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Enabling poor rural people  
to overcome poverty

## **Republic of Moldova**

### **Inclusive Rural Economic and Climate Resilience Programme (IRECR)**

### **Negotiated financing agreement**

**Negotiated financing agreement:  
"Inclusive Rural Economic and Climate Resilience  
Programme (IRECR)"**

(Negotiations concluded on 24 October 2013)

IFAD Loan Number: \_\_\_\_\_

IFAD Grant Number: \_\_\_\_\_

GEF Grant Number: \_\_\_\_\_

Programme Title: Inclusive Rural Economic and Climate Resilience Programme  
(the "Programme")

The Republic of Moldova (the "Borrower/Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

**WHEREAS**

A. the Borrower/Recipient has requested financing in the form of loan and grant from the Fund to assist in financing the Programme described in Schedule 1 to this Agreement;

B. the Chief Executive Officer and Chairperson of the Global Environment Facility (the "GEF") has endorsed on 23 September 2013 the Fund's request for a grant (the "GEF Grant") to be made available to the Fund, acting in its capacity as the GEF Executing Agency, to finance the climate change resilience-related activities under the Programme; and

C. the Government of the Kingdom of Denmark (Denmark) has expressed its intention to make available to the Fund a financial contribution to assist in financing the Programme on terms and conditions to be set forth in a co-financing agreement between Denmark and the Fund,

**NOW THEREFORE**, the Parties hereby agree as follows:

**Section A**

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a loan (the "IFAD Loan"), a grant (the "IFAD Grant") and the GEF Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

## **Section B**

1.
  - A. The amount of the IFAD Loan is ten million five hundred thousand Special Drawing Rights (SDR 10 500 000).
  - B. The amount of the IFAD Grant is three hundred and twenty five thousand Special Drawing Rights (SDR 325 000).
  - C. The amount of the GEF Grant is four million two hundred and sixty thousand US dollars (USD 4 260 000).
2. The IFAD Loan is granted on highly concessional terms.
3. The IFAD Loan Service Payment Currency shall be USD.
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal and service charge shall be payable on each 1 April and 1 October. The payments of principal shall be made in sixty (60) equal semi-annual instalments of one hundred and seventy five thousand Special Drawing Rights (SDR 175 000).
6. Designated Accounts.
  - (a) There shall be an IFAD Loan Designated Account, an IFAD Grant Designated Account and a GEF Grant Designated Account for the purposes of receiving the IFAD Loan, the IFAD Grant and the GEF Grant respectively and financing the Programme.
  - (b) All Designated Accounts shall be opened through the State Treasury of the Borrower/Recipient in a bank acceptable to the Fund, and denominated in USD.
7. Programme Accounts.

There shall be three (3) Programme Accounts for the benefit of the Programme, opened through the State Treasury of the Borrower/Recipient in a bank acceptable to the Fund, to receive resources from the Designated Accounts respectively.
8. The GEF Grant shall be provided subject to its availability to the Fund.
9. The Borrower/Recipient shall provide counterpart funds for the Programme to cover taxes levied on the implementation of the Programme in accordance with the Annual Work Plans and Budgets (the "AWPBs") referred to in paragraph 10 of Schedule 1 hereto.

### **Section C**

1. The Lead Programme Agency shall be the Ministry of Agriculture and Food Industry (the "MAFI").
2. The Programme Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

### **Section D**

The Financing will be administered and the Programme supervised by the Fund.

### **Section E**

1. The following are designated as additional grounds for suspension of the right of the Borrower/Recipient to request withdrawals under this Agreement:
  - (a) The Programme Implementation Manual (the "PIM") referred to in paragraph 11 of Schedule 1 hereto, or any provision thereof, has been abrogated, waived, suspended or amended without the prior consent of the Fund and the Fund has determined that any such waiver, suspension, termination, amendment or modification has, or is likely to have, a material adverse effect on the Programme. In the event of any conflict between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.
  - (b) Any competent authority has taken action without the prior consent of the Fund for institutional changes to the IFAD Programme Steering Committee (the "IPSC") and/or the Consolidated Programme Implementation Unit (the "CPIU") referred to in paragraphs 6 and 7 of Schedule 1 hereto respectively, including but not limited to modification of the membership composition, dissolution and merger, and the Fund has determined that any such event is likely to have a material adverse effect on the Programme.
2. The following are designated as additional general conditions precedent to withdrawal:
  - (a) the IFAD no-objection to the final version of the PIM shall have been obtained; and
  - (b) the Designated Accounts and Programme Accounts shall have been opened in accordance with this Agreement.
3. The following is designated as the additional specific condition precedent to withdrawal under Category V referred to in Schedule 2 hereto:

