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THE IMPACT OF RURAL DEVELOPMENT PROGRAM ON AGRICULTURE AND BUSINESS/RURAL DEVELOPMENT IN LITHUANIA AND ROMANIA: A MIRROR SITUATION

ABSTRACT

The paper makes an analysis of the business and rural development in the two countries investigating the level of fund absorption from the rural development program mainly from Axis 1 and axis3. To compare the two axes we used a set of socio-economic indicators which were used in order to compare the measures belonging of these axes. The paper uses comparative analysis to asses the level of fund absorption for each measure compared in Romania and Lithuania. The results highlight the need and support for structural change and rural diversification. The conclusion suggests that for a better improvement of fund using there is a need for a better balance between different measures within the axis when projects are submitted and contracted, more facilities in terms of eligibility criteria and more information and awareness among farmers and local administration, improved access to credit.

Key words: business and rural development, fund absorption.

JEL Classification: Q 14.

1. INTRODUCTION

The purpose of this paper is to identify the stage of the rural development program at its mid-term implementation in the two countries, in terms of services improvement and business development in rural areas, and it suggests guidelines for improvement based on the current problems (weaknesses and constraints). It mainly focuses on Axis 1 and Axis 3, more exactly on those measures belonging to the two axes that overlap both in Lithuania and in Romania. In this regard, a set of indicators are presented in order to reflect the current situation following the half implementation of the RDP which in turn may allow for a better allocation and intensification of the rest of the RDP funds in the two countries. The paper is organized as follows: section 1 presents the main motivation of this paper and the research questions, section 2 gives a review of literature in the field and develops on methodology, section 3 gives a comparison between the two countries in terms of agricultural and business development in the rural areas based on a set of

indicators and makes a review of the rural development program in the two countries and section 4 concludes and suggests further improvement in the implementation of the program. The motivation in choosing these two axes was determined by the fact that the measures undertaken so far in the two countries fall into these axes and they are also representative for the future agricultural and rural development of the countries.

Research questions:

1) to what extent the projects submitted by type of measures dedicated to agriculture, rural services improvement and business development reached the optimum level of absorption at the moment?

2) to what extent the level of the entrepreneurial activity in the two countries has increased following the implementation of the program (axis 1 and axis 3).

3) to what extent the level of off-farm diversification in the two countries has increased.

Romanian and Lithuanian agriculture and rural development were exposed to the challenges of EU market integration.

2. LITERATURE REVIEW AND METHODOLOGY

Romanian and Lithuanian agriculture and rural development were exposed to the challenges of EU market integration.

Issues related to agricultural and rural development are vastly debated and there is a large literature dealing with these aspects. Nevertheless, the comparison of countries regarding the impact of rural development program on agriculture and business/rural development in Lithuania and Romania is still a subject of interest for researchers and stakeholders in both countries.

In this regard, Krisciukaitiene *et al.* (2010) reviewed the implementation of rural development programs in Lithuania and Scotland in the context of derived rural development priorities and existing key challenges for agriculture and rural areas and made a comparison of the socio-economic indicators, strengths and weaknesses of the RDPs in the both countries. The analysis of comparative indicators reveals that funding is more favorable for Lithuania with the exception of total public expenditure per farm for Axis 1. Also, the comparison of the agricultural sectors and rural areas in Lithuania and Scotland shows the expected differences in structural, economic and technological development level, focusing on the importance of structural change in agriculture and rural areas in Lithuania following RDP implementation. Kairyte and Meyers (2010) developed a set of indicators that capture the local territorial differences in social and economic well-being in Lithuania.

The indicators were developed with a view to better targeting EU funded rural and regional development measures to the areas lagging behind. These indicators were meant to measure social well-being, business and investment and agriculture

performance and potential in different municipalities. The authors were able to classify the municipalities according to a combined rural development index in severely lagging, lagging, intermediate, promising and leading with respect to the RDP implementation. In Romania's case, Mateoc-Sirb *et al.* (2009) presents an analysis which depicts the indicators of economic development at regional level for a better allocation of rural development funds. The authors suggest several variants for the delimitation of development regions that should respect, to a certain extent, the NUTS criteria established by the European Union while taking into consideration the historical regions of Romania, and enable the design and implementation of regional development policy according to the specific conditions of each region.

