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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

AGRICULTURAL REVITALISATION PROJECT

ANNUAL REPORT
2009



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CONSOLIDATED PROGRAMMES IMPLEMENTATION UNIT

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ABBREVIATION AND ACRONYMS

ARP	Agricultural Revitalisation Project
BP	Business Plan
BSP	Business Service Provider
CB	Commercial Bank
CPIU	Consolidated Programme Implementation Unit
GRM	Government of Republic of Moldova
IFAD	International Fund for Agricultural Development
LLC	Limited Liability Company
MOF	Ministry of Finance
PCD	Participatory Community Development
PFI	Participating Financial Institution
PY	Project Year
RBDP	Rural Business Development Programme
VARF	Village Agricultural Revitalization Fund
VDC	Village Development Committee
VDP	Village Development Plan

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 Agricultural Revitalization Project, as second IFAD-funded project in Moldova, has been launched in January 2006 and is expected to be finalized in March 2013, following an implementation period of 7 years. About 15 million USD have been allocated for the implementation of activities envisaged under the project. The project is being operational for 47 month.

1.1 Project Outline

2. The ARP aims to contribute to the alleviation of poverty at community level by promoting transparency in governance, creating an enabling environment for the emergence of local entrepreneurs, and fostering the growth of off-farm small-scale enterprises and business ventures. APR helps develop a basis for cooperation and trust, and promotes transparency, self-governance, and participatory self-help in development, through sustained institutional support.

3. The project consists of four components:

(i) Participatory Community Development: this component enables communities to acquire the capacity to take charge of their own development process. The component focuses on community mobilisation and empowerment, and technical support and training.

(ii) Institutional Capacity Building: this component provides for technical assistance and training for service providers who will provide the necessary institutional and technical support to project participants at the village level.

(iii) Community Economic Investments: This component provides funding for the development of privately owned and managed economic infrastructure in participating villages.

(iv) Project Management: this component provides for establishment of a Consolidated Programme Implementation Unit - IFAD to manage project resources and oversee the implementation of the project supported interventions.

4. Village Agricultural Revitalization Fund. The VARF, a revolving fund established and administrated by the Credit Line Directorate under the Ministry of Finance, provides funding through the repayments (both principal and interest) for continuity of financing process of Agricultural Revitalization, for similar investments and lending terms and conditions.

5. Grant Element. The project includes a provision of a grant element, financed through earning generated by sub-loans. This grant element consists of cancelation of the remaining payments up to a maximum of 30% of the original debt in the case of long term loans, and up to 20% in case of medium term loan.

6. Project Implementation activities arrangement. Project implementation is fully participatory and is based on a set of specific criteria and a sequence of implementation step, and mainly:

- 1) *Registration of applications*. Interested villages to participate under the project apply for participation to the CPIU-IFAD. The registered applications are being assessed to be in compliance with eligibility criteria.
- 2) *Village pre-qualification* entitles eligible communities to receive institutional support to organize Village Development Committee.

- 3) *Village qualification* entitles pre-qualified communities to further institutional support and training to prepare Village Development Plan. The VDP is being oriented to access anticipated economic benefits at village level and once being elaborated it is submitted to the CPIU-IFAD for approval.
- 4) *Sub-project qualification for technical assistance* entitles potential credit beneficiaries to receive continued technical assistance for the preparation of BPs.
- 5) *Sub-project qualification for loans* entitles potential credit beneficiaries to apply, if approved by Participating Financial Institutions, receive sub-loans under the project.
- 6) *Sub-project qualification for matching grants* entitles credit beneficiaries to qualify for grants.

1.2 About this Annual Report

7. This Report has been elaborated by the CPIU-IFAD in accordance with Article IV, section 4.02 (*Progress Reports*) of the Loan Agreement no.629-MD.

8. This Report reflects the implementation progress of the project activities that contribute to alleviation of poverty in rural areas through the revitalization of village economies, thereby creating employment opportunities and generating income for rural population.

9. 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 fiscal year (1 January to 31 December) and the cumulative progress, since the project has been started.

2. SUMMARY OF IMPLEMENTATION PROGRESS TO DATE

10. The ARP has completed four years of the total project implementation period and has accomplished significant progress, towards achieving its objectives. Both physical and financial performance has been continuously very good and mostly exceeded appraisal projections. The physical and financial performances are presented further in this chapter.

11. In 2009 (PY IV) the Project continued to contribute through its activities to rural poverty reduction through revitalization of village economies, thereby creating employment opportunities and generating income for the rural population.

12. The total Project cost to cover planned activities for 2009 was in amount of 6,821,000 USD, including resources from IFAD, the Government of Republic of Moldova, Participating Financial Institutions and Project beneficiaries' contribution, as presented in table 1.

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

2009 (PY IV)	IFAD	GRM	Beneficiaries	PFI	Total
Planed figures	3,397	23.8	3,000	400	6,821
Actual figures	3,443	24.8	6,404	105	9,977
<i>Actual/Plan (%)</i>	101%	104%	213%	26%	146%

13. Total Project cost for 2009 has reached the amount of 9,977,335 USD and has exceeded the budgeted figures mainly due to higher beneficiaries' contribution in the investments (both cash and in-kind contribution).

14. From the start up to the end of 2009, the Project achieved the following with respect of its components:

(i) Participatory Community Development: of total 843 primarias in Moldovaⁱ, 164 have expressed their interest in participating (including 32 in 2009), of which 130 have been qualified for VDP development (including 36 in 2009); 108 developed VDPs have been qualified (including 22 in 2009), of which 95 are under implementation (including 25 in 2009); 26 VDPs have been completed (including 8 in 2009). Six Business Service Providers have been contracted out mainly for: (a) preparation of VDPs with VDCs and interested village inhabitants; (b) assisting entrepreneurs in preparing BDPs to apply for loans; and (c) if necessary, support to entrepreneurs during the approval procedures with the PFIs up to loan approval.

(ii) Institutional Capacity Building: CPIU has organised training in collaboration with other national and international NGOs to improve staff capacities of the Project implementation partners. Thus, during the period 2006 - 2009, 120 persons from PFIs and 32 persons from BSPs have been trained. In 2009, CPIU has financed other two activities for improvement of MAFI staff capacities.

(iii) Community Economic Investments: 184 loans in the total amount of 11,941,000 USD have been disbursed through 8 commercial banks the average loan size being 64,897 USD. Total number of loan beneficiaries reached 487 persons, including 145 women (29.8%).

(iv) Project Management: Project Management is the responsibility of CPIU IFAD, that has fulfilled its responsibility for the technical, financial and developmental integrity of the Project, as well as supervision of all Project 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.

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

15. In 2009, an IFAD mission has conducted the Mid-Term Review of the ARP. The mission has appreciated the Project overall assessment as satisfactory and has mentioned that IFAD loan funds would be exhausted by the end 2010, which would determine the Project completion two years in advance of the contractual completion date. The information on mission recommendations and their status is presented in the Annex 8.

2.1 Physical Progress Summary

16. During four year of implementation, the Project has achieved significant results in terms of participating villages, number of SMEs financed and loan amount disbursed, number of PFIs; high participation of women in Project activities; good results in terms of jobs created that have enabled households to increase their income; and other aspect.

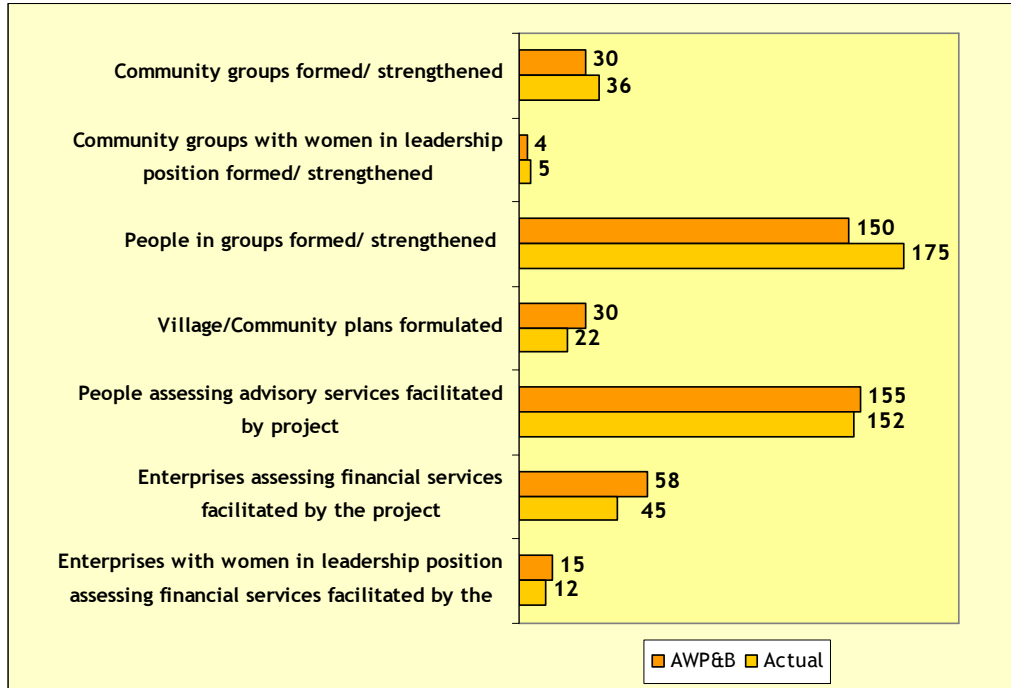
17. In 2009, the Project has achieved good results comparing to the figures provided in AWP&B:

- (i) People receiving project services - 197 or 92% of AWP&B figure (213);
- (ii) Groups receiving project services - 36 or 120% of AWP&B figure (30);
- (iii) Community receiving project services - 32 or 91% of AWP&B figure (35);
- (iv) Value of loan gross portfolio - 3.18 million USD or 99% of AWP&B figures (3.2 million USD).

