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THE CONSOLIDATED UNIT FOR THE IMPLEMENTATION OF IFAD PROGRAMMES**



AGRICULTURAL REVITALISATION PROJECT



2010 ANNUAL REPORT

**Prepared by:
CONSOLIDATED PROGRAMMES IMPLEMENTATION UNIT**

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ABREVIATIONS AND ACRONYMS

ARP	Agricultural Revitalization Project
AWPB	Annual Work Plan and Budget
CEI	Community Economic Investments
CPIU-IFAD	Consolidated IFAD Programmes Implementation Unit
GoM	Government of the Republic of Moldova
ICB	Institutional Capacity Building
IFAD	International Fund for Agricultural Development
IPSC	IFAD Programmes Steering Committee
PCD	Participatory Community Development
PFI	Participating Financial Institutions
PM	Project Management
PY	Project Year
VDP	Village Development Plan

1. INTRODUCTION

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. About USD 15.86 millionⁱ have been allocated for the implementation of activities envisaged under the project being operational for 59 months.

The ARP aims to contribute to the alleviation of poverty in the rural areas through agricultural revitalization by provision of finance to primary agrisector and agriculture-related activities, thereby creating employment opportunities and generating income for the rural population. The ARP is targeting village agricultural workers, farmers, members of farmers' and other community-level organizations, and local entrepreneurs in participating communities.

The project is implemented by four components:

- i) Participatory Community Development
- ii) Institutional capacity Building
- iii) Community economic Investments, and
- iv) Project Management

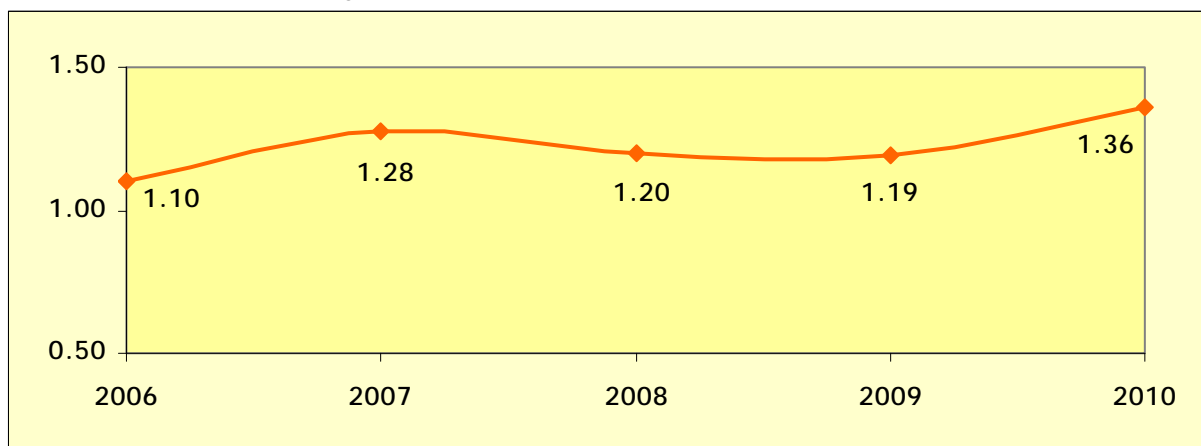
This Report has been elaborated by the CPIU-IFAD in accordance with Article IV, section 4.02 (*Progress Reports*) of the Loan Agreement no.629-MD, and reflects the evolution of project's performance during 2010 compared to the 2010 Annual Work Plan and Budget, as well as the cumulative progress, since the project has been started, and appraisal projections. Evolution of ARP's performance and progress achieved are given below in both financial and physical terms, by each component separately.

2. PROJECT PERFORMANCE EVOLUTION: PHYSICAL AND FINANCIAL PROGRESS

During 2010, the fifth year of ARP implementation, it continued to contribute through its activities to the alleviation of poverty in rural areas. To this end, significant progress towards achieving its objectives has been accomplished so far, both physical and financial performance being very good.

While since the Project's start-up till the end of 2010, 69% of the implementation period has elapsed, 93%ⁱⁱ of the original disbursement has been achieved. This yields a disbursement factor of 1.36 indicating high efficiency of project's implementation (see diagram 1).

Diagram 1: Evolution of ARP disbursement factor



ⁱ The equivalent of initial allocation of 10.3 million SDR as of 31.12.2010 according the exchange rate SDR-USD on issue date of each withdrawal application.

ⁱⁱ The amount according the withdrawal applications.

2.1. Physical Progress Summary

During the entire period of project implementation the following progress has been attained:

(i) Participatory Community Development: of total 843 primarias in Moldovaⁱⁱⁱ, 167 have expressed their interest in project participation, that represents 20% of the total number of primarias; 104 VDPs have qualified for financing, from which 102 villages have been financed. By the end of 2010, 36 of villages that benefited from financing based on VDP have fully utilized the maximum amount allocated (i.e. USD 200 thousand).

(ii) Institutional Capacity Building: since the beginning of the project, within the training activities organized by CPIU with the purpose to develop the institutional capacities of project implementation partners, 409 persons have been trained, including 120 employees of the commercial banks, 32 representatives of the consulting companies, 249 entrepreneurs and 8 representatives of Ministry of Agriculture and Food Industry.

(iii) Community Economic Investment: 208 loans have been disbursed to 538 beneficiaries, totally amounting to USD 13 786 thousand, being geographically distributed by 30 rayons of the country (see annex 1); the loans have been disbursed through eight participating commercial banks.

(iv) Project Management: the CPIU-IFAD continued to fulfill 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.

2.2. Financial Progress Summary

IFAD Proceeds. For the sake of ARP implementation, IFAD has allocated USD 15 864 thousands, while under the 2010 AWPB, the amount of 2 871 thousands USD has been envisaged.

The total expenditures covered by the IFAD proceeds during the project performance period (Jan. 2006 - December 2010) amount to USD 14 590 thousands, that represents 92% of total amount allocated to project implementation. During 2010 the expenditures amounted to USD 1 967 thousands or 69% of the total amount allocated for the 2010 project implementation (see table 1).

Table 1: IFAD proceeds by category of expenditures, actual & actual cumulative (USD '000)

