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Investing in rural people

The Republic of Moldova

Rural Resilience Project (RRP)

Negotiated financing agreement

# Negotiated financing agreement: "Rural Resilience Project (RRP)"

(Negotiations concluded on 15 November 2016)

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

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

ASAP Trust Grant Number: \_\_\_\_\_

Project Title: Rural Resilience Project (RRP) ("the Project")

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

and

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

and

The Adaptation for Smallholder Agriculture Programme Trust Fund ("the ASAP Trust")

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

HEREBY agree as follows:

## Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, and as may be amended hereafter 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, an IFAD Grant and an ASAP Trust Grant (together the "Financing") to the Borrower/Recipient, which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

## Section B

1. A. The amount of the Loan is eighteen million two hundred thousand US dollars (USD 18 200 000).
- B. The amount of the IFAD Grant is five hundred thousand US dollars (USD 500 000).
- C. The amount of the ASAP Trust Grant is five million US dollars (USD 5 000 000).

2. The Loan shall be subject to interest at a fixed rate of 1.25 per cent and a service charge of 0.75 per cent on the principal amount outstanding, and shall have a maturity period of twenty five (25) years including a grace period of five (5) years starting from the date of approval by the Executive Board.
3. The Loan Service Payment Currency shall be the 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.
6. (a) There shall be a Loan Designated Account, an IFAD Grant Designated Account and an ASAP Trust Grant Designated Account for the purposes of receiving the proceeds of the Loan, the IFAD Grant and the ASAP Trust Grant respectively and financing the project, all of which shall be denominated in USD and opened by the Borrower/Recipient in the National Bank of Moldova.  
  
(b) Project operating accounts for the loan, IFAD grant, ASAP grant and Beneficiaries contributions shall be opened by the State treasury at the National Bank to receive resources from the respective designated accounts and from Beneficiaries
7. The Borrower/Recipient shall provide counterpart financing for the Project estimated in the amount of two million nine hundred and forty thousand US dollars (USD 2 940 000) by covering all duties and taxes on goods and services procured under the project. The Borrower/Recipient will finance the cost of all taxes on goods procured under the project, or will waive the duties and taxes.

#### Section C

1. The Ministry of Agriculture and Food Industry is the Lead Project Agency and shall have overall responsibility for the implementation of the project.
2. The following are designated as additional Project Parties: CLD, PFIs, SCAs, NCFM, Local Public Authorities (Primarias), State Association for Soil Protection, State Inspection on Civil Works, State Agency "Apele Moldovei", Water Users Associations (WUA), Research Institute in Forestry, Research Institute in Soil Science, Academy of Science, State Agrarian University of Moldova, consulting and extension service provides NGOs, producer associations UAP, Moldova Fruct, APESM, and the Association of Honey Producers.
3. The Project Completion Date shall be the sixth (6<sup>th</sup>) anniversary of the date of entry into force of this Agreement.

#### Section D

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

Section E

1. The following is designated as an additional ground for suspension of this Agreement:

- (a) The Project Implementation Manual (PIM) referred to in paragraph 8 of Schedule 1 hereto, or any provision thereof, has been waived, suspended, terminated, amended or otherwise modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.

2. The following is designated as an additional general conditions precedent to withdrawal of the part of the Category II "Credit, Guarantee Funds" related to the Credit Guarantee Mechanisms:

- (a) The specific study to assess the feasibility for and potential of a Credit Guarantee Company (CGC) is completed and shows a clear and appropriate pathway for the credit guarantee scheme.

3. This Agreement is subject to ratification by the Borrower/Recipient. The Financing Agreement shall enter into force on the date upon which the International Fund for Agricultural Development dispatches to the Recipient notice of its acceptance of the evidence that the execution and delivery of the Agreement by the Republic of Moldova has been duly authorized by all necessary governmental actions and the Agreement can become effective.

4. 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  
Chisinau, Republic of Moldova

For the Fund:

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

For the Adaptation for Smallholder Agriculture Programme Trust Fund

President of the International Fund  
for Agricultural Development  
in its capacity as Trustee  
of the Adaptation for Smallholder  
Agriculture Programme Trust Fund  
Via Paolo di Dono 44  
00142 Rome, Italy

This Agreement, dated \_\_\_\_\_, has been prepared in the English language in two (2) original copies, one (1) for the Fund and the ASAP Trust and one (1) for the Borrower/Recipient.

REPUBLIC OF MOLDOVA

\_\_\_\_\_  
Authorized Representative  
(Name and title)

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Kanayo F. Nwanze  
President

ADAPTATION FOR SMALLHOLDER AGRICULTURE  
PROGRAMME TRUST FUND

\_\_\_\_\_  
Kanayo F. Nwanze  
President of the International Fund  
for Agricultural Development in its capacity as Trustee  
of the Adaptation for Smallholder Agriculture Programme  
Trust Fund

## Schedule 1

### Project Description and Implementation Arrangements

#### I. Project Description

1. **Project Area.** The Project shall be implemented throughout the Borrower/Recipient's territory. Special prioritisation will be given to climate vulnerable farmers and agribusinesses as well as poorer segments of the rural society. This will be determined by the Small Area Deprivation Index, supplemented by poverty data. Climate vulnerability will be based on the Livelihood Vulnerability Index and other measures of the impact of climate change.

2. **Target Population.** In terms of categorisation the major target groups are as following:

- Agribusiness, mainly small and medium size enterprises.
- Smallholder farmers, especially semi-subsistence and commercially oriented smallholder farmers.
- Young entrepreneurs are a crosscutting target group facing unique challenges and opportunities that also require tailor-made targeting strategies.
- Smallholder women farmers belonging to vulnerable households, sensitive to poverty and climate change, also comprise a crosscutting target group.