Diagram 1 shows the main physical results achieved in 2009 in comparison with AWP&B figures.

ⁱ Total number of primarias in Moldova according the Report on Poverty and Policies Impact for 2008, developed by the Ministry of Economy of Republic of Moldova. One primaria can administer one or two villages.

Diagram 1: Project physical progress, 2009



18. The cumulative Project results have reached the following level comparing to Appraisal targets:

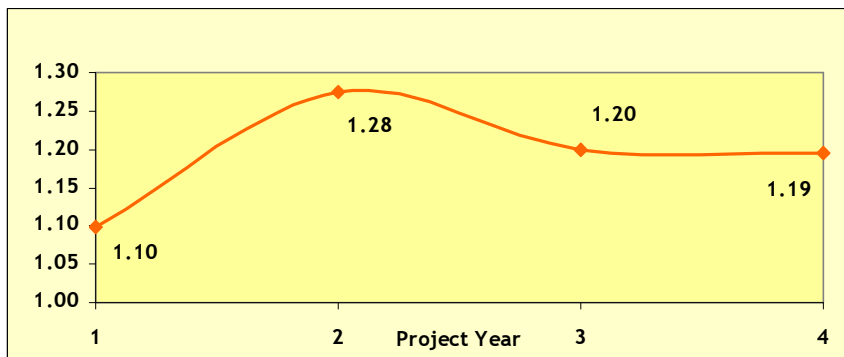
- (i) Community receiving project services - 174%;
- (ii) People in groups formed/strengthened - 174%;
- (iii) Village/Community plans formulated - 162%;
- (iv) People assessing advisory services facilitated by project - 264%;
- (v) Staff of service providers trained - 152%;
- (vi) Enterprises assessing financial services facilitated by the project - 139%;
- (vii) Value of loan gross portfolio - 131%.

19. As is provided above and more detailed in Annex 1, all Project results have exceeded the Appraisal Targets three years in advance comparing to the contractual completion date.

2.2 Financial Progress Summary

20. From the project start in 2006 till the end of 2009, 55% of the implementation period has elapsed with a disbursement rate of 65%. This yields a disbursement factor of 1.19, indicator that shows high financial performance (see diagram 2).

Diagram 2: Disbursement factor by Project Year



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21. In 2009, a reallocation of fund has been done, increasing the amount for the implementation of Community Economic Investment component, in the context of high demand for credits. That included a reallocation of about 1.625 million USD to Incremental Credit from the other category of expenditures.

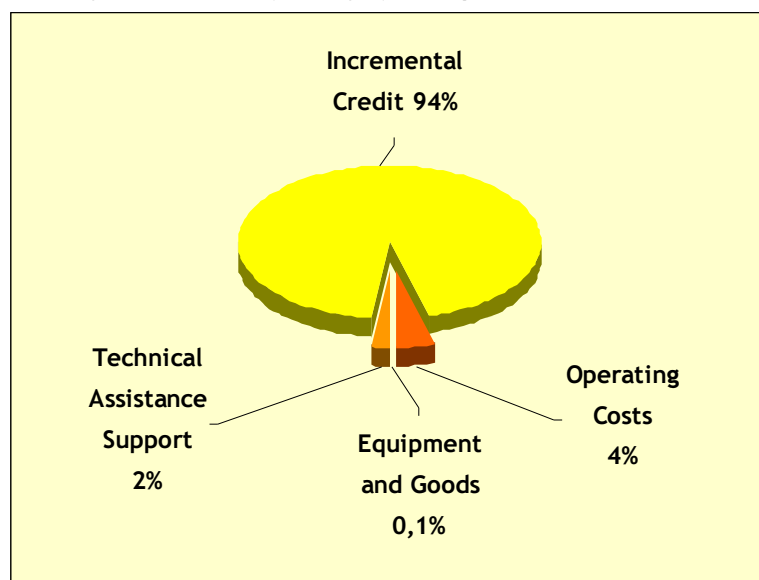
22. During PY IV, three categories of expenditures have exceeded the planned figures, i.e. Technical Assistance and Support (106%), Incremental Credit (101%) and Operating Costs (105%). The relative amount between cumulative project expenditures and Project allocation was 82%. The status of IFAD fund by category of expenditures is presented in the table 2.

Table 2: IFAD fund by category of expenditures (USD)

Category	AWP&B, 2009	Expenses, 2009	Exp/Bud (%)	Initial Allocation	Re-allocation	Total Cumulative Expenses (2006-2009)	Cumulative Exp/Bud
I. Equipment and Goods	5,000	1,859	37%	345,000	65,000	60,880	94%
II. Technical Assistance Support	58,390	62,185	106%	1,545,000	545,000	168,946	31%
III. Incremental Credit	3,200,000	3,239,836	101%	12,435,000	14,060,000	11,939,913	85%
IV. Operating Costs	133,800	140,046	105%	780,000	780,000	452,789	58%
V. Unallocated	-	-	-	345,000	-	-	-
Total	3,397,190	3,443,926	101%	15,450,000	15,450,000	12,622,528	82%

23. The Project is characterized with very low operating costs versus very high rate of investment cost as is provided below in diagram 3.

Diagram 3: Share by category of expenditures, 2006-2009

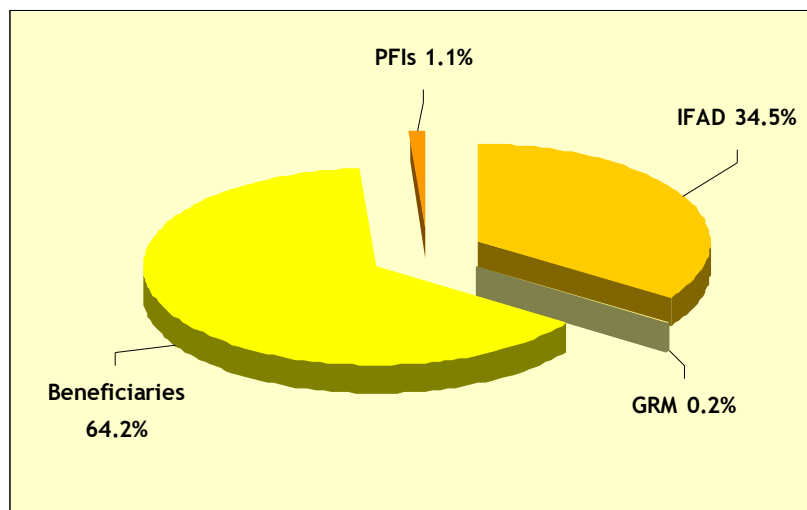


24. In 2009, project expenditures have been covered by IFAD in amount of 3,443,926 USD, the Government of Republic of Moldova - 24,809 USD, Project beneficiaries - 6,403,500 USD and

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Participating Financial Institutions - 105,100 USD (see Annex 2). The diagram 4 shows the share of project expenditures by financier for 2009.

Diagram 4: Expenditures by financier, 2009



25. Comparing to 2008, in 2009 IFAD share has decreased with 5.1%, PFIs contribution has diminished with 2.5%, GRM share in the project expenditures have been at the same level, while the Beneficiaries' contribution has lift up with 7.7%. At the same time, if compare the amounts of expenditures with the AWP&B figures (see Annex 2), the planed figures has been covered in proportion of: 101% - IFAD, 104% - GRM, 26% - PFIs and 213% - Beneficiaries contribution (both monetary and in-kind).