Nikula and Grandberg (2004) give a comprehensive and deep analysis of fundamental social change and the necessary ingredients for the rural entrepreneurship including tourism, while Stanukunas *et al.* make an analysis and present the trends of the Lithuanian Agricultural policy. Tourism and rural development opportunities are analyzed by Armaitiene *et al.* (2006), who present case studies on the rural development needs and give a number of solutions to sustainable development in Lithuania. The authors conclude that the sustainability of costal habitats significantly depends on the sustainability of the human activity patterns. Lepadatu and Iurchevici (2009) assert that the sustainable development represents a modality of economic efficiency growth and increases the competitiveness of Romanian agricultural households. Their paper presents aspects of sustainable development in the agricultural sector and proposes a system of indicators on monitoring the impact on the farm activities with regard to environment.

Cretu *et al.* (2009) present the results of a project with regard to the development of agricultural spirit by leadership, whose aim was to increase the managerial capacities of the target group in the field of business development. Borlovan *et al.* (2010) make an analysis of the role of public administration in rural development through the European Funds, drawing attention on the most important measures where rural development can play a key role, either as promoter or support actions (information, partnership) to obtain additional funding from other programs such as Sectoral Operational Programs.

In this paper we have tried to use a specific set of indicators based on a comparative study between rural development program in Romania and Lithuania in order to compare the two program priorities mainly under axis I and III. Similar approaches were used by Lowe *et al.* (2002) who investigated the possibility to relocate a proportion of farmers' direct payments towards the Second Pillar of the CAP in the UK and France according to their national agricultural agenda and rural priorities.

In order to compare the two rural development programs we used case study methodology including a set of indicators specific for each axis of the program. Due to space limitation and the level and priorities of each rural development program, including the level of overlapping, we shall mainly focus on axes 1 and 3.

In addition to this, a comparison between general agricultural characteristics of the two countries is made. The main indicators we will examine are meant to describe the agricultural situation in Romania and Lithuania and the business development in the two countries. Axes 1 and 3 of the rural development program will be reviewed using comparative analysis. Following this review, the paper highlights the differences in the program priorities, the level of funds absorption so far and the challenges ahead until the end of the rural development program in the two investigated countries.

The main indicators characterizing the agricultural situation in Romania and Lithuania will mainly focus on average farm size, holdings as percent of agricultural land and percent of agricultural employment. The indicators characterizing the business development will reflect mainly an average of the new business creation, investments per capita. As far as Axis 1 and Axis 3 are concerned, we shall mainly focus on those measures which are common for the two counties, trying to see the allocation committed so far, the number of applicants and the percentage of money already paid from the allocation committed for 2007–2013. In relation to this, the main differences between the measures implemented in two countries under the investigated axis will be revealed, and further steps may be undertaken in order to improve the efficiency of the rural development program implementation.

3. COMPARATIVE ANALYSIS AND THE MAIN FINDINGS

Agriculture and rural area still play an important role in the Romanian and Lithuanian economies. In Romania, the gross value added in GDP represented 6.6% in 2009, while in Lithuania it was lower, accounting for 3.8% in 2008. The percentage of the population employed in agriculture in Romania represents 27.6% while in Lithuania it accounts for 15.8%. Although these indicators are much higher in both countries in comparison with the EU, the importance of the primary sector in the two countries is under decline. Essential structural change took place in Lithuania, where the share of rural population employed in agriculture decreased by more than half in the period 2004–2008, to reach 24.3% in 2008 (Krisciukaitiene, 2010).

The value of agricultural production in Romania features very high volatility and is very much dependent on weather conditions. In 2009, the share of crop production represented was 60.3% while the livestock production 39.6%. Production stabilization might be obtained by increasing the number of the new technologies used in agriculture and by increasing the percentage of animal breeding. In the other case, favorable natural conditions, feedstuffs, traditions and experience in animal breeding, dairy and meat production allow Lithuania to lay the foundations for the development of stockbreeding. Animal breeding sector is the main branch

of Lithuanian agriculture, dominated by milk and meat production, and it represents 49 pct (2004) (in 2008 cattle breeding accounted for 43.5%) in total agricultural production on all farms, whereas the crop production is regarded as a supplementary production (Lithuanian Rural Development Program, June 2010).

