

PRIVATE FARMERS ASSISTANCE PROGRAM

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MOLDOVA

**FINAL REPORT**

U.S. Agency for International Development  
Cooperative Agreement# 121-A-00-01-00002-00

*December 1, 2001 - June 30, 2005*

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**ACRONYMS**

2KR	Mechanical Services SKR Program
ACSA	Agency for Consulting and Training in Agriculture
AMC	Arbitration and Mediation Court
APAs	Agricultural Producers Associations
API	Independent Press Association
CAMIB	Central Agricultural Market Information Bureau, created by EU TACIS
CNFA	Citizens Network for Foreign Affairs
CPBR	Center for Private Business Reform
DFID	Department for International Development (UK)
DoP	Department of Privatization
EU TACIS	European Union TACIS Program
EU	European Union
EWMI	East-West Management Institute, Inc.
GoM	Government of Moldova
IMF	International Monetary Fund
IR	Intermediate Results (USAID)
MMA	Moldovan Microfinance Alliance
MoA	Ministry of Agriculture
NGOs	Non-Governmental Organizations
NLP	National Land Program
PFAP	Private Farmers Assistance Program
PFAP-E	Private Farmers Assistance Program-Extension
SCAs	Savings and Credit Associations
SF-M	Soros Foundation-Moldova
SMEs	Small and Medium Enterprises
SO	Strategic Objective (USAID)
SRI	Social Responsibility Initiative
UAP	Republican Union of Agricultural Producers Associations "UniAgroProtect"
UNDP	United Nations Development Program
USAID	US Agency for International Development
VAT	value added tax
WB	World Bank

## I. EXECUTIVE SUMMARY

In December 2000, the East-West Management Institute, Inc. (EWMI) entered into a three-year Cooperative Agreement with the U.S. Agency for International Development (USAID) to implement the Private Farmers Assistance Program (PFAP). The primary objective of the program was to provide post-privatization assistance to private farmers and rural enterprises, following the successful privatization of the collective farms (1995-2000), while also completing the privatization of collective farms in those regions where these efforts had been lagging. PFAP was to support the USAID strategic objective (SO) 1.3: Accelerated development and growth of private enterprises, specifically addressing the following intermediate results (IRs): (i) 1.3.1 Policy and legal framework improved; (ii) IR 1.3.2 Technical and management skills developed; (iii) IR 1.3.3 Input/output markets expanded; (iv) IR 1.3.4 Land market developed; and (v) IR 1.3.5 Availability of financial services expanded.

To support the further development of private farmers in Moldova under PFAP, EWMI proposed a highly integrated approach, which included: (i) developing a sound legal and regulatory enabling environment; (ii) developing rural enterprises, including farmer cooperatives and business associations; (iii) encouraging the participation of women in agriculture and rural enterprises; (iv) converting the existing EWMI regional offices into self-sustaining NGOs or enterprises, which would provide landowners with legal assistance and enterprises training/consultations; (v) developing an information dissemination program; and (vi) the completion of debt restructuring, farm liquidation and titling for collective farms.

In the fall of 2002, the PFAP program was evaluated by USAID. The Evaluation Team found that PFAP had successfully undertaken and implemented a wide and substantive array of activities.<sup>1</sup> Very large numbers of rural residents had received training and technical advice in a variety of areas with many of the needed rural organizations also created and/or strengthened. New management, accounting and other systems in these organizations had been put into place, dozens of business plans had been prepared, additional credit had been provided and thousands of new land titles had been issued and hundreds of thousands registered. With the assistance of the PFAP policy and regulatory unit, an acceptable policy environment for agricultural development had also been maintained. Finally the Team found that the grants program had been effectively implemented and had been an important supporting component, particularly for institution-building activities. The Evaluation Team concluded that real economic and employment benefits from the program were being achieved. It further concluded, and strongly recommended, that the cooperative agreement be continued until the completion date of November 2003, and that in addition, PFAP be extended for an additional 18 to 24-month period beyond November 2003.

In the fall of 2003, the PFAP program was extended for an additional two years. Under the extension, PFAP continued to address S.O. 1.3: Private enterprise growth creates jobs and generates income, while fulfilling I.R. 1.3.1 Agricultural production and distribution systems improved, and I.R. 1.3.2 Role of small and medium enterprises in the economy expanded. The program concentrated on two specific areas: (i) the strengthening of producer associations, including support to regional agricultural producers associations and the strengthening of small and me-

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<sup>1</sup> See Annex A – *Evaluation of Private Farmers Assistance Program and Private Farmer Commercialization Program with Recommendations for the Future.*

dium agricultural enterprises, including business cooperatives; and (ii) policy and regulatory support.

PFAP has proven to be one of the most successful agricultural development programs implemented in Moldova in terms of participation and results. Since PFAP's launch in early 2001, over half a million individuals received consultations, over 2,200 agricultural producers enrolled in the program, 181 business cooperative have been registered (83 of which are financially sustainable), the annual sales of the Agricultural Producers Associations exceeded \$45 million, over 1,500 arbitration cases were solved, and an additional \$18.8 million in financial resources attracted. In addition, over the four and a half years, PFAP worked to ensure that the legal and regulatory framework within which the farmers worked did not hinder their development. To this end, PFAP developed private-sector friendly laws and regulations, provided information to farmers on the legal environment, and conducted ongoing studies and surveys. PFAP was also unique in that it managed to leverage USAID funds to attract funding from other sources, including the Soros Foundation-Moldova, which contributed almost \$3 million to the effort and EWMI, which contributed over \$1 million of its own resources to the effort, as well as, other organizations and donors. Overall, the direct contribution (cost-share) to PFAP in addition to USAID funds totaled over \$5.9 million dollars – more than any other USAID-funded effort in Moldova. These funds, together with the great efforts by EWMI's staff and partners greatly contributed to the stunning success of the program.

## II. BACKGROUND

Under an USAID-funded task order, EWMI initiated its activities in Moldova in the fall of 1995, by creating the Center for Private Business Reform (“CPBR”). CPBR was created in order to implement a post-privatization enterprise-restructuring project, focusing on capacity building of Moldovan consulting organizations, which would provide enterprise restructuring services. CPBR helped create six Moldovan consulting firms that worked side-by-side with CPBR consultants in engagements in Moldovan enterprises in areas such as: business management, finance, accounting, marketing, direct sales, and strategic planning. Enterprises were selected on a demand driven request for assistance basis, allowing CPBR to select engagements that were models for training the local consultants and could easily be replicated following the creation of manuals and other tool kits.

In early 1996, CPBR was asked by then Minister of Privatization, Ceslav Ciobanu, to assist with the restructuring and privatization the Mayak collective farm in Nisporeni. Together with the Moldovan Ministry of Privatization and USAID, it was agreed that CPBR would develop and implement a methodology for the break-up, privatization and restructuring of the Mayak collective farm as a pilot project. The farm was successfully privatized, surveyed and 2,300 individual land titles were distributed to the members of the collective farm by then President-elect Lucin-schi.

To break the Soviet-era hold on the sale of land, CPBR provided substantial advice and support in the drafting and adoption of a new law and regulations on private land ownership. Taken together, the privatization of the Mayak farm and the legalization of private land ownership proved to be a historic step that completely and irrevocably separated Moldova from its Soviet past. Due to the success of the Mayak farm privatization pilot project, CPBR went further in 1996-97 to privatize an additional 72 collective farms. CPBR successfully privatized the 72 collective farms in 1998 and then launched a roll-out on the national level, known as the National Land Program (“NLP”) to privatize the remaining 900 collective farms.

EWMI worked closely with the Booz Allen and Hamilton’s land survey and titling project to accomplish the goal of liquidating all of Moldova’s collective farms and surveying and titling almost all of the farms. This USAID success story of contractor cooperation led to the higher goal of privatizing Moldova’s collective farms being largely achieved at the end of 2000.

In 1997, the Moldovan Government stated that the success of NLP was its highest priority and had entrusted EWMI’s CPBR project office to implement the NLP. In addition, the NLP enjoyed strong support from USAID, the U.S. Embassy, the State Department, the International Monetary Fund and the World Bank.

The methodology adopted by NLP included the complete break-up and final liquidation of the farm, creating new privately held farms. The program was implemented in accordance with Moldova’s laws and the corresponding government decisions. As part of the NLP, EWMI drafted the relevant legislation and rules, and developed and distributed privatization manuals, which provided clear and transparent instructions to local government administrators and collective farm members.

The Moldovan land privatization experience was the only instance in the former Soviet Union where individual land titles were provided and registered, and the debt of the former collective farms restructured, allowing the collective farms to be completely liquidated.<sup>2</sup> Implementing the NLP involved implementing the following methodology:

- Developing information campaigns that resulted in general meetings of farm members approving participation in the National Land Program;
- Identifying “leader-entrepreneurs” who wanted to form larger farms, and lease land or property from others (thus, those not interested in farming have options);
- Developing land distribution tenders (following surveying of the farms’ fields);
- Developing critical property tenders (e.g. farm machinery)
- Grouping and arranging all landowners within the fields;
- Restructuring the farms’ historic and current debts;
- Distributing remaining property after debt settlement;
- Completing the final liquidation of collective farm “shell” corporations and removal of their names from the State Commercial Registry;
- Distributing individual land titles to each eligible participant; and
- Monitoring all activities to ensure problems were identified/resolved and program quality was maintained.

The debt settlement component was added in 1999 as the final step in the land privatization program in Moldova. It involved the debt restructuring and final liquidation of the old collective farm “shell” corporation and removal of the shell from the State Commercial Registry. Until September 1999, the NLP included privatization of all land and property, while the collective farms’ debts and sufficient property to “cover” those debts remained on the “balance sheet” of the old collective farms. This allowed the collective mentality to continue, increased the opportunity for fraud or tax evasion, and opened the way for politically motivated reversals of the privatization process. By restructuring the farms’ debts and liquidating the old collective structure, these problems were avoided.

To implement the NLP, CPBR developed an extensive network of offices and trained expert Moldovan personnel throughout Moldova. This network included 10 fully equipped offices (located in Chisinau and nine regions) supported by 300 employees made up of agronomists, accountants, computer specialists, economists, information specialists, lawyers, land surveyors and administrative staff. Working as an integrated team to implement the collective farms break-up, each regional EWMI office covered a wide region that included the collective farms undergoing the privatization process, local officials active in the farm break-up program (Judet or Moldovan county offices and Primaria’s or mayor’s offices) and rural community organizations.

A team leader, responsible for implementing the National Land Program in his/her area, headed each regional office. EWMI regional offices varied in size depending on the number of farms in the region. They implemented the program by allocating human and material resources to meet their monthly targets, which were established together with EWMI Chisinau managers.

From its inception, CPBR imposed a discipline and methodology that was very successful at implementing NLP. CPBR’s management system rewarded excellence, penalized failure to meet targets, and remained firmly focused on its primary goals of privatizing farms, settling debts and

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<sup>2</sup> As of the date of the program. More recent privatization programs in the former Soviet Union have adopted a similar approach.

liquidating collective farms. Quality control monitoring ensured that Moldovan citizens understood their rights and were well informed about the project and its goals. CPBR's management system quickly identified technical and managerial problems in order to permit early resolution and feedback on all program steps. If "political" problems arose or communications lapses occurred with government officials, CPBR engaged both the executive and legislative branches of government to resolve the issues.

Land privatization in Moldova was principally a rural empowerment program that facilitated the break-up of collective agriculture in place since collectivization. Following the collapse of the Soviet Union the newly independent Government of Moldova embarked on a path toward democracy and economic freedom based on private ownership of property and the development of a free market. In rural areas, one of the first steps toward this was to recognize that collective farms and the "command and control" system had to be abolished and new private farm leaders established in place of the Soviet collective farm manager.

NLP significantly contributed to resolution of all three issues by:

- Destroying the collective system of Moldovan agriculture;
- Destroying the old command and control system, or in other words asking permission of the local and then Central Government for everything; and
- Creating thousands of new leader-entrepreneurs, who had become private farmers.

**Table II-1: National Land Program Results (as of December 31, 2000)**

	Number
Farms privatized	1,004
Farms that restructured debt and were liquidated	836
CPBR seminars held (34 different topics offered)	14,991
Number of participants in seminars	1,128,520
Number of individuals receiving consultations by EWMI offices	108,286
Private farms registered under the National Land Program by leaders/individuals	85,768

Even though Moldova led the way in the former Soviet Union in agricultural reform, the privatization's success did not result in the immediate improvement of the new private farms, related enterprises, nor the agricultural economy as a whole. However, limited post-privatization support funded by USAID and managed by EWMI and the Citizens Network for Foreign Affairs (CNFA) had demonstrated that additional aid was necessary and could result in improvements in this sector. In addition, as collective farms were privatized, the new private farmers and entrepreneurs sought continued support from EWMI's regional and Chisinau offices. EWMI also recognized that it was difficult for the new private farmers and entrepreneurs to succeed due to many impediments, some related to legal/regulatory environment and others to farmers' and entrepreneurs' inexperience in a market economy. Therefore, USAID developed a new strategy for Moldova that included post-privatization assistance for agriculture, the primary sector of the economy, leading to the launch of the Private Farmers Assistance Program (PFAP) in December 2000.

