

THE ROLE AND IMPACT OF INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) ON THE RURAL AREAS DEVELOPMENT OF THE REPUBLIC OF MOLDOVA

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Abstract

The paper aimed to present the role and impact of International Fund for Agriculture on the development of the rural areas of the Republic of Moldova. Till the present the rural development are on the low level. The farmers were facing significant problems in running the business and a lot of poor people still lived in rural areas. These people could potentially be employed only in Agriculture as other economic activities are less developed in the rural areas. The Rural Financial Services and Agribusiness Development Project (RFSADP) is the fifth International Fund for Agricultural Development (IFAD) program in Moldova and became effective on July 4, 2011. The implementation of the RFSADP was divided into four main components, to address various issues identified for reducing the poverty in rural areas. Each component and subcomponent describes a certain approach to improve business development in rural areas, with focus on agriculture and to improve the quality of lives for the people in rural areas. International Fund for Agriculture Development provided funding, consultancy and organized a set of activities to target poor people in rural areas to improve their living, to increase their knowledge about the most recent technologies in agriculture and to provide practical information about how to run their business and increase output.

Key words: rural development, project management, investment projects

INTRODUCTION

The Agriculture sector in the Republic of Moldova have been experiencing positive development prior to the start of the Rural Financial Services and Agribusiness Development Project (RFSADP).

However, the investments in Agriculture were at a low level, still the farmers were facing significant problems in running the business and a lot of poor people still lived in rural areas.

These people could potentially be employed only in Agriculture as other economic activities are less developed in the rural areas. The RFSADP provided funding, consultancy and organized a set of activities to people from rural areas in order to improve their living, to increase their knowledge about the most recent technologies in agriculture and to provide practical information about how to run their business and increase output.

MATERIALS AND METHODS

In order to present the role and impact of international fund for agricultural development on the rural areas development of the Republic of Moldova within the Rural Financial Services and Agribusiness Development Project, a set of indicators with baselines, including gender disaggregation have been established and monitored.

The data, collected from Ministry of Agriculture and Food Industry, IFAD programs Steering Committee and Credit Line Directorate have been statistically processed and interpreted, by using a methodology of assessing the initial situation, establish baselines, monitor the intermediate results and making a final assessment.

RESULTS AND DISCUSSIONS

The general features of the development of agriculture in the Republic of Moldova are:[5]

- 1.Widespread development of small, family

owned production enterprises, particularly engaged in production of fruit (apples, pears, cherries, table grapes), intensively grown vegetables (greenhouse production) and intensively produced livestock (piggeries, chicken farms and intensive dairies). However, these kind of farms represent a low share of total number farms. A lot of land plots are not processed at all, some of them are very small and processed using labor-intensive methods, which yields low output per ha. The land in most rural areas is not consolidated enough to implement effective agriculture, which would provide more income to the local population.

2.The emergence of numerous small-scale cold storage and fruit packing facilities which operate both as a service for small-scale farmers and for their own larger scale farm enterprises. These typically store produce for a period after harvest to take advantage of out of season price increases. However, the packaging of such produce remains relatively rudimentary. The progress registered during the last years is measured by the increased period of storing and selling the fruits and vegetables on local markets and for export. Previously, the local agricultural production could have been seen on local markets only during the harvest periods and shortly after, while now, the period was extended significantly.

3.The development and operation of dairy processing factories which mainly derive their raw materials from numerous small-scale farmers, most with herds in the range of 2-10 cows. These factories normally process 10-20 tons of milk per day, producing mainly cheese and other durable dairy products. They often provide supplying farmers with financial and technical support, although the relationship with farmers is generally based on personal knowledge and social responsibility. However, there are limited number of such companies in rural areas and there is a potential for growing. There are some limits to opening or extending such businesses because of uncertain quality of the supplies, uneven distribution of quantities of milk supplied during different period of year, necessity to invest in the technology for

processing the milk/producing dairy products and packing them and also to have a distribution point or network.

4.The formation and operation of processing companies that purchase and add value to extensively produced agricultural commodities such as wheat, sunflower and beef cattle.

5.Increased supply of machinery and inputs from local companies, mostly supplying imported goods on a cash basis.

6.Some development of contract farming, mainly on an informal basis, and mainly within the fruit and vegetable production sub-sectors.

