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Investing in rural people

President's report

Additional loan to the Republic of the Union of Myanmar for the Eastern States Agribusiness Project

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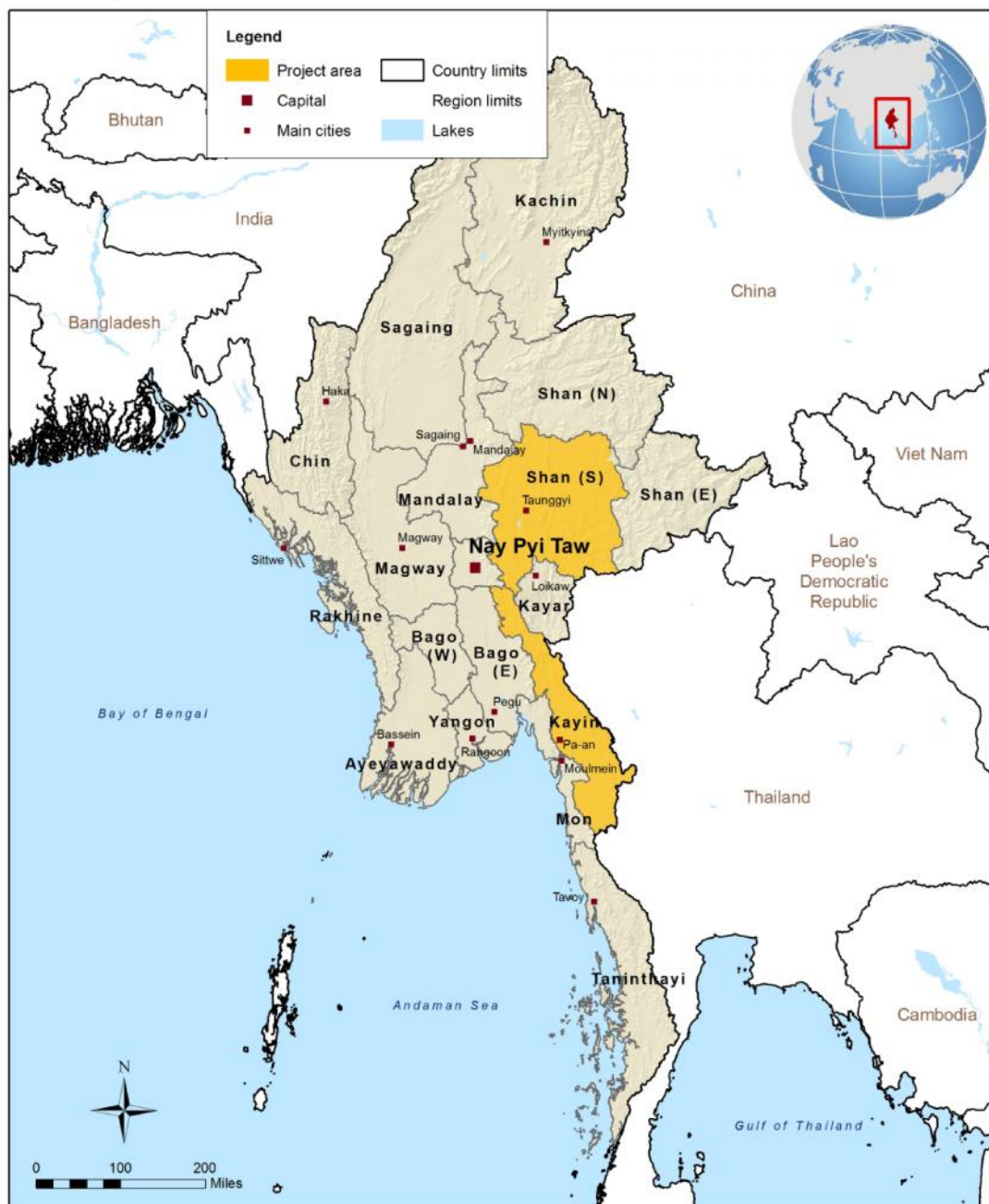
Abbreviations and acronyms

