

Document: EB 2014/111/R.9/Rev.1
Agenda: 5b(ii)
Date: 8 April 2014
Distribution: Public
Original: English

E



Investing in rural people

President's report

Proposed loan and grant to the Republic of the Union of Myanmar for the Fostering Agricultural Revitalization in Myanmar Project

Note to Executive Board representatives

Focal points:

Technical questions:

Omer Zafar
Country Programme Manager
Tel.: +39 06 5459 2348
e-mail: o.zafar@ifad.org

Dispatch of documentation:

Deirdre McGrenra
Head, Governing Bodies Office
Tel.: +39 06 5459 2374
e-mail: gb_office@ifad.org

Executive Board — 111th Session
Rome, 8-9 April 2014

For: Approval

Contents

Abbreviations and acronyms	ii
Financing summary	iv
Recommendation for approval	1
I. Strategic context and rationale	1
A. Country and rural development and poverty context	1
B. Rationale and alignment with government priorities and RB-COSOP	1
II. Project description	2
A. Project area and target group	2
B. Project development objective	2
C. Components/outcomes	3
III. Project implementation	3
A. Approach	3
B. Organizational framework	4
C. Planning, monitoring and evaluation, and learning and knowledge management	4
D. Financial management, procurement and governance	5
E. Supervision	5
IV. Project costs, financing, benefits	6
A. Project costs	6
B. Project financing	6
C. Summary benefit and economic analysis	7
D. Sustainability	7
E. Risk identification and mitigation	7
V. Corporate considerations	8
A. Compliance with IFAD policies	8
B. Alignment and harmonization	8
C. Innovations and scaling up	8
D. Policy engagement	8
VI. Legal instruments and authority	9
VII. Recommendation	9
Annex	
Negotiated financing agreement	10
Appendix	
Logical framework	

Abbreviations and acronyms

FARM	Fostering Agricultural Revitalization in Myanmar Project
LIFT	Livelihoods and Food Security Trust Fund
MOAI	Ministry of Agriculture and Irrigation
MONPED	Ministry of National Planning and Economic Development
PCU	project coordination unit

Map of the project area

Republic of the Union of Myanmar

Fostering Agricultural Revitalization in Myanmar (FARM)

President's report



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD 29/01/2014

Republic of the Union of Myanmar

Fostering Agricultural Revitalization in Myanmar Project Financing summary

Initiating institution:	IFAD
Borrower/Recipient:	Republic of the Union of Myanmar
Executing agency:	Ministry of Agriculture and Irrigation
Total project cost:	US\$27.8 million
Amount of IFAD loan:	SDR 12.15 million (equivalent to approximately US\$18.7 million)
Amount of IFAD grant:	SDR 0.51 million (equivalent to approximately US\$0.8 million)
Terms of IFAD loan:	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
Cofinancier(s):	Private sector
Amount of cofinancing:	US\$2.4 million
Terms of cofinancing:	Equity contribution
Contribution of borrower:	US\$5.3 million
Contribution of beneficiaries:	US\$0.6 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Republic of the Union of Myanmar for the Fostering Agricultural Revitalization in Myanmar Project, as contained in paragraph 50.

Proposed loan and grant to the Republic of the Union of Myanmar for the Fostering Agricultural Revitalization in Myanmar Project

I. Strategic context and rationale

A. Country and rural development and poverty context

1. Emerging from 50 years of isolation, Myanmar has embarked on a comprehensive path of political and economic reforms that aim to introduce elements of popular representation into the political sphere, foster economic growth and inclusive social development, improve the business environment, attract foreign investment and reduce poverty.
2. Myanmar's population in 2011 was estimated at 60.6 million, with an annual growth rate of 1.3 per cent. Myanmar is a least developed country and one of the poorest nations in Asia; the United Nations Development Programme (UNDP) 2013 Human Development Report ranks Myanmar 149th among 186 nations rated, with a Human Development Index (HDI) of 0.498.
3. Myanmar is the largest country in South-East Asia, with rich endowments of land and water, and favourable climates for agriculture. The agriculture sector constitutes the backbone of the economy, and two thirds of the population live in rural areas. Paradoxically, for such a resource-rich country, there is a strong association between agriculture and poverty, and a stark rural-urban divide, with significantly higher levels of poverty in rural areas compared with urban areas and among smallholders, the landless and ethnic groups. While in aggregate terms the country produces a surplus of food, many rural areas suffer from chronic and acute food insecurity. These disparities exist among and within states, within village tracts and within villages, where household food insecurity and poverty are closely linked.
4. Rural poverty in Myanmar is largely a function of lack of resource endowments. Although there is no official poverty line, poverty and social deprivation are known to be widespread. In 2005, an estimated one third of the population lived below the poverty line, falling to one fourth by 2010. The rural poor typically consist of the landless and those with access to small and marginal landholdings. The rural poor lack adequate and nutritious food, and essential non-food items. Many of the poorest live in the central dry zone or in hill tracts populated by ethnic groups. These areas are remote, have limited arable land and have been affected by conflict.

B. Rationale and alignment with government priorities and RB-COSOP

5. The Government has requested IFAD to finance agricultural operations in Myanmar. As the first project to be financed by IFAD in the country, the Fostering Agricultural Revitalization in Myanmar Project (FARM) focuses on creating a sustainable and scalable agricultural development model for the central dry zone. It will be

implemented in selected townships of Nay Pyi Taw Union Territory, for subsequent scaling up across the zone as appropriate. At the community level, the project combines the smallholder irrigated land development model initiative of the Ministry of Agriculture and Irrigation (MOAI) with livelihood support for rainfed farmers and landless households. It introduces several innovations within the context of Myanmar: a participatory approach to land development; provision of a range of services and knowledge resources for smallholders and the landless; and support to build institutional, technical and operational capacity at the community, township and state levels.

6. The project is consistent with the country strategic opportunities programme (COSOP) for Myanmar 2014-2018, the goal of which is to contribute to reducing rural poverty, specifically of smallholders, the landless, ethnic groups and other marginalized groups. The COSOP defines three strategic objectives for IFAD's engagement: (i) to empower rural women and men to access agricultural resources, technologies, services and markets; (ii) to create business and employment opportunities for rural women and men; and (iii) to promote the social and economic empowerment of marginalized groups, particularly ethnic groups. The project directly addresses the first two strategic objectives.
7. The project has been requested by Government. It emerges from the Government's policy agenda and strategic priorities for economic and social development and agricultural modernization. It is consistent with the National Comprehensive Development Plan, the Framework for Economic and Social Reforms, and the Poverty Alleviation and Rural Development Action Plan. The project represents an investment in in two priorities of the National Medium-Term Priority Framework 2011-2014, namely to increase agricultural production to ensure food security, and to improve rural livelihoods by supporting communities to harness their physical, natural and human capital.

