



Investing in rural people

THE REPUBLIC OF THE UNION OF MYANMAR

Fostering Agricultural Revitalization in Myanmar (FARM)

Supervision report

Main report and appendices

Mission Dates: 17-28 October 2016
Document Date: 4-Nov 2016
Project No. 1654
Report No: 4322-MM

Programme Management Department

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Abbreviations and acronyms

ADB	Asian Development Bank
AMD	Agricultural Mechanization Department
AWPB	Annual Work Plan and Budget
CIG	Common Interest Groups
DA	Designated Account
DALMS	Dept. of Agricultural Land Management and Statistics
DOP	Department of Planning
DOA	Department of Agriculture
FM	Finance management
FPIC	Free, Prior and Informed Consent
GAP	Good Agricultural Practices
GoM	Government of Myanmar
HH	Households
ID	Irrigation Department
IFAD	International Fund for Agricultural Development
IQF	Individually quick frozen
JICA	Japan International Cooperation Agency
KC	Knowledge Centre
KOICA	Korea International Cooperation Agency
KRC	Korean Rural Cooperation
LTB	Letter to the Borrower
MFI	Micro-Finance Institution
MOALI	Ministry of Agriculture, Irrigation and Irrigation
MOF	Ministry of Finance
NGO	Non-governmental organization
NPSC	National Project Steering Committee
OAG	Office of Auditor General
PA	Project Account
PCU	Project Coordination Unit
PIM	Project Implementation Manual
PLUP	Participatory Land Use Planning
PWC	Project Working Committee
RBF	Rural Business Fund
TA	Technical Assistance
TORs	Terms of reference
UNOPS	United Nations Office for Project Services
WB	World Bank
WUG	Water Users' Group

A. Introduction¹

1. The Fostering Agricultural Revitalization in Myanmar (FARM) Project is IFAD's first investment project in Myanmar. The six-year project aims to improve household income of smallholder and landless households in five townships² of the Nay Pyi Taw Union Territory. The project supports land development, productive infrastructure, agricultural and business services, flow of knowledge and capacity building to promote an inclusive development model. The main components of the project are: (i) Agricultural Infrastructure development: expansion of irrigated areas with complementary investments in land development identified through a participatory process; (ii) Agricultural and Business Services: creating a pluralistic participatory extension service platform to support farming households; and provide services to landless entrepreneurs to start/develop rural micro-businesses.
2. The project is financed by IFAD through a loan of USD 18.8 million, on highly concessional terms, and a grant of USD 0.8 million. The project is being co-financed by the Government, with a contribution of USD 5.3 million, private sector contribution of USD 2.4 million and beneficiary contribution of USD 0.6 million. FARM was approved by the IFAD Executive Board in April 2014 and become officially operational on 22 October 2014.
3. The second supervision mission for FARM took place from 17 to 28 October 2016 in Nay Pyi Taw Union Territory. The main objectives of the mission were to: (i) assess the progress made in the implementation of the project since becoming effective in October 2014; (ii) identify the actual and potential/emerging operational problems; and (iii) propose solutions, corrective measures or improvements to be done. The mission held debriefing meetings with the Ministry of Agriculture, Livestock and Irrigation and the PCU on the 17th October. Field visits were undertaken between 18-26 October. Follow-up meetings were held between mission members and their government counterparts during the same period. The mission also met with counterparts from the Ministry of Planning and Finance and the Office of the Auditor General and the National Project Steering Committee. The mission was able to visit of a number of project sites where activities are currently underway. This included visits to three irrigation sites and 14 Knowledge Centres (KCs). The mission participated in meetings for implementing community participatory processes and met participating beneficiaries. The mission also interacted with partners such as the Korea Rural Community Corporation (KRC). It met with relevant private sector entities including microfinance institutions and agri-businesses.
4. The wrap-up meeting was held on 28th October, chaired by H.E. The Deputy Minister of Agriculture, Livestock and Irrigation. The IFAD Mission would like to express its gratitude to the Government of Myanmar, the FARM Project Coordination Unit, and project beneficiaries for their cooperation and support during the mission.

B. Overall assessment of FARM implementation

5. ***The Overall Implementation Progress is rated as moderately unsatisfactory (3).*** It is the mission's assessment that the overall project performance is **moderately unsatisfactory**. While 33% of the six-year project implementation period has elapsed to date, only 21% of IFAD resources have been disbursed, and physical progress is behind schedule.
6. While project field activities are limited, they are generating satisfactory outputs. Land development investments are increasing paddy yields and driving up land prices, for the benefit of small farmers. The brokering functions of KCs are proving to be instrumental in modernising agriculture and stimulating rural business growth. There is substantial farmer interest in adopting the improved technologies being demonstrated, such as mechanical seeding, input application, and nursery activities. Contract farming arrangements are expanding rapidly; to date, five agribusinesses have contracted farmers in both upland and lowland areas for the

1 Mission composition: Mr Omer Zafar, Country Programme Manager and Mission Leader; Mr Jens Kristensen, Agribusiness Specialist; Mr Michele Pirazzoli, Infrastructure Specialist; Mr Shankar A. Kutty, Procurement Specialist; Mr Pradeep Shrestha, Financial Management Specialist; Ms Jeszel Topacio, M&E and KM Specialist; Ms Enika Basu, Programme Officer and Targeting and Community Development Specialist; Myat Thiri Wai, Country Programme Facilitator and Mr Aung Hlaing, interim Country Programme Officer.

2 The five townships are: Lewe, Tatkon, Zeyathiri, Ottathiri and Pinyinmana

supply of high value crops, with tangible financial returns for farmers. Production of rice seed by farmers for supply to rice seed companies is also increasing, and farmer to farmer seed multiplication has initiated. Some 325 common interest groups (savings and credit groups) with 44% women membership, are utilising revolved savings and seed capital to invest in coping strategies that combat vulnerability and increase resilience, generating benefits for 28,200 household members. The rural business fund has financed 317 group and individual micro-enterprises operated by poor landless households in high value cropping on home gardens, livestock activities, and off-farm products and services, with positive effects on incomes and food security. The competitive tender for the selection of a MFI to set up local operations has also been completed. Furthermore, one MFI is using the KCs to provide loans to farmers, independently of the project.