Table 1
Indicators characterizing the agricultural situation in Romania and Lithuania, 2008

Romania					**Lithuania**				
Average farm size ha		**Managed land as % of total agricultural land**		**Agricultural employment %**	**Average farm size ha**		**Managed land as % of total agricultural land**		**Agricultural employment %**
Individual	Legal entities	Individual	Legal entities	National level	Individual	Legal entities	Individual	Legal entities	National level
2.3	270.5	65%	35%	27.6	12	580	45%	55%	15.8%

Source: Calculations based on Farm Structure Survey 2007 and Lithuanian RDP and first provisional results of Lithuanian Agricultural Census 2010.

The individual farm size in Romania represents 2.3 ha, while for legal entities it is 270.5 ha. The national average farm size is 3.5 ha. At national level, 65% of land is managed by individual farmers and 35% of land is managed by legal entities. This low average hides the disparity between the agricultural holdings as regards their size, and a dual or bipolar distribution can be noticed. Almost 80% of the utilized agricultural area (UAA) is divided almost equally between two categories: a very large group (80% of total holdings), consisting of low-sized farms, under 5 ha and a very small group of holdings over 50 ha of size (13.830, which operate 40% of UAA). The remaining 20% of UAA is operated by an intermediary segment, represented by holdings of 5 to 50 ha, which is lower compared to other EU countries and this segment needs to be developed. In Romania, the total number of farms is 4.1 million, while in Lithuania it is 2.5 million. Even though in the last few years the average farm size in Lithuania increased (2003 – 10.4 ha, 2005 – 11.1 ha, 2006 – 12.4 ha, 2008 – 15.48 ha), the small semi-subsistence farms still prevail in the sector, which account for two-thirds of total farms, with an average size up to 5 ha. In fact, the small semi-subsistence farms produce about 45% of agricultural produce. However, their incomes, due to small production volumes, low quality of products, are insufficient for upgrading the farming methods, for accumulating a sufficient amount of capital to be used for the modernization of farms (Lithuanian Rural Development Program, June 2010). In Lithuania, the farms over 100 ha account for 2%, managing up to 40% of total UAA.

Over the past few years, pluriactivity of farmers and farming households has been increasing and more than one third of EU–27 family farmers (36.4%) carry out another gainful activity at present. Although these are mainly small farmers

looking for complementary income, they may also be animated by a genuine entrepreneur's will, and set up diversification activities on their own farm, an option currently implemented on 12% of EU–27 holdings (European Commission, 2008).

Table 2 presents the level of non-agricultural activities carried out by households both in Romania and Lithuania. In Romania's case, 37% of agricultural households carry out non-agricultural activities: the entrepreneurship degree of individual households is much higher, *i.e.* 37%, and it is only 30% in the case of legal entities.

Table 2
Non-agricultural activities carried out by individual and legal entities

Households that carry out non-agricultural activities	Individual	Legal	Total
Number of households –Romania	1598600	5526	1604126
% of total number –national level	37%	30%	37%
Number of households – Lithuania	44580	66090	110670
% of total number – national level	19.3%	28.7%	48%