At least one participating financial institution (the "PFI"), selected and accredited under criteria acceptable to the Fund, has entered into a Subsidiary Loan Agreement satisfactory to the Fund with the Ministry of Finance of the Borrower/Recipient, for the implementation of Programme Component 2 referred to in Schedule 1 hereto.
4. This Agreement is subject to ratification by the Borrower/Recipient.

5. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Minister for Finance of  
the Republic of Moldova  
Ministry of Finance  
Cosmonautilor, 7 str.  
2005 Chişinău  
Republic of Moldova

For the Fund:

President  
International Fund for Agricultural  
Development  
Via Paolo di Dono, 44  
00142 Rome, Italy

This Agreement, dated \_\_\_\_\_, has been prepared in the English language in six (6) original copies, three (3) for the Borrower/Recipient and three (3) for the Fund.

REPUBLIC OF MOLDOVA

\_\_\_\_\_  
[\_Title\_]

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
President

## Schedule 1

### *Programme Description and Implementation Arrangements*

#### I. Programme Description

1. *Target Population and Programme Areas.* The Programme has a national coverage, with the exception of the Climate Change Resilience Component which shall focus on vulnerable areas, predominantly in the central and southern rayons in the territory of the Borrower/Recipient. Three primary groups of the Target Population include (i) the commercially active poor; (ii) the economically active poor; and (iii) the very poor.
2. *Goal.* The overall goal of the Programme is to enable the Target Population to raise their incomes and strengthen their resilience to climate change.
3. *Objectives.* The objectives of the Programme are (i) to enhance the resilience and adaptive capacity of farmers to climate change to ensure higher and more stable incomes; (ii) to enhance access to enterprise capacity development, financial services and entrepreneurship support; (iii) to improve beneficiaries' productivity and competitiveness, increase investment and business opportunities, and improve market access and resilience against economic and climate shocks.
4. *Components.* The Programme shall be composed of four components: (i) Climate Change Resilience and Inclusive Value Chains; (ii) Inclusive Rural Finance and Capacity Development; (iii) Infrastructure for Rural Resilience and Growth; and (iv) Programme Management.

##### *4.1. Component 1: Climate Change Resilience and Inclusive Value Chains*

The overall purpose of Component 1 is to enhance the resilience, inclusiveness and adaptive capacity of agribusinesses in value chains to climate change through the introduction of climate-resilient agriculture practices and technologies, and the promotion of selected value chains that can demonstrate inclusiveness of the rural poor. This Component shall consist of two Sub-Components.

*4.1.1. Sub-Component 1.1: Climate Resilience through Conservation Agriculture.* This Sub-Component aims to address the adaptation priorities identified by the Moldovan government in the agriculture sector through two major areas of activities: (i) the creation of an enabling environment for climate-resilient agriculture, by increasing the capacity of all beneficiaries and partners concerned with agriculture and agro-forestry to address climate change impacts and implement adaptation measures; and (ii) the enhancement of agriculture production through climate-resilient investments and it will build on the capacity development effort of the early stages of the Programme to develop a set of protocols for the successful implementation of conservation agriculture, covering the main crops and agro-climatic zones of the Borrower/Recipient.

*4.1.2. Sub-Component 1.2: Inclusive Value Chain Development.* This Sub-Component comprises activities supporting the further development of selected value chains. This Sub-Component shall identify the key drivers of the value chains including inter alia processors, exporters, retailers and logistical businesses, and subsequently link the various parts of the value chains in a manner that supports the inclusion of the Target Population: the rural poor. It shall also strengthen cooperation with certification agencies in the Borrower/Recipient and abroad that are needed to penetrate new markets and niches, and allow for greater synergies with the other Components, utilising a demand driven and flexible approach that avoids rigid bundling of Programme activities.

