

Agreement at Completion Point

Republic of Moldova Country Programme Evaluation

Introduction

This is the first CPE for Moldova by the Independent Office of Evaluation (IOE) of IFAD. The purposes of the CPE was to assess the overall partnership between IFAD and Moldova in reducing rural poverty; and to provide recommendations that can inform the preparation of the new Moldova country strategic opportunities programme (COSOP) as well as assist in the implementation of ongoing and design of future IFAD-funded projects in the country. IFAD prepared its first COSOP for Moldova in 2002 with the programme period until end-2006. A second COSOP covered the period 2007-2012. A mid-term review of the COSOP issued in 2011 extended the COSOP period for a further three year cycle - up to end-2015. Preparation of the new COSOP will therefore start in 2014.

Objectives. Based on the analysis of cooperation during the period 1999-2012, the CPE aims at providing an overarching assessment of: (i) the performance and impact of programmes and projects supported by IFAD operations; (ii) the performance and results of IFAD's non-lending activities in Moldova: policy dialogue, knowledge management and partnership building; (iii) the relevance and effectiveness of IFAD's COSOPs of 2002 and 2007, including strategic objectives, subsector focus, targeting approaches, and country programme mix; and (iv) overall management of the country programme.

The Agreement at Completion Point (ACP), facilitated by IOE, reflects the understanding between the Government of Moldova (represented by the Ministries of Finance and Agriculture) and IFAD Management (represented by the Programme Management Department). It comprises the summary of the main evaluation findings (Section B below), as well as the commitment by IFAD and the Government to adopt and implement the CPE recommendations within specific timeframes (Section C below). It is noted that IOE does not sign the ACP, although it facilitated the process leading up to its conclusion. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management. In addition, this ACP will be submitted to the Executive Board of IFAD as an annex of the new COSOP for Moldova.

In line with the decision in 2013, the Moldova CPE will be discussed in the IFAD Executive Board at the same time when the new Moldova COSOP will be considered by the Board. Moreover, IOE will prepare written comments on the new COSOP for consideration at the same Board session. The written comments will focus on the extent to which the main findings and recommendations from the Moldova CPE have been internalised in the new COSOP.

Main evaluation findings

The country portfolio over a decade has made good achievements on the ground. The ratings for individual projects are solid and the achievements compare well with those of other IFAD country programmes. There has been an expansion of commercial bank branches in the rural areas of Moldova and an increasing number of small and medium private farmers have deposit accounts and short-term loans. The rural lending supported by IFAD has contributed to increased levels of agricultural production, development of viable rural enterprises and job creation in rural areas. Modest investment in small-scale infrastructure has provided some small and medium farmers with water and access roads, and helped put in place institutional mechanisms for maintenance.

One of the most impressive elements of the portfolio performance is high efficiency. A very small share of the IFAD loan funds is used in administering the programme – a fraction of what is normally spent in many other countries. The Consolidated Project Implementation Unit (CPIU), embedded in the Ministry of Agriculture and Food Industry (MAFI) that has been used for all IFAD projects can be considered as good practice for small countries with a narrow focus of operations. The Government of Moldova also deserves credit for the substantial support it provides. Perhaps this reflects the fact that IFAD is not a peripheral player in Moldovan agriculture sector, but a significant source of funding and technical support.

The achievements of the portfolio mentioned above were not fully consistent with what was set out in the COSOPs or the project documents. These achievements are consequences of the adoption and implementation of strategies and approaches that were a better reflection of the country context and the opportunities for IFAD to add value. On the other hand, this makes it problematic to assess the “COSOP performance”, for which the objectives and indicators laid out in the COSOP documents need to be taken into consideration. Both the COSOPs and the project documents make frequent reference to ‘direct poverty targeting’ whereas in practice only the small micro-finance components really fell into this category. Most of the programme was devoted to support for growth through supporting medium-scale commercial farmers to raise productivity and move up the value chain. In the Moldovan context this was, in the view of the evaluation, the efficient way to achieve longer-term poverty reduction.