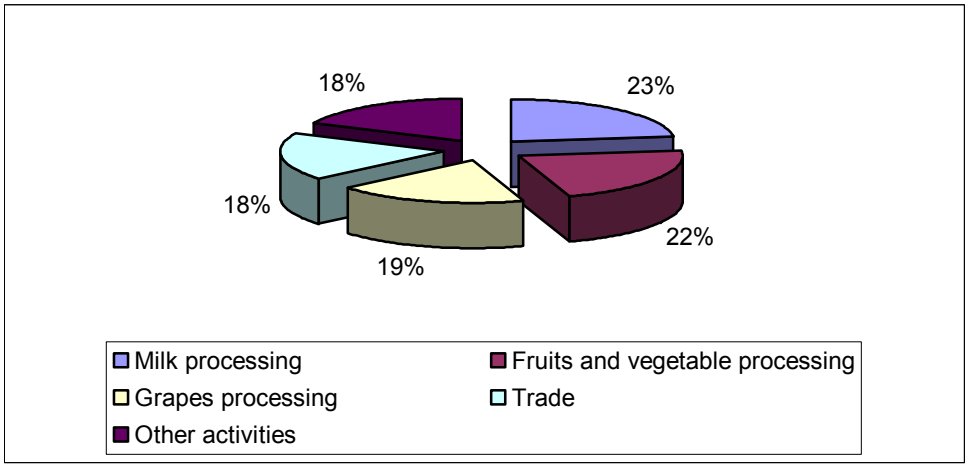
Source: Eurostat, Farm Structure Survey 2007, Romanian National Institute for Statistics.

With only 12% of EU–27 holdings carrying out a gainful activity outside agriculture in 2005, farm diversification is not so common. The share of farms with a diversification activity ranges from 1% in Lithuania to 29% in Finland (European Commission, 2008). However, in 2007, the Farm Structure Survey in Lithuania showed that the number of individual farms increased to 19.3% (Table 2).

An interesting consideration, which is partially in contrast with the definition of subsistence given by Todaro (2006), is that the Romanian subsistence food production is not limited to staple crops or nutritious food, but is also relevant for complex food products such as wine and spirits, cheese and cured meat. This particular area in subsistence agriculture is household food processing, where households manufacture their own products, through bioprocesses that have a certain level of technology and technical knowledge. In fact, this kind of household can be considered as a form of "subsistence food firm", having a larger interference with the food production market, since the members of the family coming from urban area also prefer to obtain these products from relatives rather than from retailers (Bleahu, 2002).

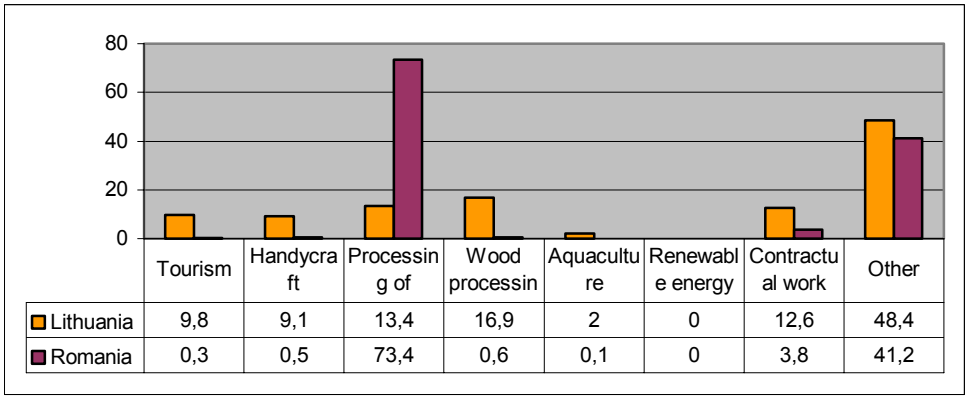
At Romanian national level, milk processing is the main non-agricultural activity (23%), followed by fruit and vegetables processing (22%), grapes processing 19%, trade 18%, and other activities (Figure 1).

Nevertheless, when looking at a larger picture, processing of agricultural products is the most widespread diversification activity in Romania followed by other non agricultural activities; in 2005, in Lithuania, other non-agricultural activities ranks first 41.7%, followed by wood processing 16.9%, processing of agricultural products 13.4%, tourism and handicraft with 9.8% and respectively 9.1%. One may also notice a better diversification and a larger entrepreneurial spirit among Lithuanian farms in comparison with the Romanian ones (Figure 2).



Source: Farm Structure Survey, 2007.

Figure 1. Non-agricultural activities carried out at national level in Romania.