26. Further, are presented the figures on Project expenditures by category & component, by financier (Table 3).

Table 3: 2009 Project expenditures by category & financier and component & financier (USD)

	IFAD	GRM	Beneficiaries	PFIs	Total
A. By category					
Equipment and Goods	1,859	0	0	0	1,859
Technical Assistance Support	62,185	0	0	0	62,185
Incremental Credit	3,239,836	0	6,403,500	105,100	9,748,436
Operating Costs	140,046	24,809	0	0	164,855
Total	3,443,926	24,809	6,403,500	105,100	9,977,335
B. By components					
Participatory Community Development	43,256	0	0	0	43,256
Institutional Capacity Building	1,331	0	0	0	1,331
Community Economic Investment	3,239,836	0	6,403,500	105,100	9,748,436
Project Management	159,503	24,809	0	0	184,312
Total	3,443,926	24,809	6,403,500	105,100	9,977,335

3. DETAILED IMPLEMENTATION PROGRESS BY COMPONENT

3.1 Component 1: Participatory Community Development

27. This component aims to enable communities participating in the project to take charge of the revitalization of their local economies and to support participating villages to develop the capability and establish viable organizations to design and implement community-focused development programmes in a participatory manner. The inputs under this component are organized under two sub-components: (a) community mobilization and empowerment; and (b) technical support and training.

28. For the implementation of this component have been spent 43,300 USD (see table 4), including the expenditures of 16,500 USD for the activities under the sub-component Community Mobilization and Empowerment, and 26,800 USD for the sub-component Technical Support and Training. In 2009, the expenditures of PCD component have exceeded the planned figures with 24.7%, in particular due to 73.4% higher expenditures of Community Mobilization and Empowerment sub-component. 2009 PCD component's expenditures are 12% higher comparing to 2008 figures.

Table 4: PCD expenditures (USD 000)

Sub-Component	AWP&B, 2009	Expenses, 2009	Exp/Bud (%)	Total Allocation	Cumulative Expenses (2006-2009)	Cumulative Exp/Bud
Community Mobilization and Empowerment	9.5	16.5	173.4%	884.0	38.0	4.3%
Technical Support and Training	25.2	26.8	106.3%	549.0	99.5	18.1%
Total	34.7	43.3	124.7%	1,433.0	137.5	9.6%

29. **Community Mobilization and Empowerment.** From the project start up to the end of 2009, the project achieved the following with respect to its PCD component: of 843 primarias in Moldova, 164 showed the interest in participating (19%), (see Table 5).

Table 5: Participatory Community Development Indicators

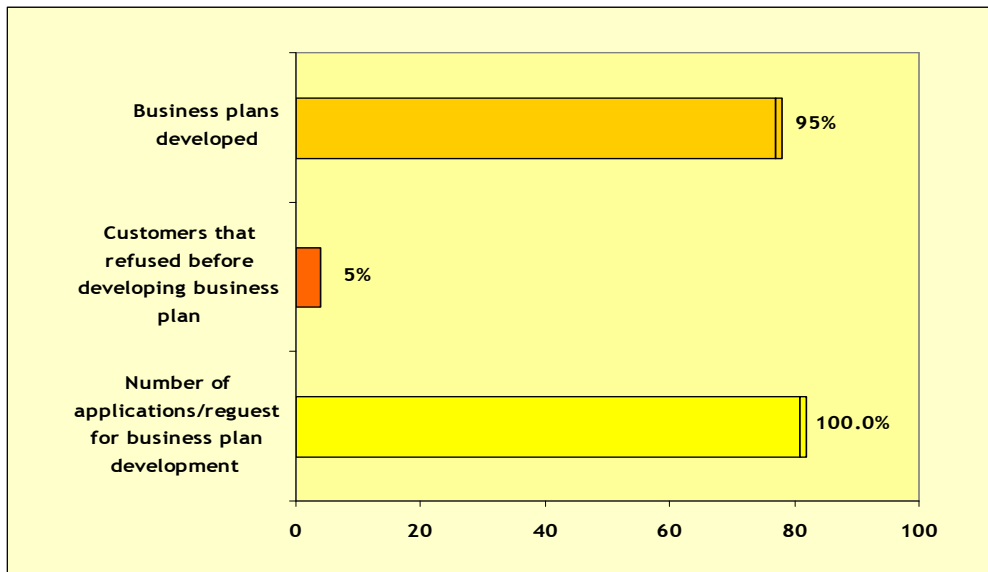
	Indicators	2009 (PY IV)			Cumulative 2006-2009		
		AWP&B	Actual	%	Appraisal	#	%
1	Villages expressed their interest for participation/ pre-qualified	35	32	91.40%	n/a	164	
2	Qualified Villages	30	36	120.00%	107	130	121%
3	Qualified VDPs	30	22	73.30%	57	108	189%
4	VDPs under implementation	28	25	89.30%	39	95	243%
5	Number of VDPs completed	n/a	8	n/a	3	26	866%
6	No of financed investments / loans	58	45	77.60%	190	184	
7	Average amount per village (USD 000)	114.3	129.6	113.40%		125.7	

30. CPIU staff has launched an awareness campaigns through local media and has held meetings in 164 villages eligible to participate in the Project, with emphasis on the rural communities with high income deprivation index, thus mobilising communities to revitalize their local economies (see Annex 3). CPIU staff has enabled linkages between Service Providers and eligible villages for VDPs development purpose.

31. **Technical Support and Training.** In 2009, technical assistance and support have been provided through 6 BSPs, the same that had implemented that process in 2008, by their contracts extension. The BSPs have been contracted for: (i) preparation of VDPs with VDCs and interested villages habitants; (ii) assisting entrepreneurs in Business Development Plans to apply for credit; (iii) support to entrepreneurs during the approval procedures with PFIs up to loan approval.

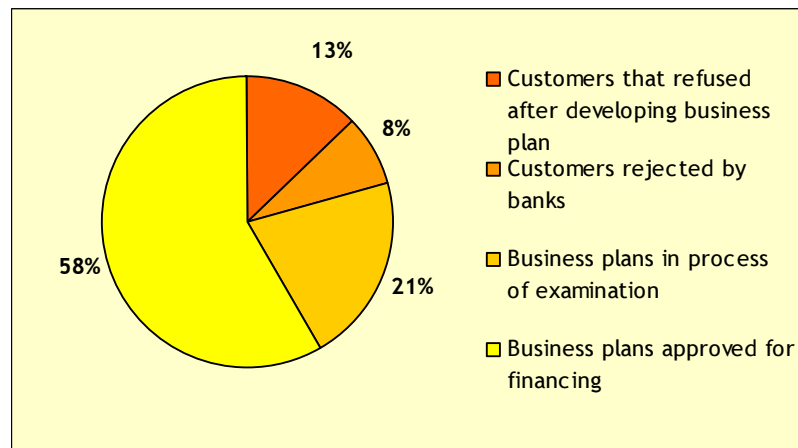
32. In 2009, BSPs have received 81 applications from potential project beneficiaries for business plan development, from which 77 have agreed to developed business plans, or 95% as illustrates the diagram 5:

Diagram 5: Applications vs. developed business plans, 2009



33. From the total number of developed business plans during PY IV (see diagram 6), 45 have been approved for financing, 16 were under examination, 10 customers that refused after developing business plan and 6 customers rejected by PFIs (the chart below shows the relative values for the mentioned categories).

Diagram 6: Business Plans Developed



34. **Gender mainstreaming of the component.** The Project is based on two essential principles: the project is demand driven and the implementation is fully participatory. Therefore, it was not envisaged for this Project gender mainstreaming policy to set up specific targets for outreach to other gender. However, CPIU-IFAD encouraged women participation in the Project implementation, both from participatory aspect and direct in financing. Thus, it is important to mention that in 2009, women participation in decision making in community development (representing women members of VDCs) weighted 33.8%, with an increase of 8.8% of the planed figure. The table 6 presents the relevant indicator for gender mainstreaming.

Table 6: Gender mainstreaming indicators

	Indicators	2009 (PY IV)			Cumulative 2006-2009	
		AWP&B	Actual		#	%
			#	%		
1	Number of VDCs with women in leadership position	4	5	15,6%*	22	13.4%*
2	Women participation in decision making - Village Committee members	25%	52	33.8%***	222	25,6%***

* From the total number of VDCs' leaders from the qualified villages

** From the total number of VDCs' members from the qualified villages

3.2 Component 2: Institutional Capacity Building

35. This component has continued to sustain the development of necessary capacities for the introduction of participative revitalization process. The amount of 14,690 USD has been allocated to carry out the activities of this component planed for 2009.