COSOP	country strategic opportunities programme
ESAP	Eastern States Agribusiness Project
IWUMD	Irrigation and Water Utilization Management Department
KC	knowledge centre
MoALI	Ministry of Agriculture, Livestock and Irrigation
MTR	midterm review
PIO	project implementation office
PMU	project management unit
PPP	public/private partnership
SALT	sloping agriculture land technologies

Map of the 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

Republic of the Union of Myanmar

Eastern States Agribusiness Project

Financing summary

Initiating institution:	IFAD
Borrower:	Ministry of Planning and Finance
Executing agency:	Ministry of Agriculture, Livestock and Irrigation
Total project cost:	US\$65.2 million
Additional IFAD loan:	SDR 20.4 million (equivalent to approximately US\$28.9 million) – for approval
Terms of IFAD loan:	Highly concessional: maturity period of 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
Amount of IFAD loan:	SDR 20 million (equivalent to approximately US\$27.8 million) – approved by the Executive Board in April 2015
Amount of IFAD grant:	SDR 1.1 million (equivalent to approximately US\$1.5 million) – approved by the Executive Board in April 2015
Contribution of borrower:	US\$4.9 million
Contribution of beneficiaries:	US\$2.0 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for conditional approval

The Executive Board is invited to provide its conditional approval to the recommendation for the proposed additional loan to the Republic of the Union of Myanmar for the Eastern States Agribusiness Project, and a 12-month extension – to 22 April 2018 – of the time limit for signing the financing agreement, as contained in paragraph 56.

The approval will be conditional on the Executive Board being satisfied with an oral update to be provided by Management at the 122nd Executive Board session in December 2017, which will include the latest information on the project and the country context.

The President will not sign the financing agreement until the condition referred to above has been met.

Additional loan 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 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 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 52.9 million in 2016, with an annual growth rate of 1 per cent. About 67 per cent of the population is rural. Myanmar is ethnically diverse, with 8 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 2015 Human Development Report ranks it 148th among 188 nations rated, with a Human Development Index of 0.536. In 2015, Myanmar's GDP amounted to US\$64.9 billion, with an annual growth rate of 6.6 per cent, while its GNI per capita was estimated at US\$1,280 in 2014.
4. The agriculture sector constitutes the core of the economy, representing 38 per cent of GDP and employs some 70 per cent of the working population. There is a strong association between agriculture and poverty in Myanmar, with significantly greater poverty in rural areas. The incidence of poverty is also greater among 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 the landless and small and marginal farmers, usually owning from less than one acre to five acres of land (one acre equals 0.4 hectares). 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 have been affected by decades of civil conflict that have left them isolated and without development investment.

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

6. Background. Located in two of the poorest and most remote states (Kayin and Shan) populated by ethnic groups, the project will revive and modernize agriculture and agroforestry for small farmers and forest households, and will create job opportunities for landless, unemployed and displaced people, youth and returning migrants. The Government, elected in April 2016, immediately prioritized investment in the neglected ethnic states as its primary development objective, and consequently placed high priority on this project. The project strengthens IFAD's relationship with the new Government, and positions IFAD at the forefront of post-conflict/peace-building rural transformation for marginalized ethnic groups.
7. Project financing and unexpected cofinancing gap. The project was approved by the Executive Board on 22 April 2015 (EB 2015/114/R.12/Rev.1) with three main sources of financing, for a total of US\$65.2 million: (a) IFAD financing of US\$29.1 million; (b) cofinancing of US\$29.1 million; and (c) domestic resources of US\$7.0 million. The Government endorsed the full financing package. However, despite efforts on all fronts, the expected cofinancing did not materialize. The Government subsequently looked for alternative cofinancing sources, without success, and was unable to sign the financing agreement separately in light of the large financing gap. Consequently, the project could not become operational. In the meantime, IFAD continued to work with the lead executing agency to develop implementation capacity and readiness. Recognizing that time was passing, in late 2016 the Government requested IFAD for additional financing from the 2016-2018 performance-based allocation system (PBAS) cycle to cover the financing gap. Although more than two years have elapsed, with this additional financing the new financing agreement for the entire package can be signed and project implementation can begin, with a strong start-up and technical assistance support.
8. The time limit for signature of the initial financing agreement ended on 22 April 2017. It is proposed that the Executive Board extend the signing deadline for the initial financing agreement by merging the initial agreement (already approved by the Executive Board) with the new agreement for additional financing, thus creating a single financing agreement. The new financing agreement, covering both the initial and additional financing, has been negotiated and initialled.
9. Rationale and alignment. The project's rationale, focusing on creating a model for smallholder agriculture and community agroforestry in the eastern states, is anchored in IFAD's mandate of poverty reduction and the Government's policies on reducing economic and social disparities in rural areas. It is consistent with the National Comprehensive Development Plan, the Framework for Economic and Social Reforms, the Poverty Alleviation and Rural Development Action Plan and the Myanmar Development Assistance Policy. 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 transitioning from subsistence to commercial agriculture; and (iv) to better link Myanmar's eastern states with regional markets.
10. 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 and landless, 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 social and economic empowerment of marginalized groups, particularly ethnic groups. The project addresses all three of these objectives.