#### 4.2. *Component 2: Inclusive Rural Finance and Capacity Development*

This Component shall enhance access to financial services for the Target Population through banking and non-banking financial institutions to serve rural micro, small and medium enterprises and young entrepreneurs. The Component shall include two Sub-Components.

4.2.1. *Sub-Component 2.1: Financing of Agricultural and Rural Investments.* This Sub-Component shall provide resources to enhance the ability of the banking and non-banking financial institutions to provide investment financing facilities to rural entrepreneurs through four financing facilities: (i) financing of rural-based small and medium enterprises' agricultural investments which is necessitated by the continued lack of long-term finance of banks and which has proven highly demand-driven with demonstratively high impact; (ii) financing of rural-based young entrepreneurs; (iii) financing of rural-based micro entrepreneurs' investments; and (iv) financial provision of a loan portfolio guarantee scheme to Saving and Credit Associations (the "SCAs") for their investment loans, facilitated by a credit guarantee fund (the "CGF").

4.2.2. *Sub-Component 2.2: Capacity Development within the SCA Sector.* Under this Sub-Component, the Financing will support three key areas: (i) capacity development support for consolidation offered to B-licensed SCAs and A-licensed SCAs which intend to get a B-license, or which intend to merge with a B-licensed SCA; (ii) assistance to SCA apex organizations; and (iii) assistance to the National Commission for Financial Markets (the "NCFM").

#### 4.3. *Component 3: Infrastructure for Rural Resilience and Growth*

The objective of this Component is to increase rural economic growth through infrastructure development by strengthening the rural sector's resilience against the increased frequency and depth of climatic and economic shocks, and enabling rural producers to increase production, shorten transportation time from farm to market, lower transaction costs, diversify production and engage in higher value chains that demands predictability of delivery. Public infrastructure investments shall be made in small-scale water supply systems; rural transport infrastructure and village level market places.

#### 4.4. *Component 4: Programme Management*

This Component shall finance the management and implementation of the Programme as per this Agreement.

## **II. Implementation Arrangements**

5. *Lead Programme Agency.* The Ministry of Agriculture and Food Industry (MAFI), in its capacity as Lead Programme Agency, shall have overall responsibility for the implementation of the Programme.

6. *The IFAD Programme Steering Committee (the "IPSC").* The IPSC has been established by Government decree and is responsible for providing overall policy, other guidance and oversight for all IFAD-financed projects and programmes in the Borrower/Recipient. The IPSC will have the same responsibility and function with respect to the Programme.

6.1. *Composition.* The Minister of MAFI will be the *ex officio* Chairperson of the IPSC. Other members include a representative of the Ministry of Finance (the "MOF"), a representative of the Aid Coordination Unit under the State Chancellery, a representative of the Parliament's Agricultural Commission, a representative of the National Bank of Moldova (NBM), a representative of the NCFM and representatives from other Programme stakeholders, including Government agencies, organizations (public and private) as may be deemed appropriate. The IPSC membership may be amended depending on Programme requirements, with the prior approval of the Fund. The Programme Director (see paragraph 8 below) and a representative of the Credit Line Directorate (the "CLD") shall participate in the meetings, and secretariat services shall be provided for the IPSC by the Consolidated Programme Implementation Unit (see paragraph 7 below).

7. *IFAD Consolidated Programme Implementation Unit (the "CPIU").* The responsibility for the Programme's day-to-day management and implementation will rest with the CPIU, which has been in charge of the same responsibilities for all previous IFAD-financed projects and programmes in the Borrower/Recipient under the leadership of its Director. Positions, including inter alia a Climate Change Resilience Officer, a Climate Change Assistant, a Credit Assistant and a Knowledge Management Specialist, shall be created within the CPIU as needed and funded by the Programme in consultation with the MAFI and be subject to the concurrence of the Fund. The principal functions of the CPIU shall be to carry out the overall programming and budgeting of Programme activities, take the lead in Programme implementation in cooperation with business development and other services providers, infrastructure contractors, beneficiary institutions, such as farmer-based organizations and rural women's groups, PFIs, and monitor and document Programme progress.

