international expert organizations (as practiced in this project), would be a good way to train Romanian experts and intermediaries for organic farming.

IT services (output 2.5)

258. In this sector ITC intervened only once. In March 2009, ITC organized a two-day workshop together with ARIES, with the objective to study how IT clusters or parks could advance the sector.¹⁹⁸ Participants were mainly companies and public policy-makers. International speakers illustrated success factors for building IT-clusters, coming from their professional experience gained abroad, while a regional branch of ARIES and a successful Romanian IT company gave examples of Romanian experience. Two success factors were highlighted: the need for public-private partnerships in building IT parks and the importance of high-quality education institutions. ARIES, the main initiator of the event, applauded the event organisation and the quality of the international experts; they were instrumental to convey a strong message to the government on how to promote IT exports.

259. Apparently, there was little demand for ITC's assistance from the IT services sector. In fact, the Directorate and the ITC project team decided in October 2007 to focus interventions on the other three sectors, because of rapid progress made in the sector (paragraphs 14 and 15) and the fact that well-organized sector associations delivered adequate services to their members.¹⁹⁹ Of course, this was already true before the project started and raises the question why IT services were selected as a project priority initially. An additional factor which explains the absence of project activity is the fact that the two sector associations (ARIES and ANIS) were involved in negotiations on a merger of the two, which finally was rejected.

260. We disagree with the view that IT services did not require support. High-tech sectors markets are highly contestable and today's success may be the prelude of tomorrow's demise. The Romanian IT sector requires support to make its exports sustainable but the tools of support may be very different from the ones available in this project. What are the sector's needs? The director of ARIES, one of the two sector associations and other sector experts mentioned the following (see also paragraphs 14 and 15):

- Generally, the quality of academic training is inadequate to stay on top of the fast pace of change in the sector; high-quality of university training and research is called for.
- Romanian software companies generally engage in low value-added components in software development (specifications, coding, component testing); they should specialize in higher value components such as process analysis and system integration. Besides better university training this will require continuous training and research and development opportunities.

¹⁹⁸ ARIES is the largest sector association with around 360 members (software and electronics). Healthy competition exists with an overlapping sector association, ANIS (software). They are part of the Tech-21 coalition, a member of the National Export Council (paragraph 33).

¹⁹⁹ ITC minutes, October 2007.

- The domestic market for IT services is less advanced than Western European markets. The basic IT infrastructure and adaptation of modern IT practices by domestic companies could be improved upon. For instance, businesses providing computer-based services to customers over a network are not widespread.²⁰⁰ These enterprises, a large share of them SMEs, in turn usually rent computer space with specialized data centres. In Romania, there are relatively few data centres.²⁰¹
- Following the example of industrialized countries, public procurement for specialized software could become a driver of innovation for Romanian companies.

261. *Conclusions.* ITC's intervention in the IT services sector was minimal — one international workshop close before the end of the project — but it was very appreciated by Romanian experts because it opened their eyes to the future development challenges of their sector. This can be interpreted as an example of ITC's and the Government's flexibility. Yet, it is also a reflection of the lack of adequate needs' assessment and dialogue with Romanian technical counterparts in project design. The fact is that Romanian IT services exports have been quickly growing in the past decade but that this success is inherently fragile. Some identified needs are top-notch academic education and training of software experts, the need for research and development and incubation in innovative and complex software, and improvements in Romanian data management infrastructure and public procurement.

262. *Recommendations.* The main challenge of the Romanian IT services sector is how to move up the value chain of software production and exports.²⁰² Therefore, future support should focus on a) top-quality training and research in Romanian universities, possibly through partnerships with IT departments of internationally leading universities; b) enterprise incubation through IT parks, organized as public-private partnerships; c) opportunities of benefiting from public procurement for specialized software (e.g. in the defence sector); d) continuous training facilities for sector experts organized by industry associations; and e) an improvement of Romania's data bank infrastructure. Partnerships with Switzerland's universities and its growing IT services' industry could make sense. For instance, Switzerland has accumulated valuable experience in IT cluster policy-making.²⁰³

²⁰⁰ We refer here to application service providers (ASPs). In this model, enterprises do not own or maintain their servers or software but rent this from another company, responsible for maintenance, licensing, updating etc. This company could in turn rent computer space in a data centre in a central, safe and cheap location. In this example, instead of a single company doing everything itself, we have a specialisation of tasks across three companies, two of them IT companies (the ASP and the data centre).

²⁰¹ As an illustration, Datacentermap.com, a website covering 1,500 data centres in over 60 countries, lists 24 data centres in Amsterdam alone, while only 7 across Romania.

²⁰² National Export Strategy 2005-2009, IT sector.

²⁰³ Almost 8% of the GDP is generated by the ICT sector. With this figure, Switzerland ranks third worldwide just behind USA (9%) and Sweden (8%). See 'Switzerland is world leader in information communications technology (ICT)', ICT Cluster Bern (www.tcbe.ch), www.wfb.ch/public/downloads/fact_sheet_ictprofile2007_120107.pdf.

D. Trade information system for exporters (module 3)

263. This project component was executed by two people: an expert from ITC's Trade Information System Section (TIS) and an international consultant, who had contributed to establishing similar trade information systems in East-Africa, Bolivia, Ecuador, Philippines and Vietnam. The ITC expert exercised quality control through field missions about once a year and reviewing the consultant's reports. The National Export Strategy inspired the implementation of this component (paragraph 56). The project document differentiates between trade information portal and network: the 'portal' is the website containing information relevant for exporters, and those adding trade information to the website are the 'network'.²⁰⁴

264. In January 2007, the two experts visited the Export Promotion Directorate and RTPC to enquire about their website development plans, and organized a two-day workshop with potential trade information suppliers (mainly RTPC, sector associations, and the national Chamber of Commerce) to assess their capacity to supply information, get their support for adding content, and discuss the format and frequency of data transmission. Half of the participants, mostly from mid-level management, did not return the second day. The workshop then became an awareness raising event in which the experts reported on best-practice cases. Given that the Directorate was taking over the responsibility for the portal (next paragraph), this first workshop was not of much use as it concerned to a great extent people who would not be involved in feeding the portal later on.

265. The Directorate was the *de facto* coordinator of the portal from the beginning of the project although the project document had given this responsibility to RTPC. This was motivated by the diminishing effectiveness of RTPC due to political appointments (paragraph 5) and possibly the envisaged role of trade counsellors in providing information to the portal. It officialised its responsibility through a decision in March 2007 and later added a line in its budget.²⁰⁵ The Directorate added the portal as one of its export promotion instruments which was approved by the National Export Council in January 2008 (see next paragraph).²⁰⁶ It also took a strong influence on content from the start. For example, according to the software company INDACO who created the portal, a proposed section in which consultants for export marketing and management could publicize their services to companies was removed on the instruction of the Directorate; the reason was that private persons were not allowed to advertise cost-free in a publicly funded portal.

