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Investing in rural people

Republic of Moldova

Talent Retention for Rural Transformation Project

Negotiated financing agreement

Negotiated financing agreement: "Talent Retention for Rural Transformation Project"

(Negotiations concluded on 8 April 2020)

Loan No: _____

AF Grant No: _____

Project name: Talent Retention for Rural Transformation (TRTP) ("the Project")

The Republic of Moldova
and

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

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

WHEREAS the Borrower/Recipient has a loan and a grant from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS IFAD and the Adaptation Fund have entered into an agreement on _____ between (the "Donors Agreement") that will provide five million five hundred thirty seven thousand four hundred fifteen in the United State dollars (5 537 415 USD), through the AF grant ("AF GRANT") to finance the Project described in Schedule 1 to this Agreement.

WHEREAS, the Fund has agreed to provide financing for the Project;

NOW THEREFORE, 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), 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, amended as of December 2018, 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, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a Loan and an AF Grant (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. The Financing shall be channelled to the Borrower/Recipient through the Designated Account as detailed in Article 2, paragraph 7 below. The AF Grant shall be channelled to the Borrower/Recipient only if and to the extent that IFAD has received the AF Grant proceeds in accordance with the terms and conditions of the Donors Agreement.

Section B

1. A. The amount of the loan is eighteen million nine hundred thirty nine thousand Euros (18 939 000 EUR).
- B. The amount of the AF grant is five million five hundred thirty seven thousand four hundred fifteen United States dollars (5 537 415 USD) .
2. The Loan is granted on blend terms, and shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board. The interest rate and service charge determined will be fixed for the life cycle of the loan and payable semi-annually in the Loan Service Payment Currency, 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 of the Loan by the Fund's Executive Board.
3. The Loan Service Payment Currency shall be in EUR.
4. The first day of the applicable Fiscal Year shall be 1st January.
5. Payments of principal, interest, and service charge shall be payable on each 1st April and 1st October.
6. There shall be two Designated Accounts (one for the IFAD loan in EUR and one for the AF grant in USD), for the exclusive use of the Project opened at the National Bank of Moldova. The Borrower shall inform the Fund of the officials authorized to operate the Designated Accounts.
7. The Borrower/Recipient shall provide counterpart financing for the Project in the amount of USD 3.8 million in the form of taxes and duties for the Project.

Section C

1. The Lead Project Agency shall be The Ministry of Agriculture, Regional Development and Environment.
2. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
4. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower/Recipient.
5. Procurement of goods, works and services financed by the Financing shall be carried out:
 - (a) in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines,
 - (b) Pursuant to Procurement Plan, which shall be identify procedures which must be implemented by the Borrower/Recipient in order to ensure consistency with IFAD Project Procurement Guidelines.

Section D

1. The Fund will administer the Loan/Grant and supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The PIM and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower/Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Project.
2. The following are designated as additional (general/specific) conditions precedent to withdrawal:
 - (a) The IFAD no objection to the Project Implementation Manual (PIM) shall have been obtained;
 - (b) Key Project staff has been appointed as per Schedule 1 of this Agreement.
 - (c) The PIU has been designated by the Government of Moldova.
3. This Agreement is subject to ratification by the Borrower/Recipient.
4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Ion Perju
Minister of Agriculture, Regional Development and Environment
str. Constantin Tănase 9
MD-2005 mun. Chişinău, Moldova

For the Fund:

Gilbert F. Hougbo
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 two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient and shall enter into force at the date the Fund receives an instrument of ratification from the Republic of Moldova.

THE REPUBLIC OF MOLDOVA

(Authorized Representative)

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Hougbo
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The primary target group of TRTP is commercially-orientated small-holder farmers and youth entrepreneurs cultivating up to 10 hectares. The project will ensure that women farmers are especially included in project activities. In addition, the project will engage with a range of actors such as agribusinesses, exporters, input suppliers, processors of agricultural goods, farmers with larger landholdings where they can function as aggregators, innovators and catalysts providing pathways for small-holder farmers to access national and international markets. Forty percent of the beneficiaries will be women and forty percent will be youth.
2. *Project area.* As the project is national in scope, the geographical targeting does not limit project interventions to a specific geographic area but prioritizes interventions in the more climate vulnerable and deprived areas throughout the country based on Small Area Deprivation Index and data on climate vulnerability from the 4th National Communication of the Republic of Moldova on Climate Change.
3. *Goal.* The goal of the Project is to stimulate broad-based rural economic growth and reduce poverty through complementary investments.
4. *Objectives.* The objectives of the Project is to enable the rural poor (especially youth, women and smallholders) to increase their productive capacity, resilience to economic, environmental and climate-related risks and their access to markets.
5. *Components.* The Project shall consist of the following two Components:

5.1 Component 1: Resilient Economic Transformation

Sub-Component 1.1 Enhancing Climate Resilience

Climate Resilient Infrastructure (CRI):

- (a) The subcomponent is designed to support investments in productive rural infrastructure enhancing resilient rural economic transformation by removing infrastructure bottlenecks.
- (b) Investments in irrigation infrastructure shall focus on micro and small irrigation schemes.
- (c) Investment in rural roads improvements shall be directed to rural feeder roads and ancillary structures.
- (d) Priority of implementation shall be given to proposals from geographic locations more prone to climate risk and to target areas showing a relative higher concentration of poverty, based on the Small Areas Deprivation Index (SADI) indicators.

