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Investing in rural people

President's report

Proposed loan and grant to the Republic of the Union of Myanmar for the Eastern States Agribusiness Project

Note to Executive Board representatives

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For: Approval

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Abbreviations and acronyms

AWP/B	annual workplan and budget
COSOP	country strategic opportunities programme
ESAP	Eastern States Agribusiness Project
FARM	Fostering Agricultural Revitalization in Myanmar
KC	knowledge centre
M&E	monitoring and evaluation
MOAI	Ministry of Agriculture and Irrigation
MTR	midterm review
PCU	project coordination unit
PIO	project implementation office
PPP	public/private partnership
RIMS	Results and Impact Management System

Map of project area

Republic of the Union of Myanmar

Eastern States Agribusiness Project

Design 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 | 30-10-2014

Eastern States Agribusiness Project

Financing summary

Initiating institution:	IFAD
Borrower:	Ministry of Finance
Executing agency:	Ministry of Agriculture and Irrigation
Total project cost:	US\$65.2 million
Amount of IFAD loan:	SDR 20 million (equivalent to approximately US\$27.6 million)
Amount of IFAD grant:	SDR 1.1 million (equivalent to approximately US\$1.5 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):	Export-Import Bank of Korea (KEXIM) ¹
Amount of cofinancing:	US\$29.2 million
Terms of cofinancing:	To be confirmed
Contribution of borrower:	US\$4.9 million
Contribution of beneficiaries:	US\$2.0 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

¹ Subject to successful negotiations between the Government of the Republic of the Union of Myanmar and KEXIM.

Recommendation for approval

The Executive Board is invited to approve the recommendations for the proposed financing to the Republic of the Union of Myanmar for the Eastern States Agribusiness Project, as contained in paragraph 57.

Proposed loan and grant to the Republic of the Union of Myanmar for the Eastern States Agribusiness 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. These 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 is the largest country in South-East Asia, with rich endowments of land and water, and favourable conditions for agriculture. Its population was estimated at 51.5 million in 2014, with an annual growth rate of 1 per cent. Some 67 per cent of the population is rural. Myanmar is ethnically diverse, with eight major ethnic groups and 135 subgroups.
3. Despite being rich in resources, Myanmar is one of the poorest nations in South-East Asia. An estimated one third of the population lived below the poverty line in 2005, decreasing to one fourth in 2010. The 2014 Human Development Report ranked the country 150th among 186 nations rated, with a human development index of 0.524. In 2013, Myanmar's GDP amounted to US\$53 billion, with an annual growth rate of 6.8 per cent.
4. The agriculture sector constitutes the core of the economy, representing 38 per cent of GDP and employing about 70 per cent of the working population. There is a strong association between agriculture and poverty in Myanmar, and there is significantly greater poverty in rural areas. The incidence of poverty is also greater among diverse ethnic groups compared with the majority ethnic population.
5. While, in aggregate terms, Myanmar produces a surplus of food, many rural areas suffer from chronic food insecurity. Disparities exist among and within states and within communities, where household food insecurity and poverty are closely linked. Rural poverty is largely a function of lack of resource endowments. Poor rural people typically consist of landless people and small and marginal farmers, usually owning less than an acre to up to five acres of land. They lack access to adequate and nutritious food, as well as to essential non-food items. Many of the poorest live in isolated hill tracts of ethnic states in the eastern regions. These states were previously affected by decades of civil conflict that left them isolated and without development investment.

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

6. As requested by the Government, the 2013-2015 PBAS allocation for Myanmar is being applied to two loan-financed projects to develop scalable models in diverse agroecological zones. The first, Fostering Agricultural Revitalization in Myanmar, focuses on creating a sustainable agricultural development model for the central dry zone. The second, the Eastern States Agribusiness Project (ESAP), focuses on

creating a smallholder agriculture and community agroforestry model for the upland/highland zone, with potential for scaling up across the eastern states.

7. The project's rationale is anchored in IFAD's mandate of poverty reduction and the Government's policies to reduce economic and social disparities in rural areas. 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. Specifically, the rationale has four dimensions: (i) to create a model at the state level for post-conflict economic reintegration that lays the foundation for sustained peace; (ii) to create a model for environmentally sustainable agricultural modernization in degraded areas; (iii) to forge pathways for supporting poor communities in the transition from subsistence to commercial agriculture; and (iv) to better link Myanmar's eastern states with regional markets and technology flows.
8. The project is consistent with the 2014-2018 country strategic opportunities programme (COSOP) for Myanmar, which aims to contribute to reducing rural poverty, specifically of smallholders, landless people, and ethnic and other marginalized groups. The COSOP defines three strategic objectives for IFAD's engagement: (i) empower rural women and men to access agricultural resources, technologies, services and markets; (ii) create business and employment opportunities for rural women and men; and (iii) promote the social and economic empowerment of marginalized groups, particularly ethnic groups. The project addresses all three strategic objectives.

II. Project description

A. Project area and target group

9. The project will be implemented in selected areas of Kayin and Shan (South) States in the eastern part of Myanmar. These two states were affected by decades of civil conflict and insecurity, which adversely affected their socio-economic development. With recent peace-building efforts, the two states have been selected for agribusiness development due to their good security, relatively stable political context and economic potential.
10. In Kayin State, the project encompasses 12 irrigation schemes covering three townships (Hpa-an, Hlain Bwe, Kaukarate) and the forest communities of Thandaunggyi township in the northern mountains, for an aggregate area of some 108,000 acres. In Shan State, the project covers the Ho-Pong irrigation scheme and its upland watershed areas (Ho-pong, Taunggyi, Siseine townships) as well as the Hekke irrigation scheme (Taunggyi, Kyauk Talon Gyi townships), for an aggregate area of about 79,000 acres.
11. The target group consists of poor rural women and men in the project areas. Specifically, it covers: (i) farmers in irrigated lowlands with marginal, small and medium-sized landholdings ranging from less than an acre to up to 10 acres each; (ii) farmers in the rainfed uplands with marginal, small and medium landholdings ranging from less than an acre to up to 10 acres each; (iii) agroforestry households in mountainous areas of northern Kayin; and (iv) landless households, which will have access to job opportunities as agricultural labourers or as workers in agribusiness. The project will ensure that employment opportunities facilitate the economic reintegration of returning migrants, ex-combatants and displaced people.
12. An inclusive targeting approach will be applied that encompasses geographical, self- and direct targeting, and social and gender inclusion. The project is expected to benefit 62,400 households or 315,000 rural men and women.

