

Joint SDG Fund – Component 2 – SDG Financing

Template for the Joint Programme Final Progress Report (preparatory funding)

Purpose: to provide the UN Joint SDG Fund's donors with evidence that preparatory funding provides good value for money - so that we can continue allocate resources to your programming.

Instructions: be succinct and to the point; emphasize only results and issues that you want to bring to the attention of the Fund; do not go over the max number of pages.

Deadline: January 31st, 2021

Cover page

Reporting period: June 30 – December 30, 2020

Country: Republic of Moldova

Joint Programme (JP) title: Climate Investment and Innovation Fund Programme in Moldova

Short title: CIIF

List of PUNOs: FAO, IOM, ILO

RC (name): Simon Springett

Representative of Lead PUNO (name and agency): Raimund Jehle, FAO

Government JP Focal Point (name and ministry/agency): Ion Perju, Minister of Agriculture, Regional Development and Environment

RCO JP Focal Point (name): Irina Guban

E-mail: irina.guban@un.org

Lead Agency JP Focal Point (name): Tudor Robu

E-mail: tudor.robu@fao.org

Budget (Joint SDG Fund contribution): 200.000 USD

Budget Expenditures: 166.802 USD (as at period 12.2020 based on the Actuals and Hard Commitments)

Delivery Rate 83,4% - Prep Funding Rate (%) = $\frac{\text{Expenditures PUNO}}{\text{Total transferred funds Jan 2020 to December 2020}}$:

Short Description of the Joint Programme (1 paragraph for each section)

This description will be used to update your country page in our online platform (please scan the website before answering) <https://sdginvest.jointsdgfund.org/proposals>

Financial leverage (estimated target in US\$): **16.4 million**

Challenge:

Explain the key challenge(s) the JP aims to tackle with reference to both development and financing challenges and how they interconnect.

Climate change is strongly afflicting the rural areas of Moldova, and their MSMEs lack both know-how and access to climate-smart innovations and credit. A Climate Investment and Innovation Fund (CIIF) will be created under this Joint Programme (JP) to enhance their capacities and skills, and to improve their access to finance through innovative financial instruments. CIIF will both directly finance climate-smart investments, and tap into existing financial resources, notably liquidity in commercial banks. Liquidity is currently abundant and will be mobilized through risk-mitigation instruments that currently do not exist or are poorly used, notably guarantees, grants and crowd-lending. To a lesser extent, though not less relevant, CIIF will also mobilize resources and skills from migrants and diaspora. CIIF will prioritize business opportunities in green innovation in selected value chains, focusing in rural areas. It will help rural MSMEs to identify climate-smart business opportunities, to create green jobs, and to develop green products. In a nutshell, CIIF are financial interventions that combine with targeted skills development strategies to tackle climate change.

Innovation (financial instrument/mechanism/approach):

Summarize the financial mechanism(s) proposed and why the approach is different from conventional and/or alternative approaches and how it is fit for purpose to address the challenge described above.

CIIF is innovative in Moldova's context because it will work as one single entity that will guarantee investments in climate action (and the creation of green jobs) from both bank and non-bank financial institutions. Today, bank and non-bank financial transactions in the country occur under separate normative and institutional settings, which CIIF will combine into a third, alternative model that may be scaled-up or replicated elsewhere. Success will be based on the development of a portfolio guarantee that will substantially reduce existing transaction costs and paperwork. A no less innovative aspect is also partnering with an existing crowdfunding platform (www.fagura.md) to carry out extensive awareness campaigns targeting MSMEs, entrepreneurs, returning migrants and their families, and diaspora. National crowdfunding legislation is currently being finalized and is expected to be passed by the Parliament in spring session of 2021. The crowdlending activity promoted by CIIF will facilitate the injection of new forms of private capital into environmental/climate change projects in Moldova.

SDG Impact:

Please describe the development impact the JP aims to achieve. Do not list the SDGs.