On-farm Climate Adaptive Water Management

- (a) Build smallholder farmer's resilience to climate change by fostering the adoption of climate smart, water saving technologies and building smallholder awareness and capacity in climate adaptive agricultural practices. Grants from the Adaptation Fund shall be provided exclusively to smallholder farmers with up to 10 ha land (owned and cultivated). *Demo plots, the Training of Trainers programmes and extension support services.* Based on the FAO lessons learned the project shall train and provide demand driven advisory services.

- (b) Conservation agriculture. Support Ministry of Agriculture Regional Development & Environment (MARDE) in the development of the new National Programme for Conservation Agriculture.
- (c) Knowledge management. The project shall dedicate around USD 50,000 to ensure that project results are being adequately recorded and the findings disseminated.

Sub-Component 1.2 Agribusiness Development

1 Strengthening Value Chains for Producer Groups

- (a) The project will be implemented by a service provider who could be an individual, a consulting firm or an NGO which has the requisite skills to provide the technical support which is required under the component.
- (b) The project shall work closely with the Producer Groups and private sector entities to develop proper feasibilities and business plans for collaboration. The PIU will ensure that all service providers follow sound labour management practices.
- (c) Investments in producer groups. The project will also put in place innovative arrangements for investments in collection and grading centres, warehouses, cold storages and agro-processing facilities, refrigeration trucks, branding, marketing and providing equipment and materials, etc. The project investments in the market infrastructure and processing facilities, through mix of grants and loans, will represent an investment and contribution on behalf of the smallholder farmers who are members of the PGs.

1 Strengthening MARDE Technical Capacity

- (a) The project shall strengthen the capacity of MARDE by providing it technical specialists for economic and market analysis.
- (b) The project shall also organize opportunities for learning and experience sharing for MARDE staff and PGs.

5.2 Component 2: Entrepreneurship Finance

Sub-component 2.1. Affordable credit for youth and women

- (a) This subcomponent shall focus on addressing bottlenecks related to the cost of capital and lack of collateral to access loans.
- (b) The project shall provide mentoring support for young entrepreneurs and women to assist the target group in the formation of investment and working capital proposals.
- (c) IFAD-funding would provide equipment grants of up to 40% of the investment costs, matched with loans.
- (d) The project would facilitate young entrepreneurs and women with developing proper proposals for subsidies and loan guarantees from the relevant entities. .
- (e) Saving and Credit Associations (SCA). IFAD shall provide financing for SCAs to on-lend to microenterprises in rural areas. The interest rate on the credit line to these eligible SCAs shall be established by the government.

Subcomponent 2.2. Rural finance sector development

- (a) This sub-component is designed to build capacity and strengthen some of the initiatives of the previous IFAD projects and will further strengthen the SCA sector and the regulatory and supervisory capacity of the National Commission for Financial Markets (NCFM).

- (b) *An SCA Stabilization Fund.* IFAD shall provide technical assistance and facilitate the sector investment for the establishment of SCA Stabilization Fund, once the proper regulation is in place. The feasibility of establishing the SCA Stabilization Fund or the reallocation of funds allocated to this component to another project component will be discussed during project implementation.
- (c) *The SCA Deposit Insurance Fund.* IFAD shall assist the SCA sector to adopt international best practices of financial consumer protection by providing it financing to establish an SCA Deposit Insurance Fund. The feasibility of establishing the SCA Deposit Insurance Fund or the reallocation of funds allocated to this component to another project component will be discussed during project implementation.
- (d) *Technical assistance.* The project shall also provide a technical assistance to several sector institutions and provide mentoring support to the SMEs: i) SCA capacity building ii) NCFM capacity building and (iii) NCFM capacity building.

II. Implementation Arrangements

6. *Lead Project Agency (LPA).* The Lead Project Agency shall be The Ministry of Agriculture, Regional Development and Environment.

7. *Project Steering Committee (IPSC).* The Project Steering Committee shall be responsible for the overall management and implementation of TRTP. The IPSC shall be responsible for providing overall policy guidance and oversight for all IFAD-supported projects and programmes in Moldova. The IPSC membership may be amended depending on project requirements, with a view to reflect the increased emphasis on climate adaptation and resilience, subject to prior approval of IFAD.