## **A. Improvement of Policy, Legal and Regulatory Environment**

In order to effectively provide assistance to private farmers, and further their economic growth and prosperity, the PFAP program needed to ensure that the legal and regulatory framework within which the farmers worked did not hinder their development. Prior to the launch of PFAP, EWMI conducted a study to identify legal and regulatory impediments to the development of private farmers and entrepreneurs in Moldova.<sup>3</sup> The study identified over 200 such impediments. One of the goals of PFAP was to address many of these impediments in order to assist in the creation of an enabling legal and regulatory environment for private farmers and entrepreneurs.

In addition, PFAP reviewed proposed laws and regulations to preclude the enactment of laws and regulations that may have created new impediments or expanded government control, and thereby increased business operation costs. PFAP also served as advocates for test cases that would help define or refine the environment for farmers and enterprises. PFAP worked closely with donors and other organizations to coordinate activities, define the legal environment, identify problems, and jointly promote changes (e.g., through work with the Policy Institute - an NGO that conducted studies, reviewed laws, analyzed policies and offered critical analysis of proposed legislation or regulations). PFAP also conducted evaluation studies and surveys to determine baselines and measure the impact of PFAP activities as the program evolved.

### **1. Laws developed and promoted**

As a result of the election in early 2001, the political environment in Moldova changed. The new Communist-dominated parliament and government did not show support for further reform, and overall were negatively disposed to issues such as agricultural privatization. As a result of this major political change, EWMI in consultations with USAID, decided to adopt a different approach to the improvement of the legal and regulatory environment. The role of PFAP was changed to highlight problematic issues that required reform. Through sub-grants and sub-contracts with local NGOs and think-tanks, PFAP studied key issues and concerns. The studies also provided the necessary supporting documentation for proposed solutions for continuing problems and issues, as well as, demonstrated the value of the reforms already implemented.

Over the three-year period of the PFAP program, 157 legal and normative acts regulating the agrarian sector were developed. These drafts were developed at the request and jointly with the respective Ministries of the Government of Moldova. Of these, the GOM eventually decided to adopt 52 laws/normative acts. A detailed listing of the laws/normative acts developed and those adopted are attached as Annex B.

In addition to these legal initiatives, PFAP staff members also assisted in the development of additional documents and opinions, such as:

- Response to comments made by the Ministry of Agriculture and Food Industry on the draft Government Decision on Land and other Agricultural Property Lease Agreements;
- Sample Agricultural land lease agreement and recommendations for its use - developed in particular for regional associations to provide consultations to private farmers;
- Suggestions and comments to the Draft Government Decision on Implementation of the Law on Lease in Agriculture;

<sup>3</sup> *Removing Legal and Regulatory Impediments to The Development of Private Agriculture and Agroindustry in Moldova: The Need for Vision and Incentives*, November 1999.

- Suggestions and comments to the draft Law on Additions to the Land Code;
- Opinion Statement to the Draft Law on Price Policy; and
- Legal opinion on the Draft Government Decision on Amendments to the Regulation of the Ministry of Agriculture and Food Industry.

Additional information on the opinions provided by PFAP staff on the legal environment in Moldova is attached as Annex C.

## **2. Newsletters (Issue Papers)**

During the three-year program 55 newsletters (legal issue papers monitoring the legislation in the Republic of Moldova) were prepared and disseminated. About half of the newsletters presented a general overview of Moldovan legislation, recent modifications and political events. The other half addressed specific issues including: on amendments to the Land Code related to issues of forced land consolidation; on changes in the registration of enterprises at the State Registration Chamber; on the State Program on endowment of the agricultural sector with equipment for provision of machinery services; on the Constitutional Court decision on the constitutionality of the Law on territorial-administrative organization; and, on amendments and additions to legislative acts on VAT taxation.

The purpose of the newsletters was twofold: (i) to build up awareness among the international community regarding a specific pressing issue in Moldova, as it related to private agriculture; or (ii) to keep the international community informed of ongoing legal reform efforts as they related to private agriculture in Moldova. These newsletters were distributed among the international community in Moldova, including the US Embassy, USAID, World Bank, IMF, DFID, Soros Foundation-Moldova, CAMIB, and UNDP. The recipients of the newsletters would often seek PFAP's opinion and review of specific issues relating to existing and proposed legislation.

The newsletters, know as "Legislative Briefings," are attached as Annex D.

## **3. Studies and surveys**

During the three-year program 11 studies and surveys were conducted. Subject matters included issues such as: "Land Leasing in Moldova"; "Export Potential of Local Agricultural and Food Products"; "Comments on the Law on Protection and Antimonopoly Administration"; as well as other pressing issues for recently privatized farmers.

In 2003 EWMI developed several databases to better monitor the economic performance of PFAP beneficiaries. The databases developed included:

- The first database developed was based on a study covering 542 agricultural enterprises with different legal forms (including Peasant Farms holding land areas exceeding 50 ha), which submit regular reports to the Statistical Department. The goal of this database was to analyze the economic development of agricultural enterprises in the post-privatization period.
- The second database, updated monthly, was based on a questionnaire designed to evaluate the PFAP and the Agricultural Producer Associations targeted assistance on rural SMEs.
- The third database was based on the "Study on the Social and Economic Life of the Village." It included information about the structure of land fields, number of economic agents, lease relations, economic infrastructure of villages in different regions of the country.

Summaries of the studies conducted are attached as Annex E, with several of the complete studies attached in the Addenda.

#### **4. Information materials and seminars**

As part of the PFAP program's information campaign, PFAP staff organized seminars on program-specific subject matters, as well as, prepared various publications addressing ongoing issues related to private agriculture in Moldova.

PFAP staff organized seminars for government officials, international donors (WB, EU, IMF), private farm leaders, agribusiness entrepreneurs, and other agricultural specialists. Topics included: the concept of business cooperatives; registration procedures for private farmers; VAT related issues in agribusiness; legal basis for settling land-related disputes; and agrarian reform in Moldova.

During the three-year program, PFAP staff developed 89 informational publications. Several hundred more articles about the agricultural sector of the Republic of Moldova were published, in the local media, many of which referred to the positive impact of USAID funded programs, including PFAP. These covered subject matters such as: the benefits of business cooperatives; tax issues as they relate to the agricultural sector; judicial system; agrarian reform in Moldova, arbitration; land consolidation; and other related subjects. A sampling of these and other publications and articles is attached as Annex F.

#### **5. Dispute resolution**

The PFAP staff provided assistance in resolving disputes between agricultural entrepreneurs. During the three-year program PFAP monitored and provided assistance to 27 legal cases. One particularly noteworthy case involved providing legal assistance in the Supreme Court of Justice on a civil case filed against the local government in regard to land share allocation based on article 12 of the Land Code.

In addition, consultations were provided to the Government, National Patronage Confederation and Trade Unions Confederation on issues of social protection for agricultural employees.

#### **6. Other activities**

The PFAP staff working on policy, legal and regulatory issues also provided ongoing advice and assistance to local mayors, private farm managers, and entrepreneurs. These also included organizing special seminars, training programs, as well as, working on individual specific issues.

In January 2003, working together with the Republican Union of Agricultural Producers Associations "Uniagroprotect," (UAP) the PFAP staff worked to create the Arbitration and Mediation Court (AMC). The AMC comprised of one central secretariat office (at the UAP's headquarters) and 12 local secretariat offices. Through a series of public events, presentation and seminars, the AMC was introduced at the national level to court representatives and governmental institutions, and on the local level to local court institutions, tribunals, and local and judet public officials. In addition, the AMC was introduced to the private sector at the annual conference of business cooperatives. All of these efforts were supported by reporting and informational campaigns in the local mass media. For more information on the work of the AMC please see section C below.

### III. PRIVATE FARMERS ASSISTANCE PROGRAM: ACTIVITIES AND RESULTS

In December 2000, the East-West Management Institute, Inc. (EWMI) entered into a three-year Cooperative Agreement with the U.S. Agency for International Development (USAID) to implement the Private Farmers Assistance Program (PFAP). The primary objective of the program was to provide post-privatization assistance to private farmers and rural enterprises, following the successful privatization of the collective farms (1995-2000), while also completing the privatization of collective farms in those regions where these efforts had been lagging. PFAP was to support the USAID strategic objective (SO) 1.3: Accelerated development and growth of private enterprises, specifically addressing the following intermediate results (IRs): (i) 1.3.1 Policy and legal framework improved; (ii) IR 1.3.2 Technical and management skills developed; (iii) IR 1.3.3 Input/output markets expanded; (iv) IR 1.3.4 Land market developed; and (v) IR 1.3.5 Availability of financial services expanded.

The primary objective of the Private Farmers Assistance Program was to support the development of private farmers in Moldova following the privatization of collective farms. To achieve this objective, EWMI proposed a three-year program that would allow private farmers to make the transition to a market economy. As part of this program to support the further development of private farmers in Moldova under PFAP, EWMI proposed a highly integrated approach, which included: (i) developing a sound legal and regulatory enabling environment; (ii) developing rural enterprises, including farmer cooperatives and business associations; (iii) encouraging the participation of women in agriculture and rural enterprises; (iv) converting the existing EWMI regional offices into self-sustaining NGOs or enterprises, which would provide landowners with legal assistance and enterprises training/consultations; (v) developing an information dissemination program; and (vi) the completion of debt restructuring, farm liquidation and titling for collective farms.

The first three years of PFAP resulted in an improved operating environment for private farmers in Moldova, including: greater access to information realized through business centers and dissemination of publications; increased access to credits and financial support, realized through credit unions and grants; improved legal information and support; and the establishment of an institution that became a strong national advocate for private farmers and their rights.

By the end of the initial three year period of PFAP, the program had assisted in the establishment of 14 Agricultural Producers' Associations and their business centers, the creation of the Republican Union of Agricultural Producers' Associations, the creation of an Arbitration and Mediation Court, the registration of 170 business cooperatives, and the distribution of over 230 grants to support private farmers and supporting institutions. In addition, during this period, EWMI oversaw the completion of the land privatization program, privatizing an additional twenty collective farms.

The PFAP program also actively worked to improve the legal and regulatory environment for private farmers. Notwithstanding the change in the political environment in early 2001, resulting in a Communist-dominated parliament and government, which did not show support for further reform in the agricultural sector, PFAP specialists continued to analyze proposed legislations or regulations, highlighting problematic issues that required change.

## B. Development of Rural Enterprises, Farmer Associations and Cooperatives

The goal of this component was to develop multiple-ownership enterprises and organizations that purchase farm products, supply farm inputs or services, with an emphasis on forming business cooperatives. Under this activity, PFAP worked to form new enterprises and strengthen existing enterprises on an ongoing basis, focusing on agricultural related businesses. PFAP also worked closely with a new USAID small and medium enterprise (SME) effort - Bizpro, which focused on non-agriculture related activities. As part of this effort, PFAP initiated meetings of prospective founders of new enterprises, introduced them to basic concepts and options; examined existing and new enterprises/groups as potential beneficiaries of PFAP programs and provided appropriate assistance to them; developed individualized plans for each target enterprise and tracked its progress; coached rural entrepreneurs in obtaining financial assistance from various sources; and trained enterprises in ways that will help them succeed in topics including basic book-keeping and tax information. Work was coordinated with other organizations and projects, such as the Moldovan Microfinance Alliance, which assisted in the creation of and strengthening of more than 200 Savings and Credit Associations (SCAs).

**Table III-B1: Highlights of the 14 Agricultural Producers Associations**

- **1,698 ordinary members** (Including farm enterprises and business cooperatives) from all the *rayons* in Moldova;
- **10,876 associated members;**
- **688 thousand hectares** of land farmed by members, which constituted **about 43%** of Moldova's farmland;
- APA members leased land from **429 thousand landowners (about 41%** of all Moldovan landowners);
- **Network of 14** well equipped and staffed **Business Centers (with 29 branches)** providing technical services to agricultural producers;
- **Over 1,380 million lei** (102 million USD) **in sales** of agricultural products by APA members in 2003;
- **Over 750 million lei** (55 million USD) **paid by APA members** to landowners and employees of rural SMEs in 2002 (over 315 million lei in lease payments and over 435 million lei in salaries).

One of the greatest accomplishments of this component was the creation of 14 regional Agricultural Producer Associations (APAs). In addition, EWMI assisted in the creation of the Republican Union of Agricultural Producers' Associations "UniAgroProtect" (UAP). By creating the UAP, EWMI assisted in bringing the issues advocated by the APAs in support of private farmers, to the national level.