7. Project management performance, however, has been moderately unsatisfactory. It has been characterised by centralised decision-making, unstructured management, imbalanced implementation, inadequate participation and limited social mobilisation (pre-requisite for investments in civil works). It has also been afflicted by fiduciary issues. Procurement actions have not always complied with requirements and best practices, particularly in seeking economies of scale and best value solutions. Financial management has deviated from standard procedures, particularly in financial accounting and flow of funds, due to perceived contradictions between IFAD requirements and national systems which could have been resolved. As a result, physical progress is well behind schedule and land development targets are largely unmet; the positive achievements outlined above regrettably remain at a limited scale. Both MOALI and IFAD understand the urgent need to correct project management problems to ensure timely, efficient and cost-effective implementation.
8. ***The Likelihood of achieving development objectives is rated moderately satisfactory (4).*** The overall goal of the project is to improve the economic status of poor rural women and men in the project area. Its development objective is to increase the incomes of smallholder and landless households. While field activities have been limited, the outcomes from those few activities have been satisfactory, thereby validating the soundness of the project's concept. The main reason for the lag in physical progress has been the performance of project management. MoALI has taken decisive steps in recent months to address project management challenges. A new project director with the required competencies and experience has just been appointed, with IFAD concurrence. A competitive process is underway for appointment of a new project manager, and is expected to be completed in mid-November following IFAD review and concurrence. A competitive process for a new financial manager will be launched in early November and completed by end-November, also with IFAD review and concurrence. The mission observes that in the view of MoALI's reactivity the present lag in physical and financial progress of the project can still be recuperated with revised targets for the next AWPBs and better management. Therefore, at present the mission considers the project will achieve its development objectives.

C. Outputs and outcomes

9. ***The project's performance in achieving the outputs and outcomes is rated moderately satisfactory (4)***
10. ***Component 1: Agricultural Infrastructure is rated as moderately satisfactory (4).*** The implementation of land development activities over the review period has been unsatisfactory. The land consolidation target for 2015/16 was revised to 2,000 acres, of which only 351 acres (18%) have been completed to date. The main constraints are: (i) slow progress in executing the PLUP process; (ii) difficulties in resolving discrepancies between the land titles issued and DALMS ex ante surveys; (iii) other concurrent investments in irrigation infrastructure being undertaken by ID, and consequent capacity shortages.
11. ***Participatory Land Use Planning (PLUP):*** Since July 2015, the PLUP process has been initiated on an aggregate area of 3,800 acres cultivated by 1,200 farming households. Rather than focusing on areas pre-identified by the ID, the PCU has been mobilising communities for land development around existing active KCs. This provides opportunities for a closer integration of

activities under the two project's two components. The PLUP process is initiated only when there is a written request from the community to undertake land consolidation. The key characteristics and status of the PLUP process in each block that entered the implementation pipeline is reported in the table below.

Areas involved in the PLUP process as of 25 October 2016													
#	Source	Village Tract	KC #	Area (Acre)	# of plot owners	PIC Formed	Cadastral re survey	Precision topo survey	Attribute data	Preliminary Design	Detailed Design	Reallocation plan agreement	Remarks
1	PL	BLOCK 1 (Zee Phyu Pin)	31	303	175	27.8.2015	X	X	X	X	X	X	Construction works COMPLETED February - March 2016
2	PL	BLOCK 2_1 - (Zee Phyu Pin)	31	48	16	27.8.2015	X	X	X	X	X	X	Construction works COMPLETED March - April 2016
3	PL	BLOCK 2_2 - (Zee Phyu Pin)	31	102	31	27.8.2015	X	X	X	Field validation/adjustments of design pending			Preliminary consensus about skipping the gram season
4	PL	BLOCK 2_3 - (Zee Phyu Pin)	31	116	46	3.4.2016	X	X	X				249 acres additional contiguous land applied to PCU
5	PL	BLOCK 3 of Yae Kar	33	500	229	5.9.2015	X	X	validation pending	Field validation/adjustments of design pending			628 acres additional contiguous land have major issues with land ownership of old WRUD system
6	PL	Padauk Chaung	32	800	86	18.9.2015	X	X	validation pending	Field validation/adjustments of design pending			Major disagreements on the validation of attribute data
7	CM	Ma dah Pin (Block 1857 1858)	39	214	83	25.7.2016	X		ongoing				Map with ownership completed
8	CM	Ma dah Pin (Block 1855)	39	245	70	21.9.2016	X		ongoing				
9	CM	The Yat Khon (Block 1837,1841, 1843 A, No.2, 25,26,27)	37	226	83	6.8.2016	X		ongoing				Preliminary consensus about skipping the gram season
10	PL	Pauk Myaing (Block 1745,1746,1747)	35	472	122	23.7.2016	ongoing						
11	PL	Pyan Chi (Block 1742, 1737 B)	34	397	122	5.8.2016							The PIC has formally requested to strat the PLUP process
12	CM	Mway Yoe Lay	14	367	112	12.9.2016							The PIC has formally requested to strat the PLUP process
		Grand Total		3791	1175								
Note: CM=Chaungmangee PI=Paunglaung													

Note: CM=Chaungmange PL=Paunglaung

12. There are considerable delays against the PLUP timeline that was agreed during the July 2015 and February 2016 missions. Only a fraction of the works planned were completed before the start of the monsoon, and currently there are no land development works ready to be undertaken in November (start of the 2016-17 construction season). This constitutes a major bottleneck to the successful completion of the planned civil works prior to the onset of the 2017 monsoon. Furthermore, delayed start of works after the monsoon rice harvest have previously triggered disputes among farmers on the cultivation of the second crop, with further delays and sub-optimal phasing of civil works. The PLUP team needs to prioritize and intensify its efforts to complete the process with the approval of final designs in areas that are at a relatively more advanced stage of participatory planning.
13. It is observed that appointment of the project manager as PLUP team leader has adversely affected the delivery of both functions. The two functions should be separated in the future. Possible changes of the PLUP team composition to ensure better coordination with concerned authorities have been discussed, and proposed modifications will be submitted to IFAD for review. In addition, the mission recommends reviewing the TOR of the IWUGS to include specific responsibility for execution of the PLUP process. In particular, the functions of the IWUGS should focus on improving stakeholders' coordination and timeliness of the PLUP process. To this effect, the IWUGS would have operational responsibility to schedule, organize and participate in PLUP team meetings. Pending the mobilization of the IWUGS, these functions will be handed over by the project manager to a dedicated resource reporting to the project director.
14. To accelerate PLUP implementation, the mission recommends: (i) immediate contracting of a service provider (NGO) to support the PLUP team for social mobilisation; (ii) timely contracting of DALMS for ex-ante surveys, including field-level validation of cadastral attribute data; (iii) issuance of work orders by the PCU to the ID only after final agreement is reached with communities on the design and reallocation of plots; and (iv) consideration by the ID to outsource any portion of construction works by mobilising private sector sub-contractors, while retaining its role as contractor vis a vis the PCU. As indicated in the Financing Agreement, IFAD loan funds are earmarked to cover the direct cost of construction only; any additional cost incurred for engineering resources and equipment from the private sector would be covered by the Government contribution.
15. *Land development works:* Land development has been completed on only 351 acres cultivated by 191 households. The works were executed in two phases covering 305 acres and 46 acres,

both part of a wider contiguous block of 471 acres, which is planned for completion by April 2017. The phasing was applied to allow some farmers to harvest post-monsoon gram prior to the start of works. Besides obstructing the efficient execution of civil works, this has raised the expectations of some farmers for compensation for the crops foregone, ultimately hampering the level and quality of beneficiary participation. In this context, it is important that the blocks are well demarcated as contiguous optimal units for both water management and construction; at the early stages of the PLUP process, the farmers need to reach consensus on foregoing cultivation during the construction period. The mission reiterates that works should not be executed in areas lacking social cohesion and community consensus, that in the future no compensation should be provided to farmers, and that phasing should be staggered across blocks to facilitate the mobilisation of equipment.

