



**MINISTERUL AGRICULTURII ȘI
INDUSTRIEI ALIMENTARE
AL REPUBLICII MOLDOVA**

**MINISTRY OF AGRICULTURE
AND
FOOD INDUSTRY OF THE
REPUBLIC OF MOLDOVA**

**UNITATEA CONSOLIDATĂ PENTRU IMPLEMENTAREA PROGRAMELOR IFAD
THE CONSOLIDATED UNIT FOR THE IMPLEMENTATION OF IFAD
PROGRAMMES**



**Enabling poor rural people
to overcome poverty**

AGRICULTURAL REVITALISATION PROJECT

Annual 2013 REPORT

Loan Agreement no.629-MD



**Developed by:
CONSOLIDATED UNIT FOR THE IMPLEMENTATION OF IFAD PROGRAMMES IN MOLDOVA**

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ABBREVIATIONS AND ACRONYMS

ARP	Agricultural Revitalization Project
AWP&B	Annual Work Plan and Budget
CEIs	Community Economic Investments
CPIU-IFAD	IFAD Consolidated Programs Implementation Unit
IFAD	International Fund for Agricultural Development
PFIs	Participating Financial Institutions
VARF	Village Agricultural Revitalization Fund
VDP	Village Development Plan

1. INTRODUCTION

1. This report has been developed by the CPIU -IFAD in accordance with the article IV, section 4.02 (*Progress Reports*) of the Loan Agreement no.629-MD, and reflect the evolution of the last three month project's implementation performance achieved during the period 1st Jan.-31st of March 2013 compared with the planned project activities to be implemented during the given year.

2. The Agricultural Revitalization Project (PRA), the second in a series of IFAD financed project in the Republic of Moldova, became effective in January 2006 and was scheduled for completion in March 2013. IFAD has allocated for the implementation of the project activities SDR 10.3 million equivalent to USD 15.45 million. The project was completed as planned on 31st of March 2013 after 86 months implementation period.

1.1. Project description.

3. The ARP was designed to contribute to the alleviation of poverty in rural areas through the revitalization of village economies thereby creating employment opportunities and generating income for rural population. The project aims to benefit village agricultural workers, farmers, members of farmers' and other community-level organizations and local entrepreneurs in participating rural communities.

4. The project is being implemented through the following four components:

- (i) **Participatory Community Development (USD 1.28 million):** This component enabled communities to acquire the capacity to take charge of their own development process. The component focused on community mobilization and empowerment, technical support and training;
- (ii) **Institutional Capacity Building (USD 0.3 million):** Within this component project has provided for technical assistance and training of service providers to deliver the necessary institutional and technical support to project participants at the village level.
- (iii) **Community Economic Investments (USD 14.25 million):** From this component were financed investments for development of privately owned and managed modern agriculture production and post harvesting facilities in participating villages.
- (iv) **Project Management (USD 0.45 million):** This component provided for the establishment of a project implementation unit to manage project resources and oversee the implementation of project investments.

5. The Agricultural Revitalization Project implies establishment of the revolving Village Agricultural Revitalization Fund (VARF), set up and managed by the Credit Line Directorate under the Ministry of Finance, financed through reflows of loans repayments (both principal and interest) and used to continue financing the process of Agricultural Revitalization on similar lending terms and conditions set up under the project.

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6. The project foresees provision of a grant element to the loans beneficiaries, which consists in cancellation of the remaining payments up to a maximum 30% of the original debt in the case of the long-term loans, and a maximum of 20% in the case of medium-term loans.

2. PROJECT PERFORMANCE EVOLUTION

7. According the AWP&B for 2013, for the last three month of ARP implementation, the activities have been planned in accordance with the available balance, continuing to contribute to the poverty alleviation in rural areas, by providing investment loans and assistance to the agriculture entrepreneurs. Out of total allocated project budget of USD 331.00 thousands for 2013, it was planned to spend USD 303.00 thousands for loan provision to entrepreneurs from early selected villages, for which were developed VDP and USD 28.00 thousands to cover costs for impact assessment and audit.

8. **Project Financial Progress Summary.** The total initial project cost as per Appraisal Report was USD 18,698.00 thousands, which include USD 15,450.0 thousands IFAD allocations (82.6% of total estimated project cost (see table 1 for details). Total cumulative cost of the project is USD 34,601.2 thousands, or 185% of the initial total project estimates. Significant increase of the actual total project costs was generated mainly by the beneficiary's contribution USD+15,431.90 thousands.