266. The international consultant proposed a structure for a portal which ITC then presented to the National Export Council in April 2007. The NEC called upon trade information suppliers to provide content, but, initially, none of them showed interest. Of course, the 130 foreign trade counsellors were *ex officio* an important source of content as they had information about foreign tenders and produced

²⁰⁴ Obviously, a website cannot function without content, so it is a little bit artificial to separate the two elements

²⁰⁵ Decision no. 296/2007, 21 March 2007. Article 18 stipulates that the structure, contents and related services portal will be established by the Ministry of Economy and Trade together with the industry employers and RTPC. Article 19 reads: Implementation and management of the portal will be made by a specialist firm, selected by the Ministry of Economy and Commerce, in accordance with public procurement legislation. The information contained on the portal is free and non-discriminatory access for all interested economic operators should be provided for.' (author's translation), www.dce.gov.ro/materiale%20site/acte_normative/HG296_2007.htm

²⁰⁶ See an inventory of these instruments at paragraph 19.

country-specific “doing business” guides.²⁰⁷ In January 2008, the National Export Council approved a budget of around € 27,000 for the portal, corresponding to the amount agreed with INDACO to build the portal. This amount was below the originally budgeted amount (USD 60,000, around € 45,000). INDACO, who has had government agencies as its main clients, made this offer in a public tender which used the consultant’s report as reference.

267. The international consultant visited Romania a second time in February 2008, to discuss portal design specifications with INDACO and the Directorate and to engage in partnerships with trade information suppliers. He had meetings with members of the Trade Information Working Group set up under NES 2005-2009. These were the Directorate, RTPC and the Institute of World Economy (IEM). RTPC and IEM refused to provide information for free to the portal for products they normally offered on charge. RTPC pointed out that they were able to do market analyses, but not without additional funding from the Ministry. The consultant suggested to the Directorate to allocate a budget for the portal (content generation, maintenance and improvement) and to form a content management team, together with experts from RTPC. ITC would train these content managers to manage and create content for the portal.

268. As mentioned before in paragraph 57, interested private parties should have been involved in management of this national trade information system at an early stage. Partnerships with the private sector are the best way to close links with users which are mainly export-oriented enterprises. Limited initial private sector involvement in trade information was already apparent from the composition of the trade information working group of NES 2005-2009. An additional effort would have been required through the ITC project to bring the private sector on board.²⁰⁸ It is all the more surprising that no meetings were held with senior-level representatives of the national and other Chambers of Commerce and sector business organizations in the preparatory stage of portal design.

269. In May 2008, a two-day workshop was held at RTPC’s premises, with the aim to teach the content managers how to practically maintain the portal. However, the team had not been formed in the interim and workshop participants were not in a position to take any responsibility for future portal content. Follow-up workshops on how to create market analysis reports were cancelled. A breakthrough happened as a result of intensive ITC follow-up and coordination with the Directorate of Export Promotion when a new Government was elected towards the end of 2008. In February 2009 the ITC coordinating unit chief and the international consultant visited Romania. ITC emphasized the urgency of market reports to be generated by RTPC; commercial counsellors had been instructed by the Directorate on the frequency and content of information to be delivered. In the meantime, a two-person content management team had been established inside of the Directorate. At the end of April 2009, Romania’s trade counsellors produced the major part of data for the portal, while RTPC’ contributions were still limited. The portal was officially launched on May 6, 2009.

270. What kind of information can be found on the portal? Portal data are classified in several categories, among others: tenders, auctions, business opportunities, upcoming trade events, country

²⁰⁷ See also ‘Recommendations for a Romanian Trade Information Portal’, p. 18, March 2007

²⁰⁸ In a meeting with managers from the national Chamber of Commerce we asked about their interest in participating in the management of the portal or in coordinating its management. The reply was that the Chamber had developed its own website for members as they considered such an instrument as a key service to members. Yes, they would be interested in participating in or coordinating a national trade information portal, combining it or at least linking it with their own portal.

reports and export strategy.²⁰⁹ All information is public; there is no restricted members' part which would have allowed to manage more confidential and tailor-made information. Documents posted on the portal normally rank high in Google searches. The portal is usually found through search engines (57% of all visitors). Companies wishing to be informed of new information of relevance to them can subscribe to a daily digest, and can limit their choice by indicating category, sector (around 30) and country. The digest contains short descriptions of new informational items per category with a link to the portal. This mailing list is the only interactive element of the site; firms are unable to ask for specific information and interpretations. Since October, the weekly number of unique visitors is above 500; and visitor traffic is increasing. The most favourite pages are those related to business opportunities and tenders.²¹⁰

271. Currently, a unit within the Directorate checks and approves or creates all content, mostly originating from foreign-based trade counsellors. The current situation requires a lot of resources from the Directorate, which distracts it from its policy-role and the management of its other promotion instruments. Contributions by RTPC as well as Chambers of Commerce have been very limited so far. The national Chamber of Commerce reported that CCIs had contributed to the portal; we indeed found a few information items on the portal coming from CCIs, e.g. advertising their Chamber, notifying upcoming seminars or informing companies about their export promotion programme.²¹¹ However, based on the daily digest of newly posted items to the website between November 2008 and February 2009, we conclude that no significant new content has been added by either CCIs or RTPC. This is a missed opportunity for them to provide better information services to their members and to promote their services.

272. The websites of the Chambers of Commerce fulfil a similar role as the trade information portal. For example, the Prahova Chamber of Commerce website informs on trade fairs, new relevant legislation, sources of funding and business opportunities²¹². E-simplu, created in a EC-funded project (paragraph 26) informs on sourcing EU structural funds, and comprises of legal documents and discussion forums with other entrepreneurs and consultants (accessible after log-in). It is currently managed by the Post Privatisation Foundation, managed by the European Commission and the Ministry of Trade.²¹³ RTPC's website focuses on trade fairs, and advertises market studies on charge through their website. Sector associations also inform on trade fairs. Compared with other websites, the main value added of the portal is information about international tenders and general country documents written by trade counsellors. The option to automatically receive relevant new information items is also an innovative feature. Market studies, co-funded by the Directorate (paragraph 16) are not posted on the portal.

²⁰⁹ The three most popular country profiles are France, Macao and Japan, with France clearly on top.

²¹⁰ Google Analytics, www.portaldecomert.ro. Users view per visit on average seven pages and navigate the site for five to six minutes. The site is predominantly viewed from Romanian computers (86%), but also from Spain, US and Moldova.

²¹¹ CCI Timisoara added the schedule of their export promotion programme between June and December 2009: www.portaldecomert.ro/Files/CCIA%20TIMISOARA_2009634150733.doc

²¹² Prahova is north of Bucharest. Prahova CCI (www.cciph.ro) was also the regional coordinator of the Regional Export Strategy for the South Region.

²¹³ The Post Privatisation Foundation also has organized free business strategy workshops for SMEs together with underclick.ro, a private institution and umbrella brand for companies providing consultancy services in management, marketing, online communication and e-commerce. Underclick.ro had over 200 clients in the past five years. See also www.postprivatizare.ro/en/brief-overview/

273. Taking the frequency of access to the portal as an indicator, the trade information portal has been a success. It has registered on average 500 hits a month since its start which compares favourably to the 3,000 hits a year in the case of the National Export Strategy. Its design costs have been lower than budgeted. It was on a rocky road initially until responsibilities were clarified and it took a very long time to set it up although the portal consultant INDACO views the lead time as typical for a government project. The Chamber of Commerce is very critical of portal management, mentioning the Directorate's absolute control and micro-management. It is true that a greater effort should have been made to join efforts with other export promotion websites and particularly those of private sector organizations to combine some of the websites and consider the creation of a national trade information system as public-private partnership.