16. Visual inspection of completed land development works, including farm roads, irrigation canals, drains and hydraulic structures, confirm that they are of acceptable quality and in line with detailed design. Design solutions for reducing the amount of land losses for channels and optimising the number of tertiary level hydraulic structures have been sought and applied. Field visits revealed that the PIC elected by farmers has been effective in conveying their demands regarding design and construction. Villagers actively participated in the construction works as wage labour. The project should maintain records on the numbers and costs of labour days, as per PIM requirement.
17. The quality of levelling works carried out by the AMD raises concerns, as manual rather than laser controls have been applied, with shortcomings in terms of accuracy. The mission emphasizes that as the prime contractor, ID is responsible to ensure the performance of subcontractors. In any case, beneficiary farmers reported satisfaction with the outcome of the works in terms of improved access, reduced transport cost, timeliness of irrigation, and substantial improvements in yield (+30%) for monsoon paddy following land development. This may be attributed to the application of sound engineering practice in drawing the cut/fill plan and topsoil stripping, piling up and re-spreading. However, these preliminary results need to be re-assessed with proper control on the variables (e.g. seed quality and fertilizer application).
18. *Civil Works Contracting and Management.* During the period under review, the PCU has entered into three contracts with ID for land development, covering 1,053 acres. Of these, the works under one contract (303 acres) have been completed. For the other two contracts (250 and 500 acres respectively) a 20% advance has been paid, while physical progress is limited to the completion of 48 acres under the contract for 250 acres. Review of relevant documentation for these two contracts revealed that the detailed design and draft relocation plan have not yet been validated with farmers, which is a PLUP pre-requisite. It is further noted that: (i) the contract amounts are not based on site specific BOQs; (ii) the 5% payment retention is not applied; (iii) the completion dates have elapsed. These points need to be rectified by the PCU and ID through amendments to both contracts, and re-submission to IFAD for concurrence.
19. *Technical assistance.* The project has mobilised international TA from KRC for the design of land development works. KRC has developed the detailed designs for about 2,000 acres consisting of 3 contiguous areas under the Paunglaung irrigation scheme, including the 351 acres which have been implemented to date. Field visits and review of design documentation indicates that KRC's input has been highly valuable, particularly on key aspects such as the optimal cut/fill for area-based levelling and hydraulic sizing of irrigation and drainage canals. KRC has been using a dedicated proprietary 3D hydraulic design software made available to the MOALI engineers. Unfortunately, following the topographical survey the ID did not mobilize and outpost its designers to work with KRC; as a result, KRC executed most of the design works itself. While the mission would support extension of KRC's support to the 2016/17 design programme, it would be subject to allocation of dedicated ID staff.
20. *Irrigation water management.* WUGs, with elected leaders, are reportedly under registration in line with standard ID practice across the 351 acres where land development works are completed. Each WUG represents all farmers along a tertiary canal. Pending recruitment of the IWUG specialist, PCU support for WUA governance and capacity building is suspended. Field visits evidenced an immediate need to establish clear responsibilities of the WUGs for routine maintenance not only of the tertiary irrigation and drainage canals, but also of the farm roads to avoid vegetation on the stabilized road surfaces. Furthermore, WUGs should be advised to

provide and use suitable stop planks on all hydraulic structures to enable proper water management at the tertiary level. This is critical at locations where a single canal is used for both irrigation and drainage through check structures. The project should also facilitate coordination mechanisms and joint representation by WUGs at the block level as an instrument to facilitate farmer interaction with ID on irrigation scheduling and maintenance also of the primary and secondary level infrastructure.

21. *Future land development.* Only eight of the 40 KCs completed to date are within the command area of the two irrigation schemes identified at design as being the most suitable for land development, based on the availability of irrigation water, namely Paunglaung (5 KCs) and Chaungmange (3KCs). Farmers' groups in all eight KCs have expressed interest in land development activities. With the MTR mission scheduled for the end of 2017, in the forthcoming year the PCU needs to reassess the potential demand for land development in eligible locations served by KCs. Evidence gained with the ongoing operations shows that where works are completed, farmers' groups from contiguous areas submit requests for land development on their plots. Following the start of civil works in the current construction season, the PCU should solicit applications and develop a credible implementation plan to project completion, for review by MoALI and IFAD.

Agreed action	Responsibility	Agreed date
Completion of PM hand-over of PLUP process results to dedicated resource appointed by the PD	PD	15 November 2016
Mobilisation of service provider and IWUGS to support the PLUP process	PCU	1 December 2016
Completion of PLUP process including farmers' consent on final designs and reallocation plan for about 600 acres at more advanced stage of completion (Lot 1); works started following the amendment of ID contracts	PLUP Team/ID designers/TA/ID construction	1 December 2016
Completion of PLUP, including farmers' consent on final designs (by ID with TA) and draft reallocation plan for additional areas lagging in the PLUP process (Lot 2); works started after ID contracting	PLUP Team/ID designers / TA / ID Construction	1 February 2017
Water Users' Groups formed and trained after civil works completion	IWUGS	30 July 2017
PLUP, final designs and reallocation plans agreed for areas to be developed in the 2017-2018 construction season	PLUP team/ ID/IWUGS/SP	September 2017

22. **Component 2: Agriculture and Business Services is rated as moderately satisfactory (4).**
23. **Sub-component 2.1: Investing in Knowledge is rated moderately satisfactory (4).** The pluralistic service delivery platform organised in the form of Knowledge Centres (KCs), which build on the structure and network of public extension services, has proved to be a successful model. KCs are stimulating production and business linkages within their initial year of operation. They are already brokering markets and services for over 7,000 smallholder households. Six input supply companies and seven private agribusinesses (processors, exporters) have established operations in the FARM locations, using KCs as focal points for demonstrations, farmers' field schools, training and contract farming. One agribusiness has established a major IQF processing facility, which is HACCP compliant and poised to obtain ISO 22000 certification, within the project area; it is already contracting project farmers for horticulture products exported to the Japanese market. Services are also being provided by the public sector (Depts. of Agriculture, Research, Irrigation, Mechanisation, Land Records) through KCs. Three financial institutions have requested project management to operate within KCs for administering financial services. Some 325 savings and credit groups have been established in KCs and are operational. KCs constitute a proven instrument for commercialising smallholder agriculture and breaking the dependency-subsistence-poverty trap.

