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# OPPORTUNITY OF ADVANCE FOR EU CANDIDATE COUNTRIES: SAPARD AS A LEARNING PROGRAMME

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## SUMMARY

The preparation for EU accession requires significant efforts of both candidate countries and member states. SAPARD is one of the programs whose aim is to facilitate this process in one of the most difficult fields, agriculture and rural development, supporting them in learning EU standards, the ways of their applications and adaptation in order to obtain subsidies. There are significant differences between EU member states and candidate countries, and even among the latter, which means that there is a lot to be done in order to conform to EU requirements.

The present paper focuses on finding coherences and deviations among the ten EU candidate countries in the light of their SAPARD Plans. Two different types of investigations were made: firstly, a principal component analysis was carried out using the distribution of the SAPARD support to all candidate countries; and secondly, a SWOT analysis of one of the significant measures, "The improvement of the processing and marketing of agricultural and fishery products", was carried out.

In the course of the preparation for EU accession one of the main requirements is that the candidate countries must close up to EU standards in the agricultural sector. However, the creation of a sustainable and profitable agriculture and the increase in the number of saleable products are difficult if marketing elements are lacking.

EU market access by new products is impossible without subsidies. In addition, the general objectives and resources related to marketing as laid down in the SAPARD Plans are insufficient. National supports are required along with new organisations capable of helping the creation of an entire marketing chain between the producers and the costumers.

In connection with the numerous problems mentioned above it is important to note that most of them will cease after EU accession. The significance of SAPARD is a learning program is that it helps the countries to reflect on where problems arise and of what kind they are. Furthermore, it will help to study how the EU application system works and indicate which items of market development deserve more support and attention.

## INTRODUCTION

The political change in the nineties had unfavourable effects on agriculture

in several EU candidate countries. These countries have been unable to cope with the decline during the previous decade, and production has reduced significantly.

However, this is also true of all the other sectors of economy.

Although the decline slowed down during the second part of the previous decade, the unfavourable trends in relative export prices could have been counterbalanced by an increase in the efficiency of the agricultural sector through which, however, has not taken place.

Also the slowing of the whole economy was caused by the reduction in export demand, but domestic demand is expected to partly counterbalance the latter. A renewed strengthening of export demand should allow the economy to return to a higher rate of the growth.

According to these facts, one of the main keys for the development in these countries is to try to increase the trade but in order to fulfil the demand the products must meet higher added property.

In order to achieve this, the European Union has provided new kinds of support for these countries awaiting their EU accession in order to accelerate their development and, moreover, to reduce the gap between EU standards and theirs in many fields. One of these kinds of support is the SAPARD programme.

#### ABOUT THE SAPARD PROGRAMME

The SAPARD programme (Special Accession Programme for Agricultural and Rural Development) established for ten EU candidate countries includes additional financial resources and also non-refundable financial support. It is available for the period of 2000 to 2006, or till the date of EU access if it happens earlier, in which case. However, it will surely be certainly transformed into another support having the same objectives.

SAPARD has two main objectives:

- on the one hand, it will help to adopt the *acquis communautaire*, and
- on the other hand, it will help the countries in question to create a sustainable and profitable agriculture, and to increase the viability of their rural areas.

This programme provides additional financial resources and also a non-refundable financial support, whereas besides the 75% EU aid any country has to contribute 25% as a national public funding. However, the most important circumstance is that this is the first time when the authorities of the ten EU candidate countries are entitled to distribute an EU aid among the beneficiaries adhering to strict EU regulations. Namely, the creation of these SAPARD Plans means the establishment of a system of distribution conforming to EU rules including monitoring, setting up new Authorities, adopting new laws, and determining the stages of the competition systems, etc. All these measures were part of incredibly hard work mainly because nothing like this had been done by these countries so far. All the same, after a long procedure of negotiations the ten SAPARD Plans were accepted by EU, which however meant only the first step of a long procedure.

It is important to know that SAPARD is a perfect learning program, part of a long and difficult learning process, where one of the milestones is EU accession, since if a country could well fulfil the entire SAPARD programme, it were be capable of becoming an EU member state instantly.