II. Project description

A. Project area and target group

8. In line with the Government's request, the project area consists of: (i) the command areas of six irrigation schemes (Paunglaung, Chaungmange and Madan in Tekhina district; and Yezin, Ngalit and Sinthay in Ottra district) in Nay Pyi Taw Union Territory amounting to 87,183 acres within the area of five townships (Lewe, Ottrathiri, Pyinmana, Tatkon and Zeyathiri); and (ii) an additional 25,000 acres of rainfed lowlands and uplands located around these townships. The project therefore covers an aggregate area of 112,183 acres (45,400 hectares) which constitutes 45 per cent of the cultivated land in the five townships.
9. The target group consists of poor rural women and men in the project area. Specifically, it covers: (i) women and men farmers in the command areas of six targeted irrigation schemes; (ii) women and men farmers with landholdings only in rainfed areas; and (iii) poor landless women and men who are interested in investing in rural micro-businesses. Women-headed and ethnic groups' households will be given priority in planning and implementation. The project adopts an inclusive targeting approach encompassing geographical targeting, self-targeting, direct targeting, and social and gender inclusion. It is expected to directly benefit 37,600 households, or a total of 183,400 people.

B. Project development objective

10. The project will introduce regional and global best practices to develop a sustainable and scalable model for smallholder agriculture and rural development across Myanmar's central dry zone. It will support land consolidation and development, productive infrastructure, agricultural and business services, flow of knowledge and capacity-building to promote an inclusive development model in this zone.

11. The project's goal is to improve the economic status of poor rural women and men in the project area. Its objective is to increase the incomes of smallholder and landless households.

C. Components/outcomes

12. The project has two components.
13. **Component 1: Agricultural infrastructure (approximately US\$13.2 million, 47 per cent of total project cost).** The project will contribute to the ongoing expansion of irrigated areas under the command of MOAI primary and secondary canals, with complementary investments in land development identified through a participatory process. The objectives are to: (i) improve equity of irrigation water distribution; (ii) create opportunities for crop diversification; and (iii) improve access to machinery and transport. Areas for which land user rights have been approved and land titles issued or are in the process of being issued will be eligible for land development. Farmers' empowerment will be fostered, particularly in relation to the operation and maintenance of irrigation schemes.
14. **Component 2: Agricultural and business services (approximately US\$11.7 million, 42 per cent of total project cost).** This component consists of two subcomponents: (i) investing in knowledge; and (ii) financing growth.
15. Subcomponent 2.1: Investing in knowledge. The project will promote a conducive environment for rural households to access services and technologies that enable them to improve their productive and economic activities. It will support: (i) the creation of a pluralistic participatory extension platform in support of smallholder households; and (ii) provision of services to landless entrepreneurs to start and/or develop rural micro-businesses. The expected outcomes are enhanced skills and increased incomes of farming and landless households.
16. Subcomponent 2.2: Financing growth. The project will foster enabling conditions for the growth of sustainable rural micro-businesses and small and medium-sized enterprises (SMEs). Two competitive grant funds will be established, the first in support of rural businesses operated by landless households, and the second in support of value chain integrators (to be transformed into a public-private producer partnership model when farmers' organizations are developed). The access of smallholders and the landless to financial services will be improved by attracting microfinance institutions to the area, by promoting contract farming and by fostering financial intermediaries such as savings and credit groups.
17. The remainder of project costs (approximately US\$3.0 million, or 11 per cent of total project cost) is allocated to project management and coordination, described below.

III. Project implementation

A. Approach

18. Myanmar has little experience in managing and implementing externally financed investments in the agriculture sector. Borrowing from experiences in similar contexts, the approach adopted for the project consists of gradual capacity development of MOAI alongside progressive assumption of responsibility by MOAI for implementation in a sequenced manner, and establishment of an autonomous project coordination unit (PCU). Special attention will be given to participatory monitoring and the establishment of a mutual accountability framework to govern the commitments and accountabilities of the main partners.
19. Project activities will be implemented through partnerships and contracts with relevant line agencies, NGOs, service providers and the private sector. Partners and service providers will be appointed on performance-based contracts, with performance assessed by the PCU and beneficiary representatives.

B. Organizational framework

20. The project's governance framework will consist of: (i) a national steering committee to provide policy and strategic guidance; (ii) a working committee at MOAI level to provide oversight for project coordination; (iii) township coordination committees to manage activities at township level; and (iv) village tract facilitation and monitoring groups to ensure that effective approaches to participation, poverty targeting and gender mainstreaming are applied.
21. The PCU will be responsible and accountable for the coordination of the project and achievement of its results. It will be an autonomous entity reporting to the national steering committee and will be located in Nay Pyi Taw Union Territory. It will be structured around project components and investments, and it will have a certain level of financial autonomy. The unit will be managed by the project director (senior officer seconded from MOAI), who will have delegated authority and will be able to commit MOAI as the lead project agency. Apart from the project director, project staff will be recruited from the public or private sectors on a competitive basis in compliance with IFAD guidelines.

