

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

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT

FINANCING AGREEMENT no.832-MD, Grant No. G-I-C-832-MD and Grant No.C-DE-832-MD

### 2012 ANNUAL REPORT



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

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<b>TABLE OF CONTENTS:</b>	<b>PAGE</b>
<b>1. INTRODUCTION</b>	<b>4</b>
<b>2. PROJECT PERFORMANCE EVOLUTION: PHYSICAL AND FINANCIAL PROGRESS</b>	<b>5</b>
<b>2.1. Physical Progress Summary by components</b>	<b>5</b>
<b>2.2. Financial Progress Summary</b>	<b>6</b>
<b>3. DETAILED IMPLEMENTATION PROGRESS BY COMPONENTS</b>	<b>7</b>
<b>3.1. Component 1: Pro-Poor Agribusiness Development.</b>	<b>7</b>
<b>3.2. Component 2: Rural Financial Services</b>	<b>12</b>
<b>3.3. Component 3: Small-Scale Rural Infrastructure</b>	<b>22</b>
<b>3.4. Component 4: Programme Management</b>	<b>23</b>
<b>4. PROJECT PERFORMANCE EVALUATION</b>	<b>25</b>
<b>ANNEXES:</b>	
<b>Annex 1: Share of Loans disbursed by PFIs</b>	<b>26</b>
<b>Annex 2: Classification of financed enterprises, by size</b>	<b>27</b>
<b>Annex 3: Classification of financed enterprises, by legal organizational form</b>	<b>27</b>
<b>Annex 4: Classification of financed investment projects, by scope</b>	<b>28</b>
<b>Annex 5: Classification of financed investment projects, by profile of activity</b>	<b>29</b>

**ABBREVIATIONS AND ACRONYMS**

AWPB	Annual Work Plan and Budget
BP	Business Plan
CLD	Credit Line Directorate
CPIU	The Consolidated Unit for the Implementation of IFAD Programmes
CPIU-IFAD	The Consolidated Unit for the Implementation of IFAD Programmes
DANIDA	Danish International Development Agency
FAO	Food and Agriculture Organization
FI	Financial Institution
FY	Fiscal year
GoM	Government of the Republic of Moldova
IFAD	International Fund for Agricultural Development
IPSC	Implementation Project Steering Committee
LLC	Limited Liability Company
MAFI	Ministry of Agriculture and Food Industry
MFI	Micro financing institutions
PB	Project beneficiaries
PFI	Participating Financial Institutions
PIM	Project implementation manual
PY	Project year
RFSADP	Rural Financial Services and Agribusiness Development Project
SAUM	State Agrarian University of Moldova
SLA	Subsidiary Loan Agreement
SME	Small and medium enterprises
SPs	Service providers
UNDP	United Nations Development Program
USAID	United State Agency for International Development
YE	Youth entrepreneurs

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

### 1. INTRODUCTION

1. The annual reports has been developed by the CPIU–IFAD in accordance with the General Conditions for Agricultural Development Financing, article VIII, section 8.03 (*Progress Reports and Mid-Term Review*) of the Loan Agreement no.L-I-832-MD, Grant No. G-I-C-832-MD and Financing Agreement Grant No.C-DE-832-MD.

2. The report reflects activities implemented and action taken by CPIU-IFAD in PY 2 (1<sup>st</sup> January -31<sup>st</sup> December 2012) of the project implementation, compared to AWPB. The progress report address quantitative and qualitative progress made in implementation of the Project; problems and constrains encountered during the reporting period; steps taken by the CPIU-IFAD to eliminate the problems or barriers for successful implementation of the Project and it includes lessons learned and recommendations feed into, to inform and shape the IFAD.

3. Rural Financial Services and Agribusiness Development Project, the fifth IFAD programme in Moldova, became effective on 04 July 2011 and would be implemented during 60 months period. For the implementation of overall Project's activities, IFAD has allocated USD 19.8 million, including USD 19.3 million as loan and USD 0.5 million as grant. DANIDA has allocated additionally a grant of DKK 25 714 110, which is equivalent to USD 4.6 million to provide supplementary financing to the Rural Youth Entrepreneurship scheme and it is utilized to provide the following activities for YE:

- (i) Pre-financing training for young rural potential applicants;
- (ii) Financing Facilitation, Finance and Business Launch Support;
- (iii) Post-Financing Support, Monitoring & Impact Evaluation.

4. The goal of RFSADP is to contribute to reduction of rural income poverty in Moldova.

5. The Project's objectives are:

(i) To improve in a pro-poor manner the efficiency of agriculture-related value chains, particularly through support to the introduction and establishment of internationally-recognized quality and food-safety standards and support to the development of contract farming;

(ii) To increase the access of poor rural people to credit through support to appropriate, affordable, rural financial instruments;

(iii) To alleviate or remove infrastructural bottlenecks to improving the assets and incomes of poor rural people.

6. The RFSADP's activities are implemented through four main components:

(i) Pro-Poor Agribusiness Development – will support and target rural people through linking them more profitably, either as producers, small or medium entrepreneurs or employees to agricultural high-value commodity chains;

(ii) Rural Financial Services – will contribute to alleviating the problems of lack of access to financing through: (i) longer term financing of SME investments in agricultural value chains supported by RFSADP; (ii) medium to longer term financing of young entrepreneurs' investments in agricultural value chains; (iii) short to medium term financing of rural microenterprises' investments in productive assets and working capital for such enterprises.

(iii) Small-Scale Rural Infrastructure – will contribute to removing infrastructure bottlenecks which inhibit the participation of poor commercially/market-oriented small farmers and economically active rural poor in Project-prioritized value chains and consequently their access to the corresponding benefits.

(iv) Project Management – will finance the operations of CPIU in performing it responsibilities concerning the RFSADP implementation.

7. Each component includes specific activities, which details actions and interventions taken to achieve the goal and objectives of the project. It is to mention that the progress report refers only to the events and achievements within components and sub-components which were in actions in reporting period.

## 2. PROJECT PERFORMANCE EVOLUTION: PHYSICAL AND FINANCIAL PROGRESS

8. In 2012, the project continued through its activities to improve the efficiency of agricultural related value chains, to increase access of poor rural people to credit and to alleviate infrastructure bottlenecks with the purpose to improve the assets and incomes of poor rural people.

### 2.1 PHYSICAL PROGRESS SUMMARY BY COMPONENTS – ACTUAL OUTPUT INDICATORS

9. This section present the output indicators per component as of 2012 end (actual cumulative):

#### *Pro-Poor Agribusiness Development*

• International study tours	2
• International experts	4
• International expert volunteer	1
• Trained participants	279
• Demo plots established	4
• Seminars and round tables	8



Fig.1: Study tour on conservation farming.



Fig.2: Young entrepreneur – loan beneficiary

#### *Rural Financial Services*

• Loans disbursed	233
• Loan amount disbursed (USD 000)	6 060.7
• Grant amount disbursed (USD 000)	1 767.3
• Financed business plans	76
• Youth entrepreneurs trained	128

#### *Small Scale Rural Infrastructure*

• Infrastructure investment projects selected for financing	3
• Road construction projects	3
• Total length of constructed road	4.6 km
• Number of direct beneficiaries (SMEs )	16
• Number of indirect beneficiaries (individuals)	8 368



Fig.3: Road from Carahasani village before rehabilitation.

10. Detailed implementation performance by components is presented in chapter 3 of the present report.

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

### 2.2 Financial Progress Summary.

11. In 2012 the total amount of investments it was USD 13 394.3 thousands, including USD 6 227.7 thousands from IFAD funds; USD 1 766.5 thousands from DANIDA; USD 101.6 thousands GoM contribution; USD 4 523.3 thousands beneficiaries contribution and USD 775.2 thousands PFIs co-financing. The total cost of the project by the end of 2012 represented USD 14 228.4 thousands (see table 1).

**Table 1: 2012 Plan vs. Actual Figures, by financier**

(USD 000)

2012	IFAD			DANIDA	GRM	Beneficiaries	PFIs	Total
	Loan	Grant	Total					
Plan	3 954.8	147.5	4 102.3	595.0	424.4	681.2	305.7	6 108.6
Actual	6 164.3	63.4	6 227.7	1 766.5	101.6	4 523.3	775.2	13 394.3
Actual /Plan (%)	155.9%	43.0%	151.9%	296.9%	23.9%	711.2%	279.3%	219.2%
Actual Cumulative	6 553.2	63.4	6 616.7	1 797.1	103.1	4 857.6	853.9	14 228.4

12. **IFAD proceeds.** Over 91% (USD 5 683.5 thousands) of the IFAD funds allocated for 2012 were spend for disbursement of investment loans to SMEs and YE (see table 2). That makes 223.8% of 2012 budget plan for Rural Finance category of expenditures. In the second PY it was a high demand for investment loans for YE, which have the flowing explanation: in the first year the CPIU-IFAD had made a lot of publicity and promotion the project for YE and in the second YP the number of applicants has increased significantly comparing with 2011; in 2012 the National YE program PNAET din not have sufficient funds to finance youth entrepreneurs and PFIs were directing YE application mainly to IFAD source for financing.

13. The CPIU-IFAD could spend for civil works only half of the allocated budgets for 2012, due to difficulties met by selected communities regarding the collection of own contribution for investment in proposed infrastructure, because in 2012 co-financing construction of infrastructure become a real problem for agriculture producers in the context of severe drought in Moldova in 2012 with widespread reduction in yields and crop failures has lead to big losses in farm income.