B. Project development objective

13. The project will develop an inclusive, sustainable and scalable model for smallholder agriculture and community agroforestry in the eastern states of Kayin and Shan

(South). It will promote commercialized smallholder agriculture linked to agribusiness, improve living standards in forest communities, and reverse environmental degradation in sloping areas. It will generate substantial benefits for households belonging to the Karen, Shan, Paoh, Intha and Mon ethnic groups.

14. The project's goal is to improve the economic status of poor rural women and men in selected areas of Kayin and Shan States. Its objective is to increase the incomes of smallholder and agroforestry households in these areas in an environmentally sustainable manner.

C. Components/outcomes

15. The project has two components. Component 1. Strategic investments. This component will finance strategic investments in land development and community agroforestry (approximately US\$42.6 million, 65 per cent of total project costs).
 16. Subcomponent 1.1: Land development. The project will contribute to the expansion of irrigated areas served by primary and secondary canals, with complementary investments in land development identified through a participatory process. The objectives are to improve drainage networks, irrigation water delivery and field access, and to create opportunities for crop diversification in response to market signals. A participatory land-use planning approach will be applied, and free, prior and informed consent will be introduced. Farmer empowerment and participatory water management will be strengthened in all irrigation works.
 17. Subcomponent 1.2: Community agroforestry. Project investment in agroforestry will improve living conditions, generate economic benefits for forest and upland villages and reduce encroachment on primary forest. The introduction of sloping agricultural land technology (SALT) will protect ecosystems, increase soil water infiltration and reduce soil erosion. In particular, SALT will generate substantial positive environmental impact by reducing sedimentation in Inle Lake and the Ho-Pong valley drainage system. Upland and agroforestry activities will be defined and implemented on the basis of a participatory and culturally sensitive approach.
18. Component 2. Enabling investments. This component will improve target group access to knowledge, technology and services, and will maximize the benefits generated from strategic investments (approximately US\$15.7 million, 24 per cent of total project costs).
 19. Subcomponent 2.1: Knowledge and technology. The project will improve farmer access to the technologies, inputs and services required to improve the productivity of staple, fodder and high-value crops. It will promote a pluralistic participatory extension platform in support of smallholder households. A network of knowledge centres (KCs) will be established to broker service delivery to farm and forest households through linkages with public institutions and the private sector. These centres will operate on the basis of: a decentralized and bottom-up approach; pluralism of actors in service delivery; promotion of public/private partnerships (PPPs); and a clear market orientation comprising cost recovery and sustainability.
 20. Subcomponent 2.2: Services. Smallholders and entrepreneurs will be provided access to markets and to adapted and affordable financial products. Contractual arrangements among farmers and agribusinesses, such as contract farming or outgrower schemes, will be promoted for commodities with a comparative advantage, market demand and growth potential. A competitive grant scheme will attract processors to the project area, and a credit guarantee mechanism will improve smallholder access to bank financing. Financial inclusion will be promoted by fostering savings and credit groups and providing financial literacy training.

21. The remaining project financing (US\$6.9 million, 11 per cent of total project costs) is allocated to central project coordination and decentralized project management, described below.

III. Project implementation

A. Approach

22. Based on institutional assessment at the state level, experience in similar contexts and the country strategy, the ESAP implementation approach is to: (i) strengthen state-level Ministry of Agriculture and Irrigation (MOAI) departments and other agencies involved in agricultural and rural development; (ii) increase the responsibility of state-level MOAI departments in phased implementation of activities; (iii) establish a small, state-level project implementation office (PIO) in each state to manage activities; (iv) organize implementation through contracts with public and private service providers; and (v) implement project activities in phases.
23. Project activities will be implemented through contracts with service providers such as ministries/departments, NGOs and the private sector. Service providers will enter into performance-based contracts, and their performance will be assessed by project management and by community representatives where applicable.

B. Organizational framework

24. The project's governance framework will consist of: (i) a national project steering committee composed of representatives of relevant central-level ministries, to provide policy and strategic guidance; (ii) state project coordination committees composed of directors of relevant state-level departments and representatives of community organizations, to oversee project coordination at the state level; and (iii) village groups, composed of representatives of community organizations, partner NGOs and service providers, to monitor and ensure effective participation, poverty targeting and gender mainstreaming.
25. In alignment with the Government's decentralization policy, project management and implementation are decentralized to the state level. A PIO will be established in each state – responsible and accountable for state-level management of the project and achievement of its results. PIOs will be structured around project components and investments, and will have a certain level of financial autonomy. Their staff will be recruited on a competitive basis in compliance with IFAD guidelines. PIOs will be supported by a central project coordination unit (PCU), established in Nay Pyi Taw for all IFAD-financed projects. The PCU will support PIOs in planning, financial management, procurement, and monitoring and evaluation (M&E).

C. Planning, M&E, and learning and knowledge management

26. The state-level annual workplans and budgets (AWP/Bs), supplemented by activity calendars, will be the key planning instruments for the project. They will identify annual targets and activities, set implementation priorities, forecast procurement requirements and facilitate the mobilization of staff and financial resources. These AWP/Bs will be prepared through a consultative approach involving community organizations, KCs and stakeholders. The planning process will be coordinated with national planning procedures, as the project budget is being incorporated into the national budget.
27. The M&E 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 of the use of outputs and measurement of benefits at household and community levels; and (iii) impact assessment – evaluating project impact on target groups. All M&E data,

analysis, and reporting will be disaggregated by gender and ethnic group. Considering the 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.