An additional accomplishment of this component is the registration of 170 cooperatives, representing over 14,000 individuals. These cooperative provided the private farmers with an alternative mechanism to pool their resources and increase their competitiveness in the market. All of these cooperatives also became members of the APAs.

### 1. Strengthening Agricultural Producer Associations

During the three-year program, PFAP worked to establish and then provided technical, logistical, and financial support to 14 APAs. These producer associations served as the vehicle and incubator for the development of farmer-owned businesses, including cooperatives. Once developed, these cooperatives and farmer-owned businesses, as members of the APAs, benefited from continuing technical assistance provided through the APAs' network of 14 Business Centers. Most

of these Business Centers were established based on the regional offices that EWMI opened under the previous National Land Program.

In addition, on the basis of the APAs, EWMI facilitated the creation of the UAP, a national union of associations, which represents the interests of the private farmers from the regions on Moldova who are represented by the APAs.

By the end of 2003, PFAP activities were providing institution-building support to the APAs and the UAP. As part of this process it was necessary to take this opportunity to reflect and draw some conclusions regarding the development and growth of the APAs and the UAP

#### **i. Technical assistance to the APAs**

As part of the assistance provided under PFAP to the APAs, EWMI developed a series of training, management and support programs for the APAs and their business centers. The objective of these efforts was to provide the APAs (and their business centers) with all of the tools necessary to promote and further develop the private agricultural sector in Moldova. Based on an assessment of the needs of the members of the APAs and the business centers, EWMI developed five training modules, covering a broad range of topics. The training modules developed included topics such as:

- Marketing (including basic marketing and marketing of business cooperatives);
- Information systems (databases and market studies);
- Export-import customs procedures;
- Legal (commercial contracts, etc);
- Accounting and financial management;
- Management (business planning; negotiation; methodology for strengthening business cooperatives); and
- New agricultural technologies.

These training programs were launched during the second year of the PFAP program, once the APAs' Business Centers had been established. Over 85 training seminars were provided as "train-the-trainer" programs for the Business Center specialists.

In addition to the seminars, PFAP staff members conducted field visits to the business centers in order to provide consultations in four general areas: (i) marketing; (ii) financial issues; (iii) legal; and (iv) accounting. Over the initial three-year program, the Chisinau-based PFAP staff provided over 5,000 consultations, and over 15,000 consultations through the PFAP regional offices.<sup>4</sup>

To order to enhance the in-country technical assistance provided to the APAs and the UAP, EWMI organized two study tours for representatives of the APAs and the UAP. The first was to the United States in the fall of 2002 and the second was to Hungary in the fall of 2003.

The purpose of the study tour in the fall of 2002, organized by Chemonics International, was to expose private Moldovan farmers to agricultural associations in the United States. Under the study tour, representatives of APAs, the UAP, and business cooperatives, visited agricultural as-

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<sup>4</sup> The PFAP regional offices were closed in March 2003. Most of the services provided through these offices were subsequently being provided by the APA business centers.

sociations including: the Virginia and Illinois Farm Bureaus, the National Sunflower Association, the Sugarbeet Growers Association, as well as, the Chicago Board of Trade and the Chicago Mercantile Exchange.

During the site visits the key themes discussed concerned organizational structures of farmers associations, membership, association financing models and management techniques. Upon return to Moldova, each APA formed a strategic planning working group comprised of association members, administrative council members, employees and one PFAP facilitator. By the end of November 2002, all of the APAs had drafted strategic plans for 2003-2005, all of which were approved by each association.

**Table III-B2: Study Tour for APAs and UAP to Hungary**

In order to strengthen the strategic and sustainability plans of the APAs, PFAP organized a study tour to Hungary in the fall of 2003. As such the Agricultural Management Group, Inc. (AMG) was chosen in an open competition to implement the study tour. The delegation of participants was comprised of 26 representatives (e.g. the Chairman and a Board member) from the APAs, two representatives of the UAP, and three PFAP experts facilitators.

Two key themes were consistent throughout the study tour that interlinked with the APA strategic plans and long term planning for sustainability. The first related to how individual APAs can improve efficiency and effectiveness of operations and the second concerned how APAs together with the UAP can effect change at the national level in order to harmonize with EU requirements and attract investors.

As a result of the study tour the participants familiarized themselves with: (i) successful examples of farmers' associations (union) in Hungary, learning organizational structures, membership conditions, financing models and services; (ii) the role played by Hungarian farmers' associations in the formation of national agricultural policy; and (iii) the process of harmonizing Hungarian agricultural standards to the EU requirements and the role played by farmers' associations in implementing such a policy.

Another goal of the study tour was for participants to examine the various sustainability models and fund-raising techniques used by farmers' associations in Hungary. The participants also learned about the activities of import/export organizations and other elements of the Hungarian agricultural marketing system.

Upon return from the study tour, each participant drafted the following:

1. Suggestions on amending their respective APA's Strategic Plan. These were later presented to the APAs' Boards and subsequently submitted for approval to the General Meetings.
2. Work Plan for 2004. These action plans served as implementation guidelines throughout the following year.
3. Proposed changes to streamline the internal structure of the APAs. As a result, some associations restructured in order to be able to better respond to their members' needs.

**ii. Institution building support to the APAs and their self-sustainability**

Under PFAP, EWMI assisted in the creation of 14 APAs. In addition to the technical assistance provided to the APAs (described above), EWMI worked with the APAs to assist with their self-sustainability. PFAP staff worked with the APAs to develop an overall sustainability plan, which

included: (i) membership fees; (ii) fees for services provided by the APAs and their business centers; and (iii) revenue generating commercial ventures.

By the end of the fourth quarter of 2003 the 14 APAs were covering on an average 80% of their operating costs. The situation varied between the APAs, ranging from 57% to 120%, but on average, the APAs remained only 20% short of ensuring their self-sustainability. Seven of the fourteen APAs demonstrated more than 80% of fulfillment. The overall result in attaining almost complete self-sustainability of APAs was considered extremely successful, especially given the highly unfavorable weather conditions in 2003 that resulted in great losses for the APA members.

The total amount of membership fees and fees for services collected by 14 APAs in 2003 exceeded \$110,000. The regional APAs' affiliated commercial ventures (11) generated an additional \$83,580 in income. The total area covered by services provided by these affiliated business ventures to agricultural producers reached 4,392 ha, while the number of farmers – beneficiaries of services were 979 against 515 planned.

## **2. Business cooperative registration**

PFAP also assisted in the establishment of cooperatives, which provided the private farmers with an alternative mechanism to pool their resources and increase their competitiveness in the market. During the three-year program 170 Business Cooperatives constituting 14,029 people (8,825 men and 5,204 women) were registered. Initial institutional support for business cooperatives included training for cooperative managers, council members and business cooperative members, as well as, preparation for holding of the first business cooperative General Meetings.

Training seminars were held for potential business cooperatives on the following topics: “The Role and Responsibilities of Business Cooperative Management Bodies,” “Organization of Accounting and Specifics of Accounting in Business Cooperatives,” “Financial Statements in Business Cooperatives,” “Development of Business Cooperative Regulations,” “Maintaining a Member Registry in Business Cooperatives,” “Preparation for the General Meeting and Presentation of the Budget at the General meeting.” During these seminars the participants were informed and trained on how to hold the first extraordinary general meeting.

Following their registration, a large portion of the newly-created business cooperatives opted to participate in the strengthening program described below.

## **3. Strengthening of private agribusiness**

As incubators for farmer-owned business (including cooperatives) the APAs provided ongoing demand-driven technical assistance to their members. During the three-year program, APAs signed “strengthening agreements” with 305 agricultural enterprises. Technical assistance requested by the enterprises included: organization of accounting and preparation of financial statements, development of business plans, preparation of credit/grant applications, legal support and assistance (including representation of farms in court and preparation of contracts), monitoring enterprise activity in various fields, market research and assistance in actual selling of agricultural produce.

Under PFAP, 287 strengthening programs were completed, including 96 with business cooperatives, and 191 with other agricultural enterprises. The following assistance was provided as part of the strengthening programs:

- 150 enterprises were provided with assistance in organizing accounting and preparing financial statements;
- 125 agricultural enterprises benefited from assistance in financial issues;
- 154 enterprises benefited from legal assistance, including preparation of various types of contracts, assistance in settling commercial disputes and consultations on legal aspects related to private businesses;
- 52 enterprises benefited from assistance in marketing their agricultural produce, market research and marketing plan development.

As a result of these strengthening programs, a total of 1,414 new jobs were created. These included new jobs that appeared as a result of registration and further development of business cooperatives, new jobs created as a result of supporting other private agricultural enterprises, as well as a result of employment by the APAs of new consultants for their Business Centers and the 29 regional branches.

Under PFAP, the APAs' consultants provided assistance to agricultural enterprises in attracting over 97 million lei for private business development, including:

- 47 million lei in the form of pending installment payments for purchasing agricultural machinery/equipment;
- over 31 million lei in bank loans; and
- approximately 19 million lei in grants.

Under PFAP, the APAs provided direct and indirect assistance in purchasing over 109 million lei in new machinery, including agricultural machinery, equipment, trucks, and tractors. In addition, the overwhelming majority of managers, key specialists of agricultural enterprises and association members benefited from intensive training and a large number of consultations. From the beginning of the Program, 301 business plans were developed. These business plans played an important role in launching activities that would receive continued support under the PFAP extension.

As a result of PFAP's strengthening activities, the 153 enterprises that participated in the program saw an overall increase over the previous year in net profits of 11 million lei, and in sales 93.4 million lei.

#### **4. Developing Savings and Credit Associations**

As part of its' efforts to provide access to credit for private farmers, EWMI worked with the Moldovan Microfinance Alliance (MMA) to develop and provide assistance to Saving and Credit Associations (SCAs). Under a grant provided by EWMI, MMA provided the following assistance to 210 SCAs:

- Verification of loan use;
- Calculation of share participation and transactions with shares;
- Development of quarterly financial statement;
- Development of tax reports;

- Loan analysis and decision on loan provision;
- Calculation of portfolio efficiency indicators;
- Explanation of the New Accounting Standard;
- Organization of General Meetings for new members;
- Holding certification exams;
- Explanation of criteria/procedure of salary and labor retribution;
- Performance assessment of SCAs;
- Development and execution of Supervisory Committee note;
- Application of PEARLS system for financial analysis.

During the program MMA also assisted Moldovan villages with:

- the creation of 55 new SCAs
- conducting over 1,200 seminars, which were attended by over 15,269 members;
- providing over 4,300 consultations to almost 60,000 persons representing 214 SCAs; and
- developing two manuals for SCA – “The main accounting specifics of SCA” and “Management control system of SCA.”

As a result of these efforts, the total value of loans issued to SCA members almost tripled between 2001 and 2003. PFAP completed its direct support to rural SCAs in 2003. However, under the extension, PFAP continued to assist producer organizations in solving financial constraints.

**Table III-B3: Total value of and number of Loans issued to SCA members**

Indicator/Year	2001	2002	2003
Total Value of Loans issued, MDL:	35,100,000	47,053,032	84,988,840
Total Number of Loans Issued	17,000	17,811	23,347

### 5. Assistance to CNFA Farm Stores

As part of its ongoing efforts to working together with other USAID contractors and grantees, EWMI worked with CNFA under its program to provide assistance to the CNFA-created farm store. Under PFAP, through a sub-grant to “ACAI-Inform”, EWMI promoted the use of high quality inputs and crop diversification for agricultural producers. This was done through:

- The organization of presentations on demonstration plots of farm stores created by CNFA. These presentations focused on promotion of highly efficient inputs (seeds, fertilizers, pesticides etc) and subsequent increase of farm stores revenues, as well as, improvement of farmers’ knowledge in using modern crop production technologies;
- The organization of trainings for “Young Farmers’ Clubs”. Students were trained in the following topics:
  - Furrow and drip irrigation;
  - Soil tillage between rows and the impact of this type of tillage on crop development;
  - Types of weeds, damages caused by them and different ways of combating weeds;
  - Main types of diseases and pests affecting vegetables, symptoms and manners of affecting crops, systems of integrated pest and disease fighting; and
  - Role of useful bugs in decreasing pests affecting vegetables.

From 2001 to 2003 ACAI-Inform had successfully:

- Created 34 demonstration plots;
- Organized presentations on 58 demonstration plots;
- Trained 1,938 private farmers on these plots;
- Taught 476 students through the Young Farmers' Clubs; and
- Strengthened the demonstration capacity of 39 Farm Stores in partnership with CNFA.

PFAP concluded its direct support to farm stores in 2003. However, targeted assistance could be provided by the APAs to the farm stores joining the APAs as ordinary or associate members at their request and as part of general services provision program for members.