II. Project description

A. Project area and target group

11. The project will be implemented in selected areas of Kayin and Shan (south) States in the eastern part of Myanmar. These two states have been affected by decades of civil conflict and insecurity, which have adversely affected their socio-economic development. With recent peace-building efforts, the two states have been selected for agribusiness development owing to their present good security, relatively stable political context and economic potential.
12. In Kayin State, the project encompasses 12 irrigation schemes covering three townships (Hpa-an, Hlain Bwe and Kaukarate) and the forest communities of Thandaunggyi township in the northern mountains, for an aggregate area of about 108,000 acres. In Shan State, the project covers the Ho-Pong irrigation scheme and its upland watershed areas (Hopong, Taunggyi, Siseine townships) as well as the Hekke irrigation scheme (Taunggyi, Kyauk Talon Gyi townships), for an aggregate area of approximately 79,000 acres.
13. 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 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 that will have access to job opportunities as agricultural labourers or as workers in agribusinesses. The project will ensure that employment opportunities facilitate the economic reintegration of returning migrants, ex-combatants and displaced people.
14. An inclusive targeting approach will be applied that encompasses geographical targeting, self-targeting, 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

15. The project will develop an inclusive, sustainable and scalable model for smallholder agriculture and community agroforestry in Kayin and Shan (south) States. 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, Inn and Mon ethnic groups.
16. 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 development objective is to increase the incomes of smallholder and agroforestry households in these areas in an environmentally sustainable manner.

C. Components/outcomes

17. The project has two components.
Component 1. Strategic investments (approximately US\$42.6 million, 65 per cent of total project costs). This component will finance strategic investments in land development and community agroforestry.
18. Subcomponent 1.1. Land development. The project will contribute to 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 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.

19. 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 agriculture land technologies (SALT) will protect ecosystems, increase soil water infiltration and reduce soil erosion. In particular, SALT will generate substantial positive environmental impact by reducing the sedimentation of Inle Lake and of 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.
20. Component 2. Enabling investments (approximately US\$15.7 million, 24 per cent of total project costs). This component will improve target group access to knowledge, technology and services, and will maximize the benefits generated from strategic investments.
21. 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 farming and forest households through linkages with public institutions and the private sector. These centres will operate on the basis of a decentralized, bottom-up approach, pluralism of actors in service delivery, promotion of public/private partnerships (PPPs), a clear market orientation, and a vision for cost recovery and sustainability.
22. Subcomponent 2.2. Services. Smallholders and entrepreneurs will be provided with 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 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.
23. The remaining project costs (US\$6.9 million, 11 per cent of total project costs) are allocated to project management at the central level and project coordination at the state level, as described below.

III. Project implementation

A. Approach

24. Based on an institutional assessment, experiences in similar contexts and the country strategy, the project's implementation approach is to: (i) mainstream project management within existing structures of the Ministry of Agriculture, Livestock and Irrigation (MoALI), with execution of activities undertaken through contracts with public and private service providers, such as ministries/departments, NGOs and private companies; (ii) establish coordination arrangements at the state level; (iii) strengthen MoALI at the state level, as well as other agencies involved in agriculture and rural development; and (iv) gradually increase the responsibility of state-level MoALI departments in implementing activities.

