

REPUBLIC OF MOLDOVA
RURAL BUSINESS DEVELOPMENT PROGRAMME
(IFAD Loan 686-MD)

PROJECT COMPLETION REPORT

Near East and North Africa Division
Project Management Department

CONFIDENTIAL
REPORT No.
August 2010

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TABLE OF CONTENTS

ABBREVIATION AND ACRONYMS.....	iii
PROJECT AT A GLANCE	v
EXECUTIVE SUMMARY	vi
A. INTRODUCTION.....	1
B. PROGRAMME DESCRIPTION AND IMPLEMENTAION ARRANGEMENTS.....	2
C. PROGRAMME STRATEGY AND APPROACHES	6
D. ASSESMENT OF PROGRAMME RELEVANCE	10
E. PROGRAMME COST AND FINANCING	13
F. ASSESSMENT OF PROGRAMME EFFICIENCY	14
G. REVIEW OF PROGRAMME OUTPUT	16
H. ASSESMENT OF PROGRAMME EFFECITIVENESS.....	17
I. ASSESMENT OF IMPACT	19
J. ASSESMENT OF SUSTANIABILITY	22
K. INNOVATION, REPLICATION AND UP-SCALING	23
L. PERFORMANCE OF PARTNERS	24
M. LESSONS LEARNED	26

TABLES

TABLE 1: NUMBER OF APPLICATIONS FOR BUSINESS PLAN DEVELOPMENT AND APPROVAL	3
TABLE 2: PARTICIPATION OF FINANCIAL INSTITUTIONS	4
TABLE 3: LOAN SIZE CATEGORY.....	4
TABLE 4: REFINANCED LOANS BY TYPE OF INVESTMENT AND SCOPE	4
TABLE 5: TYPE AND OUTPUT FROM INFRASTRUCTURE INVESTMENTS	5
TABLE 6: IPSC APPROVED MULTIPLIER COEFFICIENTS COMPARED WITH COEFFICIENTS CALCULATED AT PRC10	
TABLE 7: LOAN ALLOCATION AND REALLOCATION OF FUNDS IN SDR.....	13
TABLE 8: FINANCIERS, COST ALLOCATION, DISBURSEMENT AND REALLOCATION (USD '000)	14
TABLE 9: RESULT CHAIN	16
TABLE 10: LOAN DISBURSEMENT BY VOLUME AND VALUE ACROSS INVESTMENT TYPE AND STRATEGIC SCOPE.	18
TABLE 11: WIDER ECONOMIC PROGRAMME IMPACT	18
TABLE 12: SUMMARY OF DIRECT PROGRAMME SUPPORT TO CAPACITY BUILDING	20

ANNEXES

ANNEX I: PREPARATION OF BUSINESS PLANS.....	1
ANNEX II: PORTFOLIO ANALYSIS OF REFINANCED INVESTMENT LOANS	2
ANNEX III: PHYSICAL PROGRAMME ACHEIVEMENTS BY COMPONENTS.....	4
ANNEX IV: INTEREST EVOLUTION APPLIED FOR REFINANCING	6
ANNEX V: TYPE OF COLLATERAL AND PRECENTAGE OF USE	7
ANNEX VI: ECONOMIC MULTIPLIER ANALYSIS.....	8
ANNEX VII: FINANCIAL AND ECONOMIC ANALYSIS	13
ANNEX VIII: CHANGE IN HOUSEHOLD ASSETS	16
ANNEX IX: RECORD OF SUPERVISION.....	17
ANNEX X: LIST OF PLACE/PERSONS MET DURING PCR SURVEY.....	18
ANNEX XI: LOAN AMENDMENTS	20
ANNEX XII: ACTUAL PROGRAMME COST BY COMPONENT AND DISBURSMENT BY FINANCIERS COMPARED WITH ORIGINAL	21
ANNEX XIII: INVIRONMENTAL IMPACT	22
ANNEX XIV: STAKEHOLDER WORKSHOP	23

Currency Equivalents

Currency Unit	=	Moldovan Lei (MDL)
USD 1.00	=	MDL 12.0

Weights and Measures

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATION AND ACRONYMS

ACSA	Agency for Consulting and Training in Agriculture
AR	Appraisal Report
ARP	Agricultural Revitalization Project
CB	Commercial Bank
CNFA	Citizen Network for Foreign Affairs
CPIU	Consolidated Programme Implementation Unit
EGPRSP	Economic Growth and Poverty Reduction Strategy Paper
EIRR	Economic Internal Rate of Return
FIRR	Financial Internal Rate of Return
GDP	Gross Domestic Product

GGAP	Global Good Agriculture Practises
GoRM	Government of Republic of Moldova
Ha	Hectare
IFAD	International Fund for Agricultural Development
IPSC	IFAD Programme Steering Committee
ISO	International Standard Organisation
Km	Kilometre
LA	Loan Agreement
LIBOR	London Interbank Offered Rate
LTD	Limited Liability Company
M&E	Monitoring and Evaluation
MDI	Market-Derived Infrastructure Investment
MDL	Moldovan Leu
MICB	Moldindconbank SA
MoAFI	Ministry of Agriculture and Food Industry
MoE	Ministry of Economy
MoF	Ministry of Finance
MPCL	Marginal Propensity to Consume Locally
MPCLL	Marginal Propensity to Leak Locally
MPI	Marginal Propensity to Import
MPS	Marginal Propensity to Save
MRT	Marginal Rate of Taxation
NBM	National Bank of Moldova
NBS	National Bureau of Statistic
ORS	Objective Ranking System
p.a.	Per Annum
PCR	Programme Completion Report
PFI	Participating Financial Institutions
POM	Programme Operational Manual
RBDP	Rural Business Development Programme
REIS	Rural Enterprise Intermediation Service
RFS	Rural Financial Services
RFSEDP	Rural Finance and Small Enterprise Development Project
SCAs	Savings and Credit Associations
SDR	Special Drawing Rights
SIPs	Strategic Investment Plans
SMEs	Small and Medium-Sized Enterprises
USAID	United States Agency for International Development
USD	United States Dollar
VCM	Value Chain Multiplier
VCMi	Value Chain Multiplier Index
WB	World Bank
WNISEF	Western NIS Enterprise Fund

PROJECT AT A GLANCE

Country	Republic of Moldova									
Project Name	RURAL BUSINESS DEVELOPMENT PROGRAMME									
Key dates										
IFAD Approval	Signing	Effectiveness	Mid-Term Review		Original Completion		Actual Completion			
October 2005	February 2006	July 2006	June 2008		September 2011		December 2010			
Mid-term Review	Interim Evaluation	Original Loan Closing	Actual Loan Closing							
June 2008		March 2012	December 2010							
IFAD Financing										
Loan (AR)	SDR 9.1 million	USD 13.025 million	SDR 99 % disbursed							
Costs and Financing (million USD)										
Component	IFAD		PFIs		Beneficiaries		GoRM		Total	
	AR	Actual	AR	Actual	AR	Actual	AR	Actual	AR	Actual
Rural Enterprise Intermediation Services (REIS)	0.650	0.002							0.650	0.002
Rural Financial Services (RFS)	7.744	10.645	2.810	2.209	3.630	14.292			14.184	27.146
Market Derived Infrastructure Investment (MDII)	3.383	3.300			0.554	0.742	0	0.006	3.937	3.288
Programme Management (PM)	1.248	0.153					0.288	0.661	1.536	0.806
Total	13.025	14.100¹	2.810	2.209	4.184	15.034	0.288	0.667	20.307	31.242
Number of beneficiaries										
Total	Direct		Indirect		Women		Men		Other	
MDI 41178	MDI 108 enterprises		MDI 41070		MDI 20124 (49%)		MDI 20946 (51%)			
REIS 129 enterprises	REIS 129 enterprises		REIS 152 enterprises		REIS 50%		REIS 50%			
RFS 6 669	RFS 129 (354) ²		RFS 6 635		RFS 26%		RFS 51%			
Project Objective										
To produce sustainable income growth for poor people in rural areas and small towns in Moldova and stimulate the growth of strategic farming and rural business activities in which Moldova has a comparative advantage.										
Country Partners										
Executing Agency	Ministry of Agriculture and Food Industry	Ministry of Finance	7 Participating Financial Institutions		7 Rural Business Service Providers		Credit Line Directorate, MoF			
NGOs/civil society	32 infrastructure management groups	354 borrowers								
Other										

¹ The amount according the exchange rate SDR – USD on issue date of each withdrawal application

² Owners

EXECUTIVE SUMMARY

PCR Data Sources

1. Information used for preparing this Programme Completion Report (PCR) for the Rural Business Development Programme (RBDP) has been obtained from: (i) M&E data from the CPIU-IFAD; (ii) financial information from the CPIU-IFAD Finance Section; (iii) refinancing information from CPIU-IFAD Credit Section; (iv) Impact Assessment Report for all IFAD's financed activities in Moldova, 2008/09; (v), Supervision Reports; (vi) RBDP Appraisal Report; (vii) Moldova's National Bureau of Statistic (NBS); and (viii)³ survey of 41 enterprises financed by the programme, 7 infrastructure investments financed by the programme, the 2 most active business service provider were interviewed, 2 Participating Financial Institutions were visited. The mission also met Mr. Vasile Bumacov, the Deputy Minister of Agriculture and Food Industry. Data from these sources have been analysed and triangulated to confirm trends and results of the programme's achievements.

Output

2. The programme achieved its objective of stimulating growth of strategic farming and rural business activities in which Moldova has a comparative advantage. This was accomplished through three components: Rural Enterprise Intermediation Services (REIS); Rural Financial Services (RFS) and Market Derived Infrastructure Investment (MDI).

3. **REIS.** The programme trained and accredited 7 Business Service Providers (BDS) to assist programme clients prepare business plans, linking clients with 9 Participating Financial Institutions (PFIS) selected by the programme and providing clients with technical advisory service. Through this arrangement, a total of 152 clients received support in preparing Business Plans (BP) and 129 of these obtained investment loans from 7 PFIs which were refinanced by the programme (see Table 2). In addition the programme provided capacity support to 5 696 persons including technical advisory service, programme awareness, agricultural loan risk management and collateral development and strengthening of value chains (see Table 11). Out of total participates women accounted for 2 632 or 46%.

4. **RFS.** The 129 investment loans refinanced by the programme (see Table 4 for details) addressed key issues identified by the Appraisal Report including support to 24 new enterprises, diversification of business activities for 18 enterprises and upgrading of 87 existing enterprises to enhance competitiveness. Support to women was accomplished through 33 loans accounting for 26% of all loans. The refinanced investment loans also addressed the identified need to strengthening of value chains for horticulture through 56 investment loans value at 4.886 million, 43 investment for wheat and oil seed amounting to USD 2.739, 13 dairy farming investment loan totalling USD 1.232 million, 5 meat processing loans valued at USD 0.606, 3 investment loans for other agriculture enterprises amounting to USD 0.448 and 9 non agriculture enterprises amounting to USD 0.743. The total investment amounted to USD 27.17 million of which USD 14.292 million was equity contribution, PFIs own funds USD 2.209 million and refinanced investment loans from PFIs amounting to USD 10.645 million.

5. **MDI.** Programme support to market derived infrastructure (see Table 5) included rehabilitation/construction of 12 vital road sections totalling 12.4 km and assisting 56 enterprises and also benefiting 36 936 individuals from regular use of the roads; (ii) support was also provided to 3 locations for installation of water supply systems, totalling 10.092 km of laid pipes, assisting 12

³ See Annex VII for details

enterprises and also benefiting 1 832 persons living in these locations; (iii) 2 locations were supported with a total of 4.643 km of gas line assisting 5 enterprises and also benefiting 460 persons from these locations; (iv) investments were also made to rehabilitate 15 dilapidated irrigation schemes covering 3 931 ha benefiting 35 enterprises and 1 842 farmers families. In addition to the 53 enterprises refinanced by the programme, 55 enterprises not refinance by the programme also benefited, out of other programme activities. For each of the 32 programmes supported infrastructure investments, a management group was established and out of these 8 were headed by women. The groups met twice a year and all were functioning at the time of the PCR.

Outcome

6. **RFS.** This component contributed to the programme goal with the following outcomes: (i) the 129 investment loans refinanced by the programme created 1 348 jobs directly. The 1 348 direct jobs generated by the programme represents 3.62% of all new jobs (37 200⁴) created in the country during the programme implementation period. The average monthly wage for each job created is USD 208 which is very good compared to the country average for all (465 200⁵) waged employees amounting to USD 195/month⁶ (2008) and considerably better than for the agriculture sector averaging USD 119/months⁵ (2008). It is assumed that the 129 enterprises paid half of the mandatory health insurance (3.5% of gross salary) and social security contribution (23% of the gross salary) or 15% of total gross income amounting to USD 0.505 million annually. The total annual wage bill for managers/owners of the 129 enterprises amounted to USD 2.27 million and it is assumed that the enterprises paid the mandatory health insurance and social security contribution amounting to USD 0.613 million annually. The cost of creating 1 job measured against total loan amount is **USD 6 062**.

7. The 36 enterprises engaged in produce collection/marketing and in processing, acquired raw material worth USD 33.444⁷ million annually estimated to have created incremental markets from around 4 593⁸ small farmers.

8. The 35 commercial farmers supported under the programme rents 5 350 ha from 3 565 smallholders of which half are pensioners. The rise in land rent increased the income per average smallholder by USD 165 p.a⁹. This development is of particular importance for the pensioners having limited possibility to cultivate their land by themselves and in getting employment.

9. At maturity (year 14) the 129 refinanced investments supported by the programme generates a net return before tax and depreciation of USD 9.319 million¹⁰ annually, resulting in a Financial Internal Rate of Return (FIRR) of 16% with a Financial Net Present Value (FNPV) at 12% of USD 4.811 million. The Economic Internal Rate of Return (EIRR) is 32% with an Economic Net Present Value (ENPV) at 12% of USD 24.786 million.

10. **MDI.** The 32 market derived infrastructure investments benefited 53 enterprises in receipt of refinance investment loans, 55 enterprises not benefiting from the RFS, 39 228 individual persons and 1 842 commercial small farmers. The incremental returns from road, gas and water investments were mainly in the form of savings from reduced repair cost as a result of better roads,

⁴ Source: NBS

⁵ Source: NBS

⁶ Source: NBS

⁷ Source: Annex VI: Economic Multiplier Analysis

⁸ Including the 1 842 farmers benefiting from improve irrigation infrastructure

⁹ Assuming that a landowner has 1.5 ha on average.

¹⁰ Annex VII: Financial and Economic analysis

reduced cost of fuel by shifting to gas and reduced cost of using piped water compared to hoisting it from a well. The incremental return from rehabilitation of irrigation was from increase in yield and crop diversification resulting in incremental earnings of USD 650/ha or USD 1 365 per farmer (2.1 ha for each farmer). The estimated net returns for the infrastructure investments is USD 4.133 million producing a FIRR of 37% and a FNPV at 12% of USD 6.466 million. The EIRR is 60% with an ENPV at 12% of USD 9.875 million.

11. **Programme Financial and Economic Analysis.** Overall the programme generated a yearly estimated net profit of USD 13.206 million (before tax and depreciation for RFS) at maturity with a FIRR of 19% and a FNPV at 12% of USD 10.458 million. The EIRR is 35% with an ENPV at 12% of USD 33.482 million. The financial and economic analysis has been calculated over a period of 14 year allowing for all investment loans to be repaid.

12. **Wider Economic Impact¹¹.** The economic multiplier effect of the investment generated 408 indirectly and induced jobs with a yearly wage bill of USD 1.018 million or an average of 208 per months. It is assumed that the employers paid around half of the mandatory health and social services amounting to 9.5% of gross wage bill or USD 0.097 million. The economic multiplier impact for the entire economy is estimated to be USD 203 million yearly or for every USD 1 invested USD 2.36 is generated in the economy. The economic multiplier effect for the rural economy is USD 120.114 or for every USD 1 invested USD 1.39 is generated in the rural economy.

13. **Systemic Impact.** The programme had several systemic impacts including increased financial outreach, improved risk management of loans, acceptance of a wider range of collateral, upgrading of the horticulture value chain and improvement in competitiveness of field crops.

14. The above programme outcomes contributed to the national goal of reducing poverty. During the period between AR and programme completion the national¹² poor population (based on people with per capita income of less than USD 2.15 per day) has dropped from 27.6% (2005) to less than 10% (2009) and the number of extremely poor reduced by 2.4% during the same period.

Lessons Learned

15. **Market Derived Infrastructure.** The market derived infrastructure supported by the programme was very successful, particularly the support to irrigation recorded several dimensions of successes: (i) provide a tangible reason for 35 enterprises and 1 842 farmers cultivating 3 931 ha of irrigated land to strengthen their collaboration leading to collective investments and marketing arrangements; (ii) enable 35 enterprises and 1 842 farmers to diversify from low value field crops into high value vegetable crops resulting in net incremental return of USD 650/ha; and (iii) the improved economic opportunity created by the irrigation resulted in reduced migration and return of migrants. Considering these positive contributions and the large potential for expanding the land under irrigation at a reasonable cost this innovative programme feature should be used in new IFAD financed programmes for Moldova.

16. **Credit Guarantee Fund.** The programme support to risk management and expansion of types of collateral use for loan security enabled the programme's 12 first time borrowers and the 15 smallest borrowers to obtain investment loans indicating the positive impact from this

¹¹ Excluding the incremental earning from roads, gas and water as it is mainly based on savings

¹² Ministry of Economy Report on Poverty and Policy Impact, November 2009, page 11, Figure 5: Trends in the share of people with per capita income of less than USD 2.15 a day

intervention. This suggests that in future IFAD programmes this approach should be up-scaled and also include programme investment in existing credit guarantee funds.

17. **Venture Capital Fund.** Of the total investment loans Joint Stock Companies and Private Limited Liability Companies accounted for 83% of the value and 70% of the volume¹³ of total investments undertaken with programme support. Many of the shareholders were non family members suggesting that private equity participation in investments is on the rise. This was also confirmed by PFIs met by the PCR mission who had matched SMEs with investors and also SMEs sourcing additional equity from new investors suggesting that the time is ripe for a venture capital fund. Therefore, new IFAD interventions in Moldova should include a venture capital fund targeted to further develop strategically important value chains.

