

Romania: Timisoara Wholesale Market

Ex post evaluation

OECD sector	33120/Trade facilitation	
BMZ project ID	2003 40 463	
Project executing agency	Municipal authority of Timisoara	
Consultant	BCFM Development GmbH in cooperation with BGS Ingenieurconsult International	
Year of ex-post evaluation report	2010 (sample 2010)	
	Project appraisal (planned)	Ex-post evaluation (actual)
Start of implementation	January 2004	January 2004
Period of implementation	34 months	34 months
Investment costs	EUR 3.67 million	EUR 3.70 million
Counterpart contribution	EUR 1.1 million	EUR 1.14 million
Financing, of which Financial Cooperation (FC) funds	EUR 2.56 million	EUR 2.56 million
Other institutions/donors involved	--	--
Performance rating	2	
• Relevance	2	
• Effectiveness	2	
• Efficiency	3	
• Overarching developmental impacts	2	
• Sustainability	2	

Brief description, overall objective and project objectives with indicators

The project intended to construct a wholesale market, including outbuildings, rehabilitate an existing market (Josefin Market) and convert this into a retail-only market. The project objective was to ensure all-year-round, efficient trade in fruit and vegetables under hygienic conditions. In the process, marketing systems in Romania were to be brought into line with EU standards. The overall objective of the project was to make a contribution to setting up a competitive marketing system for fruit and vegetables. This was to provide a major impetus a) to securing income and employment for farming enterprises in the region, b) to expanding private trade (= additional marketing opportunities) and c) to raising the quantity and quality of fruit and vegetables supply to the urban population. No indicators were assigned to the overall objective at project appraisal.

The target group of the project were producers, dealers and consumers of fruit and vegetables in the city of Timisoara in the county of Timis and in more remote rural regions of Romania. The separation of wholesale and retail trade was intended to enable direct marketers to benefit from higher prices on retail markets and wholesalers,

including large buyers, to profit from the concentration of wholesale trade at one location.

Project design/major deviations from original planning and main causes

Finance was provided for the construction of the wholesale covered market, including outbuildings, and loading ramps for lorries. Altogether, the project installed 22 wholesaler trader boxes each measuring 60 m², 1 box measuring 120 m², 2 cold-storage rooms, approx. 60 allotments for wholesale traders as well as 29 open producer allotments. Moreover, additional space was already planned for a possible expansion of the market in the event of adequate demand and catered for in the infrastructure layout. Despite already high demand, the expansion has not been carried out till now, because the municipal authority is not yet in full possession of the property. Furthermore, the initial partitioning of the wholesale market was did not correspond with demand. The floorspace demand for wholesale traders exceeded expectations, while that of the producers fell short. In the course of implementation, the allotment of space was adapted to actual demand.

The originally coplanned rehabilitation of the Josefin Market was not carried out as part of the project. The reasons for this were the protracted legal dispute over the acquisition of the property to which the Josefin Market was to be relocated and the nationwide rise in building costs. These also increased the costs for the construction of the wholesale market, whose layout was also larger than originally planned. The rehabilitation of the Josefin Market will now be conducted by the municipal authority itself as soon as the property is available.

Key results of impact analysis and performance rating

The project objective was to ensure all-year-round efficient trade in fruit and vegetables via the wholesale market under hygienic conditions. In 2009 (3 years after start-up), (1) turnover amounted to double the target thanks to fee revenue, (2) the ratio of operating costs (including taxes) to income amounted to about 43%, below that for the similar market in Bucharest (about 50%), (3) the maintenance costs could be covered by income and (4) capacity utilisation of the wholesaler boxes was 100% (target 90%). The target capacity utilisation for the producer allotments could not be met initially (target: 75% of open space and 80% of covered space in season). After the reduction of the producer allotments, their capacity utilisation came to about 45%. (5) The public health authority has not registered any complaints so far in its monthly hygiene inspections and (6) all payment obligations by the operator to the municipal authority have been met to date. (7) The market operator (Piele S.A. with all 11 markets) earned a net profit. The selected targets and indicators are warranted by today's criteria. They aim at sustainable operation and use of the market. Apart from the stimulus for agriculture and the low capacity utilisation of the producer allotments in the wholesale market, the anticipated results were achieved at project objective level.

The project has contributed to improved organisation at local level and to urban planning development. Women and men benefit equally from the measure. Poor people derive indirect benefit from lower consumer prices. The substantial commitment of the municipal authority merits a positive assessment as does the income from the wholesale market, which has increased local tax revenue. The original assessment of only a limited need for environmental measures was inappropriate in hindsight as infrastructure projects are generally considered to entail substantial environmental risks. Relevant measures were, however, envisaged in the project, including the disposal of organic refuse by the municipal utility, the preparation of an impact

assessment report on the safe conversion of the property into a building plot, assurance and regular monitoring by the market management of the sole use of ecological refrigerating cells and connection to the public sewerage system.

Relevance: The postulated results chains are plausible. With a view to developing well-ordered marketing capacities and strengthening local responsibility for wholesale trading activities and compliance with EU standards, a modern wholesale system is of developmental relevance also in hindsight and contributes in the short and medium term to greater marketing transparency and to lower transaction costs. An orderly marketing setup is also needed for the sale of imported products, as facilitated by the wholesale market. Little benefit has been gained by small local producers, who have taken only sporadic advantage of the wholesale market. A substantial increase in discount markets is also expected, which would result in keener competition for the wholesale market. The project is consistent with overall developmental priorities, as the promotion of marketing capacities was a major component of the national development plan and German-Romanian development cooperation was strategically geared to preparing for or facilitating EU accession. Cooperation with TC provided substantive support for the FC project. The TC measures included support in setting up producer associations, training for market operator personnel or support for the marketing and operating strategy of the wholesale market (Rating: 2).