B. Organizational framework

25. MoALI, in its capacity as lead project agency, will be responsible and accountable for the project. The Irrigation and Water Utilization Management Department (IWUMD) will be the project focal department.
26. The 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; and (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.
27. The project's management structure will consist of: (i) a central project management unit (PMU) established within the IWUMD and integrated into its structure; and (ii) a project implementation office (PIO) in each project state. The PMU will be responsible for project management, fiduciary management, work planning and budgeting, monitoring and evaluation, and progress reporting. A PIO will be established in each state, mainstreamed in the state-level IWUMD. Each PIO will be responsible for coordinating implementation at the state level and for monitoring and reporting on progress.

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

28. Annual workplans and budgets (AWP/Bs), supplemented by activity calendars, will be the key project planning instruments. They will identify annual targets and activities, set implementation priorities, forecast procurement requirements and facilitate mobilization of staff and financial resources. State-level AWP/Bs will be prepared through a consultative approach involving community organizations, KCs and stakeholders, and will be consolidated at the central level. The planning process will be aligned with national planning procedures, given that the project budget will be incorporated into the national budget.
29. The monitoring and evaluation (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 with a focus on physical and financial inputs, activities and outputs; (ii) outcome monitoring of the use of outputs and measurement of benefits at the household and community level; and (iii) assessment of project impact on target groups. All M&E data, analysis and reporting will be disaggregated by gender and ethnic group.
30. The project will use 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, small and microenterprise sustainability, participatory water management and impact on incomes. An external independent third party (such as a national university or NGO) will be engaged to periodically assess project impact.
31. Learning and knowledge management. The project's operational experiences will create valuable knowledge, which will be captured by the PIOs and PMU and used to generate lessons and best practices. Once documented, the project's model of uplands/highlands 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 IFAD Asia knowledge management portal.

D. Financial management, procurement and governance

32. Project financial management arrangements will ensure that: (i) funds are used for the 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.
33. 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 into operations; (iv) state-level PIOs with delegated authority to manage and disburse certain amounts of project resources, and confirmation of the PMU's 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.
34. A designated account in United States dollars will be opened – to receive project funds from the IFAD loan and grant respectively – and operational accounts in Myanmar kyats. The project will use the imprest fund method for the designated accounts. Government will ensure that counterpart funds are budgeted in the national allocations for MoALI at central and state levels and that they are released for the project on time.
35. External audit will be carried out in compliance with International Standards on Auditing and the IFAD 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 fiscal year.
36. The PMU will administer project procurement at the central level and will oversee any procurement executed at the state level. Procurement will be carried out in compliance with the IFAD Procurement Guidelines and Handbook. The project implementation manual will detail procurement requirements and procedures. 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. Technical assistance will be provided to develop the procurement capacities of the PMU and PIO.

E. Supervision

37. The project will be directly supervised by IFAD. A supervision and implementation support mission will be undertaken annually. MoALI will support and participate in these missions at central and state levels.
38. Supervision will be viewed as a continuous process requiring ongoing communication and engagement with the central government, state governments, the PMU 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. A midterm review (MTR) will be undertaken at project year three 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 MTR 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 and 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 a six-year project implementation period. The exchange rate has been set at 1,000 kyats to one United States dollar, the average rate prevailing at design completion, and a constant purchasing power parity exchange rate is assumed.

B. Project financing

41. The project will be financed by: IFAD loan resources on highly concessional terms of approximately US\$56.7 million (87 per cent of total cost); IFAD grant resources of approximately US\$1.5 million (2 per cent); a Government contribution estimated at US\$4.9 million (8 per cent) to cover, inter alia, part of the land development work and salaries of government personnel associated with project implementation; and beneficiary contributions estimated at US\$2 million (3 per cent).

