



MINISTERUL AGRICULTURII ȘI  
INDUSTRIEI ALIMENTARE  
AL REPUBLICII MOLDOVA

MINISTRY OF AGRICULTURE AND  
FOOD INDUSTRY OF THE  
REPUBLIC OF MOLDOVA

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



**IFAD**  
INTERNATIONAL  
FUND FOR  
AGRICULTURAL  
DEVELOPMENT

## RURAL FINANCIAL SERVICES AND MARKETING PROGRAMME

### ANNUAL REPORT 2009



Prepared By:  
CONSOLIDATED PROGRAMME IMPLEMENTATION UNIT

CHISINAU, 2010

<i>TABLE OF CONTENTS:</i>	<i>PAGE</i>
ABBREVIATION AND ACRONYMS	3
CURRENCY UNITS, WEIGHTS AND MEASURES	3
MAP OF THE PROJECT AREA	4
1. INTRODUCTION	5
1.1. Project Outline	5
1.2 About this Annual Report	5
2. SUMMARY OF IMPLEMENTATION PROGRESS TO DATE	6
2.1. Physical/Technical Progress Summary	7
2.2. Financial Progress Summary	8
3. DETAILED IMPLEMENTATION PROGRESS BY COMPONENT	11
3.1. Component 1: Value Chain Development for Rural Poverty Reduction	11
3.2. Component 2: Rural Financial Services	13
3.3. Component 3: Pro-poor Market Derived Infrastructure	18
3.4. Component 4: Programme Management	20
4. PERFORMANCE ASSESSMENT	22
ANNEXES:	
1. RFSMP expenditures by financiers	24
2. Map showing distribution of RFSMP loans	25
3. Loan disbursement by type of projects	26
4. Loan disbursement (details)	27
5. Classification of financed enterprises	28

ABBREVIATION AND ACRONYMS

ABDP	Agribusiness Development Program
AWP&B	Annual Work Plan & Budget
BSP	Business Service Provider
CB	Commercial Bank
CNFA	Citizen's Network for Foreign Affairs
CPIU	Consolidated Programme Implementation Unit
GRM	Government of Republic of Moldova
IFAD	International Fund for Agricultural Development
IPSC	IFAD Programmes Steering Committee
LLC	Limited Liability Company
MDI	Marketing Derived Infrastructure
MOF	Ministry of Finance
PFI	Participating Financial Institution
PM	Programme Management
PY	Project Year
RFS	Rural Financial Services
RFSMP	Rural Financial Services and Marketing Programme
SCAs	Savings and Credit Associations
SMEs	Small and Medium Enterprises
VAT	Value Added Tax
VCD	Value Chain Development

CURRENCY UNITS, WEIGHTS AND MEASURES

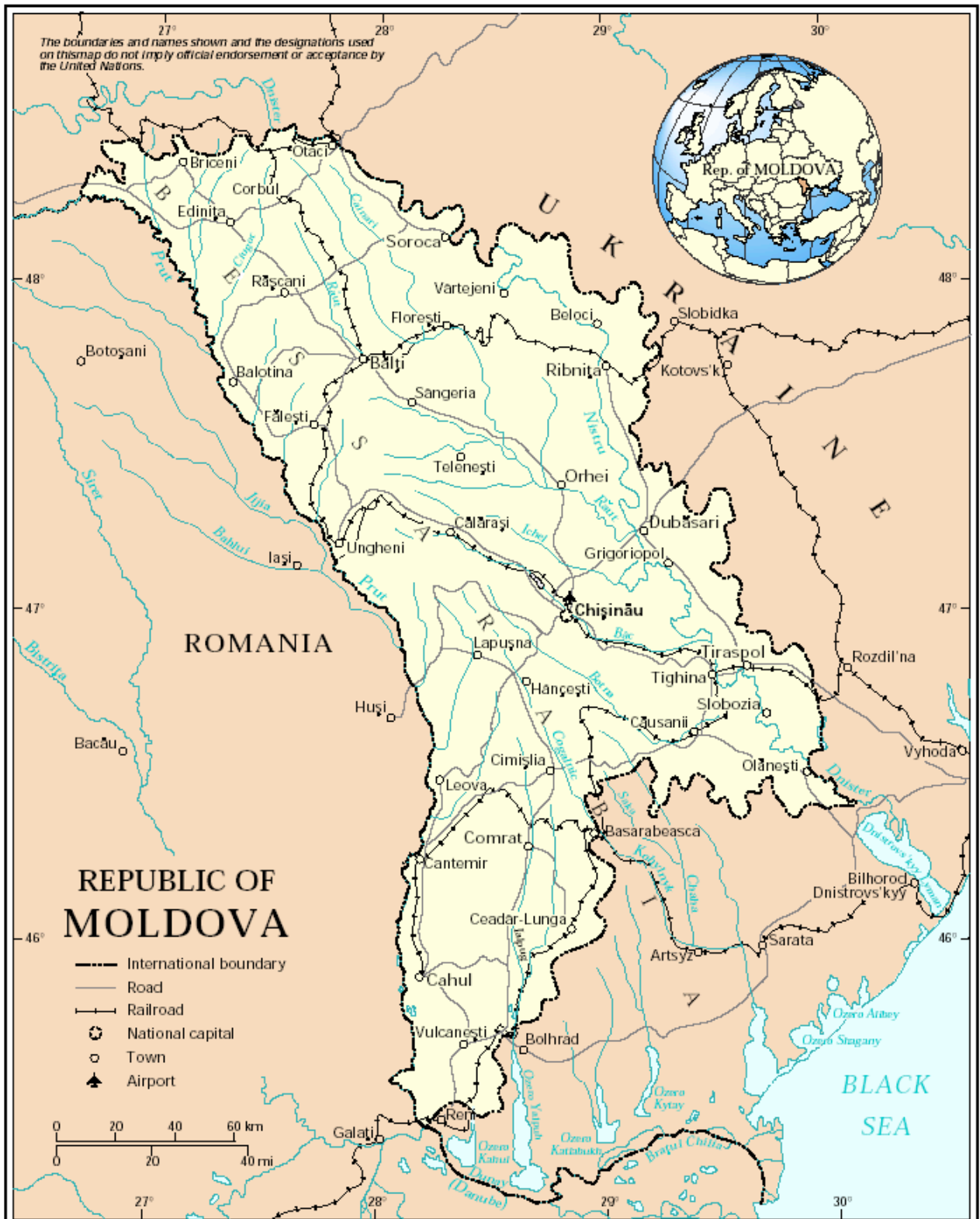
Currency Units & Equivalentents

Currency Unit	=	Moldovan Leu (Lei) (MDL)
USD 1.00	=	MDL 12.56
10 MDL	=	USD 0.80

Weights & 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

MAP OF THE PROJECT AREA



MAP NO. 3759 Rev.1 UNITED NATIONS  
March 1999

Department of Public Information  
Cartographic Section

### 1. INTRODUCTION

1. 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 costs is 18.95 million USD, including 13.2 million USD from IFAD sources. The project is being operational for 11 month.

#### 1.1 Project Outline

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

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

3. The Programme is implemented through its four components:

(i) Value Chain Development for Rural Poverty Reduction: This component 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.

(ii) Rural Financial Services: The component provides access to appropriate sustainable financial services to individuals and rural enterprises.

(iii) Pro-poor Market Derived Infrastructure: The purpose of the component is to enhance private sector activity and commercial opportunity for sustained poverty reduction through the alleviation of infrastructure limitations that limit farmers, agro-processors and off-farms rural entrepreneurs investing in businesses based on poverty-reducing commodity and services value chains.

(iv) Programme Management: this component provides support to Consolidated Programme Implementation Unit - IFAD responsible for day to day management of programme's resources and oversight the implementation of the programme's supported interventions.

#### 1.2 About this Annual Report

4. This Report has been elaborated by the CPIU-IFAD in accordance with Article IV, section 4.02 (*Progress Reports*) of the Loan Agreement no.758-MD.

5. This Report reflects the progress of the programme activities implemented during 2009 that contributed to improvement of participation and employment of the poor in income-increasing activities related directly and indirectly to development of the Moldovan horticulture value chain.

6. The Report provides with information on implementation progress to date, including physical progress and financial progress summary; detailed implementation progress by component; and performance assessment. The information on project implementation progress captures the progress for 2009 year, from the project start to 31 December.

2. SUMMARY OF IMPLEMENTATION PROGRESS TO DATE

7. The RFSMP has completed the first year of the programme implementation period and has accomplished satisfactory progress, towards achieving its objectives. Both physical and financial performance can be appreciated as good. The physical and financial performances are presented further in this chapter.

8. In 2009 (PY I) the programme has contributed through its activities to rural poverty reduction through creating enabling conditions for the poorer and poorest members of rural society to increase their incomes through greater access to markets and employment.

9. The total programme cost to cover planned activities for 2009 was in amount of 3,942,400 USD, including resources from IFAD, the Government of Republic of Moldova, Participating Financial Institutions and Project beneficiaries' contribution (see table 1).

Table 1: Planed figures vs. Actual figures, by financier (2009) (USD 000)

2009 (PY I)	IFAD		GRM	Beneficiaries	PFIs	Total
	Loan	Grant				
Planed figures	2,801.9	130.0	94.2	581.3	335.0	3,942.4
Actual figures	769.8	68.2	73.9	1,616.5	70.3	2,598.7
Actual/Plan (%)	27%	52%	78%	278%	21%	66%

10. Total programme expenditures for 2009 have reached the amount of 2,598,709 USD that represented 66% from the budgeted figures.

11. During the first year of the implementation, the programme has achieved the following with respect of its components:

(i) Value Chain Development for Rural Poverty Reduction: the component has systematically developed its outreach in the horticulture sector, being especially successful in setting up value chain related working groups including relevant stakeholders in the sector; under this component have been organised 18 training sessions attended by 788 persons, 16 field trips and one study tour.