24. Despite these achievements, the establishment and initial operations of KCs have encountered a series of teething problems which are outlined below and are now being addressed by the new project management team.
25. *KC Board of Directors.* The ownership, governance and management arrangements for KCs are in line with expectations. The KC boards of directors, consisting of community representatives, are operational at the 15 initial KCs, and have been established in 24 of the 25 new KCs (the final one is in process). Following board formation and election of officials, all board members have received training in the role of KC boards and their officials, and their management and operation.
26. *Common interest groups.* Despite plans to establish agriculture CIGs across the KC area, the project has not yet supported the formation of this type of CIG. This is unfortunate as the CIGs are a powerful tool for transfer of knowledge and technologies, joint marketing efforts (selling produce and buying inputs), and obtaining financial services. It is recommended that the respective PCU specialists begin the formation of agricultural CIGs.
27. *KC demonstrations.* Transfer of knowledge by the KCs has mainly been through field demonstrations on farmer's field. A total of 628 demonstrations have been carried out to date, covering GAP for rice, cotton, green gram, seed maize, sesame, sweet maize, pumpkin, chili, tomato, eggplant, okra and groundnut; rice quality seed production; mechanical transplanting of rice; alternate wet and dry methods of rice cultivation; direct rice seeding; and line sowing for rice. About 20 farmers have been attending demonstration activities at each site, implying that the programme has already reached 12,500 farming households. It is observed that the most popular technologies demonstrated are mechanical transplanting, good nursery practises for rice seedlings, and alternate wet and dry rice cultivation. It is anticipated that the adoption rate will be considerable. The anticipated incremental net income from these demonstrations is expected to vary from USD 55/acre to USD 110/acre.
28. Unfortunately, some demonstrations were carried out in a top down manner, rather than being developed in consultation with KC members; however, most managed to convey the technologies to farmers. The design of some demonstrations requires change; rather than applying a comprehensive package of inputs, it would be more effective to use part of the plot as control, and other parts to show demonstrated variables on incremental basis. This method makes it easy for farmers to assess the impact of any single demonstrated variable (eg. mechanical planting, improved seedlings). Farmers met at the 16 KCs visited expressed that they could not afford to purchase large amounts of inputs, and demonstrations should therefore show technologies and knowledge which are affordable and easy to adopt. While some farmers were compensated for their own labour, labour costs should be borne by farmers; payments for own labour can only be justified in the case of trials. Some demonstrations were located in close proximity to each other, and in some cases site selection was inappropriate. In future, demonstrations should not cover more than a quarter acre (with some exceptions). They should be designed to show current farmers' practise, farmers' practise plus one variable, farmers' practise plus two variables, and so on³. They should not show more than a few variables together. The selection of demonstration topics should be developed with farmers across the KC area, covering as many households as possible.
29. The project unfortunately did not engage research services in demonstration activities to minimise the outbreak of yellow virus in black gram. It is recommended that the project support KCs to react to such outbreaks and develop strategies to help farmers reduce the negative effects. The KC should develop training/demonstrations to address the problem using neem oil, early planting, planting of boundary crops, removal of affected plants, introduction of resistant varieties, and control of the whitefly vector to limit the spread. The project should also encourage the ARD to be actively involved in conducting on farm trials to address virus and disease problems, calibrated fertiliser methods, introduction of intensive rice systems, and others. Yezin agricultural university may also be invited to participate in on-farm trials and demonstrations.

3 /In addition to the information contained in the PIM, the mission provided guidelines on demonstration methods, and presented them at a workshop for all KC managers and relevant PCU staff. The workshop also discussed methods to engage farmers in decision making, and on the selection of demonstration topics.

30. M&E data on demonstrations are being collected by the KC managers, and partially by the PCU. It is important that the PCU's M&E officer provides guidance to KC managers on methods of data collection, and also verifies data received. This will enable the PCU M&E officer to analyse the numbers of demonstrations and participating farmers, the incremental physical and financial returns, and adoption rates; to prepare case studies representing the activities conducted at KCs; and to provide feedback to the KC managers and PCU accordingly.
31. *Private sector involvement.* Two private input suppliers have conducted varietal demonstrations for maize, rice, cotton chili with two different fertilizer applications at 13 locations across 4 townships. Nine input supply companies and processors have conducted 53 training sessions across 24 KCs, attended by 1,755 farmers.
32. *Contract farming.* Five agribusinesses have established contract farming arrangements through KCs. While this engagement is at an early stage, 330 farmers cultivating 329 acres have been contracted for supply of output. The incremental net incomes for contracted farmers ranges from USD 45/acre to USD 650/acre. There is rapidly increasing farmer demand for entering into contract farming arrangements with agribusinesses, brokered by KCs.

Companies and Contract Arrangements

Company	Activity	Contract Farmers (#)	Acres (#)	Typical Incremental Net Income per Acre (USD)
1	Vegetable processing	128	111	350-650
2	Rice grain	171	171	45-65
3	Chilli	17	17	450-650
4	Maize seed	5	8	65-85
5	Rice seed	9	22	65-100
Total	-	330	329	-

Agreed action	Responsibility	Agreed date
KC managers together with farmers from across the KC areas to prepare demonstration plans with PCU support. Demonstrations should be simple and address farmers' needs.	KCM, CIGs, farmers & PCU	15 November 2016
KC managers, with PCU support, to be more proactive in engaging with the private sector, from both within the project area and other parts of the country.	PCU and KCM/KCB	Ongoing basis
Support KC constituencies to form agriculture CIGs, elect office bearers, appoint and train extension facilitators	MoALI with PCU support	Ongoing basis
The M&E of all activities under this sub-component to be started without delay.	PCU M&E officer and KC managers	Ongoing basis

33. Sub-component 2.2: Financing Growth is rated satisfactory (5).

34. *Common interest groups (savings and credit groups).* The project has supported the establishment of 325 savings and credit CIGs with a total membership of 7,048 households, across 27 KCs and covering 102 villages. Of these, 204 are landless CIGs consisting of 4,419 members represented by 2,319 women and 2,100 men; 116 are lowland CIGs consisting of 726 women and 1,797 men, and 5 are upland CIGs with 106 members consisting of 87 women and 19 men. The PCU has provided substantial capacity building support to these savings and credit CIGs. The group formation process has included the signature of a CIG agreement by all members, and the election of its officials (chairperson, vice chairperson, accountant, treasurer, and ELE/ELF). CIGs select three members responsible for opening and operating a bank account. Thereafter, CIGs are trained in roles and responsibilities of officials, project procedures and available services, and most importantly financial management of savings and credit operations. To date, 33 CIGs have opened bank accounts for depositing of common funds. The first set of 105 reports from CIGs on initial savings and credit activities all report timely repayment of loans and proper accounting practises. The total common fund for these 105 CIGs is reported at MMK 72 million. The large number of CIG members having received loans, which are mainly used for coping activities including food, medicine, travel, house repairs, animal feed.