274. Looking to the future, there are good opportunities to move now beyond a general first generation site and use the portal much more as an interactive export promotion tool. This would imply a more interactive and professional management where, for instance, requests to foreign-based trade counsellors could be made through a propriety part of the portal and enterprises receive operational answers to their queries prepared by a specialized portal team. We understand that such information requests, particularly addressed to trade counsellors, were much more frequent in the past and that after privatisation of export enterprises, these counsellors have been, on average, underemployed (paragraph 19). This is a potentially very precious source for export promotion, and the quality of work of trade counsellors should be monitored and, if necessary, continuous training offered to increase the quality and relevance of the country's and the enterprises' trade intelligence. We recall in that context that one expected project activity was "providing recommendations for the coordinated and cost-effective acquisition of high quality information resources to be purchased via the Romanian Trade Intelligence Network".²¹⁴ Finally, such portals can also be used in the integration of national value chains (e.g. in textiles' sourcing) by creating virtual markets for supplies.

275. *Conclusions.* Overall, module 3 of capacity-building has been successful. For the first time a national trade information portal is operating in Romania and is being used quite frequently by export enterprises. ITC's support was professionally sound. Yet the preparation of the portal was not smooth and took too much time, in part because the Directorate required a legal basis to take charge of the portal and a new government was elected towards the end of 2008 which embraced the proposal. The information network is incomplete, includes mainly public actors and excludes to a large extent private business associations who tend to use their own websites for similar information. The most precious source of portal content is the 130-people corps of Romania's trade counsellors which are based in destination export markets. Their market knowledge and networks should be used in a much more direct and concrete way in the future. The portal could also become a tool to create inter-enterprise markets.

276. *Recommendations.* This first successful effort in creating a national trade information system should now be followed by a consolidation and more sustainable management of the portal and then an enterprise-friendly operational extension of portal services. Next steps could be: a) management of the portal in partnership with main private sector organisations to avoid costly duplications and deepen data content; b) an outsourcing of site management from the Directorate of Export Promotion constituting a professional portal team which would be in a position to provide tailor-made answers to

²¹⁴ ITC Project Document, Activity 4.1.2. , page 15.

enterprises; c) a stronger integration of the corps of foreign-based trade counsellors for answering specific enterprise and business association queries; d) the buying of high-quality data on destination markets of Romanian export products, and e) the use of the portal as market place for certain groups of Romanian enterprises e.g. for sourcing and supply procurement. These more operational services of the portal should be paid by users making the portal financially more sustainable and less dependent on budget resources.

Chapter 6: Effectiveness

277. This chapter is about outputs and outcomes of the ITC project that is immediate project results. Integrated in the section on outputs is a summary table (page 105) comparing expected with actual outputs. The activities leading to outputs are analyzed in the preceding Chapter 5. In this chapter we summarize the outputs achieved and not achieved and mention what we consider to be “missed outputs”. In the next section on outcomes, again with a summary table (page 106), we examine the results these outputs have had “on the ground” as far as these are observable and reported by stakeholders. A third section will look into outcomes concerning transversal themes (gender balance, governance and environment).

A. Outputs

Module 1: National Export Strategy

278. The expected outputs were partially achieved. A monitoring unit was created and has prepared monitoring reports. Two regional strategies are ready but are not yet implemented; their management structures have not been created yet although the decision has been prepared. The NES was not revised during project implementation but is being revised now with ITC support not funded from the project. ITC did help to prepare the analytical basis (trade competitiveness report) for the new NES and trained Romanian experts in export potential assessments. But these tools are not being fully used in the NES revision. A “missed output” is support to transform the unworkable NES action plan into a set of export promotion projects. This would have been an essential task to make progress in export development.

Module 2: Capacity-building in four sectors

279. The expected output for training of business intermediaries and service providers (tiers 1) was only defined with a minimum workshop and participant target. No quantitative targets were set for the ITC-assisted training of enterprises by these intermediaries (tiers 2). The actual output was a mix of ITC training of intermediaries and direct enterprise training, with a big weight of the latter. The quantitative objective was to hold ‘at least 23 workshops (including ‘learning-by-doing’) either general or sector-specific, targeting around 575 participants’.²¹⁵ This quantitative objective is only met when the participants of the two media events in organic agriculture are counted. The comparison disregards that the project was to include tiers 2 training of enterprises.

280. The figures reveal that generic training was relatively important for meeting the quantitative target (accounting for almost 40%), half of which through market analysis seminars (around 100 participants in five workshops). The most intensive interventions on a company-level took place in garments and wood and furniture. The table on the next page summarizes.

²¹⁵ Project document, p. 13

Workshops and participants in Module 2

| Module 2 subcomponent | Output | Workshops | Participants in workshops ²¹⁶ | Intensive company intervention |
|-----------------------|--------|-----------|--|--------------------------------|
| Generic | 2.1 | 11 | 200 | - |
| Wood and furniture | 2.2 | 2 | 20 | 9 companies |
| Garments | 2.3 | 4 | 100 | 20 companies |
| Organic agriculture | 2.4 | 5 | 170 | - |
| IT | 2.5 | 1 | 35 | |
| Total module 2 | | 23 | 525 | 29 companies |

Note: the media events in organic agriculture have been excluded from this summary table

Module 3: Trade information portal

281. The expected output, a national export information portal was achieved although it started operating much later than originally expected. It was launched on 6 May 2009 at the Romexpo trade fair in Bucharest.

B. Outcomes

Module 1: National Export Strategy

282. The project has to be seen as a phase in a longer-term support by ITC of export development in Romania. This ITC support has put national export strategies, action plans, regional strategies, executive strategy direction (national and regional export councils) and monitoring on the map of Romania which is highly appreciated both by representatives of the public and private sectors. ITC's interventions have privileged support to the political process but have neither sufficiently led to good practice priority-setting and export potential assessment in industries nor to an operational translation of support into action. They have somewhat fallen short of introducing in Romania a sound public investment and policy reform process for export development and inducing a sufficient number of actual investments, policy changes and capacity-building efforts.

283. Concretely, the evaluated ITC project has been instrumental in creating two regional export strategies. Their action plans imply that "new tools" of export promotion like cluster building and incubation will become more frequent, export development services will be promoted more systematically, and public export promotion will have a strong regional leg in the future. An extension of this experience to the other regions of Romanian is moving forward. However the project has had little impact on a economically sound revision of the National Export Strategy, because of insufficiently intense capacity-building and ITC-internal inefficiencies in coordinating support. The introduction of monitoring of the NES action plan has not been overly effective because Romania still does not have an actionable pipeline of reforms and projects coming out of NES planning.

²¹⁶ The exact number of participants is difficult to assess. Some participants took part in different workshops, decreasing the number of unique participants. There is also a question whether people who partly attended a workshop or certain categories of participants should be counted (e.g. representatives of Ministry of SME, National Project Manager).

284. This being said, some instances of positive repercussions of NES planning and capacity-building could be observed by the evaluators. Several initiatives were attributed by our Romanian interlocutors to NES implementation. In the garments sector, fashion catalogues and magazines were produced. In the IT sector, a Romanian IT brand was created and promoted. GTZ observed that the NES “did give some orientation”, especially in the wine sector. Finally, a 2008 working paper by a PhD student, demonstrating the need of implementing an export strategy, replicated ITC’s methodology for trade competitiveness assessments.²¹⁷

285. We could not verify whether the export strategy process in the two regions has been instrumental in stimulating export initiatives. The National Institute of Statistics does not report export data at the regional level, neither does it make a distinction between exporting and non-exporting companies.²¹⁸ However we observed an increased awareness by Regional Development Agencies, the only governmental body at the regional level (see paragraph 8), to extend their role, especially in the area of monitoring and impact measurement. This view has been expressed by a participating as well as a non-participating ADR.