Effectiveness: The wholesale market has made a distinct contribution to ensuring efficient trade in fruit and vegetables under hygienic conditions in Timisoara. Handling has increased as has the quality of products sold on the market and wholesale trade is concentrated in the wholesale market. A positive impetus has also been given to urban development, such as the lower traffic volume on roads in the city centre due to the relocation of wholesale trade, including the large lorries on the outskirts, and the construction of a building for the Josefin Market and the concurrent rehabilitation of the road in front of the market, which was previously impassable due to marketing activities. The project objective was largely met. A minor deficit is the rehabilitation of Josefin Market, which has not been carried out so far and is the main marketing location for smaller producers, whose needs are not met by the wholesale market. (Rating: 2).

Efficiency: Although total costs have increased compared with the feasibility study, specific investment costs are on a par with the reference market in Bucharest. The rents charged exceed the regional average, willingness to pay is high on the part of the wholesale traders and the market is used to full capacity. The operating concept of the wholesale market is designed for flexibility and part of the operating costs is borne by the traders. Return on investment is slightly below the anticipated figures at project appraisal, but can still rate as adequate. On the negative side, Josefin Market has still not been rehabilitated during project implementation as provided for at project appraisal (Rating: 3).

Overarching developmental impacts: The overall objective was achieved. The marketing structures for fruit and vegetables are now better regulated, i.e. there is a clear separation of wholesale and retail trade and the concentration of wholesalers on the wholesale market contributes to improving competition and, with that, to better quality and lower prices. The developmentally relevant stimulus to income and employment for producers in the region was in part achieved, since producer prices have risen nationwide and scale of enterprise has increased slightly. The hoped-for enlargement of enterprises through producer mergers has not taken place. Altogether, trade has been promoted, as evidenced by the high demand for wholesaler allotments on the wholesale market but also the increased number of retailers at Josefin Market.

Also, the quantitative and qualitative supply of fruit and vegetables to the population has improved, partly attributable to European imported products. Poor people derive indirect benefit from lower consumer prices. Small producers on town markets will benefit in the long term from the separation of the wholesale and retail trade. Moreover, the project has made a contribution to orderly urban development in the city (Rating: 2).

Sustainability: Since the market company finances appear stable, market operation is presumably assured over the long term. At present, rents are comparatively high, due to the keen demand, but after the planned expansion of the market rentals obtained by auction should decline again. We therefore still consider the expansion of the market to be necessary today to ensure adequate operations in the long term and maintain the advantages of a geographical concentration of wholesale trade. Since the closure of an unhygienic market, the wholesale market has good economic prospects for the future. The adverse conditions for the wholesale market in Bucharest, due in particular to keen competition from black markets, lack of political support and unfavourable lending conditions, ultimately culminating in the insolvency of the operator, do not apply for Timisoara (Rating: 2).

In all, we assess the developmental efficacy of the project as good (Rating: 2).

General conclusions

Improved marketing capacities need not necessarily contribute to increasing agricultural production; they can even have adverse effects on the local production due to increased competition from abroad (e.g. if neighbouring countries grant higher agricultural subsidies). Since, however, marketing capacities play a role when agricultural production increases, in projects for promoting marketing capacity we recommend providing for appropriate measures (such as support for niche products) that directly enhance growth in agricultural production in the surrounding area.

Policy commitment by the government has a large influence on project success or failure and should therefore be accounted for in project design. The commitment of the municipal authority has been helpful in project development, but the blockade at national level could cause delays in market expansion and hence pose risks for sustainable project success, as it could in part re-undermine the regulated marketing arrangements, market transparency and supervision, e.g. hygienic conditions, through renewed marketing competition.

Notes on the methods used to evaluate project success (project rating)

Projects are evaluated on a six-point scale, the criteria being relevance, effectiveness (outcome), “overarching developmental impact” and efficiency. The ratings are also used to arrive at a final assessment of a project’s overall developmental efficacy. The scale is as follows:

- 1 Very good rating that clearly exceeds expectations
- 2 Good rating fully in line with expectations and without any significant shortcomings
- 3 Satisfactory rating – project falls short of expectations but the positive results dominate
- 4 Unsatisfactory rating – significantly below expectations, with negative results dominating despite discernible positive results
- 5 Clearly inadequate rating – despite some positive partial results the negative results clearly dominate
- 6 The project has no positive results or the situation has actually deteriorated

A rating of 1 to 3 is a positive assessment and indicates a successful project while a rating of 4 to 6 is a negative assessment and indicates a project which has no sufficiently positive results.

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability)

The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability)

The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected.)

Sustainability level 3 (satisfactory sustainability)

The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability)

The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and an improvement is very unlikely. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The overall rating on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. A rating of 1 to 3 indicates a “successful” project while a rating of 4 to 6 indicates an “unsuccessful” project. In using (with a project-specific weighting) the five key factors to form an overall rating, it should be noted that a project can generally only be considered developmentally “successful” if the achievement of the project objective (“effectiveness”), the impact on the overall objective (“overarching developmental impact”) and the sustainability are considered at least “satisfactory” (rating 3).