

MINISTRY OF AGRICULTURE AND FOOD INDUSTRY OF THE REPUBLIC OF MOLDOVA
CONSOLIDATED UNIT FOR THE IMPLEMENTATION OF IFAD PROGRAMMES



RURAL FINANCIAL SERVICES AND MARKETING PROGRAMME



ANNUAL REPORT 2010

PREPARED BY: CPIU-IFAD

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ABBREVIATION AND ACRONYMS

AWPB	Annual Work Plan & Budget
CPIU	Consolidated Programmes Implementation Unit
GoRM	Government of Republic of Moldova
IFAD	International Fund for Agricultural Development
IPSC	IFAD Programmes Steering Committee
MAIB	CB Moldova-Agroindbank
MDI	Marketing Derived Infrastructure
MAFI	Ministry of Agriculture and Food Industry
PFI	Participating Financial Institution
PM	Programme Management
RFS	Rural Financial Services
RFSMP	Rural Financial Services and Marketing Programme
SCAs	Savings and Credit Associations
SMEs	Small and Medium Enterprises
TGGEA	Table Grapes Growers and Exporters Association
VCD	Value Chain Development

WEIGHTS AND MEASURES

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



1. INTRODUCTION

The Rural Financial Services and Marketing Programme, the fourth IFAD-funded programme in Moldova, has been started in February 2009 and is expected to be finalized in March 2014. The total investment and incremental recurrent programme cost is about USD 18.9 million, including USD 12.9 million¹ from IFAD sources. The programme is being operational for 23 months.

The goal of RFSMP is to reduce rural poverty in Moldova through creating enabling conditions for the poorer and poorest members of the rural society to increase their incomes through greater access to markets and employment.

The Programme aims to improve the participation and employment of the poor in income-increasing activities related directly and indirectly to development of Moldovan horticulture value chain.

The Programme is implemented through its four components:

- Value Chain Development for Rural Poverty Reduction – aims at the mapping and pro-poor management of competitive commodity and services value chains with actual or potential strong linkages to the target groups, i.e. poor rural people, thus, offering best opportunities for rural poverty reduction in the context of rural market economy under development in Moldova, and for promotion and compliance with the international quality standards for those products within the given value chains.
- Rural Financial Services – to provide access for small rural-based entrepreneurs to mid and long term financial services.
- Pro-poor Market Derived Infrastructure – aims at elimination of infrastructure bottlenecks which inhibit increasing participation of commercially oriented small farmers and economically active poor in prioritized value chains, through competitive contributory grants for investment in public infrastructure.
- Programme Management – provides support to CPIU-IFAD responsible for financial control, work planning and budgeting, project monitoring and evaluation, procurement and administration.

This Report has been elaborated by CPIU-IFAD in accordance with the Article IV, section 4.02 (*Progress Reports*) of the Loan Agreement no.758-MD, and reflects the progress of the programme activities implemented during 2010 comparing to AWPB figures and the cumulative progress from the programme start comparing to Appraisal Report figures. The Report provides information on physical and financial progress summary, detailed implementation progress by components and performance assessment of the activities financed during the previous period.

¹ The equivalent of initial allocation of 8.4 million SDR as of 31.12.2010 according the exchange rate SDR-USD on issue date of each withdrawal application

2. SUMMARY OF IMPLEMENTATION PROGRESS TO DATE

From the Programme start-up till the end of 2010 (second year of the programme implementation), 37% from the total Programme's implementation period has elapsed, with a disbursement rate of 34%. Thus, the disbursement factor of the above mentioned period is 0.93 that point to positive tendencies of the Programme implementation, both physical and financial.

2.1. Physical Progress by Components:

Value Chain Development for Rural Poverty Reduction

- 70 training sessions held
- 8 international study organized
- 5 international experts visits arranged



Rural Financial Services

- 102 loans disbursed to SMEs
- 147 loan beneficiaries (SMEs' owners)
- USD 2.6 million total disbursed amount
- 6 active Participating Financial Institutions
- 19 training sessions for capacity building
- 97 PFIs' credit officers trained
- 301 SCAs' employees trained

Pro-poor Market Derived Infrastructure

- 15 infrastructure investment projects financed
- USD 1.4 million total grant amount
- 17 793 beneficiaries, i.e. 74 SMEs and small farmers
17 704 individuals and 15 local public authorities
- 19.95 km water supply systems constructed
- 5.42 km rehabilitated/constructed road
- 649.47 ha farm land irrigated



Project Management the CPIU-IFAD has fulfilled its responsibility for the technical, financial and developmental integrity of the Programme, as well as supervision of all its operations, work planning and budgeting, procurement and contracting of service providers and suppliers, financial management and flow of funds, monitoring and impact assessment, progress reporting.

2.2. Financial Progress

Total Project Cost is USD 18 618 thousands of which USD 12 907 thousands allocated by IFAD. 49% of the total cost or USD 9 200 thousands has been envisaged to cover the activities related to programme implementation during 2010.

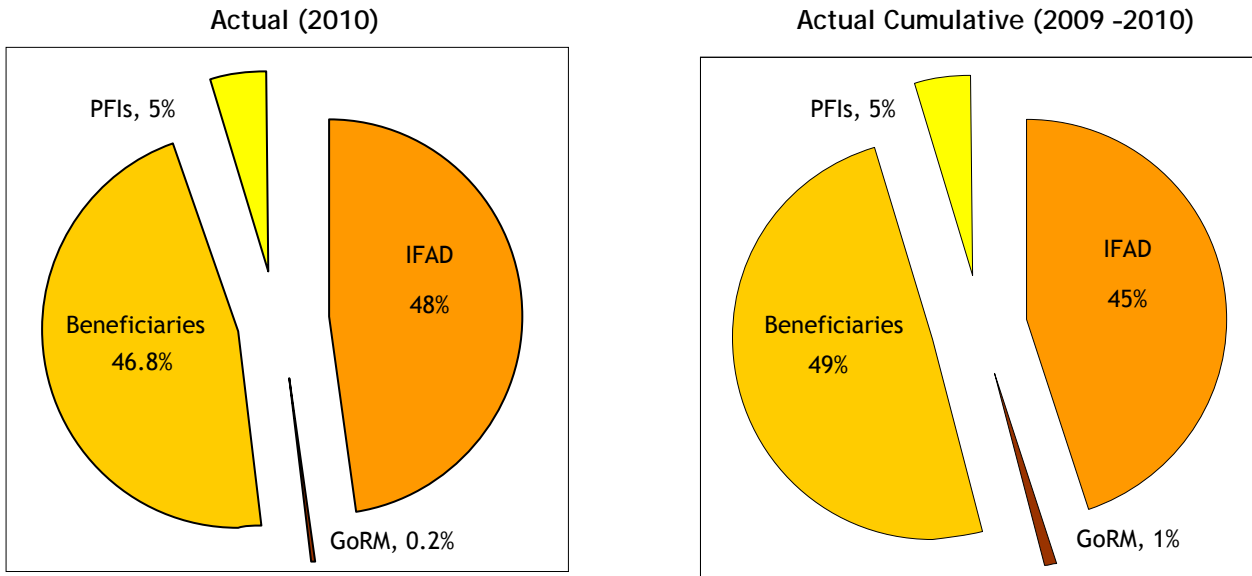
The total amount of expenditures related to the programme implementation up to the end of reported period represents USD 9 860 thousands or 53% from the total programme cost; 2010 total programme expenditures represents 82% from the planned amount for the programme implementation during 2010 (see table 1).

