

Data Sheet

USAID Mission:	Moldova
Program Title:	Private Enterprise Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	117-0131
Proposed FY 2004 Obligation:	\$12,978,000 FSA
Prior Year Unobligated:	\$9,535,000 FSA
Proposed FY 2005 Obligation:	\$6,671,000 FSA
Year of Initial Obligation:	FY 2001
Year of Final Obligation:	FY 2007

Summary: The USAID Private Enterprise Development program in Moldova consists of technical assistance to private farmers and businesses; and energy-sector and communication infrastructure reform.

Inputs, Outputs, Activities:

FY 2004 Program:

Agriculture (\$6,415,698 FSA, \$8,176,042 FSA carryover). The Private Farmers Assistance Program (PFAP) will continue to help private farmers develop their business enterprises, as well as work for a sound legal and regulatory environment and help ensure that the transition from state-owned to private farms results in sustainable economic growth. PFAP will provide legal assistance and advocacy in support of the constitutional rights of landowners and assist the members of rural enterprises, including farmer business cooperatives and agriculture producer's associations, by teaching agriculture production enhancement techniques, market development, and access to credit. PFAP will create additional capacity within the National Union of Agricultural Producers Associations and help 14 regional Agricultural Producers Associations become sustainable. The PFAP will provide a minimum of 125 business cooperatives and 125 rural small and medium enterprises (SMEs) with technical, marketing, and legal services that will contribute to an increase in agricultural production, employment, and personal income. In addition, a non-government, multi-donor supported agricultural policy analysis and formulation capacity will be created. The principal contractor is the East-West Management Institute (prime).

The Land Privatization Support Project (LPSP) will assist Moldovan economic growth through the development of a land market and increase investments by small, medium, and large landholders in private sector agriculture. This project will help consolidate land holdings through market-driven mechanisms, advance gains made in land privatization, and assist in the development of private property rights. The principal contractor is Development Alternatives, Incorporated (DAI)(prime).

The Agribusiness Development Project (ADP) will focus on the following activities: a) export market penetration and diversification, b) establishment and strengthening of value-adding enterprises to farm produce for the export market; c) increasing the supply and quality of agricultural products at the farm level to improve export opportunities, and d) organizational development.

Economic Growth (\$6,562,302 FSA, \$1,217,200 FSA carryover, \$141,569 FSA prior year recoveries). The BIZPRO project that provides assistance to SMEs will continue to increase their economic role by facilitating access to market business skills and information, building the capacity of business service providers, and improving access to financing. Assistance for regulatory reform and good governance will focus on the following elements of effective public finance reform: 1) assessment of barriers to business; 2) recommendation for a simplified form of taxation; 3) recommendation for a streamlined form of regulation; and 4) analysis of budgetary impact of proposed recommendations for reform. The contractor is DAI (prime).

The Credit Enhancement Project (CEP) is providing access to credit for SMEs and farmers. The CEP guarantees 50% of the loan portfolios of the partner financial institutions. These guarantees will increase the number of loans available to SMEs for business development. The current implementing partners are local financial institutions: Mobiasbank, Moldinconbank, Banca Sociala, and Rural Finance Corporation.

FY 2005 Program:

Agriculture (\$5,229,416 FSA). PFAP will continue to help farmers build markets and provide other relevant technical assistance. The program will support the development of a sound legal and regulatory environment; provide legal assistance and advocacy in support of the constitutional rights of landowners; and provide direct technical assistance to newly created farmer associations, cooperatives, and other rural enterprises. ADP will continue working in rural areas of Moldova by providing a variety of assistance to SMEs and assisting farmers with increasing the quality and quantities of goods produced. The LPSP will continue to work on ensuring land tenure security. Principal contractors: same as above.

Economic Growth (\$1,441,965 FSA). BIZPRO will continue to provide support in the fields of regulatory reform, business skills development, and access to finance. The CEP will continue its operations with all participating financial institutions and may add a few more institutions to the project. A portable guarantee initiative for Rural Finance Corporation might be sought. The WNISEF effort to improve the investment climate in Moldova will be continued. WNISEF has a sizable investment portfolio and has already had substantial reflows and earnings to respond to new investment opportunities. Principal contractor: same as above.

Performance and Results: Despite anti-reform maneuvers by the Communist Party of Moldova (CPM), USAID partners have achieved many successes developing policies, laws, and regulations in favor of private enterprise development. During 2003, PFAP continued its technical, logistical, and financial support to the 14 Agricultural Producers' Associations, their network of 14 Business Centers, and the Republican Union of Agricultural Producers' Associations. PFAP and the Private Farmer Commercialization Program (PFCP) have continued the development of the network of Mechanical Services Centers, resulting in the establishment of about 192 business cooperatives, 80 farm stores, and a series of highly sophisticated pilot agriculture partnerships. Commercial banks have increased the number of loans to private enterprises by 75% during the first six months of 2003, compared with the same period of 2002.

By program completion, it is expected that land tenure will be secure, landowners will have the capacity and knowledge to defend their property rights, and private agriculture will be sustainable with little serious threat of re-collectivization. Private farmers will have sufficient access to quality inputs, equipment, services, loans, technical advice, and markets that provide them with an opportunity to succeed.

Moldova has made progress in transition to a market economy. However, the nation still needs to reduce government interference in private sector development in order to attract local and international investment. This will require substantial international donor assistance in introducing new agricultural processes and agri-business technologies that can make this industry more competitive and enable it to assume a role in the emerging global economy.