	Tourism	Handycraft	Processing of	Wood processin	Aquaculture	Renewable energy	Contractual work	Other
Lithuania	9,8	9,1	13,4	16,9	2	0	12,6	48,4
Romania	0,3	0,5	73,4	0,6	0,1	0	3,8	41,2

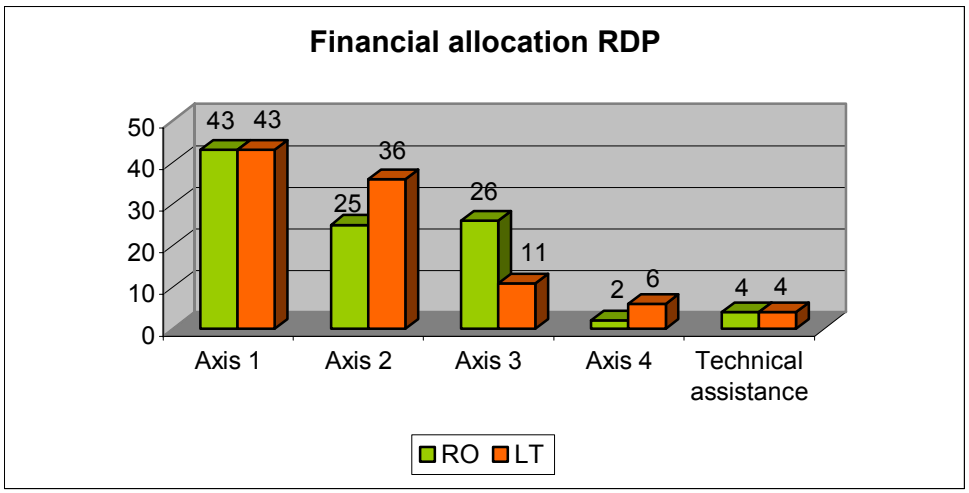
Source: Eurostat, Farm Structure Survey, 2005.

Figure 2. Diversification activities in Romania and Lithuania.

4. REVIEW OF AXIS 1 AND AXIS 3 OF RDP IN ROMANIA AND LITHUANIA

The agricultural sector in both countries holds an important part in the economy. The food industry in Lithuania already experienced export increases. In Lithuania, the sector is also favored by low land and labor costs, as well as good natural conditions for the dairy and livestock sector. Nevertheless, similarly to the Romanian situation, there is poor agricultural infrastructure, weak farm structures, very fragmented land ownership and low investments in new technology. In this

regard, the RDP objectives in both countries are to improve the competitiveness of the agricultural and forestry sector, to improve the environment, the countryside and the quality of life in rural areas and encourage diversification of economic activity. In order to achieve these goals both countries dedicated 43% of RDP funds for Axis1, yet the percentage is different in the case of Axis 2 and Axis 3 (Figure 3), in the sense that Lithuania allocated more money for Axis 2 while Romania allocated more money for Axis 3. This means that Romania gives more importance to wider rural development in terms of financial allocation of RDP, while Lithuania gives more importance to axis 2, environment, organic farming support scheme and natural handicap payments. This might be also in line with the level of agriculture development, level of biodiversity, population and income disparities in the two compared countries.



Source: Rural Development Program for Lithuania and Romania, 2007–2013.

Figure 3. RDP budget allocation in Romania and Lithuania.

As regards Axis 1, both Romania and Lithuania opened the largest number of measures, 6 measures respectively (measure 112, 121, 123, 125, 141 and 142). We would like to highlight that actually Lithuania has not yet opened measure 142 "Setting up producers' groups". This measure was considered prospect less in Lithuanian case, and it was held that the money for this measure would not be assimilated. Such point of view is related to the results of many researches on farmers' cooperation, which showed that Lithuanian farmers did not trust collective work and were prone to do on their own or with their family members. Nevertheless, in Romania's case, for the number of projects submitted under measure 142 "Setting up producers' groups" there were only 9 applications submitted and out of these only 3 contracts were signed, representing less than 1% of the allocation committed for this measure (Table 3).

It seems that association is still a very difficult issue among Romanian farmers related to past experience. The total allocation for Axis 1 represents 4.024 mil. euro for Romania and 973.3 mil euro for Lithuania. Lithuania records an excellent absorption of funds for setting up young farmers, *i.e.* 82%. On the contrary, Romania absorbed only 11% of the financial allocation for this measure.