286. Finally, it is (of course) impossible to see any trace of the project and particularly of its NES development in trade statistics. From 2007 to 2008, Romania’s trade deficit increased as merchandise exports grew more moderately (by 18.6%) than imports (by 23%). The international economic downturn is probably the main factor explaining this movement.²¹⁹

Module 2: Capacity-building in four sectors

287. The exit strategy for module 2 expects that “by the end of the project [...] EDS providers assisted by the project will possess sufficient expertise to deliver services in the selected areas on a fully commercial basis.”²²⁰ This expected outcome of module 2 was very ambitious. Business organizations in the four priority sectors were expected to be in a position to help members in overcoming binding constraints to their trade competitiveness and be fully paid for these services. Even if the project had proceeded as planned, we do not think that the project budget and implementation period would have been sufficient to achieve this goal, given that none of the business organizations in these sectors had organized training and advice services to their members at the time of project initiation and that the potential group of private service providers willing and capable to specialize in export development was unknown.

288. With the changes in project scope — the passage from training of trainers to the training of mixed groups and then exclusive enterprise training — this original vision was given up. Yet no new vision and no new outputs were defined; specific training goals were identified very pragmatically, some sector assessments were made and in that way the “real demand” mainly of enterprises was identified. So what impact did these twenty-three training and on-site activities (plus needs’ assessments in the

²¹⁷ New determinants of Romania’s commercial policy in the context of European Union accession, Academy of Sciences, Faculty of International Business and Economics, www.biblioteca.ase.ro/downres.php?tc=11010

²¹⁸ <http://www.insse.ro>

²¹⁹ In fact, the same goes for the EU as a whole. Eurostat Newsrelease 187/2009, 18 December 2009: “The first estimate for the October 2009 extra-EU27 trade balance was a 3.8 billion Euro deficit, compared with a 18.3 billion deficit in October 2008”.

²²⁰ ITC Project Document, page 14.

organic farming and the wood processing and furniture sectors) have? The only specific indicator proposed in the logical framework was that the “availability, usage and quality of export development services demanded by companies [would] increase at least by 25%.”²²¹

289. This last question is impossible to answer: No baseline data on enterprise demand for services and willingness to pay thresholds are available. So only anecdotal evidence on outcomes, collected in stakeholder interviews, can be presented. Some of the consultants participating in *generic training* affirmed that they would consider expanding their service offering beyond EU Structural Fund assistance to companies. Two credit analysts from a bank participating in BMS workshops thought that they now were better able to assess business risks when deciding to provide credit to companies. Some participants in the standards’ workshop liked the ITC publications which were distributed and thought that they benefited them in their daily work. The market analysis workshops helped participants to understand trade trends, the development and characteristics of international markets. Data quality of TradeMap was improved, as usage during the seminars revealed some missing data. We could confirm that the quality of RTPC market analysis did improve as a result of exposure to the market analysis workshops.

290. Overall, the ITC intervention in *wood processing and furniture* was highly effective but, of course, concerned only a limited number of companies. Companies were made aware of the kaizen concept, which helps to improve production process efficiency and, through repeated company visits, learned how to design action plans for process improvements and procurement. The most successful company in this project, LARIX, reported that ITC’s intervention was at the origin of an 18 people personnel reduction, increased work productivity by 12%, and reduced scrap by 2.2%.²²² Another company, SC HAX, requested price-cost calculations from the ITC national consultant; this enabled this small company to improve its market offers.

291. Training in trade fair participation helped the *garments’ companies* to understand to which trade fair they should go and which not. The presence of the international expert at the trade fairs might have increased somewhat the number of new business contacts, as evidenced in the table below.²²³ Yet, we cannot find evidence that companies more intensively trained by ITC do show better business results (measured as growth in gross profits from 2006 to 2008) than companies that were not or less intensively trained. See Annex 5 for a more detailed discussion of these calculations made in the garment sector. Finally, garment companies are increasingly aware of requiring an effective association, particularly for sharing and learning about critical design and branding issues. A link between the University of Iași and the University of Manchester had already been established before the Iași Roundtable (paragraphs 231 and 232), but has been intensified thanks to it.

²²¹ ITC Project Document, page 21.

²²² Letter sent by the Director, dated 17 December 2007 to the Trade Promotion Directorate.

²²³ Export Promotion Directorate, ‘Sinteza eficientei participării României la acțiuni promotionale 2009’. Figures are for all companies. One month after the event, each subsidized company reports to the Directorate the number of business contacts, how many of them were new and how much of their exports could be attributed to the trade fair.

Comparison of trade fair results with or without international expert (per company)

| | Without international expert | With international expert |
|----------------------|------------------------------|---------------------------|
| <i>Prêt a Porter</i> | | |
| Dates | 31 Jan to 2 Feb 2009 | 4 to 7 Sep 2009 |
| New contacts | 7 | 11 |
| Increase in exports | € 55,500 | € 47,600 |
| <i>Zoom Fatex</i> | | |
| Date | 10 to 13 Feb 2009 | 15 to 18 Sep 2009 |
| New contacts | 19 | 37 |
| Increase in exports | € 180,000 | € 212,000 |

292. Only one workshop was held for *IT service providers* as the type of capacity-building planned in the project was not adapted to the sector's key needs. Yet, in the view of some participants the project intervention had an important eye opening effect alerting policy makers on the need for support and policies in a highly contested international market environment. IT sector representatives are now very active in the revision of the country's export strategy and it is probable that new policies in the sense of those mentioned in paragraph 262 will be decided.

293. Project activities in *organic agriculture* have led to a heightened awareness. Many interview partners, and especially the farmers we met, were interested in "going organic". ITC seminars prompted some participants to convert to organic or to open an organic production or processing line in their business. It contributed to the development of a weekly radio programme on organic agriculture aired by "Antena Satelor". ITC's inputs also increased networking among stakeholders. BioRomania, an association of currently eighteen members, was founded in the course of the project.²²⁴ Yet this new initiative appears also to have deepened the divide between organic producers, organized in BioTerra, and processors and traders, some of which are represented by BioRomania.

Module 3: Trade Information

294. As data for the first seven months of the portal's existence confirm, it is considered a precious source for export business: Overall there were 28,220 visitors, of which 10,950 are unique visitors. Since October the weekly number of unique visitors is above 500 and increasing. Users view on average seven pages per visit and navigate the site for five to six minutes. The site is predominantly viewed from Romanian computers (86%), but also from Spain, US and Moldova. The portal is usually found through search engines (57%) or users type in the URL directly (35%). The most favourite pages are those related to business opportunities (export offers).²²⁵ Because of this initial success, we expect the site to become a more operational tool for exporters and channel more individualized

²²⁴ <http://www.bio-romania.org/despre-noi/>

²²⁵ Google Analytics for www.portaldecomert.co, 6 May 2009 – 6 December 2009

proprietary information. We also expect that the conditions have improved for the portal to become a partnership of private and public export stakeholders.

C. Transversal themes

295. As mentioned already in paragraph 97, no project objectives were defined at design stage regarding gender balance, governance and environment. What evaluators can do in such a case is merely to make comments on possible positive and negative outcomes of the project in these three areas of concern. Some of these outcomes were intended, most were not.