**Table 2: IFAD proceeds by category of expenditures**

(USD 000)

Category of expenditures	Plan		Actual				Actual / Plan		Actual Cumulative	
	Loan	Grant	Loan	Grant	Total	Share, %	Loan	Grant	Loan	Grant
Rural finance	2 540.0	-	5 683.5	-	5 683.5	91.4	223.8%	-	6 060.4	-
Civil works	800.0	-	411.5	-	411.5	6.6	51.4%	-	411.5	-
TA, training and studies	294.2	147.5	22.7	63.4	86.1	1.3	7.7%	42.9%	22.7	63.4
Goods	253.2	-	0.6	-	0.6	0.0	0.2%	-	6.8	-
Recurrent Costs	67.4	-	46.1	-	46.1	0.7	68.4%	-	51.9	-
<b>Total</b>	<b>3 954.8</b>	<b>147.5</b>	<b>6 164.4</b>	<b>63.4</b>	<b>6 227.8</b>	<b>100</b>	<b>155.9%</b>	<b>42.9%</b>	<b>6 553.3</b>	<b>63.4</b>
	<b>4 102.3</b>		<b>6 227.8</b>				<b>151.8%</b>		<b>6 616.7</b>	

14. In 2012 there were spend only 7.7% of IFAD loan and 42.9% of IFAD grant allocated for category of expenditure: TA, training and studies.

15. In the reporting period there was not spend the entire amount allocated for procurement of goods. The amount of USD 253.2 thousands was designated for procurement of the agriculture machines, equipment and for reimbursement part of operating cost for DEMO plots on conservation agriculture. The suppliers of equipment were selected at the end of 2012, but the effective payment was done in early 2013. Respectively, in 2012 there were not made any operational costs on DEMO plots. This amount will be spending in the next years.

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

16. Disbursement in the Rural Financial Services component has a share of 91.4% from total 2012 amount of expenditures (see table 3). The CPIU has spend under this component USD 5 696.2 thousands which is 223% of plan for this component in 2012.

**Table 3: IFAD proceeds by components**

(USD 000)

Project Component	Plan		Actual				Actual / Plan		Actual Cumulative	
	Loan	Grant	Loan	Grant	Total	Share, %	Loan, %	Grant, %	Loan	Grant
Pro-Poor Agribusiness Development	460.6	111.5	20.9	45.0	65.9	1.1	4.5	40.4	21.0	45.0
Rural Financial Services	2547.0	26.0	5 683.5	12.7	5 696.2	91.4	223.2	48.9	6 060.4	12.7
Small-Scale Rural Infrastructure	861.0	10.0	412.6	5.7	418.3	6.7	47.9	57.0	412.6	5.7
Project Management	86.2	0.0	47.3	0.0	47.3	0.8	54.9	0.0	59.3	0.0
Total	3 954.8	147.5	6 164.3	63.4	6 227.7	100	155.9	43.0	6 553.3	63.4
	4 102.3						151.8%			

17. It is a rather lower realization of the budget in the Component I: Pro-Poor Agribusiness Development, which consist only 4.5% of the loan and 40.4% of grant from the annual plan for 2012.

### 3. DETAILED IMPLEMENTATION PROGRESS BY COMPONENT.

18. During the reporting period in 2012, under each of the Project's components have been implemented a range of activities as further described.

#### 3.1. Component 1: Pro-Poor Agribusiness Development.

19. The component aims at support and target rural people through linking them more profitably, either as producers, small and medium entrepreneurs or employees to agricultural high value commodity chains. This linkage would be achieved through three sub-components:

- *Contract Farming Development (A1)*– to provide a stable, sustainable and incrementally profitable link to high-value agricultural commodity chains;
- *Conservation Farming Development(A2)* – to enhance soil fertility and those mitigate the risk of crop failures within the dominant system of rain-fed agriculture;
- *Agribusiness Equity Fund Development (A3)* – to support the establishment of the AEF with a legal personality under the domestic legal system of Republic of Moldova, with the aim of addressing current constrains to long-term financing of agribusinesses.

20. In 2012 for implementation of activities under the Pro-Poor Agribusiness Development component (see table 4) were spent USD 65.9 thousands (11.5% of the plan), including USD 20.9 thousands IFAD loan (4.5% of the plan) and USD 45.0 thousands IFAD grant (40.3% of the plan).

**Table 4: IFAD proceeds under Pro-Poor Agribusiness Development component**

(USD 000)

RFS sub-components	Plan			Actual			Actual / Plan		Actual Cumulative		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Loan	Grant	
<i>Contract Farming Development</i>	102.7	15.0	117.7	0.0	15.2	15.2	0%	101%	0.0	15.2	
<i>Conservation Farming Development</i>	350.2	10.0	360.2	20.9	4.8	25.7	5.9%	47.9%	20.9	4.8	
<i>Agribusiness Equity Fund Development</i>	7.7	96.5	94.2	0.0	25.0	25.0	0.0%	25.9	0.0	25.0	
Total	460.6	111.5	572.1	20.9	45.0	65.9	4.5%	40.3%	20.9	45.0	
	80.5%		19.5%		100%		31.5%		68.5%		100%
							11.5%		65.9		

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

21. **Sub-component: Contract Farming Development (A1)** Accordance to the AWPB activities for 2012 were planned to encourage and provide support to SMEs to develop contract farming based on principals of transparency, trust and effective enforcement. As a result of a contest, an international expert was selected. The USA expert Andrei Scotnicov, in May 2012 has conducted a comprehensive study concerning the actual situation and perspectives to implement the principles of Contract Farming. In the specified period were visited over 30 enterprises that have close points with the whole value chain: production enterprises; processing enterprises; different kinds of associations and producers groups; insurance companies; financial institutions; state institutions and bodies.

22. As a result was elaborated and presented a report that described the actual situation in the country. The report makes reference to the efficient functioning of the Contract Farming systems in countries like Ukraine, Romania, U.S.A. and Germany. At the end of the mission, it was organized a round table event with the participation of representatives from the Ministry of Agriculture and Food Industry, public associations, production and processing enterprises along with other international projects that operating in the agricultural domain, being attended by 22 persons, including 2 women.



*Fig.4: Round-table on contract farming development in Moldova.*

23. Several initiatives, actions and activities for introduction, and inceptions of Contract Farming process did not succeeded in 2012 because of the following reasons:

- Potential partners of the tree parties agreements (producers, processors, FI, input suppliers, etc) are rather conservative in taking decision to enter in the agreement, considering too risky in a non stable market;
- The severe 2012 drought, along with insufficient irrigation systems resulted in significant price increase in domestic market for most of agriculture products. The value chain drivers (canneries, retailers, exporters) could not contract supply of raw materials, even in two party contracts with farmers, which preferred to sell their products to the fresh market without any contracts and obligations.
- The high prices of domestic agricultural production have determined processors to import cheaper raw materials from Ukraine. Spending of financial resources, under such circumstances, for promotion of contract farming activities was unreasonable.

24. **Sub-component: Conservation Farming Development (A2).** In February 2012 was selected an international expert, who based on the study conducted by the local expert, the visits made to the farms that practice the technology of mini-till in Republic of Moldova and international experience in the field, elaborated a study that reflected the current situation in the domain, the development perspectives, and also the scientific argumentation of the sizes of the demonstrative plots that have to be created with the technical and financial

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

support offered by CPIU from IFAD resources. In the process of research were visited 9 agricultural farms that use no-till or mini-till technology.



*Fig.5: Round-table on conservation farming technologies.*

25. The results of the study were presented during a round-table meeting and also could be found on the official site of CPIU-IFAD ([www.ifad.md](http://www.ifad.md)). The meeting has been attended by 26 persons, representing the Ministry of Agriculture and Food Industry, Agrarian University, Scientific Institutions and Federations from the field, and also a large number of agricultural producers that use the technique of minimal soil processing.

26. In May 2012 the CPIU has developed ToRs and announced a public competition for selecting 4 farms for setting DEMO plots for implementation and promotion of Agriculture Conservation Technology with application of No-till and Mini-Till technology.

27. The CPIU-IFAD has received and registered applications from 18 companies from different parts of the Republic of Moldova. The biggest number of applications was received from the Northern part of the country, where conservative agriculture is more developed as on other regions.

28. The CPIU has set up an Application Evaluation Committee (AEC). All applications went through two-steps selection process: A) Pre-qualification – on this stage applications were verified if they meet the eligible criteria. B) Qualification - companies which met eligible criteria were visited by the group of experts, members of the AEC and applications were reviewed and scored. Finally, four companies from three regions of the country were selected:

1. **“Gospodarul Rediu” LTD** Northern part of the country, Falesti district, Plot size – 69 ha, tehnology to be implemented- No-Till. The plot is characteristic for agricultural enterprises with areas from 300- till 700 ha from the North Regions.
2. **“SoroAgro” LTD** Northern part of the country, Edinet district, Plot size – 109; Technology to be implemented – Mini-Till. Plot is characteristic for agricultural enterprises that process areas from 700 till 1300 ha of land in Northern Regions.
3. **“Vindex-Agro” LTD** Central part of the country, Orhei district, Plot size – 60 ha; Technology to be implemented: Mini-Till. The plot is characteristic for agricultural enterprises processing from 300 till 700 ha from Central and North regions of Republic of Moldova.
4. **“Podgoreni” LTD** South part of the country, district Cantemir, plot size: 98 ha; technology to be implemented: Mini-Till and converting to No-Till. The plot is characteristic for agricultural enterprises processing areas form 300 till 500 ha.

29. In June 2012, the CPIU has facilitated and financed visit and participation of a group of 10 persons, composed of representatives from the MAFI, educational institutions and agricultural producers at the 9<sup>th</sup>

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

edition of the international conference dedicated to problems of soil protection and boosting the efficiency of crops through the promotion of minimal soil processing technologies “The responsibility for Terra is on the current generation”. The conference took place in Dnepropetrovsk, Ukraine.