Over 14 years, the core of IFAD’s programme has continued to be the provision of medium and long term credit lines channelled through the banking system. Moldova’s banking system has evolved. The commercial banks are highly liquid, reasonably competitive, and well-represented in the rural areas. The banks do not provide much medium and long-term credit from their own resources for agriculture – most of their resources come from short-term deposits - and they require excessively high collateral when they do so. It would be necessary to ask whether the availability of this money creates a disincentive for the banks to serve the needs of their more established clients with good credit history, from their own resources. IFAD and the Government need to consider an exit strategy in this area that encourages the commercial banks to increase the use of their own resources and at the same time that also allows for more focus on the support for new borrowers and young entrepreneurs.

Value chain development, market-driven rural infrastructure, and natural resource management are seen as the keys to Moldova’s agricultural growth and rural poverty reduction. The Government’s draft new Agricultural Strategy, produced after completion of the CPE, reflects the priority of these areas of IFAD’s programme. The programme offers some very good lessons on both the problems and the potentials in each of these areas and IFAD needs to work closely with the Government to draw on these lessons for the design of its own programme in the future and, more importantly for the design of Government programmes.

IFAD’s non-lending services have not as yet achieved their full potential. While partnerships with the Government, agencies, banks and service providers have been excellent, more needs to be done to strengthen partnerships with external donors and increase the leverage of the programme. As for the policy dialogue, there are opportunities to identify and study key policy issues emerging from the operations, possibly using grant resources, and contribute to a national dialogue led by the Government. Knowledge management has not been systematically planned and has not drawn on broader regional experience, although there have been good in-country efforts to share knowledge.

Agreement at completion point

The CPE makes three key recommendations: (i) strengthening country strategy, and in particular properly reflecting the main priorities and overarching strategic issues in the next COSOP; (ii) embracing and enhancing the adjustments being made in the rural

finance programme, shifting away from the approach of channelling a bulk of IFAD loans to lines of credit, after over a decade of generally effective implementation; and (iii) strengthening the non-lending activities through more strategic and effective use of grant resources and outreach.

Recommendation 1: Strategy

- a) **Ground the next COSOP in reality.** The programme has supported the rural poor through helping increase agricultural growth and employment, although the evidence on its depth and extent is incomplete. The trade-offs that have been made are appropriate but the past COSOP has not been clear about them. The next COSOP needs to provide a frank assessment of IFAD's role and contribution in Moldova, and propose a programme that reflects the country's needs and IFAD's comparative advantages. The results framework needs to be more realistic and relevant to IFAD's programme than in the past. There is also need for better monitoring on the impact on and outreach to the rural poor through indirect and direct targeting.
- b) **Design a better integrated programme.** Each of the programme pillars is relatively robust, but more could be done to plan these elements in an integrated fashion and exploit potential synergies. Both project design and country strategy need to look across components at how best to build this synergy.
- c) **Focus on how to mainstream value chain development within the programme.** It has been challenging to articulate and implement an operational approach to pro-poor value chain development in Moldova. Progress has been relatively slow in terms of supporting organisations of small-scale producers and their linkages to markets. The value chain components of the projects now need to move beyond awareness and capacity building. Value chain development should take over from rural finance as the 'flagship' of IFAD's programme. IFAD and the Government of Moldova need to select and pilot activities in key value chains such as horticulture and livestock development. At the same time rural finance, infrastructure and natural resource management programmes could be geared more closely to the needs of these value chains.
- d) **Proposed follow-up:** The above-mentioned recommendations will be duly taken into account in formulating the new results-based COSOP in Moldova, which is planned to be designed in 2014/2015 and submitted for the IFAD Executive Board approval in September 2015.
- e) **Deadline date for implementation:** September 2015
- f) **Entities responsible for implementation:** IFAD/PMD (NEN) and the Government.

Recommendation 2: Rural Finance

- a) **Diversify from the approach of channeling the bulk of loans to lines of credit.** This is now a mature programme and has reached the point at which IFAD needs to strategize more effectively concerning its role; develop exit strategies in some areas and expand its coverage in others. In particular IFAD and the Government need to consider ways to encourage the banks to increase the use of their own resources and focus IFAD future support for rural credit on new and young borrowers.
- b) **Seek greater leverage for IFAD funding of the young entrepreneurs programme.** A key group of new entrepreneurs are the 18-30 age group that IFAD has supported thanks to grant funding from DANIDA. The programme has demonstrated success. For scaling-up of the programme, IFAD and the Government should systematically evaluate the demand and seek grant cofinancing from donors to meet this demand.
- c) **Enhance the quality of the micro-finance programme.** The micro-finance part of IFAD's programme is still work in progress. First, there is a need to evaluate the programme and identify what benefits are being derived by participants and how effective it has been in moving borrowers out of poverty. Second, IFAD needs to

review the institutional framework for micro-finance and contribute to a dialogue with the Government, the regulatory body and the various MFIs on what the future institutional framework should look like and how Moldova can move towards it.