28. The project will use locally adapted RIMS surveys as the main quantitative survey tools at baseline, midterm and completion. 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; small and 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 periodically.
29. Learning and knowledge management. The project's operational experiences will create valuable knowledge, which will be captured by the PIO and PCU and used to generate lessons and best practices. Once documented, the project's model of upland/highland agricultural development may be scaled up across the eastern states. The project will share knowledge and experiences with the wider community of development practitioners across Asia through the IFADAsia knowledge management portal.

D. Financial management, procurement and governance

30. Project financial management arrangements will ensure that: (i) funds are used for intended purposes efficiently and cost-effectively; (ii) disbursement of funds facilitates rapid implementation of activities; (iii) funds are well managed and flow smoothly; (iv) financial statements are prepared in conformity with internationally recognized accounting standards; (v) a robust flow of reliable information on project activities facilitates accountability, transparency and disclosure; and (vi) project resources and assets are safeguarded.
31. As fiduciary risks are high in Myanmar, the project will apply a number of mitigating measures: (i) installation of professional accounting software; (ii) competitive recruitment of qualified staff; (iii) preparation of a financial management manual integrating controls linked to operations; (iv) state-level PIOs with delegated authority to manage and disburse project resources, and confirmation of PCU delegated authority; (v) technical assistance and external oversight; (vi) a control framework integrating periodic internal audits, independent external audits and social elements; and (vii) a good governance framework to ensure accountability and transparency.
32. Retroactive financing. As an exception to section 4.08 of the General Conditions for Agricultural Development Financing, a maximum amount of SDR 100,000 for otherwise eligible project expenditures incurred after the date of project approval by the Executive Board and before the entry into force of the financing agreement will be financed. Such financing will be mainly for the implementation of start-up activities in respect of expenditures for: (i) capacity-building for PCU/PIO staff and target groups; (ii) consulting services for studies and field surveys; and (iii) other consultancy services. Such expenditures are pre-financed by the Government, and will be reimbursed by IFAD only after the financing agreement has entered into force and conditions precedent to disbursement have been met.
33. The project will use the imprest fund method in operating the two designated accounts (for the loan and grant respectively). The Government will ensure that counterpart funds are contained in the national allocations for MOAI at central and state levels and that they are released to the project promptly.
34. Flow of funds to the two states will be decentralized. This will strengthen governance structures while maintaining transparency of activities and central controls. The bank account signatory powers for state-level expenditures will be set at a sufficiently senior level. Control of expenditures at the state level will be

maintained by retaining centralization of withdrawal application preparation and approval, access to state-level accounting data, and consolidation of AWP/Bs and reporting.

35. External audit will 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.
36. The PCU will oversee project procurement at central and state levels. The procurement of goods, works and services will be handled by the state-level PIOs, with support from the PCU for consolidated or international purchases. Procurement will be carried out in compliance with the IFAD procurement guidelines and handbook. Procurement methods, prior review arrangements, cost and time estimates, 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

37. The project will be directly supervised by IFAD. A supervision and implementation support mission will be undertaken annually. MOAI departments at central and state levels will support and participate in these missions.
38. Supervision will be applied as a continuous process requiring ongoing communication and engagement with the central Government, state governments, the PCU and PIOs. It will encompass three functions: (i) fiduciary compliance – covering legal conditions, financial management, procurement and contracting; (ii) supervision – focusing on performance, progress towards objectives, activities and outputs, planning and budgeting, monitoring and reporting, governance and management, targeting and gender equality; and (iii) implementation support. 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.
39. Considering the limited implementation experience in Myanmar, two midterm reviews (MTRs) will be undertaken, at year two and year four, 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 periods. MTRs will be carried out jointly by the Government, the PCU, PIOs and IFAD. At the end of the project, a project completion report will be prepared by the Government, with support from IFAD.

IV. Project costs, financing, benefits

A. Project costs

40. Total investment and incremental recurrent project costs, including physical and price contingencies, are estimated at US\$65.2 million over the six-year project implementation period. The exchange rate has been set at 1,000 Myanmar 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

41. The project will be financed by an IFAD loan on highly concessional terms of about US\$27.6 million (42 per cent of total costs), an IFAD grant of about US\$1.5 million (2 per cent), cofinancing of US\$29.2 million (45 per cent), a government contribution of about US\$4.9 million (8 per cent), and a beneficiary contribution in kind of US\$2.0 million (3 per cent). The Export-Import Bank of Korea (KEXIM) has

participated in the project design process and has expressed its intention to cofinance the project.

Table 1
Indicative programme costs by component and financier*
(Thousands of United States dollars)

Component	Borrower/ counterpart	IFAD loan	IFAD grant	Cofinancier	Beneficiaries	Total	
	Amount	Amount	Amount	Amount	Amount	Amount	%
A. Strategic investments							
1. Land development	3 042.5	4 513.5	-	29 172.5	-	36 728.4	56.3
2. Community agroforestry	134.2	4 457.0	-	-	1 243.2	5 834.3	8.9
Subtotal	3 176.6	8 970.5	-	29 172.5	1 243.2	42 562.8	65.3
B. Enabling investments							
1. Knowledge and technology	513.7	3 668.5	251.7	-	211.9	4 645.8	7.1
2. Services	113.4	10 292.5	95.0	-	566.4	11 067.3	17.0
Subtotal	627.1	13 961.0	346.7	-	778.3	15 713.1	24.1
C. Project management	1 126.5	4 632.6	1 154.4	-	-	6 913.6	10.6
Total project costs	4 930.2	27 564.1	1 501.2	29 172.5	2 021.5	65 189.5	100.0

* 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.