36. In 2009, CPIU-IFAD has financed the participation of two representatives of the Ministry of Agriculture and Food Industry at the following events:

	Event	MAFI representative	Comments
1.	International Trade Fair for Food Products "Polagra-Food"	Ms. Emilia Cainarean, Chief of Intern Relations & Marketing Direction	The event had place in Poznan, Poland, from 14 to 17 September 2009. The reason of participation was to promote Moldavian products and to extend the economic cooperation between Moldova and Poland.
2.	World Summit on Food Security	Mr.Valeriu Cosarciuc, Minister of Agriculture and Food Industry	The event had place in Rome, Italy, from 16 to 18 November, 2009. The participation of Moldavian representative was important in the context of the necessity to work to reverse the decline in domestic and international funding for agriculture and to promote new investments in the sector, to improve governance of global food issues in partnership with relevant stakeholders for the public and private sector, and proactively face the challenges of climate change to food security.

37. The support services have been continuously provided to implementation partner agencies, i.e. BSPs, by offering all required information and improving staff skills during office meetings and daily communication.

3.3 Component 3: Community Economic Investments

38. Through this component have been financed investments aimed at the intensification and expansion of commercial agricultural production, agro-services and agro-processing activities to create productive employment and generate income. Being the major Project component, in 2009 it has covered 94.6% of Project expenditures.

39. Out of 108 villages, from 30 country districts (see Annex 4), which VDPs have been qualified at the end of 2009, 95 have been financed in a total amount of 11,941,000 USD. Total investment cost of this component is presented in the table 7. 184 loans have been distributed through 8 CBs (see Annex 5, A), including two of them that have covered 65.7% of the total amount disbursed in 2009. The average loan size was of 64,897 USD. The total number of loan beneficiaries has reached 487 persons, including 145 women (29.8%).

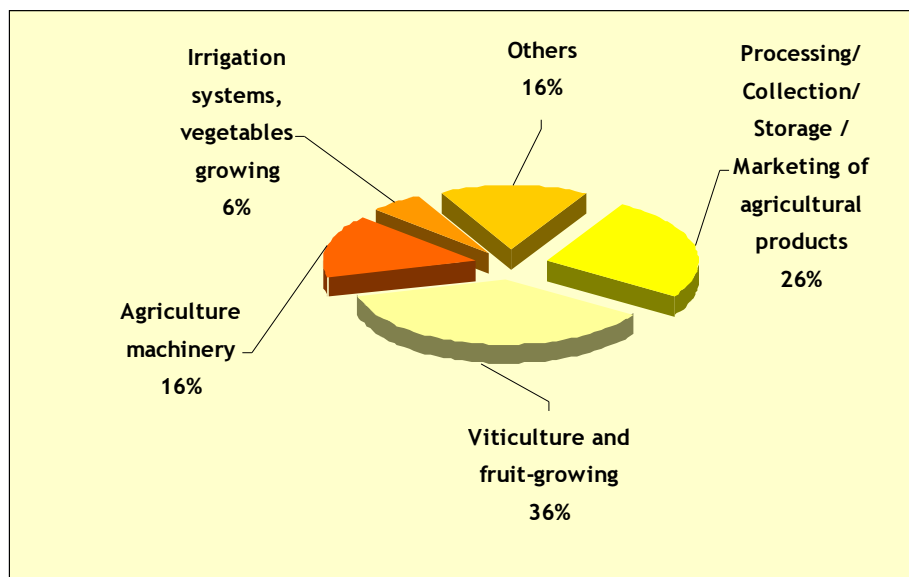
Table 7: Community Economic Investment cost by source of fund (USD 000)

	Community Economic Investments	PY IV, 2009					Cumulative, 2006-2009
		plan	share, %	actual	share, %	%	
1	IFAD sources	3,200.0	48.5%	3,183.7*	32.8%	99.5%	11,941.0
2	Beneficiaries Contribution	3,000.0	45.5%	6,403.5	66.1%	213.5%	16,140.0
3	PFIs	400.0	6.1%	105.2	1.1%	26.3%	532.1
	Total Investment Costs	6,600.0	100.0%	9,692.4	100.0%	146.9%	28,613.1
	Number of loans	58		45		77.6%	184

* There is a difference between the amount presented in this table and the amount from table 6 due to payment of instalments for three loans approved and reported in 2008.

40. In 2009, 45 loans have been disbursed, including 12 loans contracted by women (26.7%); the average loan size in 2009 being of 70,749 USD; the total number of loan beneficiaries was 111 persons (22.8% from the total number of beneficiaries). From 45 disbursed loans, 18 have been invested in viticulture and fruit growing, 11 in collection/storage/processing/marketing of agricultural products, 5 in agricultural machinery, 5 in irrigation systems and vegetable growing, 6 in other type of activities, diagram 7 shows the share by type of project (see Annex 5, B and Annex 6, A).

Diagram 7: Loan disbursement by type of project, 2009

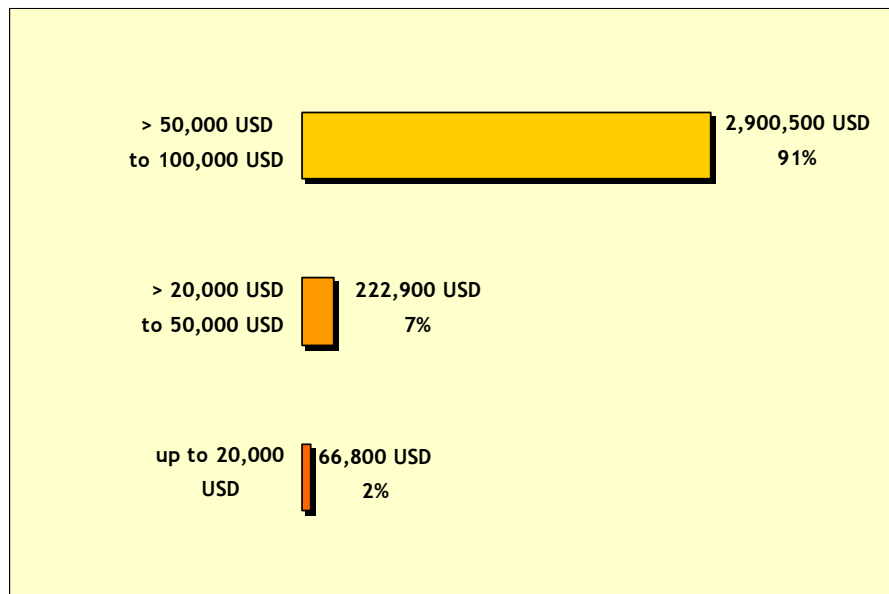


41. In 2009, the entire amount of disbursed loans has been contracted by micro, small and medium enterprises; 85% have been contracted by LLCs, 36.8% of enterprises activated for a period less than one year. For more details see Annex 7. It is worth to mention that during the cumulative period of project activity, from the amount of all disbursed loans - 12 147 000 USD, 11 693 000 USD or 96% have been disbursed to micro, small and medium enterprises.

42. The amount of the contracted loan within the project is determined by type and value of investment to be financed, these being evaluated from the aspect of higher impact on: new jobs creation, implementation of new technologies and increasing of the export share, quality standards implementation, etc.

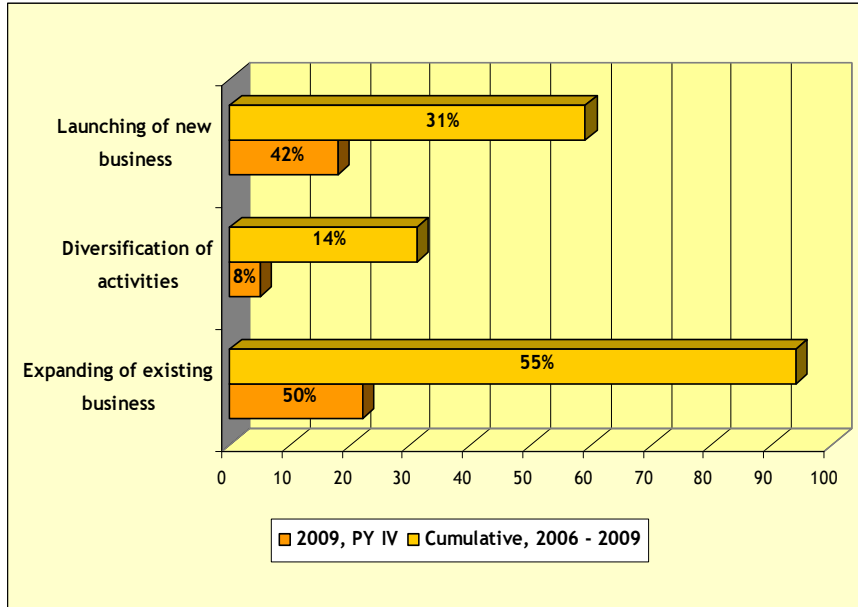
43. Those, in 2009 91% from disbursed loans had the amount from 50,000 USD to 100,000 USD that showed high interest for big investments (see diagram 8). The same tendency is specific to the cumulative figures, i.e. 83% of disbursed loans were in amount from 50,000 USD to 100,000 USD, 14.3% loans with amounts from 20,000 USD to 50,000 USD (see Annex 5, C and Annex 6, B). The demand for big loans is higher because Project beneficiaries eighth for procurement of modern equipment, that imply higher costs. Working with new and modern equipment they enhance the quality of services and production.