### C. Legal Assistance and Information Dissemination

An important component of PFAP was to develop mechanisms to ensure the protection of the landowners' rights and to improve the information provided to farmers on these rights. In addition, as part of this component, legal assistance was provided to private farmers. This was done first through the PFAP regional offices and later through the APA business centers in the form of consultations, seminars, problem-solving, arbitration and where needed, assistance in courts.

Under this component PFAP conducted public information campaigns, training seminars and published materials about new laws and regulations such as the business cooperative law. Assistance covered such areas as: (i) landowner disputes with lessees; (ii) property share owners desiring to separate from a previous agreed-upon grouping; and (iii) inheritance of land or property. Training seminars on targeted topics (legal issues, accounting, taxation, business planning, marketing, etc.) were offered by regional offices to targeted audiences.

Utilizing the mass communication campaigns, the PFAP staff also provided other relevant information to the private farmers including information on various suppliers of farm inputs, as well as, potential markets and buyers for the outputs.

#### 1. Legal and other consultations

As part of its program, PFAP staff developed a team that provided legal as well as other subject matter consultations to PFAP beneficiaries - private farmers. Consultations were provided in one of three ways: (i) directly by PFAP Chisinau-based staff; (ii) by PFAP regional offices; and (iii) by grant beneficiaries, primarily the APAs' business centers. During the three-year program a total of 78,991 consultation meetings were held: 5,038 were conducted by the PFAP Core Team; 15,463 by the PFAP Regional Centers; and another 58,490 by grant beneficiaries, including the APAs' business centers. For the duration of PFAP roughly one third of all consultations provided were in the legal area. A breakdown of the consultations by subject matter is provided in Table III-C1 below. A more detailed breakdown, including the number people benefiting, and a gender breakdown is provided in Annex G.

**Table III-C1: Breakdown of consultations by subject by quarter (percentages)**

	2Q 01	3Q 01	4Q 01	1Q 02	2Q 02	3Q 02	4Q 02	1Q 03	2Q 03	3Q 03	4Q 03
Accounting	23%	18%	19%	25%	17%	21%	21%	26%	29%	18%	20%
Legal	33%	38%	42%	36%	46%	36%	38%	31%	27%	30%	33%
Privatization/Coop	31%	26%	16%	13%	0%	0%	0%	0%	0%	0%	0%
Finance, credit	0%	0%	0%	0%	11%	14%	14%	19%	19%	22%	15%
Marketing	0%	0%	0%	0%	14%	22%	21%	19%	16%	20%	23%
Arg technologies	0%	0%	0%	0%	5%	4%	3%	3%	6%	5%	5%
Other	14%	18%	23%	26%	7%	3%	3%	2%	3%	5%	4%

#### 2. Training seminars

In addition to the direct consultations described above, PFAP also provided numerous training seminars of subjects such as:

- What a Farmer Can Get From a Business Cooperative;

- Legal Tips in Helping Business Cooperatives Register;
- What is a Survey and What is a Business Plan;
- The Role and Responsibilities of Business Cooperatives;
- Attracting Membership; and
- Business Cooperative Regulations.

During the three-year period of PFAP, more than 6,500 such training seminars were offered, with over 191,000 participants. In addition to the seminars, PFAP staff also held round tables for individual agricultural producers on subjects such as: promotion of APAs, sharing of experience, trade/marketing of agricultural products, and problems related to rural business taxation. A breakdown of the subject matters of the seminars is provided in Table III-C2. A more detailed breakdown, including the number of enterprises and people that benefited from the seminars is provided in Annex H.

Legal Issues	18.0%
Business development	3.9%
Accounting	5.2%
Marketing	1.4%
Technologies	6.7%
"What is a business cooperative"	7.3%
Initiative groups	5.8%
Information for registered business coops	16.8%
Saving and Credit Associations	18.8%
PFAP Program Initiatives	10.7%
Round Table discussions	4.7%
Other	0.5%

### **3. Arbitration and court assistance**

During the three-year program, PFAP staff provided assistance in both arbitration of cases, as well as, court assistance in those instances that arbitration and mediation did not work. In addition, in order to provide opportunities for alternative dispute resolution, working together with the APAs and the UAP, PFAP assisted in establishing the Arbitration and Mediation Court at the UAP's headquarters and twelve local offices (situated at the local APAs' offices). This in fact was the official formalization of the ad-hoc arbitration and dispute resolution that PFAP was administering through the UAP and APAs.

Overall, as a result of PFAP's assistance in the alternative dispute resolution process 1,111 disputes, involving 157,140 beneficiaries (79,215 women/77,925 men) were successfully resolved. Over 99% of these cases were related to disputes arising from privatization. The total value of disputes was 89.73 million lei, which included the value of the goods (from the privatization period) distributed to owners, machinery and immovable goods, the amount of debts between companies, lessors and lessees. Assuming that each of these cases would have to have been resolved in court, and an average legal cost of 50,000 lei per case, the overall savings as a result of these arbitration efforts exceed 55 million lei.

In addition, PFAP provided legal assistance in settling 172 lawsuits, with a total value of 14.7 million lei. In most cases, the disputes were related to claims filed by various economic agents against their contractors regarding forced collection of payment for delivered goods and services, and violation of lease obligations. In other cases, the examined claims emerged from property share separation, allocation of land parcels, and labor relations.

### **4. Publications**

PFAP publications were critical in providing basic information and support to the private farmers of Moldova. Over the three-year period PFAP published and provided assistance to publica-

tions, including: (i) information for training activities and programs; (ii) handouts for information campaigns; (iii) publications to provide information to private farmers and managers; and (iv) other materials as may be called for by program activities. Either PFAP's staff or PFAP partner NGOs through capacity building initiatives prepared and printed publications.

Publications developed by PFAP specialists were designed to inform on such topics as: "Taxation in Agriculture"; "Audit Company UNIAUDIT"; "Agricultural Prospects"; "Arbitration and Mediation Court"; "Regulations of Arbitration and mediation Court"; and "Efficient Use of the Machine and Tractor Pool".

Publications, either supported by PFAP or through PFAP grants included the following (circulation as of December 2003):

- *The Farmer*, published weekly by the Independent Press Association (API) with a total circulation of over 200,000 copies;
- Agency for Consulting and Training in Agriculture (ACSA) developed and issued publications on agricultural technologies, with a total circulation of 57,000 copies; and
- CAMIB published: a monthly newsletter *Agricultural Market News* with a circulation of 1,500; and a weekly newsletter *Prices* with a circulation of 50 paper copies. *Prices* contained information about wholesale and retail prices for approximately 50 types of products marketed in Moldova and neighboring countries—and became a highly useful tool for agricultural resource centers.

Some sample of the publications are attached in Annex F, with a complete listing of the PFAP publications attached as Annex I.

#### **D. Completion of Privatization, Debt Restructuring, Farm Liquidation, Land Titling**

The National Land Privatization program (NLP) ended on December 31, 2000. However, there remained a group of farms that either did not fully complete the privatization process, or did not register in time to participate in the program.<sup>5</sup> As a result, the privatization program was extended for one year under PFAP. This included the work that EWMI conducted under NLP (land distribution tenders, property tenders, restructuring of debt, final liquidation of the collective farm corporation, and distribution of land titles), as well as, all of the required survey work, preparation of land titles, and the registration of the land titles with the national cadastral agency. One of the concerns that prompted this continuation was the cost of the survey work, which in all likelihood would act as an impediment to the finalization of the privatization program.

The cooperative agreement also provided for the possibility that should the Transnistria region allow land privatization, a regional office would be opened to handle what was anticipated to be a pilot project in Ribnita, that would grow to encompass the entire area. Unfortunately the political situation remained such that it did not allow for any land privatization work in Transnistria.

The privatization process was divided into the following steps: (i) joining the program; (ii) the privatization of land and agricultural property; (iii) conducting land surveys and registering the land titles; and (iv) farm restructuring.

As was agreed upon with USAID, PFAP's privatization and debt restructuring efforts ended December 2001. All of the required documentation on the privatization of the farms that participated were delivered to the Department of Privatization and its territorial agencies. The PFAP office retained a copy of these files.<sup>6</sup>

It should also be noted, that as a result of the election in early 2001, both the Government of Moldova's and the Parliament's attitudes toward land privatization and the breakup and liquidation of the collective farms had changed dramatically. As such, no new efforts could be launched with respect to those farms that did not manage to complete the debt restructuring process by July 1, 2001.

##### **1. Encouraging remaining farms to participate in the privatization program**

In order to encourage the remaining farms that did not participate in the NLP, EWMI conducted a targeted information campaign, informing the farms that this was the last opportunity to participate in the program. Letters were sent out from the Department of Privatization to over 140 farms, informing them that the deadline for registering for the gratis privatization program was February 29, 2001. Ads advertising the extension of the program were placed in local papers, and sent out to various government bodies, including prefects' offices, Judet Executive Councils, Territorial Agencies, and Tax Officers. Finally, PFAP staff members visited the farms and mayors' offices to discuss and promote this opportunity.

These efforts identified two types of farms that did not join the program:

- Approximately 100 farms never joined the NLP, but were already considered privatized. Associated in small groups, they do not have large debts and their members received their titles

<sup>5</sup> Under the National Land Program, the deadline for farms to apply to participate in the privatization program was October 1, 2000.

<sup>6</sup> These files were transferred to the Arbitration and Mediation Court in 2005, as part of closeout of PFAP.

under the NLP as “early exit farmers.” In addition, they received the farms’ agricultural property in kind prior to the launch of NLP. According to the statutes, these farms are considered “private” and cannot participate in the debt restructuring process.

- 24 large farms (with over 1,000 property share beneficiaries), where titles were issued by the State, did not wish to fulfill the requirements of program (i.e., they did not want to distribute their property).

As a result of the information campaign, 16 farms opted to join the privatization program under PFAP, bringing the total number of farms that participated in the privatization effort to 1,034. It is also important to note, that while an additional 16 farms signed up to participate in the program, there still remained farms that had not completed the restructuring process under NLP. Under PFAP, EWTI continued to provide assistance to these farms.

## 2. Privatization of land and agricultural property

Privatization assistance under PFAP was provided to the farms that joined the program under PFAP, as well as, the farms that had not completed the process under NLP. The activities conducted included: (i) contracts with farms to join the program; (ii) preparation of land and property entitlement lists; and (iii) conducting land and property tenders. Details on the activities conducted by quarter are highlighted in Table 1 below.

**Table III-D1: Summary of Farm Privatization Activity under PFAP**

	1Q 01	2Q 01	3Q 01	4Q 01	Total PFAP	Total†
Contracts signed	14	2	0	0	16	961
Land Entitlement Lists	7	7	3	0	17	960
Property Entitlement Lists	8	8	2	0	18	961
Land Tenders	7	6	6	1	20	954
Property Tenders	5	6	5	1	17	953
Land Titles	32,943	67,805	16,087	7,795	124,630	
Historical Debt Offset	3	17	7	2	29	884
Current Debt Offset	3	20	7	1	31	876
Property Tenders (2)	7	10	7	1	25	864
Liquidated	8	10	8	2	28	864

† These totals do not include the 73 farms privatized under the pilot program.

As part of this process, PFAP ordered additional pamphlets and forms for the new participants. In addition the privatization unit staff received additional training on the privatization activities, as well as, on the verification of each step of the process.

## 3. Conducting land surveys and registering new titles

PFAP signed contracts with Moldovan surveyors to conduct the required surveys on the farms that joined the program. The surveyors were responsible for: (i) preliminary surveys; (ii) preparing the grouping and arrangements of land parcels, with the local mayors’ offices; (iii) preparing the land titles; (iv) registering the titles with the Cadastral Agency; and (v) providing the necessary documentation to the Territorial Cadastral Offices.

In order to avoid problems that had arisen under the previous USAID surveying program, PFAP developed a system of quality control over the work conducted by the surveyors, checking the titles, and verifying them with the mayors' offices and the farmers.

Under PFAP a total of: 124,630 land titles were distributed to 38,287 individuals; 30 Cadastral Registries and 420,886 copies of Chapter A (part of the Cadastral registry) were printed; and 411,700 folders of mass registration of real estate assets and of ownership rights over these assets were delivered to the Territorial Cadastral Offices.

#### **4. Farm restructuring**

The PFAP program allowed those farms that wanted to join the debt-restructuring program, one last opportunity to do so. The Law on Debt Restructuring was set to expire on July 1, 2001. In order to complete the restructuring process, the proposed farm debt settlement had to be approved by the Republican Commission on Farm Debt Settlement. This Commission worked for the first two months of 2001 leading up to the elections. With the change of the government, the Commission ceased to function. Only after the appointment of new Commissioners, on June 22, 2001, did the Commission meet again, and then only for one day - June 29, 2001, as the Law on Debt Restructuring expired on July 1, 2001.