Table 1. RFSMP total cost by financier ('000 USD)

	IFAD	GoRM	Beneficiaries	PFI	Total
Plan (2010)	4 958.3	436.8	3 363.1	442.0	9 200.2
Actual (2010)	3 580.0	19.9	3 521.6	394.3	7 515.8
<i>Actual /Plan (%)</i>	72%	4%	105%	89%	82%
Initial Allocation	12 907.0	1 430.0	2 743.0	1 538.0	18 618.0
Actual Cumulative	4 421.0	93.8	4 874.1	471.4	9 860.3
<i>Actual Cumulative/Initial Allocation (%)</i>	34%	6%	178%	31%	53%

Out of total amount of 2010 expenditures, the biggest share makes up those ones covered by IFAD funds (see diagram 1), while during the project implementation period (2009 - 2010) the biggest share makes those covered by beneficiaries as their contribution to the investment.

Diagram 1: Share of expenditures by financier, actual & actual cumulative



IFAD Proceeds. For the sake of RFSMP implementation, IFAD has allocated USD 12 907 thousands, while under the 2010 AWPB, the amount of 4 958 thousands USD has been envisaged.

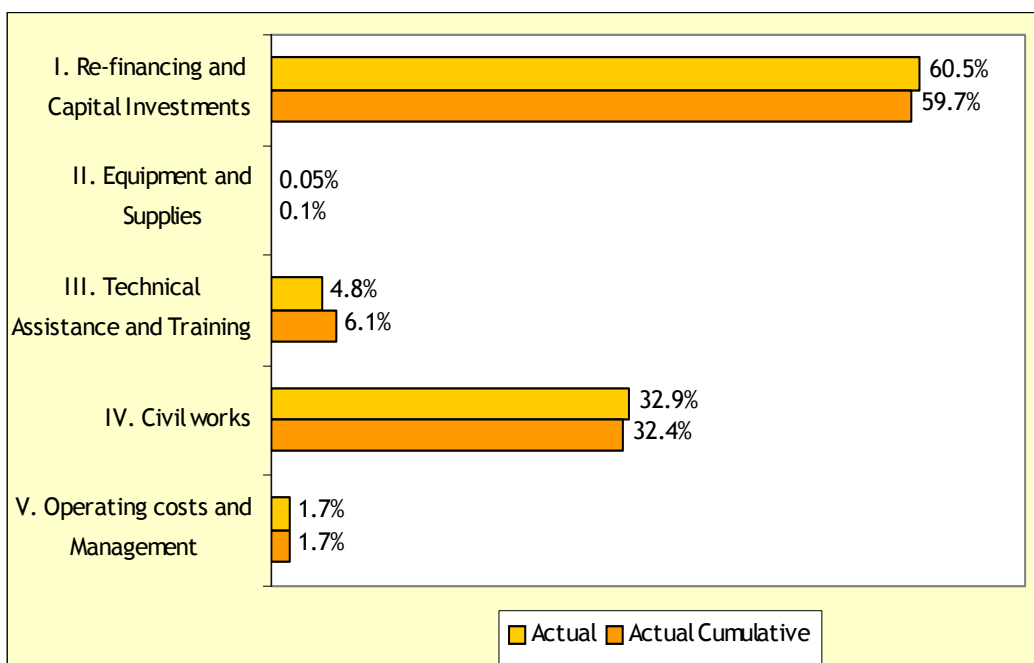
The total expenditures covered by the IFAD proceeds during the project performance period (February 2009 - December 2010) amounted to USD 4 421.0 thousands, that represents 34% of total amount allocated to project implementation. During 2010 the expenditures amounted to USD 3 580.0 thousands or 72% of the total amount allocated for the 2010 project implementation (see table 2).

Table 2: IFAD proceeds by category of expenditures, actual & actual cumulative (USD '000)

Category	Plan		Actual		Actual / Plan		Actual Cumulative	
	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant
<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>	<i>f=d/b</i>	<i>g=e/c</i>	<i>h</i>	<i>i</i>
I. Re-financing and Capital Investments	3 000	0	2 168.0	0	72%	0%	2 640.8	0.0
II. Equipment and Supplies	7	0	1.7	0	24%	0%	4.3	0.0
III. Technical Assistance and Training	158	160	60.2	110.9	38%	69%	87.8	181.9
IV. Civil works	1 567,8	0	1 176.5	0	76%	0%	1 432.7	0.0
V. Operating costs and Management	63,5	2	62.7	0	99%	0%	73.2	0.2
Total	4 796,3	162	3 469.0	110.9	72%	68%	4238.8	182.1
	4 958.3		3 580.0		72%		4421.0	

As during the previous year of project implementation, during 2010 the bigger share of proceeds has covered the programme’s investment activities, i.e. loan re-financing and capital investments, and civil works, that represented 96% of the 2010 project expenditures (see diagram 2).

Diagram 2: Category of expenditures by share, actual & actual cumulative



As per IFAD proceeds allocated for 2010 by components, under two components related to investment activities, i.e. Rural Financial Services and Market Derived Infrastructure, have been used in proportion greater than 70% comparing to the planned figures according 2010 AWPB (see table 3). There were two main reasons that have influenced the disbursement under those two components: (i) more sever collateral requirements fixed by commercial bank after recent economic crisis; (ii) two infrastructure investment project approved for financing during 2010 have been postponed for implementation in 2011 because the amount of beneficiaries contribution was less than 15% as required.

Table 3: IFAD proceeds by programme components

(USD '000)

Component	Plan			Actual			Actual / Plan		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>	<i>f</i>	<i>g</i>	<i>h</i>	<i>i</i>	<i>j</i>
I. Value Chain Development	130.00	95.00	225.00	51.8	63.2	115	40%	67%	51%
II. Rural Financial Services	3 010.00	50.00	3 060.00	2 176.1	35.5	2 211.6	72%	71%	72%
III. Market Derived Infrastructure	1 575.80	0.00	1 575.80	1 177.0	0	1 177.0	75%	0%	75%
IV. Programme Management	80.50	17.00	97.50	64.1	12.2	76.3	80%	72%	78%
Total	4 796.30	162.00	4 958.30	3 469.0	110.9	3 580.0	72%	68%	72%

Although occurred difficulties during 2010, the programme operations have been characterized as satisfactory that has contributed to achievement of good results.

3. DETAILED IMPLEMENTATION PROGRESS BY COMPONENTS

3.1. Value Chain Development for Rural Poverty Reduction

This component aims at support of the integrated development of the Moldovan horticulture value chain for reduction of rural poverty. The main objective of VCD component is to increase the participation and employment of the rural poor in income increasing activities arising directly and indirectly from an improved horticulture value chain.

IFAD Proceeds. For the implementation of the VCD component during 2010 IFAD has allocated USD 225 thousands, including USD 130 thousands loan source and USD 95 thousands grant. The amount of expenditures related to the implementation of VCD component during 2010 has amounted to USD 115 thousands, including USD 51.8 thousands from IFAD loan and USD 63.2 thousands from IFAD grant (see table 4). Thus, the amount envisaged to cover the implementation of activities under VCD component has been used at 51% as result of (i) co-financings provided by consulting companies under international study tours and (ii) the support to IFAD programmes beneficiaries at the implementation of international standards has included only trainings , other related assistance would be provided during 2011.