18. **International Food Standards.** The negative economic impact from the 2005 Russian embargo of agricultural produce from Moldova has shown the importance of reducing trade barriers to other countries particularly EU. In this respect the first action is to facilitate exporters of agriculture produce and processed food to comply with international food standards including Global GAP, HACCP/ISO certification. The programme did encourage enterprises investing in food processing, on a voluntarily basis, to organise configuration of building and equipment in preparedness for food standard certification. This effort resulted in 7 enterprises using the correct configurations of buildings and equipment in readiness for certification and 2 obtained HACCP registration and 3 obtained the local certification but are also prepared for HACCP certification. Further IFAD programmes should provide appropriated support to enterprises enabling them to comply with international standards

19. **Contract Farming.** Through the value chain approach several contract farming arrangements has developed between processors and farmers of which most were small farmers. These contract arrangements stimulated diversification, investments, availability of inputs and raw materials. This effort should be further be support by new IFAD investments in Moldova, both in terms of developing contractual modalities, training and tripartite financing arrangement enabling PFIs to finance the contracted farmers' investment requirements based on their forward contracts with the processor. IFAD should also consider co-financing the cost of embedding value chain supply chain managers with the processors to engage in provision of technical advice and staggering of production and delivery of produce.

¹³ Annex II: Portfolio Analysis of Refinanced Investment Loans, Table 4: Legal Form of Enterprises

A. INTRODUCTION

1. The Rural Business Development Programme (RBDP) concept was developed based on the Government's Economic Growth and Poverty Reduction Strategy Paper (EGPRSP), as well as two previous IFAD-funded projects, the "Rural Finance and Small Enterprise Development Project" (RFSEDP) implemented during 2001 and 2005, and the "Agricultural Revitalisation Project" (ARP), which was implemented during 2005 - ongoing. RBDP has been succeeded by the "Rural Financial Services and Marketing Programme" (RFSDP), which has been approved by the IFAD Board in December 2009.

2. **These programmes were geared at the development** of rural areas in Moldova, with different methods and approaches adjusted to the prevailing challenges and demands, but also with some similarities, and each building on the lessons learned from its predecessor(s) and reflecting the changes that occurred in society and the economy. Common elements underlying all three programmes include, among others: (i) the advancement of rural finance; (ii) creating jobs; (iii) the support to new business opportunities; (iv) improved marketing; and (v) commercially derived infrastructure. The Agreement between the Government of Moldova (GoRM) and International Fund for Agricultural Development (IFAD) for financing RBDP was signed in February 2006.

3. At the time of AR 58.6% of the country's population lived in the rural areas - of these 52% (WB Poverty assessment, 2002) was poor and accordingly represents the target group of the programme. Of the population living in the rural area 28% relied entirely on wages and 79.2% relied on an average land holding of 3 ha fragmented into several plots and located apart. The small dispersed plot sizes forced most rural households to engage in subsistence farming, and 57% of the household were also letting part of their land to larger agricultural enterprises, resulting in a combined earning accounting for only 39.85% of their disposal income. Under these conditions agriculture by its own was not the solution to poverty reduction. To achieve poverty reduction would require creation of jobs through expansion of existing SMEs and support for establishing new ones. Job creation also matched the experience of the rural population as most had a professional background as specialised workers under the Soviet era with little or no experience in agriculture.

4. In accordance with Programme design the investment proposals received from rural clients were subjected to critical targeting analysis to ensure that the greatest possible impact was provided for the enhancement of rural incomes at all levels, particularly ensuring participation by a large number of unemployed rural people.

5. The client group for the Programme would be largely self-determined. The approach put in place investment response mechanisms, primarily through the commercial financial sector, which could in principle be accessed by all the rural population. Resources would not be directed to specific categories of clients. Targeting would be achieved through the nature of the supply response to client-determined investment plans, and the demonstrated income multiplier effects on the rural value chain.

6. In 2005, Russia enacted a ban on Moldovan agricultural products, and in 2006 it banned imports of Moldovan wines. The wine ban has been particularly painful because, prior to the ban, Moldovan wine sales approached 15% of GNP, and it exported approximately 80% of its wine to Russia valued at around USD 251 million¹⁴ (USD 315 million) at the end of 2005. The ban on agriculture products did affect the programme's financed investment for fresh and processed fruits, vegetables. However, export arrangement to Russia via Ukraine and new markets for fresh,

¹⁴ Source: NBS

processed fruits and vegetables were established relatively quickly minimising the negative effect. The programme did not refinance investment related to wine production therefore the embargo on wine did not directly affect the programme. However the embargo had an overall negative impact on the economy and after the ban was lifted at the end of 2008 the sector has only recovered to 51% (USD 159 million) of its 2005 level. The biggest barriers for establishing new export markets have been compliance with international standards and wine quality which is also the case for other agricultural products.

7. The programme was implemented throughout rural areas of Moldova, with no specific geographic focus. Activities were a response to articulated demand from rural people, especially with respect to the provision of financial services and infrastructure investments.

B. PROGRAMME DESCRIPTION AND IMPLEMENTATION ARRANGEMENTS

Goal and Objective

8. **Overall Programme.** The overall goal of the RBDP was ‘to produce sustainable income growth for poor people in rural areas and small towns in the Republic of Moldova’. The purpose subsumed under this goal was ‘to stimulate growth of strategic farming and rural business activities in which Moldova has a comparative advantage’. The programme objective would be achieved through the following components:

9. **Rural Enterprise Intermediation Services (REIS) Component.** The main objective of the component was ‘to strengthen the growth of strategic farming and rural business activities in Moldova’. This was achieved through two sub-components: (i) The Loan Intermediation Services Sub-component assisted a network of REIS Providers (REISP) with the preparation of business plans and other support services to secure finance for rural enterprises; and (ii) The Equity Intermediation Services Sub-component was meant to support the development of medium scale enterprises by offering, through REIS Providers, effective Strategic Investment Plans (SIPs) and other services to attract direct investment from the private sector.

10. **Rural Financial Services (RFS) Component.** The objective of this component was ‘to provide access to appropriate, sustainable financial services for Rural Business Entities. This objective was attained through activities implemented under the following sub-components: (i) The Loan Refinancing Sub-Component would refinance loans and lease contracts extended to programme clients by the Participating Financial Institutions (PFIs) Commercial Banks (CB) and Micro Finance Institutions (MFIs); and (ii) The Collateral Development and Training Sub-Component provide specialised TA and training to facilitate the development of new types of collateral.

11. **Market Derived Infrastructure Investment (MDI) Component.** The objective of this component was to “to develop rural infrastructure which has a critical role in profitable enterprise development and farm income growth”. The programme achieved this by supporting investments in infrastructure vital for enhancing private investments for expansion of existing enterprises and establishing new ones.

12. **Programme Management Component and Implementation Arrangement.** This component provided financial and operational support to a Consolidated Programme Implementation Unit-IFAD (CPIU-IFAD) which was established based on the existing RFSEDP PIU taking advantage of the existing familiarity with IFAD procedures and economise on programme administration costs. The

CPIU-IFAD was responsible for financial control, work planning and budgeting, project monitoring and evaluation, procurement, and administration.

13. The IFAD Programme Steering Committee (IPSC) was established by Government Decision under the ARP, and had the overall responsibility for overseeing the Programme. The Minister of AFI was the ex officio chairperson of the IPSC. Other members included, MoF, a representative from MoAFI, a representative of the Parliament's Agricultural Committee, the National Bank of Moldova, the Ministry of Economy, and representatives from other Programme stakeholders, including Government agencies, organisations (public and private) were invited to participate when deemed appropriate. The IPSC membership could be amended depending on Programme requirements, with the prior approval of the Fund. The Programme Director and a representative of the Credit Line Directorate, MoF (CLD) participated in the IPSC meetings, and the CPIU-IFAD was the secretariat for the IPSC. The IPSC was empowered with overall decision making with the following specific responsibilities: (i) provision of overall policy guidance; (ii) review and approval of Annual Work Plans and Budgets (AWPB); (iii) set interest rates in line with prevailing market interest rates and as approved by MoF; (iv) approve PFIs; (v) review and adjust the Value Chain Multiplier index threshold; (vi) approval of the Objective Ranking System (ORS) for infrastructure; (vii) ensured coordination between the Programme and all other IFAD-funded projects/programmes and other ongoing development projects/programmes.

14. **Credit Line Directorate (CLD).** After the initial disbursement of refinancing was made by the CPIU-IFAD the existing CLD under the MoF managed and monitor repayments of interest and principal from PFIs. The operational cost of the CLD was recovered from part of the interest charged to the PFIs for borrowing the refinancing funds.

Output

15. **REIS.** A total of seven REIS Providers (REISP) were accredited and trained by the programme. The REISP received 251 applications from clients applying for business development assistance. Of these the REISP assisted 152 clients of which 6 declined loan offers from PFIs, 17 were rejected by the PFIs and 129 received investment loans from PFIs which were refinanced by the programme. Many of the clients declining before being support to develop a business plan did not have sufficient collateral. Some of the clients rejected by the bank did not meet the required VCM as established in the programme Value Chain Multiplier Index (see Para 44 and Table 6).

Table 1: Number of Applications for Business Plan Development and Approval

Applications	251	100%
Clients Declining Before Developing Business Plan	76	30%
Business Plans Developed and Submitted to PFIs for refinancing	152	60%
Clients that Declined Loan offer	6	3%
Clients rejected by banks	17	7%
Business plans Refinanced	129	51%

Source: CPIU-IFAD

16. **RFS** The programme selected 7 PFIs to participate in the refinancing operations and they issued a total of 129 investment loans refinanced by the programme. The total value of the loans amounted to USD 12.855 of which the programme refinanced USD 10.645 and the PFIs financed USD 2.209 million for working capital using at least 15% of PFIs own funds. The variation in PFIs contribution reflects use of equity contribution for working capital.

Table 2: Participation of Financial Institutions

Banks	Number of Loans	Total Loan Value USD		IFAD Value of Loan USD		IFAD % of Total Loan Value		CBs Value of Loan USD		CBs % of Total Loan Value	
		'000	'000	'000	'000			'000	'000		
Moldova Agroindbank	42	3 446	3 403			98.7%		44			1.3%
Moldindconbank	31	2 951	2 832			96.0%		118			4.0%
FinComBank	21	3 557	2 052			57.7%		1 505			42.3%
Banca Socială	15	1 130	1 090			96.5%		40			3.5%
Energbank	12	1 468	1 018			69.3%		450			30.7%
Eximbank	7	245	209			85.7%		35			14.3%
Unibank	1	58	41			71.4%		17			28.6%
Total	129	12 855	10 645			82.8%		2 209			17.2%

Source: CPIU-IFAD

17. Of the 129 refinanced loans 33 were for women or 26%. In terms of loan size 17 were small loans representing 2% of total loan value, 60 were medium loans representing 32% of the total loan value and 52 were large loans representing 66% of the total loan value.

Table 3: Loan Size Category

Loan Size Category	Volume		Value	
	No	% of total	USD '000	% of total
<= to USD 20 000	17	13	234	2
> USD 20 000 - USD 100 000	68	47	3 422	32
> USD 100 000 - USD 150 000	44	40	6 989	66
Total	129	100	10 645	100

Source: CPIU-IFAD

18. Of the 129 refinanced loans 24 (19% of volume and 20% of Value) were for new businesses, 18 (14% of volume and 17% of value) were for diversification of existing enterprises and 87 (67% of volume and 63 of value) were for expansion of existing enterprise activities.

Table 4: Refinanced Loans by Type of Investment and Scope

Type of Refinanced Investment	Launching of New Enterprises				Diversification of Enterprise Activities				Upgrading and expansion of Existing Enterprises				Total Enterprises			
	Volume		Value		Volume		Value		Volume		Value		Volume		Value	
	No	%	USD	%	No	%	USD	%	No	%	USD	%	No	%	USD	%
Horticultural Value Chain Sub-total	13	54	1 368	65	14	78	1 336	74	29	33	2 182	32	56	43	4 886	46
Processing of Horticulture Produce	3	23	230	17	2	14	252	19	4	14	347	16	9	16	829	17
Cold Storage	4	31	415	30	4	29	493	37	6	21	701	32	14	25	1 609	33
Viticulture/pomiculture Orchards	3	23	313	23	8	57	591	44	8	28	402	18	19	34	1 306	27
Production of Vegetable	3	23	410	30					11	38	732	34	14	25	1 142	23
Wheat & Oil Seed Value Chain Sub-total	5	21	369	17					38	44	2 370	35	43	33	2 739	26
Processing of Wheat	2	40	181	49					5	13	427	18	7	16	608	22
Processing of Oil Seed									1	3	16	1	1	2	16	1
Commercial Farming, Wheat & Oil Seed	3	60	188	51					32	84	1 927	81	35	81	2 115	77
Dairy farming Value Chain sub-total	3	13	114	5	0	0	0	0	10	11	1 118	17	13	10	1 232	12
Meat Processing Value Chain sub-total	0	0	0	0	0	0	0	0	5	5	606	9	5	4	606	6
Other Agriculture Enterprises sub-total	0	0	0	1	6	149	8	2	2	299	4	3	2	448	4	
Non Agriculture Enterprises sub-total	3	13	266	13	3	17	319	18	3	3	149	2	9	7	734	7
Total	24	100	2 117	100	18	100	1 804	100	87	99	6 724	100	129	100	10 645	100

Source: CPIU-IFAD

19. **MDI.** The MDI provided¹⁵ support to rehabilitation/construction of 12 vital road sections totalling 12.4 km and assisting 12 enterprises refinanced under the programme, in addition 44 other enterprises within the localities and 36 936 individuals also benefited from regular use of

¹⁵ Annex III: Programme Physical Results

the roads. The programme also supported 3 locations with water supply systems, totalling 10.092 km of laid pipes, assisting 12 enterprises and also benefiting 1 832 persons living in these locations. A total of 4.643 km of gas line was also installed within 3 locations in support of 5 enterprises and also benefiting 460 persons. Support was also provided to 15 dilapidated irrigation schemes covering 3 931 ha benefiting 1 842 farmers families.

Table 5: Type and Output from Infrastructure Investments

Supported Infrastructure Investments	Output				
	No of Investments	Quantity	Enterprises	Persons	Farmers
Rehabilitation/construction of Road Sections	12	12.400 km	56	36 936	-
Water supply Systems	3	10.092 km	12	1 832	-
Gas Supply Systems	2	4.643 km	5	460	-
Rehabilitation of Irrigation Schemes	15	3 .931 Ha	35	-	1 842
Total	32	-	108	39 228	1 842

Source: CPIU-IFAD

Assessment

20. With exception of intermediation of equity, the implementation arrangement has proved to be appropriate for delivering the programme output and achieving the programme purpose.

21. The implementation arrangement for delivering equity intermediation was not appropriated because the proposed type of service providers lacked the necessary knowledge and network for identifying interested parties particularly local and foreign investors. It was envisaged that REISP would undertake the intermediation under a cost recovery performance arrangement based of successful SME and equity matches and SIPs developed. The REISP deemed this method too risky as their work might not generate income. However, two SMEs did approach CPIU-IFAD for assistance to source equity participation for expansion of their business activities. To address this request the CPIU-IFAD established collaboration with the Ministry of Economic to use their webpage for advertising the two SME's interest in venture partners; unfortunately this effort did not yield any matches.

22. Despite several attempts from the CPIU-IFAD the participation of MFIs did not materialise because the sector was undergoing a legal reform and the government was not ready to allow MFIs to engage with the programme until the new legal framework was in place and this did not happen during the implementation of the programme.

23. The Appraisal Report foresaw that the REISP would voluntarily promote the programme activities in anticipation of generating additional income from preparation of business plans particularly for participation of women, first time borrowers and small borrowers. However, this did not happen and according to accredited business service providers¹⁶ the cost of doing this voluntarily without assurance of being able to generate additional business was assessed to be too risky. At the commencement of the programme the government policy was not in favour of using additional borrowed funds for paying service providers directly for promotion of the programme activities. Instead, the CPIU-IFAD initiated an intensive awareness campaign using national/regional news papers, radio, TV and distribution of promotional materials through PFIs and Primaries' offices. These awareness campaigns projected real investments from SMEs owned by women, first time

¹⁶ Source: PCR mission meeting with two business provider, Annex X

borrowers, family enterprises and joint stock companies to encourage all these client categories to make use of the programme services. The combination of these efforts was responsible for the good participation of women, first time borrowers and small borrowers. However this group would likely have been higher if MFIs had been involved in the programme.

C. PROGRAMME STRATEGY AND APPROACHES

24. The programme strategy was designed to stimulate incremental private and public investments leading to rural income growth through existing and new value chains. No attempt was made to pre-determine the precise nature of the private investments. However, experience from existing investment opportunities was made available to potential investors through the programme's awareness outreach. The specific strategies and approaches are embedded in the respective components of the programme and discussed below.

Rural Enterprise Intermediation Services

25. **Approaches.** Under this component the programme would use two approaches to stimulate rural investments. The first approach was to accredit qualified REISP to assist programme clientele to prepare business plans, loan applications and link them to PFIs to obtain investment loans. For borrowers accessing loans up to USD 20 000 the programme was meant to grant the client USD 250 to cover the REISP cost. Cost in excess of the grant was to be covered by the client and programme clients in need of loans in excess of USD 20 000 pay for the entire cost of the REISP service.

26. **Assessment of REIS Approaches.** The CPIU-IFAD accredited and contracted 7 REIS Providers and the result of their involvement showed that the approach chosen by the AR was appropriate in assisting programme client's overcoming: (i) limited business knowledge particularly among first time investors; (ii) inadequate technical knowledge related to diversification of existing business activities; (iii) lack of knowledge among investors on how to prepare a business plan, obtain the legal documentation necessary for the preparation of a loan application; and (iv) lack of skills when negotiating loan conditions with the chosen PFI. In most cases satisfactory technical advice was provided by the REIS providers to the client group. In the cases where the service was not satisfactory the CPIU-IFAD pointed out the shortcomings and remedial corrections were introduced.

27. The approach clearly shows that it contributed to achieving the programme goal and objective with the following output¹⁷: (i) REISP offered loan intermediations services to 152 rural businesses; and (ii) REISP assistance led to 129 companies receiving loans from PFIs refinanced by the programme; of these 12 were first time investors, 33 women and 17 borrowers for small loan (<USD 20 000), these categories account for 48% of the total loan portfolio. In addition to the service envisaged by the AR the REISP also supported some clients with specific technical and marketing assistance.

28. Discussions with the REISP and rural SMEs revealed that the most important aspect of service provided was related to procedures in obtaining permits and registration of collateral, linkage to suppliers of machinery and loan application procedures.

29. A total of 96¹⁸ investment loans refinanced by the programme had more than one investor contributing equity capital to the investments and not all of them were family members.