Table 2
Indicative programme costs by expenditure category and financier
(Thousands of United States dollars)

	Borrower/ counterpart		IFAD loan		IFAD grant		Cofinancier		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Works	3 042.5	7.6	8 798.3	21.9	-	-	28 407.6	70.6	-	-	40 248.3	61.7
2. Vehicles	716.9	71.0	292.8	29.0	-	-	-	-	-	-	1 009.7	1.5
3. Equipment and materials	7.1	7.6	86.6	92.4	-	-	-	-	-	-	93.7	0.1
4. Consultancies	28.9	0.8	1 925.0	53.8	847.1	23.7	764.9	21.4	11.0	0.3	3 577.0	5.5
5. Training	197.9	1.6	2 943.5	64.5	654.1	14.3	-	-	767.3	6.0	4 562.8	7.0
6. Goods services and inputs	235.3	6.9	1 945.6	56.8	-	-	-	-	1 243.2	36.3	3 424.0	5.3
7. Matching grants and associated investments	-	-	5 155.5	100	-	-	-	-	-	-	5 155.5	7.9
8. Credit guarantee scheme	-	-	2 978.3	100	-	-	-	-	-	-	2 978.3	4.6
9. Staff salaries and allowances	528.4	14.1	3 224.7	85.9	-	-	-	-	-	-	3 753.1	5.8
10. Operating costs	173.3	44.8	213.9	55.2	-	-	-	-	-	-	387.2	0.6
Total project costs	4 930.2	7.6	27 564.1	42.3	1 501.2	2.3	29 172.5	44.8	2 021.5	3.1	65 189.5	100.0

C. Summary benefit and economic analysis

42. The project will directly impact an area of some 187,000 acres, of which 58,000 acres are irrigated, 104,000 are upland rainfed, and 25,000 are forest. It will provide a range of economic and social benefits to 62,400 households consisting of 315,000 rural women and men. Projections indicate that incremental agricultural production in the project area from 2015 to 2021 will have an estimated value of US\$38.2 million at farm gate prices. The acreage cultivated is expected to increase by 21 per cent, and cropping intensity by 22 per cent. Net income per acre will increase by 64 per cent, while net income per household will increase by 100 per cent.
43. The project's financial internal rate of return is estimated at 15.1 per cent. Its economic internal rate of return is estimated at 13.4 per cent.

D. Sustainability

44. The sustainability of project investments will be fostered through: (i) access to knowledge – KCs will be low-cost facilities that will eventually operate on a cost-recovery basis, evolving into PPP ventures in the medium term; (ii) access to markets – upgraded commodity chains, contract farming and outgrower schemes

will ensure smallholder access to markets sustained through underlying business relationships; (iii) access to water – irrigation and drainage improvement, combined with participatory water management, will improve water distribution, and operation and maintenance; (iv) access to finance – financial inclusion activities will eventually link smallholders and agroforestry households with the formal financial sector; and (v) extension services – use of MOAI extension officers trained by the project will ensure continuity in delivery of services.

45. The project's exit strategy is to: strengthen public institutions at central and state levels; rely on a range of institutional service providers for implementation of activities; foster profitable business relationships between producers and markets; and improve the capabilities of poor rural women and men.

E. Risk identification and mitigation

46. The key risks identified relate to: (i) insecure land tenure; (ii) political interference in project management; (iii) poor governance capacity; and (iv) fiduciary risk. These risks are mitigated by a set of assurances negotiated with the Government, decentralization to the state level, participation in planning and implementation, robust fiduciary compliance procedures, capacity-building of relevant institutions at the state level, and intensive supervision and implementation support by IFAD.

V. Corporate considerations

A. Compliance with IFAD policies

47. The ESAP is compliant with all relevant IFAD policies, in particular: (i) its targeting strategy is consistent with the IFAD Targeting Policy approach of focusing on economically active poor rural women and men; (ii) its investments in rural economic growth are compliant with the IFAD Rural Finance Policy focus on promoting inclusive financial systems; (iii) its participatory approach to land development is consistent with the principles of free, prior and informed consent and community-driven development stated in the IFAD policies on Improving Access to Land and Tenure Security and Engagement with Indigenous Peoples; (iv) its evolving gender mainstreaming strategy is in compliance with the IFAD Policy on Gender Equality and Women's Empowerment; (v) its focus on promoting PPPs for private-sector development and policy dialogue is in line with the IFAD Partnership Strategy; and (vi) its environmental impact assessment procedures for infrastructure investment are aligned with the IFAD Climate Change Strategy for proper adaptation and mitigation measures.

B. Alignment and harmonization

48. The project's rationale is anchored in IFAD's mandate of poverty reduction and the Government's policy on reducing economic and social disparities in rural areas. It is consistent with Myanmar's National Comprehensive Development Plan, the Framework for Economic and Social Reforms, and the Poverty Alleviation and Rural Development Action Plan. It is closely coordinated with the emerging agriculture sector investments of partners such as the World Bank and the multi-donor Livelihoods and Food Security Trust Fund (LIFT).

C. Innovations and scaling up

49. The project is the first investment of its kind in the states inhabited primarily by ethnic groups. It introduces several innovations in its model for sustainable agricultural development in the upland/highland areas of Myanmar's eastern states. Key innovations in the Myanmar context include: (i) introduction of a participatory development approach; (ii) targeted delivery of technologies and services; (iii) promotion of climate-smart agricultural practices and technologies; (iv) livelihood diversification, with potential for higher value addition; (v) promotion of smallholder-driven small and micro-businesses; and (vi) support for adapted rural finance products and services.

50. The Government considers the project a model that will eventually be scaled up in upland/highland areas of Myanmar. The project adopts a modular approach, to the extent feasible, in which a standard package of investment is designed to expand, replicate, adapt and sustain successful investments. Through its investment tools and forward-looking policy support, the project will create the pathways, drivers and spaces for scaling up.
51. The Italian Development Cooperation has indicated its interest, in principle, in providing parallel cofinancing to the Government to scale up the ESAP to an additional eastern state.

D. Policy engagement

52. Policy engagement will take place on two levels. First, the project will contribute to the 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 agricultural and rural development across upland areas – especially with regard to ethnic states. The project will also support dialogue on technology, knowledge resources and financial services in support of poor farm and landless households.
53. 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 through platforms such as sector working groups. These experiences provide unique opportunities to identify policy gaps and formulate policy recommendations on issues affecting poor rural people, and to generate an evidence base to inform policy discussions.