The European Union defined 15 (as listed below) to select from. The candidate countries were entitled to select from them the measures they preferred.

1. Investments in agricultural holdings (farms).

2. Improvement of the processing and marketing of agricultural and fishery products.
3. Improvement of the structures of quality, veterinary, and plant health control for the sake of the protection of food quality and customers.
4. Agricultural production methods serving for the protection of the environment and maintenance of the countryside.
5. Development and diversification of economic activities providing for multiple activities and alternative incomes.
6. Creation of farm relief and farm management services.
7. Establishment of producers' groups.
8. Renovation and development of villages, protection and conservation of rural heritage.
9. Amelioration and land consolidation.
10. Establishment and updating of land register.
11. Improvement of vocational training.
12. Development and improvement of rural infrastructure.
13. Agricultural water resources management.
14. Forestry including afforestation of agricultural areas, investment in forest holdings owned by private forest owners, and processing & marketing of forestry products.
15. Technical assistance in respect of implementing the above measures, including the preparation of the programme, its monitoring, information and publicity campaigns.

The countries waiting for their EU accession selected the measures listed in Table 1, according to which they distributed the financial support:

Table 1.

## Distribution of the total SAPARD support (%)

No. of measures	Number of countries having selected the given measure	Poland	Romania	Bulgaria	Hungary*	Lithuania	Latvia	Slovakia	Czech Republic	Estonia	Slovenia
1.	10	17.3	14.5	30.4	28.4	47.0	23.1	27.2	15.8	42.0	34.6
2.	10	37.4	16.3	23.2	20.5	21.0	25.9	25.8	16.3	18.2	39.6
3.	2		2.6						8.8		
4.	9	1.9	2.5	2.4	4.2	1.0	4.6	3.5	2.9	1.5	
5.	10	11.3	9.6	6.2	15.5	8.0	23.6	15.0	15.8	17.7	13.6
6.	0										
7.	4		1.6	0.9	7.3			4.5			
8.	4			7.7	9.0				10.4	3.6	
9.	3						1.9	9.7	19.7		
10.	0										
11.	8	2.1	5.2	4.3	1.8	1.8	3.9	1.9	2.1		
12.	9	27.3	27.9	5.6	11.9	15.5	12.0		5.2	12.3	9.6
13.	2		2.8	5.4							
14.	6		10.1	8.1		3.7	3.0	7.4		1.3	
15.	10	2.7	6.9	5.8	1.4	2	2	5	3	3.4	2.6
Number of measures selected, by a country		7	11	11	9	8	9	9	10	8	5
Amount of aid to be distributed **		168 683	150 636	52 124	38 054	29 829	22 063	21 848	18 289	12 137	6 337

\* Originally Hungary had selected 9 measures in her Plan but the program started with only three of them (measures 1, 2, 12) at the end of 2002

\*\* Million euros, 1999th rates

Source: Comparison of the SAPARD Plans

The measures selected by a country depended on its economic situation. A detailed analysis of this, however, is not the objective of the present study.

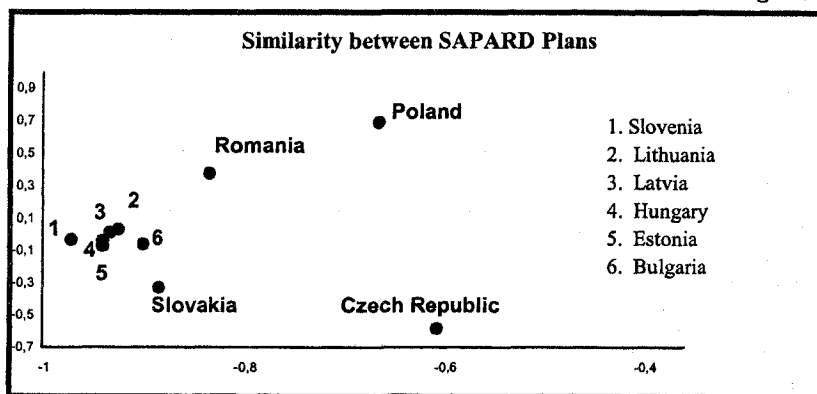
However, even from these data, i. e. without any detailed research, some conclusions can be drawn, e. g. that there are great differences between countries in respect of the number and fields of measures selected, as well as of the amounts to be allocated. It is also remarkable that each country uniformly selected the measures 1, 2, 5 (plus 15 whose selection was compulsory), which means that these fields are most important and of common interest. Moreover, the first two seem most significant, since more than 50% of the total amount was distributed in their framework. Surprisingly neither of the countries selected two of them, Nos. 6 and 10, although it is well known that the problems they involve have not yet been solved. But it is important to mention that other support opportunities, such as PHARE and home aids, are used to solve these problems; this is why these are missing among the selected measures.