¹⁷Annex III: Programme Physical Results

¹⁸Annex II: Portfolio Analysis of Refinanced Investment Loans, Table 5 - Legal form of Refinanced Enterprises

This is a good indication that a demand and interest for obtaining equity financing exist among SMEs. It also indicated that local private investors exist, interested and willing to invest in SMEs. Discussions with some of the CBs supported these findings as they had intermediated linkages between some of the SMEs and equity investors. Although the REISP prepared the business plans for these investments they were not involved in the intermediation of the equity participation. Nonetheless the findings do suggest that the strategy of the equity participation was viable. However the programme approach proved not to work at all for the following reasons: (i) the accredited REISP did not have the network and expertise necessary for intermediation of equity participation, neither from institutional venture capital funds nor from private investors; (ii) neither did the REISP have the financial resources to cover the cost of canvassing interested parties, particularly considering the associated risk of not establishing a partnership and therefore no earnings from preparing the SIP; (iii) the expression of interest to participate from the two venture capital funds present in Moldova at the time of preparing the AR was no longer valid at programme commencement, when approached by the CPIU-IFAD; and (iv) considering the level of both private and institutional equity participation in business investments at the time of AR the programme approach is assessed to have been premature.

30. Two SMEs requested CPIU-IFAD to assist in sourcing venture capital partners and in collaboration with the MIEPO the profile of the SMEs and their interest in venture partners was posted on the webpage of the MoEP. However this did not result in any tangible venture partnership.

31. Discussions with SMEs indicate that intermediation of equity participation is better undertaken by a recognised institution like a bank and/or audit firm. However, the most appropriate approach would have been directly through a venture capital fund.

32. The AR's assessment that the value chain impact from investments would be considerable was correct and if the envisaged additional equity had been achieved the impact would have been powerful. However even under best case scenario it was not realistic to assume that additional funds of the suggested magnitude could have been sourced.

Rural Financial Services

33. **Approaches.** The key approach of this subcomponent was refinancing of loans and lease contracts extended by Participating Financial Institutions ((PFIs) (Commercial Banks (CBs) and Micro Finance Institutions (MFIs)) to rural business enterprises on the basis of support from REISP. PFIs were able to apply for refinancing of loans extended to rural business enterprises and lease contracts, financed by the PFIs, was also eligible for refinancing. The maximum amount of refinancing for CBs was USD 150 000 per loan and/or lease contract and for MFIs it was USD 20 000. The currency of the refinancing was either USD or MDL, depending on the PFI's judgement of the client's need/request and currency of earnings. The CB had to provide at least 15%¹⁹ of its own funds for the portion of the loan used for working capital. It was mandatory for clients to contribute 20% of the total investment amount from their own funds.

34. To encourage PFIs to engage in lending to the programme client group the interest rate charge by the programme was attractive, but positive in real terms. The interest charge for refinancing denominated in USD was equal to the reference rate of 6-month LIBOR USD plus a margin of 1.0% paid to the MoF. Refinancing denominated in MDL was based on a floating interest

¹⁹ Decided during Loan Negotiations between GoRM and IFAD

rate determined by a floating reference rate²⁰ plus a 1% margin charged by Ministry of Finance. However the margin charged by MoF was cancelled by the IPSC in 2008.

35. To encourage CBs to engage in longer term lending, the AR proposed that repayment terms of the principal being refinanced by the programme would be longer than for the financing terms of the borrower/holder of a lease contract.

36. To encourage PFIs to use a broadened variety of collateral, the component provided specialised Technical Assistance/ training to PFIs, to help in risk assessment/management and development of new types of collateral. This was meant to facilitate more equitable access by farmers and rural entrepreneurs to PFIs financial resources. The programme was meant to provide incentives to PFIs as a means of encouraging them to adopt such innovative collateral procedures. The incentives would allow the PFIs to reduce their contribution to refinanced loans by 5%.

37. **Assessment of the RFS Approaches.** At commencement of programme implementation it was judged that the availability of long term funds for lending was sufficient encouragement for PFIs and therefore no need to prolong PFIs repayment of refinance loans; this judgment proved to be correct. Otherwise, the approach proved to be very successful and contributed to attain the programme goal and objective with the following results: (i) a total of 7 PFIs was selected and appointed for loan refinancing²¹; (ii) the PFI offered loans to 129 rural businesses amounting to USD 10.645 million from programme recourses, USD 2.209 million from PFIs own resources and USD 14.292 million in equity contribution.

38. The programme's approach to rural financial services enabled PFIs to apply more flexible lending terms compared to their own funds and at the same time maintain similar spread as for the PFIs own resources. This in turn allowed rural businesses to access long term financing on advantageous terms, such as more attractive negotiable duration of grace period and repayment terms and attractive interest rate on average **5.23%**²² lower than the PFIs charges on own funds. Overall all (41) interviewed beneficiaries expressed appreciation for the conditions of refinanced loans compared to other resources available from PFIs own resources. As a result of the attractive loan conditions and active REISPs the disbursement of allocated programme funds under this component was disbursed 22 months ahead of the planned schedule. Particularly first time borrowers expressed that the loan conditions and assistance from REISP were the most important factors influencing their decision to invest. It is also important to note that a constant demand for financing from rural SMEs was registered during implementation which continued after the incremental funds were exhausted.

39. The approach used in training the PFIs in risk management and subsequently increasing types of collateral which was used as security for loans is assessed to be a good attempt to make PFIs resources more equitably accessible to women, first time and small borrowers. This was correct in light of the prevailing situation at AR where the biggest problem in obtaining a loan was collateral and with a few exceptions most PFIs only accept urban based collateral or personal guaranty from a third person with a permanent job. The approach was also appreciated by the PFIs, although the incentive of reducing PFIs own contribution to the loan amount extended to clients did not materialise, as it was found too difficult to administer by the PCIU-IFAD, nevertheless the

²⁰ The reference rate (i) for review in the first half of the year is calculated as average between inflation rate of the last 12 months, set by the National Bureau of Statistic of RM and the projected inflation rate for the current year; (ii) for review in the second half of the year is calculated as actual inflation rate for the first 69 months of the year, set by the National Bureau of Statistic of RM plus the projected revised inflation rate for the next 6 month of the calendar year.

²¹ Table 2: Participation of Financial Institutions

²² Annex IV: Interest Evolution Applied for Refinancing

mentioned approach changed the type of collateral used by the PFIs²³. According to the PFIs without the inclusion of new types of acceptable collateral some clients would not have been able to provide the necessary loan security. The opinion among borrowers was mixed; some SMEs expressed that it had removed the inconvenience of asking family and friends to pledge their assets as security. Other SMEs expressed that the PFIs just added additional collateral as an added security rather than evaluating the business performance and matching it with the right level of collateral. It is assessed that the approach has resulted in improvements.

40. There is evidence from other projects²⁴ that if the programme approach would have included a credit guarantee fund the impact on first time borrowers and women would likely have increased the programme's portion of this client category. Therefore, new IFAD programmes should consider active collaboration with the existing guarantee funds to ensure a larger proportion of women and first time borrowers and borrowers of small loans.

Market Derived Infrastructure Investment

41. The component awarded competitive grants for investments in public infrastructure that enable and enhance private sector investments and activities in rural areas. The maximum grant from the programme was USD 150 000, but larger projects were possible if there were additional private or public sector contributions. Proposed investments demonstrate the commercial viability of the venture and that the infrastructure investment was a strategic enabling link.

42. **Assessment of MDI Approach.** The approach applied proved to be very effective in reaching a large number of beneficiaries with a high efficiency in leveraging additional funds from the programme client group as indicated by the following output²⁵: (i) 32 infrastructure development projects have been financed amounting to USD 3.3 million funded by the programme and USD 0.749 million funded by the client group; and (ii) around 39 228 individual, 1 842 farmers families and 108 rural enterprises benefits from the MDII interventions.

43. It was evident from meeting with the client group that to strengthen competitiveness of rural enterprises, it is essential to have access to better infrastructure, including roads, water and gas supply, etc. Therefore, this intervention proved to be a key factor in improving the business environment and stimulating new investments. It should be note that neither the GoRM nor other donors are providing similar support making the programme interventions even more relevant.

Programme Targeting

44. **RFS.** The programme applied two targeting mechanisms. The first mechanism assumed that REISP would promote programme activities and canvas first time borrowers and women borrowers. This approach was strengthened by an intensive awareness campaign conducted by the CPIU-IFAD using public media which proved very efficient. The second approach was used for the RFS and was based on measuring the value of the multiplier effect of an investment and only accepting investments with a predetermined multiplier effect ensuring that a large number people benefited along the value chain. This approach proved to be effective in choosing appropriate investments with strong value chain impact. The approach also stimulated additional investment

²³ Annex V: Type of Collateral and Share of Use

²⁴ Ministry of Economy, ODIMM Credit Guarantee Fund and LTD "Garant Invest"

²⁵ Annex III: Programme Physical Results

along the respective value chains underpinning the efficiency of the approach. In Table 1 the value chain multiplier threshold calculated by the CPIU-IFAD and approved by the IPSC is compared with the value chain multiplier calculated at PCR and it will be noted that they are very similar indicating that the multiplier used by the programme was accurate. The AR envisaged that by reducing the value chain multiplier threshold for the poorest localities would favour increased investment in such location; however this proved not to be the case.

Table 6: IPSC Approved Multiplier Coefficients Compared With Coefficients Calculated At PCR

Programme Refinanced Investment	Multiplier Coefficients Calculated at PCR			Multiplier Coefficients Approved by IPSC
	Rural	Urban	Overall Programme	Threshold
Horticultural Value Chain	1.43	0.55	1.98	1.68
Wheat and oil seed Value Chain	1.44	0.12	1.56	1.45
Livestock	1.16	0.05	1.21	1.10
Commercial Crop farming	1.08	0.02	1.10	1.20
Fruit and Vegetables	1.31	0.05	1.36	1.53
Meat Processing	1.54	0.02	1.57	1.7
Other Agriculture & Non Agriculture	1.25	0.14	1.38	1.15
Total	1.39	0.96	2.36	2.28

Source: CPIU-IFAD

45. **MDI.** The targeting mechanism used for the MDI was a competitive process based on call for grant applications through the mass media followed by selecting the applicant according to the Objective Ranking System (ORS). This approach proved to be transparent, effective as well as efficient.

Replicating the strategy and approach

46. It is both possible and desirable to replicate the programme strategy and most of the approaches. However the approach to equity participation should have included a venture capital fund or made use of banks to intermediate equity participation. The support to risk management and collateral development would have benefited from the programme own credit guarantee fund or a linkage/collaboration with an existing guarantee fund.

D. ASSESMENT OF PROGRAMME RELEVANCE

47. **Background.** Programme design was carried out during a period when 58.6% of the country's population lived in the rural areas of these 28% relied entirely on wages. Around 79.2% of rural families had been allocated land after privatisation of the state farms in the early 1990s. A typical family land holding averaged 3 ha fragmented into several plots and located apart. The small plot sizes coupled with weak produce and input markets forced most rural households to engage in subsistence farming, and 57% of the household were also letting part of their land to larger agricultural enterprises, resulting in a combined income only accounting for 39.85% of their disposal income. Under these conditions agriculture by its own was unlikely to be the solution to poverty reduction. This was underpinned by the fact that 38.6% of the employed national work force engaged in the agricultural sector only produces 18.2% of GDP, a very strong indicator of the low productivity, underemployment resulting in low incomes from the sector. To achieve poverty reduction would require creation of jobs through expansion of existing SMEs and support for

establishing new ones. Job creation also matched the experience of the rural population as most had a professional background as specialised workers under the Soviet era with little or no experience in agriculture.

48. At that time, there was a high level of distrust in the banking system in Moldova, related to the successive financial crises of the post independence period. This situation limited long term deposit reducing the financial sectors possibility to engage in long term lending. This coupled with the banking sector perceiving agriculture as risky limited the willingness of the sector to lend to agricultural and particularly to small farmers. In 2005 the total lending to agriculture represented 8% of the CBs loan portfolio.

49. Financial services for small-scale cottage production, farming and trading were available from 529 SCAs with a national coverage. However these institutions had limited resources and the lending conditions and maximum loan size usually not exceeding USD 3 000 limiting the use of funds to working capital or very small short term investments. In addition there were three micro finance institutions covering most of the country. However the lending operation of these institutions was also depending on donor support limiting their outreach and the size of loans which in turn limited investment in sustainable commercial activities.

50. The main rural off family-farm employers were commercial agricultural enterprises operating large farms and agro based industries. Most of these operated at sub-optimal level because of difficulties in obtaining the necessary financing resources to replace obsolete inventory of agricultural and agro-industry machinery and equipment. Despite these difficulties this category of enterprise was and still is the driver of rural employment, export and the consumption of agriculture product from small agricultural farmers and agriculture enterprises.

51. During the same time, women and men in Moldova enjoyed equal access to education and other social services. Traditionally family based enterprises were mostly registered in the name of the husband. This did not mean that he had exclusive power over the assets - rather that he was the official representative of the family. In case of divorce, death etc, the assets are divided. Enterprises, in which only one member of the household works, were in most cases registered in the name of that person. The apparent low loan uptake by women (RFSEDP) was a result of this and did not reflect that women were not engaged in enterprise management and operations. Rather, it reflected that joint decision-making is made by both husband and wife in the majority of family businesses. However, there was a significant disparity in average national salaries between men and women, where women typically receive 65% of the salary compared to men.

52. Another setback for the agricultural sector development was the stage of infrastructure. After the collapse of the Soviet Union the area under irrigation dropped from 316 000 ha to only 20 000 ha. The reduction was caused by schemes too costly to operate and maintain, impractical to operate due to the new land ownership and overall dilapidation. The reduction significantly reduced the productivity of agricultural output. Most of the village roads under the administration of "*Primarias*" were in such a bad state of repair that they were barely usable for regular transportation, and were a major obstacle to economic activity. The natural gas supply is available mainly in Chisinau and regional towns, but not in most villages where coal and wood are still used for heating of greenhouses and drying of fruit and this practice is too expensive for development of economic activities. In many places public piped water was not available causing another inconvenience to do business within such locations.

53. **Overall Programme Relevance.** Under these circumstances, the AR's decision to assist the development and diversification of existing SMEs and support new SMEs with focus on high

value agriculture was certainly highly relevant. It was also very relevant in the context of the EGPRSP which emphasises that social and economic development is dependent on reducing poverty and inequality, which in turn necessitates increased participation of the poor in economic development and its benefits. The goal of EGPRSP was (and still is) therefore to improve the living conditions of the poor through assisting families and individuals to mitigate their poverty by creating additional jobs, developing new SMEs, and assisting socially vulnerable groups with employment.

54. **Relevance of REIS and RFS.** In view of the above mentioned limited availability of appropriate credit, the refinancing of PFIs lending to the SMEs located in the rural sector and to agricultural enterprises was very relevant. This is underlined by exhaustion of allocated programme funds 22 months ahead of planned programme completion. Furthermore, additional 32 loans amounting to USD 2.16 million were refinanced by CLD using revolving programme funds. The 41 enterprises/borrowers met in respect of data collection for this report expressed an overall satisfaction with the service provided. This satisfaction is similar to findings in the impact assessment undertaken by CPIU-IFAD in 2008/09 for all IFAD financed programmes in Moldova.

55. The following breakdown²⁶ of the loan portfolio is another indicator of programme relevance in addressing the programme objective. The scope of the refinanced loans comprised: (i) 24 loans for new enterprise of these 12 first time borrowers- both these two categories are relevant in continuous growth of the number of jobs being created; (ii) refinanced loans dealing with diversification accounted for 18 investment loans relevant for increasing export, increase in earnings per unit and creation of new jobs; and (iii) the remaining 87 loans were for expansion of existing enterprises relevant for improving competitiveness securing and creating new jobs. The relevance of REIS/RFS in terms of addressing small investors and women is apparent when above loan is divided according to loan size and gender: (i) 17 was small loans (< USD 20 000) taken by 1 woman and 16 men; (ii) 68 loans were medium (>USD 20 000 ≤USD 100 000) disbursed to 21 women and 47 men; and (iii) the remaining 44 loans were large (≥USD 100 000 up to 150 000) benefiting 11 women and 33 men.

56. Of the 129 refinanced loans 36 were for processing and 14 cold storage for collection/storage & marketing of horticulture-products. The total procurement of produce by these entities amounted to USD 33.44²⁷ million annually at programme maturity estimated to have created new incremental markets for 4 593²⁸ small farmers.

57. The 129 enterprises generated 1 756²⁹ full time jobs equivalent of which 1 348 created directly and 408 indirectly and induced. The jobs were divided equally among women and men and mostly occupied by previously unemployed persons. Around 66% of the jobs were occupied by young people below 30 years of age³⁰. Interviews with some of the persons occupying the new jobs revealed that they appreciated having a job and they also expressed that it had made them decide to stay in Moldova instead of migrating³¹, a very good indicator of relevance.

58. The REISP were essential in intermediation of all the refinanced loans and also assisted in many of the value chain linkages developed among SME during programme implementation. It is therefore assessed that the REISP was relevant in delivering the above output to the client group enabling the stated purpose of the programme to be achieved.

²⁶ Annex II: Portfolio Analysis of Refinanced Investment Loans

²⁷ Annex VI: Economic Multiplier Analysis

²⁸ Including the 1 842 farmers benefiting from improve irrigation infrastructure. The remaining 2751 has been estimated based on total volume and value procured by processors/cold storage enterprises and visits to suppliers of these facilities.

²⁹ Annex VI: Economic Multiplier Analysis, Table 4.

³⁰ Source: Impact Assessment Report for all IFAD's financed activities in Moldova, 2008/09

³¹ CPR mission's interviews with employees of visited enterprises, see Annex X

59. The REIS and RFS have also been very relevant in creating important systemic improvements within the commercial banking sector including: (i) a much better understanding of the agricultural sector and its related risks; (ii) shift from a purely collateral based lending to a more business oriented approach; and (iii) more flexible lending conditions. The RES also generated additional jobs within the commercial banking sector.

60. **Relevance of MDI.** The programme support to infrastructure investments reduced the cost of doing business for 108 rural enterprises of which 53 were refinanced by the programme. In addition a total of around 39 228 rural people benefited from the improved roads, gas and water connections. The investment in irrigation infrastructure benefited 1 842 small farmers reporting yield increase and crop diversification resulting in incremental earnings of USD 650/ha or USD 1 365 per farmer (2.1 ha). The younger farmers³² expressed that the infrastructure had made them decide not to migrate and others had actually returned home because the infrastructure had offered them the possibility of making a living in Moldova.

61. It is the assessment that the programme was very relevant in contributing to the programme objective as well as the national goal. The programme activities have also served as important demonstrations.