Table 4: IFAD proceeds under VCD component (actual) (USD '000)

Component	Plan			Actual			Actual / Plan		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
<i>a</i>	<i>b</i>	<i>c</i>	<i>d=b+c</i>	<i>e</i>	<i>f</i>	<i>g=e+f</i>	<i>h=e/b</i>	<i>i=f/c</i>	<i>j=g/d</i>
Value Chain Development	130.00	95.00	225.00	51.8	63.2	115	40%	67%	51%

Throughout the period of the programme implementation, the total amount allocated by IFAD for the implementation of VCD component has been disbursed at 37% (see table 5) which in the context of 37% elapsed of the total programme implementation period has determine a satisfactory coefficient of the efficiency level of 1.00.

Table 5: IFAD proceeds under VCD component (actual cumulative) (USD '000)

Component	Initial Allocation			Actual Cumulative			%		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
<i>a</i>	<i>b</i>	<i>c</i>	<i>d=b+c</i>	<i>e</i>	<i>f</i>	<i>g=e+f</i>	<i>h=e/b</i>	<i>i=f/c</i>	<i>j=g/d</i>
Value Chain Development	316	160	476	67.7	110.0	177.7	21%	69%	37%

According 2010 AWPB, under VCD component have been implemented the following activities:

- i. Support to creation of national wholesales market in Chisinau;
- ii. Implementation of the best production practices, post-harvest management and marketing of fresh fruits;
- iii. Implementation of the best production practices, post-harvest management and marketing of table grapes;
- iv. Strengthening the relationship farmer-producer;
- v. Improvement of marketing information systems.

Support for the creation of Chisinau Wholesale Market. Through the Directive nr.10 of 23.04.2010 of the Minister of Agriculture and Food Industry, a Working Group was created to lead the development of the national fresh produce market infrastructure, CPIU-IFAD Value Chain Facilitator being a member of the group.

With RFSMP support, the Working Group carried out the analysis of the current situation in production and marketing of fresh produce. Later, this analysis served as key input for the pre-feasibility study for creation of the central wholesale market in Chisinau (Chisinau Agrifood Center). The study was done by the Italian company Studio C.O.M. Italia, with active involvement of MAFI, CPIU-IFAD and "Moldova-Fruct" Association of Fruit Producers and Exporters. The study confirmed the need for the Center and determined its key technical and economical parameters (volume throughput, area, value of investment, income and costs for market operations). The study estimated the return-on-investment at 6.4%, which could be attractive for local and international private investors. The pre-feasibility study was actively disseminated by MAFI, CPIU-IFAD and "Moldova-Fruct" Association to potential local and international investors and financial institutions (World Bank, IFC, EBRD, KfW) and Moldova development partners (USAID, EU Commission, IFAD, FAO).

In collaboration with MIEPO, RFSMP has organized the participation of a Moldovan delegation at FruitLogisitca-2010, the largest European fresh produce fair. The visit itinerary included a tour of Berlin Wholesale Market and meetings with managers of German, Italian and Spanish wholesale markets.

In June 2010, RFSMP organized for the members of the Working Group a study tour to Poland and Ukraine to study their experience in establishing, financing and operating wholesale markets and integrating small farmers in the national market infrastructure. The itinerary included visits and meetings with top management of wholesale markets of Warsaw, Gdansk and Lviv, as well as producer marketing groups from Grojec region of Poland. Main topics of discussions were market location, market services, design and construction considerations, financing, role of Government and producer organizations, impact on farmers and consumers.



As a direct result of these activities, the Working Group developed the National Program for Development of Market Infrastructure for Agrifood Products that was approved by GoRM (decision nr.741 of 17.08.2010). In September 2010, MAFI has established the special-purpose company "Centrul Agroalimentar din Chisinau" SA that will serve as a basis for the future Chisinau Agrifood Center.

Implementation of best practices in growing, post-harvest management and marketing of fresh fruits. RFSMP has initiated a Center of Excellence development activity² in collaboration with "Moldova-Fruct" Association of Fruit Producers and Exporters.

The initial list of 10 companies (producers of apples and plums) was selected from the list of IFAD loan beneficiaries and members of "Moldova-Fruct" Association. With each of these companies, a Memorandum of Understanding was signed describing the key activity aspects:

- i. RFSMP, "Moldova-Fruct" Association, local and international experts will provide consultancy for the implementation of best practices in planting, growing, harvesting, post-harvest management and marketing of fresh fruits;
- ii. The commitment of the grower to implement the consultants' recommendations;
- iii. The willingness of the grower to host training seminars to showcase the implemented technologies and practices.

² In the context of RFSMP, a Center of Excellence (CoE) is a company which is considered by farmers from the same region as a model due to implementation of best practices related to production, harvesting, storage, packing and marketing of products. During the production season, these vineyards/orchards host a series of training sessions to disseminate these best practices.

The advice for the super-intensive orchards was provided by the international consultant Evgeny Naychenko, while advice for other types of orchards was provided by local consultants.

During the season, the experts had 72 field visits to the selected growers and 15 raining sessions were organized, with participation of 420 farmers, including 253 participants at production-related seminars and 167 participants at seminars on post-harvest management and quality standards.



In May 2010, RFSMP organized a study tour to Greece focusing on modern sweet cherry production technologies (14 participants).

In November, a study tour to Italy was organized, focusing on modern apple production technologies (16 participants). Farmers got acquainted with new fruit varieties and rootstocks, planting schemes, best growing and storage practices, packaging for export markets, etc.



As result of CoE development activity, following results were achieved:

- 20 of 25 „Moldova-Fruct” members reported an increase in orchard yields as result of implemented growing practices;
- The members of the Association have planted 280 ha of fruit orchards. Of those, 130 ha were planted by the participants at Greece sweet cherry study tour with seedlings purchased by the Greek nurseries identified during the tour. 5 growers planted sweet cherries using Gisela 6 rootstock, an innovation for our country;
- Agrodenidan Ltd, an IFAD loan beneficiary and “Moldova-Fruct” member, has installed an apple sorting and packing line that has a water flume, also innovation for our country;
- Several cold storages using Controlled Atmosphere technology were put into operation.

The successful implementation of CoE activity had a strong impact for “Moldova-Fruct” Association:

- Since activity initiation, the number of members increased from 5 to 34;
- The members’ orchard area increased from 625 to 3475 ha;
- The association has become a partner of MAFI, being actively involved in the formulation and implementation of sector strategies and policies regarding market infrastructure, quality and food safety assurance, etc.

Implementation of best practices in growing, post-harvest management and marketing of fresh table grapes. RFSMP designed its interventions in the table grape sector based on the fruit sector development model described earlier. RFSMP partner for this activity is the Table Grape Growers and Exporters Association (TGGEA). The Table Grape CoE activity was implemented based on 12 companies, selected from the list of IFAD loan beneficiaries and TGGEA members.

During the season, the local consultants had 45 field visits to provide consultancy for the selected companies and organized 32 training seminars with participation of 623 farmers, including 559 participants at production-related sessions and 64 participants at the sessions on post-harvest management and quality and food safety standards.



In November, RFSMP in collaboration with MAFI and TGGEA has organized the annual Table Grape Forum, with participation of 150 farmers and exporters. RFSMP and TGGEA shared its experience in identifying and implementing modern technologies and approaches to table grape production and marketing. Based on the established dialog among MAFI, TGGEA and the research institutions, the Forum formulated a strategic document, outlining the vision for sector development and roles of key actors involved.