35. *Rural Business Fund.* The RBF provides grants to landless savings and credit CIGs as a form of seed capital. These funds are used for both individual and group investments in microenterprises, on revolving fund basis. The revolving fund mechanism also ensures the sustainability of the RBF funding at CIG level. The PCU called for invitations to apply for the RBF grants once during 2015-16; a total of 317 RBF applications were received from 33 CIGs, and all approved for RBF financing. Unfortunately, the funds were not made available until May 2016. During 2016/17, six calls for interest to apply for RBF have been announced, and 97 CIGs applied; the release of funding was delayed for months at NPSC level, and has just been approved during the mission. To date, 1,286 landless households are benefitting from microenterprise loans; this number will rise to about 5,500 households now that funding has been approved, with substantial economic and social impact. It is recommended that the approval of RBF funding is henceforth delegated from the NPSC to a PCU committee consisting of the project director, project manager, and financial manager, in order to avoid delays and yet maintain adequate risk mitigation.
36. More specifically, the initial 317 microenterprise investments covered nine types of investments, of which livestock production was the largest, followed by trading, small grocery shops and broom making. The RBF contribution amounts to MMK 634 million, while the entrepreneurs' contribution amounts to MMK 261 million, for a total investment of MMK 895 million. The average incremental monthly income for microentrepreneurs ranged from MMK 25,000 to MMK 300,000 depending on the type of investment, and 27 full time job equivalents have been created. In support of RBF-financed microenterprises, the PCU has provided vocational training for CIG members interested in livestock production. Upcoming training courses will include hair cutting, motorcycle repair, tailoring, and snack-making.
37. *Agribusiness Fund.* This component is planned for implementation from PY3. In view of the launch of ABF the PCU is in the process of inviting a number of reputable international audit firms to submit technical and financial proposal for administering the ABF portfolio. Moreover, in preparation for ABF launch, the first call for submitting requests for ABF support has been prepared and will be published. It is recommended that the PCU prepare a list of value chains in need of strategic agribusiness investments in order to generate additional markets for high value crops in the project area. For each identified value chain, a rigorous study should be undertaken, together with an action plan for the most strategic investments required. It is proposed that: (i) the PCU contracts competent value chain TA to undertake the value chain studies, in November/December; (ii) the PCU organises meetings with relevant commodity associations to promote the ABF and present the studies, in December; (iv) the PCU announces a call for applications and business concept notes by interested agribusinesses, in January; (v) the PCU and ABF selection committee evaluate applications/concepts notes and prepare a shortlist for scrutiny by the ABF administrator (audit firm), in early February; (vi) the ABF administrator reviews and provides recommendations on the preferred concept notes, keeping in mind the stipulated criteria (profitability, linkages with small farmers, job creation effects), in mid-February; (vii) the PCU invites successful firms to prepare detailed investment plans and documentation, by end-February; (viii) these firms formally submit their applications, by mid-March; (ix) the PCU and ABF administrator complete the evaluation of the proposals, by mid-April, for IFAD prior review; (x) contract signature with the winning proposals, in May.
38. *Financial outreach.* In March 2016 the PCU called for financial institutions to express their interest to obtain support to expand their financial outreach in the project area. Two MFIs applied, and one was selected based on PCU evaluation which checked the validity of the MFI's license, audited financial reports, tax returns, performance scores with MAA, and reputation among clients. The selected MFI will establish one new branch in Tak Kone, covering both Tak Kone and Otharathiri Township. It is anticipated that this MFI will provide services to an estimated 6,100 individual borrowers and to 610 CIGs during its first year of operation, expanding to 8,000 clients in 2019. The project will provide financial support to equip the branch office with furniture and computers, to build the capacities of branch staff, and to set up an initial refinancing facility of about MMK 200 million. Funding will be released in tranches based on demand, and will be revolved by the MFI for additional lending operations. The terms and conditions will be governed in a Subsidiary Financing Agreement between the MoPF and the MFI; the refinancing capital will have an interest rate of 1.5% p.a., a grace period of five years, and a repayment period of ten years. In preparation, the PCU should draft the Subsidiary

Loan Agreement and submit it to IFAD for clearance. It is noted that the PCU will shortly issue another call for interest for MFIs to express interest in expanding their outreach to Pinyinmana, Lewe, and Zayarthiri townships.

Agreed action	Responsibility	Agreed date
Complete the SLA between MoPF and the MFI	PCU/MoPF	15 Nov. 2016
Execute all steps as described to launch the ABF	PCU	Apr. 2017
Undertake M&E analysis of the rural finance sub-component.	PCU M&E officer	Ongoing basis

D. FARM implementation progress

39. ***The Quality of project management is rated as moderately unsatisfactory (3).*** The MOALI is the implementing agency of FARM. It is the very first externally funded project being managed and implemented by the MOALI. Considering the limited project management experience of the MOALI with regard to externally funded projects, an IFAD grant (implemented by UNOPS) supported the PCU and MOALI for the initial 18 months, providing technical assistance to establish it's the project's governance and management framework and its fiduciary procedures, articulated in the Project Implementation Manual. The PIM is of high quality and in line with IFAD's standard operation procedures and requirements. However, the PIM guidelines are not being currently applied to project's management and fiduciary aspects.
40. The composition of the inter-ministerial National Project Steering Committee was revised recently following the investiture of the new Government. The approval of the new composition took some time, delaying decision making on several pending issues. While to date the NPSC has carried out its statutory functions, there may be scope to improve its problem resolution role. The mission met with the new NPSC and discussed issues that required NPSC oversight and decision. The Project Working Committee meets regularly to coordinate project activities across relevant departments; it appears to be exercising its statutory functions. The four Township Project Coordination Committees show limited involvement in the planning and coordination of project activities at the KC level.
41. Project management performance has been moderately unsatisfactory. It has been characterised by centralised decision-making, unstructured management, imbalanced implementation, inadequate participation and limited social mobilisation (pre-requisite for investments in civil works), and fiduciary compliance issues. MoALI has taken decisive steps in recent months to address project management challenges. A new project director with the required competencies and experience has just been appointed, with IFAD concurrence. A competitive process is underway for appointment of a new project manager, and is expected to be completed in mid-November following IFAD review and concurrence. A competitive process for a new financial manager will be launched in early November and completed by end-November, also with IFAD review and concurrence. All other PCU staff positions of the PCU have been filled, with the exception of IWUGS; this position should be filled before end of the year.
42. Unsatisfactory management performance has adversely affected the performance of project staff and the working environment. Field visits are not undertaken sufficiently, especially in this crucial phase where the project needs to build a strong presence and credibility with communities. The PCU does not have weekly/monthly coordination meetings. Specialists seem to be working independently, focusing on their specific areas without a comprehensive overview of the project, and without a spirit of team cohesion. PCU staff performance is not monitored nor evaluated. The PCU will benefit from strong leadership of the new management team that will address all the issues mentioned above.
43. The PCU should immediately proceed to mobilise substantial technical assistance utilising the IFAD grant. This TA will support project management and staff to address the project's problem areas. It should contract a financial management/procurement specialist, an agriculture value chain specialist, and a rural finance specialist for periodic inputs over the next 12 months. The selection of candidates should follow established procedures, and subject to IFAD prior review and concurrence.