Notwithstanding these difficulties, 28 farms settled their debts in 2001. After the expiration of the debt restructuring law, work continued with 9 farms that had passed the Republican Commission and settled their debts to the State before July 1, 2001. Of these, 2 farms (both from Gagauzia) settled their debts to private creditors, held a second property tender for distribution of remaining property and were liquidated.

#### **5. Pilot privatization project in Transnistria region**

During the first several months of PFAP, the project staff made a concerted effort to convince the Transnistrian authorities to agree to support a pilot privatization effort in the Ribnita region. Numerous meetings were held to explain the privatization process and its benefits. Meetings were also held with the Vice Prime Minister, representatives of the President, and Mr. Sturza, the head of the inter-departmental Commission on the Resolution of the Transnistrian Conflict. In addition, preliminary meetings were held to discuss the methodology of the registration of privatized plots and the issuance of land titles.

PFAP staff reviewed the legislation of the Transnistria region concerning privatization and the restructuring of the agricultural enterprises, to assess whether the National Land Program methodology could be applied. As a result of this review, the Ribnita administration presented a series of normative acts and three laws necessary for privatization to the Supreme Soviet of the Transnistria region.

PFAP also opened up a small office in Ribnita, and working together with the local officials developed a draft workplan for the privatization efforts. The PFAP staff launched a training program for the local officials on the privatization program methodology. Informational seminars and follow-up meetings were held with the leaders of fourteen agricultural enterprises. Of these, eleven held general meetings of their employees and pensioners and voted to privatize. Contracts to start the privatization process, were signed with nine of these farms. In addition land commissions were created, and land and property entitlement lists were prepared.

However, it quickly became clear that the privatization efforts could not move forward. The local officials never managed to come to an agreement with the central authorities in Tiraspol, and as a result the program was closed down by mid-2001. Unfortunately, the central authorities of the Transnistria region never supported a land privatization effort.

### **E. Support to the Department of Privatization and Ministry of Agriculture**

Part of PFAP activities included the continuation of providing privatization and agricultural policy support for the Department of Privatization (DoP) and the Ministry of Agriculture (MoA). This support was critical to the increased effectiveness of both institutions, and their support for the land privatization efforts. This also allowed EWMI to keep open channels of communications with key government counterparts regarding privatization activities and farm development programs.

As part of this support under PFAP, EWMI provided advice and assistance on privatization matters related to the potential privatization of Moldovan wineries and tobacco companies. In addition, the DoP requested assistance with other potential enterprises in the services, telecommunication and energy sectors. PFAP staff assisted in the preparation of company profiles, updating company profiles, providing information to potential investors, working with investment banks, and reviewing tenders.

PFAP staff also provided the DoP with legal assistance, including: reviewing current legislation on privatization, as well as, as any Parliamentary decisions with respect to privatization; providing assistance in the drafting of proposed modifications to the Law on Privatization; and developing the draft regulations of the post-privatization division of DoP. A complete list of all assistance provided to the DoP and MoA on privatization matters is attached as Annex J. Based on the recommendations of the USAID evaluation in November 2002, the support to the DoP ceased on June 30, 2003, and was in part due to the lack of interest on the GoM's part in proceeding with any additional privatization.

## **F. Grants Program**

Under PFAP, the grants program played a critical role in providing support for the private farmers and the institutions that support them. During the three-year program PFAP maintained 232 partnerships with local organizations and programs. Through the PFAP grant program, substantial support was provided to strengthen these organizations, which supported the overall PFAP objectives.

As part of the grants program under the first three years of PFAP, EWMI developed two separate grants. The first utilized USAID funds provided under the cooperative agreement. The second was a combination of Soros Foundation-Moldova (SF-M) funds (\$1.8 million) and EWMI funds (\$600,000), totaling \$2.4 million over the three-year period. Both of these pools were used to fund grants under the PFAP program. As part of the program a grant administration team was developed. This team oversaw the preparation of grant proposals, worked with the potential grantees in preparing proposals, as well as, reviewed the proposals for accuracy and completeness. The grant administration team presented the complete proposals to the Grant Review Committee (originally one for USAID-funds, and one for the SF-M/EWMI funds, later combined into one committee). The Grants Review Committee reviewed all of the proposals and voted upon them—either approving, not approving, or requesting additional information or clarification. The grant administration team then would process the grants, working together with the technical teams for each grantee. All financial reporting, financial review and grant closeout was conducted by the grant administration team.

Two types of grants were made under PFAP: (i) to provide financial assistance to those organizations that provided services to private farmers; and (ii) to business cooperatives and rural enterprises to support their growth and development.

### **1. Financial assistance to improve or provide services**

As part of PFAP program to provide assistance to organizations, which provide services to private farmers, EWMI provided grants to its local partners, including:

- Agricultural Producers' Associations (APAs), which provided consulting and advisory services to private farmers through their network of business centers;
- Union of Agricultural Producers Associations (UAP), which provided overall coordination of the advisory services provided by the APAs, as well as, represented the needs of the private farmers in Chisinau;
- Moldovan Microfinance Alliance, which assisted in the development of rural crediting through the strengthening of Savings and Credit Associations (and provided greater access to financing for private farmers);
- Independent Press Association, which through its agricultural supplement "Farmer" in the rural press, provided private farmers with a source of information on the agricultural sector in Moldova;
- Center for Independent Journalism, which provided training to newspaper journalist in order to improve the quality of reporting on agricultural issues; and
- CAMIB, which developed and provided publications on marketing services.

**2. Direct business support and development**

Local partners who received financial support are: “Agrostoc” business cooperative (servicing of the farm store network); and over 100 private rural enterprises, including:

- 54 business cooperatives (providing mechanical services to private farmers);
- 15 private enterprises affiliated to 14 regional Association of Agricultural Producers;
- 2 private enterprises affiliated to the Union of Association of Agricultural Producers;
- 5 milk collection business cooperatives;
- 2 fruit and vegetables drying enterprises;
- 2 mixed fodder production enterprises;
- 5 egg incubation and poultry farming enterprises and
- 15 private rural enterprises (crop growing by applying small irrigation equipment).

A complete listing of all the grants made under PFAP, including the recipients and amounts has been provided in Annex J.

#### **IV. PFAP EVALUATION AND RECOMMENDED EXTENSION**

In November 2002, USAID conducted an evaluation of the PFAP program. The seven-member team evaluated the results of the first two-years of PFAP. The Evaluation Team found that the Program had successfully undertaken and implemented a wide and substantive array of activities. Very large numbers of rural residents had received training and technical advice in a variety of areas with many of the needed rural organizations created and/or strengthened. New management, accounting and other systems in these organizations had been put into place, dozens of business plans had been prepared, additional credit had been provided and thousands of new land titles had been issued and hundreds of thousands registered. With the assistance of the PFAP policy and regulatory unit, an acceptable policy environment for agricultural development had also been maintained. Finally, the Team found that the grants program had been effectively implemented and had been an important supporting component, particularly for institution-building activities.

Based on individual success stories and reported tangible impacts of program activities, logical cause-effect relationships for most activities and the solid PFAP record of meeting targets, the Team concluded that real economic and employment benefits from the program were being achieved. It further concluded, and strongly recommended, that the Cooperative Agreement be continued until the completion date of November 30, 2003.

The Team additionally recommended that PFAP be extended for an additional 18-24 months beyond November 30, 2003 to build on results being achieved, to enable consolidation and increased sustainability of activities being supported and to allow an orderly phase-down. During that period, the Team recommended: a) that the program focus on strengthening the Union of Agricultural Producer Associations, the individual Agricultural Producers Associations and business cooperatives that had been formed and registered and making them financially self-sustainable while meeting the needs of members; b) that the grants program be continued, but operating subsidies to the UAP, APAs and business cooperatives should be reduced gradually over this period; c) that through the network of agricultural producer associations, the development of the agricultural SME sector (including business cooperatives) should be aggressively undertaken with the grants program increasingly targeted on agricultural SME development; d) that the legal and regulatory unit should strengthen its analytic capacity and develop an information gathering capacity; and e) that the extension should allow for the option to carryout a farm privatization program in Transnistria and to develop local agricultural support organizations, if it becomes politically possible. However, no specific funding should be allocated or budgeted for that purpose until the possibility exists. Finally, the Team recommended that support to the Savings and Credit Associations and enterprise privatization should not be continued through this activity during the extension period.

## V. PFAP-EXTENSION: ACTIVITIES AND RESULTS

In December 2003, the Private Farmers Assistance Program was extended for an additional 24-month period through November 2005. During the extension period the PFAP team continued its mission of building the business success of private farmers and rural entrepreneurs through direct support, as well as strengthening overall sustainability of organizations that provide services and advocacy for private agricultural producers. In order to increase sustainability of the established service and advocate organizations, the activities supported under the PFAP-Extension (PFAP-E) were designed to give small-holder producers greater access to the technical advice, markets, legal advice and information necessary to increase production, employment and income levels. During the PFAP-E, EWMI sought to enable the small-holder producers to make more informed production decisions, obtain the various inputs as needed, protect their rights and products, and obtain fair market prices for the goods produced.

EWMI envisioned two main components to focus activities during the PFAP-E period. These were: (i) strengthening of producer organizations; and (ii) supporting policy and regulatory reform. The major elements of the first component were providing support to the regional Agricultural Producer Associations (APAs) and the Republican Union of Agricultural Producers Association (UAP), and the strengthening of small and medium size agricultural enterprises including business cooperatives. The main focus of the second component was to continue to build upon and strengthen previous policy and legal reform work that further supported sustainability of agrarian sector development.

### A. Producer Organization Strengthening

Activities under the producer organization component had two main goals: (1) to offer institutional support and build the financial sustainability of the Moldovan producer associations (i.e. regional Agricultural Producer Associations (APAs) and nationally with their umbrella organization – the UAP), and (2) to strengthen rural agricultural Small and Medium Enterprises (SMEs) with an emphasis on further development of the business cooperatives. PFAP field activities related to strengthening of rural SMEs were carried out through the network of 15 regional APAs and their branches.

#### 1. Institution-building support to UAP and APAs

During the Extension period, PFAP staff had the extraordinary challenge of phasing down and transitioning PFAP responsibilities of technical and financial support to the 15 APAs, 44 Business Centers (w/local branches), and the UAP at a time when all were experiencing growth and an expansion of activities.

By the closeout of PFAP-E, the 15 Moldovan APAs and the UAP had entered into their final year of a 3-year strategic development plan, which was drafted with PFAP assistance after a U.S. study tour on farmer organizations in the last quarter of 2002. The UAP's final strategic plan for 2006-2008 was submitted to USAID in January 2005. The PFAP team provided assistance to the APAs and the UAP in the drafting a new strategic development plan(s). These strategic plans envisage the sustainability to carry out the organizational missions in the absence of financial and technical support provided through PFAP.

**Table V-A1: Highlights of the 15 Agricultural Producers' Associations At PFAP Closeout:**

- **2,282 ordinary members** (including 584 new members or 26% increase during the PFAP-E) from all Moldovan rayons;
- **25,709 associated members** (including 14,833 new members or 58% increase during the PFAP-E);
- **815 thousand hectares** of land farmed by members (including 127 thousand ha or 16 % increase during the PFAP-E);
- APA members lease land from **505,000 landowners** (including a 76,000 landowner or 15% increase during the PFAP-E);
- **A network of 15** well-equipped and staffed **Business Centers** (with **29 branches**) providing technical services and advocacy to agricultural producers;
- **Over 1010 million lei** (81 million USD) **paid by APA members** to landowners and employees of rural SMEs in 2004 (over 440 million lei in lease payments and over 570 million lei in salaries).

Given the importance of the post-PFAP 2006-2008 strategic plan(s), the PFAP team recognized the need to develop a comprehensive, inclusive planning approach with UAP and the APAs. In this regard, PFAP sub-contracted Pro Didactica, a local non-profit organization of professionals skilled in strategic planning and training methods, to facilitate a participatory strategic planning process that evolved in several stages. The goal was to ensure a larger representative pool of participants with direct and full participation of APAs in drafting regional strategies of individual associations, as well as the national strategy for the UAP. In the final preparation, 2-5 representatives from each APA traveled to Chisinau for two full-day planning sessions (June 6-8, 2005), and three weeks later (June 28, 2005) for another full-day session. The result of these strategic planning sessions framed the main elements of the UAP's new development strategy. These included a new mission, objectives to achieve it, and performance indicators to measure progress. The aim of the strategy was to support an expanded membership base that now includes agricultural processors and input suppliers in addition to the producer associations. During the latter part of 2005, UAP expects to develop a detailed plan of action that reflects the ideas and development objectives jointly formulated during the workshop. Similar efforts were initiated within all the APAs to update their individual development strategies.