3. **Goal.** The overall goal of the Project is to improve the wellbeing of Moldova's rural population and contribute to poverty reduction.

4. **Objective.** The development objective of the Project is to strengthen the resilience and improve economic opportunities for the rural poor.

5. **Components.** The Project will have two core components that envisage a number of complementarities between initiatives and subcomponents.

5.1. **Component 1: Improve smallholders and agribusinesses' adaptive capacity.** This component will aim at enhancing the resilience through investments in productive rural infrastructure and agri-systems. This component will address the Climate Change adaptation priorities identified by the Moldovan government and will operate under two subcomponents:

5.1.1. Climate-resilient water management and infrastructure development will support investments in productive rural infrastructure to remove the bottlenecks hampering the consolidation and expansion of competitive farms and village based agri-business and to foster the adoption of climate smart technologies.

5.1.2. Farmers' adaptation through climate resilient investments will include: (a) support smallholder farmers in the adoption of climate-resilient crop production systems and technologies, through investment grants and capacity development support; (b) support food/nutrition security and business diversification of women groups in high climate- and poverty-vulnerable areas, and (c) support public and private investments in ecological restoration measures aiming to reduce climate-related risks and improve ecosystem services for agriculture.

5.2. Component 2: Agribusiness development support. The expected outcome of the component will be to enhanced access to financial services and markets for rural transformation. The component is set up with three subcomponents:

- 5.2.1. Term finance for Micro, small and medium enterprises (MSMEs) will support the investments (including some working capital up to 20 per cent of the total loan) of MSMEs in Moldova.
- 5.2.2. Credit Guarantees for MSMEs, under which the Government of Moldova will be assisted to create the Moldova Credit Guarantee Fund to provide inter-bank guarantees for loans granted to MSMEs by licensed financial institutions.
- 5.2.3. Technical support to MSMEs, which includes a number of smaller, but important measures to widen and deepen the impacts of other components, comprising technical support to agribusiness, youth entrepreneurs and Saving and Credit Associations.

## II. Implementation Arrangements

### 6. The Lead Project Agency:

6.1. Overall responsibility for the Project management and implementation will rest with the IFAD Programme Steering Committee (IPSC) already established by Government decree and responsible for providing overall policy guidance and oversight for all IFAD-supported projects and programmes in Moldova.

6.2. The Minister of Agriculture and Food Industry will be the Chairperson of the IPSC. Other members include one representative each of the Ministry of Finance, the Aid Coordination Unit under the State Chancellery, the Parliament's Agricultural Committee, the National Bank of Moldova, and representatives from other Project stakeholders, including government agencies and public and private organisations as appropriate. The IPSC membership can be amended depending on programme requirements, with a view to reflect the increased emphasis on climatic adaptation and resilience.

6.3. Day-to-day management and implementation of the Project will rest with the existing Consolidated Programme Implementation Unit (CPIU), which has established a robust and well-recognised track record of competent and diligent programme management of IFAD's previous and ongoing projects.

6.4. The principal functions of the CPIU will be to carry out the overall programming and budgeting of Project activities, take the lead in implementation - in cooperation with business development partners and other services providers, infrastructure contractors, beneficiary institutions, such as farmer-based organisations, participating financial institutions - and to monitor and document Project progress.

6.5. Specifically, the CPIU will assume the responsibility for generating the annual work plans and budgets (AWPBs) to be submitted to the IPSC for review and approval and subsequently to IFAD for final approval. Likewise, the CPIU will take the lead in the procurement of civil works and goods and services.

7. Mid-Term Review. The Fund shall carry out a review of Project implementation no later than the end of the Project's third year. The review shall cover, among other things: (i) physical and financial progress as measured against AWPBs; (ii) performance and financial management of contracted implementing partners; (iii) an assessment of the efficacy of the institutional development and capacity building activities; (iv) progress in infrastructure investments; (v) establishing and delivering of extension services; (vi) delivering of financial services; and (vii) access to markets. Fund will present a report on mid-term review with conclusions and recommendations for Ministry of Agriculture and Food Industry.

8. Project Implementation Manual (PIM). The CPIU shall prepare a draft PIM acceptable to the Fund and submit it for approval to the IPSC. When so approved, a copy of the PIM shall be provided by the CPIU to the Fund. The PIM may be amended when necessary to introduce clarification in procedures, eliminating constraints for project implementation and for facilitating access of producers to the project services.



## Schedule 2

## Allocation Table

1. Allocation of Loan, Grant and ASAP Trust Grant Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan, the Grant and the ASAP Trust Grant, 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 USD)	IFAD Grant Amount Allocated (expressed in USD)	ASAP Trust Grant Amount Allocated (expressed in USD)	Percentage
I. Consultancies	695 000	250 000	1 035 000	100% net of taxes
II. Credit, Guarantee Funds	10 445 000			100% net of taxes
III. Equipment, Material, Goods and Services	45 000		25 000	100% net of taxes
IV. Grant	225 000		2 810 000	100% net of taxes
V. Workshops and Trainings	340 000	180 000	60 000	100% net of taxes
VI. Works	3 875 000		465 000	100% net of taxes
VII. Salaries and Allowances	570 000		60 000	100% net of taxes
VIII. Operating costs	185 000	20 000	45 000	100% net of taxes
Unallocated	1 820 000	50 000	500 000	
<b>TOTAL</b>	<b>18 200 000</b>	<b>500 000</b>	<b>5 000 000</b>	

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

- (i) Category I: "Consultancies" include studies and technical assistance.
- (ii) Category II: "Credit, Guarantee Funds" includes term finance and credit guarantees for micro, small and medium enterprises (MSMEs) and expenditure related to the establishment of the credit guarantee scheme.