44. The PCU does not have suitable office space, with more than 12 staff sharing two rooms. These conditions are clearly not conducive for effective functioning of the staff. The mission requests MoALI to allocate additional office space to the PCU.
45. **The Performance of M&E system is rated as moderately satisfactory (4).** The project has a detailed M&E manual, developed under the UNOPS grant, in line with IFAD standards and requirements. This manual was introduced and discussed during the orientation sessions of forty (40) KCMs after their appointments. The new M&E officer of the project came on board in April 2016, three months after the resignation of the former M&E officer in December 2015. There was not a proper hand over to the incumbent. It has been observed that the project M&E is not regularly updated and utilised to monitor progress, set quarterly/annual targets and make management decisions. Information on project components and investments are not sufficiently shared by PCU staff, leading to unsystematic planning and implementation of activities.
46. During the field visits, the mission noted that monthly field data collected by KCMs are submitted in paper version. In order to facilitate timely reporting and data processing, the mission recommends the PCU M&E officer to continuously promote electronic submission and consolidation of data in excel format. The mission noted that PCU technical specialists maintain records of activities and prepare relevant reports for their respective component activities. However, this data is not regularly validated at field level and neither consolidated timely. The mission suggested to the M&E Officer to systematically consolidate this data, document lessons learned and best practices as they occur during the implementation of their activities, as well as to continuously produce and disseminate reports for knowledge and information sharing.
47. As the project moves to its second year of implementation, there are already initial outcomes that need to be tracked in line with the 2nd level RIMS indicators (e.g. job generation). Similarly, farmers have also reported during the mission's field visits some of these output level indicators (e.g. increase in production/yields, adoption rates of technologies and/or methodologies, etc.) which need to be immediately tracked as required by project logframe. The baseline survey was still pending at the time of the mission, as the service provider had not yet approved by the DoA.
48. **The coherence between AWPB and implementation is rated moderately unsatisfactory (3).** The coherence between the AWPB and implementation progress is weak, underpinning inadequate planning and management of the project. In the future, it is important that management ensures the AWPB targets are realistic and aligned with the capacity of the PCU and MoALI. The PCU reported 14 AWPB workshops conducted at village-level with 1,779 participants, and at KC level covering 67 villages with 476 participants. However, so far planning doesn't seem to have entirely been participatory.
49. The current AWPB is budgeted for US\$5.47 million and the financial progress up to 30 September 2016 is US\$607,458, 11.11% of planned budget. Component-wise, there is no financial progress reported under Component 1 – Agricultural infrastructure improvement, while Components 2.1 – Investing in knowledge and 2.2 – Financing growth, report 16.02% (US\$425,605) and 1.73% (US\$35,553) progress respectively.
50. **The Gender focus is rated as moderately satisfactory (4).** The gender mainstreaming focus of project activities is still weak. While there have been positive results in enhancing women's empowerment especially under the rural finance sub-component, there is scope to enhance women's involvement and participation across all activities and committees. In addition, it is important to track qualitative enhancement of women's participation in the project and the overall impact of the project on women's empowerment.
51. The PCU benefitted from the assistance of an international TA on Gender Mainstreaming. The TA supported the articulation of the project's gender mainstreaming strategy and supplementing the PIM. At the level of staffing of the project, it is pertinent to note that of the 39 KCMs appointed, 19 are men and 21 are women. All KC managers are oriented on gender mainstreaming concepts and activities at the start of their engagement in the project. A gender mainstreaming workshop was organized in June 2016 and was attended by representatives from project's governance and management committees, officials at ministry and township levels, and civil society partners and women's representatives from project villages.

52. Under the current project implementation period, women's participation in project activities, specifically under component 2.1 has not been given sufficient attention. For example, only 31% of members of farming CIGs are women; 28% of participants to demonstrations on GAP and farming technologies are women. Similarly, women have also participated in field days (28%), and farmer to farmer visits (14%). However, there have been some notable successes under activities of component 2.2, namely under the activities of saving and credit groups and the Rural Business Fund. Of the 4,419 landless CIG members, 52% (2,319) are women and 75% of revolving funds have been availed by women CIG members for expanding or starting new microenterprises. The mission urges the PCU to document the success stories for dissemination.
53. ***The Poverty focus is rated as moderately satisfactory (4).*** A participatory wealth ranking exercise to identify the social status of 40,761 households in 192 villages was conducted in the project townships. Based on the four categories of project households (very poor, poor, moderately poor and better-off), about 41% (16,552 HHs) are poor, 28% (11,471 HHs) are very poor, 25% (10,306 HHs) are moderately poor and 6% (2,432 HHs) are better-off. From the 6,954 women-headed HHs in 192 villages, 73% belongs to the poor and very poor categories. In order to ensure that the poorest households receive maximum benefits, the PCU applies poverty criteria for identification of the location of KCs and identification of training modalities. A gender analysis on men and women's role in the HH, control over finances as well as their participation and leadership, was done for 119 villages and the results of the analysis for 73 villages was presented in a gender mainstreaming workshop.
54. ***Effectiveness of the targeting approach is rated as moderately satisfactory (4):*** The project has adopted an inclusive targeting approach for Component 1-agricultural infrastructure, to ensure that all farming HHs in the project area will benefit. The land consolidation works require the participation and free and prior informed consent of all farming households in the selected areas. There are seven Project Implementation Committees (PICs) established in each contiguous block who monitors the PLUP process and civil works. These committees have proportional representation of farmers owning 0-5 acres, 5-10 acres and >10 acres to ensure there is no elite capture in decision making.
55. With regard to component 2, the services of the KCs are directed to smallholder farmers and landless households through direct targeting. Currently, there are 204 CIGs formed with 4,419 landless entrepreneurs members. The KC boards are equally represented by all social categories as specified in the guidelines. However, the field observations have indicated that for activities, especially related to demonstration, the participants of the first round have primarily been moderate and better off farmers. This is sometimes due to the fact that the better-off farmers appear to be more entrepreneurial and volunteer their participation more readily. The mission has discussed this with the PCU and recommended better targeting of poorer farmers for activities pertaining to demonstrations and knowledge transfer. With regard to the rural finance activities, the poverty targeting is quite focused and the CIGs members are mostly from the poor and very poor families.
56. ***Innovation and learning is rated moderately satisfactory (4):*** The project is still in an early stage to report on innovation. However, it should be noted that the KC approach, as a pluralistic participatory extension service platform, is a recognized innovation in Myanmar. The effectiveness of the KC approach has already been acknowledged by other development partners, including KOICA and the World Bank (implementing the KC approach in Bago, Sagaing and Mandalay). The KC model will be replicated by ADB's Irrigated Agriculture and Inclusive Development Project, valued at USD 100 million, in Mandalay and Magway states. However, the mission reiterates the PCU and especially the M&E officer to further engage in documenting learnings from the project, make case studies of successful initiatives like women's broom making and mushroom production enterprises and disseminate widely among the development practitioners community and the MOALI.
57. ***Climate and environment focus is rated moderately satisfactory (4):*** The project is built around vulnerability reduction, including the introduction of climate resilient agricultural technologies and development of resilient irrigation infrastructure. An international TA is supporting ID to ensure that good design principles are applied to minimize environmental risks. Field observations indicate that design has minimised the risk of loss of fertility of top soil and

allows for and improved use available water resources. However, in consideration of the small area in which land development works have been completed and of the envisaged scope for improved irrigation management by the WUGs, the mission rates the project climate and environmental focus to be only moderately satisfactory.