VI. Legal instruments and authority

54. A project 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.
55. The Republic of the Union of Myanmar is empowered under its laws to receive financing from IFAD.
56. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

57. I recommend that the Executive Board approve the proposed financing in terms of the following resolutions:

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 20 million special drawing rights (SDR 20,000,000), approximately US\$27.6 million, 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 1.1 million special drawing rights (SDR 1,100,000), approximately US\$1.5 million, 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: "Eastern States Agribusiness Project (ESAP)"

(Negotiations concluded on 9 April 2015)

Loan Number: _____

Grant Number: _____

Project Title: Eastern States Agribusiness Project (the "Project")

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

and

The International Fund for Agricultural Development ("IFAD")

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

hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), and the Allocation Table (Schedule 2).
2. IFAD's General Conditions for Agricultural Development Financing dated 29 April 2009 and amended as of April 2014 (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. IFAD 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. (a) The amount of the Loan is twenty million Special Drawing Rights (SDR 20 000 000).
(b) The amount of the Grant is one million one hundred thousand Special Drawing Rights (SDR 1 100 000).
2. The Loan is granted on Highly Concessional Terms as defined in the Policies and Criteria for IFAD Financing dated 14 February 2013.
3. The Loan Service Payment Currency shall be the United States dollar (USD).
4. The first day of the applicable Fiscal Year shall be 1 April.
5. Payments of principal and service charge shall be payable on each 15 June and 15 December.
6. There shall be two (2) Designated Accounts denominated in USD opened and maintained by the Borrower/Recipient, in a bank acceptable to IFAD, to receive the Loan and the Grant proceeds respectively (the "Designated Account").

7. The Borrower/Recipient shall provide counterpart contribution for the Project, equivalent to approximately four million and nine hundred thousand United States dollars (USD 4 900 000), covering the cost of, inter alia, part of land development works, part of the Project-related personnel salaries, and taxes associated with the implementation of the Project. The contribution(s) of co-financier(s) are estimated at USD 29.2 million. The beneficiaries' contributions are estimated at USD 2 million.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture and Irrigation (the "MOAI").
2. Project management shall be decentralized to state level: a Project Implementation Office shall be established in each of the project states for this purpose.
3. Additional Project Parties shall include, inter alia, the implementing entities referred to in Schedule 1 hereto.
4. The Lead Project Agency shall contract the United Nations Office for Project Services (UNOPS) Myanmar to execute the grant on its behalf, subject to satisfactory negotiations between the two parties.
5. The Project Implementation Period shall be six (6) years.

Section D

The Financing shall be administered and the Project supervised by IFAD. A Mid-Term Review shall be carried out jointly by IFAD and the Borrower/Recipient in accordance with Section 8.03 of the General Conditions.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The Project Implementation Manual (the "PIM") referred to in Schedule 1 hereto, or any provision thereof, has been waived, suspended, terminated or modified without the prior consent of IFAD, and IFAD 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 IFAD for institutional changes to the National Project Steering Committee (the "NPSC") and/or the State Project Coordination Committee and/or the central Project Coordination Unit (the "PCU") and/or the state-level Project Implementation Office (the "PIO"), referred to respectively in Schedule 1 hereto, and IFAD has determined that any such change has had, or is likely to have, a material adverse effect on the Project.
2. The following are designated as additional general conditions precedent to withdrawal:
 - (a) The Project Director and Financial Manager, both acceptable to IFAD, shall have been selected.
 - (b) A computerized accounting system, acceptable to IFAD, shall have been installed at the PCU.

3. The following are designated as additional specific conditions precedent to withdrawal:

- (a) No withdrawal shall be made in respect of expenditures under the guarantee line (Category V) until a draft subsidiary agreement to be signed between the Project and the participating financial institution(s) has been approved by IFAD.
- (b) No withdrawal shall be made in respect of expenditures under the Matching Grants (Category IV) until a draft subsidiary agreement between the Project and the service provider(s) has been approved by IFAD.

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

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

For the Borrower/Recipient:

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

For IFAD:

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

This Agreement has been made in the English language in two (2) original copies, one (1) for IFAD and one (1) for the Borrower/Recipient.

THE REPUBLIC OF THE UNION OF MYANMAR

[Authorized Representative]

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. **Target Population.** The Project's Target Population consists of poor rural women and men in selected areas of Kayin and Shan (South) States (the "Project Area"). Specifically, it includes: (i) farmers in irrigated lowlands with medium, small and marginal landholdings ranging from less than one (1) acre to up to ten (10) acres each; (ii) farmers in the rainfed uplands with medium, small and marginal landholdings ranging from less than one (1) acre to up to ten (10) acres each; (iii) agro-forestry households in mountainous areas of northern Kayin; and (iv) landless households that have access to job opportunities as agricultural labourers or as workers in agribusinesses. The Project shall ensure that employment opportunities facilitate the economic reintegration of returning migrants, ex-combatants and displaced people.

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 agroforestry households in the Project Area in an environmentally sustainable manner.

4. **Components.** The Project shall consist of the following two (2) Components.

4.1. Component 1: Strategic Investments

This Component shall finance strategic investments in land development and community agroforestry.

Sub-component 1.1: Land Development. The Project shall contribute to the expansion of irrigated areas served by primary and secondary canals, with complementary investments in land development identified through a participatory approach. The objectives are to improve the drainage networks, irrigation water delivery and field access, and to create opportunities for crop diversification in response to market signals.

Sub-component 1.2: Community Agroforestry. Project investment in agroforestry aims to improve living conditions and generate economic benefits in forest and upland villages. Agroforestry activities funded by the Project shall protect ecosystems, reduce encroachment on primary forest, increase soil water infiltration and reduce soil erosion. Sloping upland and agroforestry activities shall be defined and implemented on the basis of a participatory and culturally sensitive approach.

4.2. Component 2: Enabling Investments

This Component shall improve target group access to services and markets, and maximise the benefits generated from the strategic investments.