C. Planning, monitoring and evaluation, and learning and knowledge management

22. The annual workplan and budget, supplemented by activity calendars, will be the key planning documents for the project. They will serve as the instruments for identifying specific targets and activities, establishing management priorities for implementation, forecasting procurement requirements, and facilitating the mobilization of staff and financial resources.
23. The monitoring and evaluation system is designed to offer comprehensive and reliable information for results-based management. The system will be participatory and decentralized, and compliant with the Results and Impact Management System (RIMS) framework. It will have a three-tier structure: (i) output monitoring, focusing on physical and financial inputs, activities and outputs; (ii) outcome monitoring, addressing the use of outputs and measurement of benefits at household and village tract levels; and (iii) impact assessment, evaluating impact for the target groups. All data, analysis and reporting will be disaggregated by gender and ethnicity. Considering well-known problems with data availability and quality in Myanmar, a data acquisition plan for the project area will be developed at the outset of implementation.
24. The project will use locally adapted RIMS surveys at baseline, midterm and completion as the main quantitative survey tools. Ad hoc surveys, qualitative case studies and thematic reviews will be outsourced to independent institutions to verify results and draw lessons on themes such as food security, cropping patterns, climate resilience; micro-business sustainability, participatory water management, and impact on incomes. An external independent third party (such as a national university or NGO) will be engaged to assess project impact on a periodic basis.
25. The project's operational experiences will create valuable knowledge, which will be captured by the PCU and utilized to generate lessons and best practices to be shared with national institutions and partners. The results of project support for implementing sustainable activities for smallholders and the landless, developing alternative cropping patterns, strengthening farmers' knowledge, improving natural resource management, and expanding access to microfinance and rural finance will be widely publicized. Once documented, the project's model of sustainable agricultural development may be scaled up across the central dry zone. The project will share knowledge and experiences with the wider community of development practitioners across Asia through the IFADAsia knowledge management portal.
26. The project will establish a rigorous data collection and analysis module, utilizing baseline surveys and cross-sectional and time series indicators to establish a robust

database for the agriculture sector of the central dry zone. This will track the effects and impact of project investments on agricultural productivity, production and cropping patterns, and will inform subsequent efforts to scale up project investments in other parts of the central dry zone.

D. Financial management, procurement and governance

27. Project financial management arrangements will ensure that: (i) funds are used for intended purposes in an efficient and cost-effective manner; (ii) disbursement of project funds facilitates rapid implementation of activities; (iii) funds are well managed and flow smoothly; (iv) the project financial statements are prepared in conformity with internationally recognized accounting standards and are submitted to IFAD on a timely basis; (v) a robust flow of reliable information on project activities facilitates accountability, transparency and disclosure; and (vi) project resources and assets are safeguarded.
28. As fiduciary risks are rated as high, a number of mitigation methods will be applied: (i) procurement of accounting software and associated MOAI capacity-building; (ii) competitive recruitment of key financial management staff; (iii) preparation of a financial management manual that integrates multi-tier controls; (iv) delegation of authority to the PCU to plan, manage, disburse and control project resources; (v) capacity-building support and oversight by external specialists; (vi) creation of a robust control framework integrating internal audits, independent external audits and social safeguards; and (vii) adoption of a good governance and mutual accountability framework to strengthen accountability and transparency.
29. The project will use the imprest fund method for operating the two designated accounts (one for the loan and the other for the grant) which will be maintained in the Central Bank of Myanmar or another bank acceptable to IFAD. Funds will be advanced to the PCU on the basis of the approved annual workplan and budget (AWPB) and procurement plan, updated for actual expenditures. The statement of expenditure thresholds will be defined in the letter to the borrower. The project implementation manual and financial management manual will detail the control framework based on global best practices.
30. The external audit shall be carried out in compliance with International Standards on Auditing and IFAD's Guidelines on Project Audits and independent external auditors will be appointed on a timely basis. Audit reports will be furnished to IFAD within six months of the end of the relevant fiscal year.
31. The PCU will be responsible and accountable for project procurement to be executed in compliance with IFAD's procurement guidelines. The procurement methods, prior review arrangements, estimated costs and time frames, and risk mitigation measures will be defined in the letter to the borrower and reflected in the procurement plan. The project implementation manual will detail procurement procedures, processes and management arrangements.

E. Supervision

32. The project will be directly supervised by IFAD. Supervision and implementation support missions will be conducted every six months in the initial period, and annually thereafter. The Government, through MOAI, will provide both logistical and substantive support to the missions.
33. Supervision and implementation support will encompass: (i) fiduciary compliance with attention to legal conditions, financial management, disbursement, procurement and contracting; (ii) supervision focusing on implementation performance, progress towards objectives, investments and outputs, governance and management, targeting and gender mainstreaming; and (iii) implementation support to provide guidance and assistance to the project. Implementation support will incorporate a country programme perspective by introducing a broad view of development investments, influencing policy based on operational experiences,

developing systems and institutions for poverty reduction, facilitating financial and knowledge partnerships, and generating lessons and best practices.

34. Considering the limited implementation experience in Myanmar, two midterm reviews (MTRs) will be undertaken to assess the progress, achievements, constraints, emerging impact and likely sustainability of project activities and to make recommendations and necessary adjustments for the remaining project period. The MTRs will be carried out jointly by the PCU and IFAD. At the end of the project, a project completion report will be prepared by the Government, with IFAD support, to assess overall project performance.

IV. Project costs, financing, benefits

A. Project costs

35. Total project costs, including duties, taxes and contingencies, are estimated at US\$27.8 million over a six-year project implementation period. Average physical contingencies of 4 per cent and price contingencies of 5 per cent are applied to the base costs of US\$25.5 million. The exchange rate has been set at 975 kyats to one United States dollar, the average rate prevailing at final design, and a constant purchasing power parity exchange rate is assumed.

B. Project financing

36. The project will be financed by an IFAD loan on highly concessional terms of approximately US\$18.7 million (67 per cent of total cost), an IFAD grant of approximately US\$0.8 million (3 per cent), a Government contribution of approximately US\$5.3 million (19 per cent), private-sector resources of approximately US\$2.4 million (9 per cent), and a beneficiary contribution of US\$0.6 million (2 per cent). The Government's contribution covers US\$4.5 million for land development and some base staff salaries, and US\$0.8 million for duties and taxes. The proceeds of the IFAD financing shall not be used to pay taxes.