8. *Programme Director.* The Director of the CPIU shall be the Programme Director, who shall take responsibilities including inter alia operational management, financial management, accounting, procurement, rural finance coordination, monitoring and evaluation, value chain facilitation and infrastructure coordination. Should the Programme Director be replaced, the successor shall be selected and appointed through a transparent competitive process and based on qualifications, experience and terms of reference approved by the Fund. The appointment of the Programme Director shall require the prior approval of the Fund. The Programme Director shall report to the IPSC.

9. *Additional Implementation Arrangements.*

9.1. Component 1 shall principally and directly be implemented by MAFI, and the CPIU shall be responsible for the timely delivery of inputs and outputs and for coordination with all other relevant agencies.

9.2. The implementation of the first three financing facilities under Component 2 shall be co-managed by the CPIU and the CLD. Financing facility (iv) shall be implemented by a mutually agreed CGF entity, whose daily responsibilities include adjustment of operational policies, annual business planning and related budgeting, marketing of CGF services, processing of guarantee applications, including appraisal of SCAs, evaluation and approval of guarantee claims, reporting to relevant stakeholder, including MOF, MAFI, the Fund, the NCFM, the CLD and the CPIU. For the capacity development to the SCA sector, overall coordination shall rest with the CPIU.

9.3. Lead responsibility for the implementation of Component 3 shall rest with the CPIU, in particular its Infrastructure Development Specialist.



10. *Annual Work Plans and Budgets (the "AWPBs")*. The CPIU will prepare a draft AWPB for each Programme year, and will propose such a draft to the IPSC for review and approval and once approved, submit it to the Fund for concurrence at least sixty (60) days before the beginning of the concerned budget year.

11. *Programme Implementation Manual (the "PIM")*. The IPSC shall cause the CPIU to prepare a draft PIM as soon as practicable, but in no event later than ninety (90) days after the entry into force of this Agreement. The IPSC shall approve the PIM only with prior agreement of the Fund, and provide a copy thereof to the Fund.

## Schedule 2

### Allocation Table

*Allocation of Loan and Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Financing and the allocation of the amounts of the Financing to each Category and the percentages of expenditures for items to be financed in each Category:

Category	IFAD Loan Amount Allocated (expressed in SDR)	IFAD Grant Amount Allocated (expressed in SDR)	GEF Grant Amount Allocated (expressed in USD)	% of eligible expenditure to be financed
I. Equipment and Materials	120 000		2 400 000	100% net of taxes
II. Vehicles			25 000	100% net of taxes
III. Technical Assistance and Training	880 000	325 000	1 400 000	100% net of taxes and beneficiaries' contribution
IV. Works	2 300 000			100% net of taxes and beneficiaries' contribution
V. Credit, Guarantee Funds	5 450 000			100% net of taxes, beneficiaries' contribution and PFIs' contribution
VI. Salaries and Allowances	500 000		90 000	100% net of taxes
VII. Operating Costs	200 000			100% net of taxes
VIII. Unallocated	1 050 000		345 000	
<b>TOTAL</b>	<b>10 500 000</b>	<b>325 000</b>	<b>4 260 000</b>	

(b) The terms used in the Table above are defined as follows:

- i. "Technical Assistance and Training" means expenditures related to national and international technical assistance, training, seminars, workshop and demonstration field studies.
- ii. "Works" means expenditures for infrastructure and civil works.
- iii. "Credit, Guarantee Funds" includes costs for the CGF, refinancing facility for SCAs/MFI, and financing and refinancing facilities for SME and agricultural entrepreneurs.
- iv. "Operating Costs" includes expenditures for audit and allowances for travel to the Programme.

### **Schedule 3**

#### *Special Covenants*

In accordance with Section 12.01 (a) (xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan and Grant Accounts if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has, or is likely to have, a material adverse effect on the Programme:

*Gender.* At all relevant times during the Programme Implementation Period the Borrower/Recipient shall ensure that the CPIU and other Programme Parties, if applicable, shall strive to improve the gender balance in the operations of the Programme, develop targets and processes to achieve those targets as part of a gender strategy, and present reports by the end of each Programme year on the achievements towards this end.