8. *Project Implementation Unit (PIU).* The Borrower/Recipient will designate a PIU to exercise day-to-day management and implementation of the project. The responsibilities of the PIU shall include:

- (i) undertaking the annual plans and budgets, taking the lead in implementation, coordinating with partner institutions and supervising the service providers and infrastructure contractors.
- (ii) monitoring and documenting project progress and ensuring the timely availability of all progress reports.
- (iii) assuming responsibility for generating the AWPBs for submission to the IPSC for review and approval, and subsequently to IFAD for no objection.
- (iv) taking the lead in procurement of civil works and goods and services.

9. The PIU capacity shall be strengthened to implement the TRTP by hiring an additional engineer, specialist to oversee the Adaptation Fund grant and an Agribusiness Specialist to coordinate the activities of TRTP.

10. *The project accounting system.*

11. *Standards and requirements.* The project accounting system shall follow national standards, accrual basis, and transactions shall be recorded in the 1-C stand alone accounting software at the PIU. As national reporting requirement differ from IFAD's, a specific set of Financial Statements shall be prepared as per current practice based on records from their system on an IPSAS cash basis of accounting and in accordance to the requirements set in the IFAD Handbook on Reporting/Auditing.

12. *Internal control.* The project can maintain the same audit arrangements as current on-going projects/programmes. At the same time, the PIU may take into consideration the opportunity to strengthen this area with dedicated resources.

13. *External control.* The project shall be externally audited by independent firms acceptable to IFAD as it is adopted for the on-going projects/programmes.
14. *Implementing partners.* The project shall also partner with the Research Institute of Field Crops "Selectia", the State Agrarian University of Moldova, and National Agency for Rural Development (ACSA) or other Service Providers in the implementation of the Adaptation Funded activities for the developing the demo plots; the designing and implementation of the Training of Trainers (ToT) programme; and the training of extension workers and beneficiaries of on-farm water management activities.
15. *Monitoring and Evaluation.* Monitoring and Evaluation activities would be the responsibility of PIU.
16. *Knowledge Management.* The TRTP project is expected to generate learning and knowledge on several aspects that will be documented for sharing with key decision-makers and for policy advocacy.
17. *Project Implementation Manual.* The Project Implementation Manual (PIM) outlines the programmatic and financial procedures to be followed by the IFAD PIU during the different stage of the project cycle. The manual aims to describe in detail the necessary steps to be undertaken by the relevant project staff, when undertaking actions related to the implementation of project's activities, targeting and financial management.

Schedule 2

Category	Loan Amount Allocated (expressed in EUR)	AF Grant Amount Allocated (expressed in USD)	Percentage
I. Consultancies	875 000	1 333 738	100% net of taxes
II. Credit & Grant	11 077 000	2 213 000	100% net of taxes
III. Equipment, Material, Goods and Services	681 000		100% net of taxes
IV. Works	3 974 000	1 776 000	100% net of taxes
V. Operating Costs	444 000	214 677	100% net of taxes
Unallocated	1 888 000		
TOTAL	18 939 000	5 537 415	

- (i) Category I: "Consultancies" include Studies, technical assistance, trainings and workshops.
- (ii) Category II: "Credit & Grant" include credits to PFIs and SCAs. IFAD Loan includes EUR 9 969.30 credits and EUR 1 107.70 Grants. AF grant of USD 2.2 million will be exclusively for smallholder farmer's.
- (iii) Category V "Operating Costs" under IFAD Loan, include operating costs and eligible expenditures related to Salaries and Allowances and under AF Grant, include USD 174 677 of salaries & allowances and USD 40 000 for eligible expenditures related to MTR and Final Evaluation.

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/Grant Account if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. Within 6 months of entry into force of the Financing Agreement, the Project will procure and install a customize accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. Within six (6) months of entry into force of the Financing Agreement, the Project will enter into Memorandum of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.
3. *Planning, Monitoring and Evaluation.* The Borrower/Recipient shall ensure that a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.
4. *Land tenure security.* The Borrower/Recipient shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.
5. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower/Recipient shall ensure that the Project will be implemented in compliance with IFAD's SECAP.
6. *Environment and Social Safeguards.* The Borrower/Recipient shall ensure that: (a) all Project activities are implemented in strict conformity with the Borrower/Recipient's relevant laws/regulations; (b) all Project activities give special consideration to the participation and practices of ethnic minority population in compliance with IFAD's *Policy on Indigenous Peoples* (2009), as appropriate; (c) proposals for civil works include confirmation that no involuntary land acquisition or resettlement is required under the Project. In the event of unforeseen land acquisition or involuntary resettlement under the Project, the Borrower/Recipient shall immediately inform the Fund and prepare the necessary planning documents; (d) women and men shall be paid equal remuneration for work of equal value under the Project; (e) recourse to child labour is not made under the Project; (f) the measures included in the Gender Action Plan prepared for the Project are undertaken, and the resources needed for their implementation are made available, in a timely manner; and (g) all necessary and appropriate measures to implement the Gender Action Plan if any to ensure that women can participate and benefit equitably under the Project are duly taken.
7. *Anticorruption Measures.* The Borrower/Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
8. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.