The SDG JP will assist the Government of Moldova in streamlining impact investment through leveraging public and private financing, including Diaspora resources and development assistance towards accelerated uptake of green technologies through climate-smart investments, while contributing to low carbon and resilient sustainable development, and addressing the SDG agenda. In the long-term, activities implemented by the SDG JP will pave the way and contribute to the achievement of the overarching "no hunger" and "no poverty" SDGs (SDG 1 and 2). In the short- and medium-term, the JP will increase the access to finance for MSMEs, enhance their awareness on climate issues, improve knowledge and skills in implementing green technologies, will contribute to greening of marketable production, creation of green jobs, and increase the impact of climate-smart investments on productivity, health and well-being of all citizens of Moldova that align with SDGs 4, 7, 8, 10, 12, 13. The CIIF has three Outcomes: (i) a more enabling business environment; (ii) a larger offer of appropriate and accessible financial products for climate-smart investment and green business MSME

development - including investment products accessible to Diaspora, remittance-recipients and returning migrants, and (iii) improved abilities and skills among entrepreneurs and workers including returning migrants and rural populations engaged in out-migration to create, manage and develop MSMEs capable to uptake green, climate resilient practices and technologies. These three outcomes interact as follows: the CIIF Program will contribute to a more supportive business environment for the development and promotion of climate-relevant financial services and green MSMEs with new jobs. New financial services will be generated under the CIIF Program, catalyzing Diaspora investments and migrant's remittances for productive use. All in all, this will create the conditions under which entrepreneurs and workers in rural MSMEs, including from amongst returning migrants, once equipped with improved knowledge, skills and business plans, will take up investment in climate-relevant opportunities businesses and green jobs related to adaptation and mitigation. Consequently, a market for climate finance among local MSMEs will emerge, accelerating the achievement of the SDGs. In addition to above, CIIF Outcomes will contribute to deepen work in the current and post Covid-19 context as it is aligned with UN's Framework Response and efforts to accelerate a fair and green economic transformation in the new Decade of Action for the SDGs. Also, the JP results will complement actions under FAO's COVID-19 Response and Recovery Programme related to fostering investments in the green recovery of food value chains.

Partners:

Please list key partners involved in implementation as well as secured investors. Do not mention more than 4-5 partners. Do not mention generic stakeholders (e.g. Government, private sector), but only specific institutions/partners.

Three partners have been identified for the implementation of the JP: (i) ODIMM, a governmental agency under the Ministry of Economy and Infrastructure that is extending guarantees to commercial banks; (ii) AIPA, a payment agency under the Ministry of Agriculture, Regional Development and Environment that is extending governmental subsidies and grants to farmers as well as to stakeholders within agricultural value chains, and (iii) FAGURA, a crowdfunding platform that will partner with CIIF to facilitate crowdlending (direct financing by private investors including Diaspora and remittances recipients into green projects from local rural MSMEs). Three UN Agencies will provide technical support to three different groups of stakeholders: (i) FAO will be the lead agency for climate change adaptation and mitigation, and will oversee the general implementation of the JP, (ii) ILO will be the lead agency with regards to capacity building of MSMEs in priority sectors, the development of green jobs, and partnership with employment and educational service providers to develop training and career counselling programmes, occupational standards and curricula on green skills, and (iii) IOM will be the lead agency with regards to the inclusion of diaspora, migrants and remittances recipients as beneficiaries of JP Program activities, the mobilization of remittances as an alternative source of financing for rural MSMEs, as well for boosting their financial literacy. In addition to these three UN Agencies, IFAD will participate in CIIF by providing financial incentives for rural MSMEs, which will add to the direct financial contributions that will be provided by FAO and the ILO.

Final Progress Report (MAX 3 PAGES)

1.1. Progress achieved

Provide brief description of the project's developments, results and achievements during the preparatory phase including 1) financial vehicle design; 2) market assessment; 3) feasibility study; 4) pipeline assessment; 5) legal assessment; 6) investor mapping and matching; 7) others. Please list the names of strategic documents developed (if any).