Sub-component 2.1: Knowledge and Technology. The Project shall improve farmer access to the technologies, inputs and services necessary for improving productivity of staple crops, fodder crops and high value crops. A network of Knowledge Centres (the "KCs") shall be established to broker service delivery to farming and forest households through linkages with public institutions and the private sector.

Sub-component 2.2: Agribusiness Development and Financing. Smallholders and entrepreneurs shall be provided with access to markets and to adapted and affordable financial products. Contractual arrangements between farmers and agribusinesses, such as contract farming or outgrower schemes, shall be promoted for profitable commodities. A competitive grant scheme shall attract processors to the Project Area, and a credit guarantee mechanism shall improve smallholder access to bank financing. Financial inclusion shall be promoted by fostering savings and credit groups and by providing financial literacy training to rural households.

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 State Project Coordination Committees (the "SPCCs"); and (iii) the village groups (the "VGs"). The Project's management and coordination framework shall consist of: (i) the central PCU; and (ii) a PIO in each Project state.

7. NPSC. The NPSC shall be co-chaired by the MOAI Deputy Minister for Agriculture and Deputy Minister for Irrigation. Other members shall include the Director-Generals of relevant MOAI departments as well as representatives from the Ministry of National Planning and Economic Development (the "MONPED"), the Ministry of Finance (the "MOF"), the Ministry of Livestock, Fisheries and Rural Development (the "MOLFRD") and the Ministry of Border Affairs (the "MOBA"). Its responsibilities shall be to provide strategic and policy guidance, endorse Project staff selection, approve annual workplans and budgets (the "AWPBs"), and oversee the external audit process.

8. SPCCs. An SPCC shall be constituted in each state. It shall be chaired by the respective State Minister of Agriculture and Irrigation. Members shall include Directors of relevant state-level departments and representatives of community organizations. Its responsibilities shall be to approve state AWPBs and staff selection, review Project progress reports, ensure coordination among stakeholders, and provide guidance.

9. VGs. In participating villages, VGs shall be organized and chaired by the village leader. They may include representatives of partner Non-Governmental Organizations (the "NGOs"), KCs, farmers' groups, women's groups, and the Department of Agriculture. They shall be responsible for ensuring a participatory approach, monitoring implementation, and ensuring poverty focus and gender equality. VGs are expected to meet on regular basis.

10. PCU. The central PCU established under the FARM project as defined in the Financing Agreement between the Parties dated 22 October 2014 (Loan No. 2000000649, Grant No. 2000000650) shall be strengthened in order to carry out central interface, coordination and consolidation functions for the Project. It shall support each state PIO in financial management, procurement and contracting, planning, reporting, and knowledge management. The PCU shall be expanded with a Project manager (with agribusiness experience), a monitoring and evaluation (the "M&E") and knowledge management (the "KM") specialist and an accountant. PCU staff recruited under the FARM project shall also support the Project.

11. PIO. In alignment with the national decentralisation policy, Project management is decentralized to the state level. A PIO shall be established in each state, reporting to its respective SPCC. The PIO shall be responsible and accountable for management of the Project and achievement of its results at the state level. The PIO shall be headed by a Project manager, with agribusiness and/or value chain experience, recruited through a competitive process. It will be structured in three (3) units: (i) an administration unit with a finance manager, procurement/contracting specialist, and accountant; (ii) an investment unit with an irrigation engineer, a business/value chain specialist and a rural finance specialist; and (iii) an M&E-KM unit with an M&E-KM officer. The PIO will have a small complement of support staff. In Kayin State the PIO shall be located in Hpa-An while in Shan State it shall be in Taunggyi.

12. Project Personnel. Recruitment of Project staff (PCU and PIOs) shall be on a competitive basis in accordance with IFAD guidance, and subject to IFAD prior review and concurrence. Staff contracts shall be for an initial probationary period in line with the national Labour Law, with the possibility of extension subject to satisfactory performance.

B. Implementation of Components

13. Sub-component 1.1: Land Development. The Participatory Land Use Planning (the "PLUP") and Free, Prior, Informed Consent (the "FPIC") activities, as defined in the PIM, shall be implemented by a service provider (such as an NGO) in each state, selected by the PCU on a competitive basis. Land development financed by IFAD shall be implemented through direct contracts with state-level MOAI Irrigation Departments (the "IDs"). An internationally recognized service provider, with expertise in infrastructure, shall be contracted to support design, assess construction norms, verify unit costs, supervise civil works and provide TA. Supervision shall be multi-level, involving IDs, PIOs, farmers' groups, and the service provider(s). For land development works covered by a co-financier, the procedures of the co-financier shall apply.

14. Sub-component 1.2: Community Agroforestry. The activities under Sloping Agricultural Land Technology (the "SALT") will be implemented by the respective KCs within the Project area of sloping agriculture land with support from a contracted service provider. Investment in community facilities such as tubewells, solar powered pumps and drinking water networks shall be designed and implemented by a contracted service provider selected by each PIO.

15. Sub-component 2.1: Knowledge and Technology. KCs shall be constructed by local contractors selected on competitive basis by the PIOs. Where feasible, community contracting using local labour shall be considered. KCs shall be supported by competitively-selected service providers for capacity building of managers, operational support and brokering arrangements with public and private entities for services to farmers and agro-forestry households. Value chain analyses shall be carried out by contracted service providers such as consulting firms or NGOs.

16. Sub-component 2.2: Agribusiness Development and Financing. The Agribusiness Fund (the "ABF") for Matching Grants, as defined in the PIM, shall be managed by the PCU, in collaboration with each PIO, with NPSC oversight. Funding decisions shall be made by an independent committee. Guarantee deposits in financial institutions will be managed by an audit firm selected by the PCU following due diligence. A Guarantee Committee consisting of a banker, agriculturist, auditor and PIO manager shall review claims and approve pay-outs. Participating financial institutions shall be selected by the PCU on competitive basis.