Table 3

Applications submitted, contracts signed and % of financial absorption by measures, Axis 1

	No. of application gathered 2007–2013 LT	**No. of applications submitted and selected) RO**	**No of contract signed 2007–2010 LT**	**No of contract signed 2007–2010 RO**	**The amount of allocation paid 2007–2010 LT**	**The amount of allocation paid 2007–2010 RO**	**% of money paid from allocation committed for 2007–2013 LT**	**% of money paid from allocation committed for 2007–2013 RO**
AX 1	13543	11446	49659	10148	314772983	1125251733	32%	28%
112	2357	2809	1489	1758	55538100.7	37105035	82%	11%
121	5953	1591	7204	1524	175943644	528301601	42%	52%
123	102	784	62	717	22443684.5	513658386	14%	47%
125	148		129		10419422.8		18%	0%
141	975	6262	5320	6146	6391786.96	46095000	21%	10%
142	9			3		91711		0.07%

Source: Calculations based on data from the Paying Agency in Romania and Lithuania.

Table 3 also reveals that until July 2010, in Romania there were no projects submitted under measure 125 "Improving and developing infrastructure related to the development and adaptation of agriculture and forestry" although the Water Users' Association should have used this opportunity and apply for improving the irrigation system, while in Lithuania there were 129 contracts signed and 18% of money absorbed for this measure. As regards measure 141 "semi-subsistence farms" we can notice that semi-subsistence farms in Lithuania are more active in comparison with the Romanian ones in terms of financial uptake. Measures 121 and 123 were very successful in Romania in terms of financial uptake, with 52% and 47% respectively of money absorbed. However, one can notice that only 1524 of contracts were signed under measure 121 while in Lithuania there were 7204 contracts.

That means that only a smaller number of farmers in Romania were modernizing their agricultural households but they were using a larger percentage of money (either by buying expensive technology or by making very large investments), which leads to the conclusion that this situation is quite disproportionate because it does not reach the mass of farms. Contrary to this situation, we may say that in Lithuania the allocation of money for measure 121 is better balanced among a larger number of farms. For measure 123" Adding value to agricultural and forestry products" the financial uptake looks higher in Romania's case and also the number of contracts signed is higher. This measure could contribute to increasing the value added of agricultural produce.

Table 4 presents the number of applications and the contracts signed including the percentage of financial absorption until July 2010 under Axis 3, in both countries. The total allocation for Axis 3 represents 2.473 mil euro for Romania and 257.3 mil euro for Lithuania. Table 4 reveals that Romania has a much higher absorption of funds for this axis. So far, Romania absorbed 42% of funds of this axis, while Lithuania only 1%. The highest proportion of financial uptake in Romania, *i.e.* 56%, is under measure 322 "Village renewal and development, improvement of basic services for the economy and rural population, conservation and upgrading the rural heritage".

In Lithuania, although there were 357 applications submitted to the Receiving Committee under measure 322 until July 2010, no contract was signed and thus no financial uptake so far. The support for the creation and development of micro-enterprises under measure 312 is also quite high in Romania, respectively 19% and only 1% in Lithuania. This might be a little bit contrary to the results found in the Lithuanian farm structure survey where the Lithuanian entrepreneurial spirit appeared quite diversified towards tourism, handicraft, and wood processing and so on.

Table 4

Applications submitted, contracts signed and % of financial absorption by measures, Axis 3

	Nr of application gathered 2007–2013 LT	**No of applications submitted 2010 (received and selected) RO**	**Number of contracts signed 2007–2010 LT**	**Number of contracts signed 2007–2010 RO**	**The amount of allocation paid 2007–2010 LT**	**The amount of allocation paid 2007–2010 RO**	**% of already paid money from allocation committed for 2007–2013 LT**	**% of already paid money from allocation committed for 2007–2013 RO**
AX 3	1016	2124	173	1310	2889606.41	1036862517	1%	42%
312	360	904	64	529	911233.781	73690791	1%	19%
313	250	634	105	454	1850082.83	80379883	3%	15%
322	357	586	0	327	0	882791843	0%	56%

Source: Calculations based on data from the Paying Agency in Romania and Lithuania.