The JP envisages three core financial instruments i.e., a guarantee mechanism, an investment subsidy, and a crowdlending mechanism. These will be offered (TBD) by two governmental agencies, ODIMM and/or APIA, notably for the issuance of guarantees and the extension of investment subsidies. A private company may also operationalize crowdfunding/crowdlending activities. CIIF will provide technical support to these two governmental agencies to adapt their procedures and existing products to the type of beneficiaries and investment projects that will be targeted by the project, as well as technical assistance and training to their staff for the implementation of these financial products. For these financial products, rapid market assessments and feasibility studies have been carried out during the design of the JP. These rapid market assessments and feasibility studies have targeted rural MSMEs, financial institutions, and Diaspora. Outcomes and recommendations from these assessments and studies have been integrated in the design of these financial instruments, for them to effectively meet the needs and constraints of target groups. The rapid market assessment has also included a general mapping of the main stakeholders of the JP i.e., rural enterprises, financial institutions, business development service providers, education service providers, as well as Diaspora. For the latter, an assessment of their investment propensity and risk appetite has been carried out to draft potential crowdlending windows of investment opportunities.

Pipelines have been identified of green projects to be financed, which include investments related to climate change mitigation or adaptation measures, as well as the development/creation of green jobs. Investments will be demand-driven, and surveys done for other climate resilience projects have already identified a strong interest on water management, renewable energy, and energy and waste management. CIIF will support the provision of technical assistance and facilitate the transfer of knowledge and innovative technologies to MSMEs and entrepreneurs. It will facilitate start/ups of green businesses, or the conversion of existing businesses into greener products and business operations, as well as financial literacy support to returning migrants and remittances recipients. Financial literacy will facilitate their access to financial services and support them to establish or expand their businesses. To create professional skills climate mitigation and adaptation within these MSMEs and the young generation, CIIF will partner with education service providers to develop training programmes, occupational and qualification standards and modular curricula. In addition, IOM and FAO will complement the planned activities with two new projects for an approximate value of USD 0,6 mil. IOM will provide support in Integrating the Migration and Climate Change Perspective into the National Adaptation Plan-2 and Agriculture Sectoral Adaptation Plan on Climate Change. On the other hand, FAO will support the country in increasing the capacities of the returned migrants living in rural areas in the area of agriculture and food systems.

An assessment of the legal framework that is needed for a successful delivery of these financial instruments has served to design the institutional set-up of the project, including its partnerships with existing public and private stakeholders. The identified set-up will ensure institutional and financial sustainability.

A Project Implementation Manual detailing the implementation and development of each activity (financial and technical support) has been finalized with three alternative options for the implementation and provision of the financial instruments.

Strategic documents developed:

- 1) Background paper on Green MSME development in rural areas of Moldova
- 2) Background paper on Skills for green jobs in Moldova
- 3) Background paper on financing skills for green jobs in Moldova
- 4) Roadmap for operationalization of Skills Development Strategy of CIIF
- 5) Roadmap for operationalization of business support component of CIIF
- 6) CIIF - Project Implementation Manual

- 7) CIIF – Benchmarking of the institutional setup for a guarantee fund
- 8) Summary review of the financial market conditions and remittances in Moldova
- 9) Catalogue of climate change mitigation and adaptation technologies and practices recommended for implementation in the Agriculture and Rural Development sectors of the Republic of Moldova

1.2. Challenges faced

Did the UNCT face any major challenges in the preparatory phase? Briefly explain the challenges, their impacts, and how you overcame those.

No major challenge emerged during the preparatory phase of CIIF. Nevertheless, the joint design of a JP by three different UN Agencies, and the identification and design of the institutional and legal set-ups of financial instruments and vehicles, were both complex. Confronting ideas and activities at an early stage paved the way to the stimulating collaboration that followed, and to the successful finalization of the design of a JP, which consists of numerous interconnected activities that will be implemented by three different UN agencies. Cohesion and unity within the JP team was crucial during negotiations because the institutional and legal set up of the financial vehicles that were being proposed by the JP Program were questioned several times by the local authorities. Decision-making regarding CIIF institutionalization was particularly challenging and time-consuming due to the pre-election period that affected Government commitment to decision-making about designating the hosting institution and adjusting its functional responsibilities. Notably, the Ministries of Finance and Agriculture, as well as National Bank of Moldova, had different views on how CIIF should be implemented. Transparent and frank discussions with these three institutions enabled the team to come up with a solution that is now satisfactory to everyone, and which is based on using existing national institutions instead of creating a new entity for which the financial sustainability would have been at risk. The use of existing entities, albeit with novel governance modalities, will not only shorten the inception phase and assure accountability, but also reduce the operating costs of the proposed financial instruments.