E. PROGRAMME COST AND FINANCING

62. **IFAD Loan Allocation and Reallocation in SDR.** The Loan Agreement between IFAD and the borrower provided the basis for a loan of SDR 9 100 million financing the programme loan categories mentioned in Table 7. At programme completion 100% of the loan had been expended. During the implementation period SDR 1.05 million of the loan proceed was reallocated represented by SDR 0.5 million from Unallocated funds, SDR 0.13 million from Operating cost, SDR 0.40 million from Technical Assistance and Training and 0.02 million from Equipment, Goods and Vehicles. Of the reallocated loan proceed SDR 350 was allocated to Civil Works for Market Derived Infrastructure Investments representing an increase of 16.67% and SDR 0.70 million was allocated for loan refinancing accounting for an increase of 12.5%.

Table 7: Loan Allocation and Reallocation of Funds in SDR

Loan Category	Loan Agreement Allocation, SDR '000	Revised allocation, SDR '000	Reallocated amount, SDR '000	% Reallocations per Loan Category and Total
Civil works	2 100	2 450	350	16.67%
Equipment, Goods & Vehicles	30	10	-20	-66.67%
Technical Assistance & Training	650	250	-400	-61.54%
Loan Refinancing	5 600	6 300	700	12.50%
Operating costs	220	90	-130	-40.90%
Unallocated	500	0	-500	-100.00%
Total	9 100	9 100	1 050	11.54%

Source: CPIU-IFAD

63. **Total Programme Cost and Disbursement in USD.** The projected base costs at AR totalled USD 20.307 million and actual was USD 32 002 million an increase of USD 11 695 million, representing 58% increase compared to AR. This sizable difference is a result of borrower's equity contribution to rural investment from USD 3.63 million estimated at AR to 14.29 million an increase of 294%. Another increase was noted under the beneficiaries contribution to infrastructure from USD 0.554 million to USD 0.742 a rise of 34%. It will be noted that the PFIs contribution was USD

³² CPR mission's interviews with employees of visited enterprises, see Annex X

0.601 or 21% lower than anticipated during AR this is a result of the loan negotiations where it was agreed that PFIs should only finance 15% of the loan portion used for working capital. Governments contribution amounted to USD 0.667 million representing an increase of USD 0.379 million translating into 132% compared to original allocation. The timeframe and adequacy of financing exceed the requirement of the programme LA.

Table 8: Financiers, Cost Allocation, Disbursement and Reallocation (USD '000)

Category	IFAD			GoM			Clients			PFIs			Total		
	Allo.	Disb.	Reallo.	Allo.	Disb.	Reallo.	Allo.	Disb.	Reallo.	Allo.	Disb.	Reallo.	Allo.	Disb.	Reallo.
A. Rural Enterprise Intermediation Services	650	2	-648	0	0		0	0	0	0	0	0	650	2	-648
B. Rural Financial Services	7 744	10 645	2 901	0	0		3 630	14 292	10 662	2 810	2 209	-601	14 184	27 146	12 962
C. Market Derived Infrastructure Investment	3 383	3 300	-83	0	6	6	554	742	188	0	0	0	3 937	4 048	111
D. Programme Management	1 248	153	-1 095	288	661	373	0	0	0	0	0	0	1 536	806	-730
Total Financing, Allo, Disb. & Reallocation and	13 025	14 100	1 075	288	667	379	4 184	15 034	10 850	2 810	2 209	-601	20 307	32 002	11 695

Source: CPIU-IFAD

64. The CPIU-IFAD Procurement Committee selected the following audit firms, duly approved by IFAD, to undertake audit of the programme's books and accounts: 2006 to 2007 KPMG, 2008 PriceWaterHouseCoopers and 2009 KPMG. The CPIU/IFAD ensured that the audit firms conducted the audit within the timeframe stipulated in the LA. Throughout the programme implementation the audit process was executed in accordance with IFAD's audit guidelines, and the audit reports submitted to IFAD and UNOPS was on schedule. All 4 audit reports provided an unqualified opinion on the programme's financial statements, statements of expenditure, summary of sources and uses of funds, and Special Account statement. A few minor observations were made regarding the accounting system and internal control system, all of which received immediate management response and noted as being corrected by subsequent audits.

65. A total of 33 **withdrawal applications** were submitted during the implementation of the programme. The authorised allocation of the Special Account was increased from USD 0.5 million to USD 1.5 million after the first withdrawal.

F. ASSESSMENT OF PROGRAMME EFFICIENCY

66. The actual delivery cost related to programme management (CPIU-IFAD) was only **2.5%** of total disbursed funds and **1.03%** of disbursed funds under the IFAD loan (derived from Table 3). This indicates very high management efficiency, and as will be noted elsewhere in this report, without comprising quality of implementation and output and impact. The high management efficiency resulted in programme completion 22 months ahead of schedule yielding a disbursement factor of 1.35 indicating a very good financial disbursement performance.

67. The cost of delivering REISP services for refinancing of the 129 loans was only USD 16 per refinanced loan.

68. The average interest rate charged by the PFIs over the duration of programme implementation was 4.68% less for refinanced funds compared to the cost charged by the PFIs for own financial resources³³. This amounts to a total saving for borrowers of USD 1.21 million during

³³ Details in Annex IV: Interest Evolution Applied for Refinancing

the programme implementation period and USD 4.424 million over the grace period (10 years) for IFAD's loan. These savings were achieved without compromising PFIs spread and creating unfair competition on the financial market and can be considered highly efficient in delivering funds for rural financing benefiting the investors.

69. The 129 investment refinanced under the programme produced a financial³⁴ net profit before tax and depreciation of USD 9.319 million with an Financial Internal Rate of Return of (FIRR) 16% and an Financial Net Present Value (FNPV) at 12% of USD 4.811 million. The economic net return is USD 12.588 million with an Economic Internal Rate of Return (EIRR) of 32% and an Economic Net Present Value (ENPV) at 12% of USD 24.786. These returns indicate an efficient use of capital exceeding the opportunity cost of capital which has been set at 12% as well as the annual GDP (4.6% average p.a. over 2006-2008) indicating a strong contribution to the economic growth. These indicators underpin the efficient use of funds. The GDP went into negative territory in 2009 due to the international crises but has recovered to 4.7% during the first half of 2010.

70. The investments in market derived infrastructure³⁵ included rehabilitation of 15 irrigation systems with a total area of 3 931 ha at a cost of only USD 414 per ha which is a very efficient use of funds. The cost of rehabilitating 12 road sections totalling 12.400 km of road amounted to USD 122 922 per km or a total average cost of USD 40.9 for each of the 36 936 persons benefiting from usage, again very efficient use of funds. The cost of the three water reticulation systems totalling 10.092 km amounted to USD 259 417 translating into USD 26 891 per km or USD 142 for each of the 1 832 persons benefiting from connection to piped water. The cost of establishing two gas supply systems consisting of laying 4.643 km of pipes amounting to USD 86 889 translating into USD 18 714 per km or USD 189 for each of 460 persons benefiting from the connection.

71. The investment in infrastructure generated a financial and economic net return³⁶ of USD 4.133 million. The incremental FIRR is 37% with a FNPV at 12% of USD 6.466 million. The EIRR is 60% with a ENPV at 12% of USD 9.875. These returns are efficient use of capital exceeding the opportunity cost of capital set at 12% and the annual GDP indicating a strong contribution to the economic growth.

72. Overall the programme generated a financial net return³³ of USD 13.206 million with an FIRR of 19% with a FNPV at 12% of USD 10.458 million. The programme's economic net return is USD 16.721 million with an EIRR of 35% and a FNPV of USD 33.482 million. All the above results underpin the efficient use of funds.

73. Borrowers' contributions to the 129 refinanced investments accounted for 53% or 163% higher than anticipated by the AR. The contribution of PFIs met the requirement agreed upon during loan negotiations amounting to 15% of the loan portion assigned for working capital. These indicators show a high efficiency of the programme to leverage additional funds.

³⁴ Annex VII: Financial and Economic Analysis

³⁵ Annex VII: Financial and Economic Analysis

³⁶ Annex VII: Financial and Economic Analysis

G. REVIEW OF PROGRAMME OUTPUT

Table 9: Result Chain

Goal		Results	
<p>To produce sustainable income growth for poor people in rural areas and small towns in Moldova.</p> <p>National Reduction of poverty</p> <ul style="list-style-type: none"> Population with consumption below \$2.15 a day Proportion of people under the absolute poverty line Proportion of people under the extreme poverty line 		<p>As noted throughout this report the programme contributed below national reduction of poverty</p> <p>National reduction of poverty</p> <ul style="list-style-type: none"> During 2005 and 2009 the national household assets increased by 8%³⁷; Reduction national unemployment by 1%¹¹; Decreased from 27.5% to less than 10% in 2009; Decreased by 3.9% between 2005 and 2009; Decreased by 2.4% between 2005 and 2009. 	
Objectives		Results	
<p>To stimulate the growth of strategic farming and rural business activities in which Moldova has a comparative advantage.</p>		<ul style="list-style-type: none"> 37% SMEs reporting changes in cropping pattern; The assets of programme supported SMEs grew by 109% or 27.25% p.a. and net profit grew by 71.2% or 17.8% p.a. 	
Outputs			
Improved agricultural and livestock production		<ul style="list-style-type: none"> 6 farmers out of 129 financed increased herds size as a result of programme refinancing. Yields for field crops (7 100 Ha) produced by commercial farmers supported by the programme increased by 9.5% and production cost decreased by 10%. 	
Producers benefiting from improved markets access		<ul style="list-style-type: none"> 56 (52%) of the 108 SMEs that benefited from the rehabilitation of roads have improved the access to old and new market places; 31 enterprises (24%) out of 129 reported using purchased inputs in the market for their day by day activity; 85% of respondents reported increase of amount of produce sold commercially; 85% of the surveyed companies reported that they have increased the number of contracts signed with different buyers. 	
Likelihood of sustainability of enterprises		<ul style="list-style-type: none"> 41 enterprises were financed between 2006-2007; 100% of them are still operating 3 years after IFAD-loan disbursement; Value of assets growth on average - 109% Net profits growth on average - 71,2% An estimated 1 348 jobs (full-time equivalent) were created from direct economic impact and 408 from indirect and induced economic impact. The jobs created were distributed equally between women and men. On average 10.45 jobs per business were created, the indicator being higher for newly created businesses - 15.13 jobs. 	
Activities by components			
<p>REIS:</p> <p>1.1. Seven REISs (Business Service Providers) were accredited by IFAD to assist entrepreneurs in loan intermediation services; REISs have offered loan intermediation services to 152 rural entrepreneurs, of which 36 were female, headed/owned.</p> <p>1.2. REIS providers have developed 15 business plans for small rural enterprise financed 100% by IFAD.</p>	<p>RFS:</p> <p>2.1. Total disbursement under the RFS was USD 10,645 million for 129 loans, of which 33 loans were for female headed/owned businesses (26%) and 96 for males (74%).</p> <p>2.2. The 129 financed enterprises are owned by 354 persons of which 96 women (27%) and 258 men (73%).</p> <p>2.3. 24 new rural businesses were established.</p> <p>2.4. 22 loans disbursed to companies that benefited from loans in other on-going IFAD programmes.</p> <p>2.5. The amount of co-financing investment equals to 16.501 million USD.</p> <p>2.6. There are 122 outstanding loans at the time of PCR.</p>	<p>MDI:</p> <p>3.1. 32 financed infrastructure projects amounting to USD 3.287 million.</p> <p>3.2. 15 financed irrigation systems. A total of 3 931 ha of land rehabilitated benefiting 1 842 farmers and 35 enterprises;</p> <p>3.3. 12 financed road rehabilitations/constructed with a total length of 12 400 km</p> <p>3.4. Construction of 3 drinking water systems (10 092 km);</p> <p>3.5. Construction of 2 natural gas supply systems of 4 643 km.</p> <p>3.6. Number of persons benefiting from infrastructure 39 228 persons</p>	<p>PM:</p> <p>4.1. 2 500 beneficiaries (loan applicants) have been provided consultancy in the CPIU office;</p> <p>4.2. On-site meetings with groups of beneficiaries in more than 90 localities (15-20) beneficiaries per each meeting), about 1 870 beneficiaries being consulted.</p>

³⁷ Annex VIII: Changes in Households Assets

Source: CPIU-IFAD

H. ASSESSMENT OF PROGRAMME EFFECTIVENESS

74. **REIS and RFS.** The composition of the type of enterprises in receipt of investment loans refinanced under the programme RFS³⁸ achieved the programme objective of stimulating growth of strategic farming and rural businesses.

75. On average each new business created 15.13³⁹ new jobs compared to the overall average of 10.45 new jobs for each refinanced enterprise, showing the importance of new businesses as drivers for horizontal growth of new jobs. The total number of jobs created by the programme was 1 756 of which 1 348 was created directly and 408 indirectly and induced. The jobs created by the programme represents 4.72% of all new jobs (37 200⁴⁰) created in the country during the programme implementation period irrespective of sector. The average income earned by each of the 1 756 jobs amounted to USD 208/months which is very good compared to the country average for all (465 200⁴¹) waged employees amounting to USD 195/month⁴² (2008) and considerably better than for the agriculture sector USD 119/months¹⁶ (2008). During the programme implementation the 1 756 employees experienced an annual average increase in wages of 10.75% for administrative personnel and 16.25% for workers; this exceeded both inflation and GDP. The jobs created by the programme were equally divided between women and men. These indicators stress the effectiveness of the programme in delivering sustainable works place for both men and women.

76. Diversification of farming into high value crops like viticulture/pomiculture and irrigated vegetable had strong impact on per unit return to investment. Investment in processing, modernisation of commercial frames, collection/marketing of produce and other agriculture enterprises also supported the diversification of farming and have created incremental markets for 4 475⁴³ farmers valued at around USD 33.44 million annually contributing to increasing the average farm household income.

77. During the period 2005 and 2008 the overall national agriculture output grew annually by 7.5%⁴⁴ in monetary terms and 7.3%⁴³ in physical terms. This growth resulted in rise of renting land amounting to USD 110/ha in 2009. The 35 commercial farmers supported under the programme rents 5 350 ha from 3 565 smallholders of which half are pensioners. The rise in land rent increased the income per average smallholder by USD 165 p.a.⁴⁵. This development is of particular importance for the pensioners having limited possibility to cultivate their land by themselves and in getting employment.

78. **MDI.** The MDI activities directly impacted 39 228 people estimate to generate an annual economic net profit amounting to USD 4.133 million. The net economic profit for roads (1.3 million), water (USD 0.326 million) and gas (USD 0.154 million) was derived from saving in time, repair of vehicles and cheaper cost of utilities. For irrigated land the net profit (USD 2.353 million) was incremental return from rehabilitation of irrigation schemes (USD 650/ha) derived from diversifying from field corps to high value vegetable crops.

³⁸ Annex II: Portfolio Analysis of Refinanced Investments Loans

³⁹ Source: PCR mission's visits to clients (Annex X)

⁴⁰ Source: NBS

⁴¹ Source: NBS

⁴² Source: NBS

⁴³ Including the 1 724 farmers benefiting from improve irrigation infrastructure

⁴⁴ Source NBS

⁴⁵ Assuming that a landowner has 1.5 ha on average.

Table 10: Loan Disbursement by Volume and Value across Investment Type and Strategic Scope

Loan disbursement - by type of investment	Strategic Scope						Total	
	launching of new		Diversification of		Expanding of Existing		Volume	Value USD '000
	Volume	Value USD '000	Volume	Value USD '000	Volume	Value USD '000		
Agriculture machineries	3	188			32	1 927	35	2 115
Viticulture/ pomiculture	3	313	8	591	8	402	19	1 306
Processing Plants	2	225	8	656	12	1 177	22	2 058
Livestock/ dairy farm	3	114			10	1 118	13	1 232
Collection/ storage & marketing of agri-products	4	415	4	493	6	701	14	1 609
Irrigation systems, vegetables growing	3	410			11	732	14	1 142
Other agri-activities			1	149	2	299	3	448
Non agri-activities	3	266	3	319	3	149	9	734
Total	24	2 117	18	1 804	87	6 724	129	10 645

Source: CPIU-IFAD

Wider Economic Programme Impact

79. To get an indicative understanding of the aggregated economic multiplier effect generated by the programme the Marginal Propensity to Consume Locally (MPCL) and the Marginal Propensity to Leak Locally (MPLL)⁴⁶ has been estimated for direct spending, indirect spending and for induced spending. Infrastructure investments for roads, gas and water have not been included in the economic multiplier impact analysis as the incremental return to these investments are basically made up from savings. (see also Annex VI).

80. The multiplier analysis show that the total economic impact generated by the programme's refinanced 129 enterprises and the 13 infrastructure investments in irrigation amounts to USD 203 million. This means that every USD 1 of revenue earned contributes to the economy by USD 2.36 (economic multiplier 2.36). Out of the overall economic impact USD 120.114 million (multiplier of 1.39) was generated in the rural economy and USD 82.732 million (multiplier of 0.96) was leakage from the rural economy. The rural economic multiplier impact generated 408 jobs full time equivalent from the indirect and induced economic impact. The USD 82.732 million leaked is represented by USD 16 million for dividend/savings, USD 8.3 million in government revenue and USD 58.4 million was used for importing goods and services from urban areas; no attempt has been made in estimating the jobs created by the USD 58.07 million.

Table 11: Wider Economic Programme Impact

Groups of Programme Refinance Investment	Direct Economic Effect (A)		Indirect (B)		Induced (C)		Rural Economic Multiplier Impact (D)= (A+B+C)			Rural Leaked Economic Multiplier Impact (E)				Total Economic Multiplier Impact	
	Revenue Value USD '000	No of Jobs	Revenue Value USD '000	No of Jobs	Revenue Value USD '000	No of Jobs	Revenue Value USD '000	No of Jobs	Multiplier Coefficient	Dividend/Savings USD '000	GoM Revenue USD '000	Goods and Services USD '000	Multiplier Coefficient	Revenue Value USD '000	Multiplier Coefficient
Horticultural Value Chain	56 534	660	18 467	165	5 875	105	80 877	930	1.43	9 570	4,463	33 661	0.55	128 571	1.98
Wheat and oil seed Value Chain	10 459	146	3 835	53	717	4	15 010	203	1.44	2 476	1,170	6 877	0.12	25 534	1.56
Livestock	4 311	155	606	15	73	2	4 992	172	1.16	881	508	2 796	0.05	9 175	1.21
Commercial Crop farming	1 605	17	111	2	25		1 740	19	1.08	295	137	1 153	0.02	3 326	1.10
Fruit and Vegetables	4 762	145	1 365	8	89	2	6 215	155	1.31	949	873	2 850	0.05	10 888	1.36
Meat Processing	2 484	76	1 241	35	111	3	3 836	114	1.54	578	329	1 239	0.02	5 982	1.57
Other Agriculture & Non	5 977	149	1 244	12	223	2	7 444	163	1.25	1 269	814	9 844	0.14	19 526	1.38
Total	86 132	1 348	26 869	290	7 113	118	120 114	1756	1.39	16 018	8,294	58 420	0.96	203 002	2.36

Source: Annex VI: Summary of Table 5 to 11

⁴⁶ MPCLL is made up from the Marginal Propensity to Save (MPS), the Marginal Rate of Taxation (MRT) and the Marginal Propensity to Import (MPI)

I. ASSESMENT OF IMPACT

Physical Assets

81. The most important programme impact on physical assets has been for the 129 enterprises refinanced by investment loans. These enterprises experienced an annual average growth in fixed assets of 27.25%⁴⁷ reflecting that part of the earnings are reinvested in growing the enterprises also supported by the annual average growth in sales of 11% and net profit of 17.8%⁴⁸. This growth is also financed by retained earnings. The retained earnings are likely being reinvested elsewhere in the economy further driving growth and generating additional employment impacting poverty reduction positively. The 36 enterprises engaged in produce collection/marketing and in processing buys raw material from around 4 593⁴⁹ farmers; of these an estimated 20% (538⁵⁰) have been stimulated to invest in new/rehabilitation of orchards, tunnels, and trellis for vegetables e.g. cucumbers and tomatoes, drip irrigation systems and machinery leading to an estimated growth in asset of USD 2 850 for each farmer. It is very likely that if the programme had managed to intermediate equity as foreseen in the AR the impact would have been considerably higher but as explained elsewhere the approach and timing were not suitable.