(ii) Rural Financial Services: 19 loans have been disbursed totalling 473,044 USD, the average loan size being of 24,897 USD; 6 training sessions have been organized on different issues and 127 credit officers from PFIs' branch offices have been trained; 25 small farmers have benefited from technical assistance for business plan development.

(iii) Pro-poor Market Derived Infrastructure: 4 infrastructure investment projects have been financed from which benefited 5,023 individuals, 26 SMEs and 4 local authorities; through financed infrastructure investments have been rehabilitated 1,477 km of roads and 3,573 km of water supply system constructed.

(iv) Programme Management: CPIU IFAD has continued to fulfil its responsibility for the technical, financial and developmental integrity of the programme, as well as supervision of all programme's operations, work planning and budgeting, procurement and contracting of service providers and suppliers, financial management and flow of funds, monitoring and impact assessment, and progress reporting.

12. More detailed information on implementation progress of programme components is presented further in the chapter 3 of the present Report.

2.1 Physical Progress Summary

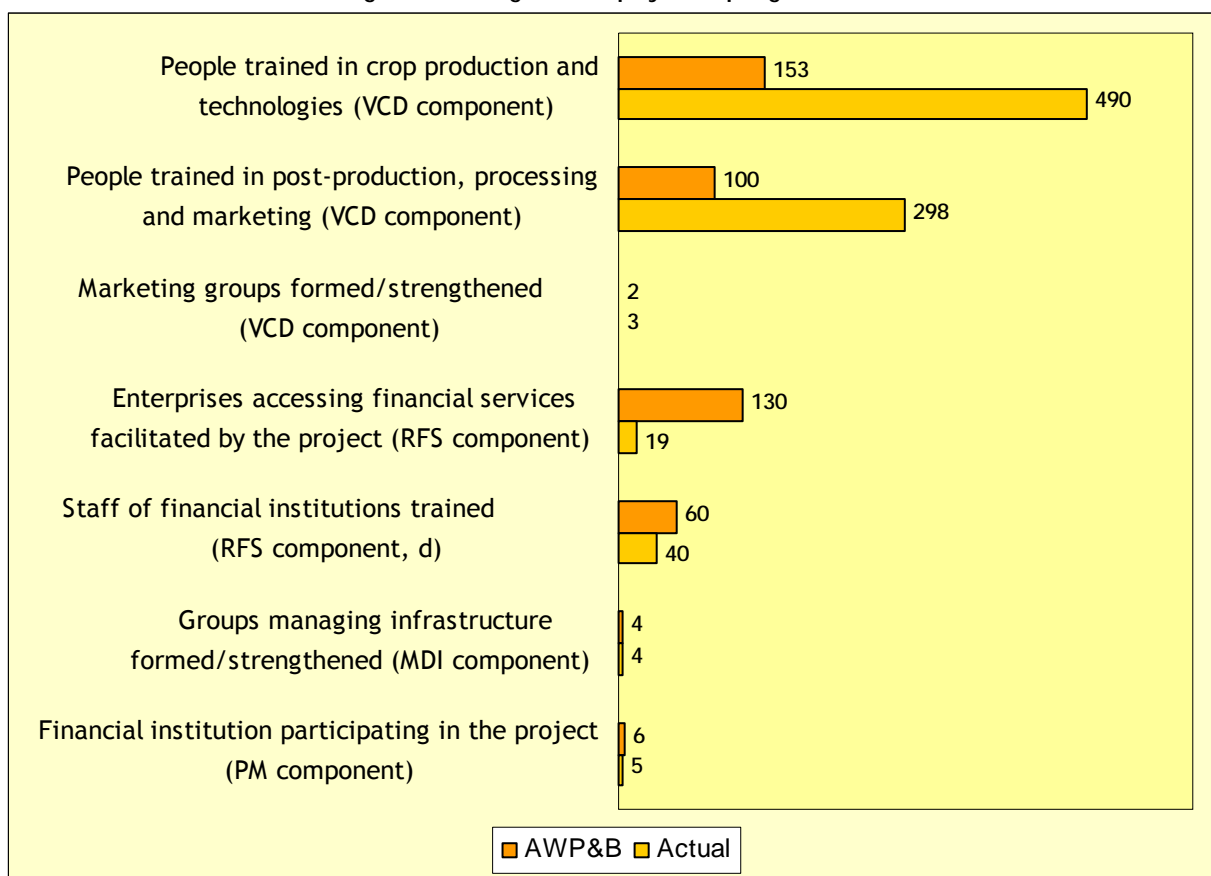
13. During PY I, the programme has achieved significant results in terms of number of trained people; communities receiving programme services; and high participation of women in programme's activities.

14. In 2009, the programme total outreach has achieved the following level comparing to the figures provided in AWP&B:

- (i) People receiving programme services - 7,373 or 124% of AWP&B figure (5,946);
- (ii) Women receiving programme services - 6,704 or 248% of AWP&B figure (2,699);
- (iii) Community receiving programme services - 4 or 100% of AWP&B figure (4);

15. As result of all programme implemented activities during 2009, the programme has achieved good results that are confirmed through comparison of actual figures with AWP&B values of relevant RIMS indicators (see diagram 1). From 7 main indicators, 2 have overreached the AWP&.

Diagram 1: Programme physical progress, 2009



16. Programme results achieved during PY I have reached the following level comparing to Appraisal targets set for total period of the programme implementation:

- (i) People receiving project services - 7%;
- (ii) Community receiving project services - 10%;
- (iii) Marketing groups formed/strengthened - 75%;
- (iv) People trained in crop production and technologies - 98%;
- (v) People trained in post-production, processing and marketing - 119%;
- (vi) Enterprises/entrepreneurs accessing financial services facilitated by the project - 3%;
- (vii) Staff of financial institutions trained - 200%;
- (viii) Groups managing infrastructure formed/strengthened - 10%;
- (ix) Financial institution participating in the project - 63%.

17. As is provided above, most of the programme results are satisfactory, two of the mentioned indicators have exceeded the Appraisal Targets four years in advance comparing to the contractual completion date and two indicators are close to achieve the Appraisal Target. All indicators refer to technical assistance and training activities.

## 2.2 Financial Progress Summary

18. From the project start till the end of 2009, 18% of the implementation period has elapsed with a disbursement rate of 6%.

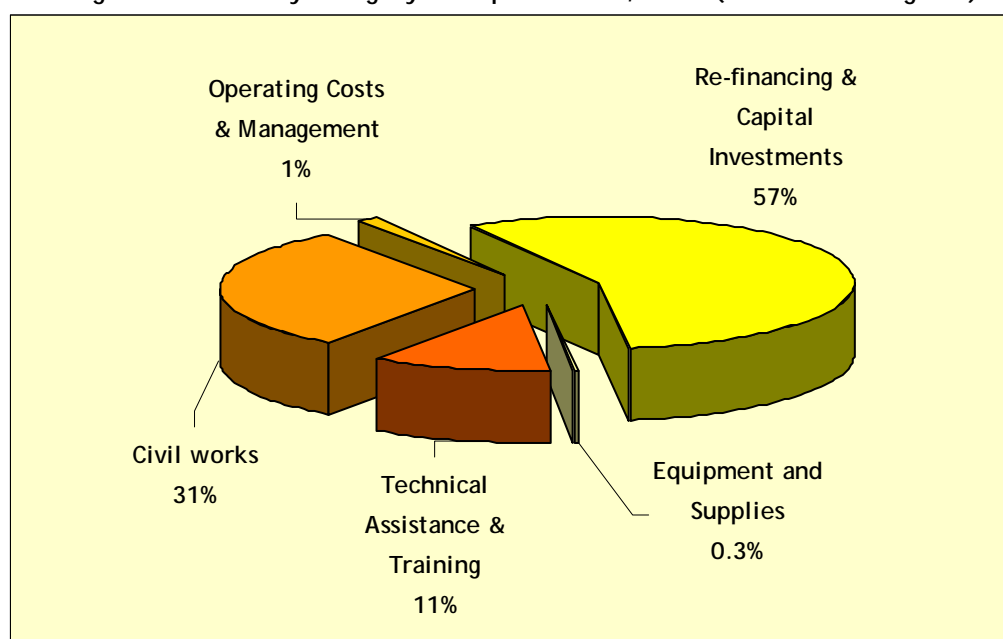
19. During PY I, just the expenditures for civil works has exceeded the AWP&B figures (101%), other category of expenditures financed from IFAD loan have reached a weight up to 55% from the AWP&B figures (see table 2).

Table 2: IFAD fund by category of expenditures, 2009 (PY I) (USD)

Category	AWP&B		Expenses		Expenses / Budget	
	Loan	Grant	Loan	Grant	Loan	Grant
I. Re-financing & Capital Investments	2,400,000.00	0.00	473,044.44	0.00	20%	0%
II. Equipment and Supplies	7,000.00	0.00	2,587.59	0.00	37%	0%
III. Technical Assistance & Training	50,500.00	129,000.00	27,562.09	67,963.45	55%	53%
IV. Civil works	318,000.00	0.00	256,222	0.00	101%	0%
V. Operating Costs & Management	26,400.00	1,000.00	10,386.31	213.69	39%	21%
Total	2,801,900.00	130,000.00	769,802.43	68,177.14	27%	52%

20. The programme is characterised with high investment costs, including 57% costs of re-financing and capital investments and 31% civil works, versus low operating costs (see diagram 2).

