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## Investing in rural people in **Moldova**

The Republic of Moldova has a population of 3.5 million (2019), with almost 57 per cent living in rural areas. Agricultural land constitutes approximately 74 per cent of the country's total land area, of which 54 per cent is arable for annual crop production (maize, wheat, sunflower, barley, oilseed, soybean and sugar beet). Most farmers (97.7 per cent) operate on a small scale, with farm sizes ranging between 0.85 and 10 hectares. One quarter of people living in rural areas work in agriculture, where productivity levels are low. One of Europe's poorest countries, Moldova is seriously affected by emigration, with around one third of its workforce working abroad.

Around 90 per cent of crop production in the country is rainfed, which makes the agriculture sector highly vulnerable to climate variability. Although the sector's value-added share of GDP in Moldova fell from 25 per cent in 2000 to 10 per cent in 2018, agriculture still employs the largest share of the workforce. Farm income as a share of total income declined from 25 per cent to 13 per cent between 2007 and 2014, and poor smallholders have little access to banks and credit facilities.

Women make up 36 per cent of the country's agricultural holders but manage only 19 per cent of the agricultural land. Moreover, their employment rate in rural areas (32.6 per cent in 2019) is lower than that of men (39.2 per cent in 2019). Many farmers lease their land to private or corporate entities, or leave it fallow. Some large-scale farmers are able to take advantage of the expanded



About **90 per cent** of the country's **agricultural production is rainfed** and thus highly vulnerable to climate changes

trading opportunities offered by the free trade agreement with the European Union (EU), which is now the country's main agricultural export destination. However, smallholders struggle to meet the EU's strict requirements. For them, the markets of the Commonwealth of Independent States, including the Russian Federation, are vital as they are more accessible.

The country's main strategic planning document, the National Development Strategy Moldova 2030, approved in 2018, sets long-term sectoral development priorities focused on improving quality of life. By 2030, the following strategic goals should be achieved: (a) poverty reduced by 50 per cent; (b) agricultural productivity and incomes of small-scale agricultural producers increased through facilitated access to factors of production, knowledge, financial services and markets; (c) production activities, entrepreneurship and innovation supported, including through access to financial services; (d) productivity growth stimulated through diversification, technological modernization and innovation; and (e) economic potential developed to increase employment, especially of women.

## IFAD's strategy in Moldova

Collaboration between the Republic of Moldova and IFAD began in 1999. IFAD has supported seven projects totalling US\$196.8 million, with IFAD financing of US\$109.2 million. An estimated 134,000 households have benefited. In Moldova, IFAD loans work to improve the incomes and living conditions of poor rural people. Activities target smallholders and landless farmers, small-scale livestock producers, rural women and unemployed young people in the poorest areas of the country.

IFAD's country strategic opportunities programme (COSOP) for 2019-2024 and its investment portfolio in Moldova contribute directly to the Moldova 2030 strategy. The COSOP aims to assist productive poor rural people in graduating out of poverty by taking advantage of opportunities emerging from the country's ongoing rural transformation. IFAD intends to create an enabling environment with economic prospects, and to increase the appeal of remaining in rural areas.

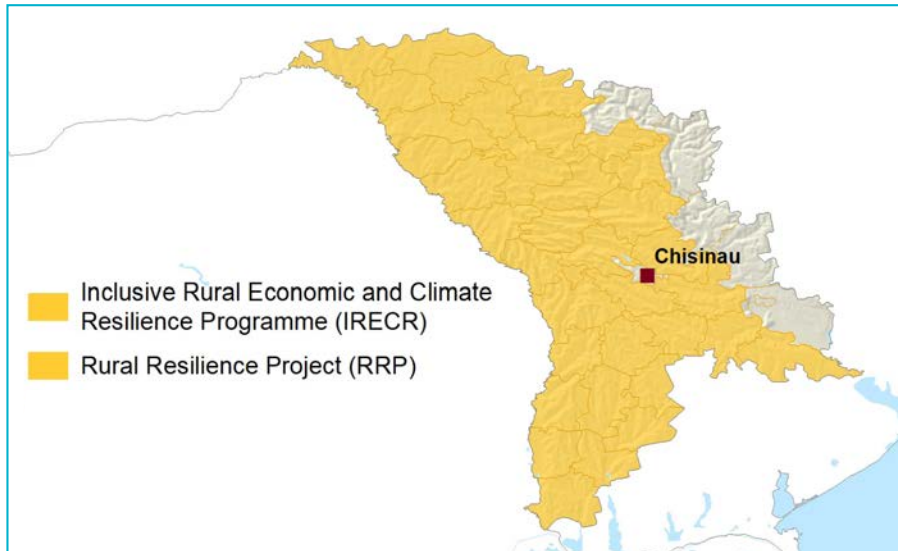
The COSOP aims to drive the transformation of the rural economy by supporting farmers and agribusinesses in becoming more resilient and competitive, thereby generating employment and increasing the tax base for the government, enabling it to finance its inclusiveness ambitions.