As result of CoE development activity, following results were achieved:

- *Implementation of modern technologies and innovations.* The majority of selected companies fully implemented the recommended set of technologies, namely „Terra Vitis” SRL, „Podgoreni” SRL, „Delectar” SRL, „Struguri de masă” SRL, „Sîrbu Vladimir” GȚ, „Savca Gheorghe” GȚ, including organic production at „Delectar” SRL.
- *Increase of yield per hectare and share of fresh market quality:* 2010 season was extremely difficult due to climate conditions, with a yield of 10-12 tons being a major achievement. Exactly this was the level achieved by „Terra Vitis” SRL, „Podgoreni” SRL, „Struguri de masă” SRL and „Sîrbu Vladimir” GȚ. Other growers included in the activities, such as „Nacubi Agro” SRL, „Familia mea” SRL, „Vegetalcom” CÎ, „Echitate” SRL, „Brînzilă Ion” GȚ, „Nistreanu T.S.” - that implemented only a part of the recommended technologies - achieved 6-7 tons per hectare, which still compares very well with the country average of 3 tons per hectare.
- *Increase in the area allocated to high-value crops.* TGGEA members have planted in 2010 season more than 400 ha of table grape vineyards.

The successful implementation of CoE activity had a strong impact for TGGEA:

- Since activity initiation, the number of members increased from 11 to 46;
- The members’ table grape vineyard area increased from 640 to 1500 ha;

The association has become a partner of MAFI, being actively involved in the formulation and implementation of sector strategies and policies regarding market infrastructure, producer cooperation, quality and food safety assurance, etc.

Strengthening grower-processor relationship. In December 2009, Natur-Bravo - the largest Moldovan processor of fruits and vegetables - asked for RFSMP assistance in improving the supply of cucumbers to its canneries: during last couple of years the company processed an ever decreasing quantity of cucumbers, while there is a high demand for pickled cucumbers.

RFSMP in collaboration with UNDP “Global Compact” program has carried out an analysis of the current situation through interviews and a focus group with farmers, Natur-Bravo employees and input suppliers. The study identified three key problem areas (root causes): poor knowledge of modern technologies and their potential, difficult access to financial resources and communication problems between the processor and farmers.

RFSMP recommended implementing a system based on the following principles:

- Signing of firm supply contracts between the farmer and processor, clearly defining the contracted quantity, quality standards and price determination mechanism;
- Implementation of an extension activity led by the processor;
- Development of financing products, where the signed supply contract serves as a guaranty.

RFSMP provided support to implement the extension activity by hiring international consultants from Rijk Zwaan Company. Two training seminars were held before the planting period, with participation 35 farmers. As result 8 large farmers and a group of 20 small farmers from Calarasi rayon decided to enroll in the program and implement the recommended technologies (total area of improved production in 2010 year: 65 ha versus only 6 ha in 2009 year).

During the production season, the international consultant and the team of Natur-Bravo agronomists provided advice to farmers regarding irrigation, mulching, fertilization and crop protection. A schedule of field visits was implemented: a visit each two weeks.

In August 2010, RFSMP organized a study tour for the farmers and Natur-Bravo agronomists to Kahovka region in Ukraine to get acquainted with the implementation of modern technologies for production of open-field vegetables for processing (cucumbers, tomatoes, sweet pepper and eggplants). Later in the year, similar study tours were organized independently by the processor and Rijk Zwaan consultants.

Per total during 2010, Natur-Bravo has procured 1 100 tons of vegetables (2.7 times more than in 2009), which represents 61% of overall volume of cucumbers processed by Moldovan canneries.

To initiate the development of financing products for contract farming arrangements, RFSMP hired Vagn Rasmussen, an international consultant. During his mission in Moldova, the consultant met with farmers, processors and banks in order to develop a conceptual scheme of the proposed financial package, in accordance with Moldovan business practices and legislation. At the end of the mission, an workshop was organized with participation of MAFI, banks, processors and farmers to present the concept and discuss its potential implementation.

Improvement of market information systems

In line with 2010 AWPB, RFSMP hired an international consultant to review the current situation and suggest recommendation for improvement of Agravista, the most popular MIS in Moldova (www.agravista.md).

After an intensive work with Agravista management, meeting with farmers and exporters, the consultant provided concrete improvement recommendation concerning scope of the system, presentation and level of detail in the “News” section, information presentation of “Prices” section, ways to control the information from “Offers and Requests” section, as well as overall system interface. The consultant also provided three scenarios to assure system sustainability, each scenario being accompanied by detailed calculations of required service level, type of subscribers, number of subscribers and monthly fees.

Cross-sector activities. In addition to the activities focused on specified value chains, RFSMP has organized a couple of cross-sector events:

- In April 2010, in close collaboration with MAFI, a national seminar on modern post-harvest technologies was organized with participation of more than 100 farmers and exporters;
- In October 2010, in collaboration with AGROinform Federation, the “Farmer collaboration in produce marketing” national conference was organized, with participation of 50 farmers.

Table 6: VCD component's performance indicators

Activities/ indicators	Plan	Actual	Actual / Plan	Actual Cumulative
International study tours	6 visits	7 visits	116%	8 visits
	48 participants	76 participants	158%	84 participants
Visits of international experts	5 visits	5 visits	100%	5 visits
Training sessions	25 sessions	52 sessions	208%	68 sessions
	750 participants	1 373 participants	183%	1 863 participants
Supported market information systems	1	1 (Agravista)	100%	1

As provided in the table 6, all performance indicators under Value Chain Development component have been achieved at satisfactory and highly satisfactory level that would contribute to significant impact on Moldovan horticulture sector development.

3.2. Rural Financial Services

The component aims to provide access for small rural-based entrepreneurs to mid and long term financial services. The RFS component consists of four sub-components:

- sub-component 2a: Financing of commercial banks for medium-term loans to poorer small-scale commercial farmers - directed to support farming development among members of the 'economically active' and 'commercially oriented' programme target groups, by providing them with investment and working capital to increase their production and productivity in mainly horticultural commodities with a strong market demand and good income generating prospects;
- sub-component 2b: Financing of SCAs through Rural Finance Corporation for micro loans to poor on-and off-farm rural entrepreneurs for income generating activities;
- sub-component 2c: Financing of commercial banks for medium-term loans to rural processors, wholesalers - directed to support processing/marketing enterprises involved in horticulture value chain development, likely to employment generation and small farmers' income increasing;
- sub-component 2d: Capacity building of PFIs - trainings on rural finance products related to value chain and rural credit risk management, financing of rural micro, small and medium enterprises, credit recovery and delinquency management and savings, deposits and remittances' management.

IFAD Proceeds. For the implementation of the RFS component during 2010 IFAD has allocated USD 3 060 thousands, including USD 3 010 thousands loan source and USD 50 thousands grant. The amount of expenditures related to the implementation of RFS component during 2010 has amounted to USD 2 211.6 thousands, including USD 2 176.1 thousands from IFAD loan and USD 35.5 thousands from IFAD grant (see table 7). Thus, the amount envisaged to cover the implementation of activities under RFS component has been disbursed at 72% mainly because (i) low demand for SCAs loans (the amount of loans disbursed during 2010 to SCAs members represented 23% from the planned amount) and (ii) sever collateral requirements fixed by commercial bank after recent economic crisis.

Table 7: IFAD proceeds under RFS component (actual)

(USD '000)

Sub-component	Plan			Actual			Actual / Plan		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
<i>a</i>	<i>b</i>	<i>c</i>	<i>d=b+c</i>	<i>e</i>	<i>f</i>	<i>g=e+f</i>	<i>h=e/b</i>	<i>i=f/c</i>	<i>j=g/d</i>
a) financing of small producers	1 000	0	1 000	782.9	0	782.9	78%	0	78%
b) financing of micro rural entrepreneurs (SCAs members)	500	0	500	116.3	0	116.3	23%	0	23%
c) financing of processing/ marketing SMEs	1 500	0	1 500	1 268.6	0	1 268.6	85%	0	85%
d) PFIs capacity building	10	50	60	8.3	35.5	43.8	83%	71%	73%
Total	3 010	50	3 060	2 176.1	35.5	2 211.6	72%	71%	72%

Throughout the period of the programme implementation, the total amount allocated by IFAD for the implementation of RFS component has been disbursed at 34% (see table 8) which in the context of 37% elapsed of the total programme implementation period has determine a coefficient of the efficiency level of 0.92 which is satisfactory in terms of crisis and post-crisis period.