Diagram 2: Share by category of expenditures, 2009 (IFAD loan and grant)



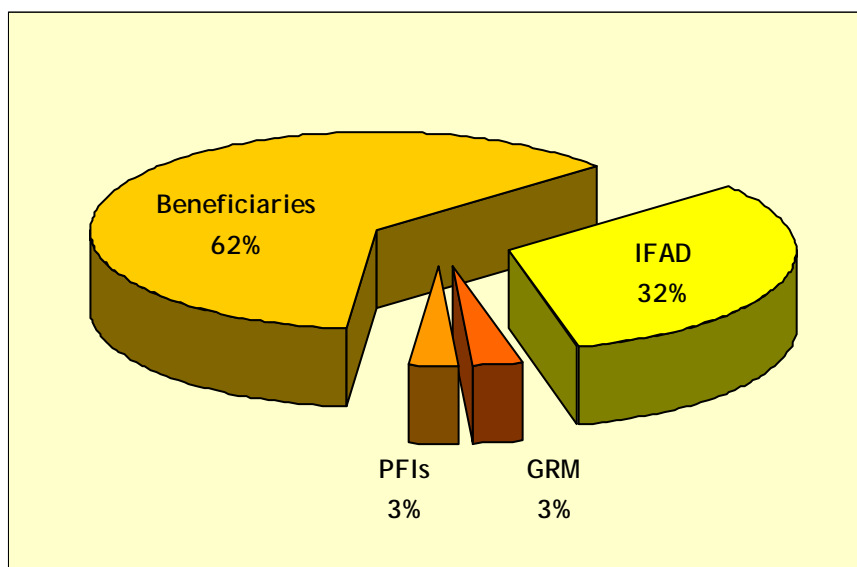
21. In 2009, all programme's components have lower expenditures comparing to budgeted figures, i.e. expenditures covered from IFAD loan source represented 27% from the budgeted amount and expenditures covered from IFAD grant represented 52% from the budgeted amount (see table 3).

Table 3: IFAD fund by programme components, 2009 (PY I) (USD)

Component	AWP&B		Expenses		Expenses / Budget	
	Loan	Grant	Loan	Grant	Loan	Grant
I. Value Chain Development	33,500	60,000	15,736	43,879	47%	73%
II. Rural Finance Services	2,409,000	54,000	484,871	18,101	20%	34%
III. Market-Derived Infrastructure	321,000	0	256,222	0	80%	0%
IV. Programme Management	38,400	16,000	12,974	6,197	34%	39%
Total	2,801,900	130,000	769,802	68,177	27%	52%

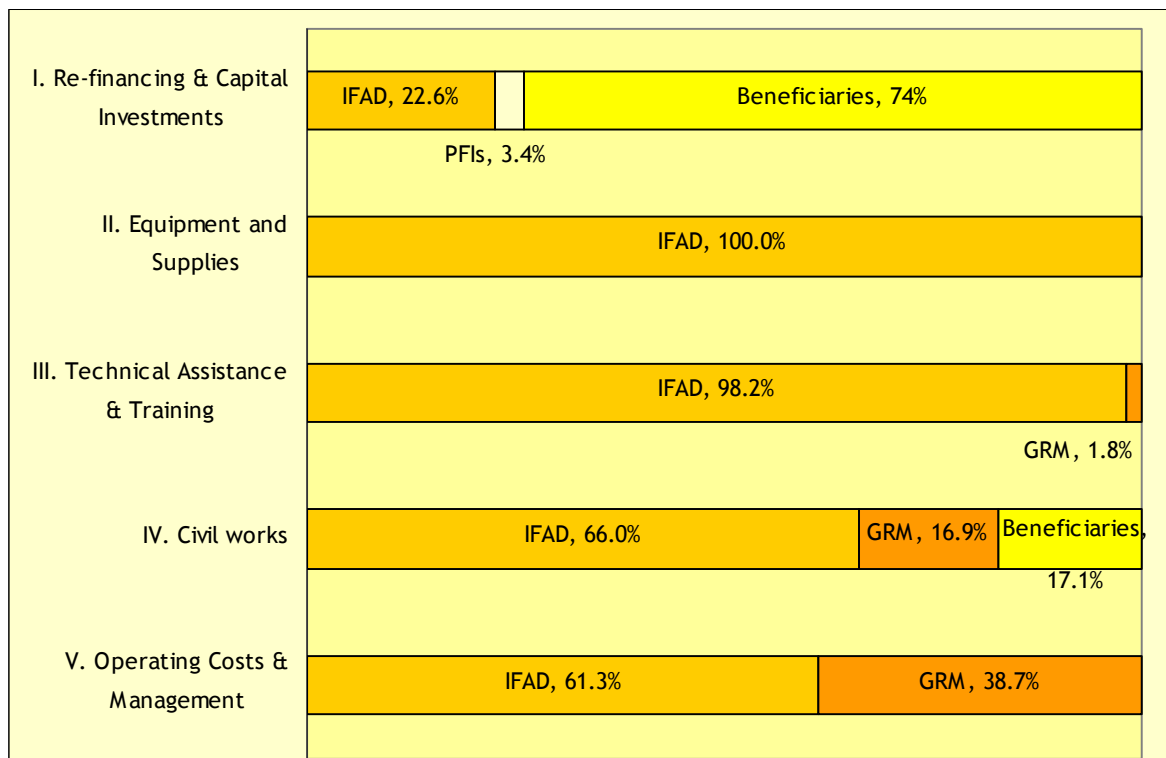
22. In 2009, project expenditures have been covered by IFAD in amount of 837,980 USD, the Government of Republic of Moldova - 9,917 USD, Participating Financial Institutions - 70,300 USD and Project beneficiaries - 2,065,447 USD (as in-kind and cash). The diagram 3 shoes the share of project expenditures by financier for 2009.

Diagram 3: Expenditures by financier, 2009



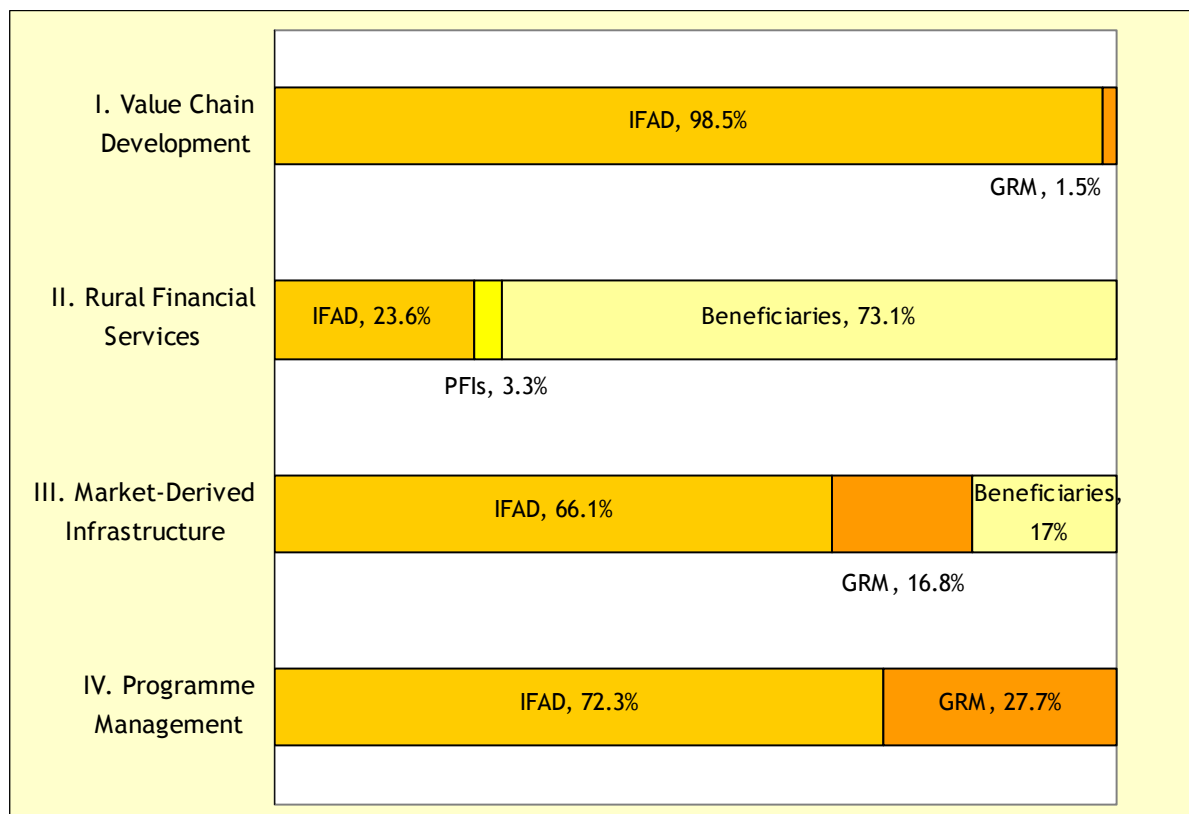
23. Further are presented the figures on Project expenditures by category and financier (see diagram 4 and annex 1): IFAD has covered more that 60% of expenditures from 4 categories, exception being the category "Re-financing and capital investments" which has been covered by IFAD in proportion of 22.6%. The highest beneficiaries' contribution has referred to "Re-financing and capital investments" category of expenditures. The Government of Republic of Moldova has covered during 2009 expenditures related to operating costs and management category (38.7%), civil works (16.9%) and technical assistance and training (1.8%).

Diagram 4: PY I programme expenditures by category and financier



24. With reference to programme expenditures presented by components (see diagram 5 and annex 1), IFAD has contributed with more than 65% from component cost in 3 components, i.e. VCD component - 98.5%, MDI component - 66.1% and Programme Management - 72.3%. It is worth to mention that programme's beneficiaries have contributed with considerable amounts in the implementation of RFS and MDI components.