Despite these positive developments, there are many severe constraints on production, marketing of production, inputs supply, and capital equipment supply, processing of production, information for marketing, tracking and tracing through commodity chains, and gaining access to appropriate financial products. While the demand for agricultural commodities for both import substitution and exports remains robust, the ability of the agricultural sector to meet this demand remains suppressed.[4]

It is very important to notice that the European Bank for Reconstruction and Development (EBRD) is among the most important funders of investment projects in rural areas. [2]

According to the annual reports of IFAD, the Rural Financial Services and Agribusiness Development Project (RFSADP) is the fifth IFAD program in Moldova and became effective on July 4, 2011.[6]

The Project is fully aligned with Moldova's Economic Stabilization and Recovery Program and Agriculture Strategy 2006-2015 and other national strategies developed during the project implementation.

The implementation of the RFSADP was divided into four main components, to address various issues identified for reducing the poverty in rural areas. Each component and subcomponent describes a certain approach to improve business development in rural areas, with focus on agriculture and to improve the quality of lives for the people in rural areas, in general:[1]

1. Pro-Poor Agribusiness Development, with three sub-components:

- 1.1. Contract Farming Development
- 1.2. Conservation Farming Development
- 1.3. Agribusiness Equity Fund Development

2. Rural Financial Services, with three subcomponents:

2.1. Loan and equity financing of SME investments in Project-prioritized agricultural value chains.

- 2.2. Youth Entrepreneurship Financing
- 2.3. Pro-Poor Microfinance through Saving and Credit Associations

3. Small-Scale Rural Infrastructure

4. Project Management.

The women participation in the project as beneficiaries was higher than expected. The percentage of women from total was considered for comparison, no matter the absolute numbers. The total number of beneficiaries was almost double as expected, although this target over-achievement is not evenly spread across all the activities, some of which had less beneficiaries than expected.

Table 1. Progress results of Contract Farming Development

Indicators	Appraisal	Actual by the end of 2015	Actual vs appraisal
Training, seminars & round tables	n/a	242	n/a
National experts training visits	n/a	236	n/a
International expert training visits	n/a	15	n/a
International study tours	n/a	9	n/a
Trained participants, total	820	1482	+662 (+81%)
of which women	164	115	-49 (-30%)
Contract farming,	570	284	286 (-51%)
of which women	114	49	-65 (-57%)
Conservation farming,	250	1198	+948 (x4.7 times)
of which women	50	66	+16 (+32%)
Conservation farming arrangements (no. of grants to farmers)	20	23	+3 (+15%)
Total number of beneficiaries	840	1505	

According to data from table 1 the Project has achieved significant results, including an increased number of total beneficiaries comparing to the plan (1,505 vs 840, or +79%). The women participation, however was lower than expected during the trainings, just 164 participants comparing to 278 targeted. This could show also a gender

problem in rural areas or in agriculture in general, where men are more likely to engage in farming or to learn about it. The results regarding the training for conservation farming are promising, as the number of participants was almost 5 times higher than planned. On another side, twice less participants have attended the contract farming trainings comparing to the plan.

Although the targets have not been set for these indicators, a total of 9 international study tours have been organized, 15 international expert training visits and 236 local expert training visits have been conducted and a total number of 242 seminars, round tables and trainings held.

The main goal of the RFSADP was to reduce the poverty in Moldova. Specifically, two indicators have been selected.[1,3]

According to the NBS data, the income per person in Moldova in rural area increased from 1,067 MDL at the beginning of 2011, until 1,688 MDL in the first quarter of 2016, i.e. by 58%. However, because of the depreciation of the Moldovan leu against the USD, in US dollar terms, the average income decreased from \$87.8 to \$85.6, or by 2.5%. The progress was significant until 2013, when the income had grown in both MDL and USD terms, however, because of the economic crisis, war in Ukraine, embargo from Russia and internal financial problems, the income per person in USD has diminished. [7]

From another perspective, because of the parity purchasing power and considering that the inflation during 2011-2016 has not reached the same level of depreciation, we can state that:

- The people in rural area live better than in 2011 and have higher incomes in MDL.
- In USD terms, people earn about the same level of money in 2016 as in 2011, however this may not be representative as the rural persons can buy more, as inflation wasn't as high as the Moldovan leu depreciation.
- The indicator can be considered partially achieved, depending on how the definition is interpreted.
- At least 20% of households involved in RFSADP activities increase household asset ownership.