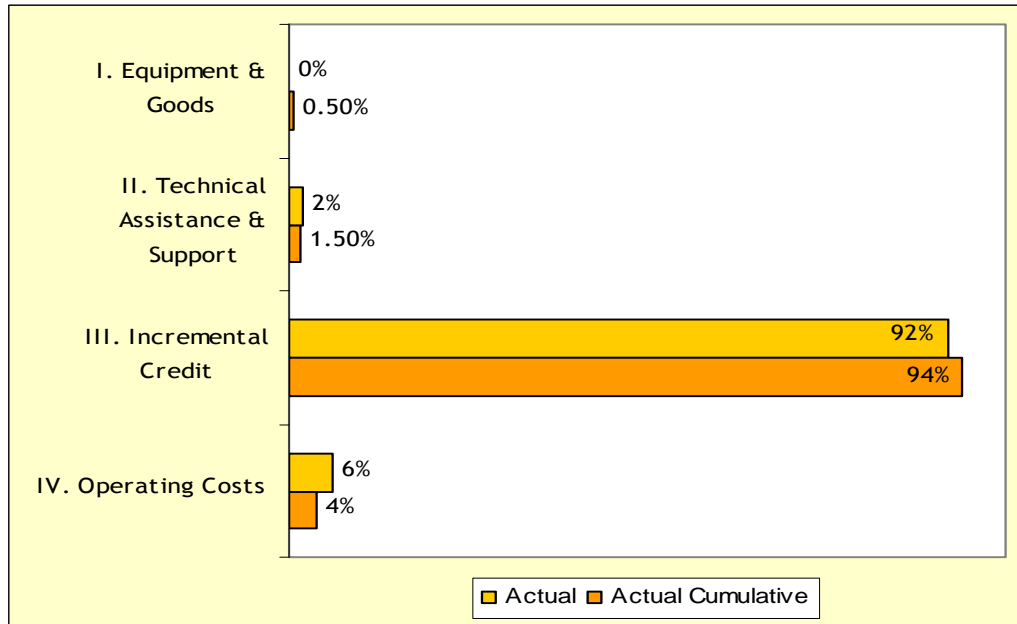
Category	Plan (2010)	Actual (2010)	%	Total loan amount (after re-allocation)	Actual Cumulative	%
<i>a</i>	<i>b</i>	<i>c</i>	<i>d=c/b</i>	<i>e</i>	<i>f</i>	<i>g=f/e</i>
I. Equipment & Goods	0	0	0%	69	61	88%
II. Technical Assistance & Support	175.6	32	18%	385	202	52%
III. Incremental Credit	2 500	1 807	72%	14 786	13 746	93%
IV. Operating Costs	195.3	128	65%	624	581	93%
TOTAL	2 871	1 967	69%	15 864	14 590	92%^{iv}

As during the previous years of project implementation, its major activity during 2010 is being featured by the bigger share of proceeds foreseen for credit activities that represent 92% of the total project expenditures during the period under reporting (see diagram 2).

ⁱⁱⁱ The total number of primarias in Moldova according to the 2009 Poverty and Policies Impact Report, elaborated by the Ministry of Economy and Commerce of the Republic of Moldova.

^{iv} The amount of total expenditures

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



By the end of 2010, project investment proceeds, envisaged under „Community Economic Investment Component”, have been disbursed in proportion to 72% compared to the amount allocated for the 2010 component implementation (see table 2). Proceeds allocated under the other two project components related to project activities, as per the 2010 AWPB, have been used in smaller proportions of 25%.

Table 2: IFAD funds by project components, actual & actual cumulative

(USD '000)

Component	Plan (2010)	Actual (2010)	%	Actual Cumulative (2006 - 2010)
<i>A</i>	<i>b</i>	<i>c</i>	<i>d=c/b</i>	<i>e</i>
I. Participatory Community Development	37	9	24%	159
II. Institutional Capacity Building	110	21	19%	38
III. Community Economic Investment	2 500	1 847	72%	13 746
IV. Project Management	224	130	58%	647
TOTAL	2 871	2 007	69%	14 590

The Total Project Cost. The total estimated project cost is USD 19 111 thousand, of which USD 15 864 thousand allocated from IFAD funds. For 2010 project implementation, the amount of USD 5 495 thousand has been envisaged, that represents 29% of the total project cost. The total cost of expenditures during 2010 is USD 3 228 thousand that represents 59% of the amount planned for the entire 2010 (see table 3 and annex 2)

Table 3: ARP total cost (by financier)

(USD '000)

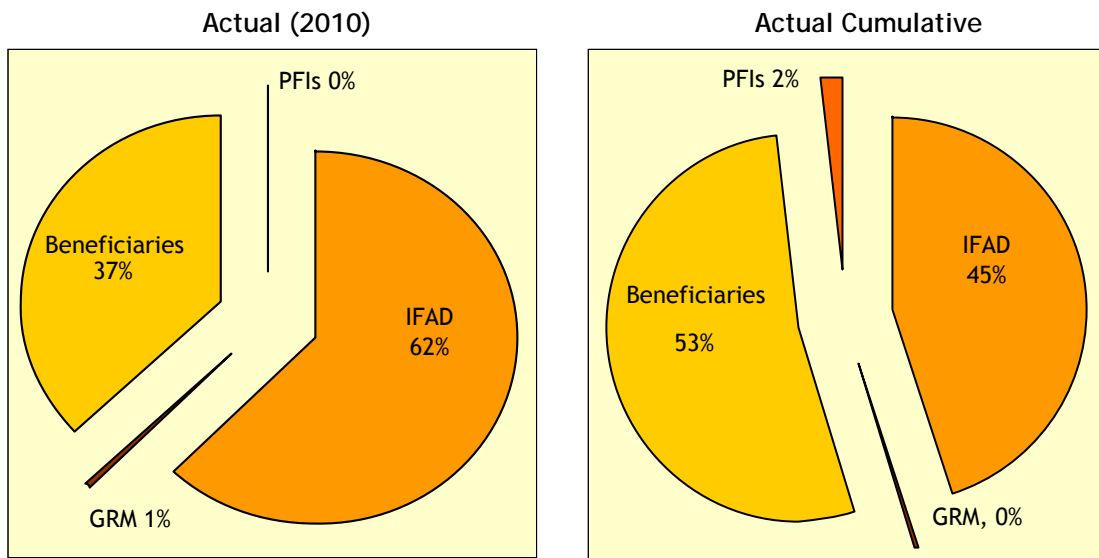
	IFAD	GRM	Beneficiaries	PFI's	Total
Plan (2010)	2 871	24.4	2 500	100	5 495
Actual (2010)	2 007	21	1 200	0	3 228
<i>Actual /Plan (%)</i>	<i>70%</i>	<i>84%</i>	<i>48%</i>	<i>-</i>	<i>59%</i>
Initial Allocation	15 864	397	2 850	0	19 111
Actual Cumulative	14 630	107	17 340	532	32 609
<i>Actual Cumulative/ Initial Allocation (%)</i>	<i>92%</i>	<i>27%</i>	<i>608%</i>	<i>-</i>	<i>171%</i>

As a result of economic and financial crisis, both entrepreneurs and commercial banks were more reserved in loan application/disbursement, thus the amount thereof in 2010, was lower than that one planned.

PFI's were also more reserved in co-financing of investment projects with own resources. Although the project did not provided for such condition, during the implementation period, 2006-2009, there was noticed the tendency for growth of such activity, which led us to envisage PFI's contribution for 2010, which did not materialized, the main reason being financial and economic crisis.

Out of total amount of 2010 expenditures, the biggest share makes up those ones covered by IFAD funds (see diagram 3), while during the project implementation period (2006 - 2010) the biggest share makes those covered by beneficiaries as their contribution to the investment.

Diagram 3: Share of expenditures by financier, actual & actual cumulative



Since the Project's start-up till the end of 2010, the total expenditures amounted to USD 32 609 thousands exceeding initially estimated amount with 71 percentage points (see table 3), given that the beneficiaries' contribution is much bigger than the amount initially estimated.

Throughout the Project implementation period, the Project operations have been characterized by high efficiency that has contributed to achievement of significant results.

3. PROJECT IMPLEMENTATION PROGRESS (BY COMPONENTS)

3.1 Component 1: Participatory Community Development

The objective of this component is (i) to provide rural communities through Project participation the possibility to undertake responsibility for revitalization of the economies administrated thereby; and (ii) to assist participating rural communities in building the capacities and setting up viable institutions to design and implement participatory community-driven investment programmes. Inputs under this component are being provided through two sub-components: (a) *Community Mobilization and Empowerment*; and (b) *Technical Support and Training*.