Diagram 5: PY I programme expenditures by components and financier



### 3. DETAILED IMPLEMENTATION PROGRESS BY COMPONENT

#### 3.1 Component 1: Value Chain Development for Rural Poverty Reduction

25. 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 participation and employment of the rural poor in income increasing activities arising directly and indirectly from an improved horticulture value chain.

26. For the implementation of this component, a total amount of 488,000 USD has been allocated, of which 324,000 USD loan source and 164,000 USD grant source. In 2009, according the AWP&B, 93,500 USD or 19% from total amount has been allocated for the implementation of component's activities, including 33,500 USD loan source (or 10% from total loan amount) and 60,000 USD grant source (or 37% from total grant amount).

27. VCD component's activities envisaged in the 2009 AWP&B have been implemented during 8 month of 2009 since the component became effective; as consequence for its implementation have been spent 59,712 USD or 64% from the 2009 component budget. The amount spent included both IFAD sources, i.e. 15,914 USD loan and 43,797 USD grant (more details in table 4).

Table 4. VCD component, plan vs. expenses (2009) (USD)

Component	AWP&B			Expenses			Expenses / Budget		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
Value Chain Development	33,500	60,000	93,500	15,914	43,797	59,712	47%	73%	64%

28. The component was co-financed from Government fund in amount of 940 USD that represents 1.5% from the total amount spent for the implementation of activities for value chain development (more details in table 5).

Table 5: VCD component's expenditures by financier, 2009 (USD 000)

	IFAD			GRM	PFIs	Beneficiaries	Total
	Loan	Grant	Total				
Value Chain Development	15,914	43,797	59,712	940	0	0	60,652
Share, %	26%	72%	98.5	1.5%	0%	0%	100%

29. In 2009, CPIU-IFAD has worked out the Value Chain Development concept that would be used during RFSMP implementation. It was based on involvement of all value chain participants in problems' identification, formulation of the development strategy and implementation of all improving activities.

30. In order to take action better to specific necessities of different agricultural sub-sectors with high value, it was decided to elaborate individual intervention plans for each sub-sector. Thus, in 2009 the activity has been focused on the table grapes sector. In this context have been organised the following activities:

- (i) Within the Agro-industrial Agency "Moldova-Vin" a work group have been created gathering: private sector (The Association of Table Grapes Producers and Exporters), science community (The Science Academy of Moldova, The State Agrarian University of Moldova) and experts from Agro-industrial Agency "Moldova-Vin". As result of work group meetings the participants have identified the current conditions, problems and opportunities of the sector. The work group has formulated a strategic document for the next 10 years; the identified priorities have been used as base of the CPIU IFAD Action Plan on table grapes sector;

- (ii) In partnership with Agribusiness Development Programme financed by USAID and Association of Table Grapes Producers and Exporters, have been developed a study on production and marketing of table grapes, in order to identify the tendencies on world market and to formulate the strategic position of Republic of Moldova on the global market;
- (iii) In this context, in August and October two international experts in production and post-harvest management of the table grapes have been invited by CPIU IFAD. Each visit has lasted for one week, during which experts had visited several economic agents and have met local experts in order to get familiarized with existing conditions. Both international experts' visits have ended with training on modern technologies and its specific implementing aspects for Republic of Moldova. This training courses have been attended by 120 farmers;
- (iv) A study visit has been organized in Italy, the European leader in table grapes production. The group of 8 persons, including farmers, experts from Agency "Moldova-Vin" and Agrarian University have familiarized with best practices applied in Italy in production, harvesting and post-harvest management of the table grapes. Also, the group has visited the marketing cooperatives and development and research institutions, in order to comprehend the organisational mode of the industry and introduction of technical and commercial innovations. All information gathered during the international experts' visits and during the study visit have been published on DVDs and distributed to farmers through the Association of Table Grapes Producers and Exporters;
- (v) In November, the Table Grapes Forum have been organised, event attended by 150 farmers;
- (vi) 16 training courses have been organised for more than 500 small farmers (fruits and table grapes producers). Within those meetings CPIU IFAD has informed farmers about the credit opportunities offered by IFAD programmes, local experts have presented the best practices concerning the crops production and protection, while the representatives from Phytosanitary Supervision and Seed Control Agency have informed farmers on new export procedures of fresh production.

31. In 2009, CPIU IFAD has provided technical assistance for the implementation in 2 companies (specialized in fruits production) of the international standard GlobalGAP. In October 2009, both companies have successfully passed SGS international audit and have obtained the corresponding certificates.

32. In order to promote IFAD Programmes, CPIU IFAD has participated at "Farmer" exhibition, those offering information on loan programmes and infrastructure development component, by distributing of more than 500 booklets of CPIU IFAD.

33. As result of implemented activities, the following performance indicators have been achieved, as provided in table 6:

Table 6: VCD component performance indicators, 2009

Indicator	AWP&B		Actual	
Start-up stakeholders workshop	1*60 persons	60 persons	1*500 booklets distributed	n/a
Field trips	3*20 persons	60 persons	16*30 persons	490 persons
Study tour - innovation/technologies	1*10persons	10 persons	1*8 persons	8 persons
Study (information collection/update)	1	-	1	-
Trainings on value chain analysis and development, new technologies, up-to-date quality standards	3*50 persons	153 persons	16*30 persons	490 persons
Workshops on post-production, processing and marketing	n/a	n/a	2*145 persons	290 persons

34. Thus, during the first year of the RFSMP implementation the Value Chain Development component that became effective in May, 2009 and operated during 8 month, had systematically developed its outreach in the horticulture sector and have been successful in setting up value chain related working group, including relevant stakeholders in the sector.

### 3.2 Component 2: Rural Financial Services

35. Being the main programme's component, it aims to provide access for small rural-based entrepreneurs to mid and long term financial services. The RFS component consists of four sub-components:

- (i) 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;
- (ii) 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;
- (iii) 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;
- (iv) 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.

36. The total amount allocated for the implementation of this component was 8,142,000 USD or 61.5% from the total IFAD proceeds. For 2009, it has been estimated to disburse 2,463,000 USD or 30% from the total amount allocated under RFS component.

37. In PY I, 501,411 USD have been disbursed or 20% of the allocated amount for the reported period (see comments on implementation constraints in chapter 4), including, 483,309 USD from IFAD loan sources and 18,101 USD from IFAD grant sources (see table 7).

Table 7. RFS component, plan vs. expenses (2009) (000 USD)

Component/ sub-components	AWP&B			Expenses			Expenses / Budget		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
Rural Finance Services:	2,409	54	2,463	483.3	18.1	501.4	20%	34%	20%
<i>(a) financing of micro and small farmers</i>	800	0	800	175.9	0	175.9	22%	0	22%
<i>(b) financing of micro rural enterprises</i>	500	0	500	253.7	0	253.7	51%	0	51%
<i>(c) financing of processing/ marketing SMEs</i>	1,100	0	1,100	43.5	0	43.5	39%	0	39%
<i>(d) PFIs' capacity building</i>	9	54	63	10.2	18.1	28.3	113%	33%	45%

38. Total amount spent in 2009 for the implementation of the RFS component has reached 2,121,946 USD; including IFAD sources (grant and loan), PFIs' and beneficiaries' contributions (see table 8).

Table 8: RFS component's expenditures by financier, 2009 (USD)

Component	IFAD			GRM	PFIs	Beneficiaries	Total
	Loan	Grant	Total				
Rural Finance Services	483,309	18,101	501,411	0	70,300	1,550,235	2,121,946
Share, %	22.8%	0.8%	23.6%	0%	3.3%	73.0%	100%

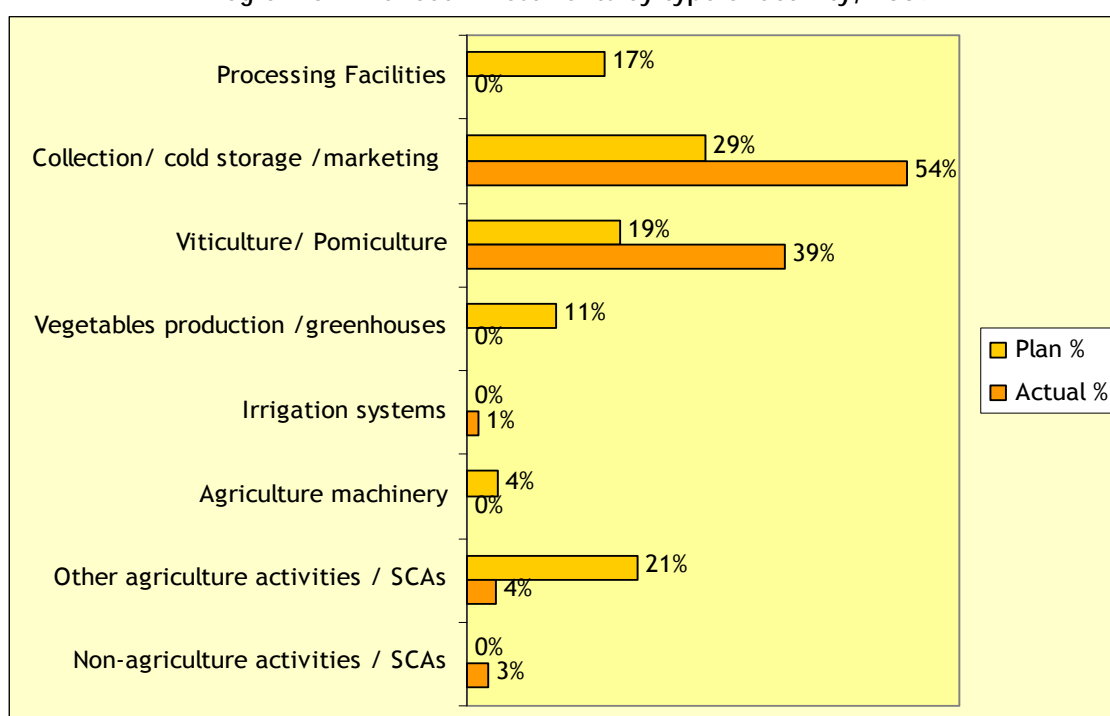
39. Sub-components (a), (b), (c): In 2009, 19 loans have been disbursed in the total amount of 473,044 USD; the average loan size being of 24,897 USD. The total number of loans' beneficiaries was of 32 persons, including 6 women that represent 18.8%. From the total number of disbursed loan during PY I, 6 have been financed under sub-component 2, (a): financing of micro and small farmers; 10 under sub-component 2, (b): financing of micro rural enterprises; and 3 under sub-component 2, (c): financing of processing/ marketing SMEs (see details in table 9)