Table 8: IFAD proceeds under RFC component (actual cumulative)

(USD '000)

Component	Initial Allocation			Actual Cumulative			%		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
Rural Financial Services	7 708	230	7 938	2 659	54	2 713	34%	23%	34%

Borrowers' contribution. According the lending conditions established under RFSMP, loan beneficiaries have to contribute to the financed investment with at least 20% of the total investment amount.

During 2010 loan beneficiaries have contributed to implementation of financed investments with USD 3 257.7 thousands or 56% of the total investments cost; at the same time it has exceeded the planned figure with 8 percentage points (see table 9). From the Project's start-up till the end of 2010, the enterprises financed under the RFSMP have extensively contributed to the implementation of the investment projects amounting to USD 4 808 thousands, which represents 61% of the total cost of the financed investments and has exceeded the initial estimation with 130 percentage points (see table 9).

Table 9: Total cost of financed investments under RFS component, actual (USD '000)

	IFAD	PFI	Beneficiaries	Total
Plan (2010)	3 000.0	442.0	3 000.0	6 442.0
<i>Share, %</i>	<i>46.5%</i>	<i>7%</i>	<i>46.5%</i>	<i>100%</i>
Actual (2010)	2 167.8	394.3	3 257.7	5 819.8
<i>Share, %</i>	<i>37%</i>	<i>7%</i>	<i>56%</i>	<i>100%</i>
Actual / Plan	72%	89%	108%	91%

PFI contribution. The total value of the PFI own proceeds extended to the enterprises financed under the RFSMP, throughout the entire period of the project's operation, constitute USD 471.4 thousand (see table 10) that represents 15% of the financing under the RFS component.

Table 10: Total cost of financed investments under RFS component, actual & actual cumulative (USD '000)

	IFAD	PFI	Beneficiaries	Total
Initial allocation	7 708.0	1 538.0	2 087.0	11 333.0
<i>Share, %</i>	<i>68%</i>	<i>14%</i>	<i>18%</i>	<i>100%</i>
Actual Cumulative (2009-2010)	2 640.9	471.4	4 808.0	7 920.3
<i>Share, %</i>	<i>33%</i>	<i>6%</i>	<i>61%</i>	<i>100%</i>
Initial Allocation / Actual Cumulative	34%	31%	230%	70%

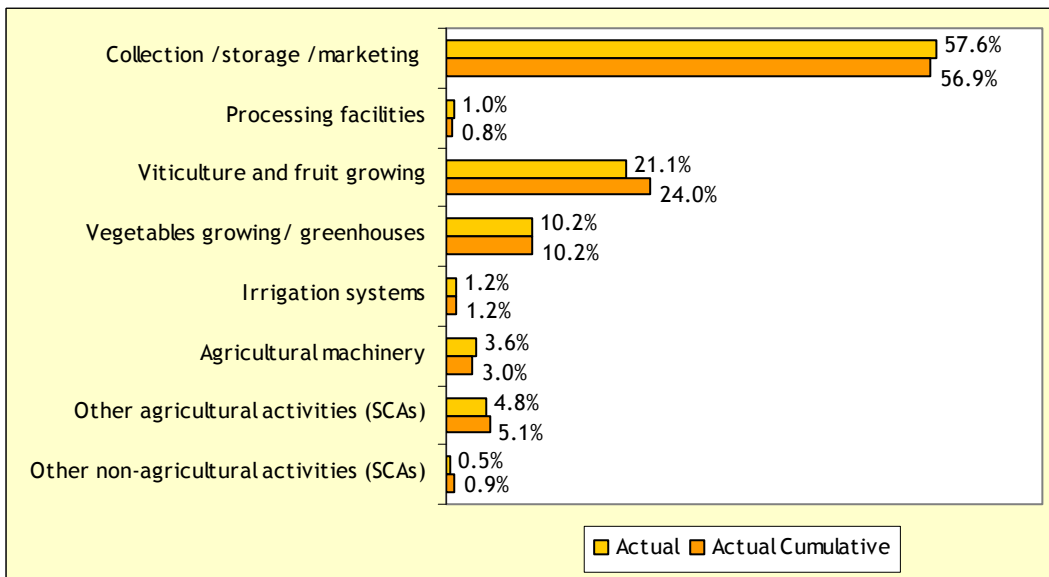
Based on RFSMP Financing Agreement, PFI are required to provide at least 15% of their own funds for each loan disbursed under the programme. From the Project's start-up till the end of 2010 the PFI's contribution represented 15% as the minimum required amount. Furthermore, the borrowers' contribution is more than twice bigger than the initial estimated amount of USD 2 087 thousands that show a high efficiency of the programme to leverage additional funds.

GoRM contribution. During 2010, the GoRM contribution under the RFS component (Capacity Building sub-component) constituted USD 0.44 thousands representing exemption of taxes and duties related to the payments made under the said component.

On-lending to rural entrepreneurs. Throughout 2010, 83 loans have been disbursed, to 121 beneficiaries amounting in total to USD 2 167.8 thousands. It is worth mentioning that 38% of the loans disbursed have been contracted by the rural entrepreneurs from the most income deprived rayons, that through development of rural-based businesses being financed imply increase of contributions in the local budgets of communities that often become the only source of income of the poorest population.

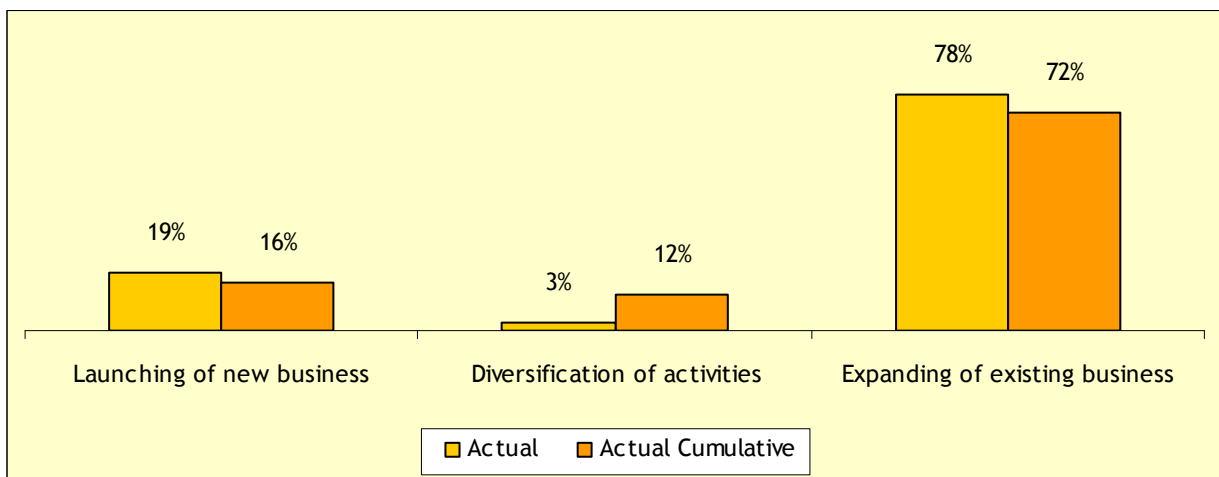
From the programme’s start-up till the end of 2010, the largest share in the total amount of the loans disbursed belongs to investments in collection, cold storage and marketing activities - i.e. 56.9%. The same tendency is likely to characterize the loans disbursed during 2010. (see diagram 3 and annex 1, A).