82. The second most important programme impact on generation of physical assets has been from matching grants to 13 cooperatives/farmers and associations for developing irrigation infrastructure. The 1 842 farmers and 35 enterprises benefiting from the irrigation infrastructure (3 931 ha) on average increased their assets by USD 2 780 as a result of increased land value. During meetings with groups of farmers from 4 of the 13 irrigation schemes it was evident that the members of the cooperatives/associations had made additional investment using retained earnings further increasing growth of income.

Human Assets

83. The Programme supported capacity-building of clients, contributing to understanding and enhancement of entrepreneurial capability among individuals, SMEs, RISP staff, PFI staff and CPIU staff. The summary of the direct programme support to capacity building is presented in Table 11. Women represented 2 632 of total participants benefiting from the capacity building/training. At the time of the PCR there were 1 functioning infrastructure management groups for each of the 30 infrastructure investments, of these 8 were headed by women. These groups held at least 2 meetings annually. The investment in infrastructure improvements had a strong social impact in strengthening social relationships among rural communities creating additional joint communal developments e.g. expansion of land under irrigation, marketing arrangements, joint procurements, contract farming. Infrastructure investment in roads, which also included contribution from the local communities, represented a considerable improvement in accessibility and communications for local social services (schools, medical offices, postal offices, etc). Provision of water supply to rural households contributed to improvement of health aspect of household's members, and reduced the manual work in collecting water from the well.

⁴⁷ Source: Actual B/S information obtained from enterprises visited by the PCR mission (Annex X). The calculation is based on the incremental assets (fixed + current) resulting from the investment loan.

⁴⁸ Source: Actual P/L information obtained from enterprises visited by the PCR mission (Annex X).

⁴⁹ Including the 1 842 farmers benefiting from improve irrigation infrastructure

⁵⁰ PCR mission's estimate based on interviews with processors (Annex X) and visits to their suppliers (small farmers)

Table 12: Summary of Direct Programme Support to Capacity Building

Type of Capacity Building and Resource Base	Participants		
	Clients	Business Service Providers	Bankers
Programme Awareness by MoAFI, CPIU and PFIs	998		
CPIU One Site Advisory service	1 870		
CPIU Office Consultation with Clients	2 500		
BDS Technical Advisory Provided to Individual clients	480		
Agricultural Loan Risk Management and Collateral Development		6	54
Lending to Agriculture and Rural Businesses			50
Strengthening Agricultural Value Chains, CPIU and Wageningen		6	44
Programme Awareness by CPIU			
Total	5 848	27	148

Source: CPIU-IFAD

84. The project has contributed to increase in food supply through refinancing of investment loans for 35 commercial farming enterprises, 19 orchards and 13 dairy farming enterprises. The availability of food has increased through rise in family revenue for a total of 10 268⁵¹ persons, implying improvements in level and quality of nutrition and affordability of health and education services.

Social Capital and Empowerment

85. Programme support to business derived infrastructure resulted in non-business citizens coming together and collectively requesting to benefit from gas and water connections. This fostered the establishment of 32 initiative citizen groups collaborating with the mayors and business communities resulting in 1 842 farmers benefiting from rehabilitated irrigation schemes, 1 832 persons benefiting from water connections, 460 persons benefiting from gas connections and 36 936 benefiting from 12.400 km of improved road. The development of road infrastructure facilitated collection of produce and improved access to new markets and developed new business relations between processors and suppliers. At the time of the PCR the 32 local initiative groups managed the infrastructure investments and the programme support for irrigation also led to development of collective marketing, diversification into high value crops and additional investments for expansion of area under irrigation.

86. Despite these very positive impacts it is assessed that provision of technical assistance would have further enhanced the impact. In particular issues related to marketing and choice of high value crops would have been beneficial for the farmers benefiting from irrigation infrastructure. However this was not happening due to government policy of minimising use of loan proceed for TA/training.

87. The programme also addressed the needs of women's access to credit resulting in 24% of all refinanced investment loans was for women. This is high considering the culture of joint management of business activities between wife and husband. The participating women also improved their managerial and entrepreneurial capabilities by actively participating in the preparation of the business plans with support from the REISP.

⁵¹ 1756 incremental jobs, increased land rent for 3565 small holders, irrigation infrastructure increased earnings for 1842 farmers, increased earnings for 354 enterprise owners and new markets for 2 751 small commercial farmers.

Food Security

88. Physically availability of sufficient quantities of food was not an issue during AR. However sufficient money to buy food was an issue for the extremely poor people. During the period between AR and programme completion the national population of poor people with a per capita income of less than USD 2.15 per day have dropped from 27.6% (2005) to less than 10% (2009) and the number of extremely poor reduced to 2.4% during the same period⁵². The programme contributed positively to these changes in respect of generating increased earnings for 10 268⁵³ persons improving their ability to buy sufficient food. Savings generated from investments in road, gas and water infrastructure benefiting 39 228 person also contribute to the ability of these people to buy sufficient food. The programme also improved the overall food production in the country through its support to primary agriculture production.

Institutions and Services

89. The programme support to risk management and broadened acceptance of collateral by PFIs, improved the equitability of access to PFIs financial resources particularly important for first time investors, women investors and small investors.

90. Along with USAID the programme introduced the value chain concept and methodology to REISP and PFIs through workshops and directly by CPIU-IFAD interaction with stakeholders of the programme (Table 11). Results from this approach have shown to be effective in generating additional impact particularly in backwards linkages to small farmers which has over time developed into several contract farming arrangements between processors and farmers. In many instances the value chain approach also assisted the PFIs to expand lending to other stakeholders within the respective value chain.

Agricultural Productivity

91. The programme has increased agricultural productivity both in terms of growth in physical output of food and in terms of increasing the purchasing power for rural people to buy food. It is estimated that the 35 commercial farms who invested in machinery cultivate around 7 100 ha of which 5 350 ha was rented from 3 565 from smallholders. The productivity on this land has increased by 9.5% p.a.⁵⁴ contributing to overall food security. Likewise the investment in Viticulture/pomiculture, investment in irrigation for vegetables and investment in livestock has also increase food production and productivity and revenue.

92. The 1 756 persons occupying the new jobs have increased their income. It is estimated that around 4 593⁵⁵ farmers have shifted from low value field crops to cultivation of high value crop to meet the incremental demand from cold stores and processing plants supported under the programme. Rise in cost of renting land has benefited 3 565 smallholders of which half are pensioners. The 354 owners of the 129 refinanced enterprises have also increased their purchasing power.

⁵² Ministry of Economy Report on Poverty and Policy Impact, November 2009, page 11, Figure 5: Trends in the share of people with per **capita income of less than USD 2.15 a day**

⁵³ 1756 incremental jobs, increased land rent for 3565 small holders, irrigation infrastructure increased earnings for 1842 farmers, increased earnings for 354 enterprise owners and new markets for 2 751 small commercial farmers.

⁵⁴ Estimated by the PCR mission based on visiting some of the programme clients (Annex X)

⁵⁵ Including the 1 842 farmers benefiting from improve irrigation infrastructure

Environment and Common Resource Base

93. Programme supported interventions do not seem to have run contrary to major environmental norms and concerns. The EU rules and regulation regarding type and use of agrochemicals were adopted just after AR and has since been enforced. Furthermore the programme focus on high value crops requires additional restrictions in the use of agrochemicals. Overall, the project has generally had a neutral environmental impact.

Financial Assets

94. The programme has improved the availability of investment loans in rural areas for off- and on-farm enterprises amounting USD 10 645 million representing 22%⁵⁶ of total incremental lending to the agriculture sector during the programme implementation period. Furthermore, reflows from other IFAD and donor financed programme relend by CLD makes up a large share of the remaining lending to the rural sector. Without this intervention it is likely that the programme's 12 first time borrowers and 15 small borrowers would not have been able to access credit. The net income from all the 129 refinanced investment loans are an important resource for further business expansion creating additional jobs and more favourable market conditions for farmers.

95. Meetings with persons occupying the jobs created under the programme, farmers benefiting from new market opportunities and irrigation infrastructure clearly indicated that not only did it move people out of poverty but it also allowed saving. This was invested in household goods like freezers and refrigerators enabling storage of harvest and purchased of produce when prices were favourable contributing to reduced cost of living. It also enabled the respective households to undertake needed repairs to their houses and save for other essential household goods and unforeseen expenditures.

96. Land rent paid to around 3 565 smallholders also contributed in reducing poverty. The land rent paid to pensioners (accounted for about half of the smallholders) is of particular importance considering that this population group has limited possibility for cultivating their land and securing a job.

Markets

97. Through the value chain approach the programme contributed directly to the improvements of input and output markets. The output market was improved through expansion of demand from the programme supported enterprises engaged in processing, produce marketing and cold storage for high value agricultural produce benefiting 4 593⁵⁷ farmers. Likewise the input supply also improved as a result of value chain processors organising input for their supplier/contracted farmers. Farmers from the 13 irrigations schemes also organised collective purchase of input resulting in cheaper prices.

J. ASSESMENT OF SUSTANIABILITY

98. Sustainability has been assessed at the level of: (i) continuous access to debt financing; (ii) provision of business development service; (iii) Of and on-farm based enterprises; and (iv) management and maintenance of infrastructure interventions.

⁵⁶ NBM

⁵⁷ Including the 1 842 farmers benefiting from improve irrigation infrastructure

99. **Access to Debt Financing.** Reflow of repaying the refinanced loan to CLD will ensure that IFAD's original loan allocation for refinancing (including reallocation) can be revolved for similar loans until full repayment has been made to IFAD in 2046. Assuming that the present structure of the refinanced loan portfolio is repeated using revolving funds it would result in accumulative refinancing estimated at USD17 million at the end of the grace period. This would contribute to overall economic growth further contributing to rise in PFIs own resources and eventually to long term sustainability of access to CBs resources for debt financing of rural investments.

100. **Provision of Business Development Services.** The programme support to REISP in preparation of business plans has resulted in improved quality of such plans which in turn have led to increased appreciation of this tool both by the PFIs but also among borrowers. Increasingly business plans are being used as management tools by the enterprises particularly for medium and large enterprises owned by several persons. The most pro-business oriented CBs are also using this instrument in monitoring their investment loans and related risks. This has led to demand for this service enabling several business service providers to include it as part of their permanent products ensuring sustainability of this service.

101. **Enterprises.** The sustainability of the enterprises supported by refinanced investment loans appears to be high. This is reflected by a number of indicators including yearly annual growth in sales, profits, hiring of additional staff, gradual growth of the business and by increase in retained earnings and fixed assets. The biggest threat to these signs of sustainability is competitiveness and access to markets. Competitiveness is relevant both for import substitution and for export and it is assessed that one of the biggest barrier to export is lack of compliance with international standards like GlobalGap and HACCP/ISO.

102. **Infrastructure.** Meetings with farmers and their elected leaders from the cooperative/association in receipt of irrigation infrastructure clearly indicated that both maintenance, replacement of equipment and fixed structures is well managed by the various groups. It was further noted that collective investment in new equipment for other farming activities had been undertaken by some of the groups and some are planning investments in additional equipment for expansion of the area under irrigation.

103. The maintenance of gas and collection of cost of consumption is the responsibility of the JSC "Moldovagas" ensuring long term sustainability. Water connections and collection of fees are done by users associations; however if major repairs are needed the members have to contribute in addition to the fee collected. The maintenance of roads is the responsibility of the Primarias offices and it is not likely that these offices will be able to finance the cost related to maintenance without the participation of the private sector. If Moldova adopts the reform of decentralisation to the local public administration (presently being debated by parliament), with increased fiscal allocations from the central government it could be possible for the local administration to cover some maintenance cost. In the mean time the CPIU-IFAD has encouraged the 'Primarias' office to work closely with the beneficiaries to share the maintenance cost.

K. INNOVATION, REPLICATION AND UP-SCALING

104. Within the Moldova development context the AR featured 4 innovative approaches including the value chain based selection criteria for refinancing investment loans, loan risk management and alternative collateral development, intermediation of equity participation and grant financing of business derived-infrastructure.

105. **Value Chain.** Using the value chain approach in targeting what type of enterprises would be eligible for refinancing of investment loans was a straight forward unbiased method of measuring the investment's impact on all actors in the value chain with emphasis on job creation and increased market possibilities for farms and maintaining competitiveness. This approach resulted in a number of holistic investments along the value chain. Effects not foreseen in the AR included contract farming reducing investment risks for farmers switching to high value crops and improved input supply through credit in kind from contractor/processor to be deducted from the produce to be delivered by the farmers. Both the targeting mechanism and contract farming has great potential for up-scaling.

106. **Risk management and Collateral Development.** The features of these interventions consisted of training of personnel from PFIs in risk management of lending to agriculture and developing new types of collateral making debt financing more equitably accessible to investors particularly those less endeavoured. This intervention has the potential for up-scaling if combined with credit insurance or a credit guarantee fund.

107. **Intermediation of Equity.** The approach envisaged that REIS providers would canvas the interested enterprise in need of equity and in turn identify the investor interested to place the equity. The AR anticipated that the effort of canvassing the interested parties would be done by the REIS providers based on the forward possibility of the two parties engaging the REIS provider to develop the strategic investment plan for the venture with the possibility of cost recovery by the programme. However this did not happen because the REIS providers did not have the necessary knowledge to intermediate equity neither did they have the necessary network and reputation among medium and large companies nor did they have the necessary financial resources to risk canvassing if it was not generating income. Equity is an important instrument for growing strategic businesses but is best undertaken by two mutually interested parties rather than through a third party. For the approach to work it would be necessary to establish or invest in an existing venture capital fund with a clear mandate to place equity in strategic business.

108. **Business Derived Infrastructure.** The feature of the business derived infrastructure was based on awarding competitive grants for investments in public infrastructure improving the overall environment of doing business within a rural locality. The intervention as noted was very successful with a great potential for up-scaling.

L. PERFORMANCE OF PARTNERS

109. **Ministry of Agriculture and Food Industry.** The MoAFI performed its statutory requirements as foreseen in the LA and at all times provides sufficient support and guidance to the IPSC and facilitated IFAD in its duties as well as provision of support IFAD missions. The MoAFI expressed its full satisfaction with the programme implementation and endorses the findings of this document and its lessons learned.

110. **Ministry of Finance.** The MoF and its CLD performed their statutory requirements as stipulated in the LA. Both the MoF and CLD provided valuable implementation support to the programme. It should also be mentioned that the CLD is executing the revolving refinancing activities very efficiently maximising the return to IFAD's loan.

111. **IFAD Programme Steering Committee (IPSC).** The IPSC met twice a year, and on an *ad hoc* basis as it was deemed necessary by the Chairperson. The IPSC conducted its statutory obligation effectively and timely ensuring optimum utilisation of funds according to the LA within the limitation of government overriding policies of limiting loan proceed for hiring TA and additional staff.

Consolidated Project Implementation Unit (CPIU)

112. The CPIU-IFAD is headed by a Programme Director responsible for overall programme implementation and the supervision of programme operations and specifically : (i) for day-to-day direction of programme activities and for the effective use of its resources; (ii) to ensure full implementation of the IFAD Loan Agreement terms and fiduciary requirements as directed by the IPSC; (iii) reported directly to the Minister in MoAFI and IPSC; (iv) provide necessary periodic progress and audit reports as specified within the Loan Agreement and the approved Programme Operations Manual (POM)

113. The AR foresaw that the Programme Director would be supported by a Financial Management Specialist, Monitoring and Evaluation Specialist and a Procurement Specialist. The actual staff complement was change prior to programme implementation including the following professional positions: (i) Financial Management Specialist supported by an accountant; (ii) Credit Manager and M&E Coordinator supported by an MIS assistance; (iii) Monitoring and Evaluation Specialist; (iv) Infrastructure Procurement specialist; (v) Monitoring and Evaluation Specialist; and (vi) Administrative Assistance. The programme support staff included one driver.

114. All the major statutory aspect of implementation was being implemented according to the LA and POM. However the M&E activities under the CPIU-IFAD suffered from inexperienced and high turnover of staff, this at times resulting in late submission of reports. With the exception of activities under the Credit Office and Financial Management Office, the monitoring, evaluation and impact of programme activities were not appropriate. As a result, sufficient programme data was not collected and structured in a comprehensive manner. However CPIU-IFAD did redress the situation by reforming its Monitoring and Evaluation Office, incorporating all recommendations expressed by IFAD. The programme also engaged a consultant (2008/2009) to undertake an overall impact assessment of all IFAD's programmes in Moldova providing useful insight into programme field activities. Over the period of the programme implementation the CPIU-IFAD improved its knowledge sharing considerable benefiting other stakeholders and policy decision of the GoRM.

Participation of Financial Institutions

115. Through a competitive process 7 CBs were approved to participate in the programme implementation and signed a subsidiary loan agreement with MoF. The 7 CBs included Banca Sociala, Fincombank, Energbank, Eximbank, Moldindconbank, Moldova-Agroindbank and Unibank. The level of CBs participation is shown in Table 2 in terms of volume, value of loans and CBs contribution of own funds. All the CBs extended their financial services to the programme client group according to the respective subsidiary loan agreements.

Rural Enterprise Intermediation Services Providers.