Diagram 8: Loan disbursement by size, 2009



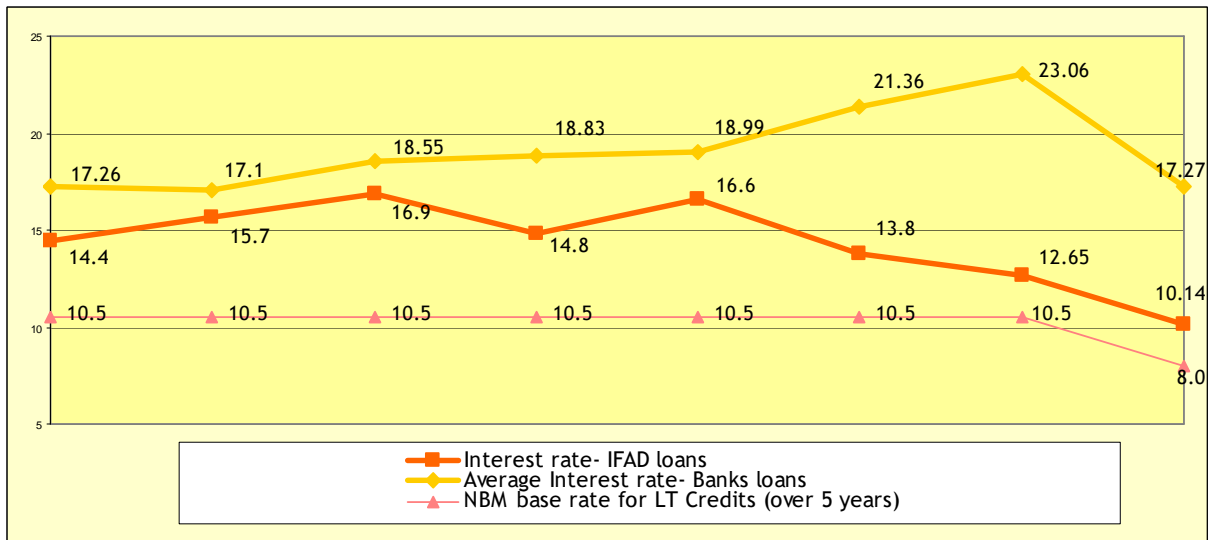
44. In 2009, 42% of financed investments were for launching of new business, which confirms that services provided by the Project are appropriate for new enterprises; 8% for diversification of activities and 50% for expanding of existing business (diagram 9). For the period 2006 - 2009, the share of investments for new business launching is 31% (see Annex 5, D).

Diagram 9: Investment projects by scope



45. According the Decision of IFAD Project Steering Committee, the interest rate for IFAD loans is reviewed twice per year, so in 2009 it was 12.65% for the period from January to July and 10.14% for the period from July to January. The evolution of interest rate for IFAD loans, comparing to the evolution of average interest rate for CBs' loans and National bank of Moldova rate for long term credits is presented in the diagram 10.

Diagram 10: Evolution of interest rate for IFAD loans, 2006 - 2009



46. **Grant component.** The grant element should come into effect when the beneficiary has repaid the overall debt according to the schedule and in full compliance with all conditions stipulated in the credit agreement. To benefit of a grant element the loan should be issued for the period of 48 month as medium term loan and 84 month as long term loans. As the project was effective for 47 month by the end of 2009, first loan beneficiaries would begin to receive their grant element in 2010.

3.4 Component 4: Project Management

47. Organization and Management of the Project, 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 financing operations.

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

49. The IFAD Project 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 Project, 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 Project and other ongoing Programmes. In 2009, the IPSC have met twice and has continued to support and fulfil its statutory functions.

50. Project Management (PM) is the responsibility of CPIU IFAD, established by the Government decision, which coordinates the activities and financial management of the Project. In 2009, CPIU have continued to fulfil its responsibility for the technical, financial and developmental integrity for the Project, as well as supervision of all Project 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. The CPIU is composed of six functions of existing staff and three additional staff positions - accounting, credit specialist and business advisor/ engineer responsible for the implementation of infrastructure investments under the RBDP Infrastructure Investment Component.

51. The Credit Line Directorate has continued to take over the management and monitoring of the refinancing loan portfolio following disbursement by the CPIU IFAD and manage the revolving refinancing, as well as insure on-time payments of service charge to IFAD according the loan repayment schedule. Starting from 2007, 45 investments with total amount of 2.8 million USD have been financed from VARF, including 22 investments financed in 2009 with a total amount of 1.5 million USD.

52. To carry out all activities under this component, it has been allocated a total amount of 2,172,200 USD for the Project implementation period of 7 years, including 1,820,900 USD from IFAD source and 351,300 USD Republic of Moldova Government funds. In 2009 have been made a reallocation of IFAD resources, thus the amount allocated to cover Project Management activities was 845,000 USD. For 2009 an amount of 171,600 USD has been planed to cover the activities of this component, including 147,800 USD from IFAD resources and 23,800 USD as GRM contribution. The total amount spent for PM activities has exceeded the planed amount with 7%, and was 184,312 USD, due to a higher contribution of GRM and exchange rate fluctuation.

53. As it is provided in the Loan Agreement, CPIU IFAD selects annually an independent auditor to conduct audit of the Project accounts. In 2009, CPIU has contracted PricewaterhouseCoopers Audit LLC, selected in accordance with IFAD Procurement Guidelines provisions. The cost of the provided services was in amount of 8,617 USD.

4. PERFORMANCE ASSESSMENT

54. As was mentioned in previous chapters, the Project performance in terms of physical and financial aspects continue to be very good, implying that IFAD loan will be fully disbursed and the Project completed by the end of 2010.

55. Through investments financed during the period 2006 - 2009, 2,725 jobs have been created, including 836 permanent jobs and 1,889 seasonal jobs. The number of jobs created for the 47 month of Project activity has exceeded the cumulative appraisal target with 125 jobs or 4.8%. The investments financed in 2009 have generated 761 jobs (28% from cumulative figure), from which 234 permanent and 527 seasonal. It is important to mention that the demand for seasonal jobs usually come from the poor people; and from family members who look after the household, seasonal job creating a supplement to their families' budget.

56. The number of jobs created in 2009 has diminished the number of registered unemployed peopleⁱⁱ with 4.3% at national level, and with 36% in the rural communities participating in the projectⁱⁱⁱ.

57. In 2009, 29,457 of households have directly benefited from the project, which represents 69% from the cumulative appraisal target, and has exceeded the PY 4 appraisal target with 118%.

58. 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 Project beneficiaries to reduce their investment costs.

59. However, in context of all positive achievements mentioned in this report, the Project has faced implementation constraints as:

- (i) 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 higher and has become unaffordable for potential Project beneficiaries, fact that has diminished the access to loans;
- (ii) Political crisis from 2009 has generated a wave of incertitude that has reduced the intention to invest in all sectors of economy, including agriculture.

60. Finally, ARP credit line are highly appreciated both by beneficiaries, because of the competitive interest rate comparing to that for credit from CBs sources and because they can finance their long term investments; and by CBs because bear a competitive interest rate and enable them to offer more medium and long term credits for investment purpose.

ⁱⁱ As of 1st January, 2009 the number of registered unemployed people was 17,833, according the Statistical Yearbook of Moldova.

ⁱⁱⁱ The number of registered unemployed people in the rural communities participating in the project in 2009 was 2,070, according the Ministry of Economy figures on rural communities' deprivation.