Diagram 3: Financed investments by type of activity, actual & actual cumulative



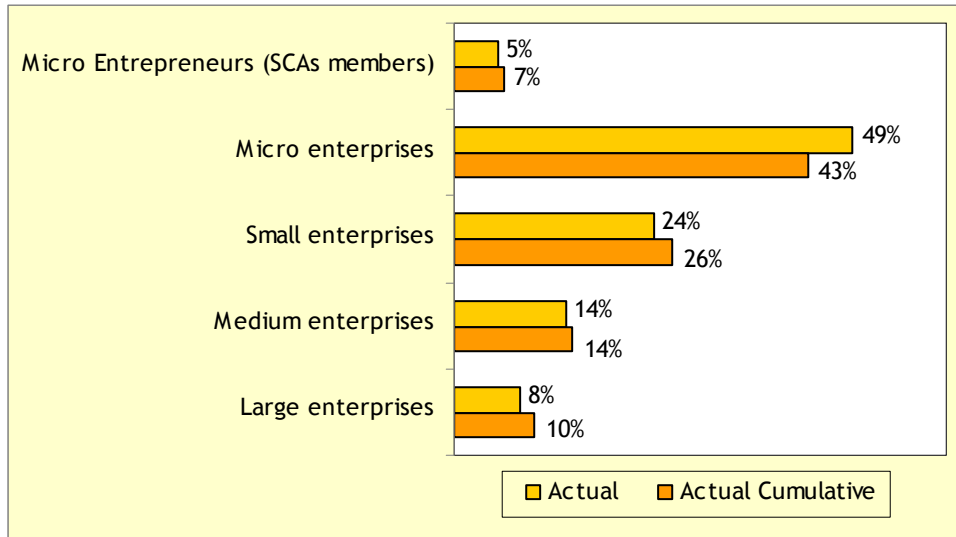
From the programme’s start-up till the end of 2010, for new businesses development has been disbursed the amount of USD 420 thousands which represents 16% of the total amount of loans issued. At the end of 2010, the amount of loans requested to be invested in new business development amounted to USD 413 thousands, representing 19% of the total amount of loans contracted during the reporting period. The share of loans contracted for the expansion of the existing businesses constituted 72% of the total amount of loans provided, while during 2010 the same indicator constituted 78%, that indicates the tendency of developing and growth (see diagram 4 and annex 1, B).

Diagram 4: Financed investments by scope, actual & actual cumulative



From the programme’s start-up till the end of 2010, out of total amount of USD 2 641 thousands of disbursed loans, USD 2 001 thousand or 76% have been disbursed to micro- and small enterprises (i.e. 7% to SCAs members, 43% - micro enterprises and 26% - small enterprises), USD 381 thousands or 14% - to medium-size enterprises and only USD 259 thousands or 10% - to large-scale enterprises. During 2010, to micro, small and medium enterprises have been issued loans totaling to USD 1 993 thousands or 92% of the total number of loans provided (see diagram 5 and annex 2, A).

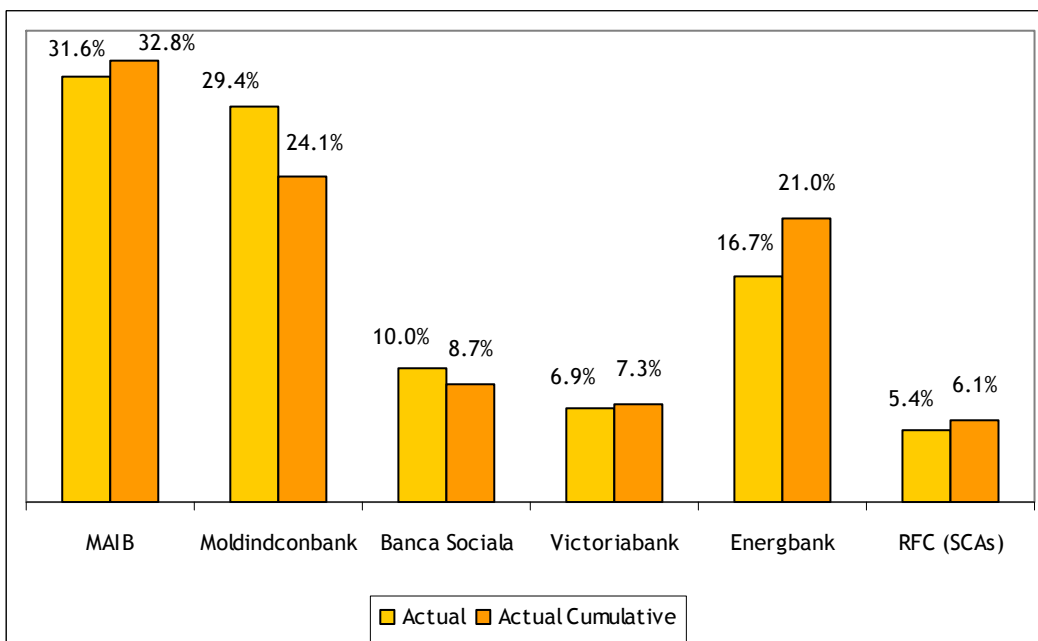
Diagram 5: Classification of financed enterprises, actual & actual cumulative



The afore-referenced indicators prove that proceeds in the form of loans aimed for investment activities under the RFSMP are properly targeted to the originally defined target group, having a direct positive impact upon supporting small rural farmers through accessible loans extension.

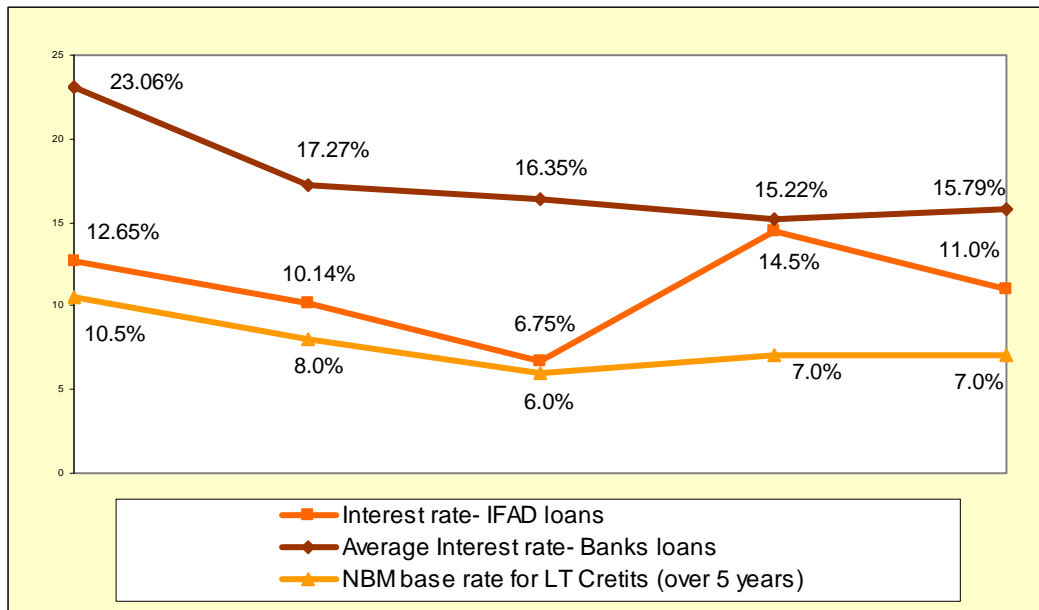
From the Project start-up till the end of 2010, the loans contracted by the RFSMP beneficiaries have been extended through 6 PFIs, including RFC and 5 commercial banks, with the largest weight belonging to CB Moldova-Agroindbank SA (32.8%), CB Moldindconbank SA (24.1%) and CB Energbank SA (21%). During 2010 the loans have been provided through six commercial banks, about 61% of the total loan amount being disbursed through two banks, i.e. Moldova-Agroindbank and Moldindconbank (see diagram 6 and annex 1, C).