116. With the guidance of CPIU-IFAD the REIS providers have preformed their activities in full accordance with their contractual obligations and contributing to a satisfactory level of loan intermediation services. When shortcoming in the quality of business plans and other services to the programme client was pointed out by the CPIU-IFAD immediate corrective measures was adopted.

CNFA

117. Though not original planed the CNFA provide important TA for the training to PFIs on risk management and broadening use of collateral. This support was very timely and further increased the efficiency of the delivered programme output.

IFAD

118. **IFAD** has played its role according to the LA throughout programme implementation in a timely manner. During the last year of programme implementation IFAD also undertook the fourth supervision⁵⁸ of the programme.

UNOPS

119. **UNOPS**⁵⁹ provided programme supervision and implementation support during the first three years of the programme, thereafter it was taken over by IFAD. The supervision included analysis of physical targets, impact and sustainability of implemented activities. Aspects of client orientation, satisfaction of clients and quality of services were also dealt with for both the output components. The supervision missions also provided the CPIU-IFAD with useful recommendations in relation to M&E, international standards, training of PFIs, simplification of bidding procedures, making use of investment prospectus developed by Agency for Consulting and Training in Agriculture (ASCA), sharing of information/findings and analysis of VCM.

M. LESSONS LEARNED

120. **Long Term Funds.** The accessibility of long term funds for the financial sector was vital for the expansion of financing investment loans for rural based businesses. Although cash deposits increased by 130% between 2006 and 2008 it was mainly held by the PFIs as short term deposits which necessitates continuous efforts in making long term money available for the financial sector for on-lending to rural investments.

121. **Business Derived Infrastructure.** The business derived infrastructure supported by the programme was very successful, particularly the support to irrigation. It shows several dimensions of successes: (i) provide a tangible reason for farmers to strengthen their collaboration leading to additional collective investments and marketing arrangements; (ii) enable farmers to diversify from low value field crops into high value vegetable crops; and (iii) the improved economic opportunity created by the irrigation resulted in reduced migration and return of migrants.

122. **Credit Guarantee Fund.** The programme support to risk management and expansion of types of collateral use for loan security proved to be a good innovation and should be considered to be up-scaled in forthcoming IFAD programmes through programme investment in existing credit guarantee funds or by establishing a programme credit guarantee fund.

123. **Venture Capital Fund.** The experience gained during programme implementation from intermediation of third party equity investment particularly from some of the CBs matching SMEs with investors and also SMEs sourcing additional equity from new investors suggests that the time is ripe for a venture capital fund. Therefore, new IFAD interventions in Moldova should include a venture capital targeted to develop strategically important value chains.

124. **International Food Standards.** The economic impact from the Russian embargo on produce exports from Moldova has shown the importance of reducing trade barriers to other countries particularly EU. In this respect the first action is to facilitate exporters of agriculture produce and processed food to comply with international food standards including GGAP, HACCP/ISO certification. The programme did encourage enterprises investing in food processing, on

⁵⁸ Annex IX: Record of Supervision

⁵⁹ Annex IX: Record of Supervision

a voluntarily basis, to organise configuration of building and equipment in preparedness for food standard certification. This effort resulted in 7 enterprises using the correct configurations of building and equipment in readiness for certification and 2 obtained HACCP registration and 3 obtained the local certification but are also prepared for HACCP certification. The enterprises obtaining HACCP certification benefited by increased their export to EU.

125. **Contract Farming.** Through the value chain approach several contract farming arrangements developed between processors and farmers of which most were small farmers. These contract arrangements stimulated diversification, investment, availability of inputs and raw materials. This effort should be further supported by new IFAD investments in Moldova, both in terms of developing contractual modalities, training and tripartite financing arrangement enabling PFIs to finance the contracted farmers' investment requirements based on their forward contracts with the processor. IFAD should also consider co-financing the cost of embedding value chain supply chain managers with the processors to engage in provision of technical advice and scheduling of production ensuring timely supply of produce.

ANNEXES

ANNEX I: PREPARATION OF BUSINESS PLANS

Table 1: Number of Applications for Business Plan Development and Approval

Applications	251	100%
Customers that Declined Before Developing Business Plan	76	30%
Business Plans Developed	152	60%
Customers that Declined after Developing Business Plan	6	3%
Customers rejected by banks	17	7%
Business plans approved for financing	129	51%

Source: CPIU-IFAD

Table 2: Duration for Preparation of Developing Business Plans

Indicators	Percentage
up to 1month	48%
from 1 month to 2 months	35%
more than 2 months	18%
Total	100%

Source: CPIU-IFAD

ANNEX II: PORTFOLIO ANALYSIS OF REFINANCED INVESTMENT LOANS

Table 1: Refinanced Loans by Type of Investment

Loan Disbursement - by Type of Investment	Launching of new Businesses		Diversification of Activities		Expanding of Existing Business		Total	
	Volume	Value USD '000	Volume	Value USD '000	Volume	Value USD '000	Volume	Value USD '000
Commercial farmers/agriculture machineries	3	188			32	1,927	35	2,115
Viticulture/ pomiculture	3	313	8	591	8	402	19	1,306
Processing plants:								
<i>Processing fruits and vegetables</i>	3	230	2	252	4	347	9	828
<i>Grain Processing</i>	2	181			5	427	7	608
<i>Meat Processing</i>					5	606	5	606
<i>Refinery</i>					1	16	1	16
Livestock/ dairy farm	3	114			10	1,118	13	1,232
Collection/ storage & marketing of agro-products	4	415	4	493	6	701	14	1,609
Irrigation systems, vegetables growing	3	410			11	732	14	1,142
Other agro-activities			1	149	2	299	3	448
Non agro-activities	3	266	3	319	3	149	9	734
Total	24	2,117	18	1,804	87	6,724	129	10,645

Source: CPIU-IFAD

Table 2: Refinanced Loans Organised According to Respective Value Chains

Type of Refinanced Investment	Launching of New Enterprises				Diversification of Enterprise Activities				Upgrading and expansion of Existing Enterprises				Total Enterprises			
	Volume		Value		Volume		Value		Volume		Value		Volume		Value	
	No	%	USD	%	No	%	USD	%	No	%	USD	%	No	%	USD	%
Horticultural Value Chain Sub-total	13	54	1 368	65	14	78	1 336	74	29	33	2 182	32	56	43	4 886	46
Processing of Horticulture Produce	3	23	230	17	2	14	252	19	4	14	347	16	9	16	829	17
Cold Storage	4	31	415	30	4	29	493	37	6	21	701	32	14	25	1 609	33
Viticulture/pomiculture Orchards	3	23	313	23	8	57	591	44	8	28	402	18	19	34	1 306	27
Production of Vegetable	3	23	410	30					11	38	732	34	14	25	1 142	23
Wheat & Oil Seed Value Chain Sub-total	5	21	369	17					38	44	2 370	35	43	33	2 739	26
Processing of Wheat	2	40	181	49					5	13	427	18	7	16	608	22
Processing of Oil Seed									1	3	16	1	1	2	16	1
Commercial Farming, Wheat & Oil Seed	3	60	188	51					32	84	1 927	81	35	81	2 115	77
Dairy farming Value Chain sub-total	3	13	114	5	0	0	0	0	10	11	1 118	17	13	10	1 232	12
Meat Processing Vlaue Chain sub-total	0	0	0	0	0	0	0	0	5	5	606	9	5	4	606	6
Other Agriculture Enterprises sub-total	0	0	0	0	1	6	149	8	2	2	299	4	3	2	448	4
Non Agriculture Enterprises sub-total	3	13	266	13	3	17	319	18	3	3	149	2	9	7	734	7
Total	24	100	2 117	100	18	100	1 804	100	87	99	6 724	100	129	100	10 645	100

Source: CPIU-IFAD

Table 3: Age Classification of Refinanced Enterprises

Period of activity, years	cumulative, 2006-2009		
	Number of enterprises financed	loan amount USD '000	% of loan amount
New enterprises	12	862.4	8.1%
> than 1 year to 5 year	47	3,602.0	33.8%
> than 5 year to 10 year	43	3,945.9	37.1%
> than 10 year	27	2,235.0	21.0%
Total	129	10,645	100%

Source: CPIU-IFAD

Table 4: Scope of Refinanced Investments

Type	cumulative, 2006-2009		
	Number of enterprises financed	loan amount, USD '000	% of loan amount
- launching of new business	24	2,117	19.9%
- diversification of activities	18	1,804	16.9%
- expanding of existing business	87	6,724	63.2%
Total	129	10,645	100%

Source: CPIU-IFAD

Table 5: Legal Form of Enterprises

Legal Form	Cumulative, 2006-2009			loan amount, ths. MDL
	Number of enterprises financed	loan amount USD '000	% of loan amount	
Peasant Farm	18	598	5.6	6,491
Individual Enterprise	10	716	6.7	7,768
Private Limited Company	90	8,227	77.3	89,310
Joint Stock Company	6	713	6.7	7,740
Cooperative	5	392	3.7	4,251
Total	129	10,645	100.0	115,560

Source: CPIU-IFAD

ANNEX III: PHYSICAL PROGRAMME ACHIEVEMENTS BY COMPONENTS

Activities by component – 1 st level results	
Component I: Rural Enterprise Intermediation Services (REIS)	
<p>1.1. Seven REISs (Business Service Providers) were accredited by IFAD to assist entrepreneurs in loan intermediation services.</p> <p>1.2. The selected REISs have offered loan intermediation services to 152 rural entrepreneurs, of which 32 were female headed/and 120 men.</p> <p>1.3. To encourage first time borrowers wishing to access loans up to USD 20 000, REISs have identified and developed 15 business plans for this type of beneficiaries, the cost being covered by 100% by RBDP IFAD project.</p>	
Component II: Rural Financial Services	
<p>2.1 The total disbursement amount under the Rural Finance Service was 10.645 million USD, compared to 8.423 million USD of initial allocations.</p> <p>2.2 The loan disbursement was made through 7 Participating Financial Institutions;</p> <p>2.3 10.645 millions USD were allocated for 129 loans, of which 33 loans disbursed for female headed/owned businesses (24%) and 96 for males (76%). A total 354 persons owns the 129 enterprises, of which 96 women (27.1%) and 258 men (72.9%).</p> <p>2.4 24 new rural businesses were created.</p> <p>2.5 22 of repeated loans disbursed to rural companies.</p> <p>2.6 The average loan size equals to 73 250 USD.</p> <p>2.7 The amount of co-financing investment equals to 16.501 million USD for Rural Financial subcomponent and 0.742 million USD for Market Derived Investments.</p> <p>2.8 Commercial Banks and Business Service Providers staff was trained to better facilitate the assessment and monitoring of agricultural risks. In October 2007 was held a joint workshop for 60 bank officers dealing with agricultural lending and rural business.</p> <p>2.9 In February 2008 such workshop was repeatedly organized by IFAD for 50 bank officers dealing with agricultural lending and rural business.</p> <p>2.10 March 2008, IFAD held the practical workshop aiming at strengthening the supply chains.</p> <p>2.11 On May 2008, IFAD with Wageningen International University and Research Centre (the Netherlands) organized the National Seminar „Supply/Value Chain Development in Moldova”, which was attended by 50 participants: IFAD programme beneficiaries, service providers and bank representatives.</p> <p>2.12 There are 122 active borrowers at the moment of project completion.</p>	
Component III: Derived Infrastructure Investment	
<p>3.1. 32 financed infrastructure projects at the sum of 3.287 million USD.</p> <p>3.2. 15 financed irrigation systems. Total surface of rehabilitated land – 3.931 ha.</p> <p>3.3. 12 financed road projects. Total length of rehabilitated/constructed roads – 12.400 km.</p> <p>3.4. The programme financed construction of 3 drinking water systems (10.092 km).</p> <p>3.5. IFAD financed the construction of 2 natural gas supply systems (4.643 km).</p> <p>3.6. With the programme support 32 groups managing infrastructure were formed, of which 8 groups with female in leadership positions.</p> <p>3.7. The number of infrastructure beneficiaries 41 178, including 108 enterprises, 39 228 individuals and 1 842 farmers</p>	
Component IV: Programme Management	
<p>4.1 2500 beneficiaries (loan applicants) have been provided consultancy in the CPIU office.</p> <p>4.2 On-site meetings with groups of beneficiaries in more than 90 localities (15-20 beneficiaries per each meeting), about 1770 beneficiaries being consulted.</p> <p>4.3 Attendance of 7 rayon seminars (district level) where IFAD Programmes have been presented, about 448 beneficiaries being consulted.</p> <p>4.4 Attendance of 6 seminars organized by the Ministry of Agriculture and Food Industry, where the Programmes have been presented, about 350 beneficiaries being informed.</p> <p>4.5 The CPIU-IFAD participated in joint seminars with PFIs to present at the local level IFAD-funded programmes to local rural businesses in Comrat, Orhei, Rîșcani and Ungheni rayons (35-55 participants from rural area at each seminar), about 200 beneficiaries being consulted.</p> <p>4.6 Primary consultations offered by service providers - 480.</p> <p>4.9. The overall number of consulted clients amounts to approx. 5696 people, of which 2632 women (45%).</p>	
2nd level results (RIMS)	
2.2.2 Effectiveness: Improved agricultural and livestock production	<ul style="list-style-type: none"> • 1479 people were trained, through IFAD seminars, in agricultural business development and improvement of agricultural activities. • 37% of SMEs reported changes in cropping pattern.
2.4.1 Effectiveness: producers benefiting from improved markets access	<ul style="list-style-type: none"> • 57 enterprises (52%) out of 108 that benefited from the rehabilitation of roads by IFAD, have improved the access to old and new market places. • 31 enterprises (24%) out of 129 reported using purchased inputs in the market for their day by day activity. • 85% of respondents reported increase of amount of produce sold commercially, after IFAD loan disbursement. • 85% of the surveyed companies reported that they have increased the number of contracts signed with different buyers.
2.5.1 Effectiveness: creation of employment opportunities	<ul style="list-style-type: none"> • An estimated 1 756 jobs (full-time equivalent) were created of these 1 348 direct and 408 indirectly and induced. The jobs created were distributed equally between women and men. • On average 10.44 jobs per business were created, the indicator being higher for newly created businesses – 15.13 jobs. • Enterprises with the biggest potential for job creation are non-agricultural enterprises, agro-processing along with orchards establishments.
2.2.1 Effectiveness: Improved performance of service providers	<ul style="list-style-type: none"> • More than 60% of the surveyed SMEs gave a satisfactory assessment of the services received.

	<ul style="list-style-type: none"> • During the period, the revenue of service providers generated through collection of service fees decreased as less clients took credits as a result of financial crisis.
2.3.2 Effectiveness: Improved access of the poor to financial services	<ul style="list-style-type: none"> • Distribution of bank branches across the project area is well developed. The seven PFIs accredited by IFAD together have branches in every district (raion) of the republic, making the access of poor men and women to financial services of banks easier. • Over the last years banks have developed several financial products aiming at increasing loan portfolios with maturity dates between 1-2 years. These products target rural population that has a fulltime job at the place of work, or for those who act as farmers. • 85% of surveyed businesses reported increase in salary amounts on average with 37% for employees (possibilities to contract consumers' loans from banks).
2.3.3 Sustainability: Improved performance of the financial institutions	<ul style="list-style-type: none"> • At the end of August 2009 the Programme's refinanced loan portfolio across all banks was performing excellently, averaging 0.77% of the outstanding portfolio amounting to USD 10 million (6 million still in grace period). The PFI with the highest outstanding portfolio at risk was 2.12%, but by early September 2009 the risk was reduced to 1.49%.
2.5.2 Likelihood of sustainability of enterprises	<ul style="list-style-type: none"> • 41 enterprises (31.7%) out of 129 were financed between 2006-2007. 100% of them are still operating after 3 years of IFAD-loan disbursement. • 88 enterprises (68%) out of 129 have entered into contracts with local farmers (agro-processing units, collectors, other activities). • Value of assets growth – on average 109%. • Net profits growth on average – 71.2%. • The volume of raw materials bought from rural farmers increased with almost 72%.
2.1.1 Likelihood of sustainability of the groups managing infrastructure formed and/or strengthened	<ul style="list-style-type: none"> • There are 32 <i>operational/functional</i> groups managing infrastructure projects • Number of meetings held – at least 2 per year. • At least 70% of members participate constantly at these meetings held. • About 7% of members did not renew their membership (mortality cases, migration). • Capacity to collect fees - there is special personnel that collect fees from population each month. • All 32 groups managing infrastructure are likely to be sustainable and the likelihood of sustainability is high
2.4.2 Likelihood of sustainability of the roads constructed/rehabilitated	<ul style="list-style-type: none"> • 12 roads out of 12 constructed are operational. • Beneficiaries and local population report high commitment of mayoralities in ensuring adequate funds for roads maintenance. These expenditures are included in the annual budgets of each mayorality. • Of the 12 locations where roads were constructed/rehabilitated, 10 have no risk of erosion and 2 are exposed to erosion risks.
2.7.1 Effectiveness of social infrastructure 2.7.2 Likelihood of sustainability of social infrastructure	<ul style="list-style-type: none"> • 90% of farmers and rural population report sufficient and timely delivery of water. • 50% increase in water use compared to pre-project. • 100% of WUAs functioning three years after creation. • Water charges collected with small delays, meetings held regularly. • Regular maintenance carried out by technical personal employed. • The number of households using drinking water systems – 1200 families (on average 3 700 persons).