Gender balance

296. It is part of the communist legacy of Romania that women appear to be less discriminated in the work place than in European countries without a socialist past. This at least is reflected in a European Union survey, which indicates that the perceived discrimination of women is well below the EU average: 32% of Romanian respondents felt that gender discrimination was widespread whereas in Italy and Spain more than half held this view (56% and 55% respectively).²²⁶ About half of the project's trainees were women, and women experts were dominant in textile design. In our meetings and the visit of Romanian regions we found quite a few female high-level managers in the private sector while our top-level counterparts in the public sector were often men. The project does not appear to have been instrumental in improving or worsening the gender balance. In a future project, potential gender issues should be integrated into stakeholder analysis and project feasibility and lead to specific project activities, if warranted.

Governance

297. Good governance is usually defined as public decision-making and management which respects the rule of law and democratic rights of citizens. A typical positive feature of the project was that it contributed both through the support to the national export strategy process and the creation of a national trade information portal to inclusive decision-making and the creation of important public goods. In the case of the trade information system, old pre-judgments kept the project from engaging in a more cooperative public-private partnership. This missed opportunity should now quickly lead to new cooperative efforts. In the capacity-building component ITC was not sufficiently aware of the importance of giving support to an improved governance of business intermediary institutions as a pre-condition for their strengthened service role in respect to their members. Maybe this was too big of a task, but then the project should have been designed differently.

Environment

298. As environmental (and social) standards are gaining in importance as a condition of market access, the project rightly included environmental standards in its capacity-building program both in organic agriculture and in wood processing and furniture. A stronger focus of the project on FSC labels, including forest owners and managers in capacity-building, would have been a good move as in

²²⁶ Discrimination in the EU, Special Eurobarometer 263, January 2007, ec.europa.eu/public_opinion/archives/ebs/ebs_263_en.pdf

private Romanian forests sustainable management is only at its beginnings. This might become a stumbling block for processed wood and furniture exports in the future. An accent on sustainable manufacturing methods (e.g. avoidance of toxic dyes) and eco-labels in the textile and garments industry would also have been opportune; it has been identified as a critical area by the NES. When we observed the support by an ITC consultant of wood processing and furniture enterprises in their process efficiency, we had some doubts on whether ITC includes, as it should, cleaner production methods in its teaching tools for business and export management.

Summary table: comparison of expected and actual outputs

| Module | Expected outputs | Actual outputs |
|--------|--|---|
| 1 | 1.1 – Monitoring Unit established and working | Monitoring Unit established and working |
| | 1.2 – National Export Strategy 2005-2009 revised | NES Action Plan revised in 2007 (without ITC intervention) Trade Competitiveness Assessment study completed and 4 export potential assessment workshops held |
| | 1.3 – 2 Regional Export Strategies prepared and implemented, regional management structures established | 2 Regional Export Strategies prepared, not yet under implementation, regional export councils not yet established |
| 2 | 2.1 – Generic capacity building Training of intermediaries (tiers 1): at least 23 workshops and 575 trainees. Includes training 2.2 to 2.5. No goals for company training (tiers 2) | 4 workshops held to train companies and intermediaries in business management (52 participants) 5 market analysis workshops held (around 100 participants) 1 workshop on standards and conformity assessment held (21 participants) 1 workshop on strategic multilateral treaties held, after distribution of ITC tool LegaCarta (28 participants) |
| | 2.2 – Wood and furniture sector | 1 workshop on supply chain management held (7 companies); 5 of them had improvement plans and were visited four times 1 awareness raising workshop on environmental norms held for 10 companies. 4 companies visited twice and informed about environmental norms, with focus on FSC and ISO 14001 |
| | 2.3 – Garments sector | 1 workshop on sourcing and design held (17 participants) 1 conference held on trends in fashion business (35 participants) 2 workshops on trade fair participation held (around 40 participants) 8 companies visited by quality management expert 12 companies helped in trade fair participation |
| | 2.4 – Organic agriculture sector | 1 awareness raising workshop on quality management for farmers and processors (32 participants) 1 congress held on organic agriculture exports (around 30 participants) 1 workshop held on how to establishing farming cooperatives with 45 ANCA consultants 2 awareness raising workshops held on relevant issues for organic operators (68 participants) 2 media events held (around 50 participants) |
| | 2.5 – IT services | 1 conference on IT cluster policies held (35 participations) |
| 3 | Trade information system and portal operating with private and public information providers | Portal operational under management of the Export Promotion Directorate, continuing inputs primarily from trade counsellors |

Summary table: examining outcomes

| Module | Actual outputs | Outcomes |
|--------|---|--|
| 1 | Monitoring Unit created and working | Monitoring is a weak tool because most activities of action plan are not well defined and therefore are not transformed into projects, reforms and capacity-building |
| 4 | TCA study completed and market analysis workshops conducted, NES action plan revised. | Is not leading to better justified selection of export industries and implementation measures of new NES because ITC tools are not used in revision. But the quality of market analysis reports made by RTPC has improved since the training sessions. Unintended outcome: Methodology of TCA study was used by a Romanian academic.in2008. |
| | Two regional export strategies created, but not yet implemented | Based on this pilot experience, the National Export Council decided to go ahead with other regions, now preparation underway for two regions. This will lead to regionalization of export promotion. The concept of clustering has been imparted to the regions. |
| 2 | Generic | 52 people certified as BMS Consultant; some of the participating consultants applied their new skills in their job and consider expanding their service offering to companies. Companies, on which the newly acquired skills were applied, benefited from free advice. A participating credit analyst was better able to assess business risks when providing credit to companies. |
| | Wood and furniture | Participating companies in the supply chain management training are more competitive. Examples: The most successful company in this project, Larix, reported that ITC's intervention reduced the personnel with 18 people, increased work productivity with 12%, and reduced scrap with 2.2%. ²²⁷ SC Hax could negotiate better deals through improved cost price calculations |
| | Garments | Garments companies established more business contacts at trade fair More networking among Romanian garments companies |
| | Organic agriculture | For the first time, organic producers were co-funded to visit BioFach, the most important organic trade fair. BioRomania founded. Intensified contact between Ministry of Agriculture and Ministry of Trade. Awareness raised |
| | IT services | Clustering is on the political agenda |
| 3 | Trade Info System established + running | Companies have better access to information on foreign tenders and business opportunities |

²²⁷ Letter sent by the Director of Larix, dated 17 December 2007

Chapter 7: Sustainability

299. A capacity-building project is sustainable if it leads directly — or as a major step followed by others — to domestic institutions which are now enabled to maintain and transfer the know-how which they acquired through the project. For each of the three project modules the ITC Project Document describes an “exit strategy”, which is the same idea expressed in different words.²²⁸ It describes what is expected to be left behind when the cooperation agency leaves the scene at the end of the project. Most of SECO’s operating principles which we mention in paragraph 96 are conditions to render a project sustainable. If project interventions are demand-driven, costs are shared between project parties, a maximum of local expertise is used, know-how is transferred to trainers, and the activities of other cooperation agencies are taken into account, the chances are good that the transfer of knowledge and practical expertise sticks and no further external cooperation is necessary for the same purpose.²²⁹

Module 1: National Export Strategy

300. This is a good example of sustainability. ITC has helped Romania — before, during and after the project which is being evaluated — to put in place export strategies and action plans at the national and regional level. This cycle of support is now almost complete with the final support to the National Export Strategy 2010 to 2014. ITC’s support has been sustainable and Romania does not require further support for example to complete the regional strategies. Yet not all of the possible and desirable technical know-how has been transferred. As we mentioned earlier, we consider the economic and sector analysis underlying both national and regional strategies as relatively weak and reform and project programming, based on the action plans, not well developed and managed. These are tasks where Romania, with or without outside help, will have to make further progress.