Table 1
Components by financiers
(United States dollars)

	The Government		IFAD Loan		IFAD Grant		Private Sector		Rural HH		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Agricultural Infrastructure Improvements	3 808.4	28.9	8 736.2	66.3	283.9	2.2	-	-	341.3	2.6	13 169.8	47.3	4 290.8	8 876.2	2.8
B. Agricultural & Business Services															
1. Investment in Knowledge	775.1	12.9	4 583.4	76.2	357.5	5.9	302.4	5.0	-	-	6 018.4	21.6	994.7	4 855.1	168.5
2. Finance for Growth	-	-	3 300.2	58.1	-	-	2 100.0	37.0	280.0	4.9	5 680.2	20.4	3 190.0	2 294.2	196.0
Subtotal	775.1	6.6	7 883.6	67.4	357.5	3.1	2 402.4	20.5	280.0	2.4	11 698.6	42.0	4 184.7	7 149.4	364.5
C. Project Coordination	713.1	24.1	2 106.2	71.2	137.1	4.6	-	-	-	-	2 956.4	10.6	773.0	1 758.4	425.0
Total project costs	5 296.5	19.0	18 726.0	67.3	778.5	2.8	2 402.4	8.6	621.3	2.2	27 824.8	100.0	9 248.5	17 784.0	792.3

Table 2
Indicative disbursement accounts by financiers*

	The Government		IFAD Loan		IFAD Grant		Private Sector		Rural HH		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
	1. Works	3 159.1	26.1	8 583.8	71.0	-	-	-	-	341.3	2.8	12 084.2			
2. Vehicles	383.0	59.7	258.9	40.3	-	-	-	-	-	-	641.9	2.3	246.3	12.6	383.0
3. Equipment & Materials	13.0	8.0	149.4	92.0	-	-	-	-	-	-	162.4	0.6	101.6	47.8	13.0
4. Consultancies	23.4	1.0	1 464.9	64.6	778.5	34.3	-	-	-	-	2 266.9	8.1	958.0	1 285.4	23.4
5. Training	11.2	2.2	472.7	92.4	-	-	27.8	5.4	-	-	511.6	1.8	195.5	302.1	14.0
6. Goods Services & Inputs	177.0	7.4	1 951.1	81.2	-	-	274.7	11.4	-	-	2 402.9	8.6	260.7	2 025.0	117.1
7. Grants & Subsidies	-	-	3 190.0	57.3	-	-	2 100.0	37.7	280.0	5.0	5 570.0	20.0	3 190.0	2 184.0	196.0
8. Staff Salaries & Allowances	593.8	23.0	1 992.7	77.0	-	-	-	-	-	-	2 586.5	9.3	-	2 586.5	-
9. Operating Costs	936.0	58.6	662.5	41.4	-	-	-	-	-	-	1 598.5	5.7	367.0	1 188.6	42.9
Total PROJECT COSTS	5 296.5	19.0	18 726.0	67.3	778.5	2.8	2 402.4	8.6	621.3	2.2	27 824.8	100.0	9 248.5	17 784.0	792.3

* The final disbursement categories will be decided during negotiations based on IFAD's procedures which will include a maximum of five cost categories for reasons of efficiency.

C. Summary benefit and economic analysis

37. The project will directly benefit about 37,600 households (183,400 people). Of these, approximately 29,250 households (142,720 people) are poor households, with an average per capita income of US\$0.8 per day. They include smallholder households on 10,000 acres of irrigated land selected for development; other smallholders in selected command areas and on associated rainfed land; poor landless microentrepreneurs, particularly in households with unemployed young women and men; and those benefiting from incremental employment opportunities created in agriculture, infrastructure and non-farm sectors. The project's economic internal rate of return (EIRR) is estimated at 27 per cent. Sensitivity analysis shows that the project is robust in the event of delays in flow of benefits or unforeseen cost overruns.

D. Sustainability

38. The sustainability of project investments will be fostered in several ways: (i) access to knowledge: knowledge centres will be governed by communities and managed by trained extension staff; financial mechanisms will be introduced to ensure that operating costs are covered by members to ensure the sustainability of these facilities; (ii) access to markets: upgraded commodity chains and improved equitable contractual agreements with processors and traders will ensure access to markets that will be sustained through underlying business relationships; (iii) access to water: participatory water management arrangements will ensure equitable water distribution and proper operation and maintenance; (iv) access to financial services: sustainable development of microfinance institutions will be promoted for the project area; (v) extension services: use of extension officers trained and equipped by the project will ensure continuity in delivery of extension services.

E. Risk identification and mitigation

39. The project's main risks are related to political risk, land tenure and poor governance. These are mitigated by a mutual accountability framework, a set of assurances to be negotiated with Government, strong capacity-building of MOAI, robust supervision and implementation support by IFAD, and by working closely with partners on policy and operational issues.

V. Corporate considerations

A. Compliance with IFAD policies

40. The project is compliant with relevant IFAD policies, strategies and guidelines. Its goal and objective are aligned with the Strategic Framework 2011-2015 in terms of market-driven smallholder development and rural non-farm business growth. Its targeting strategy is consistent with the IFAD Policy on Targeting in focusing on economically active poor rural women and men in farming and landless households. Its investments in rural economic growth are compliant with the Rural Finance Policy, which promotes inclusive financial systems to improve the access of the rural poor to financial services. Its participatory approach to land consolidation is consistent with the Policy on Improving Access to Land and Tenure Security, which focuses on the principle of free, prior and informed consent. Its environmental impact assessment procedures for infrastructure investments are aligned with the Climate Change Policy in terms of adaptation and mitigation measures. The project is not expected to have any significant negative environmental impact and is classified as environmental risk category B.

B. Alignment and harmonization

41. The project emerges from the priorities articulated in the Government's National Comprehensive Development Plan, the Framework for Economic and Social Reform, and the Poverty Alleviation and Rural Development Action Plan. It is consistent with the United Nations Strategic Framework for Myanmar. Furthermore, it is closely coordinated with the emerging agriculture sector investments of development partners such as the World Bank and the multi-donor Livelihoods and Food Security Trust Fund (LIFT).

C. Innovations and scaling up

42. The project is seen by the Government as a pilot to be scaled up across the central dry zone. As such, it is designed to create potential for systematically expanding, replicating, adapting and sustaining successful investments. Through its investment tools, funds and forward-looking policy support, the project will create the pathways, drivers and spaces for scaling up. Investments will be "unbundled" to facilitate operation at scale of core activities.
43. Key elements of project design are already being scaled up by important partners. First, in October 2014, the World Bank plans to invest US\$100 million in three locations of the central dry zone (Mandalay, Sagaing, Bago) by scaling up relevant FARM investments, particularly in the areas of irrigation management and advisory services. IFAD and the World Bank are coordinating their respective investments, and the World Bank is considering using the project management and implementation arrangements being set up under FARM. Second, the multi-donor trust fund LIFT is contemplating scaling up the approach and relevant activities of FARM for its new programme – currently under design - for other locations in the central dry zone.
44. Key elements of innovation in the Myanmar context include: (i) the participatory approach introduced; (ii) the targeted delivery of technologies and services; (iii) the promotion of climate-smart agricultural technologies; (iv) livelihood diversification, with potential for higher value addition; (v) promotion of landless entrepreneurs' micro-businesses; and (vi) support for adapted rural finance products and services.