IFAD Proceeds. To implement the activities envisaged under the given component during 2010, the amount of USD 37 thousand has been foreseen.

During the entire period of Project operation, USD 159 thousand have been used to implement component's activities; during 2010, 24% of proceeds allocated for yearly component's implementation have been disbursed (see table 4). It is worth mentioning that the component's activities are directly linked with the activities under the Community Economic Investment Component, thereby results of one component have influenced the results of another.

Table 4: PCD component's proceeds, actual & actual cumulative (USD '000)

Component	Plan (2010)	Actual (2010)	%	Actual Cumulative (2006 - 2010)
a	b	c	d=c/b	e
I. Participatory Community Development	37	9	24%	159

Sub-component: *Community Mobilization and Empowerment*. The main activity under this sub-component, for 2010, was focused on intensive work with those villages that have already applied for the participation in the project to increase the number of completed villages.

Throughout 2010, the CPIU-IFAD has organized a series of meetings with economic entities from 35 villages which utilized less than USD 50 thousand of the maximum amount envisaged by the primaria (municipality). As a result of programme promotion activities and encouragement of economic incentives of the rural-based enterprises, 25 villages or 83% were qualified for financing and 54% of VDPs were financed. One of the factors that influenced the reduction in the number of eligible villages was more rigorous evaluation by PFIs of the beneficiaries from these localities, application of more stringent conditions with regard to collateral. If during the Project implementation a wider range of types of collateral was accepted, than in 2010 to secure loans mainly real estate was accepted (see details in annex 7). Another factor that reduced the number of loan beneficiaries as well as the number of participating villages was high rate of loan insurance with collateral. The average rate of loan security with collateral in 2010 reached 224% compared with 160% in 2009.

Throughout the Project activity (January 2006 - December 2010) under the given sub-component field visits were made and a series of meetings with local authorities were organized to disseminate information on conditions and application procedures established under the Project. As a result of these visits 167 villages have expressed their intentions to participate in the Project, which represents 20% of the total number of primarias (i.e. municipalities)^v; 104 VDPs have qualified for financing, from which 102 villages have been financed, the average allocated amount per village being of USD 135.2 thousand (see table 5). At the end of 2010, 36 of villages that benefited from financing based on VDP have fully utilized the maximum amount allocated (i.e. USD 200 thousand).

^v 843 primarias in Republic of Moldova as per 2009 Poverty and Policies Impact Report, elaborated by the Ministry of Economy and Commerce of the Republic of Moldova.

Table 5: Participatory Community Development Component's Indicators

	Indicators	2010 (PY V)			Cumulative 2006-2010		
		AWP&B	Actual	%	Appraisal	#	%
1	Villages expressed their interest for participation/ pre-qualified	0	3	-	n/a	167	-
2	Qualified Villages	30	25	83%	107	105	98%
3	Qualified VDPs	20	16	80%	57	104	182%
4	Number of financed VDPs	28	15	54%	n/a	102	-
5	Number of VDPs completed	16	10	63%	16	36	225%
6	No of financed investments / loans	36	24	67%	226	208	92%
7	Average amount per village (USD 000)	n/a	n/a	-	n/a	135.2	-

Although it have not been planed to register any application, CPIU-IFAD has received 3 new application regarding the participation of the villages in the project, from each 2 have developed the VDP, including one which has been financed covering the maximum amount (i.e. USD 200 thousand).

Sub-component: Technical Support and Training. Throughout the Project activity (January 2006 - December 2010) under the given sub-component 287 business plans have been elaborated with IFAD support and 179 rural entrepreneurs have benefited from complete finalized assistance in submission of loan applications to the Participating Financial Institutions (PFIs).

During 2010, with IFAD support 14 business plans have been developed, and 20 rural-based entrepreneurs have benefited from the complete finalized assistance in submission of loan applications to the Participating Financial Institutions (PFIs). Throughout the reporting period, to provide technical assistance and support to rural farmers the following 5 business service providers have been selected: NGO „Rural Development Agency - Center”, NGO „Business Advisory Center”, ProConsulting LTD, National Federation of Agricultural Producers from Moldova „AGROinform”, Fruit Producers and Exporters Association „Moldova-Fruct”. In 2010, BSPs have received 23 applications from potential project beneficiaries for business plan development, from which 14 have agreed to developed business plans, or 61%.

Gender mainstreaming of the component. The Project is based on two essential principles: (i) the project is demand driven and (ii) 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 2010, women participation in decision making in community development (representing women members of VDCs) weighted 26%, the same as the planed figure that reveals an improvement in terms of women participation in decision making.

3.2. Component 2: Institutional Capacity Building

The objective of this component is to sustain the development of necessary capacities for the introduction of participative revitalization process, and its implementation has continued during 2010.

IFAD Proceeds. According to the 2010 AWPB for component implementation the amount of USD 110 thousand has been foreseen. The total expenditures amount related to the implemented activities under the given component constitutes USD 21 thousand, which represents 19% from the amount allocated for component implementation during the year 2010 (see table 6).

Table 6: ICB component’s proceeds, actual & actual cumulative (USD ‘000)

Component	Plan (2010)	Actual (2010)	%	Actual Cumulative (2006 - 2010)
<i>a</i>	<i>b</i>	<i>c</i>	<i>d=c/b</i>	<i>e</i>
II. Institutional Capacity Building	110	21	19%	38

Since the beginning of the project, within the training activities organized by CPIU with the purpose to develop the institutional capacities of project implementation partners, 409 persons have been trained, including 120 employees of the commercial banks, 32 representatives of the consulting companies, 249 entrepreneurs and 8 representatives of Ministry of Agriculture and Food Industry.

Throughout 2010, a wide range of activities on improved access of farmers to marketing services has been implemented under the given component. Thus, a pre-feasibility study for establishment of the national wholesale market in Chisinau municipality has been co-financed being partially financed under the RFSMP (i.e. IFAD IV), as well.

However, in February 2010 there also has been co-financed participation of a farmers’ group (8 persons) in Exhibition „FruitLogistica”, Berlin (Germania), organized under the RFSMP (IFAD IV).

In the same context, in November 2010, CPIU has organized the study tour “Modern Apple Production and Marketing Technologies” in Bolzano region (Italy). Those 10 farmers - participants have possibility to familiarize with the products range adjusted to market demand, planting schemes, methods of care,



Harvesting, postharvest management and marketing.

Regarding the activities to support SMEs on alignment to the international standards, CPIU has approach that subject during the training sessions organized in the context of RFSMP (IFAD IV), including EU quality standards, GlobalGAP and HACCP standard; 231 farmers have benefited from provided trainings.

As in previous periods, the CPIU-IFAD has provided continuous support to service providers by offering necessary information on a daily basis.

3.3. Component 3: Community Economic Investment Component

By means of the given component there 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.

The Total Cumulative Cost of the component is USD 31 658.2 thousand and includes IFAD contribution, Project's beneficiaries' contribution and that one of the PFIs. During 2010 the total cost of component constituted USD 3 046.5 thousand (see table 7).