Table 1: Initial Allocation vs. Actual Figures, by financier

(USD 000)

	IFAD	GoM	Beneficiaries	PFI's	Total
Initial Allocation	15 450.0	398.6	2 850.0	0.0	18 698.0
Actual Cumulative	15 661.5	116.8	18 281.9	541.0	34 601.2
Actual Cumulative/ Initial Allocation (+, -, %)	101,4%	29,3%	+ 15 431,9	+541,0	185%

9. The project initial budget in SDR allocated as per Financial Agreement was spend by 99%(see table 2).

Table 2: Initial Allocation vs. Actual Figures, by category of expenditure

(SDR 000)

Category	Initial allocated amount	Amount after reallocated	Actual cumulative	Actual cumulative/amount reallocated	
				+, -	%
I. Equipment and Goods	230 000	45 000	40 854	-4 146	91
II. Technical Assistance	1 030 000	250 000	142 299	-107 701	57
III. Credit	8 290 000	9 600 000	9 544 538	-55 462	99
IV. Operational Costs	520 000	405 000	439 856	34 856	109
V. Unallocated	230 000	0	0	0	0
Total	10 300 000	10 300 000	10 167 547	132 453	99

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10. IFAD initial project allocation, as per Financial Agreement, was SDR 10,300.00 thousands, or equivalent to USD 15,450.0 thousands. Actual cumulative cost of the project, financed from IFAD sources is SDR 10,167.6 thousands, or USD 15, 661.5 thousands.

Table 3: Initial Allocation vs. Actual Figures, by category of expenditure (USD 000)

Category	Initial allocated amount	Amount reallocated	Actual cumulative	Actual cumulative/amount reallocated	
				+,-	%
I. Equipment and Goods	345 000	65 000	62 559	-2 441	96
II. Technical Assistance	1 545 000	545 000	218 576	-326 424	39
III. Credit	12 435 000	14 060 000	14 703 752	643 752	105
IV. Operational Costs	780 000	780 000	676 652	-103 348	87
V. Unallocated	345 000	0	0	0	0
Total	15 450 000	15 450 000	15 661 539	211 539	101

11. **Financial Progress Summary in the reporting period.** In 2013 have been spent only 48 % of the amount budgeted in the AWPB for 2013 (see table 4).

Table 4: IFAD proceeds by category of expenditures, Jan-Mar 2013 (USD'000)

Category of expenditures	Plan	Actual	Actual / Plan
Equipment and Goods	0.00	0.00	0
Technical assistance and support	28.00	7.98	29%
Credit	303.00	151.72	51%
Operational costs	0.00	0.00	0%
Total	331.00	159.70	48%

12. The funds have been used under the category of expenditures "Credit" that refers to Community Economic Investment Component, being disbursed as a loan to support rural agricultural business. In 2013 the CPIU has disbursed two investment loans amounting USD 151.72 thousands. Both loans were provided via Moldova-Agroindbank SA. From the category of expenditures were paid costs for impact assessment (USD 7.98 thousand).

13. The total cost of the activities implemented during the reporting period account for USD 1,105.1 thousands, which it is 237% of the total planned cost. Information on contribution to the total cost per financiers is detailed in the table 5.

14. The IFAD funds (USD 161.5 thousands) spent in 2013 consist 15% of the total costs. There was no contribution of GoM to the IFAD investments in the same period. The PFIs co-financed USD 448.0 thousands, which makes 44% of the total project investment cost.

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Table 5: 2013 Plan vs. Actual Figures, by financier (USD 000)

	IFAD	GoM	Beneficiaries	PFI s	Total
Plan	331.0	6.2	130.0	0.0	467.2
Actual	161.46	0.0	448.0	491.8	1101.3
<i>Actual/ Plan (+,-,%)</i>	-169.5	-6.2	+318.0	+491.8	237%

15. During the first three month of 2013 IFAD proceeds have leveraged USD 939.8 thousands of additional funds, which represent beneficiary contribution, and that represented 85% from the total cost of investments. Each USD provided by IFAD has generated USD 5.8 additional investments. The grant element has made ARP funds attractive for agriculture producers, and that stimulated beneficiaries to make additional investments.

2.1. Component 1: Participatory Community Development Component

16. The participatory community development component aims to (i) provide rural communities through project participation the possibility to take charge of revitalization of the economies they administrate; and (ii) provide to the participating communities support in developing the capacities and creating viable organizations to design and implement participatory development programmes. Inputs under this component shall be provided through implementation of the two sub-components: (a) Community mobilization and empowerment; and (b) Technical assistance and training.

Table 2: ARP total cost by financiers Jan-Mar. 2013 (USD '000)

Component	IFAD Plan/ Actual	GoM Plan/ Actual	PFI s Plan/ Actual	Beneficiaries Plan/ Actual	Total Plan/ Actual
I. Participatory Community Development	0.0/ 0.0	0.0/ 0.0	0.0/ 0.0	0.0/ 0.0	0.0/ 0.0
II. Institutional Capacity Building	0.0/ 0.0	0.0/ 0.0	0.0/ 0.0	0.0/ 0.0	0.0/ 0.0
III. Community Economic Investment	303.0/ 153.3	0.0/ 0.0	0.0 /491.8	130.0/ 448.0	433.0/ 1,093.1
IV. Project Management	28.0/ 8.16	6.2/ 0.0	0.0/ 0.0	0.0/ 0.0	34.0/ 12.0
Total	331.0/ 161.5	6.2/ 0.0	0.0/ 491.8	130.0/ 448.0	467.2/ 1,101.3
Weight	71%/ 15%	1%/ 0%	0%/ 44%	28%/ 41%	100%/ 100%

17. **(i) Sub-component: Community mobilization and empowerment.** In early 2013 CPIU has focused its efforts of communities' mobilization and identification of economic investment opportunities within qualified VDPs and in order to disburse the available amount of credit resources.