In addition, as part of the institutional development activities, exchange of experience sessions were organized among the 15 APAs. These exchange sessions were an annual gathering for APAs in the final three years of the PFAP, including the extension period. In 2005 sessions were held in Chisinau and organized by topic e.g. *accounting, marketing, financial, and legal*. This differed from previous years when 3 to 4 APAs would host neighboring associations to exchange general experiences. Participants mentioned the positive effect of these "topic workshops" and expressed willingness to continue them after PFAP-E closeout.

## **2. Strengthening of rural SMEs and business cooperatives**

During the first three years of PFAP, over 170 Business Cooperatives with more than 14,000 members were registered and assisted, and over 190 small and medium agricultural enterprises were provided with support. The type of technical assistance provided included: business plan preparation; preparation of financial statements; market research; provision of legal advice; preparation of grant/credit applications; and technical advice in the purchasing of new equipment.

The PFAP-E continued to strengthen the rural, small and medium enterprise sector, while developing new contracts with additional enterprises that could purchase farm products, supply farm inputs, share machinery and provide technical and other services for the development of private farms. The focus was on supporting existing organizations' provision of demand-driven services, while maintaining local management and control. Again, sustainability via technical assistance and training was a key emphasis for members and leaders.

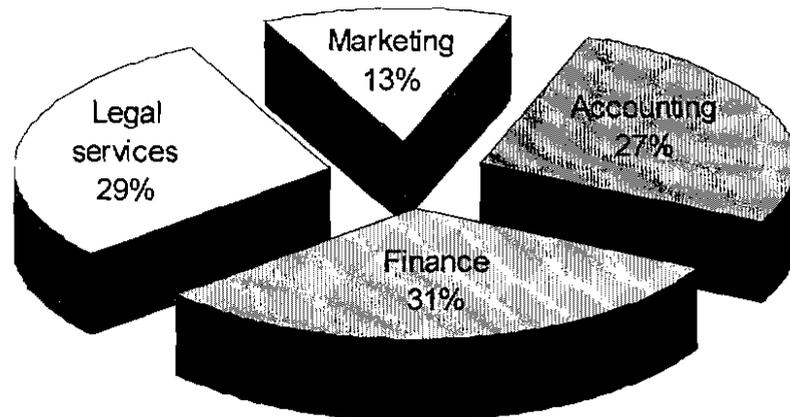
During the life of PFAP, APAs signed agreements to strengthen 573 agricultural enterprises, including Limited Liability Companies, Peasant Farms and other legal entities. PFAP assistance most requested by these enterprises was: basic accounting, including preparation of financial statements and records maintenance; business plan development; preparation of credit/grant applications; legal support and assistance, including representation of farms in court and preparation of contracts; monitoring and evaluation of the enterprise activity; market research and assistance in sale of agricultural produce.

By the PFAP-E closeout, 560 strengthening activities were completed including 120 with business cooperatives and 440 with other agricultural enterprises. The following assistance was provided within the program's strengthening activities:

- 254 enterprises received assistance in organizing accounting and preparing financial statements;
- 294 agricultural enterprises received advisory assistance on financial issues;
- 275 enterprises benefited from legal assistance in the preparation of various types of contracts, settling commercial disputes and legal consulting related to private businesses;
- 122 enterprises benefited from assistance in marketing agricultural produce, market research and marketing plan development.

Financial services including the development of grant applications, preparation of business plans and applications for bank loan recipients; legal support including assistance in protecting commercial rights of contractual parties in preparing various contracts and initiating/maintaining lease relations with land and property owners; and accounting including organization of accounting information and assistance in preparing financial statements/reports were almost equally requested by agricultural enterprises during 2002-2005. The smaller share of marketing services could be explained by marketing services and techniques being in the nascent stage of development.

**Table V-A2: Share of PFAP Provided Services by Subject Matter between 2002-2005 under the Strengthening Programs**



**Table V-A3: Poland Study Tour for APAs**

In the first quarter of 2004 a study tour on agricultural marketing development in Poland entitled "Identification of Marketing Strategies for the Moldovan Agricultural Producers' Associations" developed by PFAP was designed and implemented by KUPS International. KUPS International is a U.S. consulting firm and was selected through an openly competitive process.

The two key areas covered during the study tour were approaches to effective agricultural marketing system, and the role that farmers' associations serve within the system, including the types of activities in which these organizations engage. The study tour participants were members of the Moldovan Agricultural Producers' Associations (APAs), the National Union of Agricultural Producers (UAP) and the PFAP team. There were a total of 26 representatives from the 14 APAs (e.g. APA Executive Director and one Board member), two representatives from the UAP and two PFAP experts to facilitate the group learning process.

Prior to departure participants developed objectives to focus for knowledge transfer during the study tour. These were: 1) to seek guidance on development of a viable agricultural marketing system in Moldova; and 2) to observe the role of farmers' associations in agricultural products marketing. Participants learned about the structure and mechanics of the agricultural marketing system in Poland. As a tangible outcome of the Study tour participants worked to produce clear marketing strategies (i.e. plans of actions) for each of the 14 Moldovan Agricultural Producers' Association, in addition to a national UAP strategy.

The study tour was intensive with multiple site visits to marketing organizations, farmers' associations (unions) and other relevant agricultural organizations in Poland. Each evening PFAP experts facilitated debriefing sessions of the days events at which time participants discussed the experience and drew comparisons with Moldova, as well as identified as outputs of the study tour. It was during these evening briefings that participants working with PFAP experts began the first drafts of the multi-year strategic plans for 14 individual APAs and the UAP.

Lessons learned about agricultural marketing in Poland included:

- Crop production determined by what makes Poland competitive on regional and world markets.
- Organizations providing marketing services do not focus exclusively on the agricultural products. Target market research, market forecasting, product targeting, product pricing and promotion for target consumers are all considered (e.g. 4 Ps are Product, Price, Placement, & Promotion).
- Agricultural producers, storing and processing enterprises work together to deliver finished products to target markets, not semi-finished goods for processors.
- Farmers and state institutions actively promote cooperation in crop growing and marketing (e.g. business cooperatives, branch associations and farmers' circles)
- Wholesale markets play major role in marketing system ensuring optimal conditions for quality control, access, and reduction of agricultural produce marketing expenses.
- Common branding was developed for Polish agricultural and food products in order to penetrate foreign markets. Promoters of Polish products are working to maintain a quality standard of exported goods under the brand name "Poland".

Based on the lessons learned, every participant further developed the drafts of marketing strategies for his/her APA. Upon return from the study tour (during the second half of February and first half of March), all the 14 APAs organized their Board meetings, where Study tour participants presented the results of the study tour and the marketing strategies developed.

**3. Business cooperative U.S. study tour**

To further strengthen the management capacity of the Business Cooperatives, EWMI tendered and subsequently awarded a subcontract in 2004 to the Institute for Sustainable Communities (ISC) to conduct a two and half-week training in Vermont and New York State for twenty-one community leaders from Moldova between November 6 and 22<sup>nd</sup>. The training provided Moldovan agricultural business cooperative leaders and regional development agents with an understanding of the development and management of agricultural business cooperatives in the United States.

Theoretical discussions, case studies, and classroom training familiarized participants with the U.S. agricultural system, best practices, organizational models of agribusiness cooperatives, including how they cooperate with governmental institutions, marketing techniques, and financial models used by cooperatives. In addition, participants examined examples of cooperatives and enterprises, agricultural networks and associations, and umbrella and support organizations, which provided each with a greater awareness of strengths and weaknesses within established organizations and networks. Evening debriefing sessions over the course of the study tour, and an end of program review aided participants in identifying key principles, approaches, and lessons that could be applied within their own cooperatives and communities. Participants then utilized these new skills and experiences to develop draft outlines for their own cooperatives' development strategies. (See the Addenda for details on study tour, including final report, itineraries, information on trainers and site visits, a summary of participant evaluations, and a compilation of training materials.)

#### **4. Launch of the social responsibility initiative**

In September 2004, the UAP staff teamed with a former Peace Corps volunteer employed by EWMI/PFAP to launch a Social Responsibility Initiative (SRI) to support initiatives in the community of the regional APAs and 60 potential community partners in villages throughout Moldova. The SRI team organized informational trainings to raise awareness of the social responsibility of businesses and to provide guidance in project development for those potential community partners. The primary goal of the SRI was to encourage private agricultural entrepreneurs to engage in the social development of their communities and to help them recognize their role as catalysts for positive change.

Between October and December 2004, UAP/SRI team organized 14 regional trainings on APA premises and consortium building meetings in 60 rural communities. At these meetings private agricultural entrepreneurs, officials from the local public administration, representatives from educational and cultural institutions, NGO leaders and other community representatives met to discuss a wide variety of issues affecting their communities. The CONTACT Center, a Moldovan NGO, was contracted by PFAP to facilitate training and provide support to local community groups conducting needs assessment and in project development. On January 15 2005, after several trainings and community meetings, private agricultural entrepreneurs from 53 communities submitted project proposals requesting financial assistance. The UAP/SRI team summarized all of the applications received, evaluating them against project feasibility criteria and the sustainability of the business commitment to the social project beyond the life of the SRI Program.

Based on the evaluation the UAP/SRI team identified 18 potential projects that satisfied the criteria and contracted a consultant to work with the PFAP former Peace Corp Volunteer to conduct more in depth on-site evaluations of each project. In January and February of 2005 the SRI advisory team worked with the applicants and the UAP/SRI to review project budgets for accuracy, feasibility and appropriateness and assisted UAP/SRI in establishing milestones for transfer of grant funds. During the evaluations it was determined that five (5) projects were not feasible. The UAP/SRI team prepared the remaining 13 projects for review by a Working Group and approval by Jury.

With the USAID suspension of all PFAP Grant Making activities on February 7, 2005 the Working Group review was cancelled and Jury approval was not sought. As a result of the suspension

PFAP redoubled efforts to mobilize local resources and draw more support from SMEs and recently established business cooperatives in order for these invaluable community based SRI projects to continue.

Between February and April 2005, the UAP/SRI team also worked closely with consultants from the Institute for Sustainable Communities (ISC), as part of follow-on activity to the November 2005 Study Tour, on ways to increase participation of business cooperatives and improve overall project implementation in socially responsible community work. The ISC consulting included three components:

- Participation in the 4<sup>th</sup> Annual Moldovan National Conference of Business Cooperatives with a keynote presentation on “USA Agricultural Cooperatives and Best Practices,”
- Presentation of four workshops during the conference on “Improving Cooperatives’ Image through Participation in the Social Development of Rural Communities,”
- Assistance in the planning and implementation of the UAP’s Social Responsibility Initiative, and individual consultation with study tour participants to complete strategic planning and initiate actions for individual cooperatives and an umbrella organization.

On April 27, 2005 all applicants of the SRI Program received formal letters from PFAP informing each of the termination of the grant program and early shut-down of the project. However in these letters applicants were encouraged to continue working with the UAP/SRI team for assistance in identifying other potential sources of funding. During May and June, SRI project proposals were passed along to the CONTACT Center to be considered for funding. Of the sixteen short-listed projects, seven (7) applications were approved for funding and are expected to implement projects during June-October 2005.

### **B. Policy and Regulatory Support**

During the first three year of PFAP, the Policy Unit and the Ministry of Agriculture (MoA) team were successful in developing a legal and regulatory environment that gave private farms, agribusinesses and agricultural associations an opportunity to succeed or fail without government interference. The PFAP Policy Unit devoted as much time and effort in preventing the adoption of regressive laws and regulations, as it did in developing an enabling environment.

In 2002 the USAID evaluation team recommended that the analytic capacity of the PFAP’s Policy Unit and MoA team be strengthened to go beyond a legal/regulatory focus in order to increase the effectiveness and impact of the policy analysis work. The USAID evaluation team also recommended that these two Policy groups develop the capacity to collect data and conduct research that will inform policy, since such data was often limited and of questionable quality in Moldova. It was suggested that additional emphasis be placed on the formulation of policy, including implementation of a specific policy/research agenda to be developed and agreed-upon in cooperation with USAID as part of each annual work plan. Although details would be determined annually, it was anticipated that the newly recommended policy/research agenda would include such topics as: a) barriers to agricultural trade; b) effectiveness of government expenditures on agricultural development; c) size and efficiency of agricultural operating units; d) future manpower requirements in the agricultural sector; f) legal impediments to the development of private agriculture; g) effect of phyto-sanitary requirements on agricultural development; and h) appropriateness of current licensing requirements.

Expected results from increased technical assistance to the PFAP Policy Unit and MoA team were to include continued analyses of needed and proposed legislation, additional analytical work on legislative and regulatory constraints to exports, information and advice to international organizations on policy issues, better and more reliable data on agricultural production, land use marketing and other agricultural issues. By the end of PFAP-E a new mechanism funded by various donors, and perhaps private channels was expected to be underway in order to continue the work of the legal and regulatory unit.