Module 2: Capacity-building in four sectors

301. The goal of creating a critical mass in four export sectors of high-quality advice and training for export development might have been overly ambitious, given the low budget of the project and the short time span of less than three years. An important condition for such a program to be sustainable was that at the end of the program enterprises would fully cover the training and advice costs of Romanian service providers. But these goals were almost immediately abandoned after the start of the project. What remained was a good and sometimes excellent training effort concerning about 575 Romanian business intermediaries, consultants, enterprise managers and staff, journalists, and experts from public agencies.

302. Only in part did this training, and some advice, concern critical constraints to higher-value and competitive exports; some of it was subsidized training in areas where the project substituted for domestic training institutions. While anecdotal evidence confirms some good impact and follow-up to this training impulse, the capacity-building module was clearly not sustainable. In our view, the main cause of this failure was an insufficient dialogue with Romanian counterpart institutions before the

²²⁸ ITC Project Document pages 12,14 and 15.

²²⁹ The only exception among the SECO directives is the “flexibility principle”. Very frankly, we don’t know what it means beyond the need to adapt to changes in the project environment, which is obvious. This is a concept which lends itself easily as an excuse for bad or insufficient planning when a project is prepared.

project. Without an agreed and feasible business plan which ensured that counterpart institutions would build up their training and advice capacity and that this effort would meet their members interest, this module should never have started. A next cooperation project will have to learn from these errors.

Module 3: Trade Information

303. The ITC project has been able to help in establishing a trade information portal which is now operational and for which there is considerable demand from export enterprises. The result of the technical assistance is sustainable at first sight. It is essentially funded by the public sector through the Directorate for Export Promotion's budget and through the foreign-based trade counsellors which are staff of the Ministry of Trade. A further development of the trade information site is necessary and its management has to be professionalised to facilitate the use of services by individual exporters. The foreign-based Romanian trade counsellors — most precious source of trade information and intelligence — will have to be given more demanding trade intelligence tasks and will have to be formed accordingly, if necessary. A more efficient trade information system will be difficult to accommodate in the budget of the Directorate. The payment of certain services by enterprise clients and an inclusion of private sector agencies in the management of the portal (including a partial merger of sites) will be enabling conditions for such an upgrading.

Romania's future trade development architecture

304. The ITC project has helped in reinforcing some key institutions which support Romania's enterprises in gaining access to external markets, mainly the Directorate of Export Promotion and the "machinery" for preparing and implementing national and regional export strategies. However, the project revealed that some of the pillars of such a construction are weak or have still to be built. For the architecture to become sustainable and efficient, the following tasks will have to be pursued: a) a role will have to found for RTPC, the former national export promotion agencies which today only has marginal tasks but a high cost for the Government; b) the corps of trade counsellors will have to be activated and professionalized; and, most importantly c) chambers of commerce and sector business associations will have to become efficient capacity-builders and advisors to their members, and will have to integrate the national trade information system.

Annex 1: Terms of Reference

Final External SECO Evaluation of the ITC Project “Sustainable Export Development in Romania”
(2006-2008)

UR-00100.05.12

Background information

The ITC implemented project “Sustainable Export Development In Romania” came to life in 2006 after a thorough Project Preparatory Phase, and was principally shaped by the priorities identified in the National Export Strategy, the findings of the in-depth assessment of supply gaps of business development services, the experience and achievements of the previous SECO ITC-implemented project, as well as continuous consultations by ITC with the Romanian stakeholders, both public and private, and donors.

The project was designed to contribute to Romania’s overall economic and human development through improving the international competitiveness of Romanian export-oriented companies.

The project was structured according to three main modules: 1) Support to the implementation of the National Export Strategy (NES); 2) Strengthening of export development service providers (EDS) and export-oriented companies in four priority sectors (IT, garments, wooden furniture and organic agriculture); and 3) Improving access to the coordinated trade information.

The project responded to the following principles: a) the project activities are demand-driven, meaning that they are based on identified demand; b) the activities are organized on cost-sharing basis, thus testing the demand and commitment of local partners; c) the project is flexible to allow revisions of activities according to demand; d) the project uses national expertise and works with a wide range of service providers based on demand and commitment, to favour replication and dissemination of acquired knowledge and skills in the country. These principles were integrated in the project approach at its design phase in order to ensure sustainability of the project impact and were respected throughout the entire project implementation.

Modules of the project

Under Module 1, the project supported the implementation and management of the National Export Strategy (NES), as well as contributed to the development of two regional strategies, and creation of NES management structures at regional level.

Under Module 2, the project contributed to building skills and capacities of export development service providers, as well as improving knowledge and competencies of exporting companies in four selected sectors to make them more competitive and export ready.

Under Module 3, the project established the Trade Information Portal and the Trade Information Network, contributing to better access to coordinated, relevant trade information for the benefit of Romanian exporters.

Implementing partner

The project was managed and monitored by ITC, namely the Office for Eastern Europe and Central Asia. The ITC technical sections and international experts provided technical inputs, and delivered activities (training, coaching, consultancy, etc.) in the country. At the field level, the Ministry for SMEs, Trade, and Business Environment of Romania (Directorate for Export Promotion) was the main project counterpart on the Government side. A National Project Manager, appointed and paid by the Government, coordinated activities in the field with ITC backstopping, reporting to ITC.

Purposes of the evaluation

SECO decided to conduct a final external evaluation with following purposes:

First purpose is related to “accountability”, i.e. assessment of results achieved, namely the outcomes of the project, the outputs and the return on investment for each module.

Second purpose is related to “the strategy of intervention”: what allowed the project achievements and what are the main conditions to replicate and disseminate such results in other regions/countries or in other sectors?

Third purpose is related to “enhancing sustainability of results” (“the long-term effects”): the evaluation will draw from the experience developed by the project to provide guidance to the parties – and in particular to the beneficiary countries – about the key conditions and suitable procedures for ensuring sustainability.

Scope and focus of the evaluation

5.1 Scope

The results of the evaluation will be used by SECO as a basis for further developing its strategies for trade promotion and for designing similar projects.

Furthermore, other parties will be invited to use the results of the evaluation as appropriate.

The evaluation will look at the implementation of all three modules.

To assess overall impact of the project, the evaluation should also look into the situation of implementation of NES and of EDS-providers and companies in a region and/or sector where the ITC-project was not active.

5.2 Evaluative Questions

The evaluation shall answer the following questions, and analyse all modules (some questions are only relevant to specific modules):

Relevance

- Was the project a relevant response to the need to strengthen Romania's exports in a sustainable manner?
Based on which criteria were the sectors and regions chosen?
- Were the regions concerned and the project partners, including sector representatives adequately consulted in the design of the project and throughout the project implementation?
- Were the criteria and the process of selection of project partners and beneficiaries adequate to ensure the achievement of the project objectives ?
- Was the assistance (inputs and methods/approaches) provided by the project relevant with regard to the needs of the regions and sectors concerned in terms of export promotion? In particular, relevance for the Romanian business community at large, and the enterprises involved in the project should be analysed.
- Is the approach also relevant for other sectors and regions?
- *Lessons learned*: What are the main factors of success that would allow the replication of the approach in other regions/countries?

Effectiveness

- Have the immediate objectives and outputs set in the project log frame been met (with regard to both quantitative and qualitative indicators)? If the achievements varied from the initially planned results, how significant was the difference?
- In the case when the planned results were not achieved, what were the
- weaknesses?
- Were adjustments made in the approach during implementation to overcome these weaknesses?
- *Lessons learned*: What are the most important factors of success, and respectively weaknesses that need to be considered for the replication of the approach/each module? What are the key conditions to guarantee the success of such a project in other markets/countries in transition?
- **Impact**: What impact (that can be assessed) has (already) materialized per sector and can be attributed to the project?