Table 7: CEI component expenditures by financier, actual & actual cumulative (USD '000)

	IFAD	Beneficiaries	PFIs	Total
Actual (2010)	1 846.4	1 200.1	0	3 046.5
<i>Share, %</i>	<i>61%</i>	<i>39%</i>	<i>0%</i>	<i>100%</i>
Actual Cumulative (2006-2010)	13 786.3	17 339.8	532	31 658.2
<i>Share, %</i>	<i>44%</i>	<i>55%</i>	<i>1%</i>	<i>100%</i>

IFAD proceeds. The total amount allocated for the implementation of the given component amounts to USD 14 786 thousand which represent 93% of the allocated amount for ARP implementation. For 2010 the amount of USD 2 500 thousand has been planned. From the Project's start-up till the end of 2010, 93% of the total amount allocated for the component implementation has been used; during the reporting period 74% of proceeds aimed to 2010 investments have been disbursed (see table 8).

Table 8: Proceeds under CEI Component, actual & actual cumulative (USD '000)

	Plan (2010)	Actual (2010)	Actual / Plan	Total allocation	Cumulative (2006 - 2010)	%
Community Economic Investments	2 500	1 846.4	74%	14 786	13 786.3	93%

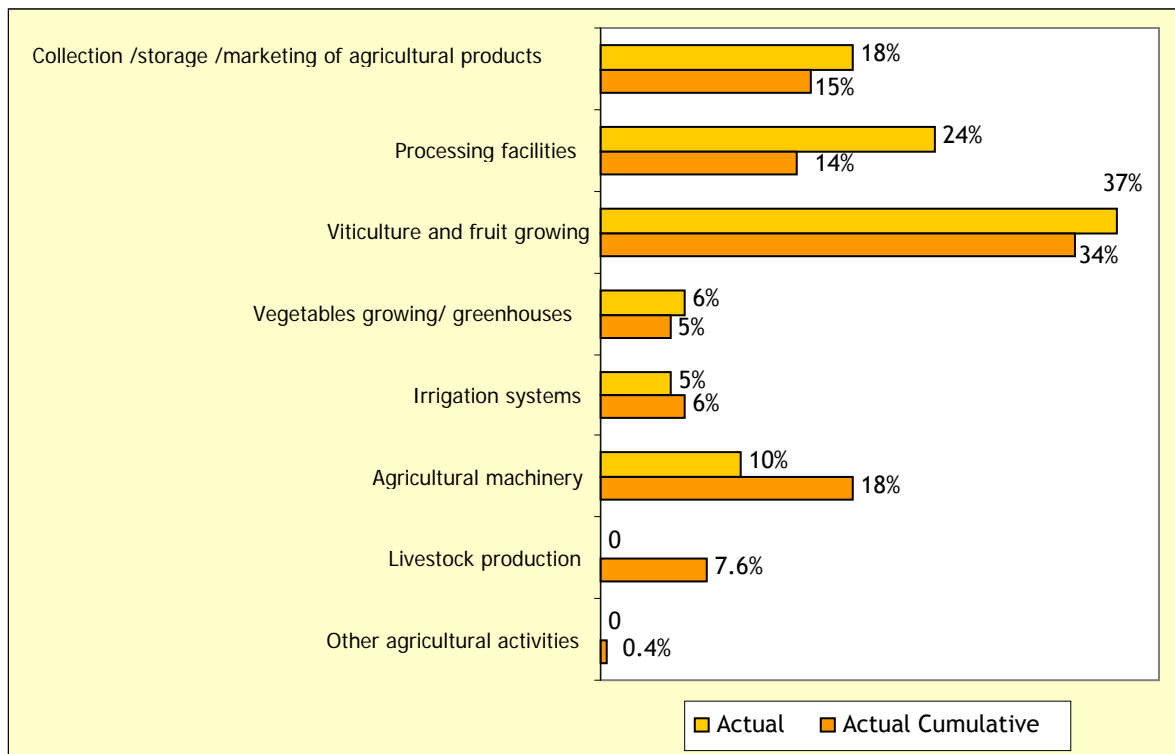
Beneficiaries Contribution. From the Project's start-up till the end of 2010, the enterprises financed under the ARP have extensively contributed to the implementation of the investment projects amounting to USD 17 339.8 thousand, which represents 55% of the total cost of the financed investments. During 2010 the beneficiaries' contribution constituted USD 1 200.1 thousand or 39% of the total investments cost (see table 5).

PFIs contribution. The total value of the PFIs own proceeds extended to the enterprises financed under the ARP, throughout the entire period of the project's operation, constitute USD 532 thousand which represents 1% of the total cost of the financed investments (see table 7).

On-lending to rural entrepreneurs. Throughout 2010, 24 loans have been disbursed, to 51 beneficiaries amounting in total to USD 1 846.4 thousand (see annex 4). It is worth mentioning that 27% of the loans disbursed have been contracted by the rural entrepreneurs from the most income deprived rayons (see annex 3), that through development of rural-based businesses being financed imply increase of contributions in the local budgets of communities that often become the only source of income of the poorest population. From the Project's launching, 208 loans have been provided in 104 villages that have been selected for financing according the Village Development Plan. During the entire period of the ARP activity, the total value of the loans extended amounted to USD 13 786 thousand.

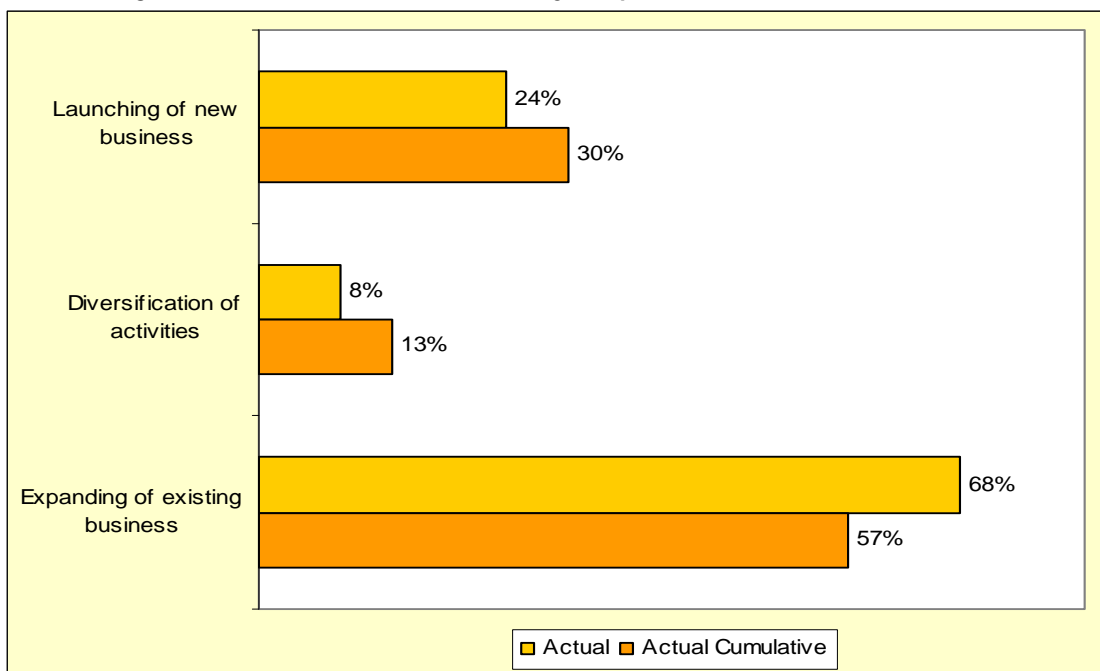
From the project's start-up till the end of 2010, the largest share in the total amount of the loans disbursed belongs to investments in viticulture and fruit growing - i.e. 34%. The same tendency is likely to characterize the loans disbursed during 2010. However, it is also being highlighted a growing trend in the share on loans invested in collection/storage/ marketing of agricultural products and processing facilities (see diagram 4 and annex 5, A).