17. Savings and credit groups shall be developed by the Myanmar Microfinance Association (the "MMA"), which shall be supported by an international Microfinance Institution (the "MFI") contracted by the PCU.

C. The PIM

18. Preparation. The PCU shall prepare a draft PIM outlining the standard operating procedures for the implementation of the Project, which shall be approved by the NPSC before IFAD's non-objection is obtained.

19. Approval and Adoption. The Lead Project Agency shall forward the draft PIM to IFAD for its non-objection. If IFAD 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 IFAD.

Schedule 2

Allocation Table

1. Allocation of Loan and Grant Proceeds. The Tables below set 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:

Table A-Loan

Category	Loan Amount Allocated (expressed in SDR)	% of Eligible Expenditures to be Financed
I. Works	5 740 000	100% net of Government and co-financiers' contributions
II. Equipment and Materials	240 000	100% net of taxes
III. Goods, Services and Inputs	4 460 000	100% net of taxes, Government, co-financiers and beneficiaries' contributions
IV. Grants and Subsidies	3 370 000	100% net of taxes
V. Credit, Guarantee Funds	1 950 000	100% net of taxes
VI. Operating Costs	2 240 000	100% net of taxes and Government contributions
Unallocated	2 000 000	
Total	20 000 000	

"Equipment and Materials" under Category II of Table A, shall mean eligible expenditures incurred related to vehicles, motor cycles, equipment and materials including furniture and office equipment.

"Goods, Services and Inputs" under Category III of Table A, shall mean eligible expenditures incurred related to goods, services and input, workshops, training and consultancies except for those expenditures financed under Category I and II under Table B below.

"Operating Costs" under Category VI of Table A, shall mean eligible expenditures incurred related to recurrent operating and maintenance costs, salaries and allowances except for salaries of government staff assigned to the Project.

Table B-Grant

Category	Grant Amount Allocated (expressed in SDR)	% of Eligible Expenditures to be Financed
I. Consultancies	560 000	100% net of taxes, and co-financiers and beneficiaries' contributions
II. Training	430 000	100% net of taxes, and co-financiers and beneficiaries' contributions
Unallocated	110 000	
Total	1 100 000	

"Consultancies" under Category I of Table B, shall mean eligible expenditures incurred related to consultancies, technical support, international TAs on capacity building for PCU, states and state institutions, and M&E system.

"Training" under Category II of Table B, shall mean eligible expenditures incurred related to training and capacity building of PCU, PIOs, Project expeditor as defined in the PIM, financial management training, exposure visits and regional workshops.

2. Retroactive Financing. Withdrawals not exceeding in the aggregate the equivalent of SDR 100 000 to pre-finance Project activities may be made from the Loan Account in respect of eligible expenditures for: (i) capacity building for PCU/PIO staff and target groups; (ii) consulting services for studies and field surveys; and (iii) consultancy services. Retroactive expenditures, incurred after the date of IFAD Executive Board's approval of the Project and before the entry into force of the Agreement, are pre-financed by the Borrower/Recipient, and reimbursed from the Loan only after the Agreement has entered into force and the conditions precedent to withdrawal have been met.

3. Start-up Costs. The Project may request an advance withdrawal of up to SDR 200 000 equivalent from the Loan, to incur start-up expenditures before the conditions precedent to withdrawal are met. Eligible expenditures shall cover: (i) capacity building for PCU/PIO staff and target groups; (ii) consulting services for studies and field surveys; (iii) consultancy services; (iv) salaries of key PCU/PIO staff; and (v) rental expenditures for the PCU and PIOs. Any unused balance of this advance shall be considered as part of the initial advance under the authorized allocation.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, IFAD may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from Loan Account and Grant Account, if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and IFAD 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 the investments in land development and agro-forestry are targeted to smallholders and poor forest households, who should not be expropriated from their land or forest areas thereafter.
2. The Borrower/Recipient shall ensure that the investments in agriculture and services will enable farmer self-determination in choice of cropping patterns; instructions on cropping and land classification should be eliminated.
3. The Borrower/Recipient shall ensure that the Knowledge Centres are managed by appointed extension staff, who should not be transferred to positions outside the project area during the implementation period.
4. The Borrower/Recipient shall ensure that all target groups will be supported to obtain proper identification documents enabling them to meet the requirements of financial institutions.

Logical framework

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A)/ Risks (R)
Goal			
Economic status of poor woman and men in the project area improved	<ul style="list-style-type: none"> ▪ Severe and moderate child nutrition standards improved [baseline 2010: 5.9% and 29.7% severe and moderate - Kayin State - UNDP/IHLCS. Target MTR: 4% and 25%] [baseline 2010: 17.3% and 45.8% severe and moderate - South Shan State - d° MTR Target: 15% and 40%] ▪ HHs expenditures increased above the poverty line [baseline 2010: 31.2% - South Shan State and 17.5% - Kayin State - d° MTR Target: South Shan - 75% and Kayin- 75%] ▪ Farmers' indebtedness reduced [baseline 2009: 33% of poor HHs across Myanmar as a proxy- UNDP/IHLCS MTR Target: 25% 	<ul style="list-style-type: none"> ▪ UNDP & UNICEF ▪ National Statistics 	(R) Ethnic conflicts resume
Project Development Objective			
Agriculture production and agribusinesses provide increased sustainable sources of income to 45,000 smallholders households and 17,000 landless households in an environmental sustainable manner	<ul style="list-style-type: none"> ▪ Net annual income of farmers increased in real terms after 3 yrs by: <ul style="list-style-type: none"> - at least US\$500 in the irrigated lowland and by US\$500 in the uplands of Kayin State (Baseline: avg. annual income US\$280 and 240 respectively) - at least US\$700 in the irrigated lowland and US\$1,300 in uplands of Shan State (Baseline: avg. annual income US\$290 and 230 respectively) - at least US\$1000 in agroforestry areas of Kayin (Baseline: US\$335) 	<ul style="list-style-type: none"> ▪ RIMS impact survey ▪ Focus groups discussions ▪ Specific socio-economic studies ▪ HHs surveys ▪ Project MIS 	(A) Economic environment remains stable (A) Programme successes are replicated and scaled-up (A) Public sector governance is improved (A) Decentralization process is further implemented
Component 1 - Strategic Investments			
Outcome 1: Natural resources are more productively managed in an eco-friendly way and agroforestry villages are less isolated	<ul style="list-style-type: none"> ▪ At least 45,000 farmers in low land, uplands and agroforestry sites have continuous access to sufficient water all year round (Baseline: 15,000 farmers) ▪ Land use intensity increased after 3 years (Baseline: 96% Target: 126% at MTR) 	<ul style="list-style-type: none"> ▪ GPS and satellite pictures ▪ HHs surveys ▪ Project MIS ▪ Focus groups discussions 	
Output 1.1: Irrigated areas are expanded and served in a more efficient manner	<ul style="list-style-type: none"> ▪ 11,200 acres in Kayin State have benefited from land development including construction of distributaries, watercourses, access roads, drainage canals, culverts and head regulators ▪ 24,000 acres in Shan State have benefited from rehabilitation works on primary canals and distributaries, access road, land consolidation and hydraulic structures ▪ 100% of farmers have land users' rights across the total 187,000 acres ▪ 5,000 acres in irrigated through piped-conveyance network installed ▪ 1 irrigation pumping station in Kayin State equipped with solar panels ▪ 350 Water Users' Groups registered 	<ul style="list-style-type: none"> ▪ ID/MD/MoAI records ▪ PIC completion certificate ▪ SLRD records ▪ Service providers records ▪ WUGs administrative and financial records ▪ Focus groups discussions ▪ Project MIS ▪ NGO records 	(A) Availability of necessary equipment for land development