Only a few observations and can be made in addition to the above, but in this case, the above table was used as the original database for a statistical program.

## GROUPING

In the first research carried out using a statistical programme called MINITAB, the similarities between countries were investigated. For this sake a principal component analysis was carried out, which was based on the order of the amounts allocated to the countries for the selected measures, and according to which the programme sub-divided the countries according to their principal components. Thus, countries having close principal components have a greater correlation to each other according to the measures they have selected. As for the similarity of the countries, it can be seen that the programme has created a figure, where the ordinates indicated the scales based on the data and the priority of the principal components of the two measures having greatest influence (1 and 2.). These two measures are the most significant ones, not only because the great amounts allocated for them and the fact that they were selected by every country, but because the differences between the countries are greatly based on their priority.

Figure 1.<sup>1</sup>



Source: Based on own calculations

<sup>1</sup> The observation variations were the ten countries and the observation units were the percentage of the selected measures

Six countries out of ten, Bulgaria, Estonia, Latvia, Lithuania, Hungary and Slovenia, clearly constituted a separate group, which indicates that there is a strong correlation between them in respect of the number of measures selected. The rest, Slovakia, Poland, Romania and the Czech Republic exhibit a minor coherence, which is based on the fact that they have used different priorities.

### DIFFERENT PRIORITIES

The completion of the SAPARD Plans was a serious challenge for all candidate countries, because it was not very easy to find the balance between the limited amount of money and the serious problems to be solved prior to the accession. This is the reason why the countries had two choices: either to select a great number of measures in order to try to solve all the problems simultaneously, or to focus only on the biggest ones and to concentrate more money in respect of them.

According to their Plans the countries can be separated on the basis of similarity, which clearly indicates which the biggest problems are.

Seeing that these Plans were completed by the countries themselves, and it was also up to them which measures they selected, Figure 1 clearly indicates which countries have the same problems and opinion about the tasks connected with their solution. These problems/measures are:

- Investments in agricultural holdings (farms).
- Improvement of the processing and marketing of agricultural and fishery products.
- Development and diversification of economic activities providing for

multiple activities and alternative incomes.

But the research also showed the fact that the order of them, i. e. the priorities are different. It can also be seen that the members of the "group of six" distributed more money to these measures than the "rest".

### OTHER DIMENSIONS

In the second research one of the two significant measures was investigated more thoroughly by means of carrying out a SWOT analysis in order to see whether there are also other differences between the "group of six" and the "rest".

For this purpose measure 2, "Improvement of the processing and marketing of agricultural and fishery products", was selected. Firstly, it is more suitable for a comparison due to the fact that it affects the processing of the products to a greater extent than the other. Secondly, this measure, it may rather favour the EU candidate countries and afford them possibility of access into the EU market.

Moreover, as it has been mentioned earlier, the political change in the early nineties had unfavourable effects on agriculture in these countries and, although the decline slowed down in the meantime, there are still numerous fundamental problems that need to be solved and many fields where improvement is essential.

Thus, one of these countries' opportunities to attain some development consists in trying to increase their trade and to get access on the EU market with products representing much more added value. In order to achieve this goal, a sustainable and profitable agriculture has to be created, the number of marketable products has to be increased, and also

more elements of marketing have to be used; this was another reason why this measure was selected for the second research.

The results of the SWOT analysis of this measure are listed below. It is noticeable that the list includes common statements (strengths, weaknesses, opportunities, and threats), some of which are only characteristic for a single country (in which case the name of the country is indicated as well).