Efficiency

- Did the Investment provide the Value for money (Return on Investment - RoI) for each project Module (i.e. the assistance to the NES development and management of implementation (Module 1); support of the selected sectors (Module 2), and the creation of the Romanian Trade Information Network and Trade Information Portal (Module3))? Regarding Module 1, were there differences in the two regions covered by the project and, if yes, how those differences can be explained?
- Were the approaches chosen, in particular working on different levels (i.e. macro, meso and micro) efficient?
- How well has the articulation/synergy between the three modules been?

- How well has the articulation/synergy between the three levels been?
- How well has the project promoted the participation of stakeholders in the NES-process?
- Have the organisational structure and the project management and coordination mechanisms used by ITC been adequate to achieve the intended results?
- *Lessons learned:* Which elements of the project management are essential for the efficiency of the project and for the replication? Where the project principles (namely the cost sharing and flexibility) efficient in achieving the project objectives?

Sustainability

- What are the preconditions to assure that the sustainability among the different modules is achieved?
- How to maintain and further develop the positive effects produced by the project after the project completion?
- What is the respective role of the Government's counterparts and national project partners in ascertaining the sustainability of results?
- Did the project principles contribute to creating a proper environment for the project sustainability?

Annex 2a: List of persons met during field interview

Note: this list is a reproduction of the interview schedule and solely contains the most important people met during our field visit. It does not include persons with whom we had contact by phone or e-mail.

| Day | Start | End | Place | Description |
|------------|--------------|------------|------------------|---|
| 1 | 9:30 | 11:30 | Bucharest | Marius Dragos |
| 1 | 12:30 | 14:00 | Bucharest | Ministry, Trade Information Focal Point |
| 1 | 12:30 | 14:00 | Bucharest | RTPC |
| 1 | 12:30 | 14:00 | Bucharest | RTPC, principal expert (EPA workshop) |
| 1 | 12:30 | 14:00 | Bucharest | National Project Manager |
| 1 | 17:00 | 18:30 | Bucharest | ARIES |
| 2 | 9:00 | 10:00 | Bucharest | Chronos Art- Garment Company |
| 2 | 11:00 | 12:30 | Bucharest | National Chamber of Commerce and Industry of Romania |
| 2 | 13:15 | 14:00 | Bucharest | BMS consultants – IT |
| 2 | 15:00 | 17:00 | Bucharest | FEPAIUS |
| 2 | 17:30 | 19:00 | Bucharest | Chronos - IT Company |
| 3 | 9:30 | 11:30 | Bucharest | Conflux - Garment Company |
| 3 | 11:45 | 13:35 | Bucharest | General Director of Export Promotion Directorate, MEC |
| 4 | 12:00 | 14:00 | Bucharest | ANCA |
| 4 | 14:00 | 15:30 | Bucharest | SECO local office |
| 4 | 18:00 | 19:00 | Bucharest | GTZ |
| 5 | 9:00 | 10:00 | Bucharest | APMR = Wood Manufacture Association |
| 5 | 10:00 | 12:00 | Bucharest | Ministry of Industry (participants EPA workshop) |
| 5 | 13:00 | 15:00 | Bucharest | Romanian Society for Quality Assurance (SRAC) |
| Sat | | | Bucharest | IndagraFair – EcoMarket |
| 6 | 7:30 | 9:00 | Fundulea | FNAE |
| 6 | 11:30 | 13:00 | Calarasi | ADR South – Muntenia |
| 6 | 13:30 | 15:00 | Calarasi | OJCA Calarasi - Exc Director |
| 6 | 16:00 | | Gradistea/Albina | Agros srl |
| 7 | 7:00 | 9:00 | Borosneu Mic | SC Hax (WF company/SCM mgt) |
| 7 | 10:00 | 12:00 | Sf. Gheorghe | UNDP Business Incubator - Covimm Consulting |
| 7 | 13:00 | 15:00 | Brasov | BMS consultant – furniture |
| 7 | 15:30 | 17:30 | Brasov | Losan Romania SRL |
| 7 | | | Sf. Georghe | Covasna county |
| | | | Sf. Georghe | SME Association Covasna (COVIMM) |
| | | | Sf. Georghe | Covasna CCI (WF workshop in Sf. Georghe) |
| | | | Sf. Georghe | UNDP Business Incubator IT |
| 8 | 8:00 | 9:00 | Luna de Sus | Bioterra |
| 8 | 10:00 | 12:00 | Cluj | Cluj CCI |

| Day | Start | End | Place | Description |
|------------|--------------|------------|---------------|---|
| 8 | | | Cluj | Former Cluj CCI / BMS training |
| 8 | 13:00 | 15:00 | Cluj | ADR North West |
| 8 | 16:00 | 17:30 | Cluj | Cluj school of Art and Design. |
| 8 | | | Cluj | Business Foundation Consult |
| 9 | 9:30 | 11:30 | Iasi | University of Iasi |
| 9 | | | Iasi | Casa Nanette |
| 9 | 15:30 | 17:30 | Bacau | CCI Bacau - CCI not involved in NES support |
| 10 | | | Organic Forum | MADR |
| 10 | | | Organic Forum | BioRomania |
| 10 | | | Organic Forum | FiBL |
| 10 | | | Organic Forum | Eco Ruralis |
| 11 | 9:30 | 11:30 | Bucharest | INDACO - IT company that created the portal |
| 11 | 14:00 | 16:00 | Bucharest | Swiss Embassy/SECO local office |
| 11 | 18:00 | 20:00 | Bucharest | Alfons van Duyvenbode |
| 12 | 10:00 | 15:00 | Bucharest | Ministry - Impact measurement unit |
| 12 | 10:00 | 15:00 | Bucharest | Diana Sturz (Organic agriculture) |
| 12 | 18:00 | 20:00 | Bucharest | Claudia Carillon |

Annex 2b: List of persons at SECO and ITC

ITC:

Elena Boutrimova, Chief, Office for Eastern Europe and Central Asia
Sabina Timco, Associate Trade Promotion Adviser, Office for Eastern Europe & Central Asia
Andreea Cios, National Project Manager, Sustainable Export Development in Romania
Anton Said, Senior Officer on National Export Strategy
Mihaela Sirbu, National Consultant on National Export Strategy
Helen Lassen, Market Analysis and Research
Paul Kelly, Senior Trade Information Officer, Trade Information Services
Alfons van Duijvenbode, ITC consultant (implementation of module 3)

SECO:

Irenka Krone-Germann, Programme Manager
Thomas Stauffer, (former) Deputy Country Director, Swiss Cooperation Office Romania
Marinela Ivan, Programme Director, Embassy of Switzerland (Romania)

Annex 3: Activities under module 2

Generic training

| Activity | When | Nr of workshops | Nr of participants | Target group |
|-------------------------------------|-----------|-----------------|--|--|
| BMS training | 2007 | 4 | Brasov: 28, Cluj: 24 | Companies, consultants, employees |
| Market analysis | 2006-2009 | 5 | Bucharest (2006): 27 Bacau (2007): 18 Timisoara (2008): 18 Baia Mara (2008): 15 Timisoara (2009): ? <u>On average: 20</u> | -RTPC, CCIs, other ‘multipliers’ -CCIs, professional associations -CCIs, companies, students -CCI, companies, consultants |
| Standards and conformity assessment | 2007 | 1 | 20 | -SRAC, consultants, companies, primarily in electronics sector. |
| Strategic multilateral treaties | 2006 | 1 | 28 | -Ministries, RTPC, CCIs |
| Total | | 11 | Around 200 | |