Diagram 4: Financed investments by type of activity, actual & actual cumulative



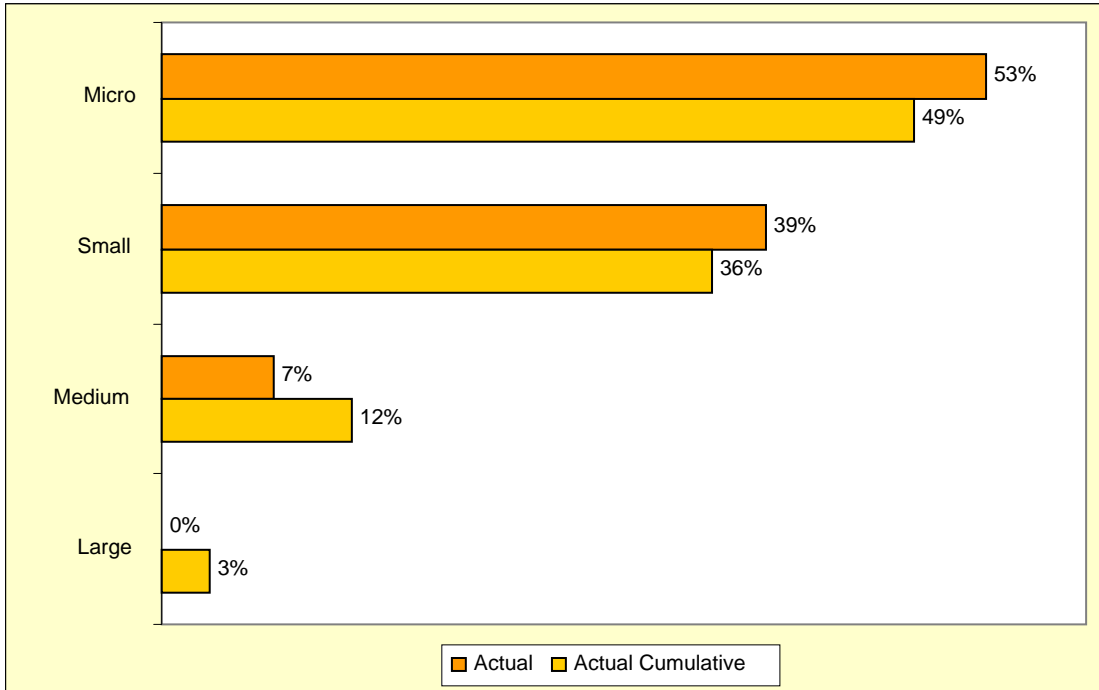
From the Project's start-up till the end of 2010, for new businesses development has been disbursed the amount of USD 4 160 thousand which represents 30% of the total amount of loans issued. At the end of 2010, the amount of loans requested to be invested in new business development amounted to USD 445 thousand, representing 24% of the total amount of loans contracted during the reporting period. The share of loans contracted for the expansion of the existing businesses constituted 57% of the total amount of loans provided, while during 2010 the same indicator constituted 68%, that indicates the tendency of developing and growth (see diagram 5 and annex 5, B).

Diagram 5: Financed investments by scope, actual & actual cumulative



From the Project's start-up till the end of 2010, out of total amount of USD 13 786 thousand of the loans disbursed, USD 11 655 thousand or 85% have been disbursed to micro- and small enterprises, USD 1 695 thousand or 12% - to medium-size enterprises and only USD 436 thousand or 3% - to large-scale enterprises. During 2010, to micro, small and medium enterprises have been issued loans totaling to USD 1 846 thousand or 100% from the total number of loans provided (see diagram 6 and annex 6, A).

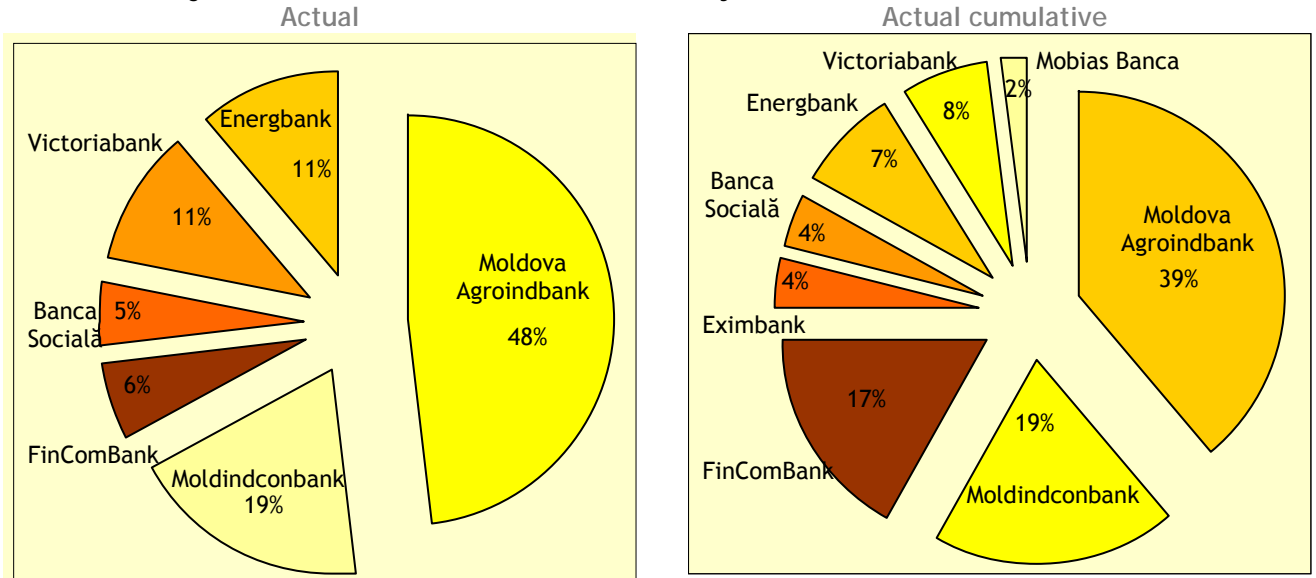
Diagram 6: Classification of financed enterprises, actual & actual cumulative



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

From the Project start-up till the end of 2010, the loans contracted de the ARP beneficiaries have been extended through eight commercial banks, with the largest weight belonging to the CB Moldova-Agroindbank SA (39%), CB Moldindconbank SA (19%) and CB FinComBank SA (17%). During 2010 the loans have been provided through six commercial banks, about 70% of the total loan amount being disbursed through two banks, i.e. Moldova-Agroindbank and Moldindconbank (see diagram 7 and annex 5, C).