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A)/ Risks (R)
Output 1.2: Fertility of degraded mountain slopes is restored	<ul style="list-style-type: none"> ▪ 20,000 acres in Shan State are rehabilitated as terraces through the SALT methodology ▪ 5,400 km of contours are planted ▪ Siltation of Inle Lake reduced by 20% 	<ul style="list-style-type: none"> ▪ MD/MoAI records ▪ SLRD records ▪ Focus groups discussions ▪ Project MIS 	(A) Availability of necessary equipment for land development
Output 1.3: Water availability for domestic and productive use is improved	<ul style="list-style-type: none"> ▪ 50 villages in northern Kayin State have benefited from improved water infrastructure ▪ 20,000 incremental acres of uplands are under irrigation ▪ Access to drinking water has been improved for 3,000 households 	<ul style="list-style-type: none"> ▪ Service providers records ▪ ID/MoAI records ▪ HHs surveys ▪ Focus groups discussions ▪ Project MIS 	
Component 2 - Enabling Investments			
Outcome 2: Technological and financial environment for households, farmers and investors in post-harvest activities is more conducive	<ul style="list-style-type: none"> ▪ Average yield increase/ha (per crop per site) (Baseline: Rice: 1ton/ac; vegetables: 3ton/ac; garlic: 2ton/ac) ▪ At least 12,000 households benefit from incremental job opportunities created through VC development at completion 	<ul style="list-style-type: none"> ▪ KCs administrative records ▪ MoAI records ▪ HHs surveys ▪ Baseline and impact surveys ▪ SMEs records 	(A) Crop diversification is approved by GoM
Output 2.1: Farmers' knowledge and access to new technologies are enhanced	<ul style="list-style-type: none"> ▪ 43 knowledge centres are functional and managed by MoAI seconded extension officers ▪ At least one monthly meeting organized per KC with commodity chains stakeholders ▪ At least 22,000 farmers have adopted more efficient agricultural practices (lower costs and higher productivity) ▪ At least 1/3rd of farmers have adopted high-value crops in irrigated land and uplands 	<ul style="list-style-type: none"> ▪ Contractors records ▪ KCs administrative records ▪ MoAI expenditure records ▪ NGO records ▪ Input suppliers records ▪ Focus groups discussions ▪ Project MIS ▪ HHs surveys 	(A) KCs to become multi-purpose platforms used by all commodity chains stakeholders
Output 2.2: Farmers access lucrative direct or processing markets for their certified agricultural production	<ul style="list-style-type: none"> ▪ At least 1/3rd of ESAP-supported farmers regularly forward contracted by post-harvest companies (by crop/specie) ▪ US\$15 million extended by commercial banks to contracted farmers per season ▪ USD3 million committed as guarantee by the project to cover risk on loans extended by commercial banks for non-contracted farmers ▪ USD15 million extended by commercial banks to SMEs ▪ PAR with ESAP-supported farmers at 5% maximum ▪ At least 30 expansion and 70 creation of agribusinesses financed through the Agri-Business Fund ▪ 80% of agribusinesses financed still operational & profitable after 3 yrs ▪ At least 50 post-harvest units are created by farmers' groups and still operational after 3 years ▪ At least 5 commodity chains certified benefitting 15,000 farmers 	<ul style="list-style-type: none"> ▪ SMEs records ▪ HHs surveys ▪ FIs records ▪ Audit firm management and financial reports ▪ PCU records ▪ Focus groups discussions ▪ Project MIS ▪ Certification company records ▪ DARs and AIs records 	(A) Farmers and agribusinesses agree to enter in contractual arrangements (R) Commercial banks pulling out from agriculture financing because of unfair competition from MADB (A) Investors and existing companies willing to operate from project area or its neighbourhood
Output 2.3: Financial inclusion is promoted in project area villages	<ul style="list-style-type: none"> ▪ 43 SGCs are implemented and functional and 70% are linked to MFIs ▪ Women membership in SCGs is above 75% and more than 50% of SCGs have a woman as their bureau's president ▪ Amount of savings mobilized US\$100,000 ▪ Financial literacy training has been provided to 4,300 women and youth 	<ul style="list-style-type: none"> ▪ MMA records ▪ International MFI records ▪ MoC registers ▪ SCGs books ▪ MFIs & SP records 	(A) Effective presence of MFIs in selected States