D. Policy engagement

45. Policy engagement will take place on two levels. First, the project will contribute to analysis of policy issues related to implementation experiences. It will also foster stakeholder alliances to generate policy proposals, build capacity for policy development and promote policy advocacy within national processes. Specifically,

the project is expected to provide evidence-based policy advice on irrigation development and land consolidation across the central dry zone, as well as on technologies, knowledge resources and financial services in support of poor farming and landless households.

46. Second, the project will enhance IFAD's direct policy engagement with the Government and partners by channelling operational experiences in poverty reduction to the appropriate policy and strategy discussions. These experiences provide unique opportunities to identify policy gaps and formulate policy recommendations on issues affecting the rural poor, and generate the evidence base to inform policy discussions.

VI. Legal instruments and authority

47. A financing agreement between the Republic of the Union of Myanmar and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as an annex.
48. The Republic of the Union of Myanmar is empowered under its laws to receive financing from IFAD.
49. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

50. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of the Union of Myanmar in an amount equivalent to twelve million one hundred and fifty thousand special drawing rights (SDR 12,150,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of the Union of Myanmar in an amount equivalent to five hundred and ten thousand special drawing rights (SDR 510,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement: "Fostering Agricultural Revitalization in Myanmar (FARM)"

(Negotiations concluded on 17 March 2014)

Loan Number: [number]

Grant Number: [number]

Project Title: Fostering Agricultural Revitalization in Myanmar (the "Project")

The Republic of the Union of Myanmar (the "Borrower/Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

This Agreement (hereinafter referred to as the "Agreement") is made on _____ between the Republic of the Union of Myanmar and the International Fund for Agricultural Development.

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a loan (the "Loan") and a grant (the "Grant") to the Borrower/Recipient (collectively the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan is twelve million one hundred fifty thousand Special Drawing Rights (SDR 12 150 000).
2. The amount of the Grant is five hundred ten thousand Special Drawing Rights (SDR 510 000).
3. The Loan is granted on Highly Concessional Terms as defined in Section 5.01(a) of the General Conditions.
4. The Loan Service Payment Currency shall be the United States dollar (USD).
5. The first day of the applicable Fiscal Year shall be 1 April.

6. Payments of principal and service charge shall be payable on each 15 June and 15 December.

7. The Borrower/Recipient shall provide counterpart contribution for the Project in a total amount equivalent to approximately five million and three hundred thousand United States dollars (USD 5 300 000), in order to cover, inter alia, machinery for works under Component 1, extension staff salaries and allowances under Subcomponent 2.1, and taxes and duties levied on the implementation of the Project.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture and Irrigation (the "MOAI").

2. Additional Project Parties shall include, inter alia, the participating government agencies, Yezin Agricultural University (the "YAU"), and the Non-Governmental Organizations (the "NGOs") and contracted service providers selected to implement the Components of the Project.

3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

The Financing shall be administered and the Project supervised by the Fund. In addition to supervision missions which shall normally be carried out, the Fund, jointly with the Borrower/Recipient, shall conduct two (2) mid-term reviews at the end of the second and fourth years of Project implementation respectively.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:

- (a) The Project Implementation Manual (the "PIM"), or any provision thereof, has been waived, suspended, terminated or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination or modification has had, or is likely to have, a material adverse effect on the Project.
- (b) Any competent authority has taken action without the prior consent of the Fund for institutional changes to the National Project Steering Committee (the "NPSC") and/or the Project Coordination Unit (the "PCU") referred to respectively in paragraphs 7 and 11 of Schedule 1 hereto, and the Fund has determined that any such change has had, or is likely to have, a material adverse effect on the Project.

2. The following is designated as an additional general condition precedent to withdrawal: the Project Director and Financial Manager, both acceptable to the Fund, shall have been selected.

3. In accordance with Section 13.01 of the General Conditions this Agreement shall enter into force upon signature by both Parties.

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Ministry of Finance
Building No. 26
Nay Pyi Taw
Republic of the Union of Myanmar

For the Fund:

President
International Fund for Agricultural Development
Via Paolo di Dono, 44
00142 Rome, Italy

This Agreement has been made in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower/Recipient.

FOR THE REPUBLIC OF THE UNION OF MYANMAR

[Authorized Representative]
[Title]

FOR THE INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project area consists of: (i) the command areas of six (6) irrigation schemes (Paunglaung, Chaungmange and Madan in Tekhina district; and Yezin, Ngalit and Sinthay in Ottra district) in Nay Pyi Taw Union Territory within the area of five (5) townships (Lewe, Ottrathiri, Pyinmana, Tatkon, Zeyathiri); and (ii) rainfed lowlands and uplands located around these command areas. The Project's target groups consist of poor rural women and men, specifically: (i) women and men farmers in the command areas of the six (6) targeted irrigation schemes; (ii) women and men farmers with landholdings only in rainfed areas; and (iii) poor landless women and men living in the Project area and interested to invest in rural micro-businesses. Women-headed households and ethnic groups' households will be given priority in Project planning and implementation.

2. *Goal.* The goal of the Project is to improve the economic status of poor rural women and men in the Project area.

3. *Objective.* The objective of the Project is to increase the incomes of smallholder and landless households.

4. *Components.* The Project shall consist of the following three (3) Components.

4.1. **Component 1: Agricultural Infrastructure**

The Project shall contribute to the ongoing expansion of irrigated areas under the command of the MOAI's primary and secondary canals, with complementary investments in land development identified through a participatory process. The objectives of Component 1 are: (i) to improve equity of irrigation water distribution; (ii) to create opportunities for crop diversification; and (iii) to improve field access (for machinery and transport). Areas for which land user rights have been approved and land titles issued or are in the process of being issued shall be eligible for land development. Farmer empowerment shall be fostered, particularly in scheme operation and maintenance.

4.2. **Component 2: Agricultural and Business Services**

This Component consists of two (2) Subcomponents: (i) Investing in Knowledge; and (ii) Financing Growth.

Subcomponent 2.1: Investing in Knowledge. The Project shall promote a conducive environment for rural households to access services and technologies which enable them to improve their productive and economic activities. It shall support: (i) the creation of a pluralistic participatory extension platform in support of smallholder households; and (ii) services to landless entrepreneurs to start and/or develop rural micro-businesses. The expected outcomes are enhanced skills and increased incomes of farming and landless households.