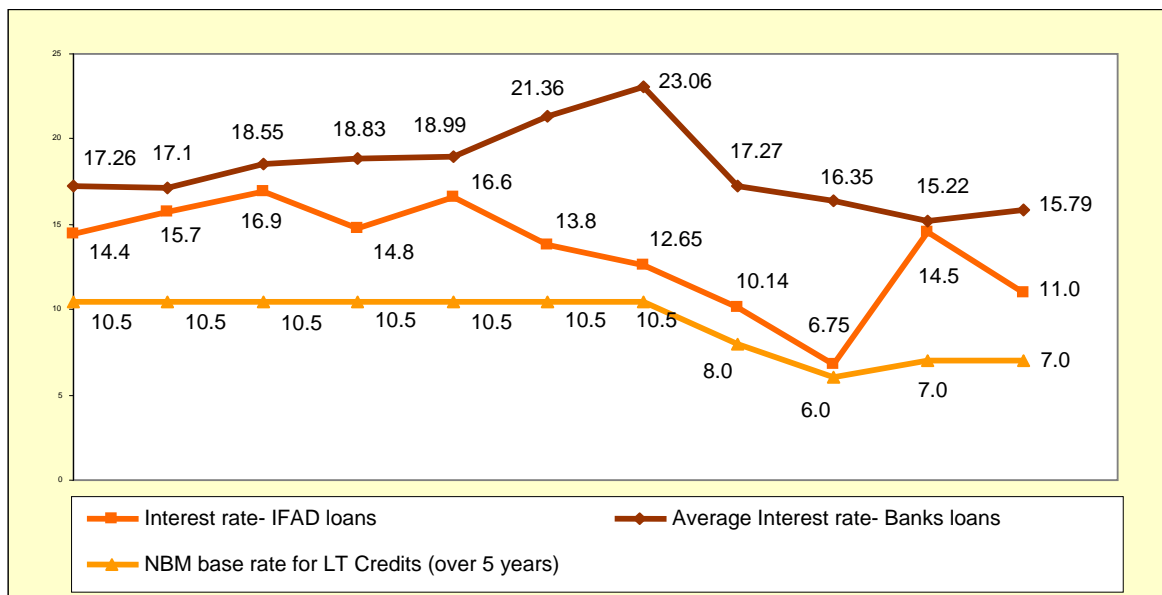
Diagram 7: Share of loans amount disbursed by PFIs, actual & actual cumulative



In conformity with the Decision of the IFAD Programmes Steering Committee, the interest rates have been revised twice per year. Evolution of interest rates applied to IFAD loans throughout the Project implementation so far, is shown in diagram 8.

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

Diagram 8: Evolution of the interest rate applied to IFAD loans, 2006 -2010



Grant Element. 2010 is the first year when the enterprises credited under the ARP have benefited from the grant element foreseen under the EIC. Thus, during 2010, out of overall number of beneficiaries who have contracted loans provided under the ARP and have fully respected conditions set forth, 5 entrepreneurs have benefited from grant under the EIC component, through cancellation of the remaining 20% of the principle amount from the original loan debt, totaling USD 84.3 thousand.

3.4. Component 4: Project Management

According to the Loan Agreement no.629-MD, the overall responsibility for organization and management of the Project activities rests within:

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

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

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

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

IFAD source of financing. For the sake of implementation of the overall activities foreseen under the given component, the amount of USD 1 824 thousand has been foreseen (initial allocation); for 2010 the amount of USD 224 thousand has been planned which represents 12% of the total amount allocated under the given component.

During the 2010, 58% of proceeds envisaged for 2010 have been exhausted (see table 9) or 7% from initial allocated amount. At the same time, the PM component expenditures throughout project implementation period represent 35% from the initial allocated amount.

Table 9: IFAD proceeds under PM component, actual & actual cumulative (USD '000)

Component	Plan (2010)	Actual (2010)	%	Actual Cumulative (2006 - 2010)
<i>a</i>	<i>b</i>	<i>c</i>	<i>d=c/b</i>	<i>e</i>
IV. Project Management	224	130	58%	647

Moldova Government Contribution. During 2010, the GoM contribution under the Project Management Component constituted USD 21 thousand or 84% from the planned amount representing exemption of taxes and duties related to the payments made under the said component.

4. PROJECT PERFORMANCE EVALUATION

In light of the information described above, the Project operations and implementation performance are satisfactory, in terms of both financial and technical aspects.

At the end of 2010 the financed enterprises^{vi} have improved its financial condition. These enterprises have reported (comparing to 2009 results):

- (i) annual average growth in total assets of 9%;
- (ii) annual average growth in equity of 13%;
- (iii) annual average growth in net profit of 45%

At the same time, main financial indicators had increased comparing to 2009, i.e.:

- (i) Return on Equity (ROE) figure has increased with 4 percentage points average per enterprise;
- (ii) Return on Assets (ROA) figure has increased with 2 percentage points average per enterprise;
- (iii) Financial Autonomy Ratio figure has increased with 2 percentage points average per enterprise.

These figures show an improvement of financial situation comparing to 2009, a year of crisis, in term of increasing the efficiency of assets, equity and investments.

Through the investments financed during 2006-2010, 3 277 jobs (1 388 permanent and 1 889 seasonal) have been created. The number of jobs created during 59 months of ARP activity has exceeded the appraisal target with 26% or 677 jobs. During 2010, 552 new jobs^{vii} have been created mainly as result of business development process; the created jobs have diminished the number of registered unemployed people^{viii} with 1.4% at national level and with 7% in the rural communities participating in the project^{ix}. At the same time, the financed enterprises have reported an annual average growth of monthly average salary with 12%.

Unfortunately, the Project has still faced some bottlenecks in realisation of its objectives:

- (i) As a consequence of 2009 economic slowdown, the quality of the loan portfolio of commercial banks has been considerably deteriorated that imposed these commercial institutions to set up drastic conditions on loan securities (collateral). Thus, banks require collateral in proportion of 150 - 160 %, that is for the majority of entrepreneurs is impossible to provide, that reduces the access to financing;

Despite all, during those 59 months of operation, that represents 62% of the ARP Project's lifetime, its operation has been characterized by high efficiency that contributed to obtaining positive results.

^{vi} Data obtained based on the interviews with 28 enterprises (15%) from 184 financed during 2006-2009.