Sector- specific training

| Sector | Nr of activities | Description and nr of participants | Target group |
|---------------------|------------------|--|---|
| Wooden furniture | 4 | Intensive intervention after an initial workshop, in total 10 companies | Companies |
| Garments | 9 | -Competitive sourcing and design: 17 participants (2007) -Effective participation in trade fairs (2 workshops, 2008 and 2009) -Iași Roundtable (2008) -ITC international expert on quality management: 8 companies -ITC international expert on trade fair participation: 12 companies under intensive intervention -Designer DVD competition (kick off activity, 2009) | Companies ²³⁰ |
| IT | 1 | IT clustering event: 35 | Ministries, IT companies |
| Organic agriculture | 7 | -Quality management and packaging (2007): 32 -Congress on best practices (2008): 32 -2 Media events (2008, 2009) -Establishing and monitoring organic farming cooperatives (Slobozia, 2008): 45 -Management of production, marketing, and production norms & certification (Calarasi, 2008): 31 -Organic food processing and marketing: 37 | -Companies -Companies, academics, etc ²³¹ -Journalists, academics -ANCA consultants -Companies (producers and processors) -Companies (processors and traders) |
| Total | 21 | | |

²³⁰ Iași Roundtable also involved University of Iași, the Ministry of Education and Ministry of Trade

²³¹ Farmers, farm-processors, organic processing companies, entrepreneurs planning to become organic, academia, organic farmers cooperative, agriculture training centres, organic certification bodies

Annex 4: Outcome of value chain analysis for the garments sector in National Export Strategy 2005-2009²³²

| No. crt. | Critical success factors | Sector Performance (H, M, L) | Cause of gap | Strategic options |
|----------|---------------------------|------------------------------|---|---|
| 1 | Price | M | <ul style="list-style-type: none"> - High utilities (natural gas, electrical energy, water) and taxes and income taxes (customs, buildings, personal terrains) - Deficient internal and external logistics (storing, transportation, documentations – draft, projects, soft) | <ul style="list-style-type: none"> - Advocacy for reduced taxation - Coordination of storing and transportation services - Introduction of CAD for simplifying the documentation - Training for customs personnel |
| 2 | Complete services package | L | <ul style="list-style-type: none"> - uncertain supply sources - uncompetitive packaging uncorrelated with the demands, exigencies and culture of customers, market - Lack of cooperation between producers and services suppliers. | <ul style="list-style-type: none"> - organization of supplying centers with raw materials and accessories linked to processing centers - training of the personnel in the packaging industry - identification of some competitive raw materials sources; - Investments in technological equipment |
| 3 | Design | L | <ul style="list-style-type: none"> - priority concentration on draws and industrial models supplied by the beneficiary - deficient conception/ creation | <ul style="list-style-type: none"> - program of collaboration with research-development of specialty institution for innovation transfer in the field - creation of a national fashion centre |
| 4 | Ecological label | L | <ul style="list-style-type: none"> - incomplete information on legislation and requirements to obtain ecological label - ecological criteria for the products certification not fulfilled - No labs for the certification of products | <ul style="list-style-type: none"> - Information campaign on legislation requirements to obtain eco labels - Design a system for the ecological & quality control of national raw material and finished products |

²³² Reproduced from the National Export Strategy 2005-2009, see also www.dce.gov.ro/sne/Textile_cloting_and_leather.htm

Annex 5: Value for money in the garments sector

The *Terms of reference* called for an analysis of the value for money or return for each of the three modules, to be expressed in monetary terms. In our proposal, we declared that we would do what is possible to measure. We encountered some difficulties. In this project, the benefit track record is very short or no outcomes are measurable. The portal was launched in May 2009 and the regional export strategies are not under implementation. For the second project component, it was impossible to find a precise baseline at the beginning of project involvement. In addition, it is not feasible to attribute export success of a country to the capacity building of the project, as most assistance was performed at the company-level. Besides that, there might be four or five other factors involved in explaining an enterprise's positive results.

As an alternative we attempted to compare the effect of 'intensive' ITC capacity building versus less or no ITC capacity building on companies in the *garments' sector*. This choice is determined by the relative large number of garments companies (compared to the other three sectors) that were involved in the project.

We used the following *methodology*. Company export data is not available. Instead, we take gross profit as a proxy of export performance. All companies under ITC assistance are export-oriented and a major share of their profits should therefore come from exports. We assume that gross profit as accounting figure reflects economic reality in the concerned year. We recognize that ITC's interventions could translate in higher profits (from exports) after 2008. Companies that took part in the workshops and/or received advice from the ITC experts are considered companies that received capacity-building from ITC. Companies which were only interviewed and/or companies that attended the Iasi forum are companies that received less or no capacity building. Included in the analysis are companies for which a fiscal code could be retrieved and data for 2006 and 2008 was available. We compare growth in profits from 2006 to 2008 of companies that received capacity building with companies that did not or less intensive capacity building (counterfactual).

Results: Gross profit of companies that received intensive capacity building from ITC grew more between 2006 and 2008 than companies that without or less intensive capacity building, as shown by the table below

Growth in profits 2006 – 2008

| | Category (n) | Gross profit 2006 (lei) | Gross profit 2008 (lei) | Growth in gross profits |
|---|--------------|----------------------------|----------------------------|----------------------------|
| Companies with CB | SMEs (15) | 5,473,457 | 2,985,571 | -45% |
| | Total (21) | 16,276,208 | 40,260,935 | 147% |
| Companies without/less intensive CB (counterfactual) | SMEs (13) | 3,008,985 | 3,360,618 | 12% |
| | Total (14) | 3,281,656 | 3,423,534 | 4% |

Source: Author's calculation, fiscal figures and employment data from Ministry of Finance; company names provided by ITC

This result is driven by profits from the large companies, notably Iasitex (from 3 to 24 million lei) and Euroconf (from 2 to 11 million lei). If we only look at SMEs, defined as less than 250 employees, SMEs that received assistance saw a decrease in their profits from 2006 to 2008 (-45%) while SMEs without or less intensive assistance saw an increase in profits (+12%). This points to other factors being present in explaining the export performance in SMEs. In the case of large companies, a similar assumption has to be made. It is impossible to explain such a strong increase in exports, which is probably related to increased competitiveness in the destination markets, to having followed on average two ITC workshops. A reversed causality is probable. The companies interested in following ITC training (among the big companies) were the ones aware of the importance of the topics and therefore probably better managed than other big companies.

The results show that ITC's assistance was not solely targeting SMEs. In fact, assistance ranged from a starting designers couple²³³ to a multi-million dollar apparel manufacturing businesses with over 1,200 employees. ITC projects are mainly focused on SMEs. However, in the context of an export development project you may need to target SMEs as well as large firms. In the garments industry you might need such a large business in order to compete worldwide. Large firms might already have several collections that they can market at trade fairs. Larger firms also provide a basis for smaller firms to supply inputs or services to these firms. Project design should openly address this question and not pretend to work with small companies when the obvious target group are dynamic mid-size and big companies and lead exporters.

²³³ Art & Business. Not included in the analysis, as no gross profit for 2006 was posted.