30. At the conference participated representatives from over 14 countries and experts from Brazil, Argentina, Europe and U.S.A. Moldavian delegation consisted of 10 persons, all of them men. Additionally to the conference events, the delegation visited the companies Agro-Soiuz and Agro-Mir. The CPIU-IFAD has covered part of expenses for participating to this event, which proved high interest and motivation of the members of the work group.



*Fig.6: Demo-plots visited at Agro-Soiuz.*

31. In September 2012, based on national competitiveness bidding, was created a group of local experts(Expert-Group) responsible for the implementation of the Conservation farming Sub-Component. The process itself was a responsibility of CPIU-IFAD, as being the intellectual implementing unit of the knowledge accumulation and sharing, continuity assurance, monitoring, assistance and training of specialists from the Demo-Plots as well as the agricultural producers. As result were selected 4 experts: **Gheorghe Jigau** – soil science specialist; **Sergiu Gavrilas** – Agro-Technology specialist; **Anatolie Ignat** – Economics specialist; **Dan Gasper**: specialist in mechanization of agricultural works.

32. In September 2012 the Expert Group has undertaken the initial inspection of the Demo-Plots in order to evaluate the real situation of the plots selected under the Conservation Farming Sub-Component and to determine the priorities for development. In order to increase the efficiency and team-work capacity of the team, CPIU-IFAD in collaboration with USAID’s “Farmer2Farmer” project have invited an expert initiated in the domain: Stephen m. Van Vleet, Associate Professor WSU Whitman Country Extension. First inspection was finalized with a presentation of the Action Plan for each Demo-Plot and a statement of the short-term and long-term goals to be achieved.

33. In order to promote Conservation Farming Techniques further, namely through increased qualification of the specialists, the Local Expert group together with the International Expert and in collaboration with the State Agrarian University from Moldova, organized a training seminar for students and teaching staff of the University. The seminar was delivered during four academic hours and was attended by more than 125 persons.

34. In October 2012 the four local experts and two representatives from each Demo-Plot benefited from a financial support from CPIU-IFAD for a training course “Schools of Plant Growing” that was held in Ukraine. The topics of the training were: Trials of the Zero-Tillage technology and other soil moisture management techniques; Crop rotation system; Fertility management for optimum rain fed protection; Alternative pest

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

control techniques and techniques for plant protection at the farm level; Alternative weed control techniques. Training was attended by 11 persons. Participant's own contribution was amounting USD 2 031.

35. In November 2012 were finalized the complex analysis of the Demo-plots including: analysis of the situation at the Plots, determination of the Start point, physical and chemical analysis of the soil and agro-technical analysis; economic analysis and analysis of the technical and material situation. As result, for every Demo-Plot were made recommendations and set actions to be implemented in the next 3 years.

36. In November-December 2012 based on the accumulated experience on the Demo-Plots, were held the first seminars (one seminar per plot) with the topic: "Conservation Farming- step by step". The series of seminars established and financially sustained by CPIU-IFAD is intended for agricultural producers willing convert the farm and to implement Conservation Agriculture. The total number of attendants was 75 agricultural producers from all the regions of Republic of Moldova, including 5 women.

37. It is a well known fact that conservation agriculture requires innovative equipment and cannot be well performed with outdated machinery that doesn't correspond to the required technical parameters. This is why CPIU-IFAD decided to support financially the Demo-Plots for the purchase of hi-tech equipment for Conservation-Farming. This was done through national competitive bidding for the selection of companies supplying agricultural machinery to the local market, based on the pre-set technical parameters identified by the Expert Group together with the managers of the Demo-Plots. The selection committee combined representatives of three Ministries: Agriculture and Food Industry, Economy and Finance, together with representatives from the Demo-Plots and representatives from equipment supplying companies in order to create maximum transparency of the process. As result were selected 4 companies that in 2013 will supply agricultural equipment for each of the four Demo-Plots.

38. **Sub-component: Agribusiness Equity Fund Development (A 3).** The Project support under this activity is to research, establish, operate and further develop an Agribusiness Equity Fund, which is designed to find financial instruments other than debt financing/credit for agricultural SMEs. To initiate the process of the AEF formation, at the end of 2011, CPIU in close cooperation with GoM has prepared and send a Letter of invitation and Information Note to international donors and investors to express interest for participation in setting or co-financing the Agribusiness Equity Fund in Moldova.

39. In the responses to Letter of invitation, received from Embassy of Sweden, Japan International Cooperation Agency, Turkish Agency of Collaboration and Cooperation (TIKA) and USAID-Moldova, have been requested more details on AEF. In the second half of 2012, an international consultancy company 'Trasversale' represented by Luis Iurcovich, rural finance, agribusiness and development expert and Gavin Ryan AME equity Investment expert, was selected to undertake Scoping and Interim Design Study for Agribusiness Equity Fund Development. The local consulting company (ProConsulting srl) lead by Mr. Anatole Palade has assisted the international experts in carrying out the study.

40. Two assignments in Moldova were taken by the international experts working on development of the Study: inception, realized in Chisinau during the third week of November (19-23 November) and final mission.

41. The results of the first mission are presented in the Inception report submitted by Trasversale and contains the detailed overview of the activities envisaged by Trasversale srl during the mission that permit to adapt the methodology and the approach to the AEF feasibility study based on the needs and objectives of IFAD and the economical, institutional and legal context analyzed and evaluated by the experts Gavin Ryan and Luis Iurcovich.

42. Final report of the Study and operational mechanisms for the AEF will be presented at a national workshop in March 2013 on which will be invited representatives of GoM, diplomatic missions, international donor's organizations, financial institutions, potential investors and agriculture beneficiaries.

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

43. As result during the year 2012, the following results have been achieved in this sub-component:

Indicators	Plan	Actual
Number of International study tours	4	2
Number of famers trained (including under the Conservation Farming sub-component)	305	279 (257)
Number of seminars and round tables	24	8
Number of DEMO plots established	4	4

### 3.2. Component 2: Rural Financial Services.

44. The rationale of the Rural Finance Component is to contribute to alleviating the problems of lack of access to financing as follows:

- Longer term financing of SME investments in agricultural value chains supported by Project covering: vegetables, fruits, intensive livestock, and rural value adding and farm services;
- Medium to longer term financing of young entrepreneurs' investments in agricultural value chains;
- Short to medium term financing of rural micro enterprises' investments in productive assets and working capital for such enterprises.

45. The RFS component's objectives are to: (i) enhance financing of investments which have employment and income generating impact on poor rural people; (ii) further diversifying rural finance delivery mechanisms in addition to those created under the previous IFAD programmes; (iii) provide access to financial services for operators within agricultural value chains supported by RFSADP; (iv) increase access to investment financing for young entrepreneurs; (v) expand financing of rural micro enterprises' investments and working capital; (vi) provide lending terms and conditions for participating financial institutions which shall enhance the lending operations; and (vii) provide lending terms and conditions for borrowers which shall be fixed in accordance with the ever-changing financial needs of rural operators.

46. **IFAD Proceeds.** For the implementation of activities under the RFS component during the reporting period from IFAD resources have been used the amount of USD 5 696.2 thousands, including USD 5 683.5 thousands from IFAD loan resources and USD 12.7 thousands IFAD grant resources. The amount of expenditures related to activities implemented under the component during the reported period represented 221% from the planned amount (see table 5).

**Table 5: IFAD proceeds under RFS component**

(USD 000)

RFS sub-components	Plan		Actual				Actual / Plan		Actual Cumulative		
	Loan	Grant	Loan	Grant	Total	Share, %	Loan	Grant	Loan	Grant	Total
Financial services and TA for SMEs	1 500.0	5.0	2 969.5	3.35	2 972.8	52.2	198%	67%	3 300.4	3.35	3 303.7
Financial services and TA for young entrepreneurs	840.0	16.0	2 714.0	9.37	2 723.4	47.8	323%	59%	2 760.0	9.4	2 769.4
Microfinance and TA	207.0	5.0	0.0	0.0	0.0	0.0	-	-	0.0	0.0	0.0
<b>Total</b>	<b>2 547.0</b>	<b>26.0</b>	<b>5 683.5</b>	<b>12.7</b>	<b>5 696.2</b>	<b>100%</b>	<b>223%</b>	<b>49%</b>	<b>6 060.4</b>	<b>12.7</b>	<b>6 073.1</b>
	<b>2 573.0</b>						<b>221%</b>		<b>6 073.1</b>		

47. It is worth to mention that 52.2% from the resources disbursed under the component has been used under the sub-component addressed to SMEs financing and technical assistance, while 47.8% of IFAD's proceeds have been allocated to support young entrepreneurs through provided financial services and technical assistance (see table 5).

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

48. In the reporting period there were no any microloans provided to SCAs. The RFC, which it is the current partner for financing members of SCAs from other IFAD projects in Moldova, was not approved by IPSC in 2012 as MFI. At the end of 2012 GoM, being represented in the IPSC has proposed new eligible criteria for MFIs on leverage (debt to equity ratio) that shall not exceed 1.3, to be eligible as an intermediary for credit provision to SCAs. The CPIU-IFAD evaluated in December 2012 this MFI criterion and the IPSC has approved RFC for providing loans via SCAs for micro investments.