Subcomponent 2.2: Financing Growth. The Project will foster enabling conditions for the growth of sustainable rural micro-businesses and small and medium sized enterprises. Two (2) competitive grant funds shall be established, the first, namely the Rural Business Fund (the "RBF"), in support of rural businesses operated by landless households, and the second, namely the Agribusiness Fund (the "ABF"), in support of value chain integrators, which may be transformed into a public-private-producers partnership model when farmers' organizations are sufficiently developed. Access of smallholders and the landless households to financial services shall be improved by attracting microfinance institutions to the Project area and by promoting contract farming; and financial intermediaries such as savings and credit groups shall be fostered.

4.3. **Component 3: Project Management and Coordination**

Component 3 shall be in support of financing Project management and coordination, as described below.

II. Implementation Arrangements

A. Organization and Management

5. *Lead Project Agency.* The MOAI, in its capacity as the Lead Project Agency, shall have the overall responsibility for the Project's implementation.

6. *Governance.* The Project's governance framework shall consist of: (i) the NPSC; (ii) the Project Working Committee (the "PWC") at the MOAI level; (iii) the Township Project Coordination Committees (the "TPCC"); and (iv) the Village Tract Facilitation and Monitoring Groups.

7. *NPSC.* The NPSC shall be co-chaired by the MOAI Deputy Minister for Irrigation and the Deputy Minister for Agriculture. Other members may include the Director-Generals of relevant MOAI departments as well as representatives from the Ministry of National Planning and Economic Development (the "MNPED"), the Ministry of Finance (the "MOF"), the Ministry of Livestock, Fisheries and Rural Development (the "MOLFRD") and the Nay Pyi Taw Council. The NPSC shall be based in Nay Pyi Taw. Its responsibilities shall be to provide policy and strategic guidance, review and approve annual work plans and budgets (the "AWPBs"), review and endorse annual reports, review and approve sizeable contracts and financial transactions, endorse staff selection, review audit reports and ensure that corrective actions are taken, and resolve any disputes arising from the implementation of the Project.

8. *PWC.* The PWC shall serve as the MOAI committee to provide guidance and oversight for Project implementation. It shall be established by the Minister of the MOAI, and shall consist of deputy Director-Generals of relevant MOAI departments and the Project Director. It shall oversee the appointment of Project staff (except the Project Director and Manager) and the recruitment of Knowledge Centre (the "KC") Managers.

9. *TPCC.* In each Project township, a TPCC shall be established, co-chaired by a local officer of the Department of Agriculture (the "DOA") of the MOAI and a local official, with other members representing relevant MOAI departments, implementing agencies and farmers' organizations. It shall coordinate the activities of Ministries and Departments, participate in drafting AWPBs, review progress reports, support KCs, and guide field staff.

10. *Village Tract Facilitation and Monitoring Groups.* In Project village tracts, facilitation and monitoring groups shall be established, chaired by the village tract leader, and include representatives of partner NGOs, the KCs, and community organizations, as well as a staff member of the DOA. It shall be tasked with ensuring that an effective participatory approach is applied, that poverty targeting and gender mainstreaming are equitable and effective, that AWPBs are responsive, and that monitoring is participatory.

11. *PCU.* The PCU shall be established by the Lead Project Agency and managed by the Project Director. The PCU shall be responsible and accountable for the management of the Project and the achievement of its results. It shall be an autonomous entity reporting to the NPSC, and will be located in Nay Pyi Taw. Its structure shall reflect Project Components and investments, and it shall enjoy a certain level of financial autonomy in order to fulfil its mandate. The PCU shall consist of three (3) units: (i) the Administration Office responsible for financial management, accounting, procurement and contracting, headed by a Financial Manager; (ii) the Investment Office responsible for investment activities, consisting of a Rural Finance Specialist and an Irrigation/Water Management Specialist; and (iii) the Capacity Building Office responsible for mobilizing communities and strengthening their organizations, consisting of a Community/Gender Specialist.

12. *Project Director and other Project Personnel.* The Project Director shall be a senior officer seconded from the MOAI. The Project Director shall be supported by a Project Manager (an agriculture specialist) and other Project personnel. The selection of the

Project Director, Project Manager and Financial Manager shall be subject to the NPSC's approval and concurrence of the Fund. All key Project personnel, including those specified above, shall be recruited through a competitive process.

13. A specific committee composed of the PCU management shall be created to address any grievances arising from the implementation of the Project.

B. Implementation of Components

14. The Project shall be implemented under the leadership of the Lead Project Agency through partnerships with relevant government agencies, NGOs, contracted service providers and the private sector. Partners and service providers shall be appointed on performance-based contracts, with performance assessed by the PCU and beneficiary representatives.

15. Component 1: Agricultural Infrastructure

15.1. Participatory planning for land development shall be implemented by a local NGO experienced in Participatory Land Use Planning (the "PLUP") and Free, Prior and Informed Consent (the "FPIC") approaches, selected by the PCU on a competitive basis and contracted for an aggregate period of up to four (4) years. It will work with MOAI's Settlements and Land Records Department for the issuance of new land titles and user rights once the re-configuration of farm plots has been completed and accepted by the farmers concerned.

15.2. Participation in land development under PLUP and FPIC approaches shall be organized by the NGO and PCU to ensure that farming households: (i) participate in the design of all civil works; (ii) set up mechanisms for sharing losses of cultivable land arising from civil works; (iii) redefine the boundaries of each household's plot of land for land re-titling purposes; and (iv) elect a Project implementation committee to monitor execution and accept works. Farming households shall be responsible for the realignment of earth bunds.

15.3. Civil works for land development shall be implemented through direct contract with MOAI's Irrigation Department (the "ID"). The ID shall execute the design, civil works and supervision of tertiary canals, drainage networks and farm roads. An internationally recognized service provider with expertise in infrastructure shall be duly contracted by the PCU to support engineering design work, assess construction norms, verify unit costs, supervise civil works (complementing ID and beneficiary supervision), and provide technical assistance to ID for capacity building and modernisation purposes.

15.4. The full package of design, implementation and training services for micro hydro turbines shall be provided by a specialized international entity duly contracted by the PCU through an international bidding process. This activity shall not start before the second Project Year.

16. Subcomponent 2.1: Investing in Knowledge

16.1. The rehabilitation and/or construction of KCs shall be undertaken by a local firm duly selected through national competitive bidding. Beneficiary representatives shall participate in site selection and the design of KC facilities.