Source: CPIU-IFAD, PCR Mission's survey of programme clients

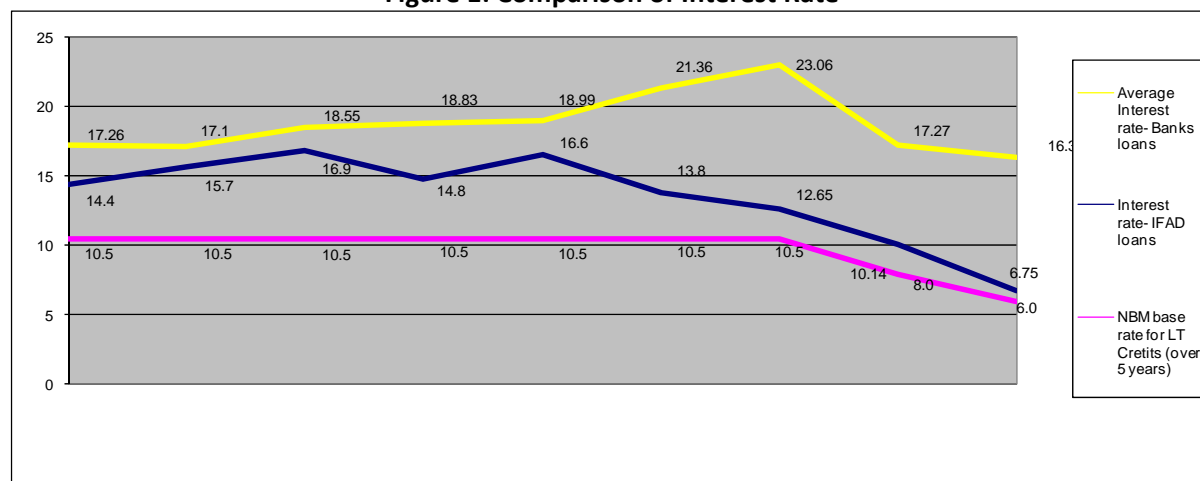
ANNEX IV: INTEREST EVOLUTION APPLIED FOR REFINANCING

Table 1: Comparison of Interest Rate for Refinancing with CBs Interest Rate and NBM Reference Rate

Indicatore	15/01/2006	15/07/2006	15/01/2007	15/07/2007	15/01/2008	15/07/2008	15/01/2009	15/07/2009	15/01/2010
Interest rate- IFAD loans	14.4	15.7	16.9	14.8	16.6	13.8	12.65	10.14	6.75
Average Interest rate- Banks loans	17.26	17.1	18.55	18.83	18.99	21.36	23.06	17.27	16.35
NBM base rate for LT Cretits (over 5 years)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	8.0	6.0

Source: CPIU-IFAD

Figure 1: Comparison of Interest Rate



Source: CPIU-IFAD

ANNEX V: TYPE OF COLLATERAL AND PERCENTAGE OF USE

Table 1: Types of Collateral and % Use

Types of collateral	Share to total (%), 2007	Share to total (%), 2008	Average %, 2006- 2009
- Real estate (buildings)	45.1	34.5	37.9
- Mortgage (land /plantations)	1.5	8.3	6.1
- Livestock	1.5	0.04	0.5
- Stocks	4.8	6.5	6.1
- Equipment /machineries	14.7	15.9	16
- Garanty Third person	4.6	2.6	3.2
- Future harvest	2.9	2.9	2.8
- Goods from Loans	14.1	22.6	19.6
- Personal property	10.9	6.7	7.8
Total	100	100	100.0

Source: CPIU-IFAD

ANNEX VI: ECONOMIC MULTIPLIER ANALYSIS

Introduction

Economic impact is the total change expected from a given economic activity. For example, the investment in a new cold storage/pack facility for horticulture produce would create economic impact. Each dollar earned by the sale of horticultural product from the facility works its way through the economy **multiple** times. The first time the revenue is spent creates direct economic impact i.e. procurement of raw material, salaries, goods and services needed for the production, taxes, dividend and savings. The SMEs receiving payment for goods and service from the first time spending (direct economic impact) and employees receiving salaries are using part of this money in the local economy and in the urban economy generating the indirect economic multiplier. The SMEs receiving payment for goods and service from the indirect spending and employees receiving salaries are using part of this money in the local economy and in the urban economy generating the induced economic multiplier. The calculation of the Marginal Propensity to Consume Locally (MPCL) or Marginal Propensity to Leak Locally (MPCLL) for direct, indirect and induced economic earnings will provide a picture of how much each incremental USD earned by the cold storage facility will benefit the rural economic and how much will be leaked and benefit the urban economic or saved for later use in the local economy.

Assumptions

All prices used in the economic multiplier analysis are actual information from the 41 enterprises visited during the preparation of the PCR. Presently the GoRM has waived cooperate tax and income tax. However in the economic multiplier analysis it has been assumed that employers pay around half of the mandatory health insurance (3.5% of gross salary) and social security contribution (23% of the gross salary) amounting to 23.5% of gross salary. An attempt has also been made to estimate the VAT which is shown together with health and social security in table 4 (GoRM revenue) and in table 5 to 11 under taxes.

To avoid double counting it has been assumed that the savings from the infrastructure investment do not have any economic multiplier effect. It is also assumed that the 9 vegetable plants and 14 cold storages refinanced by the programme are buying all fruit and vegetable produced by the refinanced investment loans for 19 viticulture/pomiculture orchards and 14 investment loans for irrigation systems/vegetable production (Table 1). It is also assumed that these plants buy the incremental produce from the rehabilitation of irrigation for 3 931 ha of land under vegetables financed under the programme's infrastructure investments. This group of refinanced investment are dealt with as the horticulture value chain.

Similarly, it has been assumed that the processing plants for grain and oilseed buy the incremental wheat and sunflower seed produced by the 35 commercial farmers. This group of refinanced investments is considered the grain and oilseed value chain.

Table 1: Refinanced Loans by Type of Investment

Loan Disbursement - by Type of Investment	Launching of new Businesses		Diversification of Activities		Expanding of Existing Business		Total	
	Volume	Value USD '000	Volume	Value USD '000	Volume	Value USD '000	Volume	Value USD '000
Commercial farmers/agriculture machineries	3	188			32	1,927	35	2,115
Viticulture/ pomiculture	3	313	8	591	8	402	19	1,306
Processing plants:								
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Livestock/ dairy farm	3	114			10	1,118	13	1,232
Collection/ storage & marketing of agro-products	4	415	4	493	6	701	14	1,609
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Other agro-activities			1	149	2	299	3	448
Non agro-activities	3	266	3	319	3	149	9	734
Total	24	2,117	18	1,804	87	6,724	129	10,645

Source: CPIU-IFAD

Table 2 provides the production and consumption of horticulture produce within the horticulture value chain. To meet the demand of the processors and cold storages it is necessary to procure USD 8.35 million worth of fruit from outside of the value chain and sell a surplus of vegetable amounting to USD 4.875 million.

Table 2: Balance of Horticulture Produce Consumed and Produced by the Value Chain

Horticulture Value Chain	Total Investment Value USD '000	Ha Under Production	No of Farmers	No of Enterprises	Raw Material Requirement & Supply			
					Volume (Mt)		Value (USD '000)	
					Fruit	Vegetables	Fruit	Vegetables
Processors & cold Storage Requirement	6 119	-		23	22 256	39 877	11 600	8 600
Vegetable Production	3 745	4 080	1 724	14	-	44 915	-	13 475
Fruits Production	6 980	580		19	14 500	-	3 250	-
Total Programme	16 844	4 190	1 724	56	-1500	5 038	-8350	4 875
Fruit Procurement outside Programme			12		1 500		8350	
Vegetable Sale outside Programme			480			23 155		4 875

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

For the grain and oilseed value chain it will be necessary to buy USD 3.981 million worth of wheat in addition to the incremental production from the 35 commercial farmers. It will also be noted that there is a surplus of oilseed produced by the 35 commercial farmers amounting to USD 0.164 million.

Table 3: Balance of Grain and Oilseed Consumed and Produced by the Value Chain

Horticulture Value Chain	Total Investment Value	Ha Under Production	No of Lessees	No of Enterprises	Raw Material Requirement & Supply			
					Volume (Mt)		Value (USD '000)	
					Wheat	Oil seed	Wheat	Oil Seed
Grain Processing	1 211	-		7	22 442		5 094	
Oil Seed Processing	32			1	-	665	-	247
Commercial Farmers Wheat and oilseed	3 774	6 520 580	3 565	35	1 903		432	441
Total Programme	5 017	4 190	1 724	43	-17539	442	-3981	164
Wheat Procurement outside Programme					17 539		3 981	
Oil seed Sale outside Programme						442		164

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

The other refinanced enterprises are buying their raw material from sources not financed by the programme and also selling their produce to entities not financed by the programme eliminating the possibility of double counting.

Economic Multiplier Impact

The input-output Table 4 provides a summary of the MPCL, MPCLL and the economic impact from the 129 enterprises and the irrigation infrastructure programme investments. It will be noted that the direct revenue earned in the rural area amounts to USD 86.132 million generating 1 348 jobs full time equivalent, the indirect revenue is USD 26.869 million creating an estimated 290 jobs full time equivalent and the induced revenue amounted to USD 7.113 million and generating 118 jobs full time equivalent. Therefore, the total output multiplier is USD 120.114 million in revenue and 1 756 jobs full time equivalent. The impact also includes USD 16.018 million in dividend and savings, USD 8.294 million is government revenue and USD 58.420 is revenue earned in the urban area. The overall multiplier for each incremental USD earned is 2.36, the multiplier for the rural area is 1.39 and for the urban area it is 0.96.

Table 4: Programme Summary of MPCL, MPCLL and Economic Multiplier Impact

Groups of Programme Refinance Investment	Direct Economic Effect (A)		Indirect (B)		Induced (C)		Rural Economic Multiplier Impact (D)= (A+B+C)			Rural Leaked Economic Multiplier Impact (E)				Total Economic Multiplier Impact	
	Revenue Value USD '000	No of Jobs	Revenue Value USD '000	No of Jobs	Revenue Value USD '000	No of Jobs	Revenue Value USD '000	No of Jobs	Multiplier Coefficient	Dividend/Savings USD '000	GoM Revenue USD '000	Goods and Services USD '000	Multiplier Coefficient	Revenue Value USD '000	Multiplier Coefficient
Horticultural Value Chain	56 534	660	18 467	165	5 875	105	80 877	930	1.43	9 570	4,463	33 661	0.55	128 571	1.98
Wheat and oil seed Value Chain	10 459	146	3 835	53	717	4	15 010	203	1.44	2 476	1,170	6 877	0.12	25 534	1.56
Livestock	4 311	155	606	15	73	2	4 992	172	1.16	881	508	2 796	0.05	9 175	1.21
Commercial Crop farming	1 605	17	111	2	25		1 740	19	1.08	295	137	1 153	0.02	3 326	1.10
Fruit and Vegetables	4 762	145	1 365	8	89	2	6 215	155	1.31	949	873	2 850	0.05	10 888	1.36
Meat Processing	2 484	76	1 241	35	111	3	3 836	114	1.54	578	329	1 239	0.02	5 982	1.57
Other Agriculture & Non	5 977	149	1 244	12	223	2	7 444	163	1.25	1 269	814	9 844	0.14	19 526	1.38
Total	86 132	1 348	26 869	290	7 113	118	120 114	1756	1.39	16 018	8 294	58 420	0.96	203 002	2.36

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

The input output Table 5 to Table 11 provides the detailed analysis of MPCL, MPCLL for the direct, indirect and induced economic impact for the groups of enterprises under the two value chains and the five other types of enterprises.

Table 5: MPCL, MPCLL and Economic impact for the Horticulture Value Chain

Destination of Annual Incremental Revenue	Annual Incremental Revenue	Local Incremental Expenditure (MPCL)					Economic Multiplier Impact	Leakage-Expenditure Outside the Rural Area (MPCLL)			Total Expenditure
		Farmers Output	Goods & Services	SME Wages	Worker Wages	Local Consumer Spending		Savings/Dividend	Taxes	External Spending Import	
Direct Impact											
Processors and Cold Storages	56,534	22,200	12,549	1,104	1,647		37,500	6,125	2,527	10,382	56,534
Indirect Impact											
Farmers Output	22,200	2,965	7,125	570	412		11,072	595	0	10,533	22,200
Goods & Services	12,549		5,020	503	205		5,728	1,801	809	4,511	12,849
SME Wages	1,104					497	497	166	166	275	1,104
Workers Wages	1,647					972	972	105	224	346	1,647
Total Indirect	37,500		12,145	1,073	617	1,469	18,268	2,667	1,199	15,665	37,799
Induced Impact											
Goods & Services	12,145		4,229	340	191		4,760	903	406	6,276	12,345
SME Wages	1,073					483	483	161	161	268	1,073
Workers Wages	617					364	364	43	93	117	617
Local Consumer Spending	1,469		147	48	73		268	171	77	953	1,469
Total Induced Impact	15,303		4,376	388	264	847	5,875	1,278	737	7,614	15,504

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

Table 6: MPCL, MPCLL and Economic impact for the Grain/oilseed Value Chain

Destination of Annual Incremental Revenue	Annual Incremental Revenue	Local Incremental Expenditure AND JOBS					Economic Multiplier Impact	Leakage-Expenditure Outside the Rural			Total Expenditure
		Farmers Output	Goods & Services	SME Wages	Worker Wages	Local Consumer Spending		Savings/ Dividend	Taxes	External Spending Import	
Direct Impact											
Processors of Wheat & Oil seed	10,459	5,341	1,750	144	364		7,599	1,082	441	1,337	10,459
Indirect Impact											
Farmers Output	5,341		1,475	360	132		1,967	700	314	2,360	5,341
Goods & Services	1,750		778	24	5		807	298	117	612	1,833
SME Wages	144					65	65	22	22	36	144
Workers Wages	1,145					996	996	25	54	70	1,145
Total Indirect	8,380		2,253	384	137	1,061	3,835	1,044	506	3,078	8,463
Induced Impact											
Goods & Services	2,253		405	24	5		434	295	132	1,392	2,253
SME Wages	384					173	173	58	58	96	384
Workers Wages	137					81	81	10	1	45	137
Local Consumer Spending	1,061		57	24	5		29	71	32	929	1,061
Total Induced Impact	3,835		462	48	10	254	717	433	223	2,462	3,835

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

Table 7: MPCL, MPCLL and Economic impact for the Livestock

Destination of Annual Incremental Revenue	Annual Incremental Revenue	Local Incremental Expenditure					Economic Multiplier Impact	Leakage-Expenditure Outside the Rural			Total Expenditure
		Farmers Output	Goods & Services	SME Wages	Worker Wages	Local Consumer Spending		Savings/ Dividend	Taxes	External Spending Import	
Direct Impact											
Livestock production	4,311		1,204	312	387		1,903	606	227	1,575	4,311
Indirect Impact											
Farmers Output	0										
Goods & Services	1,204		130	48	7		185	200	35	884	1,304
SME Wages	312					140	140	58	58	55	312
Workers Wages	387					228	281	27	58	21	387
Total Indirect	1,903		130	48	7	369	606	285	151	960	2,003
Induced Impact											
Goods & Services	130		20	6			26	16	7	82	131
SME Wages	48					22	22	7	7	12	48
Workers Wages	7					4	4	0.5	1	1	7
Local Consumer Spending	369		14	17	5		22	66	114	166	369
Total Induced Impact	554		34	23	5	26	73	90	130	261	554

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

Table 8: MPCL, MPCLL and Economic impact for the 35 Commercial Farmers

Destination of Annual Incremental Revenue	Annual Incremental Revenue	Local Incremental Expenditure					Economic Multiplier Impact	Leakage-Expenditure Outside the Rural			Total Expenditure
		Farmers Output	Goods & Services	SME Wages	Worker Wages	Local Consumer Spending		Savings/ Dividend	Taxes	External Spending Import	
Direct Impact											
Machine service	1,605		405	62	30		497	260	95	753	1,605
Indirect Impact											
Farmers Output	0										
Goods & Services	405		40	20	5		65	53	24	894	1,036
SME Wages	62					28	28	9	9	16	62
Workers Wages	30					18	18	5	5	3	30
Total Indirect	497		40	20	5	46	111	67	38	282	497
Induced Impact											
Goods & Services	40		4	4			8	1	1	30	40
SME Wages	20					9	9	3	3	5	20
Workers Wages	5					3	3	0.35	0.350	1	5
Local Consumer Spending	46		5				5	9		32	46
Total Induced Impact	111		9	4	0	12	25	18	4	68	111

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

Table 9: MPCL, MPCLL and Economic impact for the Horticulture Produce Sold to the Market

Destination of Annual Incremental Revenue	Annual Incremental Revenue	Local Incremental Expenditure					Economic Multiplier Impact	Leakage-Expenditure Outside the Rural			Total Expenditure
		Farmers Output	Goods & Services	SME Wages	Worker Wages	Local Consumer Spending		Savings/ Dividend	Taxes	External Spending Import	
Direct Impact											
Vegetable production	4,762	1,576	426	336	362		2,700	677	424	961	4,762
Indirect Impact											
Farmers Output	1,576					930	930	110	236	299	1,576
Goods & Services	426		47	18	5		70	62	28	316	476
SME Wages	336					151	151	50	50	84	336
Workers Wages	362					214	214	25	54	69	362
Total Indirect	2,700		47	18	5	1,295	1,365	248	369	768	2,750
Induced Impact											
Goods & Services	47		4	4			8	1	1	37	47
SME Wages	18					8	8	3	3	4	18
Workers Wages	5					3	3	0.35	0.350	1	5
Local Consumer Spending	1,295		60		10		70	170	76	979	1,295
Total Induced Impact	1,365		64	4	10	11	89	174	80	1,021	1,364

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

Table 10: MPCL, MPCLL and Economic impact for Meat Processing

Destination of Annual Incremental Revenue	Annual Incremental Revenue	Local Incremental Expenditure					Economic Multiplier Impact	Leakage-Expenditure Outside the Rural			Total Expenditure
		Farmers Output	Goods & Services	SME Wages	Worker Wages	Local Consumer Spending		Savings/Dividend	Taxes	External Spending Import	
Incremental Revenue	2,484	1138	48	120	190		1496	594	177	217	2484
Processors and Cold Storages											
Indirect Impact											
Farmers Output	1,138	228	751		87		1,066	16	34	22	1,138
Goods & Services	48		6	3			9	3	27	48	
SME Wages	120					54	54	18	18	30	120
Workers Wages	190					112	112	13	29	36	190
Total Indirect	1,496		757	3	87	166	1,241	56	83	115	1,496
Induced Impact											
Goods & Services	757		15	26	7		48	99	45	565	757
SME Wages	3					1	1	0.45	0.45	1	3
Workers Wages	87					51	51	6	13	17	87
Local Consumer Spending	166		2	8			10	22	10	124	166
Total Induced Impact	1,013		17	34	7	53	111	128	69	707	1,014

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

Table 11: MPCL, MPCLL and Economic impact for other Agriculture and non Agriculture Enterprises

Destination of Annual Incremental Revenue	Annual Incremental Revenue	Local Incremental Expenditure					Economic Multiplier Impact	Leakage-Expenditure Outside the Rural			Total Expenditure
		Farmers Output	Goods & Services	SME Wages	Worker Wages	Local Consumer Spending		Savings/Dividend	Taxes	External Spending Import	
Incremental Revenue											
Processors and Cold Storages	5,977		2,059	192	372		2,623	829	303	2,222	5,977
Indirect Impact											
Farmers Output	0	0									
Goods & Services	2,059		830	96	12		938	298	134	689	2,059
SME Wages	192					86	86	29	29	48	192
Workers Wages	372					219	219	26	56	71	372
Total Indirect	2,623		830	96	12	306	1,244	353	219	808	2,623
Induced Impact											
Goods & Services	830		125				125	166	257	282	830
SME Wages	96					43	43	14.40	14.40	24	96
Workers Wages	12					7	7	1	2	2	12
Local Consumer Spending	306		31	18			49	61	19	177	306
Total Induced Impact	1,244		155	18	0	50	223	242	292	485	1,243

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

ANNEX VII: FINANCIAL AND ECONOMIC ANALYSIS

Financial Analysis Assumptions

The financial analysis is based on data obtained from visiting 41 enterprises and 7 infrastructure investments supported by the programme.