Diagram 6: Share of loans amount disbursed by PFIs, actual & actual cumulative



Based on Decision of the IFAD Programmes Steering Committee, the interest rates have been revised twice per year. Evolution of interest rates applied to IFAD loans throughout the programme implementation so far, is shown in diagram 7 from below.

Diagram 7: Evolution of the interest rate applied to IFAD loans, 2009 -2010



In 2010, the interest rate for the 1st semester was 6.75% that was with 9.6 % less than the average one applied by commercial banks for the same period. For the second semester the interest rate has increased more than twice up to 14.5% and it was only with 0.72 percentage points lower than average interest rate of commercial banks. That fact has generated decrease in the demand for loans disbursed under IFAD programmes. Thus, in August 2010, CPIU has proposed to IPSC to revise the formula for the calculation of interest rate. Based on IPSC decision beginning with 1st August, 2010 the interest rate formula is calculated based on National Bank of Moldova base rate for long term credits (over 5 years) and till the end of 2010 it represented 11%.

Capacity building activities. During 2010, CPIU-IFAD has organized under RFS component 13 training sessions on the following topics:

- 1 day session for PFIs loan officers on “Agricultural credit risk management” - attended by 42 credit officers (including 20 women) from 7 commercial banks;
- 11 sessions lasting 1.5 day for SCAs staff on “Micro-lending risk management” - attended by 214 participants, including 109 women;
- 1.5 day session for RFC staff on “Micro-lending risk management” - attended by 15 specialists, including 3 women.



Assistance to business plan development. Under RFS component during 2010, 22 rural entrepreneurs have benefited from support for business plan development financed from IFAD sources and implemented by 5 national consulting companies selected to implement the assignment during 2010.

As result of implementation of activities envisaged under Rural Financial Service component the following performance indicators have been achieved:

Table 11: RFS component performance indicators

Indicator	Plan (2010)	Actual (2010)	Actual/Plan	Actual Cumulative
Micro and small producing enterprises financed	28	27	96%	33
Processing/ Marketing SMEs financed	15	16	106%	19
Micro rural based businesses financed (SCAs members)	100	40	40%	50
Training sessions for PFIs organized:	20	13	65%	19
Rural financing products relevant to VCD	2	0	-	0
Small business financing (SCAs)	15	12	80%	17
Agricultural credit risk management	3	1	33%	2
Participants trained	130	271	206%	398
Business plans elaborated with IFAD support	28	22	78%	50

3.3. Pro-poor Market Derived Infrastructure. The component aims at elimination of infrastructure bottlenecks which inhibit increasing participation of commercially oriented small farmers and economically active poor to prioritized value chains. The component implies the awarding of competitive contributory grants for investment in public infrastructure to enable and enhance private sector investments and activities in rural areas.

IFAD proceeds. For the implementation of all activities under the MDI component IFAD has allocated USD 3 680 thousands. For 2010 the amount allocated under component represented 43% from initial allocation or USD 1 575.8 thousands.

During 2010 under MDI component has been disbursed USD 1 177 thousands that represented 75% of planned figure to be disbursed under MDI component. The total amount of IFAD proceeds disbursed under the given component represented USD 1 434 thousands or 39% of the total amount of IFAD proceeds allocated for MDI component's activities (see table 12), indicator that imply a coefficient of 1.05 that represents high efficiency of disbursement under the component.

Table 12: IFAD proceeds under MDI component, actual & actual cumulative (USD '000)

	Plan (2010)	Actual (2010)	Actual / Plan	Initial allocation	Cumulative (2009 - 2010)	%
<i>a</i>	<i>b</i>	<i>c</i>	<i>d=c/b</i>	<i>e</i>	<i>f</i>	<i>g=f/e</i>
Pro-poor Market Derived Infrastructure	1 575.8	1 177.0	75%	3 680.0	1 434.4	39%

The total cost of MDI component estimated for the entire period of the programme implementation was of USD 5 444 thousands, including 68% as IFAD contribution, 20% or USD 1 108 thousands as GoRM contribution and 17.8% or USD 656 thousands as beneficiaries contribution.

Beneficiaries contribution. The implementation of infrastructure investment projects are being made based on private-public partnership, that suppose besides the proceeds allocated by IFAD a financial contribution of at least 15% of the investment cost from project beneficiaries.

During 2010 the beneficiaries of financed infrastructure facilities has contributed to its implementation with USD 263.9 thousands or 73% of the planned figure. Throughout the programme implementation period the total amount of co-financing representing USD 330 thousands or 18.4% of invested cost that points to programme efficiency to leverage additional funds.

Government of Republic of Moldova contribution. During 2010, the GoRM contribution under the MDI component constituted USD 4.4 thousands or 1% of the planned amount representing exemption of taxes and duties related to the payments made under the said component. Throughout the programme implementation period the amount allocated by GoRM under MDI component has amounted to a USD 70 thousands, that represented 11% from initial allocation.

During 2010 under the given component it has been planned to finance 14 infrastructure investment projects. However in fact during 2010 has been financed only 11 infrastructure investment projects, other 3 projects approved for financing during 2010 has been postponed for 2011, due to problems related to gathering of beneficiaries own contribution.

Thus, during 2010 has been rehabilitated/constructed the following type of rural infrastructure:

(i) Water supply systems - 11.13 km of water supply system have been constructed under the following 4 financed projects:

- Colibasi village, Cahul;
- Cimislia town;
- Recea village, Riscani
- Geamana village, Anenii Noi



Water supply system: Cimislia

(ii) Roads - 3.95 km of rural road has been rehabilitated under the following 3 financed projects:

- Bucovat village, Straseni
- Sarata Veche village, Falesti
- Dragusenii Noi village, Hincesti



Road: Dragusenii Noi, Hincesti

(iii) Irrigation schemes - 649.5 ha of farm land has improved irrigation schemes implement under the following 4 financed projects:

- Cernoleuca village, Donduseni
- Corestauti village, Ocnita
- Larga village, Briceni
- Olanesti village, Stefan Voda

As result of the financed infrastructure investment project under the MDI component has been achieved the following performance indicators :

Table 13: MDI performance indicators

Indicator	Plan (2010)	Actual (2010)	Actual/Plan	Actual Cumulative
Infrastructure investment projects financed	14	11	79%	15
Beneficiaries of infrastructure facilities	5 952	12 440	209%	17 793
Farmers / SMEs	615	48	8%	74
Individuals	5 323	12 381	232%	17704
Local Public Authorities	14	11	79%	15
Groups established for the administration of infrastructure facilities	14	11	79%	15%
Members of infrastructure facilities administration groups	1 202	619	51%	712
Including women	505/42%	280/45%	55%	301/42%

3.4. Programme Management

According to the Loan Agreement no.758-MD, the overall responsibility for organization and management of the programme activities rests within:

- The Ministry of Agriculture and Food Industry;
- The IFAD Programmes Steering Committee;
- The CPIU-IFAD;
- The Revolving Fund - reflows administration

The Ministry of Agriculture and Food Industry has overall responsibility for the implementation of the ARP Project.