Table 9: Disbursed loans by RFS's sub-components (2009) (000 USD)

Sub-components	Number			Amount		
	AWP&B	Actual	%	AWP&B	Actual	%
(a) financing of micro and small farmers	20	6	30%	800	176	22%
(b) financing of micro rural enterprises	100	10	10%	500	44	9%
(c) financing of processing/ marketing SMEs	10	3	30%	1,100	254	23%
Total	130	19	15%	2,409	473	20%

40. From the total number of disbursed loans during PY I, 7 have been disbursed to finance activities related to viticulture and pomiculture; 3 - collection/ cold storage/ marketing; 1 - irrigation system; and 8 - other agriculture and non-agriculture activities financed through SCAs (see diagram 6)

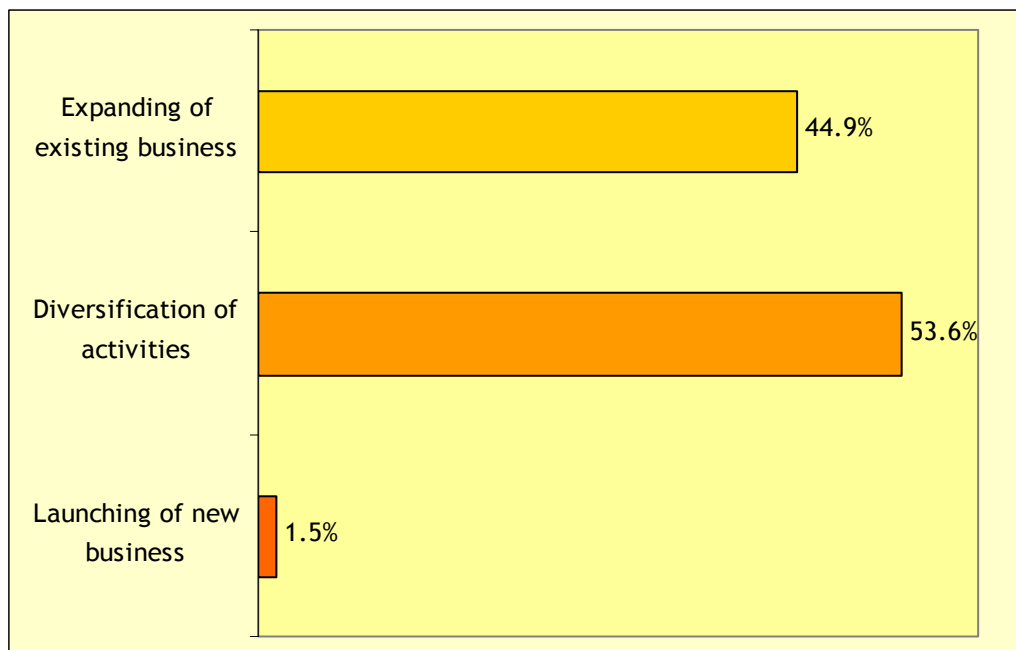
Diagram 6: Financed investments by type of activity, 2009



41. Based on comparison of planned and actual figures (see annex 4), only two type of activity represented higher share from the total loans' amount, i.e. viticulture/pomiculture and collection/cold storage/marketing.

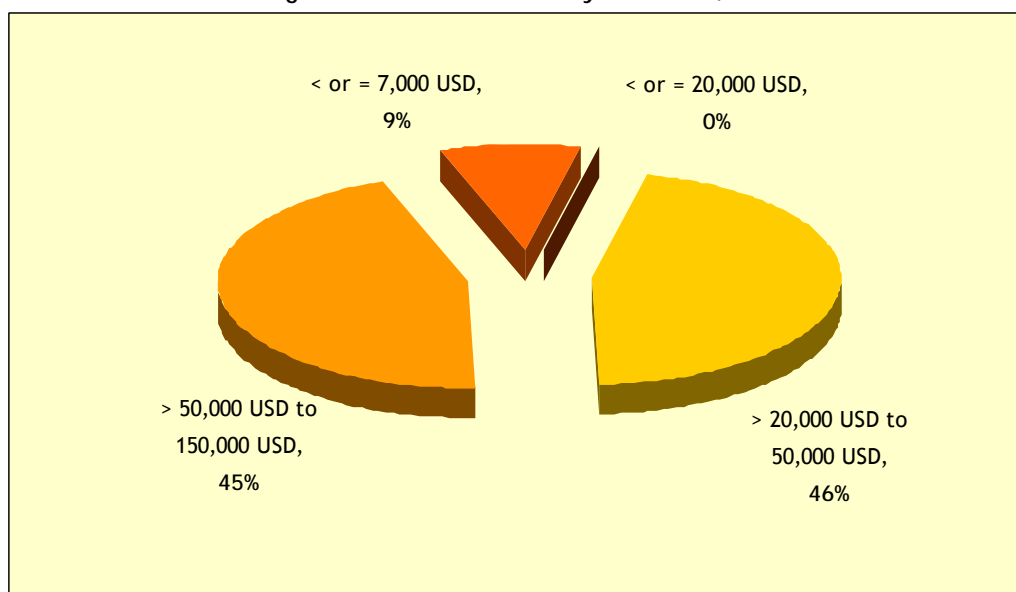
42. In 2009, 15 loans have been contracted for expanding of existing business, 3 for diversification of activities and just one for launching of a new business (see diagram 7 and annex 5, A).

Diagram 7: Financed investments by project's scope, 2009



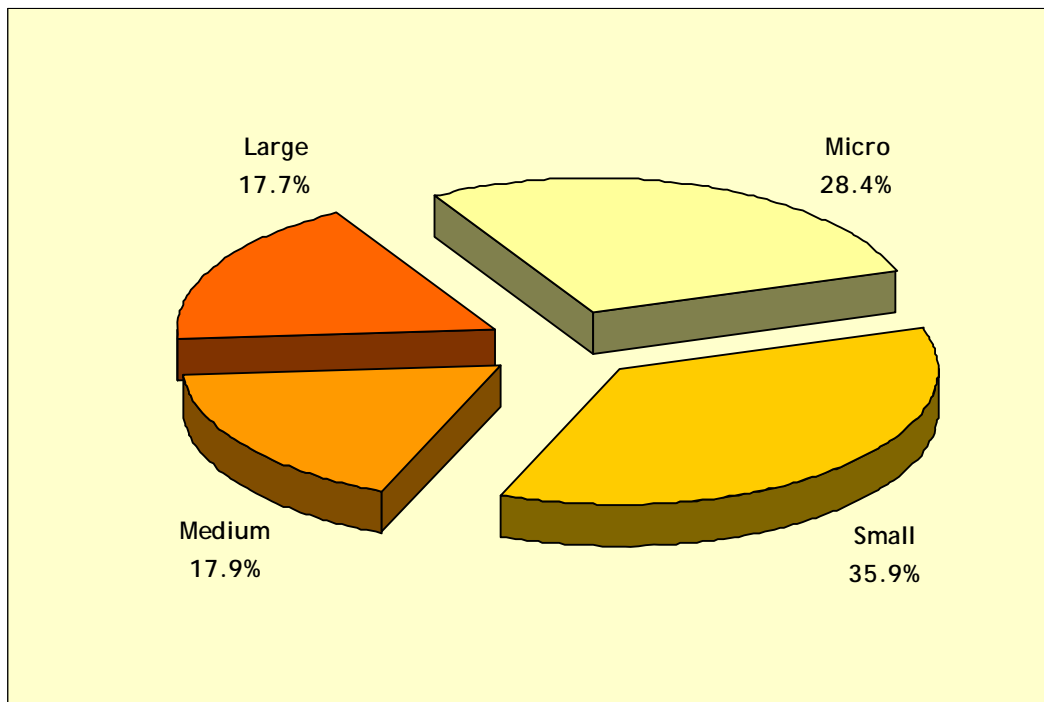
43. From the total amount of disbursed loans during 2009, 7 loans had amounts higher than 20,000 USD up to 50,000 USD, 2 - amounts higher that 50,000 USD up to 150,000 USD, and 10 had the amounts up to 7,000 USD; the biggest share in the total disbursed amount was of the loans with amounts from 20,000 USD up to 50,000 USD (see diagram 8 and annex 5, B).