Table 5 presents a comparison between the total public expenditure per axis in Romania and Lithuania. The indicators show similar amounts for Axis1, Axis 2 and Axis 3 but a little bit more favorable for Lithuania. In addition, for Axis 4, the total public expenditures in Lithuania are 5.16 higher. It must be also specified that in Romania there are 3.8 mil individual households which are not eligible for subsidies, which otherwise will significantly diminish this indicator.

Table 5

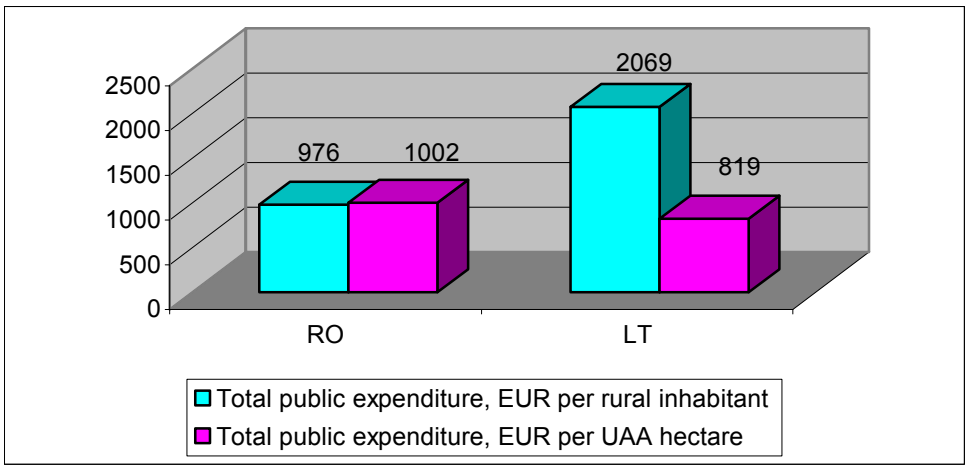
RDP 2007–2013 total public expenditure per unit in Lithuania and Romania

	Indicator	**RO**	**LT**
Axis 1	Total public expenditure, EUR per eligible farm	3610	3848
Axis 2	Total public expenditure, EUR per UAA hectare	247	326
Axis 3	Total public expenditure, EUR per rural inhabitant	256	233
Axis 4	Total public expenditure, EUR per rural inhabitant	24	124

Source: Based on RDP in Lithuania and Romania

In total public expenditure, the funding per rural inhabitant is much higher in Lithuania, about two times higher. This might be explained by the fact that in Romania the rural population represents 45% of the population, *i.e.* about 9.4 mil inhabitants, compared to 1.1 mil inhabitants in Lithuania. At the same time the financial allocation for Axis 3 in Romania balances the amount for this indicator.

The total public expenditure per UAA hectare is a little bit higher in Romania, *i.e.* by 22% higher, but when looking at rural population the indicator is higher in the case of Lithuania (Figure 4). As regards the diversification level and the number of new jobs created in Romania, it is expected that about 175 000 new jobs will be created mainly in the processing sector and the creation of new micro-enterprises, which can lead to an improvement of income diversification and business development by carrying out non-agricultural activities.



Source: Based on RDP in Lithuania and Romania.

Figure 4. Total public expenditure of RDP in Romania and Lithuania.

Overall, the job creation expectations are quite low compared to the need of jobs. The creation or maintenance of about 170000 jobs is not a large number compared to the expected loss of jobs from 2.6 million in 2004 to 1.5 million in 2013.

In Lithuania, it is also expected that the investments will contribute to safeguard the existing jobs and to create new jobs, but based on the experiences from the past and present programs, one cannot expect high numbers of jobs from this side.