49. **Loan Beneficiaries' Contribution.** According to the lending conditions established under RFSADP, loan beneficiaries have to contribute to the financing of investments with at least 20% from total investment amount in case of SMEs financing and 10% in case of young entrepreneurs financing. At the same time, enterprises that benefited from technical assistance have covered 50% of business plans cost, as per conditions established under the project. Thus, during 2012 loan beneficiaries have co-financed its investment with the amount of USD 4 391.6 thousands and the business plan cost with the amount of USD 12.7 thousands. At the same time, the amount of beneficiaries' contribution was 8.1 times higher comparing to the planned figure (see table 7) mainly because the investments amount as co-financing of donors' resources (that have been 2.4 times higher than planned) have reached an amount that was 8 times higher comparing to the planned figure. It is worth to mention that USD 2 638.2 thousands or 60% from total of beneficiaries' contribution has been provided in cash.

50. **PFI's Co-financing.** The total value of PFI's own proceeds extended to the enterprises financed under RFSADP during the reported period amounted to USD 775.2 thousands representing 253.5% comparing to the planned value of the indicator (see table 7).

**Table 7: Total cost of RFS component by sources of financing** (USD 000)

2012	IFAD			DANIDA	Total donor's funds	Beneficiaries	PFIs	Total
	Loan	Grant	Total					
<b>Plan</b>	<b>2 547.0</b>	<b>26.0</b>	<b>2 573.0</b>	<b>595.0</b>	<b>3 168.0</b>	<b>538.0</b>	<b>305.7</b>	<b>4 011.7</b>
<i>Investments</i>	2 540.0	0.0	2 540.0	560.0	3 100.0	517.0	305.7	<b>3 412.7</b>
<i>TA and trainings</i>	7.0	26.0	33.0	35.0	68.0	21.0	0.0	<b>89.0</b>
<b>Actual</b>	<b>5 683.5</b>	<b>12.7</b>	<b>5 696.2</b>	<b>1 766.5</b>	<b>7 462.7</b>	<b>4 404.3</b>	<b>775.2</b>	<b>12 642.2</b>
<i>Investments</i>	5 683.5	0.0	5 683.5	1 736.7	7 420.2	4 391.6	775.2	<b>12 587.0</b>
<i>TA and trainings</i>	0.0	12.7	12.7	29.8	42.5	12.7	0.0	<b>55.2</b>
<b>Actual/ Plan (%)</b>	<b>223%</b>	<b>49%</b>	<b>221%</b>	<b>297%</b>	<b>235%</b>	<b>818%</b>	<b>253%</b>	<b>315%</b>
<b>Actual Cumulative</b>	<b>6 060.4</b>	<b>12.7</b>	<b>6 073.1</b>	<b>1 797.1</b>	<b>7 870.2</b>	<b>4 738.6</b>	<b>853.9</b>	<b>13 462.7</b>
<i>Investments</i>	5 683.5	0.0	5 683.5	1 767.3	7 450.8	4 725.9	853.9	<b>13 030.6</b>
<i>TA and trainings</i>	0.0	12.7	12.7	29.8	42.5	12.7	0.0	<b>55.2</b>

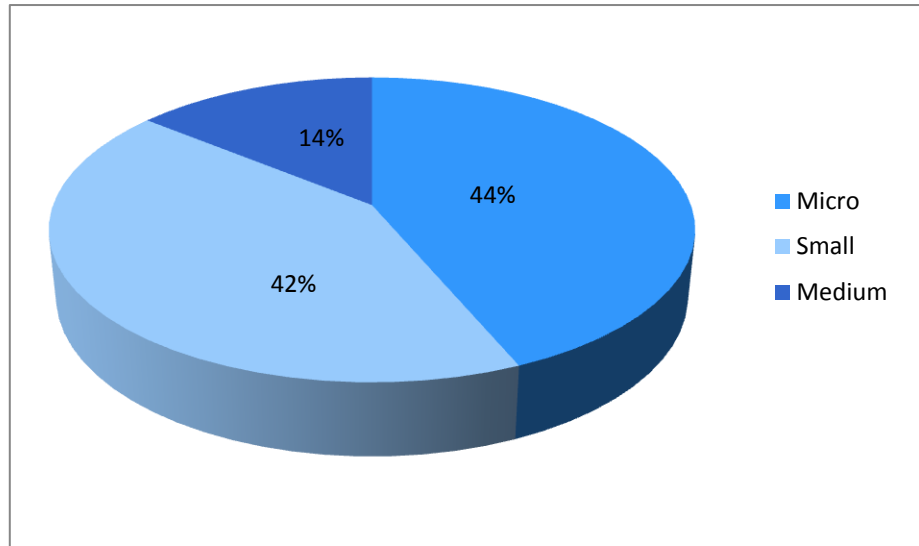
51. **On-lending activities.** During 2012, 226 loans amounting to USD 7 420.4 thousands have been disbursed to 236 loan beneficiaries from 33 rayons (97% from the total number of rayons). At the same time 190 of the contracted loans totaling USD 3 450.9 thousands or 60% from the total amount of loans have disbursed to young entrepreneurs, including USD 1 736.6 of DANIDA grant, while 36 loans totaling USD 2 969.5 or 40% thousands have been contracted by SMEs. The average size of loans provided mounted to: (i) SMEs - USD 10.4.9 thousands and (ii) young entrepreneurs – loan USD 14.3 thousands and grant USD 9.5 thousands.

52. It is worth to mention that five selected PFIs under the project have participated in different proportions to loans disbursement, the most active being Moldova-Agroindbank that has disbursed 41.7% from the total loan

**RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT**

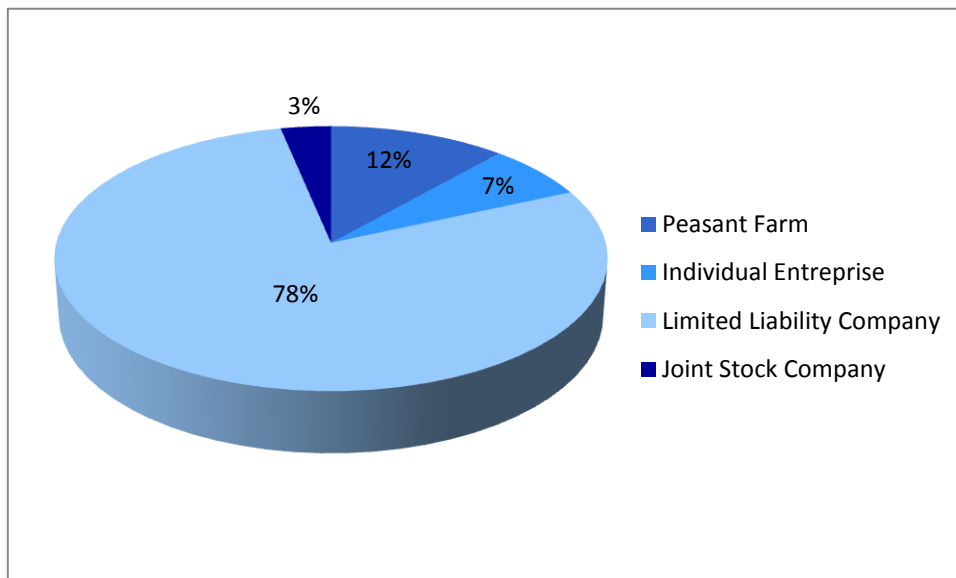
amount disbursed under the component, bank which has one of the largest national coverage; the same tendency is characteristic for the cumulative period as provided in annex 1.

53. **SMEs FINANCING.** As it has been mentioned before, 36 rural SMEs have received loan totaling USD 2 969.5 thousands, from which 86% being disbursed to micro and small enterprises and 14% have been disbursed to a medium enterprise (see diagram 1 and annex 2). That fact shows that the entire amount of disbursed resources have been directed to project specific target group.



**Diagram 1: Loan disbursement by type of SMEs**

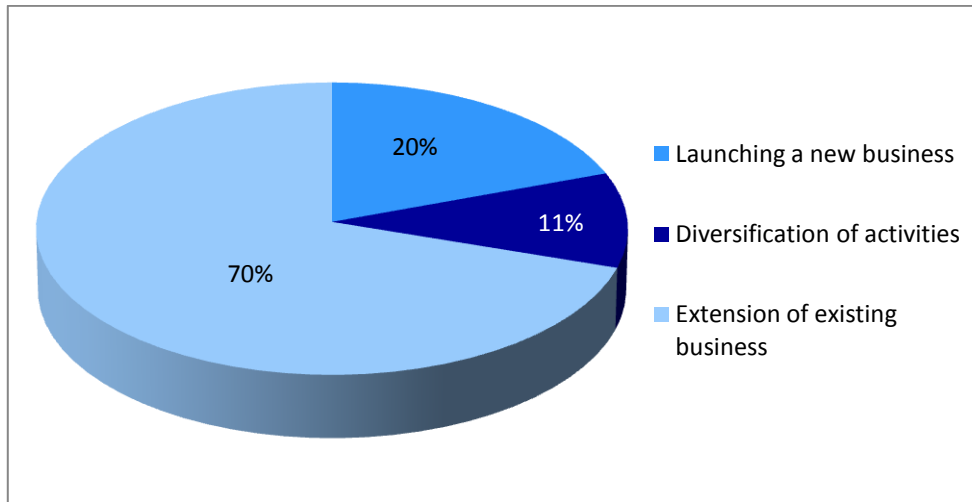
54. At the same time 78% from the disbursed amount has been contracted by rural enterprises - LLCs, while other 19% of funds have been disbursed to peasant farms and individual enterprises (see diagram 2 and annex 3).