Diagram 8: Disbursement by loan size, 2009



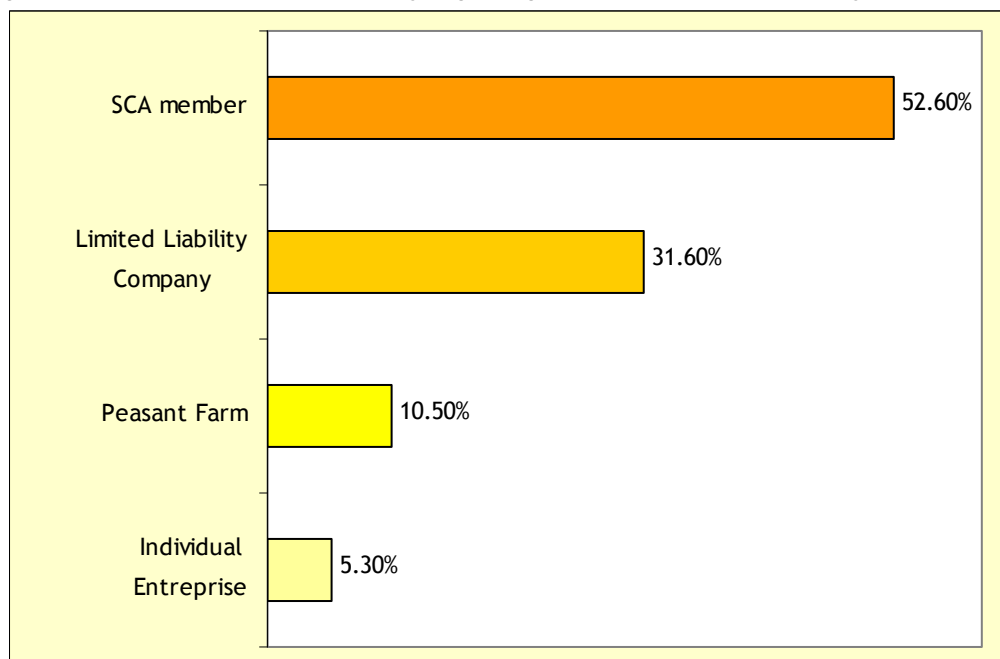
44. During PY I, have been financed: 14 microenterprises, 3 small, 1 medium and 1 large (see annex 6, A); loans disbursed to small enterprises had the highest share in the total amount disbursed (see diagram 9).

Diagram 9: Financed enterprises by size, 2009



45. The classification of financed enterprises by legal organizational form (see annex 5, B) shows that in 2009, 10 loans have been disbursed to SCAs' members that held the biggest share represents in the total disbursed amount; 6 to limited liability companies; 2 to peasant farms and to one individual enterprise (see diagram 10).

Diagram 10: Financed enterprises by legal organizational form (share by number), 2009

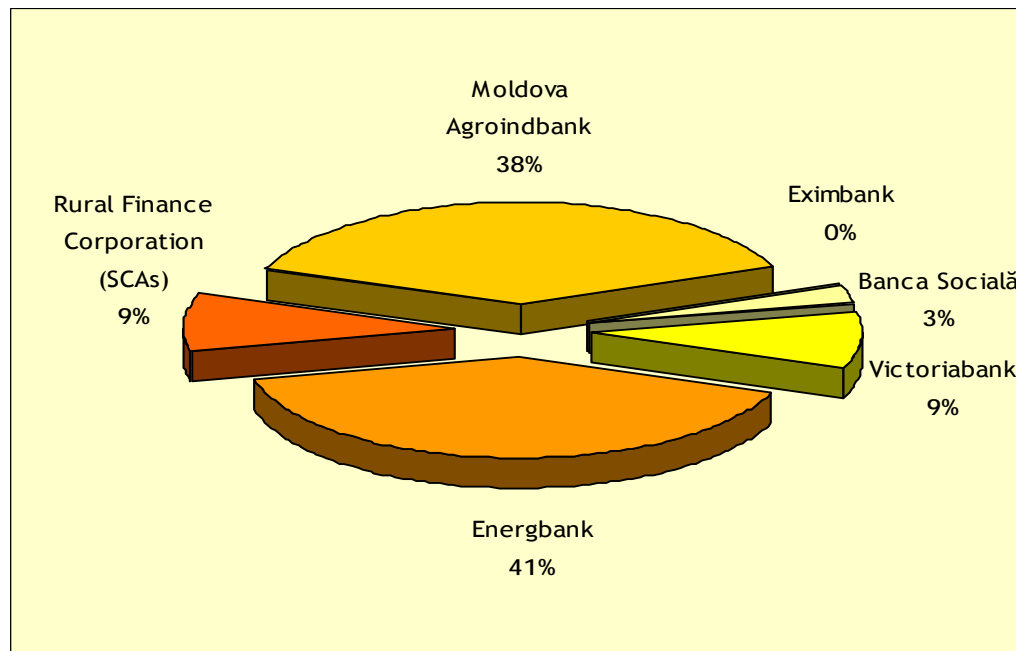


46. In 2009, as first year of the programme implementation, IFAD programmes Steering Committee had selected 6 PFIs (5 commercial banks and Rural Finance Corporation) for participation in the programme based on individual evaluation according the eligibility criteria set

out; each of the selected PFIs had signed with the Ministry of Finance a subsidiary financing agreement.

47. During PY I, 2 PFIs have disbursed 79% from the total amount of issued loans, i.e. Moldova-Agroindbank - 38% and Energbank - 41% (see diagram 11 and annex 5, C).

Diagram 11: Loans' disbursement by PFIs, 2009



48. According to its responsibilities, IFAD Programmes Steering Committee has set up the interest rate for IFAD loans, thus in 2009 it was 12.65% (from January to July) and 10.14% (from July to January), with about 6% - 7% lower than the average interest rate for CBS' loans set in the same period of 2009.

49. In 2009, the disbursement of loans mainly in sub-components (a) and (c) has been retarded because many PFIs after the signature of subsidiary financing agreements did not continue to fulfil the criterion regarding the portfolio at risk (PAR30). Therefore, in consultation with IFAD the IPSC has decided to raise the PAR30 from 8% to 10%.

50. Sub-component (d): PFIs capacity building. This sub-component aimed to support the programme implementation through (i) training for capacity building provided to PFIs and (ii) technical assistance in business plan development for small farmers that apply for loans under sub-component 2, (a) - 100% of the cost and 2, (c) - 70% of the cost.

51. During the first year of implementation, the programme has provided PFIs with trainings in risk management, credit recovery and financing of SMEs. Thus, CPIU IFAD has organised 6 training sessions including:

- 1 session lasting 2.5 days for commercial banks - attended by 40 credit officers from 7 commercial banks, including 23 women (57.5%); it is worth to mention that CPIU IFAD has collaborated with CNFA (ABDP) in organizing of above mentioned training activities, Thus the training cost has been covered 65.4% by IFAD (8,075 USD) and 34.6% by CNFA (4,275 USD).
- 5 sessions lasting 1.5 day for SCAs - attended by 87 employees (directors and accountants) from 57 SCAs, including 45 women (51.7%); the cost of this activities has been covered 100% by IFAD and represented 10,026 USD.

52. Under this sub-component, have been financed the development of 25 business plans (32% from total number of RFSMP applicants), including 9 business plans that have been financed

within RFSMP. The business plans have been developed by two business service providers from four selected by CPIU IFAD for providing technical assistance to small farmers. The expenditures to cover activities related to business plans development have mounted to 10,264 USD; the cost of 3 business plans has been covered in proportion of 70% and 6 business plans in proportion of 100%.

53. As result of implemented activities, the component has achieved the following performance indicators, as provided in table 10:

Table 10: RFS component performance indicators, 2009

Indicator	AWP&B	Actual
# of financed micro- and small production enterprises	20	6
# of financed processing /marketing SMEs	10	3
# of financed rural-based micro-businesses (through SCAs)	100	10
Training Seminar for PFIs on:		
rural financial products relevant to Value Chain Development	3	0
financing of small business (for SCAs)	5	5
risk management in agricultural lending	3	1
Trained participants (number) - in total	210	127
Business plans elaborated under sub-component II(a)	12	16
sub-component II(c)	6	9

54. Because of unfolding financial crisis that has led to an significant deterioration of financial institutions' assets, the last mentioned have become more prudent regarding the clients selection, related to collateral requirements and loan maturity. In consequence of mentioned conditions, the programme has not met its AWP&B targets related to RFS component.

### 3.3 Component 3: Pro-poor Market Derived Infrastructure

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

56. For the implementation of this component 3,775,000 USD have been allocated. For 2009 activities it has been estimated to disburse 321,000 USD or 8.5% from the total amount allocated for this component.

57. During PY I, 4 infrastructure investments have been financed in amount of 257,381 USD that represents 80% from the budgeted amount (see table 11).

Table 11. PPMDI component, plan vs. expenses (2009) (USD)

Component	AWP&B			Expenses			Expenses / Budget		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
Pro-poor Market Derived Infrastructure	321,000	0	321,000	257,381	0	257,381	80%	0	80%

58. The total cost of the component estimated for 2009 constituted 452,000 USD, including contribution of: IFAD, GRM (including VAT exemption) and infrastructure's beneficiaries, as presented in the table 12.

Table 12. PPMDI, plan vs. expenses (2009)

	IFAD	GRM	Clients	Total
Plan, USD	321,000	76,000	55,000	452,000
Share, %	71%	17%	12%	100%
Actual, USD	257,381	65,553*	66,247	389,181
Share, %	66%	17%	17%	100%

\* including 64,030 USD as estimated amount of VAT exemption

59. Infrastructure investment proposals to be implemented in 2009, have been submitted as result of publicity campaign at rayons level with active participation of the local authorities, rural entrepreneurs, producer's groups and villages associations, small and mid-scale farmers, who have applied for financing to CPIU IFAD.

60. In 2009 CPIU IFAD had registered 6 applications for development investment in roads, water supply and construction of a cold storage facility. All registered applications have been preceded through two phase:

- (i) Pre-qualification - the applications have been evaluated based on three compulsory criterions: (1) IRR greater than the opportunity cost of the capital; (2) written proponents' commitment of 15% cash contribution, from their own sources, in the total investment's cost; (3) feasible and sustainable procedure for operation and maintenance of the proposed facility.
- (ii) Qualification - the proposed facilities have been reviewed by CPIU IFAD based on a field visit, to research and confirm the link between the proposed investment, the expected benefits and the commercial justification.