- d) **Proposed follow-up:** The above-mentioned recommendations are already being sizeably addressed by the country programme as follows. Recommendation a): in the framework of the newly approved Inclusive Rural Economic and Climate Resilience Programme (IRECR) participating commercial banks have committed to raise their own resources to a minimum 20% attesting their increased commitment to agriculture lending and the rural sector, thus freeing up IFAD resources for further investments in new and young rural borrowers. Recommendation b): through the new and scaled-up IRECR programme, IFAD and the Government of Moldova have further engaged in extending their support to young entrepreneurs and obtained additional grant resources (USD 5 million) from Danida. Recommendation c): the revision of the micro-finance institutional framework is carried out on a continuous basis, within the on-going country programme through constant dialogue with all key stakeholders involved (microfinance institutions, Government, National Commission for Financial Market, etc.). Further consultations and actions will be duly undertaken in the process of the new result-based COSOP preparation with the strategies for rural finance reflected in the document.
- e) **Deadline date for implementation:** (a) and (b) December 2014; (c) September 2015.
- f) **Entities responsible for implementation:** IFAD/PMD (NEN) and Government.

Recommendation 3: Non-lending

- a) **Use the grant programme to provide the analytic underpinnings for a dialogue on key policy issues.** IFAD needs to take up with the authorities some of the key policy issues that have emerged in recent years, such as the role of micro-finance above and the issue of ownership and maintenance of infrastructure. But a key to doing this is to understand what underlies these issues. For example, what are the benefits of the micro-finance programme? How effective is it in supporting smallholders to move out of poverty? What needs to be done to enhance its impact? IFAD should use its grant programme to carry out analysis of such questions.
- b) **Expand outreach and strengthen non-lending activities.** While programme implementation is extremely efficient, IFAD needs to expand its outreach and strengthen its non-lending activities in Moldova through selective policy dialogue, stronger partnerships and expanded knowledge sharing. In addition to the policy area already mentioned, IFAD needs to be more pro-active on partnerships and take its case to the donor community under the Government's active leadership; on knowledge sharing a more systematic approach is needed with a designated focal point in the CPIU and the preparation of an annual plan in this area. IFAD's regional management needs to consider how to exploit the obvious learning potential through comparing the Moldova programme with those in other small Eastern European and the Former Soviet Union borrowing countries.
- c) **Proposed follow-up:** The above-mentioned recommendations will be duly addressed through a number of activities: a) possible use of IFAD's loan and grant resources for conducting impact assessments of programme results and achievements in order to capture evidence-based knowledge generated from successful project experiences in a meaningful and targeted way. It is envisaged that this knowledge will also feed into ongoing and future policy dialogue taking place at the national level. Furthermore, it will serve as an input for the new COSOP design; b) through the preparation of learning events and/or tools for dissemination within IFAD, in-country team and other relevant national and international stakeholders; and c) a Knowledge Management Specialist will join the CPIU within the framework of the recently approved IRECR Programme. The Specialist will be tasked to follow up on knowledge production and dissemination.

- d) The CPIU will continue being proactive in sharing its knowledge through a number of means: digital media (web-site, video material) and printed media (numerous brochures and leaflets on the programme). In addition, CPIU has recently established a new partnership with the neighbouring country – The Republic of Belarus to share its knowledge and experience on agricultural development programme implementation. In early 2014, CPIU is planning to meet with a group of experts from Belarus to exchange experiences in programme implementation.
- e) Further actions will be undertaken in the framework of existing and new programmes and the results will be reflected in the newly designed COSOP.
- f) **Deadline date for implementation:** September 2015.
- g) **Entities responsible for implementation:** IFAD/PMD (NEN) and Government.

Signed by:

**Honourable Vasile Bumakov
Minister of Agriculture and
Food Industry
Government of Moldova**

and

**Kevin Cleaver
Associate Vice President
Programme Management
Department
IFAD**

Date: 13 February 2014