According to the survey of 346 households – beneficiaries of RFSADP, some of the households have increased their wealth by having bought some items, such as fridges, washing machines or laptops/PCs.[3]

An important part of the project was a positive dynamics in the employment by micro entrepreneurs the total number of employees increased by 3.4%, including a significant increase by 17.4% of the full-time employment and a slight decrease of the family employment. These evolution show that these beneficiaries are most stable, relying more on full-time employees and less on family members, also the business are growing in size.

Table 2. Employment progress by SCA beneficiaries before receiving IFAD assistance and as of the beginning of 2016

Indicators	M.U.	Before IFAD	2016	Dynamics %
Average number of employed persons	persons	5.2	5.4	+3.4
Including, family members	persons	2.4	2.3	-2.2
Including, full-time employed	persons	0.2	0.3	+17.4
Including, temporary employed	persons	2.6	2.8	+7.2
Percent of women employed, from total	%	41.3	44.4	+3.1 p.p.
Percent of women temporary employed	%	55.3	54.7	-0.6 p.p.
Average salary, full-time employment	MDL/month	2,100.0	2,219.6	+5.7
Average salary, temporary employment	MDL/day	140.7	150.8	+7.2
Average period of employment	Days	14.7	14.6	-0.6

The average salary paid increased by 5.7% for the full-time employees and by 7.2% for the seasonal employees. The daily rate paid for the seasonal employees climbed from 140.7 MDL to 150.8 MDL, on average, however, the average employment period is only 14.6 days – about the same level as before

receiving assistance from IFAD.

The women participation was at a reasonable level for the full-time employment and even slightly increased in 2016, by 3.1 p.p. until 44.4%, while the share in the temporary employment was relatively high and remained about at the same level of 55%. This dynamics show that women are more vulnerable in rural areas and they are more exposed to temporary jobs than full-times. This means that their income is not as stable as the income of men from rural areas. Giving that the number of saving credit association (SCA)' members that received support from IFAD was 1,282 , we can estimate the total number of extra employees as 236.

The salaries are comparable to micro-entrepreneur, however, after the IFAD support, the increase in salary was more robust – by 19.2% and currently, the small and medium enterprises (SMEs) employees receive on average 2,530 MDL per month. From another perspective, this indicator is still low comparing to the economy average and is just less than two times the minimum of existence – a statistics indicator showing the level of poverty in Moldova (note: in 2015, in rural areas, a person needed at least 1,650 MDL to cover its basic expenses).

During the project activity a lot of training, seminars, round tables, visit of national and international experts and for international study tours have been accomplished, including 240 trainings and seminars, 220 training visits by the national experts, 15 international expert training visits and 8 international study tours.[1,3]

The number of trained participants was significantly higher than appraisal, i.e. almost double. However, from 1,472 participants, only 8% were women, including 17% which attended trainings related to contract farming and just 6% - related to conservation farming. These represent very low rates of women participation, even if the appraisal was also low (20%). We can conclude that women have a small role in managing farming projects in rural area and there is a huge potential to develop this area.

Unfortunately, no beneficiaries of grants to farmers for conservation farming have been

granted, although it was expected that 20 grants would be offered.

If the participation in contract farming trainings was very low – 274 participants comparing to 570 expected, at the conservation farming trainings, the number of attendees was almost 5 times the target of 250 persons.

It is very important to notice that during the project implementation, some important changes were noticed in the structure of the main categories of agricultural goods produced.

- The share of cereals output in total decreased from 28% to 25.4%, but still remains the main agricultural output category.
- The share of livestock and poultry production increased from 14.5% to 18.5%. However, meat production is still low in Moldova.
- The share of potatoes significantly dropped from 7.1% (2011) to 2.4% (2013), but started to recover in 2014 – 4.4%.
- The sugar beet (industrial) doubled its share in total agricultural output from 1.6% to 3%.
- The production of tobacco decreased significantly and its share shrank from 0.5% to 0.1%.