Table 1

Project costs by component and financier

(Thousands of United States dollars)

	<i>Government</i>	<i>IFAD loans</i>	<i>IFAD grant</i>	<i>Beneficiaries</i>	<i>Total</i>	
	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>%</i>
A. Strategic investments						
1. Land development	4 257.4	32 399.2	-	-	36 656.6	56.3
2. Community agroforestry	65.4	4 525.7	-	1 243.2	5 834.3	9.0
Subtotal	4 322.8	36 924.9	-	1 243.2	42 490.9	65.2
B. Enabling investments						
1. Knowledge and technology	103.0	4 079.2	251.7	211.9	4 645.8	7.1
2. Services	53.7	10 352.2	95.0	566.4	11 067.3	17.0
Subtotal	156.7	14 431.4	346.7	778.3	15 713.1	24.1
C. Project management	424.5	5 376.1	1 154.4	-	6 955.0	10.7
Total	4 904.0	56 732.4	1 501.2	2 021.5	65 159.1	100.0

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

	<i>Government</i>		<i>IFAD loans</i>		<i>IFAD grant</i>		<i>Beneficiaries</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
I. Investment costs										
A. Civil works	4 257.4	10.9	34 869.2	89.1	-	-	-	-	39 126.6	60.0
B. Vehicles	0.0	-	1 009.7	100.0	-	-	-	-	1 009.7	1.5
C. Equipment	0.0	-	1 778.6	100.0	-	-	-	-	1 778.6	2.7
D. Technical assistance	0.0	-	3 025.6	73.6	1 075.8	26.2	11.0	0.3	4 112.4	6.3
E. Studies, training and local services	118.2	2.3	3 800.1	74.4	425.4	8.3	767.3	15.0	5 110.9	7.8
F. Credit guarantee scheme	-	-	2 978.3	100.0	-	-	-	-	2 978.3	4.6
G. Agricultural and other inputs	65.4	5.0	10.4	0.8	-	-	1 243.2	94.3	1 319.0	2.0
H. Matching grants	-	-	5 155.5	100.0	-	-	-	-	5 155.5	7.9
Total investment costs	4 441.0	7.3	52 627.3	86.9	1 501.2	2.5	2 021.5	3.3	60 591.0	93.0
II. Recurrent costs										
A. Salaries of contractual project staff	45.6	1.7	2 600.5	98.3	-	-	-	-	2 646.1	4.1
B. Contractual project staff allowances	-	-	630.9	100.0	-	-	-	-	630.9	1.0
C. Other operating costs	219.6	28.8	543.1	71.2	-	-	-	-	762.7	1.2
Total recurrent costs	463.0	10.1	4 105.1	89.9	-	-	-	-	4 568.1	7.0
	4 904.0	7.5	56 732.4	87.1	1 501.2	2.3	2 021.5	3.1	65 159.1	100.0

C. Summary benefit and economic analysis

42. The project will directly impact an area of about 187,000 acres of which 58,000 acres are irrigated, 104,000 acres are upland rainfed and 25,000 acres 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 2017 to 2023 will be worth about 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: (a) 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; (b) access to markets: upgraded commodity chains, contract farming and outgrower schemes will ensure smallholder access to markets – access that can be sustained based on underlying business relationships; (c) access to water: irrigation and drainage improvement, combined with participatory water management, will improve water distribution and operation and maintenance; (d) access to finance: financial inclusion activities will eventually link smallholders and agroforestry households with the formal financial sector; (e) extension services: use of MoALI extension officers trained by the project will ensure continuity in the delivery of services.
45. The project's exit strategy is to strengthen public institutions at central and state levels, to rely on a range of institutional service providers for implementation of activities, to foster profitable business relationships between producers and markets, and to 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 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 state levels, and intensive supervision and implementation support by IFAD.

V. Corporate considerations

A. Compliance with IFAD policies

47. The Eastern States Agribusiness Project (ESAP) is compliant with all relevant IFAD policies, in particular: (i) its targeting strategy is consistent with the Targeting Policy approach of focusing on economically active poor rural women and men; (ii) its investments in rural economic growth are compliant with the Rural Finance Policy focus on promoting inclusive financial systems; (iii) its participatory approach to land development is consistent with the focus on the principles of free, prior and informed consent and community-driven development of the Land Tenure Policy and the Engagement with Indigenous Peoples Policy; (iv) its evolving gender mainstreaming strategy is in compliance with the Gender Equality and Women's Empowerment Policy; (v) its focus on promoting PPPs for private-sector development and policy dialogue is in line with the Partnership Strategy; and (vi) its environmental impact assessment procedures for infrastructure investments are aligned with the Climate Change Strategy regarding 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 to reduce economic and social disparities in rural areas. It is consistent with Myanmar's Development Assistance Policy, 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 multidonor 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 upland and hilly areas of Myanmar's eastern states. Key innovations in the Myanmar context include: (i) introduction of the 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 microenterprises; and (vi) support for adapted rural finance products and services.
50. The Government considers the project a model to be eventually scaled up in upland/highland areas of Myanmar. The project adopts a modular approach to the extent feasible. 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.