16.2. A legal advisor contracted by the PCU shall facilitate the selection of beneficiary representatives as well as the electoral process for the formation of the KC boards.

16.3. KC managers shall be responsible for facilitating and brokering arrangements between farming households and commodity stakeholders (input suppliers, agents,

buyers, processors) and for organizing technical assistance and training to farming households.

16.4. A local NGO shall be duly selected through a competitive procurement process and contracted by the PCU to provide: (i) capacity building for KC managers; (ii) advisory services for farming households focusing on commodity analyses, contract arrangements with other value chain actors, and membership in representative farmers' organizations; (iii) value chain analyses to assess proposals received by the ABF for input supply, processing, packaging and storage; (iv) advisory services to landless entrepreneurs focusing on business management training, business plan development and technical training; and (v) market studies to assess proposals received by the RBF in key off-farm and non-farm sectors.

16.5. Demonstrations and trials shall be organized through agreements among the PCU, the MOAI Department of Agriculture Research (the "DAR"), the YAU, and the private sector as appropriate, based on KC plans. Selected farmers shall manage trials on their plots. KC managers and DAR/YAU staff shall share emerging lessons with the farming community and MOAI. Input suppliers and other stakeholders shall be encouraged to gradually participate technically and financially.

17. *Subcomponent 2.2: Financing Growth*

17.1. The RBF and ABF shall be managed by the PCU. The PCU will issue periodic calls for proposals, analyse the proposals received based on pre-defined eligibility criteria, define possible amounts of Project financing based on resources mobilized by the entrepreneur, submit short-listed proposals to the Grant Committee composed of representatives from the PCU, the MOAI and private sector representatives, and manage financial flows (tranches) to beneficiaries.

17.2. The PCU shall broker an agreement with a microfinance institution(s) (the "MFI") to establish operations in the Project area and provide financial services to smallholders and the landless.

17.3. The formation of savings and credit institutions shall be organized by a specialized NGO/MFI contracted by the PCU. Training and technical assistance shall be provided in savings and credit management, risk management, portfolio monitoring, product compliance with microfinance best practices, book-keeping and governance.

C. *Project Implementation Manual (the "PIM")*

18. *Preparation.* The PCU shall prepare a draft PIM which shall be approved by the NPSC before the Fund's non-objection shall be obtained.

19. *Approval and Adoption.* The Lead Project Agency shall forward the draft PIM to the Fund for its non-objection. If the Fund does not comment on the draft PIM within thirty (30) days after receipt, it shall be deemed to have no objections. The Lead Project Agency shall adopt the PIM, substantially in the form approved by the Fund, and the Lead Project Agency shall promptly provide copies thereof to the Fund.

20. *Mutual Accountability Framework.* The Borrower/Recipient and the Fund agree to collaborate on the basis of a Mutual Accountability Framework which will be documented in the PIM. Under this Framework, the Borrower/Recipient commits to ensuring a conducive policy environment for smallholder farming, providing its budgeted contribution to the Project on timely basis, and fulfilling the assurances outlined in this Agreement. The Fund commits to promoting national ownership of the Project, building national capacities to fulfil this role, and providing its budgeted financing to the Project on a timely basis. Compliance with this Framework by both Parties will be jointly assessed on an annual basis.

Schedule 2

Allocation Table

1. *Allocation of Loan and Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant; the allocation of the amounts of the Loan and the Grant to each Category; and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in SDR)	Grant Amount Allocated (expressed in SDR)	Percentage*
I Works	5 020 000		100% net of taxes
II Equipment & Materials	240 000		100% net of taxes
III Consultancies		510 000	100% net of taxes
IV Goods, Services & Inputs	2 270 000		100% net of taxes
V Grants & Subsidies	1 870 000		100% net of taxes
VI Operating Costs	1 540 000		100% net of taxes
Unallocated	1 210 000		
Total	12 150 000	510 000	

* All amounts shall be net of government, private sector and beneficiary contributions, as the case may be.

(b) The terms used in the Table above are defined as follows:

- i. "Works" under Category I means eligible expenditures incurred in relation to all direct costs for infrastructure works under Component 1.
- ii. "Equipment & Materials" under Category II means eligible expenditures incurred related to equipment, materials, motor vehicles and motorcycles.
- iii. "Consultancies" under Category III of the IFAD Grant financing means eligible expenditures incurred related to international technical assistance and consultancy activities of participating NGOs.
- iv. "Goods, Services & Inputs" under Category IV means eligible expenditures incurred related to:
 - a. all other technical assistance, research and studies, and training under Components 1, 2 and 3;
 - b. goods, services and inputs related to Component 3;
 - c. design, construction and supervision services for KCs under Subcomponent 2.1;
 - d. market promotion under Subcomponent 2.1 which will be eligible for 50% IFAD financing;
 - e. inputs for demonstration plots under Subcomponent 2.1 eligible IFAD financing will be as follows: (i) 100% in Project Year 1-3; (ii) 50% in Project Year 4; (iii) 25% in Project Year 5; (iv) 0% thereafter.

- v. "Grants & Subsidies" under Category V means eligible expenditures incurred related to the ABF, the RBF and participation of MFIs under Subcomponent 2.2.
- vi. "Operating Costs" under Category VI means eligible expenditures incurred for operating and maintenance costs, and for salaries and allowances for Project personnel, except for (i) base salaries of extension workers and Project support staff; and (ii) rent and utilities for the Project office.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan Account and the Grant Account if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. The Borrower/Recipient shall ensure that Project investments in land development are targeted to smallholders, and shall guarantee that such smallholders shall not be expropriated from their developed farm plots thereafter.
2. The Borrower/Recipient shall ensure that Project investments in agriculture, services and market information will enable farmer self-determination in choice of cropping patterns; and agrees that government instructions on cropping and land classification will be gradually eliminated in Project-supported irrigation areas.
3. The Borrower/Recipient shall ensure that Project investments in KCs are managed by appointed extension staff, who shall not be transferred to positions outside the Project area during the implementation period.
4. The Borrower/Recipient shall ensure that Project beneficiaries, farming and landless households, will be supported to obtain proper identification documents enabling them to meet the requirements of financial institutions.