IFAD's investments are fully in line with the United Nations Sustainable Development Goals (SDGs) and more specifically with: SDG 1, no poverty; SDG 2, zero hunger; SDG 5, gender equality; SDG 6, clean water and sanitation; and SDG 13, climate action.

South-South and Triangular Cooperation is an important pillar of IFAD's operations in the country. For example, partnerships are supported to implement capacity-building initiatives in areas such as methodology to support agricultural cooperatives; monitoring and evaluation for evidence-based decision-making; and inclusive knowledge-sharing.

IFAD works to ensure projects are sustainable by sharing responsibility for their success with poor rural people. This is achieved through strong partnerships with governments, public agencies and research institutions, and coordination with other donors and United Nations agencies.

# Ongoing operations



## Rural Resilience Project (2016-2022)

The project seeks to improve the well-being of the poor rural population through strengthened resilience and enhanced economic opportunities. It does so by improving their skills for better integration into profitable value chains and by improving access to climate-resilient infrastructure and microfinance services. The rationale behind the project is that the increased competitiveness of agribusiness should generate rural employment and increase resilience of low-income rural people while broadening the tax base to finance the government's poverty reduction strategy. The project has two main components:

- Improve smallholder and agribusiness adaptive capacity, enhancing resilience, and promoting investments in productive rural infrastructure and agro-systems.
- Support agribusiness development through the establishment of the Moldova Credit Guarantee Fund for micro, small and medium-sized enterprises, and other measures for increased the quantity and quality of production.

The project covers all of the country's rural areas, with the aim of targeting climate-vulnerable farmers and agribusinesses and, more generally, the poorest segments of the rural society. The project directly supports an estimated 44,000 people. Key target groups include, among others, commercially oriented smallholder farmers, young entrepreneurs and poor climate-vulnerable smallholder women farmers.

The total cost of the project is US\$38.73 million. IFAD has provided a loan of US\$18.2 million, a US\$0.5 million grant and another grant of US\$5 million from the Adaptation for Smallholder Agriculture Programme. The government contributes with US\$2.94 million and beneficiaries with US\$9.51 million, while participating financial institutions provide about US\$2.57 million.

The financial sector provides less than **8 per cent** of funds to the **agriculture sector** and only **9 per cent** for **food processing**

## Inclusive Rural Economic and Climate Resilience Programme (2013-2020)

The goal of this project is to enable poor rural people to raise their incomes and strengthen their resilience. For this purpose, it increases investments in the rural economy and strengthen climate-adaptive capacity for the poorer sections of society, leveraging experience from past interventions and introducing innovations. It has three components:

- Climate change resilience and inclusive value chain development;
- Inclusive rural finance and capacity development; and
- Infrastructure for rural resilience and growth.

The project area comprises the most affected areas of Moldova. Given the relatively small regional differences in rural poverty rates within the country, the programme is covering all of Moldova's rural areas – with the exception of climate change resilience interventions, which focus on more vulnerable areas, predominantly in the central and southern districts. The target population encompasses poor men and women who have the potential to benefit from increased agricultural production and create employment through rural income-generating activities. Some 62,000 people are expected to benefit from the programme through increased income and a wider asset base.

The total cost of the programme is US\$46.25 million, which includes a loan of US\$16.09 million from IFAD, and a US\$7.52 million loan from Moldova's Credit Line Directorate. The government is contributing US\$3.5 million and beneficiaries US\$7.5 million. Participating financial institutions are providing around US\$1.9 million, while the Global Environment Facility is giving a grant worth about US\$4.26 million, and Danida is financing a grant of US\$5 million to support young entrepreneurs.



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IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US\$22.4 billion in grants and low-interest loans to projects that have reached an estimated 512 million people. IFAD is an international financial institution and a United Nations specialized agency based in Rome – the United Nations food and agriculture hub.

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