D. Policy engagement

51. 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 agriculture and rural development across upland areas, and in particular with regard to ethnic states. It will also support dialogue on technologies, knowledge resources and financial services in support of poor farming and landless households.
52. 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 the evidence base to inform policy discussions.

VI. Legal instruments and authority

53. 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. A copy of the negotiated financing agreement is attached as an appendix.
54. The Republic of the Union of Myanmar is empowered under its laws to receive financing from IFAD.
55. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

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

RESOLVED: that the Fund shall provide an additional loan on highly concessional terms to the Republic of the Union of Myanmar in an amount equivalent to twenty million four hundred thousand special drawing rights (20,400,000 SDR), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED: that the Executive Board shall approve an extension of 12 months – to 22 April 2018 – of the time limit for signing the financing agreement for the full amount of the financing for the project.

Gilbert F. Houngbo
President

Negotiated financing agreement

"Eastern States Agribusiness Project"

(Negotiations concluded on 31 August 2017)

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 (the "Fund" or "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), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

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. 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. (a) The amount of the Loan is forty million and four hundred thousand Special Drawing Rights (SDR 40 400 000).

(b) The amount of the Grant is one million and 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 February and 15 August.
6. There shall be a Designated Account denominated in USD opened and maintained by the Borrower/Recipient to receive the Loan proceeds (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 and all of Government personnel salaries associated with the implementation of the Project.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture, Livestock and Irrigation (the "MoALI"). The Focal Department will be the Irrigation and Water Utilization Management Department (the "IWUMD") of the MoALI.
2. A Project Management Unit (the "PMU") will be established within the IWUMD in Nay Pyi Taw and will be integrated with the IWUMD structures. A Project Implementation Office (the "PIO") shall be established in each of the Project states.
3. Additional Project Parties shall include, inter alia, the implementing entities referred to in Schedule 1 hereto.
4. The Lead Project Agency shall enter into an agreement with 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 Completion Date shall be six years from the date of entry into force of this Agreement.

Section D

The Financing shall be administered and the Project supervised by the Fund. A mid-term review shall be carried out jointly by the Fund 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 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 State Project Coordination Committees (the "SPCCs") and/or the state-level PIOs, referred to respectively in 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 from the Loan account:

The Project Director and Finance Officer, both acceptable to the Fund, shall have been selected by MoALI from the IWUMD and assigned for the Project.

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:

Minister for Planning and Finance
Ministry of Planning and 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 two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient.

REPUBLIC OF THE UNION OF MYANMAR

[Authorized Representative]

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
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 MoALI, in its capacity as the Lead Project Agency, shall have the overall responsibility for the Project's implementation. The Irrigation and Water Utilisation Management Department (IWUMD) will be the focal department of the Project.

6. Governance. The Project's governance framework shall consist of the NPSC and a SPCC in each Project state. The Project's management and coordination framework shall consist of the central PMU within the Irrigation and Water Utilization Management Department (IWUMD), and a PIO in each Project state.

7. NPSC. The NPSC shall be chaired by the MoALI Deputy Minister. Its membership shall include senior representatives of the MoALI Office of the Minister, relevant MoALI departments, and representatives of MoPF and MoNREC. Representatives of the state-level MoALI shall be represented in the NPSC to the extent feasible. The Committee shall convene in Nay Pyi Taw. Its responsibilities shall be to provide strategic and policy guidance, oversee implementation, approve annual work plans and budgets, oversee external audit, and endorse consultants' selection.