#### *Strengths*

- The market position of enterprises and related farmers will improve;
- The confidence and safety of the consumers will increase;
- The structure of employment will change in rural regions;
- The sectors of production and their structure will be reorganised;
- The development of the market will occur parallel to product advice, new markets will be created, new organisations of logistics will be established (Estonia);
- The parameters of packaging will improve in respect of both quality and expedience, the coming of eco-products on the market will increase the consumers' demands for them, which will direct economy towards profitable agricultural production (Romania).

#### *Weaknesses:*

- Technology is outdated;
- Very few enterprises meet EU requirements to hygiene, food safety, quality and environmental standards;
- There is a lack of capital;
- The efficiency of labour is low (Czech Republic, Romania);
- Productivity is low (Slovakia);
- Substantial investments are missing; the marketing chain between produc-

ers and costumers is fragmented (Bulgaria).

#### *Opportunities:*

- The number of plants meeting EU requirements to food safety, hygiene, environmental protection, animal welfare will increase;
- The safety and quality of food products will improve;
- The pollution of the environment will decrease;
- New technologies related to environmental protection will be promoted;
- Processing plants will improve and their efficiency will increase;
- Presentation and packing will improve;
- Management and marketing will be optimised (Slovenia);
- The number of products with a higher added value will increase (Hungary, Czech Republic);
- The market position will become stronger, effective marketing strategies will be elaborated the cooperation of marketing organisations will be supported (Czech Republic);
- *Slovakia:* low productivity;
- Market prognoses will come into being, the entire marketing network will be reorganised and rationalised (Romania);
- New marketing networks market and price speculations will be established, methods promoting product selection and forecasting changes in the market will be implemented (Bulgaria).

#### *Threats:*

- There may be a lack of incentives along the food chain;
- Production capacities are not exploited;
- Only large specialised farms and associated smaller farms will organise producers' groups;

- There are mainly small and medium-sized farms (Hungary, Baltic countries);
- The origin of the products is unknown in many cases (Poland).

Strengths and opportunities were identified as a possibility provided by the SAPARD Plans. The list shows in which fields these countries want to improve. On the other hand, weaknesses and threats depend basically on to the macro-economic situation of these countries indicating that problems in these fields must be solved before their EU accession.

### MARKETING TOOLS

After the above SWOT analysis it could be stated that presentation and packaging constitute only opportunities provided by the SAPARD Plans in respect of macro-economy. Moreover, in case of most countries packaging is the only possible tool of marketing, thus being identical with it!

But there are much deeper reasons for the lack of real marketing elements are missing; namely, it is a general phenomenon in EU candidate countries that very few enterprises meet EU requirements to hygiene, food safety, quality, and environmental standards. Moreover, the lack of capital prevents them from undertaking investment projects necessary for the sake of EU integration. Sectorial restructuring is also needed in order to adhere to sanitary and veterinary requirements without increasing the relevant capacities.

In some sectors the situation has improved but at the same time the structural reorganisation has not taken place, mainly in small and medium-sized farms where the lack of capital hinders investments.

Food industry has a great importance for the economy of these countries due to its volume of production and share in employment, both of which exceed the EU-15 level. This is the reason why there is such a close correlation between food processing and farm modernisation. The food processing plants, which are mainly interested in receiving great uniform lots of raw material meeting the required quality standards, may impose conditions on farmers in respect of the improvement of the quality of that raw material, thus stimulating the modernisation of farms. This condition may be fulfilled only in the case of lots delivered by large specialised farms and smaller farms associated in producer's groups.

In addition, the present marketing system in the field of agricultural products mainly deals in particular with horticultural products, characteristic of which are a fragmented marketing chain between the producers and the consumers and the lack of adequate market structures and information resulting in false market behaviour and price structure.

Consequently, the main reason for the lack of marketing elements is that there are deep and basic problems in the agricultural sector, which must be solved firstly and urgently: this is the reason why, for the time being, real marketing strategies are missing. This means that in the first step, substantial investments are needed for facilitating the products of these counties to meet EU requirements to quality and hygiene, and additional marketing elements can be used subsequently in the second step.