The IFAD Programmes Steering Committee, established by the Government Decision and chaired by the Minister of Agriculture and Food Industry, represents the body of approval for the overall on-going IFAD operations in Moldova and having the following responsibilities: provide policy and strategy guidance, approves Participating Financial Institutions, review and set interest rates, review and approve the proposed AWPBs and progress reports for ongoing IFAD programmes/projects. During 2010 with respect to RFSMP activity the IPSC has been convened three times, once regarding the revision of eligibility criteria for PFIs, the second time regarding the review of reference rate calculation formula and the third time for the approval of AWPB for 2011.

The programme management authority has rested within the CPIU-IFAD, established by the Government Decision, who coordinates the overall activities on project implementation, including financial management. During 2010, the CPIU-IFAD continued to exercise its responsibilities on technical and financial integrity of the Project, supervision of all Project operations, development of AWPBs, procurement, monitoring and evaluation of Project impact, as well as progress reporting. At the end of the 2010, the CPIU-IFAD comprised 10 staff members, including the CPIU Director, 8 staff members in charge of the ARP implementation, as well as for other on-going IFAD projects; and a driver.

IFAD proceeds. For the sake of implementation of the overall activities foreseen under the given component, the amount of USD 813 thousands has been foreseen (initial allocation); for 2010 the amount of USD 97.5 thousands has been planned which represents 12% of the total amount allocated under the given component.

During the 2010, 58% of proceeds envisaged for 2010 have been exhausted (see table xx) or 7% from initial allocated amount. At the same time, the PM component expenditures throughout programme implementation period represent 35% from the initial allocated amount.

Table 14: IFAD proceeds under PM component, actual & actual cumulative (USD '000)

Component	Plan (2010)	Actual (2010)	%	Actual Cumulative (2009 - 2010)
<i>a</i>	<i>b</i>	<i>c</i>	<i>d=c/b</i>	<i>e</i>
Programme Management	97.5	76.3	78%	95.8

Moldova Government Contribution. During 2010, the GoRM contribution under the Programme Management component constituted USD 11.4 thousands or 47% from the planned amount representing exemption of taxes and duties related to the payments made under the said component. During 23 months of programme implementation the GoRM contribution under Programme Management component amount to USD 18.8 thousands which represents 8% of the initial allocation under the given component.

4. PROGRAMME PERFORMANCE EVALUATION

In light of the information described above, the Programme's operations and implementation performance are satisfactory, in terms of both financial and physical aspects fact that is confirmed by the programme's disbursement factor of 0.93 (for 23 months of implementation).

The implementation of activities under RFSMP has generated highly satisfactory results in terms of:

- Number of people trained
- Number of infrastructure projects beneficiaries
- Amount of programme's beneficiaries contribution.

Thus, the number of people trained during 2010 under Value Chain Development component and Rural Financial Services component has been twice time bigger that the planned figure.

The number of beneficiaries of infrastructure facilities financed during 2010 under the Market Derived Infrastructure component has exceeded the planned figure with 109 percentage points, even if the number of financed infrastructure projects has been achieved at 79%.

In the context of post-crisis period and sever collateral requirements of PFIs, the financing of production and processing SMEs has been implemented at 90%.

At the end of 2010 the amount of invested beneficiaries contribution was twice bigger than the initial estimated figure in the context that only 37% of the programme implementation period has elapsed.

During 2010 the RFSMP costs related to Programme Management component represented 1.8% from the amount of expenditures related to all activities under RFSMP during the year.

In the context of above mentioned results it points to strong and positive tendencies for further programme implementation.



ANNEXES



ANNEX 1: Classification of disbursed loans, actual & actual cumulative:
A. By type of activity (USD '000)

Profile of Activity	Actual			Actual cumulative		
	Number	Amount	%	Number	Amount	%
Collection /storage /marketing	15	1 247.8	57.6	18	1 501.5	56.9%
Processing facilities	1	20.8	1.0%	1	20.8	0.8%
Viticulture and fruit growing	16	457.0	21.1%	22	632.9	24.0%
Vegetables growing/ greenhouses	6	221.5	10.2	6	221.5	10.2
Irrigation systems	1	25.5	1.2%	1	25.5	1.2%
Agricultural machinery	4	78.8	3.6	4	78.8	3.0%
Other agricultural activities (SCAs)	37	104.8	4.8%	44	135.6	5.1%
Other non-agricultural activities (SCAs)	3	11.5	0.5	6	24.2	0.9%
Total	83	2 167.8	100%	102	2 640.9	100%

B. By scope of investment (USD '000)

	Actual			Actual cumulative		
	Number	Amount	%	Number	Amount	%
Launching of new business	10	412.9	19.0%	11	419.9	15.9%
Diversification of activities	6	58.0	2.7%	9	311.7	11.8%
Expanding of existing business	67	1 696.9	78.3%	82	1 909.3	72.3%
Total	83	2 167.8	100%	102	2 640.9	100%

C. By PFIs (USD '000)

	PFI	Actual			Actual cumulative		
		Number	Amount	%	Number	Amount	%
1	Moldova Agroindbank	13	685	31.6%	17	866	32.8%
2	Moldindconbank	14	638	29.4%	14	638	24.2%
3	Eximbank	0	0	0%	0	0	0%
4	Banca Sociala	7	216	10.0%	8	230	8.7%
5	Victoriabank	1	150	6.9%	2	192	7.3%
6	Energbank	8	363	16.7%	11	555	21.0%
7	RFC (SCAs)	40	116	5.4%	50	160	6.1%
	Total	83	2 167.8	100%	102	2 641	100%

ANNEX 2: Classification of financed enterprises, actual & actual cumulative:
A. By size (USD '000)

	<i>Classification according the law</i>	Actual			Actual cumulative		
		Number	Amount	%	Number	Amount	%
	micro entrepreneurs (SCAs members)	40	116.3	5.4%	50	159.8	6.1%
micro	<i>Number of employees - ≤ 9 pers. Net annual sales - ≤ 240,0 ths.USD</i>	27	1 050.7	48.5%	31	1 141.7	43.2%
small	<i>Number of employees - ≤ 49 pers. Net annual sales - ≤ 2000,0 ths.USD</i>	11	529.3	24.4%	14	699.1	26.5%
medium	<i>Number of employees - ≤ 249 pers. Net annual sales - ≤ 4000,0 ths.USD</i>	3	296.3	13.7%	4	381.1	14.4%
large	<i>Number of employees - >250 pers. Net annual sales - > 4000,0 ths.USD</i>	2	175.2	8.1%	3	259.1	9.8%
	Total	83	2 167.8	100%	102	2 640.9	100%

B. By legal form (USD '000)

	<i>Legal Form</i>	Actual			Actual cumulative		
		Number	Amount	%	Number	Amount	%
1	SCAs members	40	116.3	5.4%	50	159.8	6.0%
2	Peasant Farms	16	341.6	15.8%	18	367.0	13.9%
3	Individual Enterprises	0	0.0	0%	1	22.9	0.9%
4	Limited Liability Companies	26	1 689.1	77.9%	32	2 070.4	78.4%
5	Cooperatives	1	20.8	1.0%	1	20.8	0.8%
6	Joint-Stock Companies	0	0	0%	0	0	0%
	Total	83	2 167.8	100%	102	2 640.9	100%