Logical framework

Results Hierarchy	Measure	Source	Assumption
Goal/Development Objective: Economic status of poor rural women and men in the project area improved.	<ul style="list-style-type: none"> Child nutrition standards improved [baseline 2010: 31.5% UNICEF] HHs expenditure increased above the poverty line [baseline 2010: 31.6% UNDP] 	UNICEF, UNDP, National Statistics	
Specific Objective: 59 000 households in 5 townships of Nay Pyi Taw Union have higher incomes and improved nutrition	<ul style="list-style-type: none"> Net income of farming HHs increased by USD 400/annum in real terms across the whole 112'000 acres (approx. 29 000 HH) Landless HHs average food expenditure increased by USD 20/month 20% shift in relative asset ownership for 2 poorest quintiles (RIMS relative measure) 	RIMS impact survey, Focus groups discussions	Programme successes are replicated, scaled-up Public sector governance is improved
Outcome 1: Land and water resources sustainably managed	<ul style="list-style-type: none"> Access to water all year secured for 3,300 HHs Field to roadside haulage costs reduced by 15% Post-harvest losses reduced by 20% for each crop 	HHs surveys, Focus group discussions Comparative data of beneficiaries and control group	Farmers with free crop choice
Output 1.1: 10'000 acres of irrigated land consolidated and improved in 3 schemes	<ul style="list-style-type: none"> 20 PICs established and block development plans agreed 10'000 acres levelled 340 km of tertiary canals completed 180 km of drainage network completed 200 km of farm roads completed 3'400 small hydraulic structures built 	NGO progress reports, ID/MOAI records, PIC and UNOPS completion of work certificates, GPS and satellite pictures Farmers' grievance records	NGO recruited to assist in adopting PLUP & FPIC approaches <i>Risks:</i> – Lack of skills, equip. for land consolidation – Political interference in land consolidation works
Output 1.2: 3 300 farms re-titled and delineated	<ul style="list-style-type: none"> 3,300 land users' rights re-issued and 3,300 land users' documents signed Earth bunds and PVC turnouts constructed on 3,300 farms to delineate plot boundaries 	SLRD records, Township and village tracts records	<i>Risk:</i> Land confiscation by GoM
Output 1.3: 165 Water Management Organizations functional	<ul style="list-style-type: none"> 165 Water Users' Groups registered At least 2 members of each WUG trained by project 20 Labour Contracting Societies established Cost recovery scheme developed for each WUG At least 200 HHs accessing hydropower electricity 	WUGs admin. records LCSs admin. records Training documents/data, Service provider/Supplier administrative records	
Outcome 2: Skills of farming and landless HHs enhanced, employment improved, relevant value chains upgraded	<ul style="list-style-type: none"> Yield increase by 15% on trade. crops after 3 years At least 3,100 HHs benefit from job opportunities Farmgate price of rice increased by 20% At least 20% of farming HHs adopting high value crops in consolidated land Sale of at least 50% of high value crops on contractual basis 	KCs administrative records, Surveys, SMEs records, Rural businesses records	KCs become focal points for commercial and technical partnerships

1

Results Hierarchy	Measure	Source	Assumption
Output 2.1: 55 Knowledge centers established and functional	<ul style="list-style-type: none"> 55 Knowledge centers rehabilitated/constructed 55 extension officers from Ministry of Agriculture and irrigation seconded to project At least one meeting per month per KC with farming HHs, suppliers, buyers, processors and other service providers 	MOAI records, NGO progress report, MOAI work certificates, KCs logbooks/records Input suppliers records Surveys and focus groups	Farmers allowed free crop choice MOAI extension officers remain in project area Input suppliers finance demos
Output 2.2: 4 900 Rural businesses for landless entrepreneurs sustainably implemented	<ul style="list-style-type: none"> At least 250 CIGs set up for landless entrepreneurs At least 2 training courses per CIGs At least 4,900 business plans submitted to financial institutions and financed at affordable cost 	NGO progress reports CIGs admin. records MFI records	<i>Risk:</i> No NGO actively engaged to assist landless entrepreneurs in NPT
Output 2.3: Value chains strengthened	<ul style="list-style-type: none"> At least 6 value chain analyses undertaken At least 7 processing plants established in project area (1 for rice and 6 for high value crops) At least 20% of project-assisted farming HHs engaged in contract farming 	NGO progress reports, SMEs registration record, SMEs by-laws, SMEs financial statements	SMEs/entrepreneurs interested in contract farming with farming HHs
Outcome 3: Financial environment for creation/expansion of sustainable and profitable rural businesses improved	<ul style="list-style-type: none"> At least 5,000 incremental HHs accessed microfinance products in project area Farming HHs' indebtedness down by 50% by PY4 At least 60% of rural businesses and 80% of SMEs operating after 3 years Selected MFI financially sustainable At least 90% of LSCIs financially sustainable 	MFI/NGO records, Commercial bank records, PCU financial statements LSCIs records	Commercial banks and MFIs have resources to lend to beneficiaries Financial institutions are actively targeting FARM villages
Output 3.1: Rural businesses and SMEs accessed sustainable financing	<ul style="list-style-type: none"> 4,900 landless entrepreneurs financed 7 entrepreneurs financed for processing SMEs USD 1.4 mln disbursed as grants for SMEs and USD 2.1 mln as contribution from entrepreneurs USD 0.84 mln disbursed as grant for rural businesses and USD 0.28 mln as contribution from landless entrepreneurs 	PCU financial statements Commercial banks and MFIs financial statements SMEs and rural businesses financial statements	MFI and commercial banks agree to finance rural businesses and SMEs to complement project grant
Output 3.2: Access to rural finance improved	<ul style="list-style-type: none"> Activities of at least 10,000 HHs financed in project area At least 1 MFI/NGO with license operating in project area USD 0.95 mln provided to MFI/NGO as investment grant and/or loan for financing activity PAR < 10% after 3 years 	MFI/NGO progress reports, MFI/NGO financial statements, SMEs financial statements	MFI willing to deepen outreach in NPT <i>Risk:</i> Political interference hindering loan repayments
Output 3.3: Microfinance outreach extended to at least 5000 households	<ul style="list-style-type: none"> At least 1 MFI/NGO with license to assist HHs At least 55 Savings and Credit Institutions PAR < 5% One third of SCI leaders are women 	LSCIs financial statements, MFI/NGO financial statements, NGO progress reports,	NGO willing to promote Savings and Credit Institutions <i>Risk:</i> Lack of sufficient capitalization to reach sustainability