*Additionally, provided that several marketing tools will be used only later, in the first step these countries have to improve both the level and quality of packaging in order to meet EU standards, which means that packaging has*



*to include all elements of optimal protection, and not only marketing elements. Besides packaging, there is a number of other marketing elements that are missing from the Plans, such as public marketing, and also 4P (product, price, promotion, place) ought to be present, but only at the second step, after the solution of the basic sectorial problems of agriculture.*

However, observing every Plan thoroughly, among the specific objectives small steps, small “marketing marks” can be detected, which indicates that some countries have the desire to make the second step at the same time.

Furthermore, the comparison of the results of the principal component analysis and the SWOT analysis shows that individual elements are rather characteristic of the “rest”: these countries would

like to use more of them than the “group of six”.

Thus, in respect of one of the measures the same results can be seen; in respect of another measure there is a difference between the countries; and, though the similarities may be strong, differences can be clearly detected.

This means that, once again, the members of the “group” focus rather on the common basic tasks and use similar instruments, whereas the “rest” try to find different ways and new areas, and in some cases also new measures. This is the reason why there are differences between the Plans in general, and not only because there are differences between the countries themselves. Why, the Plans were compiled from mainly similar components but some countries were using more of them.

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## FEJLESZTÉSI LEHETŐSÉGEK A CSATLAKOZNI KÍVÁNÓ ORSZÁGOK SZÁMÁRA – SAPARD MINT TANULÓPROGRAM

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Az uniós csatlakozásra történő felkészülés komoly erőfeszítéseket kíván mind a jelölt, mind pedig a tagországok részéről. A SAPARD egyike azon programoknak, amelyek célja, hogy ezen folyamathoz segítséget nyújtsanak, támogatást biztosítva az egyik legelmaradottabb terület, az agrárgazdaság és vidékfejlesztés számára oly módon, hogy tanulási lehetőséget biztosítanak az Unió pályázati és támogatási előírásainak adaptálásához. Jelentős eltérések mutatkoznak az Unió és a jelölt országok, sőt az egyes csatlakozni kívánó országok között is, ami komoly feladatot ró minden résztvevőre az uniós előírásoknak való megfeleléskor.

Ezen tanulmány vizsgálatainak középpontjában a csatlakozni kívánó országok közötti hasonlóságok és különbségek állnak, a SAPARD terv tükrében. Kutatásunk során két különböző vizsgálatot végeztünk: elsőként a jelölt országok SAPARD támogatási összeg felhasználásának adatait a főkomponens-analízis módszerének segítségével elemeztük, majd a Mezőgazdasági és halászati termékek feldolgozásának és marketingjének javítása c. intézkedés alapján SWOT analízist készítettünk.

Az uniós tagságra való felkészülés egyik fontos kritériuma a csatlakozásra váró országok számára az uniós előírásokhoz való közelítés az agrárszektorban. Azonban létrehozni egy fenntartható és versenyképes agrárgazdaságot, növelni az eladható termékek körét, mindez marketing-eszközök alkalmazása nélkül nehéz feladatnak bizonyul.

Az EU piacára új termékekkel történő belépéshez a támogatások nélkülözhetetlenek. Ugyanakkor a pénzügyi források mellett a SAPARD Tervekben szereplő, a marketinghez kapcsolódó általános célok és eszközök is kevésnek bizonyulnak. Azonban a lehető legjobb eredmény eléréséhez a SAPARD támogatás önmagában nem elegendő, nemzeti támogatásokra és új szerveződésekre van szükség, amelyek segítségével kialakítható a piaci értékesítési lánc a termelők és a fogyasztók között.

A számos megemlített problémával kapcsolatban fontos elmondanunk, hogy legfőbbjük a csatlakozással egy időben megszüntethető. A SAPARD Programnak mint tanulóprogramnak a jelentősége éppen abban áll, hogy segítse ezeket az országokat annak feltárásában, hogy hol és milyen problémákkal kell szembenézniük saját gazdaságukon belül, továbbá hogy segítse megtanulni az uniós pályázati rendszer működését, rávilágítva arra, hogy a piacfejlesztés mely pontjait kell támogatni.