8. SPCCs. A SPCC shall be constituted in each state. It shall be chaired by the respective State Minister of MoALI. Members shall include representatives from the Office of the Chief Minister, Home Affairs, relevant state-level Ministries and MoALI departments, and community organizations. At state level, its responsibilities shall be to provide guidance, oversee implementation, approve annual work plans and budgets, endorse consultants' selection, review progress reports, and ensure coordination. The SPCCs shall convene in Hpa-An (Kayin) and Taunggyi (Shan) respectively as required.

9. Management. The Project's management structure shall consist of (i) a central level Project Management Unit (PMU), located in Naypyidaw; and (ii) a Project Implementation Office (PIO) in each Project state.

10. PMU. The PMU shall be established within the IWUMD and shall be integrated with IWUMD structures. It shall be responsible for Project implementation, fiduciary management (including financial management, procurement and contracting, and legal compliance), work planning and budgeting, monitoring and evaluation, and progress reporting. The PMU shall be headed by a Project Director from the IWUMD appointed by MoALI. A Project Manager shall be recruited from the market through a competitive process, and shall coordinate daily operations. The PMU shall be staffed by: (i) relevant assigned officers from IWUMD, DRD, and other MoALI

departments as required; and (ii) a set of competitively recruited consultants on annual contracts (agribusiness/value chains; rural finance; community development and gender; financial management; accounting; procurement; Monitoring & Evaluation (M&E)).

11. The PMU shall be supported by a strong technical assistance team financed through the IFAD grant. The grant shall be executed by UNOPS on the basis of an Agreement with MoALI. UNOPS shall competitively recruit, subject to IFAD prior review, the technical assistance necessary to strengthen IWUMD and MoALI in relevant areas. It shall provide a medium-term Project Management Advisor (PMA) and specific short-term TA inputs.

12. Project financial management shall be administered by the existing Finance Unit of the IWUMD. The IWUMD shall assign a Finance Officer and accounts staff from its existing staff specifically for the Project, who shall work under the supervision of the Unit's Finance Director. For the purposes of the Project, the IWUMD's Finance Unit shall be supported by two consultants in the PMU, namely a Financial Management specialist and an Accountant. The PMU shall operate a computerized accounting system, acceptable to the Fund, for the purposes of the Project.

13. PIO. One PIO shall be established in each State (in Hpa-an and Taunggyi), mainstreamed within the state-level IWUMD. The PIO shall be responsible for coordinating implementation at state level and for monitoring and reporting on progress. The PIO shall be headed by a state Project Coordinator, to be assigned by IWUMD from its state-level staff. Daily operation of the PIO shall be the responsibility of a state Project Implementation Officer (agriculture specialist) recruited from the market through a competitive process. The PIO shall be staffed by: (i) assigned officers from relevant state MoALI departments and other relevant Ministries (such as MoNREC); and, (ii) a set of competitively recruited consultants on annual contracts (rural finance, community development and gender, accounting, and M&E).

14. The PIOs shall be supported by a strong technical assistance team to be financed through the IFAD grant. UNOPS shall competitively recruit, subject to IFAD prior review, the technical assistance necessary to strengthen state level IWUMD and MoALI in relevant areas. In each state, it shall provide a Project Implementation Advisor for the durations required, and specific short-term TA inputs.

15. State-level financial management shall be administered by the existing Finance Unit of state-level IWUMD. The state-level IWUMD shall assign a Finance Officer and accounts staff from its existing staff specifically for the Project, who shall work under the supervision of the Unit's Finance head. For the purposes of the Project, the IWUMD Finance Unit shall be supported by an Accountant (consultant) in the PIO.

B. Implementation of Components

16. 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 PMU on a competitive basis in consultation with the PIOs. Land development shall be implemented by state-level MoALI IWUMDs (which can sub-contract specific works if required). A qualified 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 state-level IWUMDs, PIOs, farmers' groups, and the service provider(s).

17. Sub-component 1.2: Community Agroforestry. The activities under Sloping Agricultural Land Technology (the "SALT") will be implemented by the respective KCs where applicable, with support from a service provider. Investment in

community facilities such as tubewells, solar powered pumps and drinking water networks shall be designed and implemented either by DRD or a contracted service provider.

18. Sub-component 2.1: Knowledge and Technology. KCs shall be constructed by local contractors selected on competitive basis by the PMU in consultation with the PIOs. Where feasible, community contracting using local labour shall be considered. KCs shall be supported by TA and 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.