Agreed action	Responsibility	Agreed date
Recruitment of project manager completed	PD	30 November 2016
Recruitment of financial manager completed	PD	30 November 2016
Regular PCU coordination meetings conducted	PD/PM	Ongoing basis
Technical staff are in the field at least 15 days per month	PD/PM	Ongoing basis
M&E data is collected, validated, analysed, and utilised	PD/PM/M&E	Immediately
Undertaking annual outcome surveys	PD/PM/M&E	February 2017
PCU staff performance evaluated annually	PD/PM	Annually
Revised AWPB is submitted to IFAD for approval	PD/PM	15 November 2016

D. Fiduciary aspects

58. **Quality of financial management is rated moderately unsatisfactory (3).** The project implementation manual (PIM), prepared with UNOPS support, is in compliance with IFAD guidelines and standard operating procedures. The manual was developed in consultation with MOPF and OAG and has been translated in Myanmar. While current FM procedures are in line with most provisions of the manual, there are some lapses in compliance with the PIM, such as operation of project bank accounts, approval and payment procedures and documentation of expenditures and procurement procedures.
59. **Financial management system.** The project is using Sage 50 accounting software which is capable of generating financial statements based on category, component and funding source; however, Government budget lines are not shown. The sources and application of funds is prepared in excel spreadsheets based on data generated by the software. The financial transactions of FY 2016/17 have not been entered in the software; instead, expenditures are recorded in the excel spreadsheets showing category, component, funding source, activity and Government budget line. This is primarily due to the PCU's requirement to report to MoALI and MoPF in the standard national format specifying Government budget lines. Vouchers are prepared manually rather than being generated by the system. Financial reports are prepared based on data generated by the system, but the financial reports of FY 2016-17 are being prepared from spreadsheet data. It is suggested to enter approved financial transactions immediately in the accounting software and generate vouchers automatically.
60. Bank reconciliation is prepared on monthly basis. The invoices and supporting documents are marked to avoid double payment. The quarterly, semi-annual and yearly financial statements are prepared and submitted to IFAD, but the financial statements of the FY 2016-17 have not yet been submitted. There is no system of preparing goods acceptance notes to acknowledge the receipt of goods purchased of required quality. Goods purchased are not fully recorded in the stock register, and a proper trail is lacking. The fixed assets register was updated during the mission.
61. **Designated Accounts (DA) and Project Accounts (PA):** Two DAs in USD have been opened in the Myanmar Economic Bank (MEB), one each for the IFAD loan and grant. These accounts are operated jointly by MoALI and MoPF. As stipulated in the LTB/R, separate loan and grant PAs denominated in MMK should be opened in MEB or another bank acceptable to IFAD, and maintained and operated by the PCU; and the PCU should also maintain separate Implementation Accounts in local currency to receive counterpart funding. However, the operating bank accounts used to transfer funds from the DAs to Ministry department bank accounts are operated jointly by MoALI and the PCU; whereas the Ministry department bank accounts used for payments for project expenditures are operated by DoA. These bank accounts are thus operated by MoALI and DoA rather than the PCU as stipulated. As per Government regulation, any balance in a Ministry department bank account is automatically transferred to the MoPF general reserve fund. As such, the balance of MMK 15.5 million (USD

- 15,650) at 31 March 2015 was transferred to MoPF, in violation of the Financing Agreement. IFAD has communicated officially to MoALI to refund the amount to the DA; this remains pending to date.
62. *Flow of funds.* As per the LTB/R, the project director should be fully authorised to operate relevant project bank accounts. At present, the payment approval procedure and issuance of cheques are administered by MoALI rather than the PCU, against the provision of the LTB/R and PIM. Due to existing payment procedures, it takes almost one month to obtain cheques from MoALI, causing delays in payments to vendors and project expenditures. There is no system of advance payment. The bearer cheques are issued for payments in the name of the Director of DoA, and payments are made to the vendors and others in cash and by depositing amounts to vendor bank accounts in some cases. It is not justified to issue bearer cheques for all expenditures in the name of Director of DoA, instead of making payments through cheques to vendors. It was agreed during the previous supervision mission to change the funds flow, giving autonomy to the PCU to operate bank accounts denominated in MMK in compliance with the LTB/R, provide advances to specified limits based on estimated costs, and set up petty cash on imprest basis. During the mission, MoALI agreed in principle to correcting the funds flow procedure in compliance with IFAD requirements, subject also to compliance with Government requirements. The final funds flow procedure is still being sorted out to ensure compliance with both IFAD and Government requirements. Subsequent to the revised funds flow procedure, an advance payment and settlement mechanism will be developed, and a petty cash system created, by the PCU.
63. The bank accounts opened in each targeted township, operated jointly by township manager/DoA, ID and KC manager, are currently not monitored by the project and not reflected in the project financial statements. It is suggested to incorporate in the project financial statements the balance of these bank accounts and the amounts of (i) farmers' share of demonstration plots expenditures; (ii) annual WUG fees; (iii) payments by KC managers under the motorcycle hire purchase scheme.
64. *Statements of expenditure (SOE).* The mission reviewed the accounting of expenditures and the original supporting documents for SOEs submitted to IFAD, and found some errors in accounting expenses and claiming against incorrect categories. Most amounts erroneously charged are relatively small, and will be documented in the supervision report. The mission also found some instances of erroneous charging of the IFAD grant rather than the IFAD loan; this will need to be corrected as a priority. Some payments have been made against proforma invoices rather than original invoices. The motorcycle allowances paid to KC managers up to September 2016 for hire purchase schemes have been repaid to township bank accounts but not deducted from project expenses, causing double accounting of expenses and claims.
65. Expenses of MMK 205.79 million (USD 178,442) have been incurred for labour, rent of equipment, fertilizers, pesticides, weed killer, seeds, booklet printing, fuel for equipment, soil, transportation, vinyl, and rice husk incurred for plot demonstrations up to September 2016. The expenses are supported by documentary evidence which needs to be verified based on the number of plots, the areas used for demonstrations, and the quantities of the various inputs required for demonstrations. The PCU does not have documentary trails for use of the inputs purchased, as the KCs maintain the lists of distribution of inputs to farmers. The statements of inputs received and distributed, and records of inputs used for demonstrations, should be prepared and reported to the PCU.
66. *Taxation.* The project should be exempted from duties and taxes as per the Financing Agreement, but the Government has not yet provided exemption to the project. The Office of the Auditor General and MoPF confirmed that tax exemption can only be authorised by Parliament on ad hoc basis. The mission suggested that either the tax exemption should be provided to the project or the duties and taxes should be financed from the Government contribution.
67. ***Disbursement rate is moderately unsatisfactory (3).*** Aggregate disbursement under the IFAD loan and grant to date is SDR 2.70 million (21.33% of the total allocation), of which SDR 2.45 million (20.21%) has been disbursed under the IFAD loan and SDR 0.25 million (48.10%) under the IFAD grant. Considering that 33% of the project period has elapsed, disbursement is behind schedule. The details of disbursement are in Appendix 5.