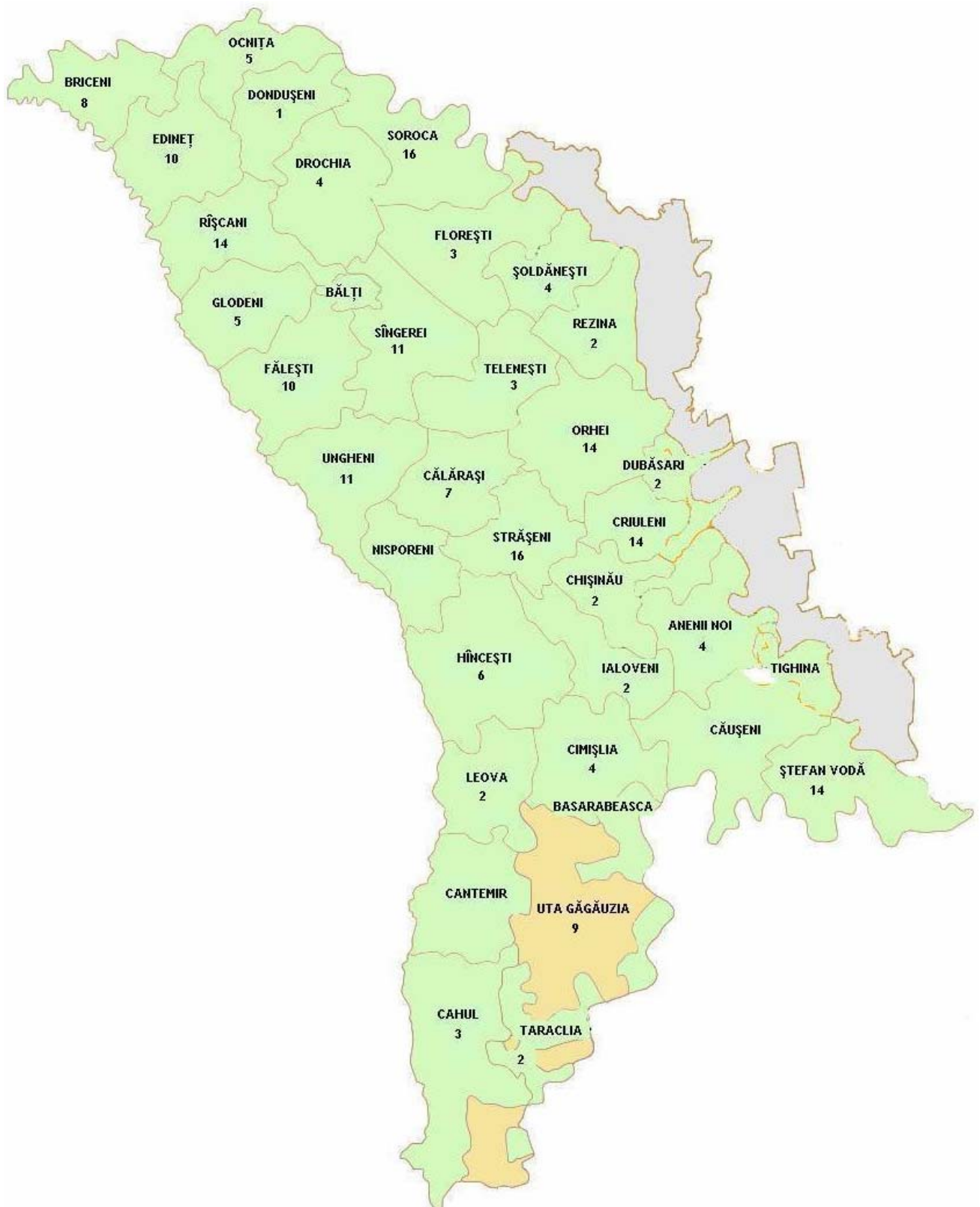
^{vii} Data obtained based on the interviews with 28 enterprises (15%) from 184 financed during 2006-2009.

^{viii} 38 700 registered unemployed people as of 1st January 2010 according the National Bureau of Statistic of Republic of Moldova

^{ix} The number of unemployed people in rural communities participating in the project was 7 843 people as of 31.12.2009 (based on figures provided by the Ministry of Economy with reference to community deprivation level)

ANNEXES

ANNEX 1: Number of loans disbursed within ARP during 2006 - 2010 (by districts):



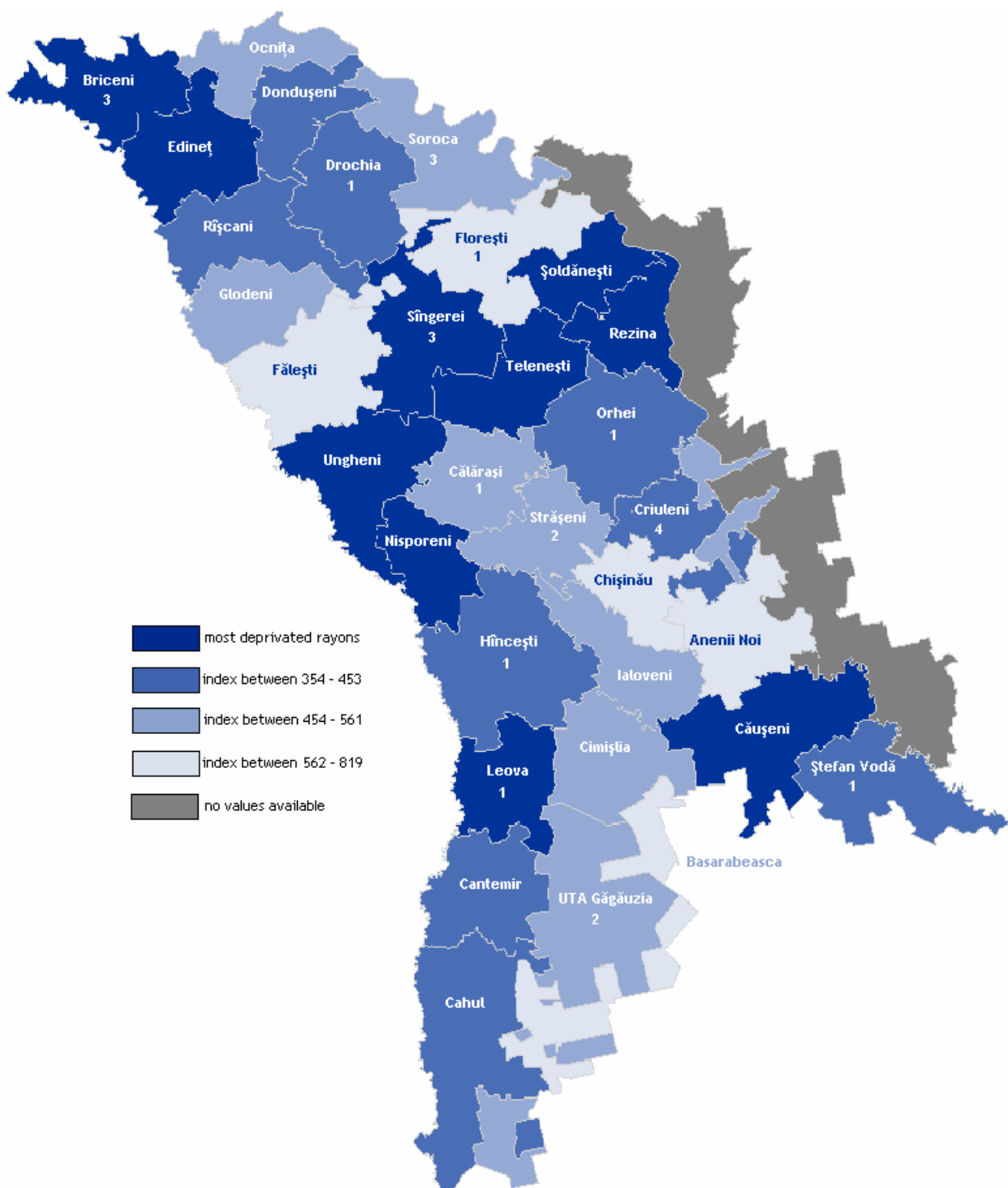
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ANNEX 2. ARP expenditures by financier (2010):

(USD '000)

		IFAD			GRM			BENEFICIARIES			PFIs			TOTAL		
		Plan	Actual	%	Plan	Actual	%	Plan	Actual	%	Plan	Actual	%	Plan	Actual	%
I.	Components															
A	Participatory Community Development	37	9	24%	-	-	-	-	-	-	-	-	-	37	9	24%
B	Institutional Capacity Building	110	21	19%	-	-	-	-	-	-	-	-	-	110	21	19%
C	Community Economic Investments	2 500	1 847	74%	-	-	-	2 500	1 200	48%	100	0	0%	5 100	3 047	60%
D	Project Management	224	130	58%	24.4	21	84%	-	-	-	-	-	-	248.4	151	61%
	Total	2 871	2 007	70%	24.4	21	84%	2 500	1 200		100	0	0%	5 495	3 228	59%
	<i>Share by financier, %</i>	<i>52%</i>	<i>62%</i>	<i>-</i>	<i>0.5%</i>	<i>0.6%</i>	<i>-</i>	<i>45%</i>	<i>37%</i>	<i>-</i>	<i>2%</i>	<i>0%</i>	<i>-</i>	<i>100%</i>	<i>100%</i>	<i>-</i>

ANNEX 3: Income Deprivation Index^x and number of ARP beneficiaries (2010), by districts:



^x 2009 Poverty and Policies Impact Report, Ministry of Economy and Commerce of the Republic of Moldova.