61. Thus, in 2009, 4 investments have been qualified based on compliance with selection criteria and approved for financing by the Selection Committee. From the approved investments one has been in roads rehabilitation (1,477 km) and three in water supply system construction (3,573.25 km). The development investments in rural infrastructure have generated the following level of performance indicators, as provided in table 13:

Table 13: PPMDI component performance indicators, 2009

Indicator	AWP&B	Actual	Actual / Plan
Investment projects in infrastructure	4	4	100%
Number of beneficiaries of infrastructure facilities:	5,030	5,353	106%
Farmers / SMEs	26	26	100%
Individuals/ local dwellers	5,000	5,323	105%
Local authorities/ mayoralties	4	4	100%
Number of groups formed for management of infrastructure facility	4	4	100%
Number of members of management groups:	93	93	100%
including women	21 / 22%	21 / 22%	100%

62. All components' performance indicators have been accomplished at 100% or more in terms of number of infrastructure facilities' beneficiaries, thus the activities concerning the implementation of PPMDI are qualified as highly satisfactory.

### 3.4 Component 4: Programme Management

63. Organization and Management of the programme, according the Loan Agreement, is the responsibility of the agencies designated accordingly:

- Ministry of Agriculture and Food Industry;
- IFAD Project Steering Committee;
- CPIU IFAD;
- Credit Line Directorate - management of the re-financing operations.

64. The Ministry of Agriculture and Food Industry, in its capacity has the overall responsibility for the implementation of the programme.

65. The IFAD Programmes Steering Committee (IPSC), established by Government decision and chaired by the Minister of Agriculture and Food Industry, serves as the steering committee for all IFAD operations in Moldova. Its functions are to provide policy guidance, approve PFIs participation in the programme, align interest rates with markets rates as proposed by the Ministry of Finance and acceptable to IFAD, review and approve AWP&B and Progress Reports and ensure the coordination between the programme and other ongoing programmes. In 2009, the IPSC has continued to support and fulfil its statutory functions. The Committee has met three times on the following issues: (i) on March, 20 to approve the RFSMP AWP&B for 2009, the Participating Financial Institutions and the calculation formula for loans' interest rate; (ii) on October, 26 regarding the modification of PAR criterion for PFIs; and (iii) on December, 23 to approve the RFSMP AWP&B for 2010.

66. Programme Management (PM) is the responsibility of CPIU IFAD, established by the Government decision, which coordinates the activities and financial management of the programme. In 2009, CPIU have continued to fulfil its responsibility for the technical, financial and developmental integrity for the programme, as well as supervision of all program's operations, work planning and budgeting, procurement and contracting of service providers and suppliers, financial management and flow of funds, monitoring and impact assessment, and progress reporting. At the end of 2009, CPIU was composed of ten staff positions existing under the on-going IFAD programmes, including the new position under RFSMP - Value Chain Facilitator.

67. In 2009, four CPIU IFAD staff members have attended the workshop on "Result-Oriented Monitoring Systems" that had place at IFAD H.Q., Rome (Italy) from 17 to 18 December.

68. To carry out all activities under this component, it has been allocated a total amount of 836,000 USD, including 129,000 USD IFAD grant source. For 2009 an amount of 54,400 USD has been planed to cover the activities of this component. 7,900 USD have been planed as GRM contribution for the implementation of activities under PM component. The total amount spent in 2009 for PM activities represents 43% or 26,930 USD from the budgeted amount, including 19,476 USD - IFAD and 7,454 USD - GRM (see table 14).

Table 14. PM component, plan vs. actual (2009) (USD)

Component	Plan, PY I			Actual, PY I			Actual / Plan		
	IFAD	GRM	Total	IFAD	GRM	Total	IFAD	GRM	Total
Programme Management	54,400	7,900	62,300	19,476	7,454	26,930	36%	94%	43%

## RURAL FINANCIAL SERVICES AND MARKETING PROGRAMME - 2009 ANNUAL REPORT

69. In 2009, CPIU IFAD has continued to maintain the M&E system, based on RFSMP conditions, and other ongoing programmes. The M&E system has been set up to comply with IFAD RIMS system; according the loan agreement provision for 2009 have been measured just outputs or RYMS first level indicators (see table 15).

Table 15: RFSMP performance indicators, plan and actual (2009)

	AWP&B, PY I	Actual, PY I
Level of public awareness/ development opportunities	<ul style="list-style-type: none"> <li>▪ 14 meetings organised (launching workshop, awareness campaigns, seminars on Value Chain Development)</li> </ul>	<ul style="list-style-type: none"> <li>▪ 18 meetings organised (launching workshop, awareness campaigns, seminars on Value Chain Development)</li> </ul>
Awareness and access of farmers to training	<ul style="list-style-type: none"> <li>▪ 30 - farmers trained in agricultural/horticultural production technologies</li> <li>▪ 30 - farmers trained in production technologies &amp; marketing</li> <li>▪ 30 - persons trained in the field of quality management/standards</li> </ul>	<ul style="list-style-type: none"> <li>▪ 490 - farmers trained in agricultural/horticultural production technologies</li> <li>▪ 298 - farmers trained in production technologies &amp; marketing</li> <li>▪ 15 - persons trained in the field of quality management/standards</li> </ul>
Access to financial services	<ul style="list-style-type: none"> <li>▪ 200 loan applications</li> <li>▪ 30 loans provided through commercial banks (20% loans provided to women)</li> <li>▪ 100 loans provided through SCAs (20% loans provided to women)</li> <li>▪ 130 beneficiaries (20% loans provided to women)</li> <li>▪ 63 thousand USD - average loan size provided to SMEs</li> <li>▪ 5 thousand USD - average loan size provided to SCAs beneficiaries</li> <li>▪ Types of financed enterprise (micro-45%, small-30%, medium-15%, large-10%)</li> </ul>	<ul style="list-style-type: none"> <li>▪ 79 loan applications</li> <li>▪ 9 loans provided through commercial banks (0% loans provided to women)</li> <li>▪ 10 loans provided through SCAs (10% loans provided to women)</li> <li>▪ 32 beneficiaries (18.8% loans provided to women)</li> <li>▪ 47.7 thousand USD - average loan size provided to SMEs</li> <li>▪ 4.3 thousand USD - average loan size provided to SCAs beneficiaries</li> <li>▪ Types of financed enterprise (micro-74%, small-16%, medium-5%, large-5%)</li> </ul>
Access to market-derived infrastructure investments	<ul style="list-style-type: none"> <li>▪ 9 infrastructure investment proposals</li> <li>▪ 4 financed infrastructure investment</li> <li>▪ 25 SMEs+5000 individuals - beneficiaries of infrastructure</li> <li>▪ 4 infrastructure beneficiary villages</li> <li>▪ 4 groups established for MDIC management</li> <li>▪ 93 members of management groups</li> <li>▪ 1,200 households' beneficiaries of MDIC.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 6 infrastructure investment proposals</li> <li>▪ 4 financed infrastructure investment</li> <li>▪ 26 SMEs+5023 individuals - beneficiaries of infrastructure</li> <li>▪ 4 infrastructure beneficiary villages</li> <li>▪ 4 groups established for MDIC management</li> <li>▪ 93 members of management groups</li> <li>▪ 1,515 households' beneficiaries of MDIC.</li> </ul>
Institutional capacity building	<ul style="list-style-type: none"> <li>▪ 3 thematic trainings delivered for PFIs/SCAs</li> <li>▪ 210 employees of PFIs/SCAs trained</li> </ul>	<ul style="list-style-type: none"> <li>▪ 6 thematic trainings delivered for PFIs/SCAs</li> <li>▪ 127 employees of PFIs/SCAs trained</li> </ul>

#### 4. PERFORMANCE ASSESSMENT

70. With reference to previous mentioned information, the programme performance has achieved satisfactory level in terms of its physical and financial aspects.

71. In 2009, 8,676 households have benefited from the programme, including 1,547 as direct beneficiaries and 7,161 households as indirect beneficiaries.

72. Due to deflation process during 2009, the interest rate applied for IFAD loans has been lower comparing to previously established, that in condition of crisis, offered the possibility to programme beneficiaries to reduce their investment costs.

73. However, the programme has faced implementation constraints as:

- (i) In condition of economic crisis and because of the contraction of economy, particularly in construction industry, Financial Institutions' assets have supported an important decrease of quality. In those conditions, PFIs did not fulfil the criterion regarding the portfolio quality. In order to discharge the disbursement of loans, IPSC in consultation with IFAD has raised the established level of PAR30 from 8% to 10%.
- (ii) As result of economic crisis the quality of CBs' portfolios of loans has considerably decreased, that imposed more drastic conditions established by CBs. Those, the collateral requirements set up by CBs were very constraining for potential programme beneficiaries, fact that has diminished the access to loans;
- (iii) Political crisis from 2009 has generated a wave of incertitude that has reduced the intention to invest in all sectors of economy, including agriculture.

74. Ending the first year of implementation, the programme has shown good result and has established a strong basis for further programme implementation.