### **1. Laws developed and promoted**

During PFAP-E an additional 39 legal and normative acts were developed, which brings the program total to 196 (see Annex B for a complete list) including discussions on the political context and the forecasted impact of the PFAP proposed/enacted legislative initiatives.

### **2. Newsletters and issue papers**

During PFAP-E an additional 24 Newsletters (Issue Papers) were prepared and disseminated, bringing the Program total to 79. One urgent legal briefing that had particular relevance to foreign aid programming was prepared that referred to changes in Article 20 of the Tax Code. The amendments included changes in the taxation procedure of donations awarded to legal entities in Moldova. The legal briefing emphasized the negative economic consequences of such changes for foreign technical assistance beneficiaries.

### **3. Studies and surveys**

During PFAP-E, an additional 9 studies/surveys were conducted, bringing the total to 20. Two studies were completed in the second quarter of 2005 (the final quarter of PFAP-E) that have particular relevance for agricultural development in Moldova in a "Post-PFAP" period. These were:

- The *Study of "Standardization and Certification of Agricultural Products in the RM"*. This study provides an analysis of the current international standardization systems; reflects the experience that our country has accumulated in this sphere; identifies the impediments originated in the procedure of standardization and evaluation of agricultural and food products conformity in the Republic of Moldova. At the same time, the study identifies the necessary measures to be taken in order to improve the situation in the system of standardization and evaluation of agricultural and food products conformity in the agricultural and food sector, and specifically development of the legal framework and institutional support aimed at facilitating the transfer to the new types of standards recognized all over the world and namely the ISO and EN.
- The *Study of "Financial Support Provided to the Agrarian Sector in the Republic of Moldova"*. The goal of this study was to identify the total volume of subsidies granted to the agrarian sector and their timeliness, to analyze the efficiency in the use of grant funds awarded under the framework of various programs in this area, as well as to assess the degree of assimilation of the funds targeted for agriculture. The study proposes actions meant to find a balance between numerous financial instruments applied in the agrarian policy for accomplishment of optimal results in fostering the agricultural sector development in the Republic of Moldova.

### C. Grants Program

During the life of Private Farmers Assistance Program, over 320 partnerships with local organizations and/or programs, which supported the objectives of PFAP, were developed through the Grants Program. The substantial financial and technical assistance offered through the Grants Program strengthened the capacity of the organization to serve private farmers and commercialize Moldova's agricultural production. As a critical part of its phase down and sustainability strategy four key grant-making activities were pursued during PFAP-E:

- 1) **Support to the APAs and UAP** that was progressively reduced as APAs fee-for-service work increased and evolved into more commercially viable enterprises;
- 2) Grants focused on the development, growth and strengthening of revenue-generating **Affiliated Enterprises** of the APAs and UAP;
- 3) **Mechanization Grants** offered to Small and Medium enterprises in coordination with the Japanese-funded 2KR Program; and
- 4) Matching grants to Community Projects supported by the APA and affiliated businesses under the **UAP Social Responsibility Initiative**.

#### 1. Support to the APAs and UAP

To increase sustainability of the APAs and UAP, the Grants Program provided assistance grants that enabled and improved the skills of UAP and APA staff to provide member services and to develop additional revenue sources such as marketing, input supply, legal consultations, and other services identified by these member owned and driven organizations. Revenues were closely monitored on a monthly basis by PFAP, and assistance was gradually phased down as APA activities became more profitable.

Since the financial sustainability of UAP is directly linked to the success of due paying members – the APAs; the Grant to UAP was designed in order to provide greater advocacy and marketing services to the APAs, and to hone the full potential of the UAP to be demonstrated prior to the PFAP closeout. In light of this, the PFAP Grants Team and Technical Specialists continuously advised the UAP and helped in the provision of services and other activities. By strengthening UAP's ability to help its APA members PFAP aimed to ensure self-financing and sustainability for all.

#### 2. Affiliated enterprises

To further support UAP and the APAs, the Grants Program offered revenue-generating, affiliated enterprise, narrowly targeted sub-grants that were fully integrated with technical assistance and training. These targeted grants focused on the development, growth and strengthening of the enterprises, and supported a nascent network of business cooperatives. While ownership in the enterprises created almost immediate financial benefit—increased revenue stream—to the UAP and APAs; it was the medium and longer term marketing benefits to small-holder producer members that the Grants Program viewed as most strategic to association development.

#### 3. 2KR program

2KR was a collaborative effort between the governments of Japan and Moldova and PFAP. Under the Program, beneficiaries purchased 105 HP Kubota tractors at reduced cost paid in installments. Additional tractor accessory equipment grants (i.e. reversible plow, soil combine) were supplied by PFAP. During PFAP-E 53 sets of additional agricultural equipment were purchased

with PFAP funds. This equipment was essential in improving production and enabled several cooperative enterprises to accelerate their own development. It envisioned that UAP will facilitate future opportunities for small-holder producers to obtain financing for agricultural equipment; and 2KR provided good opportunity for UAP to develop policies and procedures to this end.

#### 4. SRI Grants

In September 2004, USAID encouraged PFAP to become more involved in rural community development. As such in the third quarter of 2004 PFAP, in cooperation with the UAP, launched the Social Responsibility Initiative (SRI), which included a matching sub-grants program. However the full potential of the SRI was never fully realized due to USAID's decision to suspend the sub grants program. As such, no SRI grants were made under PFAP. However independently of USAID, EWMI pursued several SRI grants, proving that the program could have been extremely successful.

#### D. Accelerated Program Shutdown

Notwithstanding the ongoing success of the program, and even though the PFAP-E was expected to run through November 2005, USAID requested EWMI to implement an accelerated shutdown of the PFAP by the end of June 2005. As part of this request, in February 2005 USAID requested that all new grant making activities be suspended, and all ongoing grants be completed prior to the closeout of the program.

As part of the closeout process on March 31, 2005 eleven (11) new beneficiaries as part of the Mechanical Services 2KR program were approved by USAID. These grants were for tractor accessory equipment parts, which were procured in late 2004 as part of the larger 2KR program grant competition. Several grantees in 2004 could not meet the cost-share obligations and requested release from the contracts with PFAP. However the 2KR tractor accessory equipment had already been procured in 2004 and was in storage. PFAP held a second competition and

**Table V-C1: BASFRUCT: Controlled Atmosphere Refrigeration Complex**

The controlled atmosphere facility of Basfruct LLC, an affiliated company of the UniAgroProtect, works to promote modern value-adding technologies of cold storage and preservation for Moldovan fruits. Under PFAP, Basfruct received assistance in constructing a controlled atmosphere refrigerated cold storage facility 30 km outside of Chisinau in the Straseni District. The location of the facility provides great opportunity for small-holder producers to gain market access for their produce, while supporting Producer Associations (through UAP) who provide advocacy and support to private farmers.

In addition, the projects fills the recommendation of USAID's PFAP evaluation mission from November 2002 of providing support to UAP in achieving a maximal feasible level of self-sustainability (UAP, as a 25% co-founder of Basfruct, will receive its percentage of dividends.) Basvinex (through its subsidiary Romanesti SA) is the managing partner with 75% of the equity in Basfruct. Basvinex's experience in managing larger cold storage facilities in Durlesti and Merleni, coupled with its commitment in bringing over \$1.5 million in non-grant funds made them a very attractive partner for UAP, whose role in the venture is more of advisor and supervisor to ensure PFAP project goals are met. These include:

- Increase the production and export of value added agricultural products.
- Increase farmers income by paying premium prices for quality table fruits.
- Create alternative cash markets for farmers and farmers associations.
- Train farmers in modern fruit production and harvesting.
- Create new off-farm jobs in rural areas.
- Contribute to the achievement of UAP's self-sustainability.

eleven (11) alternate beneficiaries were selected in January 2005 (prior to February suspension) to receive the stored equipment. As these alternate beneficiaries had secured the necessary matching funds through bank loans and were contractually obligated by these loans, USAID approved the grants and distribution of was done accordingly.

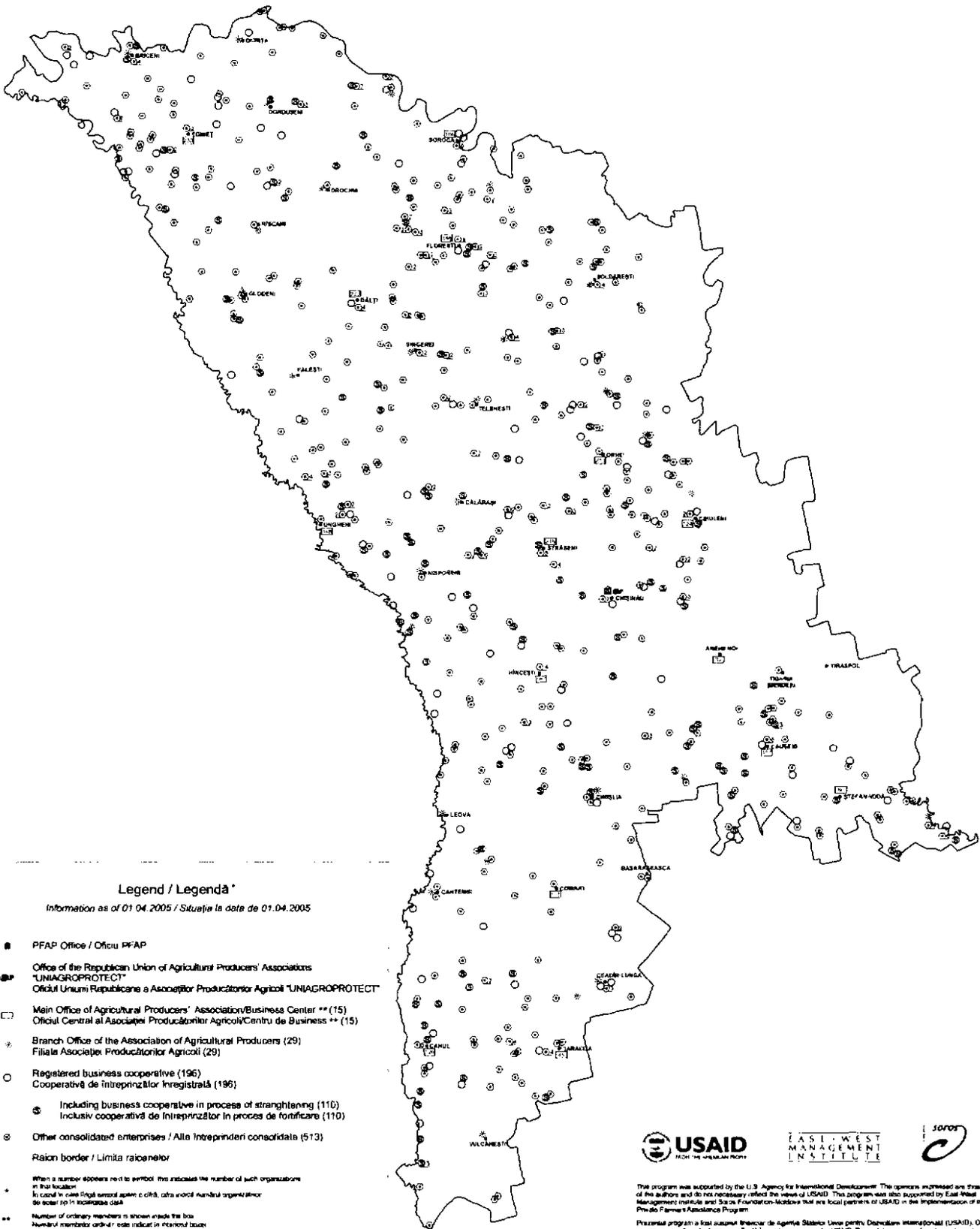
During the second quarter of 2005 PFAP closed out 179 grants and transferred the equipment with a total value of \$2,177,286 purchased with PFAP grant funds to these beneficiaries in accordance with the grant agreements, and the approved property disposition plan in adherence with USAID Mission policy governing such disbursements.

A complete list of the grants made under PFAP is attached as Annex K, while a summary of PFAP grants activity is provided in the table below:

**Table V-C2: PFAP Sub-granting activity**

	As of June 30, 2005
Grant applications received	459
Concept papers received	59
Grants applications approved/ funds disbursed	399 / \$7,885,170
Number of working group meetings	36
Number of PFAP Jury meetings	44

# VI. MAP SUMMARIZING PFAP ACTIVITIES AS OF APRIL 1, 2005



This program was supported by the U.S. Agency for International Development. The opinions expressed are those of the authors and do not necessarily reflect the views of USAID. This program was also supported by East-West Management Institute and Soros Foundation-Moldova that are local partners of USAID in the implementation of the Private Farmers' Agricultural Program.