**Diagram 2: Loan disbursement by type of SMEs legal form**

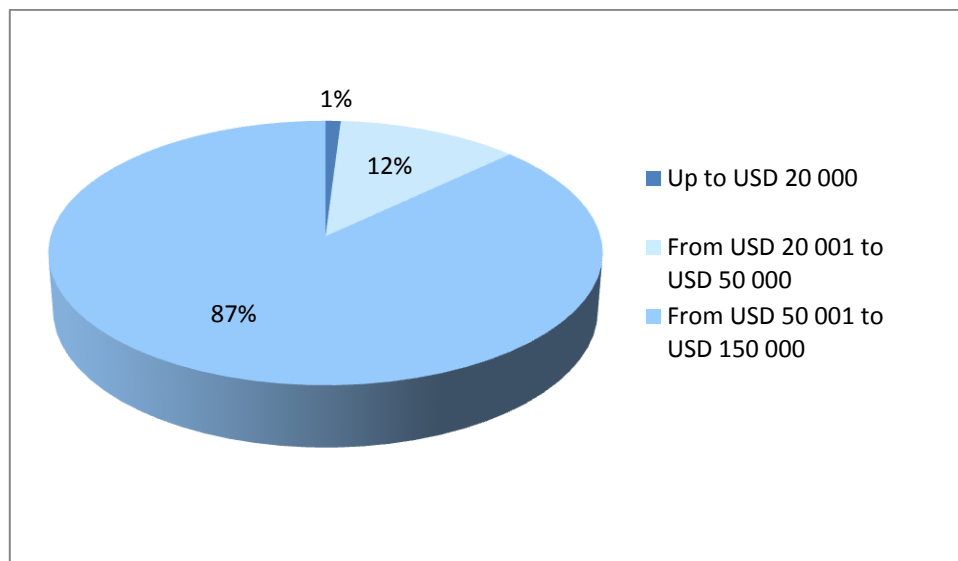
## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

55. During the reported period rural entrepreneurs financed under the project have mostly invested in the expansion of existing business (70%) rather than in launching of a new business (20%) or diversification of activities (see diagram 3 and annex 4).



**Diagram 3: Share and value of financed investments by scope**

56. It is important to note that 87% from the amount contracted by rural SMEs have been disbursed as loans with the amount higher than USD 50 thousands (see diagram 4), fact that proves that rural entrepreneurs are willing to make higher investments in new agricultural technologies related to various agricultural sectors.



**Diagram 4: Share of financed investments by loan size**

57. Regarding the field of investment during 2012, 80% from total loans amount disbursed have been invested in agricultural production, while about 20% have been invested in processing of agricultural products and cold storage facilities (see diagram 5 and annex 5).

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

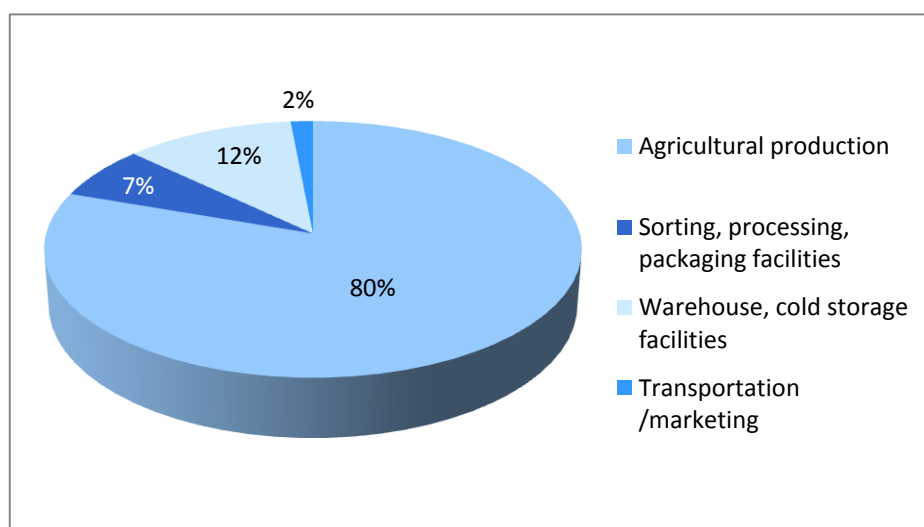


Diagram 5: Share of financed investments by profile of activity

58. **YOUNG ENTREPRENEURS FINANCING. Financial Progress Summary.** According to the AWPB, the total 2012 budget allocated from DANIDA sources to support implementation of the Loan Financing Young Entrepreneurs' Investment Project-prioritized Value Chains sub-component amounted to USD 595.0 thousands including USD 560.0 thousands for Financing Facilitation, Finance and Business Launch Support and USD 35.0 thousands for Pre-finance Training for Young Rural Potential applicants, wishing to initiate a business in agriculture.

59. Since the launch of component activity (October 2011) CPIU-IFAD has implanted activities financed from DANIDA grant with total value of USD 1.832, thousands, or 39,2% have been disbursed out of the amount planned for the entire period of the project implementation (see table 8).

Table 8: DANIDA proceeds by Project's sub-components as of 31<sup>th</sup> December 2012 (USD '000)

Category	Total project allocation	2012 Allocation	Budget realization			2012 Actual / Plan, %	Cumulative / Total allocation, %
			2011	2012	Cumulative 2011-2012		
I. Pre-financing training for young rural potential applicants	114.1	35.0	0.0	29.8	29.8	85.1	56.8
II. Financing facilitation, finance and business launch support	4 344.0	560.0	30.6	1 736.7	1 767.3	310.1	40.7
III. Post-financing support, monitoring and impact evaluation	94.5	0.0	0.0	0.0	0,0	0.0	0.0
IV. Unallocated	121.2	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>4 673.8</b>	<b>595.0</b>	<b>30.64</b>	<b>1 766.5</b>	<b>1 832.1</b>	<b>296.9</b>	<b>39.2</b>

60. CPIU-IFAD in 2012 took in consideration delay with disbursement in 2011 and developed action and measures in order to eliminate constraints and improve disbursement of loans. As a result, in 2012 the RFSADP made a significant progress in catching up the opportunities missed at the project's initiation stage in 2011. By Dec 31<sup>th</sup> 2012, CPIU-IFAD has provided from DANIDA grant 185 loans for Youth Entrepreneurs since the start of the project with a total value of USD 1 767.3 thousands which makes 40,7% of total initial allocation for this category of expenditures. In 2012 Youth Entrepreneurs have received 182 loans from DANIDA grant with a total value of USD 1 736.7 thousands.

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

61. Pre-finance training activity for youth entrepreneurs was successfully implemented in the second year of the project. During the 2012 two modules were delivered one in spring and another in winter for training of youth entrepreneurs on launching business. Training courses were provided by the State Agrarian University of Moldova and NGO Centre of Education and Rural Development. Totally 128 youth rural applicants have graduated Pre-Financing training courses.

62. **Financing Facilitation, Finance and Business launch Support.** In 2012 the CPIU-IFAD has worked with the local financial institutions selected in 2011 which met the eligibility criteria established under the Project conditions and approved by the IPSC.

63. The following Financial Institutions continued participation as PFI in the RFSADP implementation, including implementation of the sub-component B2 Loan Young Entrepreneurs' Investment Project-prioritized Value Chains: CB Moldova Agroindbank SA; CB Moldindconbank SA; CB Energbank SA; CB Victoriabank SA; CB Mobias Banca SA and CB Banca Sociala SA; .

64. CB Moldova Agroindbank, which has one of the largest national coverage, has provided in 81 grants or 43.8% of total number of loans for YE disbursed by CPIU-IFAD in 2012. The other two partner banks: Moldindconbank and Energbank have provided 47 and 31 grants respectively (see table 9).

**Table 9: Number and value of sub-grants provided by the PFIs from DANIDA grant**

	PFI	Number of loans		Total	%	Loan value, USD '000		Total, USD '000	%
		2011	2012			2011	2012		
1	Moldova Agroindbank	0	81	81	43.8	0.0	774.3	774.3	43.8
2	Moldindconbank	2	47	49	26.5	20.4	444.5	464.9	26.3
3	Banca Socială	0	10	10	5.4	0.0	95.6	95.6	5.4
4	Energbank	1	31	32	17.3	10.2	305.3	315.5	17.9
5	Mobias Banca	0	11	11	5.9	0.0	97.8	97.8	5.5
6	Victoriabank	0	2	2	1.1	0.0	19.2	19.2	1.1
	<b>TOTAL</b>	<b>3</b>	<b>182</b>	<b>185</b>	<b>100.0</b>	<b>30.6</b>	<b>1 736.7</b>	<b>1 767.3</b>	<b>100.0</b>

65. DANIDA grant (40%) for financing Youth Entrepreneurs has been co-financed with IFAD loans (60%). In the reporting period CPIU-IFAD has provided 190 loans to rural youth entrepreneurs, amounting USD 2 714.2 thousands (see table 10).

**Table 10: Number and value of loans provided for YE by the PFIs from IFAD loan**

	PFI	Number of loans		Total	%	Loan value, USD '000		Total, USD '000	%
		2011	2012			2011	2012		
1	Moldova Agroindbank	0	86	86	44.6	0.0	1 226.2	1 226.2	44.4
2	Moldindconbank	2	49	51	26.4	30.7	695.9	726.6	26.3
3	Banca Socială	0	10	10	5.2	0.0	143.5	143.5	5.2
4	Energbank	1	32	33	17.1	15.3	473.0	488.3	17.7
5	Mobias Banca	0	11	11	5.7	0.0	146.7	146.7	5.3
6	Victoriabank	0	2	2	1.0	0.0	28.9	28.9	1.1
7									
	<b>TOTAL</b>	<b>3</b>	<b>190</b>	<b>193</b>	<b>100.0</b>	<b>46.0</b>	<b>2 714.2</b>	<b>2 760.2</b>	<b>100.0</b>

66. Accordance to the Operational manual Youth Entrepreneurs shell contributes with at list 10% to the cost of the investment in cash. The average contribution of YE beneficiaries in 2012 is 22.3% of the value of the

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

investment, comparing with 10% as per conditions of the project. Over 25% of the loans were provided to women-run YE legal entities for agricultural business development. Average loan size, including DANIDA grant for one financed project for YE it is USD 24.06 thousands (see table 11).