18. The CPIU has contacted most of Primaries from the villages that were approved to participate in the project and for which VDP were developed. In Jan-Feb 2013 were identified 6 potential beneficiaries from villages with VDPs approved in prevision years and started to assist them in preparation of the loan

application, but finally only two applicants managed to submit the application through the PFIs by the time of project completion.

19. **(ii) Sub-component: Technical Support and Training.** Activities under this sub-component foresee provision of technical assistance in business planning and access to credit by eligible economic entities as credit beneficiaries under the project. In the reporting period no any business plans were developed for the loan applicants. The two loan applicants have developed them self the business plans without IFAD financial support. Thus, under this two sub- component there are no expenditure in the reporting period.

2.2. Component 2: Institutional Capacity Building

20. According the Annual Work Plan and Budget for 2013 no activities has been planned under this component.

2.3. Component 3: Community Economic Investment

21. Under this component the project has continued in 2013 to finance investments aimed at the intensification and expansion of commercial agricultural production, agro-services and agro-processing activities to create productive employment, generating income.

22. During the period under report, CPIU has made efforts to identify the potential beneficiaries for financing, in collaboration of those 6 commercial banks that meet eligibility criteria established for participation under the project, and namely: Moldova-Agroindbank, Moldindconbank, Banca Sociala, Energbank, MobiasBanca, Victoriabank.

23. During the first three month of 2013 the CPIU has been disbursed two investment loans amounting USD 153.30 thousands. One loan of MDL 1.0 million (equivalent to USD 82,30 thousands) was provided to Gramvil-Agro SRL from Boghicieni village, Hincesti rayon for procurement of new combine harvester and a soil cultivator. Loan has 20% grant portion, which will be considered after reimbursement of 80% of the loan to the PFI.



Fig.1. Combine harvester purchased by Gramvil-Agro SRL from the loan provided from ARP

24. The other loan(USD 71.00 thousands) was provided to SC AMG-Kernel SRL, placed in Soroca rayon center for procurement of combine harvester and two sprayers for orchards and for field crops. Both loans were provided via Moldova-Agroindbank SA.



Fig.2 Combine harvester purchased by SC AMG-Kernel SRL

Given that the project is very close to its completion phase, both loans in the amount of USD 153.3 thousand were sent to IFAD for direct payment.

25. The two loans have been disbursed for the purpose purchase machineries which will be used for production of field crops and orchards.

2.4. Component 4: Project Management

26. In accordance to the Loan Agreement no.629-MD, the full management, coordination and responsibility for the project lies within the following institutions:

- The Ministry of Agriculture and Food Industry;
- The IFAD Programs Steering Committee;
- The Consolidated Unit for the Implementation of IFAD Programs in Moldova (CPIU-IFAD);
- The Credit Line Directorate – for the administration of the revolving Village Agricultural Revitalization Fund

27. The Ministry of Agriculture and Food Industry has the overall responsibility for the project implementation.

28. The IFAD Programs Steering Committee, established by the Government Decree and chaired by the Minister of Agriculture and Food Industry, represents the body of approval of the overall IFAD-funded operations in the country. The main responsibilities thereof are as follows:

- approval of policies and strategies ;
- approval of the financial institutions participating (PFIs) under the project;
- review of methodology of calculation of the reference rate and approval of the PFIs margin;
- review and approval of the annual work plans and budgets, and
- review and approval of the progress reports.

34. In the first three month of 2013, the IFAD Programs Steering Committee has met once to review and approve the 2012 annual progress report of the project.

35. The overall management of the project lies within the responsibility of the CPIU-IFAD, established by the Government Decree, entrusted with responsibility for implementation activities coordination, including financial management. As of 31st of Mar. 2013 the CPIU-IFAD comprises 12 employees, including the CPIU director, 10 specialists, and one driver.

36. During the reporting period, the CPIU has continued to exercise its responsibilities in terms of:

- project implementation in technical and financial terms, as well as supervision of the overall activities ;
- procurement under the project's components as per the 2013 AWP&B – during the reported period under the project has been organized one procurement process which referred to selection of auditing company ;
- monitoring and evaluation of the project's loan beneficiaries;
- preparation of progress reports.

37. As result during the reporting period, the following results have been achieved:

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Indicators	Plan	Actual
Number of loans provided	4	2
Number of loan beneficiaries	6	50
Financed business plans	1	0
Average loan amount, thousands USD	75	77
New jobs estimates	4	7