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#	District (rayon)	Index Value	ARP Beneficiaries	Amount of disbursed loans	Share from total amount (%)
<i>The most deprived rayons (90 - 353)</i>					
1	Sîngerei	337	3	213.72	12%
2	Leova	341	1	61.58	3%
3	Briceni	353	3	219.00	12%
	Sub-total		7	494.3	27%
<i>Index value between: 354 - 453</i>					
4	Hîncești	363	1	95.07	5%
5	Orhei	368	1	25.97	1%
6	Drochia	402	1	101.71	6%
7	Ștefan Vodă	407	1	100.00	5%
8	Criuleni	428	4	340.35	18%
	Sub-total		8	663.1	36%
<i>Index value between: 454 - 561</i>					
9	Călărași	478	1	13.07	1%
10	UTAG	503	2	200.00	11%
11	Soroca	521	3	299.15	16%
12	Strășeni	537	2	78.22	4%
	Sub-total		8	590.44	32%
<i>Index value between: 562 - 819</i>					
13	Florești	649	1	98.59	5%
	Sub-total		1	98.59	5%
	TOTAL		24	1 846.4	100%

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ANNEX 4: CEI Component performance indicators, actual & actual cumulative:

	Main indicators	2010			2006 - 2010		
		Plan	Actual		Plan	Actual cumulative	
			Amount	%		Amount	%
1	Total number of loans disbursed within ARP	2,500.0	1 846.4	74	11,635.0	13 786.3	
	<i>including: fixed assets</i>		1 822.8			13 222.6	
	<i>working capital, ≤ 25%</i>		23.7			563.7	
2	Beneficiaries contribution, > 20%	2,500.0	1 200.1	39.4		17 340	
3	PFI's own funds	100.0	0.0			532.1	
4	Total investment cost	5,100.0	3 046.5	61		31 658.2	
5	Number of disbursed loans	36	24	67		208	
	<i>including: women</i>	9	4			83	
	<i>Share of the loans administrated by women</i>	25%	16.7%			40%	
6	Number of loan beneficiaries	90	51	57	477	538	109
	<i>including: women</i>		16			161	
	<i>Share of the women</i>		31%			30%	
7	The average size of a loan by beneficiary		36.2			25.6	

ANNEX 5: Classification of disbursed loans, actual & actual cumulative:

A. By type of activity (USD '000)

Profile of Activity	Actual			Actual cumulative		
	Number	Amount	%	Number	Amount	%
Collection /storage /marketing of agricultural products	4	334.0	18	23	2 024.7	15
Processing facilities	6	437.5	24	27	1 985.6	14
Viticulture and fruit growing	8	682.1	37	74	4 640.1	34
Vegetables growing/ greenhouses	2	102.1	6	12	704.2	5
Irrigation systems	1	100.0	5	15	838.7	6
Agricultural machinery	3	190.7	10	40	2 473.2	18
Livestock production	0	0	0	16	1 067.4	7.6
Other agricultural activities	0	0	0	1	52.3	0.4
Total	24	1 846.4	100	208	13 786	100

B. By scope of investment (USD '000)

	Actual			Actual cumulative		
	Number	Amount	%	Number	Amount	%
Launching of new business	6	445.0	24%	65	4,159.7	30%
Diversification of activities	3	139.8	8%	34	1,845.7	13%
Expanding of existing business	15	1,261.6	68%	109	7,780.9	57%
Total	24	1 846.4	100%	208	13 786	100%

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C. By PFIs (USD '000)

	PFI	Actual			Actual cumulative		
		Number	Amount	%	Number	Amount	%
1	Moldova Agroindbank	12	887	48	79	5,402	39
2	Moldindconbank	5	345	19	41	2,573	19
3	FinComBank	2	113	6	38	2,392	17
4	Eximbank	0	0	0	8	560	4
5	Banca Socială	1	102	5	10	579	4
6	Victoriabank	2	199	11	12	1,134	8
7	Energbank	2	200	11	15	886	7
8	Mobias Banca	0	0	0.0	5	259	2
	Total	24	1 846.4	100	208	13 786	100.0

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ANNEX 6: Classification of financed enterprises, actual & actual cumulative:

A. By size (USD '000)

	<i>Classification according the law</i>	Actual			Actual cumulative		
		Number	Amount	%	Number	Amount	%
Micro	<i>Number of employees - ≤ 9 pers. Net annual sales - ≤ 240,0 ths.USD</i>	12	986.8	54%	115	6 723.7	49%
Small	<i>Number of employees - ≤ 49 pers. Net annual sales - ≤ 2000,0 ths.USD</i>	9	725.3	39%	66	4 931.4	36%
medium	<i>Number of employees - ≤ 249 pers. Net annual sales - ≤ 4000,0 ths.USD</i>	3	134.4	7%	22	1 695.3	12%
Large	<i>Number of employees - >250 pers. Net annual sales - > 4000,0 ths.USD</i>	0	0.0	0%	5	436.0	3%
Total		24	1 846.4	100%	208	13 786.3	100%

B. By legal form (USD '000)

	<i>Legal Form</i>	Actual			Actual cumulative		
		Number	Amount	%	Number	Amount	%
1	Peasant Farms	2	39.0	2%	49	1 056.1	18%
2	Individual Enterprises	1	30.0	2%	6	172.7	29%
3	Limited Liability Companies	19	1 667.6	89%	140	11 443.5	29%
4	Cooperatives	2	135.9	7%	8	515.8	14%
5	Joint-Stock Companies	0	0	0%	5	598.2	13%
Total		24	1 846.4	100%	208	13 786.3	100%

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Annex 7. Types of collateral and share to total value of collateral

	Types of collateral	Actual		Actual cumulative		Dif. +, -
		Value, '000 MDL	% to total value	Value, '000 MDL	% to total value	
1	Real estate (buildings)	23 758,9	41,8	26 627,8	51,8	10,0
2	Mortgage (land/plantations)	7 839,5	13,8	10 406,8	20,2	6,4
3	Livestock		0,0	3,2	0,0	0,0
4	Stocks	1 313,4	2,3	3,5	0,0	-2,3
5	Equipment /machineries	6 776,7	11,9	6 753,2	13,1	1,2
6	Guaranty Funds / third person	9 498,5	16,7	133,0	0,3	-16,4
7	Future harvest	80,1	0,1	7,5	0,0	-0,1
8	Goods from Loans	1 719,3	3,0	4 533,0	8,8	5,8
9	Personal property	5 901,5	10,4	2 980,0	5,8	-4,6
	Total	56 887,8	100,0	51 448,0	100,0	
	Loan amount	35 418,6		22 885,5		
	Coverage, %	160,6%		224,8%		