19. Sub-component 2.2: Agribusiness Development and Financing. The Agribusiness Fund (the "ABF"), as defined in the PIM, shall be managed by the PMU with external support as required, and with NPSC oversight. Funding decisions shall be made by an independent ABF committee. Guarantee deposits in financial institutions will be managed by an audit firm selected by the PMU following due diligence. A Guarantee Committee shall review claims and approve pay-outs. Participating financial institutions shall be selected by the PMU. The process will include public announcement, expressions of interest, shortlisting, submission of proposals, due diligence and evaluation, and clearance by NPSC and IFAD. 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") on the basis of an Agreement with the PMU.

C. The PIM

20. Preparation. The PMU shall prepare a draft PIM outlining the standard operating procedures for the implementation of the Project, including for financial management, accounting and procurement, in line with international best practices. Once prepared, the PIM shall be first approved by the relevant departments of MoALI, before being presented to the NPSC for approval and IFAD for concurrence. The PIM shall include a section on financial management and procurement, and shall detail procedures for the provision of matching grants.

21. Approval and Adoption. The Lead Project Agency shall forward the draft PIM to IFAD for its clearance. 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.

Schedule 2

Allocation Table

1. Allocation of Loan and Grant Proceeds. (a) The Table 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:

Category	Loan Amount Allocated (expressed in SDR)	Grant amount (expressed in SDR)	% of Eligible Expenditures to be Financed
I. Works	23 000 000		100%
II. Equipment and Materials	1 270 000		100%
III. Training	1 960 000		100%
IV. Consultancies	1 710 000	1 100 000	100%
V. Goods and inputs	760 000		100%
VI. Matching grants	3 300 000		100%
VII. Guarantee scheme	1 910 000		100%
VIII. Recurrent Costs	2 440 000		100%
IX. Unallocated	4 050 000		
Total	40 400 000	1 100 000	

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

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

“Matching Grants” under Category VI of Table A, shall mean competitive grants to agribusinesses to set up processing facilities close to production areas, under the Agribusiness Fund.

“Guarantee Scheme” under Category VII of Table A shall mean a scheme set up to guarantee loans provided by financial institutions.

“Recurrent Costs” under Category VIII of Table A, shall mean eligible expenditures incurred related to recurrent operating and maintenance costs, remuneration of personnel except for salaries of government staff assigned to the Project, and allowances.

2. Retroactive Financing. As an exception to Section 4.08(a)(ii) of the General Conditions, specific eligible expenditures up to the equivalent of USD 150 000 incurred after the date of approval of the Project by IFAD Executive Board but before the entry into force of this agreement may be pre-financed by the Government and reimbursed from the Loan Account after the Financing Agreement has entered into force and the conditions precedent to withdrawal have been met. These specific eligible expenditures consist of (i) capacity building for PMU/PIO staff and target groups; and (ii) consultancy services.

3. Start-up Costs. The Project may request an advance withdrawal of up to USD 250 000 equivalent from the Loan Account to incur start-up expenditures before the conditions precedent to withdrawal are met. Eligible expenditures shall cover: (i) capacity building for PMU/PIO staff and target groups; (ii) consultancy services; (iii) remuneration of key PMU/PIO personnel; and (iv) any rental expenditures for the PMU 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, the Fund 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 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 the investments in land development and agro forestry are targeted to smallholders and poor forest households, who shall not be expropriated from their land or forest areas thereafter; and
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 shall be eliminated.

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 agri-businesses 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 USD 500 in the irrigated lowland and by USD 500 in the uplands of Kayin State (Baseline: avg. annual income USD 280 and 240 respectively) at least USD 700 in the irrigated lowland and USD 1,300 in uplands of Shan State (Baseline: avg. annual income USD 290 and 230 respectively) at least USD 1000 in agro-forestry areas of Kayin (Baseline: USD 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 agro-forestry villages are less isolated	<ul style="list-style-type: none"> At least 45,000 farmers in low land, uplands and agro-forestry 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"> IWUMD/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 IWUMD/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) USD 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 agri-businesses financed through the Agri-Business Fund 80% of agri-businesses 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 agri-businesses 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 USD 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