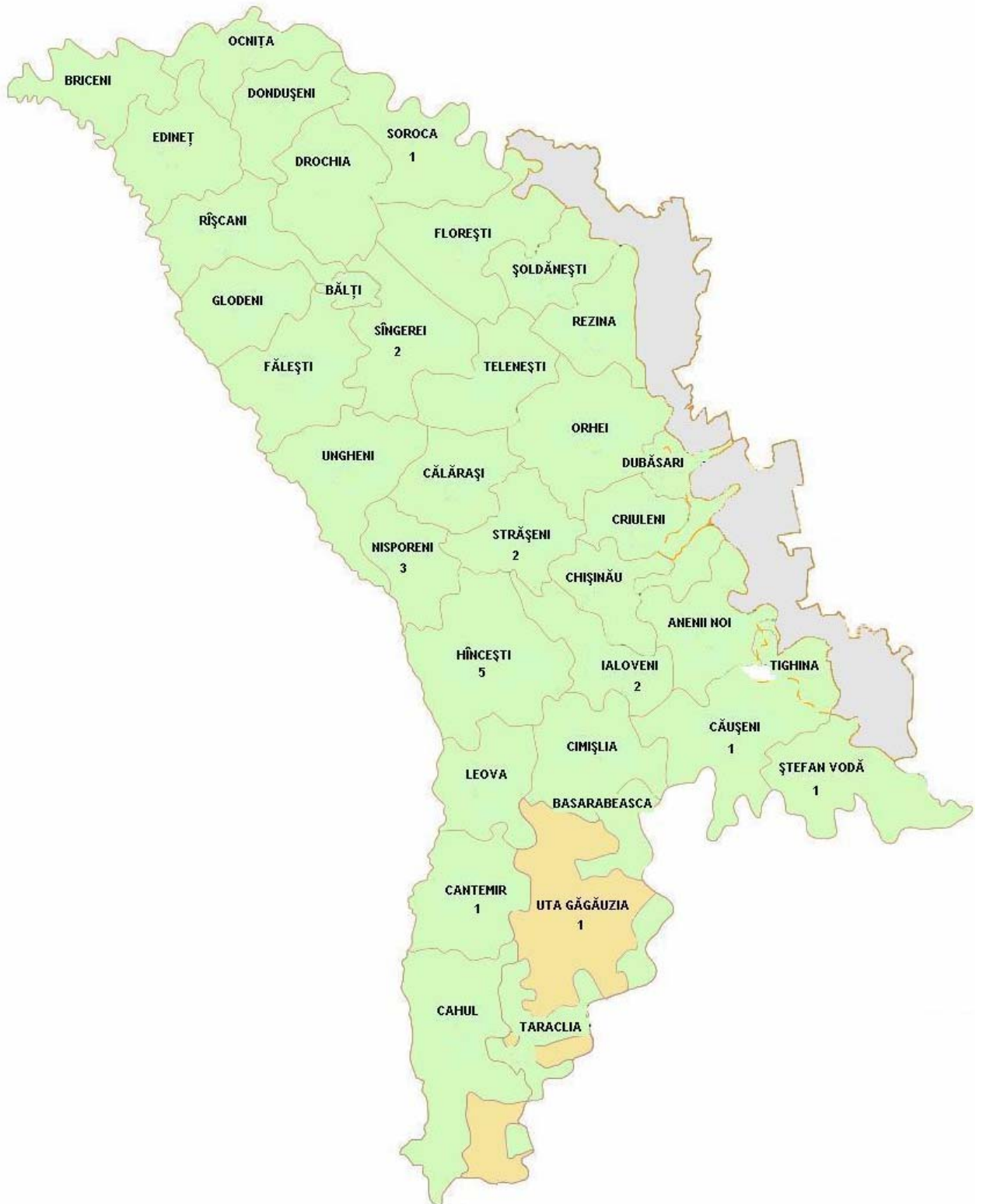
## ANNEXES

**RURAL FINANCIAL SERVICES AND MARKETING PROGRAMME - 2009 ANNUAL REPORT**

**ANNEX 1. RFSMP expenditures by financiers, plan and actual (2009):**

	Plan, PY I (USD)					Actual, PY I (USD)				
	IFAD	GRM	PFI	Beneficiaries	Total	IFAD	GRM	PFI	Beneficiaries	Total
<b>By category</b>										
I. Re-financing & Capital Investments	2,400,000	0	335,000	526,300	3,261,300	473,044	0	70,300	1,550,235	2,093,579
II. Equipment and Supplies	7,000	0	0	0	7,000	2,588	0	0	0	2,588
III. Technical Assistance & Training	179,500	10,300	0	0	189,800	95,526	1,708	0	0	97,234
IV. Civil works	318,000	75,150	0	55,000	448,150	256,222	65,553	0	66,247	388,022
V. Operating Costs & Management	27,400	8,750	0	0	36,150	10,600	6,686	0	0	17,286
<b>Total</b>	<b>2,931,900</b>	<b>94,200</b>	<b>335,000</b>	<b>581,300</b>	<b>3,942,400</b>	<b>837,980</b>	<b>73,947</b>	<b>70,300</b>	<b>1,616,482</b>	<b>2,598,709</b>
<b>%</b>	<b>74.4%</b>	<b>2.4%</b>	<b>8.5%</b>	<b>14.7%</b>	<b>100%</b>	<b>32.2%</b>	<b>2.8%</b>	<b>2.7%</b>	<b>62.2%</b>	<b>100%</b>
<b>By components</b>										
I. Value Chain Development	93,500	5,000	0	0	98,500	59,712	940	0	0	60,652
II. Rural Financial Services	2,463,000	5,300	335,000	526,300	3,329,600	501,411	0	70,300	1,550,235	2,121,946
III. Market-Derived Infrastructure	321,000	76,000	0	55,000	452,000	257,381	65,553	0	66,247	389,181
IV. Programme Management	54,400	7,900	0	0	62,300	19,476	7,454	0	0	26,930
<b>Total</b>	<b>2,931,900</b>	<b>94,200</b>	<b>335,000</b>	<b>581,300</b>	<b>3,942,400</b>	<b>837,980</b>	<b>73,947</b>	<b>70,300</b>	<b>1,616,482</b>	<b>2,598,709</b>
<b>%</b>	<b>74.4%</b>	<b>2.4%</b>	<b>8.5%</b>	<b>14.7%</b>	<b>100.00%</b>	<b>32.2%</b>	<b>2.8%</b>	<b>2.7%</b>	<b>62.2%</b>	<b>100%</b>

ANNEX 2: Map showing distribution of RFSMP loans



## RURAL FINANCIAL SERVICES AND MARKETING PROGRAMME - 2009 ANNUAL REPORT

### ANNEX 3: Loan Disbursement by type of investment (2009, plan vs. actual):

	Type of investment	2009-plan			2009 actual		
		No. of loans	Amount, USD 000	Share by amount, %	No. of loans	Amount, USD 000	Share by amount, %
1	Processing facilities	4	400.0	16.7%	0	0.0	0.0%
2	Collection/ cold storage/ marketing	6	700.0	29.2%	3	253.7	53.6%
3	Viticulture / pomiculture	10	450.0	18.8%	7	182.8	38.6%
4	Vegetables production/ greenhouses	7	260.0	10.8%	0	0.0	0.0%
5	Irrigation systems	0	0.0	0.0%	1	6.9	1.5%
6	Agricultural machinery	3	90.0	3.8%	0	0.0	0.0%
7	Other agricultural activities/ SCAs	100	500.0	20.8%	5	16.9	3.6%
8	Non-agricultural activities/ SCAs	0	0.0	0.0%	3	12.7	2.7%
	Total	130	2,400.0	100%	19	473.0	100%

## RURAL FINANCIAL SERVICES AND MARKETING PROGRAMME - 2009 ANNUAL REPORT

### ANNEX 4: Loan disbursement (2009)

#### A. By scope of investment

	Scope	2009 - PY I		
		Number	Amount, USD 000	Share by amount, %
1	Launching of new business	1	7.0	1.5%
2	Diversification of activities	3	253.7	53.6%
3	Expanding of existing business	15	212.3	44.9%
	Total	19	473.0	100.0%

#### B. By loan size

Sub-component	Loan size	2009 - PY I		
		Number	Amount, USD 000	Share by amount, %
2, b	< or = USD 7,000	10	43.40	9%
2, a	< or = USD 20,000	0	0.00	0%
2, a	> USD 20,000 to USD 50,000	7	217.40	46%
2, c	> USD 50,000 to USD 150,000	2	212.20	45%
	Total	19	473.00	100%

#### C. By PFIs

	PFIs	2009 - PY I		
		Number	Amount, USD 000	Share by amount, %
1	Moldova Agroindbank	4	181.00	38%
2	Eximbank	0	0.00	0%
3	Banca Socială	1	14.00	3%
4	Victoriabank	1	43.00	9%
5	Energbank	3	192.00	41%
6	Rural Finance Corporation (SCAs)	10	43.00	9%
	Total	19	473.00	100%

ANNEX 5: Classification of financed enterprises:

A. By size:

	Classification according to the Low	2009, PY I		
		#	Loan amount, USD	Share by amount, %
micro	<i>Number of employees - ≤ 9 pers. Net annual sales - ≤ 300,0 ths.USD</i>	14	134.5	28.4%
small	<i>Number of employees - ≤ 49 pers. Net annual sales - ≤ 2500,0 ths.USD</i>	3	169.9	35.9%
medium	<i>Number of employees - ≤ 249 pers. Net annual sales - ≤ 50000,0 ths.USD</i>	1	84.8	17.9%
large	<i>Number of employees - &gt;250 pers. Net annual sales - &gt; 50000,0 ths.USD</i>	1	83.9	17.7%
Total		19	473.0	100.0%

B. By legal form:

Legal form	2009, PY I		
	Number	Loan amount, USD	Share by amount, %
Peasant Farm	2	25.42	5.4%
Individual Enterprise	1	22.87	4.8%
Limited Liability Company	6	381.27	80.6%
Joint Stock Company	0	0	0.0%
Cooperative	0	0	0.0%
SCAs' members	10	43.47	9.2%
Total	19	473.0	100%

C. By period of activity:

Legal form	2009, PY I		
	#	Loan amount, USD	Share by amount, %
new enterprises	5	24.1	5.1%
> than 1 year to 5 year	8	150.6	31.8%
> than 5 year to 10 year	5	213.3	45.1%
> than 10 year	1	85.0	18.0%
Total	19	473.0	100.0%