**Table 11: Beneficiaries contribution to the project investment provided to YE** (USD '000)

	Indicators	2011	2012	Cumulative, 2011-2012
1	Value of the loans provided,			
	<i>IFAD loan, 000'USD</i>	46.0	2 714.2	2 760.2
	<i>DANIDA grant, 000'USD</i>	30.6	1 736.7	1 767.3
2	Contribution of YE, 000'USD	30.6	674.6	705.3
3	Total cost of investment, 000'USD	107.2	5 129.5	5236.8
4	Average loan size, including DANIDA grant 000'USD	25.5	24.06	-
5	Total number YE financed	3	190	193
	Including number of women- managed loans	1	49	50
	Including women out of total number	33.3%	25.8%	25.9%

67. The loans provided were aimed for investment in rather diversified range of business activities. Over 95% of the value of loans provided to Rural Youth Entrepreneurship Scheme from IFAD and DANIDA resources were aimed for development of agricultural production; 2.1% - for processing of agricultural products and about 2.7% - for construction of cold storage facilities and upgrading cooling equipment (see table 12).

**Table 12: Destination of loans provided to YE in 2012** (USD '000)

		Loans provided		
		Number	Amount, USD '000	% of total investment
1	Agricultural production	181	4 241.0	95.2%
	<i>Table grapes/fruit production</i>	19	413.3	9.3%
	<i>Vegetable production</i>	10	222.9	5.0%
	<i>Field crops(tractors&amp; ag. machines)</i>	130	3 108.2	69.7%
	<i>Livestock production</i>	13	304.8	6.9%
	<i>Apiculture (bees, honey)</i>	2	30.7	0.7%
	<i>Other agriculture activities</i>	7	161.3	3.6%
2	Processing of agricultural products	4	91.1	2.1%
3	Storage& post harvest handling of products	5	118.7	2.7%
	<b>Total</b>	<b>190</b>	<b>4 450.9</b>	<b>100%</b>

68. Three different types of legal entities registered by youth entrepreneurs have applied for investment loans: 142 loans were provided to Family Farms (FF); 12 loans - to Individual enterprises (IE) and 36 loans - Ltd's (see table 13). The largest amount of investments (74.6% from total disbursement) it is registered by Family Farms, which are the most spread type of organization in agriculture of Moldova. Average size of the loan does not differ much in relation to the type of farmer organization and varied between USD 20.7 - 24.5 thousands.

**Table 13: Structure of legal entities of YE which benefited from IFAD loan and DANIDA matching grant in 2012**

	Type of legal entity	Number of loans	Investment, 000' USD	% of total investment	Average size of loan per beneficiary, '000 USD
1	Family farm	142	3 320.5	74.6	23.3
2	Individual enterprise	12	248.4	5.6	20.7
3	LLC	36	882.0	19.8	24.5
	<b>Total</b>	<b>190</b>	<b>4 450.9</b>	<b>100%</b>	<b>23.4</b>

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

69. It is important to mention that over 81% of loans were provided for launching new businesses. The other 19% of loans were disbursed for expanding of the existing business or for its diversification (see table 14).



Fig. 1. Young entrepreneur Melnic Serghiu, Macareuca village sunflower oil production.

**Table 14: Financed projects in 2012 for YE from IFAD loan and DANIDA grant by business statute**

	Type of legal entity	Number of loans	000' USD	% of total
1	Launching new businesses /start-ups	155	3610.7	81.1
2	Diversification of activities	4	99.5	2.2
3	Expanding of existing business	31	740.7	16.6
	<b>Total</b>	<b>190</b>	<b>4 450.9</b>	<b>100</b>

70. Loans financed from DANIDA grant were provided only for micro and small enterprises managed by youth entrepreneurs. Over 96% of loans were disbursed to micro entrepreneurs and 4% to small enterprises.

**Table 15: Financed YE projects in 2012 by size of the business entity**

	Classification of enterprises	Characteristics of the enterprises	Number of loans	Investment, USD '000	% of total
1	<b>Micro</b>	<i>Number of employees - ≤ 9 pers. Net annual sales - ≤ 3 mln MDL</i>	183	4 278.2	96.1%
2	<b>Small</b>	<i>Number of employees - ≤ 49 pers. Net annual sales - ≤ 25 mln MDL</i>	7	172.7	3.9%
3	<b>Medium</b>	<i>Number of employees - ≤ 249 pers. Net annual sales - ≤ 50 mln MDL</i>	0	0.0	0.0%
4	<b>Large</b>	<i>Number of employees - &gt;249 pers. Net annual sales - &gt; 50 mln MDL</i>	0	0.0	0.0%
	<b>Total</b>		<b>190</b>	<b>4 450.9</b>	<b>100%</b>



Fig. 2 Mission visit to M.Sergheev YE in Poharniceni village, r. Orhei

**Technical Assistance and Training.**

71. At the beginning of the year CPIU-IFAD has selected and approved six Service Providers, who provide assistance to prospective Project beneficiaries in business planning, including services for YE:

- i) National Agency for Rural Development “ACSA”
- ii) Pro Consulting LTD
- iii) National Federation „AGROinform”,
- iv) Aremescu IE
- v) Monelcons LTD
- vi) CDR LTD

During the reporting period SPs received over 120 applications for Business Plan development from prospective YE borrowers. In 2012 have been developed 107 business plans for YE, which were submitted to PFIs for financing. Out of them 89 Business plans have been financed, 10 are currently in process of evaluation at the partner banks, while the other 8 business plans have not yet submitted to the bank (table 16). The CPIU-IFAD regularly during the year has evaluated quality of the business plans. Due to the lower quality of the business plans CPIU-IFAD had to terminate agreement with one of the service providers and excluded it from the list of service providers.

**Table 16: Financed YE projects in 2012 by size of the business entity**

Service providers	Application for Business Plan development	Number of Business Plans				
		In process of development	Developed with RFSADP support	Out of them		
				financed by PFI	In process of evaluation at the PFI	Other statute
Aremescu	31	1	30	24	1	5
Monelcons	26	4	22	13	8	1
Pro-Consulting	15	6	9	7		2
ACSA	25	0	25	25		0
AgroInform	15	2	13	12	1	0
CDR	8	0	8	8		0
<b>Total</b>	<b>120</b>	<b>13</b>	<b>107</b>	<b>89</b>	<b>10</b>	<b>8</b>
<b>%</b>	100%	10.8%	89.2%			

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

### Pre-Financing Training for young rural-based prospective applicants

In the reporting period the CPIU-IFAD has continued pre-finance training courses for prospective young entrepreneurs, in order to increase the skills of YE to run a small rural-based enterprise.

72. Two service providers have been selected to organise and conduct training courses: the State Agrarian University of Moldova and Centre for Education and Rural Development NGO. Both service providers have made available class rooms, computer rooms, equipment for demonstration and display, teaching materials, models, didactic schemes and samples. Those trainees who were willing to stay in hostels have been offered accommodation. The 10 day-training module has been divided into two sessions: the first 6 days, and the second - 4 days, providing the opportunity to YE to do their home task - Business Plan drafting and reverting to continue the courses and improve Business Plan, being supervised by a professor staff.

The training programme included the following topics:

- ✓ Management and business planning;
- ✓ Production technologies for agricultural commodities of vegetal and animal origin;
- ✓ Elaboration of crop budget;
- ✓ Financial management and accounting;
- ✓ Marketing and sales;
- ✓ Elaboration of a business plan;
- ✓ Completing of a loan application;
- ✓ Aspects of loan negotiation with financial institution, etc.

73. Rural YE wishing to participate in training courses were requested to submit to the CPIU-IFAD an application form (Annex 1). Applications submitted by non-eligible entrepreneurs (aged over 30 years old, holding a diploma of high education in agriculture, urban citizen, etc.) were rejected.

74. During the reporting period there have been organized 5 groups of young entrepreneurs, who attended the training session. A total of 128 of trainees have been trained, from 33 rayons of Moldova (out of 35 registered rayons).

Out of 128 participants:

- Men – 92 persons,
- Women – 36 persons.

75. Upon completion of the courses the knowledge of trainees accrued has been assessed, accordingly. Jointly with the CPIU-IFAD at the end of the course a survey has been carried out to determine and evaluate the quality of organisation and conduct of the training courses for young entrepreneurs.

76. Graduates of training courses received Certificates confirming the successful completion of the first module of the training course for young entrepreneurs.

77. As a result of implementation of the YE sub-component within the reporting period the following indicators have been obtained:

Indicators	Quantity
Young entrepreneurs (YE) financed with loans & matching grants	190
Young entrepreneurs (YE) assisted with business planning	120
Business plans for YE in process of development, pcs	13
Youth entrepreneurs trained, persons	128
IFAD loan amount to be disbursed, '000 USD	2 714,2
DANIDA grant amount to be disbursed, '000 USD	1.736,7
Young entrepreneurs contribution , '000 USD	674,6

**3.3. Component 3: Small-Scale Rural Infrastructure.**

78. The SSRI component aims at elimination of infrastructure bottlenecks which inhibit increasing participation of commercially oriented small farmers and SME. This component implies adjustment of competitive contributory grants for investment in public infrastructure to enable and enhance private sector investment and activities in rural areas.