ANNEXES

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ANNEX 1. Project physical progress

Component	Project results	Unit	AWP&B, 2009	Actual	%	Appraisal target	Cumulative actual	%
Total Project Outreach								
	People receiving project services	number	213	197	92%	n/a	5,933	n/a
	Groups receiving project services	number	30	36	120%	80	124	155%
	Community receiving project services	number	35	32	91%	80	139	174%
I. Participatory Community Development								
a) Community Mobilisation and Empowerment	Community groups formed/ strengthened	number	30	36	120%	80	140	175%
	Community groups with women in leadership position formed/ strengthened	number	4	5	125%	12	15	125%
	People in groups formed/ strengthened	number	150	175	117%	375	653	174%
	Village/Community plans formulated	number	30	22	73%	65	105	162%
b) Technical Support and Training	People assessing advisory services facilitated by project	number	155	152	98%	550	1,452	264%
II. Institutional Capacity Building								
	Staff of service providers trained	number	5	5	100%	21	32	152%
III. Community Economic Investment								
	Enterprises assessing financial services facilitated by the project	number	58	45	78%	132	184	139%
	Enterprises with women in leadership position assessing financial services facilitated by the project	number	15	12	80%	n/a	80	n/a
	Value of gross loan portfolio	USD	3,200,000	3,183,000	99%	9,135,000	11,952,400	131%
IV. Project Management								
	Government officials and staff trained	number	0	2	n/a	0	6	n/a

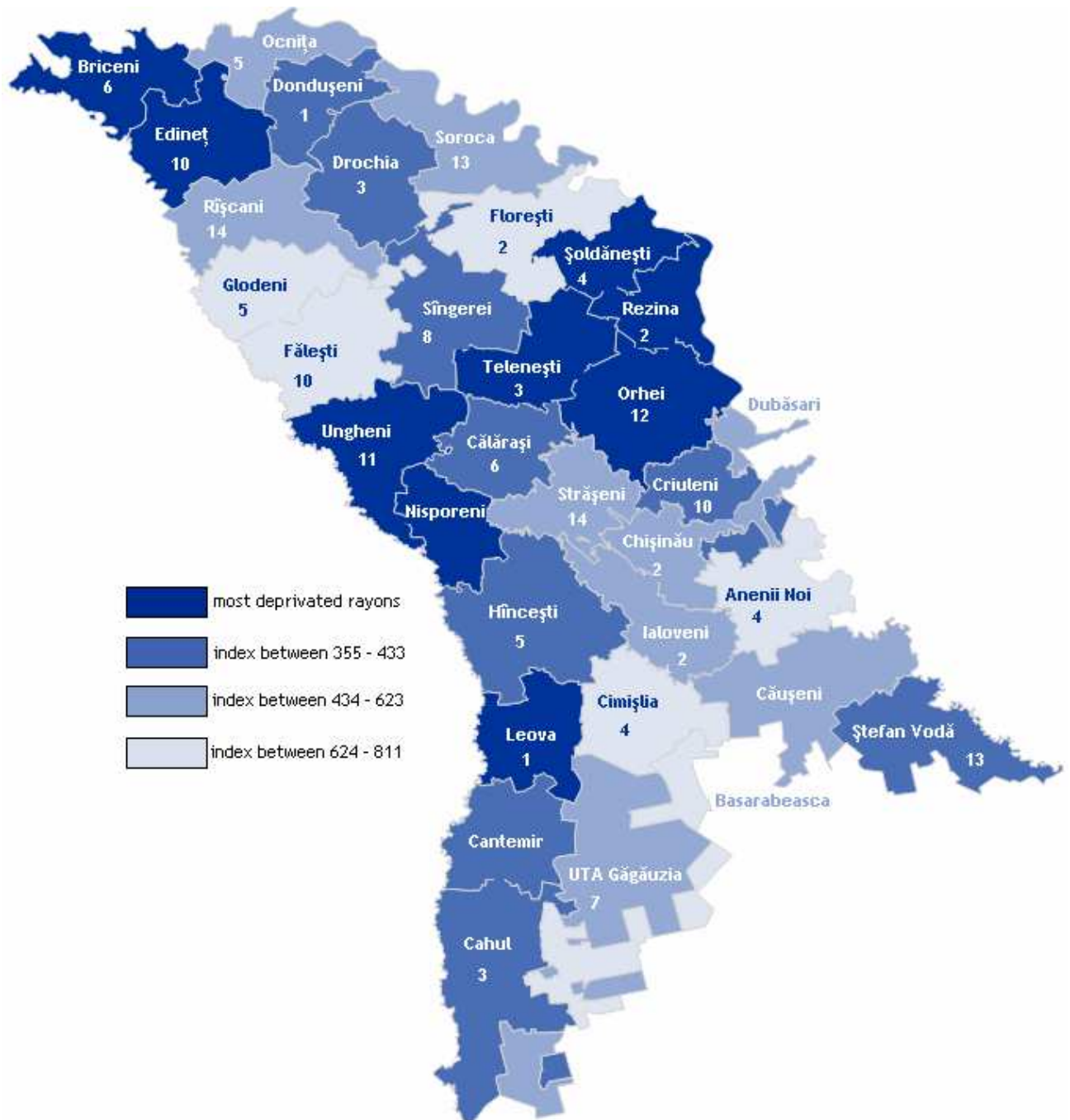
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ANNEX 2. Agricultural Revitalization Project expenditures by financiers (2009):

(USD)

		IFAD			GRM			BENEFICIARIES			PFIs			TOTAL		
		Plan	Actual	%	Plan	Actual	%	Plan	Actual	%	Plan	Actual	%	Plan	Actual	%
I.	Components															
A	Participatory Community Development	34,700	43,256	125%	-	-	-	-	-	-	-	-	-	34,700	43,256	125%
B	Institutional Capacity Building	14,690	1,331	9%	-	-	-	-	-	-	-	-	-	14,690	1,331	9%
C	Community Economic Investment	3,200,000	3,239,836	101%	-	-	-	3,000,000	6,403,500	213%	400,000	105,100	26%	6,600,000	9,748,436	148%
D	Project Management	147,800	159,503	108%	23,800	24,809	104%	-	-	-	-	-	-	171,600	184,312	107%
Total by components		3,397,190	3,443,926	101%	23,800	24,809	104%	3,000,000	6,403,500	213%	400,000	105,100	26%	6,820,990	9,977,335	146%
<i>Share by Financiers, %</i>		<i>49.80%</i>	<i>34.50%</i>		<i>0.30%</i>	<i>0.20%</i>		<i>44.00%</i>	<i>64.20%</i>		<i>5.90%</i>	<i>1.10%</i>		<i>100.00%</i>	<i>100.00%</i>	
II.	Categories															
A	Equipment and Goods	5,000	1,859	37%	-	-	-	-	-	-	-	-	-	5,000	1,859	37%
B	Technical Assistance Support	58,390	62,185	106%	-	-	-	-	-	-	-	-	-	58,390	62,185	106%
C	Incremental Credit	3,200,000	3,239,836	101%	-	-	-	3,000,000	6,403,500	213%	400,000	105,100	26%	6,600,000	9,748,436	148%
D	Operating Costs	133,800	140,046	105%	23,800	24,809	104%	-	-	-	-	-	-	157,600	164,855	105%
Total by categories		3,397,190	3,443,926	101%	23,800	24,809	104%	3,000,000	6,403,500	213%	400,000	105,100	26%	6,820,990	9,977,335	146%
<i>Share by Financiers, %</i>		<i>49.80%</i>	<i>34.50%</i>		<i>0.30%</i>	<i>0.20%</i>		<i>44.00%</i>	<i>64.20%</i>		<i>5.90%</i>	<i>1.10%</i>		<i>100.00%</i>	<i>100.00%</i>	

ANNEX 3: Income Deprivation Index 2008 and ARP beneficiaries (2006 - 2009), per districts:



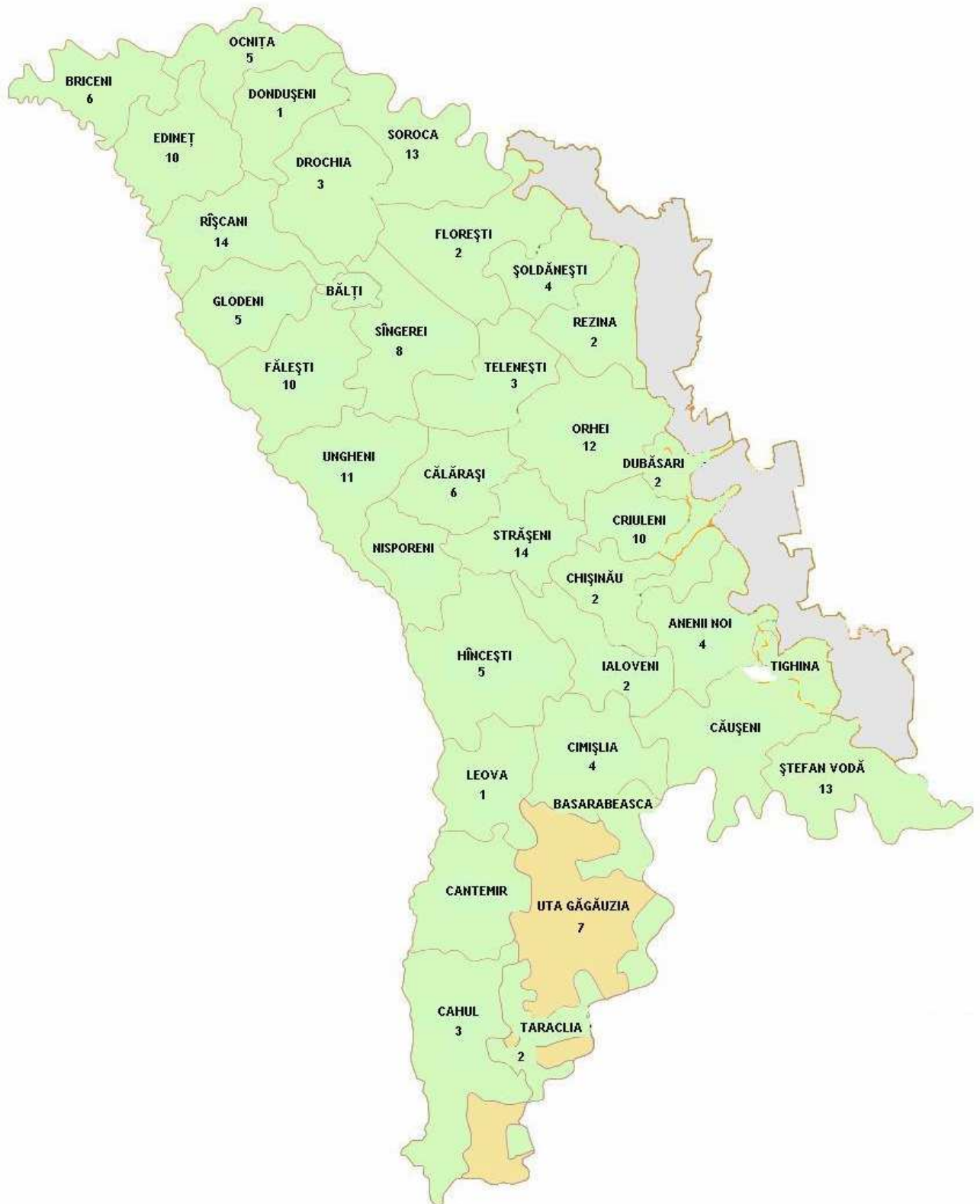
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#	District (rayon)	Index Value	ARP Beneficiaries	Amount of loans disbursed, 2006-2009 (USD)	Share from total (%)
<i>The most deprived districts</i>					
1	Telenesti	64	3	92,931.54	0.8%
2	Soldanesti	194	4	237,186.61	2.0%
3	Nisporeni	297	0	0.00	0.0%
4	Leova	310	1	28,876.71	0.2%
5	Ungheni	312	11	524,176.88	4.4%
6	Orhei	313	12	822,977.29	6.9%
7	Briceni	352	6	358,916.71	3.0%
8	Edinet	353	10	817,005.91	6.8%
9	Rezina	354	2	156,867.89	1.3%
		Sub-total	49	3,038,939.54	25.5%
<i>Index between 355 - 433</i>					
10	Singerei	366	8	503,726.56	4.2%
11	Donduseni	379	1	100,444.44	0.8%
12	Drochia	383	3	132,472.48	1.1%
13	Criuleni	385	10	828,450.26	6.9%
14	Cahul	392	3	208,929.33	1.7%
15	Hincesti	401	5	436,717.14	3.7%
16	Cantemir	410	0	0.00	0.0%
17	Stefan Voda	423	13	844,578.38	7.1%
18	Calarasi	429	6	272,553.50	2.3%
19	Dubasari	433	2	63,011.01	0.5%
		Sub-total	51	3,390,883.10	28.4%
<i>Index between 434 - 623</i>					
20	Ialoveni	454	2	281,733.65	2.4%
21	Causeni	474	0	0.00	0.0%
22	Ocnita	481	5	290,366.39	2.4%
23	Riscani	501	14	640,361.47	5.4%
24	Straseni	502	14	1,035,735.69	8.7%
25	Soroca	529	13	957,193.63	8.0%
26	UTA Gagauzia	585	7	557,038.16	4.7%
27	Chisinau	623	2	198,542.76	1.7%
		Sub-total	57	3,960,971.75	33.2%
<i>Index between 624 - 811</i>					
28	Cimisia	627	4	288,874.59	2.4%
29	Glodeni	628	5	241,608.06	2.0%
30	Falesti	641	10	471,134.96	3.9%

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31	Basarabasca	645	0	0.00	0.0%
32	Anenii Noi	651	4	286,738.11	2.4%
33	Floresti	676	2	130,221.41	1.1%
34	Taraclia	764	2	130,490.90	1.1%
35	Balti	811	0	0.00	0.0%
		Sub-total	27	1,549,068.03	13.0%
		TOTAL	184	11,939,862.42	100.0%

ANNEX 4: Map showing distribution of ARP loans



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ANNEX 5: Loan disbursement (2009 and cumulative)

A. By PFIs

	PFIs	2009 - PY IV				Cumulative, 2006 - 2009			
		Number	Amount, USD 000	Amount MDL 000	%	Number	Amount, USD 000	Amount MDL 000	%
1	Moldova Agroindbank	18	1,348.8	14,927.2	42.1	67	4,520.9	50,388.4	37.3
2	Moldindconbank	5	159.7	1,769.9	5.0	36	2,226.5	25,056.1	18.5
3	FinComBank	8	333.3	3,671.7	10.4	36	2,279.7	26,811.8	19.8
4	Eximbank	2	195.9	2,240.7	6.3	8	559.7	6,565.9	4.9
5	Banca Socială	2	199.2	2,200.0	6.2	9	476.2	5,454.3	4.0
6	Victoriabank	8	751.2	8,375.2	23.6	10	935.6	10,505.2	7.8
7	Energbank	2	195.6	2,237.6	6.3	13	686.5	7,610.2	5.6
8	Mobias Banca	0	0.0	0.0	0.0	5	256.1	2,757.0	2.0
	Total	45	3,183.7	35,422.3	100.0	184	11,941.0	135,148.8	100.0

B. By investment type

	Investment type	2009 - PY IV				Cumulative, 2006 - 2009			
		Number	Amount, USD 000	Amount MDL 000	%	Number	Amount, USD 000	Amount MDL 000	%
1	Processing/Collection/Storage / Marketing of agricultural products	11	824.2	9,129.3	25.9	40	3,236.7	35,842.9	27.1
2	Viticulture and fruit growing	18	1,177.24	13,010.05	37.0	66	3,958.97	45,729.31	33.2
3	Agriculture machinery	5	494.41	5,553.2	15.5	37	2,281.59	26,066.55	19.1
4	Irrigation systems, vegetables growing	5	183.9	2,047.80	5.8	24	1,341.70	15,098.30	11.2
5	Others	6	503.91	5,681.92	15.8	17	1,122.12	12,411.69	9.0
	Total	45	3,183.7	35,422.30	100	184	11,941.0	135,148.80	100

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C. By loan size

	Loan size	2009 - PY IV				Cumulative, 2006 - 2009			
		Number	Amount, USD 000	Amount MDL 000	%	Number	Amount, USD 000	Amount MDL 000	%
1	< or = USD 20 000	6	67.0	730.1	2.1	26	315.3	3,273.8	2.6
2	>USD 20 000 = USD 50 000	8	222.8	2,432.9	7.0	52	1,713.3	20,679.1	14.3
3	> USD 50 000 = USD 100 000	31	2,893.9	32,259.3	90.9	106	9,912.4	111,195.9	83.0
	Total	45	3,183.7	35,422.3	100.0	184	11,941.0	135,148.8	100.0

D. By scope of investment

	Scope	PY IV- 2009			Cumulative, 2006-2009		
		Number	Amount, USD 000	%	Number	Amount, USD 000	%
1	Launching of new business	18	1,340.4	42.1	59	3,769.7	31.0
2	Diversification of activities	5	260.9	8.2	31	1,724.8	14.2
3	Expanding of existing business	22	1,582.4	49.7	94	6,652.5	54.8
	Total	45	3,183.7	100	184	12,147.0	100.0

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ANNEX 6: Loan Disbursement (2009, plan vs. actual):