1.3 Partnerships leveraged

Did you leverage new partnerships during the preparatory phase (e.g. government, private investors, IFIs, bilateral/multilateral banks, etc.)?

- Yes
 No

Provide in bullet points the main highlights on strategic partnerships and with whom.

- MARDE strong leadership in the SDG JP demonstrated its long-term ownership and its commitment to ensure a successful implementation. It will chair the SDG JP Steering Committee to ensure the coordination between all stakeholders and also consistency of SDG JP activities with the overall country's SDGs along with the resilience and mitigation goals and objectives articulated in the Republic of Moldova National Determined Contribution;
- ODIMM, a sustained and reputable agency as a specialized guarantee provider for commercial banks and as an experienced institution working to engage Diaspora remittances in small business sector, to manage the provision of guarantees to financial institutions lending to JP Program target groups for green investments;
- AIPA, a payment agency established under MARDE with a 10-year experience, to manage the grant schemes under the JP to strengthen their commercial viability and climate & development impact;
- FAGURA, a crowdfunding platform, to provide the opportunity for Diaspora and other private investors to directly invest in green projects submitted by JP program target groups;
- Four commercial banks to become key partners as they will extend loans to JP Program target groups while benefiting from the risk-mitigation instruments (directly through the guarantee mechanism and indirectly with the investment subsidies);
- The National Commission on Climate Change, Agency for Energy Efficiency, and the National Centre for Environment to provide guidance for the adoption of climate change technologies and appropriate measures and to ensure cross-cutting coordination of climate actions along with guidance in paradigm shift to low carbon and climate resilient development;
- The National Employment Agency (and its Labor Market Observatory), Sectorial Skills Committees and educational institutions to implement a sectoral skills anticipation tool that will identify strategic

interventions and help to target disadvantaged groups (NEETs, youth, women, unemployed and other vulnerable groups).

- The Ministry of Education, Culture and Research to coordinate the development of qualification standards, approve the development of green curricula, and facilitate partnerships with specialized training providers such as TVET, HE and LLL institutions that will train JP Program target groups.

1.4. Co-funding mobilized

Did you secure additional funding or in kind support for the proposal during the preparatory phase?

- Yes
 No

If yes, please include amounts committed during the prep-phase.

Source of funding	Yes	No	Type? (\$ or in kind support)	Name of organization	Amount (USD)	Comments
Government	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>cash</i>	<i>Ministry of Agriculture, Regional Development and Environment</i>	<i>USD 2.3 million</i>	<i>Paid in 4 installments, this amount will cover financial and non-financial operating expenses</i>
Donors/IFIs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>cash</i>	<i>IFAD</i>	<i>USD 1 million</i>	<i>Earmarked for financial support to CIIF target groups (provision of investment subsidies)</i>
Private sector	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
UN/PUNOs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>In kind support</i>	<i>FAO</i>	<i>USD 0.5 million</i>	<i>To cover the FAO-related operating expenses to implement and monitor the JP CIIF project</i>
				<i>ILO</i>	<i>USD 0.2 million</i>	<i>To cover the ILO-related operating expenses to implement and monitor ILO activities (non-financial support)</i>
Other partners	<input type="checkbox"/>	<input checked="" type="checkbox"/>				

1.5. Budget changes (if relevant)

If there were changes in the actual budget from the one shared as part of the Fund Transfer Request, please briefly justify these changes.

Please, explain briefly:

Out of the total 200.000 USD (prep funding budget) – 166.802 USD were spent. The figure on expenditures is provisional as at period 12.2020 based on the Actuals and Hard Commitments and may slightly differ from the final figure to be reflected in the annual certified financial report (shall be due by 30 April 2021). No changes were done between budget categories shared as part of the Fund Transfer Request.