The indicators reveal the tendencies in Lithuania, based on the experience of other New Member States, and similar to what the Old Member States have experienced over the last 50 years: a continuous process of employment diminution in the primary sector and a parallel need to establish new job possibilities in other sectors, also in rural areas. In total, about 13 000 jobs are expected to be created in

Lithuania due to investments under Axis 3, in enterprises in particular (7 200 jobs), village renewal and development (1 600 jobs), rural tourism (1 300 jobs) and LEADER (2 400 jobs). Enhancing self-organization of individuals who seek to improve their living conditions is another expected social and economic impact of RDP. This can be illustrated by the fact that 13,000 jobs are expected to be created under RDP by the year 2013 under Axis 3, while people employed in non-agricultural jobs are estimated to increase from 54% in 2005 to 72% in 2013. This will have positive economic effects in rural Lithuanian generating a growth in the activity level among the rural population to some degree, compensating for the loss of jobs in the primary production (Lithuanian Rural Development Program, consolidated version 2010).

Table 6

The level of investments and the number of expected jobs created in Romania and Lithuania

Measure	**Investments in Ro Mil Euro**	**SAPARD experience in RO regarding the creation of new jobs per 1 mil Euro invested**	**Expected new jobs RO**	**Expected new jobs LT**
121	1.349	25	33725	50
123	2142	50	107100	50
312	1060	20	21200	7200
313	76	20	3520	1300
322	1566	5	7830	1600
Total	6293	Na	173375	13000 including Leader

Source: Based on RDP in Lithuania and Romania.

5. CONCLUSION

The comparison of the agricultural sector indicators and of the rural development program in Lithuania and Romania mainly focused on Axis 1 and Axis 3 reveals that there are similar aspects in terms of the relative small size of farms and high agricultural employment percentage in both countries. Nevertheless, Romania records the worst level of these indicators. There is a certain degree of development of entrepreneurial activities on agricultural households in Romania, but the entrepreneurial spirit is still low. The level of entrepreneurial spirit is also low in Lithuania, but while in Romania it is mainly focused on processing of agricultural products in Lithuania is it more diversified, with tourism, handicraft and wood processing gaining more importance. In this context, it might be noticed that the financial allocation of the rural development program is quite different between the two countries, with Romania giving more importance to Axis 3, respectively to wider rural development aspects and Lithuania to axis 2, more oriented towards environmental aspects (LFA, Natura 2000, organic farming, biodiversity-protected forests).

Concerning Axis 1, it seems that there is an unbalanced situation among the relative small number of farms who made extremely large investments in Romania. A better balance also seems necessary between the financial absorption for investments on agricultural households (Measure 121) and the financial investments in processing (Measure 123). The situation looks more balanced in Lithuania for these two measures. The financial absorption for setting up young farmers is also much higher in Lithuania, which opens up a better perspective for this country in terms of the long run development of the sector. It should be mentioned that Lithuania has not opened the measure on producers' groups yet, while in Romania it has been almost unsuccessful so far, because only three contracts were signed with a financial absorption of less than 1%. Research studies carried out in Lithuania showed that there is a lack of willingness to cooperate among Lithuanian farmers and this is why the measure has not been considered. At the same time, the lack of success of measure 142 with the Romanian farmers can be also explained by the farmers' reluctance to cooperate. As regards Axis 3, Romania has a much higher rate of funds absorption, *i.e*. 42% compared to 1% in Lithuania. This represents quite a satisfactory absorption rate in Romania, but for Lithuania there is room for a better absorption of the funds under this axis, mainly because it is expected that most of the new jobs will be created following the implementation of the measures under Axis 3.

As one could see, at the mid-term implementation of the two programs, there are several challenges and priorities for each country. To further support structural change and rural diversification, the key aspects for support are a better balance between different measures within the axis when projects are submitted and contracted, more facilities in terms of eligibility criteria and more information and awareness among farmers and local administration, improved access to credit. In terms of new business creation, the expected results are quite important, mainly in Romania, which is confronted with a large number of rural populations. In Lithuania, the data from the Farm Accountancy Data Network (2004) also show that farms run by farmers up to 40 years generated an income by 14% higher per 1 ha than the farms run by farmers aged 55 years or older. However, older farmers are unwilling to withdraw from agriculture, as this activity is the main income source for them.

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