Programul este susținut de Agenția Statelor Unite pentru Dezvoltare Internațională (USAID). Opiniile exprimate aparțin autorilor și nu reflectă în mod necesar poziția USAID. Programul este susținut și de East-West Management Institute și Fundația Soros-Moldova care sunt parteneri locali ai USAID în implementarea Programului de Asistență către Fermierii Priviți.

## VII. SUSTAINABILITY OF PROGRAMS

Ensuring the financial viability of the UAP and its member APAs was one of the major tasks implemented under PFAP. As part of the PFAP strategy to ensure the long-term viability of partner organizations that have helped implement the program and that would provide services to private farmers after the program ends, PFAP delegated its major activities to the regional APAs and the UAP, while providing technical assistance in capacity building and financial support.

In 2002 PFAP/USAID financial support covered 100% of UAP/APA expenses. As the program progressed and the UAP and APAs institutional capacities were strengthened funding was gradually reduced. As of the closeout of PFAP the UAP and APAs were expected to rely on their own sources of funding either generated internally or attracted from other donors. From December 2001 to June 30, 2005, the UAP and APAs engaged in a process of institutional consolidation that involved broadening the membership base, increasing the public role and visibility of organizations in the society, increasing efficiency of internal structures with clear functions according to the declared missions, and securing other sources of funding.

As of June 2005 the regional APAs were fulfilling their plans to reach firm levels of financial sustainability set at 30% in 2003, 40-45% in 2004, 55-65% in 2005, and 100% by 2006. The results registered by the majority of regional APAs concerning covering operational costs out of revenues indicated that these organizations would be financially viable after PFAP funding ends.

APAs revenue sources are based on a combination of: (i) membership fees (20-30%); (ii) paid services (20-30%); (iii) affiliated business ventures (35-40%); and (iv) implementation contracts (10-15%). However, as indicated in individual APA budget projections for 2004-2006, not all the APAs were able to demonstrate complete operational financial sustainability after 2005. This was due to the fact that a few of the APAs were not able to absorb all of the resources offered by PFAP to invest in affiliated enterprises. These APAs had three options at their discretion: (i) to launch additional affiliated business ventures; (ii) to extend the existing affiliated businesses; or (iii) to prepare to operate at reduced levels starting 2006. The PFAP team had discussions with the management of these APAs explaining the options. It was the responsibility of the management to decide in conformity with their bylaws, which option was best. Based on these discussions, these APAs decided to reduce their staff, while developing linkages for services with several of the larger APAs. The 11 financially sustainable APAs continued functioning at their normal operational levels.

Founded by regional APAs, the UAP represents these member organizations directly at the national level, and indirectly the ordinary and associate members of the APAs (e.g., agricultural producers, rural entrepreneurs and landowners). Also, in its early stages, the UAP invested significant effort in strengthening its members both at the institutional and financial level while encouraging the APAs to increase collections from membership dues and paid services from members. It was a justified strategy to assume that a stronger membership base at APA level, as an immediate task, would ensure a solid support to the UAP in the long term. Having achieved the immediate goal of establishing strong APAs, the Union entered a next stage of development (2005-2008) that includes generation of higher revenues by introducing direct and indirect mem-

ber dues, establishing of new classes of members and rendering wider range of fee-based services.

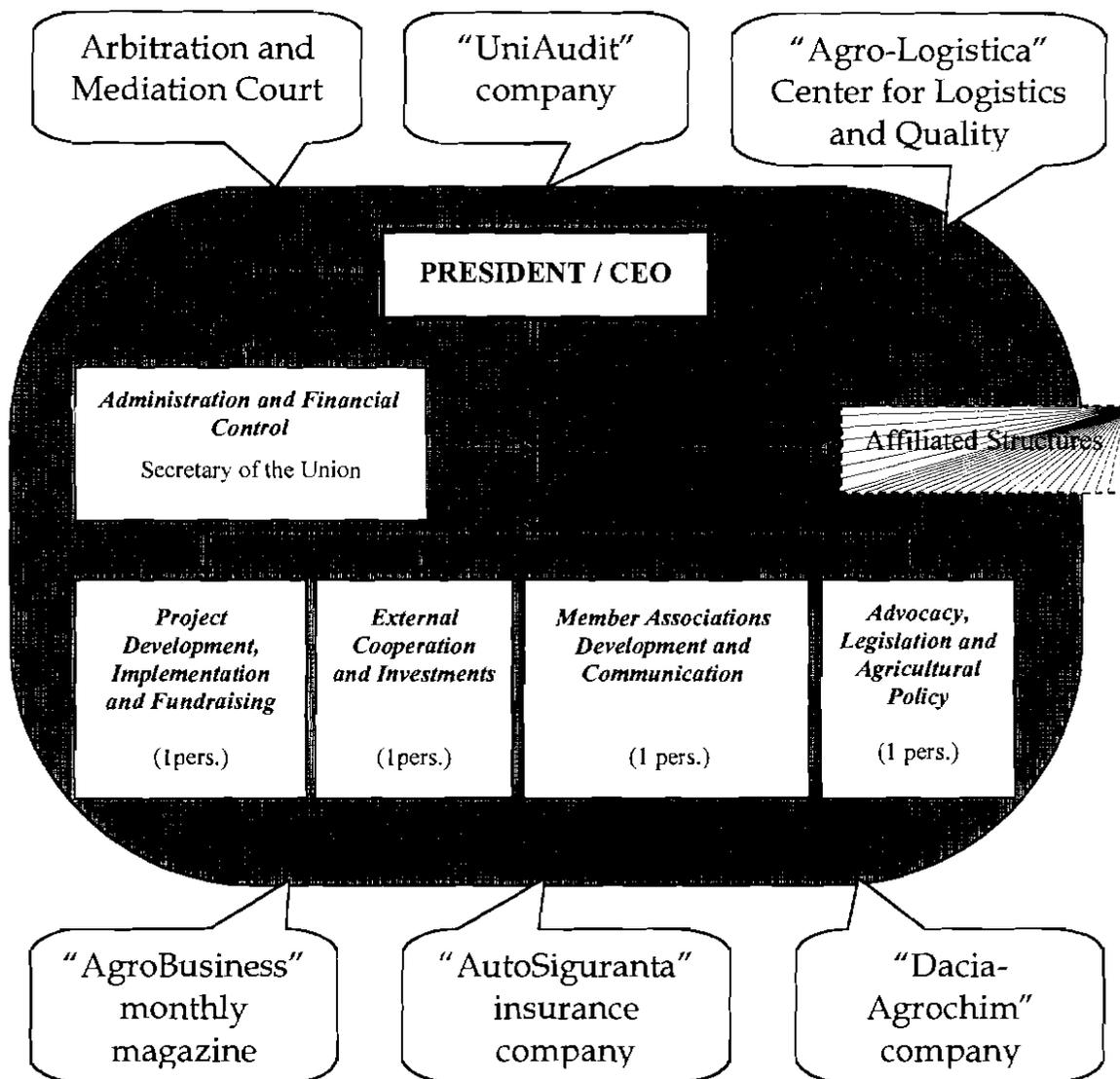
Implementation of this strategy required donor support to the UAP for the period of 2003–2005, and required time to attain a plausible degree of financial sustainability at the national level, which could be based on the results already achieved at the local level.

The expanded UAP will include four main ordinary member classes:

- The APAs' memberships include commercial farmers of varying sizes and crop production e.g. limited liability companies, peasant farms, business cooperatives, joint stock companies;
- Processors Associations (UAP intends to encourage creation of associations of processors of vegetables and fruits (grapes), as a new sector that will employ advanced technologies and marketing strategies e.g. Association of Fruit Processors (fresh, dried) and Associations of Vegetable Processors (frozen, dried, pickled). At a later stage the UAP will consider attracting existing stronger associations (wine, sugar, sunflower) in order to other areas of the agricultural sector;
- Exporter Associations (e.g. Association of Grain Exporters) joined the UAP in 2004. Nationally significant agribusiness and exporters of HVA (Alfa-Nistru, Olane-I, Basfruct, Codru-ST, Podgoreni, Kelly Grains, MoldSemPorumb, Anturaj) will be encouraged to take active part in creation and development of exporter associations.;
- Agribusiness service providers and/or their associations including input suppliers, retailers and wholesalers, transportation firms, packaging companies, certifying companies, logistics companies, rural financial and micro-finance institutions (banks, SCAs), grain elevators and individual donors.

Individual companies in categories listed above are encouraged to become direct (ordinary) members of local and branch associations, and be indirectly represented in the UAP through associations as ordinary members. Companies can also become associate members of the UAP.

To cover the needs of the expanded membership base, the UAP proposed to maintain a core staff of 6 professionals and a few technical positions. The core staff (the UAP's "inner circle") will carry out the basic and permanent administrative and operational functions of the UAP, including basic least "commercial" services forming the "free" package of services. These services will include legislative monitoring; weekly newsletters; general representation, lobbying and advocacy activities; member policies and member institutional development; networking and communication; training and educational events; public relation and image promotion. The core staff will also be responsible for the fund-raising efforts, planning, administrative, reporting, accounting and financial control. The proposed structure reflects the concept of permanent and additional positions and functions (inner and outer circles).



The UAP's compact structure should not be an impediment for the implementation of projects large by scope and/or range of activities. Now that PFAP funding of the UAP has finished, the number and structure of the additional employees will be conditioned by external funding existing at that moment, i.e. involvement in the budgets of eventual projects implemented by the UAP and employees' pertaining to the UAP affiliated income-generating structures (audit, laboratory, certification, marketing companies, arbitration court, insurance agents, etc.).

Thus, the UAP's nucleus will have permanent functions while the structure and number of the additional employees will change depending on current activities (contracts and/or projects being implemented).

The fee-based services will be provided by the "outer circle" of the UAP formed by the affiliated commercial structures, including:

- Arbitration and Mediation Court (legal services and advisory, assistance in dispute resolution, arbitration and mediation services)
- “UniAudit” company (accounting, audit, financial services)
- “AgroBusiness” monthly magazine (information, advocacy, image promotion)
- “AutoSiguranta” insurance company (insurance services)
- “Dacia-Agrochim” company (input supply)
- “Agro-Logistica” center for Logistics and Quality organized in 4 departments:
  - Sales and Brokerage (acquisition, pre-sale preparation, sales/exports, input and equipment supplies, representation abroad, brokerage)
  - Expedition and Transportation (expedition, dispatcher and customs services)
  - Specialized Technical Expertise (laboratory for soil, water, product and food testing, quality control and certification, real estate and construction appraisals, other technical expertise)
  - Information, Investment Attraction and Business Development (member database, e-brokerage, special training and education; exhibitions and other events; market analyses and strategies; business planning and investment projects; new product development and branding; implementation of Quality Management systems GAP, ISO, OP, HACCP, etc)

The “outer circle” can also be complemented by donor supported activities aiming at implementing various development projects and/or improving services provided.

The UAP intends to periodically survey members assessing needs and gathering feedback in order to improve services and diversify the service menu based on needs. As such, new types of services may be developed in the future.

### VIII. BENCHMARK INDICATORS

Notwithstanding the difficulties encountered under PFAP, EWMI consistently attained or exceeded the benchmarks throughout the four and half years of the program. PFAP tracked the benchmarks on a quarterly basis, and reported on them in the quarterly reports. The annual results are summarized in the table below.

**Table VIII-1: PFAP Benchmark Indicators 2001-2005**

	2001		2002		2003		2004		2005
	planned	achieved	planned	achieved	planned	achieved	planned	achieved	achieved
Laws/Regulations developed	80	82	130	130	155	157	180	188	196
Surveys and studies	2	2	6	6	10	11	15	16	20
New cooperatives registered	60	80	130	147	150	170	178	180	181
Registered coop members: male/female, cumulative	-	M:3741; F:1454	-	M: 6382; F:2899	-	M:8825; F:5204	-	M:9751; F:6239	M:10176; F:6586
	5000	5738	8000	9281	12750	14029	15000	15990	16762
Rural enterprises (all types) significantly strengthened	-	-	80	143	180	287	400	464	560
Business Cooperatives financially self-sustaining	-	-	-	-	-	32	80	81	83
Rural enterprises received assistance (standard package)	-	-	-	-	1300	1698	1950	2361	2580
Associations/NGOs strengthened	60	66	70	144	75	232	-	-	-
Arbitration: cases solved	300	409	609	761	909	1111	1320	1423	1518
Information (publications)	38	142	190	331	240	522	560	572	582
SCAs strengthened	180	180	210	214	-	-	-	-	-
Loans provided, non-cumulative	\$3,600,000	\$2,906,000	\$3,000,000	\$3,200,000	-	-	-	-	-
Funds subgranted	\$1,250,000	\$937,877	\$2,690,000	\$2,230,042	\$3,950,000	\$6,192,477	\$8,290,000	\$7,886,810	\$7,885,170