The 129 refinanced investment loans generated a net profit at maturity (Y14) of USD 9.319 million before tax and depreciations with an IRR of 16% and a NPV of USD 4.811 million.

Table 1: Financial Analysis of 129 Enterprises

Indicators	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	426	5,529	28,062	48,821	62,617	82,877	84,407	84,081	85,556	85,931	86,131	86,131	86,131	86,131
Programme Investments Cost	649	6,290	20,161	493										
Cost of sale	323	4,321	20,027	37,755	50,697	70,460	70,380	69,350	70,651	70,651	70,651	70,651	70,651	70,651
Cost of labour	104	1,097	3,318	3,370	3,673	4,004	4,364	4,757	5,185	5,652	6,160	6,160	6,160	6,160
Financing cost		55	575	1740	1767	2495	2719	3053	3112	3171	3231	3231		
Total outflow	649	6,772	26,154	25,578	42,892	56,865	77,183	77,797	77,219	79,008	79,534	80,042	76,812	76,812
Net cash flow for 129 enterprises	-649	-6,346	-20,625	2,484	5,929	5,752	5,694	6,610	6,862	6,548	6,397	6,089	9,319	9,319
FIRR	16%													
NPV @12% USD	4,811													

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

The 30 infrastructure investment generated a net return at maturity (Y14) of USD 4.133 million with an IRR of 37% and a NPV of 6.466 million.

Table 2: Financial Analysis of 30 Infrastructure Investments

Indicators	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue		124	653	983	1,489	1,889	2,345	2,773	3,231	3,711	4,192	4,133	4,133	4,133
Investment Cost		652	1,640	1,401	343									
Financing Cost		78	277	544	846	1022	1004	918	852	646	303	55		
Net cash flow for all infrastructure		-606	-1,264	-962	300	867	1,340	1,854	2,378	3,065	3,889	4,078	4,133	4,133
FIRR	37%													
NPV @12% USD	6,466													

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

The overall programme generated a net profit at maturity (Y14) of USD 13.206 with an IRR of 19% and a NPV at 12% of USD 10.458.

Table 3: Overall Programme Financial Analysis

Indicators	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016	2016	2017
Net cash flow for 129 enterprises	-649	-6,346	-20,625	2,484	5,929	5,752	5,694	6,610	6,862	6,548	6,504	5,842	9,073	9,073
Net cash flow for all infrastructure		-606	-1,264	-962	300	867	1,340	1,854	2,378	3,065	3,889	4,078	4,133	4,133
Programme management cost	-2.0	-40.0	-82.0	-46.0										
Programme financing cost	0	5	15	27	40	45	41	39	35	25	9			
Net cash flow for programme	-651	-6,986	-21,956	1,504	6,269	6,664	7,076	8,503	9,275	9,638	10,401	9,920	13,206	13,206
FIRR	19%													
NPV @12% USD	10,458													

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

Economic Analysis Assumptions

The economic analysis is based on financial data obtained from visits to 41 enterprises and 7 infrastructure investments supported by the programme. To verify the accuracy of the information it has been triangulated with information from the CPIU-IFAD's MIS and M&E, impact assessment of IFAD's programmes in Moldova, 2008/09 and information from NBS.

Except for labour, no attempt has been made to disaggregate types of input and their respective unit cost for use in converting financial price into their approximate economic values. The economic value for labour has been adjusted to its economic value using a

conversion factor of 0.8. The conversion factor was derived based on urea import as shown in Table 1.

Table 1: Derivation of Financial & Economic Prices for Urea

Urea Import Price	Unit	Financial	Economic
Urea, FOB Eastern Europe	\$/mt	230.0	230.0
Plus:			
- Transport, insurance and freight to Moldova	\$/mt	50.0	50.0
- Marketing Charges	\$/mt	11.5	11.5
Border C.I.F. price	\$/mt	291.5	291.5
- VAT (20%)	\$/mt	58	
- Marketing charges	\$/mt	7	7
Wholesale border price	\$/mt	357	299
- Transport to regional market	\$/mt	12	11
- Transport to farmgate	\$/mt	3	2.7
- Marketing charges	\$/mt	16	14
Farm Gate Import Price	\$/mt	388	312
Conversion Factor		0.80	

The period of analysis is 12 years to account for the phasing and gestation period of the investments. For the 129 refinanced enterprises the Economic Internal Rate of Return (EIRR) is 32% with a Net present Value at 12% of USD 24.786. The economic returns were tested against changes in revenue and costs and the return is equally sensitive to changes in costs and in benefits with NPV dropping to zero if cost is increased by 9% or if revenue is reduced by 10%.

Table 2: Economic Return to Refinanced Enterprises

Indicators	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue		426	5,529	28,062	48,821	62,617	82,877	84,407	84,081	85,556	85,931	85,931	85,931	85,931
Programme Investments Cost	649	6,290	20,161	493										
Cost of sale		323	4,321	20,027	37,755	50,697	70,460	70,380	69,350	70,651	70,651	70,651	70,651	70,651
Cost of labour		45	479	1450	1473	2079	2266	2544	2593	2643	2692	2692		
Total outflow	649	6,658	24,961	21,970	39,228	52,776	72,726	72,924	71,943	73,294	73,343	73,343	70,651	70,651
Net cash flow for 129 enterprises	-649	-6,232	-19,432	6,092	9,593	9,841	10,151	11,483	12,138	12,262	12,588	12,588	12,588	12,588
EIRR														
NPV @12% USD														

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

For the 32 infrastructure investments the EIRR is 60% with a NPV of USD 9.875 million. The high EIRR and NPV is a result of the considerable sunk cost particularly for irrigation infrastructure. The economic returns were tested against changes in revenue with NPV dropping to zero if revenue is reduced by 85%.

Table 3: Economic Return to Infrastructure

Indicators	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue		124	653	983	1,489	1,889	2,345	2,773	3,231	3,711	4,192	4,133	4,133	4,133
Investment Cost		652	1,640	1,401	343									
Net cash flow for all infrastructure		-528	-987	-418	1,146	1,889	2,345	2,773	3,231	3,711	4,192	4,133	4,133	4,133
EIRR														
NPV @12% USD														

Source: PCR Mission's calculations based on data obtained from visited enterprises and infrastructure investments

The EIRR for the overall programme is 35% with a NPV of USD 33.482 at 12%. The economic return did not react to change in revenue or cost for the infrastructure; however if revenue for enterprises was reduced by 11% the NPV dropped to zero and if the cost is increased to 11% the NPV will also drop to zero.

Table 4: Economic Return to the Programme

Indicators	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016	2016	2016
Net cash flow for 129 enterprises	-649	-6,232	-19,432	6,092	9,593	9,841	10,151	11,483	12,138	12,262	12,588	12,588	12,588	12,588
Net cash flow for all infrastructure	0	-528	-987	-418	1,146	1,889	2,345	2,773	3,231	3,711	4,192	4,133	4,133	4,133
Programme management cost	-2.0	-40.0	-82.0	-46.0										
Net cash flow for programme	-651	-6,800	-20,501	5,628	10,739	11,730	12,496	14,256	15,368	15,973	16,780	16,721	16,721	16,721
EIRR	35%													
NPV @12% USD	33,482													

ANNEX VIII: CHANGE IN HOUSEHOLD ASSETS

Table 1: Changes in households Assets

	2007	2008	Change in %
TV sets	91	98	8
Freezers and refrigerators	82	82	0
Computers	9	13	44
Mecanical washing machines	35	35	0
Automatic washing machines	21	25	19
Vacuum cleaners	40	44	10
Cars	16	18	13
Average excluding computers	%		8

Source: NBS

ANNEX IX: RECORD OF SUPERVISION

Table 1: Record of Supervision

Type of Mission	Timing	Mission Members
UNOPS Supervision	June 2007	The mission consisted of Mr Omer Zafar, Manager, Italy Operations Centre, UNOPS, Mr Jens Kristensen, Consultant, UNOPS (agribusiness specialist), and Mr Michele Pirazzoli, Consultant, IFAD (environmental engineer).
UNOPS Supervision	June 2008	The mission consisted of Mr Omer Zafar, Manager, Italy Operations Centre, UNOPS, Ms Karina Nielsen, Country Programme Manager, IFAD, Mr Jens Kristensen, Consultant, UNOPS (agribusiness specialist), and Mr Michele Pirazzoli, Consultant, IFAD (environmental engineer)
IFAD Supervision	September 2009	The mission consisted of IFAD representatives: Mr. Abdelkarim Sma, IFAD Country Programme Manager and Mission Leader, Ms. Dina Nabeel, PN Portfolio Adviser, Mr. Fawzi Rihane, IFAD Programme Manager, Ms. Denisa Butnaru, Programme Assistant, Mr. Edward Watt, Rural Infrastructure Specialist and Mr. Jens Kristensen, Agribusiness Specialist.

Source: Supervision Mission Reports

ANNEX X: LIST OF PLACE/PERSONS MET DURING PCR SURVEY

Table 1: Enterprises Visited

	Location/district	Name of company/village	Contact person	
1	Briceni	LTD „Agrodenidan”, Cotiujeni	Vornices Aliona, tel. 247 39 197	Cold Storage
2	Calarasi	LTD "Mariana Gîrbu", Călărași	Gîrbu Mariana, 0244 213 99, Gîrbu Feodor, 06947507	Cold Storage 150t
3	Cimislia	JSC "Galinula", Gura Galbenă	Teterea Oleg, 022 450 094, 069888818	Cold storage for meat – 120t
4	Briceni	LTD „Viva Igna”, Grimăncăuți	Lesnic Tudor, (247)23108, mob.0691 25 817	Cold Storage 700 t
5	Briceni	LTD „Colicăuțanu”, Colicăuți	Lupu Mihail, 247 42 588, mob. 692 02 907	Cold Storage 1500 t
6	Chisinau	LTD"Vatra Răzășească", Răzeni	Cotorobai Nicolae, tel. (277) 642 30, 648 17, mob. 079 647 444	Cold Storage 1200 t
7	Nisporeni	LTD"Vitamina", Ciorești	Buga Cornelia, tel. (248)23 285, mob. 0698 95 128	Fruit and vegetable processing - drier.
8	Vita de vie, Chisinau	INDIVIDUAL COMPANY "Expres- Cazac", Grătiești	Cazacu Elena, tel. 079 590 912	Plantation of 4.5 ha Vineyard
9	UTAG	LTD"Maidan - Grup", Cioc Maidan	Ianioglo Fiodor, tel.(268) 5-52- 30, mob. 0696 01 660	Plantation of 4.5 ha Vineyard
10	BaJSCrabeasca	INDIVIDUAL FARM "Mircea Gospodinov", orașul BaJSCrabeasca	Mircea Gospodinov, tel. (297) 25 402, m. 0680 29 136	Vineyard – 8.45ha
11	Tehnica, Briceni	LTD „Smarta AS”, Grimăncăuți	DI Anatolii Medvetchii (Caduc) mob. 0691 09 841	Tractors
12	Criuleni	LTD "Agroelios & Co", Dubăsarii Vechi	Cîrlîh Oleg, 079 417 532, 66 07 86	Tractor
13	Donduseni	LTD "Glia Frâșinenilor", Frasin	Danișișin Viorel, tel. 0699 07706	Agricultural Equipment
14	Irigare, Briceni	LTD "Muncel Agro", Corjeuți	Stâncu Vasile, tel. 069 112 467	Irrigation equipment for 120ha
15	Criuleni	LTD "Gorobica Agro", Criuleni	Gorobica Vasile, tel. (248) 22 133, mob.069 277 454	Irrigation equipment for 9ha
16	Stefan Voda	LTD"Vitis Victoria", Ștefan Vodă	Chiriac Fedor, 242 253 07	Planting of vineyard (table grapes) - 6 hectares - / drip irrigation system - 29 ha
17	Calarasi	LTD "Strapit", or. Călărași	Pitușcan Ion tel. 244 20 845, Gheorghe Stratan 069101829	Construction of farm cattle - 140 cows.
18	Singerei	INDIVIDUAL FARM"Turtureanu Vasile", Chișcăreni	Turtureanu Ana, tel. 262 55 757	Farm of Quail
19	Taraclia	JSC"Leggorn", Valea Perjei	Zelinin JSC, tel. 069 136 117, 490218	Poultry factory
20	Drochia	LTD "Franzelnord", s. Șuri	Istrate Octavian, 252 28 888, mob. 0691 8888	Cereal processing firm - modern mill
21	Soroca	LTD"Soro-Meteor-Com, Soroca	Con Iacob , tel. (230) 261-90	Meat processing
22	Riscani	LTD "Grazim", Malinovscoe	Scutelnicu Vasile, tel. 256 65 243	Sunflower and rape seed processing
23	Glodeni	LTD"Finețea", Sturzovca	Harabari Valentina,tel. 067 145 747	Bread, bakeries
24	Rezina	LTD "Badan Voc", Ignatei	Badan Milea, tel. 51 39 69, Valentin mob.0693 42 423.	Grain processing enterprise - pastry
25	Taraclia	INDIVIDUAL COMPANY"Vladimir Golubcov", Tvardița	Golubcov Vladimir	Bakery
26	Livezi, Floresti	LTD"Domultera", Domulgeni	Mandati Aliona, tel.(250) 93 073,	Super intensive planting apple orchards - 66.04 ha.

27	Straseni	JSC"EFPG", Romanesti	Gherasim Nicolae, tel 49-89-97	Superintensive planting apple orchards – 28.52 ha.
28	Soldanesti	LTD "Dacia-Agrochim", Șoldănești	Muravschi Gheorghe tel.292 533, Stratan Petru tel. 068 151 515	16.78
29	Floresti	INDIVIDUAL FARM "Guțu Maria Petru", Răduleni Vechi	Guțu Maria, tel.0 250 46 313	Apple Orchard (5ha) + Tractor
30	Criuleni	LTD "Mevalax", Corjova	Medvețchi Valentin, 069 188 428	Walnut orchard planting - 240 ha
31	Sere, Ocnita	CAP"Rotmel-Com", Corestouți	Rotorean Vasile, tel.067 269 309	Greenhouse
32	Ialoveni	LTD "Progeamagro", Puhoi	Gherganov Nicolae, tel. 022-29-16-66, Perciun Maxim 29-28-93	Greenhouse
33	Orhei	LTD"JSCvmid Prim", Lucașeuca	Bondarebco Emilia, 067 119 098, Burniuc Sergiu, tel. 069 152 809, (235)44 434, 067 128 087	Greenhouse
34	Abator	ICPPC "Colprodcoop", Orhei	Harcenco Victor, 235 23 642	Abattoir
35	Producere, Donduseni	LTD "Lacul Albastru", Horodiște	Siminciuc Victoria, tel 232 702, 230 702, Semenciuc Vladimir 232 702	Production of mineral water

Table 2: Infrastructure Investments Visited

1	Căușeni	Copanca - asociation of water users	Irrigation scheme - 200 ha
2	Anenii Noi	Puhaceni - asociation of water users	Irrigation scheme - 237 ha
3	Criuleni	Onițcani	Drinking water system - 5,67 km
4	Ungheni	Cetireni	Road+bridge, 0,192 km
5	Nisporeni	Bărboiu	Natural gaz pipe 1,676 km
6	Cimișlia	Selemet	Road- 1,175 km

Table 3: Business Service Providers Visited

ProConsulting LTD
Rural Development Centre

Table 4: Participating Financial Institutions Visited

Moldova Agroindbank
FinCombank
Moldindcombank

Table 5: Ministries And Government Institutions Visited

Mr. Vasile Bumacov, Deputy Ministry of Agriculture and Food Industry
Ministry of Finance
Credit Line Directorate

ANNEX XI: LOAN AMENDMENTS

There were no loan amendments during the implementation period.

**ANNEX XII: ACTUAL PROGRAMME COST BY COMPONENT AND DISBURSMENT BY FINANCIERS
COMPARED WITH ORIGINAL**

Total Programme Cost and Disbursement in USD. The projected base costs at AR totalled USD 20.307 million and actual was USD 32 002 million an increase of USD 11 695 million, representing 58% increase compared to AR. This sizable difference is a result of borrower's equity contribution to rural investment from USD 3.63 million estimated at AR to 14.29 million an increase of 294%. Another increase was noted under the beneficiaries contribution to infrastructure from USD 0.554 million to USD 0.742 a rise of 34%. It will be noted that the PFIs contribution was USD 0.601 or 21% lower than anticipated during AR this is a result of the loan negotiations where it was agreed that PFIs should only finance 15% of the loan portion used for working capital. Governments contribution amounted to USD 0.667 million representing an increase of USD 0.379 million translating into 132% compared to original allocation. The timeframe and adequacy of financing exceed the requirement of the programme LA.

Table 1: Financiers, Cost Allocation, Disbursement and Reallocation (USD '000)

Category	IFAD			GoM			Clients			PFIs			Total		
	Allo.	Disb.	Reallo.	Allo.	Disb.	Reallo.	Allo.	Disb.	Reallo.	Allo.	Disb.	Reallo.	Allo.	Disb.	Reallo.
A. Rural Enterprise Intermediation Services	650	2	-648	0	0		0	0	0	0	0	0	650	2	-648
B. Rural Financial Services	7 744	10 645	2 901	0	0		3 630	14 292	10 662	2 810	2 209	-601	14 184	27 146	12 962
C. Market Derived Infrastructure Investment	3 383	3 300	-83	0	6	6	554	742	188	0	0	0	3 937	4 048	111
D. Programme Management	1 248	153	-1 095	288	661	373	0	0	0	0	0	0	1 536	806	-730
Total Financing, Allo, Disb. & Reallocation and	13 025	14 100	1 075	288	667	379	4 184	15 034	10 850	2 810	2 209	-601	20 307	32 002	11 695

Source: CPIU-IFAD

ANNEX XIII: ENVIRONMENTAL IMPACT

In line with IFAD Guidelines on Environmental Assessment and following formulation field work and report preparation, the programme interventions at the time of AR was considered Category B classification. There are no negative environmental issues reported from the types of interventions supported under the programme. The CPIU has ensured that the requirements of the environmental legislation of the Republic of Moldova have been adhered to by all programme activities avoiding any negative impact.

ANNEX IIIIV: STAKEHOLDER WORKSHOP

The CPIU is planning to hold the stakeholders workshop in early 2011.