79. **IFAD Proceeds.** For implementation of SSRI component during 2012 from IFAD resources has been allocated the amount of USD 871.0 thousands, including USD 861.0 thousands IFAD loan resources and USD 10.0 thousands IFAD grant. The amount of expenditures related to activities implemented under the component during reporting period represented 48.0% from the planned amount (see table 17).

**Table 17: IFAD proceeds under SSRI component** (USD 000)

Category of expenditures	Plan		Actual		Actual / Plan		Actual Cumulative	
	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant
Civil works	800	0.0	411.5	0.0	51.4%	-	411.5	0.0
Design	46.0	0.0	0.0	0.0	0.0%	-	0.0	0.0
Supervision	15.0	0.0	1.1	0.0	7.0%	-	1.1	0.0
Business plan support	0.0	10.0	0.0	5.7	-	57.0%	0.0	5.7
<b>Total</b>	<b>861.0</b>	<b>10.0</b>	<b>412.6</b>	<b>5.7</b>	<b>47.9%</b>	<b>57.0%</b>	<b>412.6</b>	<b>5.7</b>
	<b>871.0</b>		<b>418.3</b>		<b>48.0%</b>			

58. **Implemented activities.** During the 2012, the activities have started with providing of necessary support in elaboration and preparation of investments proposals and design work. For all 11 applications for infrastructure projects approved for admission to the qualification stage, CPIU-IFAD has contracted technical experts who have developed preliminary budget cost, economic and technical justification of the projects.

59. For 2012 has been planned to finance 8 infrastructure projects. From 11 infrastructure projects proposed for final approval, 5 of them have approved for financing during 2012 and 6 of them has been including in the waiting list for financing in the given year. But from the 5 projects approved for financing only one community was able to collect and submitted own contribution to the investment. Other 4 communities could not collect the required amount and the grant was offered to the next project from the waiting list.

60. Severe drought in Moldova in 2012 with widespread reduction in yields and crop failures has lead to big losses in farm income. Thus, in 2012 co-financing construction of infrastructure become a real problem for agriculture producers.

61. Thus, by the end of the first semester of 2012 the following 3 communities have confirm interest for financing, have signed the grant agreement and transferred to CPIU IFAD the own contribution for construction of infrastructure project:

- Caplani village, Stefan Voda district – Construction of a segment of road with the total length of 1.45 km (the client group has collected and submitted their own contribution and CPIU has already announced the selection of civil works provider);
- Carahasani village, Stefan Voda district – Construction of a segment of road with the total length of 1.45 km (the client group has collected and submitted their own contribution);
- Mihalaseni village, Ocnita district - Construction of a segment of road with the total length of 0.83 km (the client group has to collect and submitted their own contribution by August 15, 2012).

62. During 2012, CPIU-IFAD has implemented under the SSRI component the following activities:

## RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

- Provided support and financing to development of investment proposals for 11 infrastructure projects;
- Provide support and financing to development of design work for 3 infrastructure projects;
- Organized the Selection Committee Meeting;
- Sign grant agreements with the selected client-groups;
- Collected the beneficiaries contribution from 3 projects that signed the grant agreement;
- Announced the procurement process for 3 infrastructure project;
- Provided other consultations to client-groups related to investment project implementation
- Provided the side supervision of 3 infrastructure projects related to the construction process.

63. By the end of 2012, the construction of infrastructure projects from Caplani village, Stefan Voda district and Carahasani village, Stefan Voda district have been finalized, while the construction of road from Mihalaseni village, Ocnita district has been stopped because of inappropriate weather condition and would be finalized in early spring 2013.

64. **Beneficiaries' contribution.** The infrastructure investment projects are implemented based on private-public partnership, which supposed besides the proceeds, allocated from IFAD resources a financial contribution of at least 15% from the total investment cost provided by project beneficiaries. During 2012, beneficiaries of financed infrastructure projects have transferred its contribution for projects implementation totaling USD 116 thousands that represented 21% from the net cost of the financed projects.

65. As result of financing of infrastructure investment projects during 2012, the following results have been achieved:

	Plan	Actual
Financed infrastructure investment projects	8	3
Beneficiaries of financed infrastructure investment projects, total	4 048	8 387
<i>including: SMEs/ Farmers</i>	<i>40</i>	<i>16</i>
<i>Individuals</i>	<i>4 000</i>	<i>8 368</i>
<i>Local public authorities</i>	<i>8</i>	<i>3</i>

66. In June 2012, CPIU has launched the next call for submission of applications for financing of infrastructure projects in 2013. By the dead line for submission of the application 7<sup>th</sup> of September 2012 the CPIU-IFAD has received 35 applications for financing which have been evaluated and 13 out of them have been preselected for Qualification phase. For those projects have been developed prefeasibility studies, the technical-economic argumentation and has been ensured its external evaluation by a independent evaluator. The 13 preselected infrastructure projects have been proposed to the Selection Committee for final evaluation and approval for financing in 2013.

### 3.4. Component 4: Programme Management

80. In accordance to the Loan Agreement no.L-I-832-MD, Grant No. G-I-C-832-MD and Financing Agreement Grant No.C-DE-832-MD the full management, coordination and responsibility for the project lies within the following institutions:

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

## **RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT**

81. As in the previous period the Ministry of Agriculture and Food Industry had the overall responsibility for the project implementation. In the reporting period the MAFI has provided support to CPIU-IFAD in promoting program, linking with potential partners, and participated on all meeting of the IPSC, Bids Opening and Evaluation Committee, Infrastructure projects Selection Committee.

82. In 2012 were held two meetings of the IPSC. The agenda of the meetings has included 12 topics for discussions, decisions and approval. The main topics were the following: 2011 Annual Progress Report and Budget Plan realization; Evaluation of performance indicators of Financial Institutions participating in the implementation of the program; approval of Financial Institutions request for participation to the of the Project implementation; approval of modifications to the Project Implementation Manual for Small-scale Infrastructure component; Approval of the 2013 Annual Work Plan and Budget Plan; approval of new procedures for on-line submission of loan applications by the PFIs.

83. The IPSC has approved 16 decisions, during the 2012, which refer to procedures, norm and regulations for project implementation and which lead to the improvement of progress indicators.

84. In 2012 has been initiated process of including in the composition of the IFAD Programme Steering Committee (IPSC) the representative of the National Commission on Financial Market (NCFM) which supervise micro crediting activities, including direct funding to B type SCAs.

85. The Bids Opening and Evaluation Committee had 30 meetings, and as result CPIU has signed 42 contracts for procurement of goods, consulting and non-consulting services.

86. The overall management of the project lies within the responsibility of the CPIU-IFAD, established by the Government Decree and specifications of the PIM, entrusted with responsibility for implementation activities coordination, including financial management, monitoring and evaluation. As of 31.12.2012 CPIU-IFAD comprises 12 employees, including the CPIU director, 10 specialists in charge of on-going IFAD-funded projects implementation; and one driver.

87. During the reporting period CPIU-IFAD has spend USD 47 275 for expenditures within the Project Management component, which it is 54.9 % to the annual plan. This amount was spent to cover the following operational and management costs:

- Salaries and allowances – 42 083 USD;
- Office maintenance and other operational costs – 1 980 USD;
- O&M of vehicle – 1 213 USD;
- Office equipment and furniture – 909 USD
- Utilities and other expenditures – 1 090 USD

88. In 2012 cost for Project Management component was 0.8 % of the total Project costs, due to the fact that most expenditures for management were spend from parallel on-going RFSMP.

#### 4. PROJECT PERFORMANCE EVALUATION

89. In the context of outcomes monitoring under RFSADP, an namely the young entrepreneurs financing sub-component and SMEs financing sub-component, the CPIU has addressed for annual impact data collection to 42 enterprises (including 31 financed under the young entrepreneurs financing sub-component ) financed during the period 2011-31.03.2012, one year after the disbursement of loan, being eligible for impact monitoring according the Project Operation Manual.

90. **Results provided by young entrepreneurs financed under the project.** From 31 enterprises financed and eligible for impact monitoring, CPIU has collected data from 20 (64%).

91. Based on collected processed data, it has discovered the fooling indicators:

- a) Average number of new jobs created per one enterprise 4.7;
- b) Profit registered out of 20 monitored enterprises:
  - 7 enterprises have registered profit by the end of 2012;
  - 5 enterprises have not registered profit in 2012;
  - 8 enterprises have registered losses.

92. From 20 monitored enterprises, 11 have invested the loan and the grant received under the project in procurement of tractors and other agricultural machineries. As result, those 11 enterprises have worked 751.2 ha of farmland and have cultivated mostly wheat, corn, sunflower, barley and canola.

93. At the same time, 9 from those 11 enterprises which have procured tractors and agricultural machineries have applied to the State Agency for Payments and Interventions in Agriculture(AIPA) and successfully received subsidies totaling MDL 460 thousands equivalent of USD 37.9 thousands, that represents nearly 20% of the total loan amount disbursed to those 11 enterprises.

94. **Results provided by SEMs financed under the project.** From 11 enterprises financed and eligible for impact monitoring, CPIU has collected data from 8 enterprises (73%).

95. Based on collected processed data, it has discovered the fooling indicators:

- a) Average number of new jobs created per one enterprise 4.25;
- b) Average monthly salary paid for one employee represented USD 165.7;
- c) Average net profit registered per enterprise represented USD 39.6 thousands.

96. At the same time, 7 from those 8 enterprises have applied to the State Agency for Payments and Interventions in Agriculture(AIPA) and successfully received subsidies totaling MDL 2 810.0 thousands equivalent of USD 232.0 thousands, that represents nearly 40% of the total loan amount disbursed to those 8 enterprises (USD 576.7 thousands).

RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

Annex 1: Share of loans disbursement by PFIs.