Table 3. Structure of agricultural production by branches, total, 2011-2014, % of total

Agricultural product	2011	2012	2013	2014
Cereals	28.0	17.9	28.9	25.4
Production of livestock and poultry	14.5	21.5	15.4	18.5
Milk	10.0	11.1	8.0	9.8
Sunflower	8.9	10.5	12.7	7.9
Vegetables and melons and gourds	8.1	6.0	5.5	7.5
Grapes	6.1	10.4	9.0	6.8
Fruits, nuts and berries	6.8	6.7	5.4	6.4
Forage crops and other	4.6	5.3	5.8	6.3
Potatoes	7.1	2.5	2.4	4.4
Eggs	3.3	4.2	3.0	3.1
Sugar beet (industrial)	1.6	1.9	2.4	3.0
Tobacco	0.5	0.3	0.2	0.1
Wool	0.0	0.1	0.1	0.0
Total	100.0	100.0	100.0	100.0

The data from the table 3 shows that the total area of fruit and berry plantations has increased from 118.8 thousand ha to 135.6 thousand ha. The berry plantations area

increased threefold, from 900 ha to 3,000 ha. The area of walnut plantations increased more than two times from 11,300 ha to 25,200 ha. There was a slight increase of the area of vineyards of table grapes from 19.7 thousand to 19.9 thousand ha, while the total area of vineyards decreased from 139.9 thousand ha to 135.4 thousand ha. Thus, most of the dynamics is positive.

Table 4. Area of fruit plantations and vineyards, thousand ha, 2011-2015

	2011	2012	2013	2014	2015
Fruit and berry plantations - total	118.8	119.5	122.1	122.3	135.6
Orchards total	117.9	118.8	121.3	119.6	132.6
seed orchards (apple, pear, quince and others)	66.6	66.0	66.3	59.2	65.3
orchards stone fruit (plum, cherry, cherry, apricot, etc.)	40.0	40.4	41.1	36.2	42.0
walnut (walnuts, almonds, etc.)	11.3	12.3	14.0	24.2	25.2
Berry plantations (strawberries, raspberries, currants, gooseberries, etc.)	0.9	0.8	0.8	2.7	3.0
Vineyards	139.9	140.7	136.7	140.4	135.4
Vineyards of table grapes	19.7	20.2	19.2	20.5	19.9

In the table 4 we can see that comparing to 2011, there is a decrease in the livestock by all kind, mostly – horses (-19%) and cows (-16%). The number of pigs, sheep and goats remained at the same level with a slight reduction. The only position that enjoyed a positive dynamics was poultry which increased by 10% in number.

Data from the table 5 shows that comparing to 2011, there is a decrease in the livestock by all kind, mostly – horses (-19%) and cows (-16%). The number of pigs, sheep and goats remained at the same level with a slight reduction. The only position that enjoyed a positive dynamics was poultry which increased by 10% in number.

Table 5. Investment in long term tangible assets in agriculture, MDL, 2011-2015, current prices

	2011	2012	2013	2014
Investments in long term tangible assets by premises with production purpose	1,808.2	1,641.8	1,851.7	2,298.5
of which:				
Public	47.5	46.1	34.0	75.5
Private	1,444.2	1,434.7	1,709.4	2,087.9
Mixed (public and private), without foreign participation	3.0	0.7	0.5	2.0
Joint ventures	234.6	92.4	27.4	120.9
Foreign investors	78.9	67.9	80.4	12.3

CONCLUSIONS

At the community level, the project indirectly contributed to the job creation and contribution to local budget. During the analyzed period, on average the number of new created jobs increased with 14%.

On the other hand, the profitability is about 26% on the average which means that members of the client groups operate on an efficient way, even if there is more room to development.

The Project aimed at creating groups of producers who would develop their businesses and acquire new knowledge and technology.

The number of activities of promoting conservation farming development exceed by far the initial goals and the number of participants at the trainings and seminars was also very high. Overall, in Moldova, there is more land processed using conservation farming technologies than before. This area increased almost 4 times, from 40 to 150 thousand ha in just five years.

For the IFAD financed SMEs, asset ownership has improved with 14% compared to baseline period, first of all, due to investment in assets imposed by the project, as well as own investments in post project intervention. Asset improvement has also been financed by accessing loans, and as consequence, the total debt has increased with 25%. Enterprise final profitability, meaning gross profit, has increased with 60% compared to baseline period.[4]

The main goal of the Project was to reduce poverty in rural areas. As the result of the analysis of the 2011-2015 macroeconomic indicators, we can state that people in rural area live better now than in 2011, have more available income in MDL terms, but about the same level in USD terms because of the Moldovan leu depreciation. Thus, considering the purchasing parity power, now people in rural areas live slightly better than in 2011, which is in line with the goal of the Project. We estimate that IFAD have contributed through this program to creating 1,852 new jobs, thus reaching its initial target of at least 1,500 jobs by the end of the project.

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