A. Loan disbursement by type of project

	Investment type	2009-plan			2009 actual		
		No. of loans	Amount, USD 000	share by sectors, %	No. of loans	Amount, USD 000	share by sectors, %
1	Processing/Collection/ Storage / Marketing of agricultural products	22	1,280	40	11	824.2	25.9
2	Viticulture and fruit growing	13	704	22	18	1,177.2	37.0
3	Agriculture machinery	7	384	12	5	494.4	15.5
4	Irrigation systems, vegetables growing	12	576	18	5	183.9	5.8
5	Others	4	256	8	6	503.9	15.8
	Total	58	3,200	100	45	3183.7	100.0

B. Loan disbursement by size

	Loan size	2009 plan			2009 actual		
		No. of loans	Amount, USD 000	share by size, %	No. of loans	Amount, USD 000	share by size, %
1	< or = USD 20 000	8	100	3.1	6	67.0	2.1
2	> USD 20 000 = USD 50 000	20	700	21.9	8	222.8	7.0
3	> USD 50 000 = USD 100 000	30	2,400	75.0	31	2,893.9	90.9
	Total	58	3,200	100.0	45	3,183.7	100.0
	Average amount of a loan (USD,000)		55.2			70.7	

ANNEX 7: Classification of financed enterprises:

A. By size:

	Classification according to the Law	2009, PY IV			Cumulative, 2006-2009		
		#	Loan amount, USD	share	#	Loan amount, USD	share
micro	<i>Number of employees - ≤ 9 pers. Net annual sales - ≤ 240,0 ths.USD</i>	31	2,024.22	63.6%	103	5,966.78	49.1%
small	<i>Number of employees - ≤ 49 pers. Net annual sales - ≤ 2000,0 ths.USD</i>	11	866.51	27.2%	57	4,219.0	34.7%
medium	<i>Number of employees - ≤ 249 pers. Net annual sales - ≤ 4000,0 ths.USD</i>	3	292.97	9.2%	19	1,507.62	12.4%
large	<i>Number of employees - >250 pers. Net annual sales - > 4000,0 ths.USD</i>	0	0.0	0.0	5	453.58	3.7%
Total		45	3,183.7	100.0%	184	12,147	100.0%

B. By legal form:

Legal form	2009, PY IV			Cumulative, 2006-2009		
	#	Loan amount, USD	share	#	Loan amount, USD	share
Peasant Farm	11	221.8	7%	47	1,058.4	9%
Individual Enterprise	0	0.0	0%	5	148.5	1%
Limited Liability Company	31	2,698.2	85%	121	9,940.0	82%
Joint Stock Company	1	100.7	3%	6	573.7	5%
Cooperative	2	163.1	5%	5	426.4	4%
Total	45	3,183.7	100%	184	12,147.0	100%

C. By period of activity:

Legal form	2009, PY IV			Cumulative, 2006-2009		
	#	Loan amount, USD	share	#	Loan amount, USD	share
new enterprises	16	1,170.6	36.8	55	3,659.6	49.1
> than 1 year to 5 year	14	970.5	30.5	50	3,354.7	34.7
> than 5 year to 10 year	11	708.8	22.3	58	3,598.9	12.4
> than 10 year	4	333.8	10.5	21	1,533.9	3.7
Total	45	3,183.7	100%	184	12,147.0	100%

ANNEX 8. Action on Mid-Term Review Mission Recommendations

Agreed action	Responsibility	CPIU Actions
Component 1. Participatory Community Development		
1. During the remaining period, priority be given to loan applications which provide the highest ratio of jobs to investment, thus increasing benefits to the poorer members of the community	CPIU and PFIs	As have been mentioned in 2010 AWP&B, CPIU, in the process of selection would be more oriented to investments with higher job creation rate.
2. That VDCs, Village Council members and any other interested community members, be given up to 5 days of training in economic and social development planning, principles and methodologies [SWOT analysis, project preparation, marketing, accessing funding agencies etc.]. Training would be on a need assessment basis.	CPIU to contract qualified consultant for implementation	Actions to be taken in 2010, as provides the 2010 AWP&B
3. Potential micro finance and SCA participants should be given basic business management training and access to technical assistance and training as necessary	CPIU to contract qualified service providers	As SCAs participate in RFSMP implementation, training seminars have been included in 2010 RFSMP AWP&B.
4. A short intensive training course be given to the contracted Service providers in Community involvement and village planning processes	CPIU to contract qualified consultant for implementation	A training course of BSPs have been organized in October 2009. Also, the activity have been included in 2010 AWP&B.
Component 2. Institutional Capacity Building		
5. Survey of current borrowers to identify their training needs [technical and managerial]	CPIU	M&E officer together with Credit specialist have carried out a series of field visits that have included interviewing of credit borrowers for training needs identification.
6. Organization of the required training to be financed by project or other agencies, as appropriate	CPIU	CPIU has planed training activities as would be required as have been mentioned in 2010 AWP&B.
Component 3. Community Economic Investment Component		
7. Negotiation with the MoF to include RFC/SCAs as eligible entities to access project funds when prudential rules and regulations have been adopted and after due diligence have been completed.	CPIU	MoF will sing refinancing agreements with MFIs only after the activity of these institutions will be regulated and supervised by the relevant Governmental body, i.e. National Commission for Financial Market. For the moment NCFM is entrusted only with monitoring of MFIs.

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8. Negotiation with the MoF to include leasing institutions that are 100%-owned by PFIs as eligible entities to access project funds and develop leasing as an alternative to loan products.	CPIU	As the legislation is imperfect regarding the regulation and supervision of leasing activity; and because the LA (para 8.2, schedule 3) provides that PFIs shall on-lend funds through sub-loans to credit beneficiaries, those leasing institution can not be eligible to access the project funds.
9. CPIU should continue its support to SMEs with regard to compliance with international standards. Part of costs borne by SMEs could be supported by the project under Loan Category 2 (TA support).	CPIU	CPIU will continue to provide support to SMEs to comply with international standards, as it was provided in 2010 AWP&B
Component 4. Project Management		
10. Give priority to women's requests for loans and to loans which will provide most jobs for women. All data must be gender disaggregated.	CPIU and PFIs	In 2010, while selecting applications for investments, the priority will be given to women potential borrowers and to those ones having greater impact in terms of job creation.
11. Gender sensitization training be carried out with project staff, service providers and participating VDCs and Village Councils	CPIU	While discharging its responsibilities in organization of any training during 2010, CPIU will pay special attention to gender sensitization issues and will request the same from its project partners.
12. An effective M&E system including RIMS indicators to report on activities, inputs, outputs and outcomes linked to targeting of beneficiaries to be urgently developed	CPIU	CPIU has started the integration of the system and will continue during 2010.
13. Project should continuously undertake measuring outcomes (as part of its overall impact assessment) particularly as part of its completion exercise and exit strategy, using the appropriate methodology and a representative sample of the target group.	CPIU - M&E Officer and Heads of Components	CPIU will continue the evaluation of progress made.
14. (a) Further advanced training in M&E should be concretely pursued for the M&E project officer (b) International TA should guide the development of the M&E system	CPIU with IFAD assistance	a) From 15 to 20 December, 2009 the M&E officer has participated in M&E workshop in Rome, Italy; b) TA paled for 2010
15. The AWP&B require improvements. The 2010 AWP&B should be in the required formats linking RIMS indicators and costs	CPIU	CPIU has taken into account the recommendations while elaborated the 2010 AWP&B
16. Progress reports need to be improved with results measured against targets and tables consolidated for coherent reporting	CPIU	CPIU in elaboration of progress reports will take into account the missions recommendations accordingly.
17. A training plan for CPIU staff needs to be developed relevant to their respective functions and presented for IFAD No-Objection and included in the 2010 AWPB	CPIU	2010 AWP&B (Annex 3) envisage this type of activity; the needed trainings will be determined during 2010

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<p>18. To reinstate the SA under Loan 686-MD with an authorized allocation of USD 250,000 to enable the CPIU access the available balance under IFAD III loan in order to reimburse the outstanding advance from Loan 629-MD</p>	<p>Borrower to submit a request to IFAD.</p>	<p>Done 2009</p>
<p>19. The SOE provision for Category III - Incremental Credit will henceforth be revised to cover "ALL EXPENDITURES". The CPIU will be expected to provide a list of the PFIs and the respective amounts disbursed (with a breakdown of disbursements if applicable).</p>	<p>CPIU</p>	<p>Not relevant</p>
<p>20. Reallocation of Loan Funds: The CPIU has to prepare a forecast of its expenditures including the proposed CPIU training costs and submit to IFAD for review before the formal request for reallocation is submitted by the Borrower for IFAD management approval.</p>	<p>CPIU for forecast of expenditures Borrower to follow with formal request for reallocation</p>	<p>-</p>