(USD '000)

	Actual					Actual Cumulative				
	Number	IFAD	DANIDA	Total value of donors investment	Share by amount (%)	Number	IFAD	DANIDA	Total value of donors investment	Share by amount (%)
<b>Moldova Agroindbank</b>	<b>103</b>	<b>2 326.4</b>	<b>774.2</b>	<b>3 100.6</b>	<b>41.7%</b>	<b>104</b>	<b>2 402.0</b>	<b>774.2</b>	<b>3 176.2</b>	<b>40.5%</b>
incl. SMEs	17	1 100.2	-	1 100.2		18	1 175.75	-	1 175.75	
TA	86	1 226.2	774.2	2 000.4		86	1 226.2	774.2	2 000.4	
<b>Moldindconbank</b>	<b>57</b>	<b>1 538.0</b>	<b>444.5</b>	<b>1 982.5</b>	<b>26.7%</b>	<b>60</b>	<b>1 651.7</b>	<b>464.9</b>	<b>2 116.6</b>	<b>27.0%</b>
incl. SMEs	8	842.1	-	842.1		9	925.1	-	925.1	
TA	49	695.9	444.5	1 140.4		51	726.6	464.9	1 191.5	
<b>Banca Socială</b>	<b>12</b>	<b>355.4</b>	<b>95.6</b>	<b>451.0</b>	<b>6.0%</b>	<b>13</b>	<b>501.4</b>	<b>95.6</b>	<b>597.0</b>	<b>7.6%</b>
incl. SMEs	2	211.9	-	211.9		1	357.9	-	357.9	
TA	10	143.5	95.6	239.1		10	143.5	95.6	239.1	
<b>Victoriabank</b>	<b>4</b>	<b>228.2</b>	<b>19.2</b>	<b>247.4</b>	<b>3.3%</b>	<b>4</b>	<b>228.2</b>	<b>19.2</b>	<b>247.4</b>	<b>3.1%</b>
incl. SMEs	2	199.2	-	199.2		2	199.2	-	199.2	
TA	2	28.9	19.2	48.1		2	28.9	19.2	48.1	
<b>Energbank</b>	<b>37</b>	<b>1 048.7</b>	<b>305.3</b>	<b>1 354.0</b>	<b>18.2%</b>	<b>39</b>	<b>1 090.3</b>	<b>315.5</b>	<b>1 405.8</b>	<b>17.9%</b>
incl. SMEs	5	575.6	-	575.6		6	601.9	-	601.9	
TA	32	473.0	305.3	778.3		33	488.3	315.5	803.8	
<b>Mobias Banca</b>	<b>13</b>	<b>187.2</b>	<b>97.8</b>	<b>285.0</b>	<b>3.8%</b>	<b>13</b>	<b>187.2</b>	<b>97.8</b>	<b>285.0</b>	<b>3.6%</b>
incl. SMEs	2	40.6	-	40.6		2	40.6	-	40.6	
TA	11	146.7	97.8	244.5		11	146.7	97.8	244.5	
<b>Total</b>	<b>226</b>	<b>5 683.8</b>	<b>1 736.6</b>	<b>7 420.4</b>	<b>100%</b>	<b>233</b>	<b>6 060.7</b>	<b>1 767.3</b>	<b>7 828.0</b>	<b>100%</b>
incl. SMEs	36	2 969.5	-	2 969.5		38	3 300.5	-	3 300.5	
TA	190	2 714.3	1 736.6	4 450.9		193	2 760.3	1 767.3	4 527.6	

## Annex 2: Classification of financed enterprises, by size

(USD '000)

	Classification according to the Low	Actual						Actual Cumulative					
		YEs (≤ MDL 300 000)			SMEs (≤US \$ 150 000)			YEs (≤ MDL 300 000)			SMEs (≤US \$ 150 000)		
		Number	Amount	% of loan amount	Number	Amount	% of loan amount	Number	Amount	% of loan amount	Number	Amount	% of loan amount
<b>Micro</b>	Number of employees - ≤ 9 pers. Net annual sales - ≤ 240.0 ths.USD	183	4278.2	96.1%	20	1 294.0	43.6%	186	4 354.8	96.2%	21	1 321.0	40.0%
<b>Small</b>	Number of employees - ≤ 49 pers. Net annual sales - ≤ 2000.0 ths.USD	7	172.7	3.9%	11	1 255.5	42.3%	7	172.7	3.8%	13	1 413.5	42.8%
<b>Medium</b>	Number of employees - ≤ 249 pers. Net annual sales - ≤ 4000.0 ths.USD	0	0	0.0%	5	420.0	14.2%	0	0	0.0%	6	566.0	17.2%
<b>Large</b>	Number of employees - >250 pers. Net annual sales - > 4000.0 ths.USD	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%
<b>Total</b>		<b>190</b>	<b>4 450.9</b>	<b>100%</b>	<b>36</b>	<b>2 969.5</b>	<b>100%</b>	<b>193</b>	<b>4 527.5</b>	<b>100%</b>	<b>40</b>	<b>3 300.5</b>	<b>100%</b>

## Annex 3: Classification of financed enterprises, by legal organizational form

(USD '000)

Legal organizational form	Actual						Actual Cumulative					
	YEs (≤ MDL 300 000)			SMEs (≤US \$ 150 000)			YEs (≤ MDL 300 000)			SMEs (≤US \$ 150 000)		
	Number	Amount	% of loan amount	Number	Amount	% of loan amount	Number	Amount	% of loan amount	Number	Amount	% of loan amount
Peasant Farm	142	3 320.5	74.6%	8	344.5	11.6%	143	3 346.01	73.9%	9	370.85	11.2%
Individual Enterprise	12	248.4	5.6%	3	200.86	6.6%	14	299.47	6.6%	3	200.86	6.1%
Limited Liability Company	36	882.0	19.8%	24	2 326.5	78.3%	36	882.02	19.5%	27	2 631.2	79.7%
Cooperatives	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%
Joint Stock Company	0	0	0.0%	1	97.58	3.3%	0	0	0.0%	1	97.58	3.0%
<b>Total</b>	<b>190</b>	<b>4 450.9</b>	<b>100%</b>	<b>36</b>	<b>2 969.5</b>	<b>100%</b>	<b>193</b>	<b>4 527.5</b>	<b>100%</b>	<b>40</b>	<b>3 300.5</b>	<b>100%</b>

RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT

Annex 4: Classification of financed investment project by scope

(USD '000)

Type	Actual						Actual Cumulative					
	YEs (≤ MDL 300 000)			SMEs (≤US \$ 150 000)			YEs (≤ MDL 300 000)			SMEs (≤US \$ 150 000)		
	Number	Amount	% of loan amount	Number	Amount	% of loan amount	Number	Amount	% of loan amount	Number	Amount	% of loan amount
Launching of new business	155	3 610.72	81.1%	5	579.5	19.5%	158	3 687.32	81.4%	6	605.8	18.4%
Diversification of activities	4	99.45	2.2%	3	312.13	10.5%	4	99.45	2.2%	3	312.13	9.5%
Expanding of existing business	31	740.7	16.6%	28	2 077.85	70.0%	31	740.7	16.4%	31	2 382.53	72.2%
<b>Total</b>	<b>190</b>	<b>4 450.9</b>	<b>100%</b>	<b>36</b>	<b>2 969.5</b>	<b>100%</b>	<b>193</b>	<b>4 527.5</b>	<b>100%</b>	<b>40</b>	<b>3 300.5</b>	<b>100%</b>

**RURAL FINANCIAL SERVICES AND AGRIBUSINESS DEVELOPMENT PROJECT - 2012 ANNUAL REPORT**

**Annex 5: Classification of financed investment by profile of activity**

(USD '000)

	Profile of activity	Actual				Actual Cumulative			
		Number		Amount		Number		Amount	
		Total	inc. YEs*	Total	inc. YEs*	Total	inc. YEs*	Total	inc. YEs*
1	Agricultural production	203	181	5 952.0	4 241.0	207	182	6 232.7	4 266.6
1.1	<i>Fruit growing</i>	17	14	625.8	310.4	17	14	625.8	310.4
1.2	<i>Viticulture</i>	6	4	35.9	98.9	6	4	353.9	98.9
1.3	<i>Berries crops</i>	2	1	32.0	4.0	2	1	32.0	4.0
1.4	<i>Vegetables production /greenhouses</i>	11	10	372.9	222.9	11	10	372.9	222.9
1.5	<i>Agriculture machinery (field crops production and harvesting)</i>	139	130	3 748.8	3 108.2	140	130	3 831.9	3 108.2
1.6	<i>Irrigation systems</i>	0	0	0.0	0.0	0	0	0.0	0.0
1.7	<i>Livestock farms</i>	18	13	605.1	304.8	20	13	777.4	304.8
1.8	<i>Beekeeping</i>	3	2	52.0	30.7	4	3	77.5	56.2
1.9	<i>Other agriculture activities</i>	7	7	161.3	161.3	7	7	161.3	161.3
2	Sorting, processing, packaging facilities	9	4	500.4	91.1	10	4	576.0	91.1
3	Warehouse, cold storage facilities	13	5	853.7	118.7	15	7	904.8	169.8
4	Transportation /marketing	1	0	114.5	0.0	1	0	114.5	0.0
5	SCAs / other agriculture activities	0	0	0.0	0.0	0	0	0.0	0.0
6	SCAs / non-agriculture activities	0	0	0.0	0.0	0	0	0.0	0.0
	<b>Total</b>	<b>226</b>	<b>190</b>	<b>7 420.4</b>	<b>4 450.9</b>	<b>233</b>	<b>193</b>	<b>7 828.0</b>	<b>4 527.5</b>