68. **Counterpart funds are rated satisfactory (5).** The Government covers the salaries and allowances of the numerous staff seconded to the project, design and supervision of KC construction, additional capital costs of KC construction and steering committee costs. There is a need to improve the reporting mechanism for the Government contribution to the project. The project calculates Government contribution based on information provided by the seconded staff for salary, statement of cost for use of construction equipment provided by ID, estimated cost of additional construction, budgeted amount for KC design and supervision, and steering committee meetings. The project should develop a mechanism to properly account for Government contribution.
69. The amounts being contributed by beneficiaries and the private sector for plot demonstration, income generating activities, market promotion, realignment of bunds and re-survey and re-registration of new alignment are not being captured systematically with proper evidence. The PCU should develop a recording system for total expenditures funded by the project and respective clients, maintain records of their contributions at KC level, and provide monthly statements of contribution with evidence to the PCU. The PCU should report these contributions as sources and application of funds in the financial reporting.
70. **Compliance with loan covenants is moderately unsatisfactory (3).** The project has generally complied with the covenants that have become due except provisions of: (a) Financing Agreement (i) Section B, Para 7 - exemption of taxes & duties, (ii) Section C, Para 2 - arrangement with NGOs, (iii) Schedule 1, Para 11 - autonomy of PCU, (iv) Schedule 1, Para 13 - formation of grievance committee (v) Schedule 1, Para 14 - appointment of partners and service providers (vi) Schedule 1, Para 16.2 - appointment of legal advisor, (vii) Schedule 1, Para 16.4 - selection of NGO, (viii) Schedule 1, Para 17.2 - broker an agreement with a microfinance institution(s), (ix) Schedule 1, Para 17.3 - formation of savings and credit institutions, and (x) Schedule 3, Para 4 - support to obtain proper identification documents, (b) Letter to the Borrower/Recipient (i) paragraph 6 - payment of taxes from IFAD source, (ii) paragraph 9 - operation of project bank account and operating bank account, (iii) Paragraph 1 & GC- Section 7.05 (a) - procurement of goods, works and consulting services in compliance with the IFAD's Procurement Guidelines, (iv) Paragraph 20 - submission of AWPB 60 days prior to start of fiscal year, (v) Paragraph 23 - contracting the service provider, (vi) paragraph 24 - obtaining prior approval of IFAD, (vii) paragraph 26 - maintaining and submission of register of contracts, (viii) paragraph 33 & 34 - preparation of annual financial statements, and (ix) paragraph 35 - appointment of external auditor, (C) General Conditions for Agricultural Development Financing (i) Section 7.08 (a) - insurance of vehicles, equipment and civil works, (ii) Section 8.02 (a) - maintenance of appropriate management information system, (iii) Section 8.05 - submission of plans and schedules, and (iv) Section 9.03 (b) - submission of certified copy of the audit report. The details of compliance with loan covenants are given in Appendix 6.
71. **Procurement is rated moderately unsatisfactory (3).** Procurement implementation has been affected by poor planning and delays which at times have affected the speed of execution. The procurement plan has not been updated, monitored and revised during the course of implementation resulting in variances between the approved plan and actual procurement activities. On-going reconciliation of expenditures identified some procurement packages which were not included in the plan approved by IFAD. The mission recommends that the PCU updates and submits a revised AWPB and cumulative procurement plan incorporating the actual needs of the project for the current fiscal year in accordance with the provision of the project design report, and makes efforts to ensure that only items in the approved plan, or items separately approved by IFAD, are procured.
72. The controls and their significance in mitigating risks were elaborately explained to the project as it can lead to risk of mis-procurement. It was also noted that some procurement packages were split into small packages which can result in inefficiencies and possible increased cost of procured goods and services. The mission stressed that this practise shall be discontinued and that it is necessary to submit to IFAD for prior review and no objection.
73. Three contracts were signed with ID for land consolidation and infrastructure construction. While the PULP processes were completed for Block 1 (303 acres), the process is still ongoing for Block 2 (250 acres) and Block 3 (500 acres). The project has already released 20% advance resources to ID under the Block 2 and Block 3 contracts without IFAD clearance. Post

factor review identified that funds had been released to overcome the slow internal process of payment approvals by DoA, ensuring that the work can commence immediately after the PLUP process is completed. When asked, the ID assured the mission that without a signed prior consent by all farmers within any block, infrastructure development will never take place. The mission stressed to the project that henceforth payment shall not be undertake without IFAD's prior review.

74. Since the contracts with ID for Blocks 2 and 3 were signed before final detailed designs based on farmers free and prior approval, the BOQs and costs will eventually have to be amended to reflect the final detailed farmer approved design. The mission recommends that ID submits revised BOQs and cost calculations once the PULP process is completed, incorporating the changes to initial designs. The PCU should then amend the contracts for Blocks 2 and 3, submitting these two contract amendments to IFAD for prior review, along with the final PULP report. The amendments should also take on board the necessary adjustment to the advance payments already made and incorporate a minimum 10% retention sum for a period of 6 months from the date of completion to rectify minor defects. This would mitigate the risk of over disbursement and non-rectification of defects by ID.
75. All future land consolidation and infrastructure contracts with the ID would require the following documentation to be submitted to IFAD for prior review and clearance: (i) written confirmation from the ID that BOQs and costs calculation are based on the final detailed designs following signature by all farmers affected; (ii) the PULP report; (iii) the draft contract and its BOQs respecting payment terms as per the original agreed payments terms including a 10% retention amount to rectify any defects within a 6 months period.
76. Forty KCs have been constructed by the project in two phases, the first batch consisted of 15 KCs, and the second batch of 25 KCs. Procurement was undertaken through competitive bidding processes and IFAD communicated its no objection accordingly. While the construction of KC's were included and approved in the procurement plan, the mission has identified various additional works which were not considered and nor included in the original KC design, and subsequently procured through various shopping procedures with the risk of reducing competitiveness, and without IFAD prior review. The mission stresses that: (i) to the extent practical procurement shall be undertaken in bulk where possible, and IFAD prior review guidelines are to be complied with. Post facto review did not reveal any cost increases due to the procurement processes applied. Nonetheless the mission stressed that stipulated procedures need to be complied with. The mission also recommends that the PCU immediately closes the open ended rates based contract for construction of chain-link fencing, gates posts, gates and culverts, as KC fencing contradicts the community nature of the facility. A simple bamboo fence will be sufficient for keeping livestock out.
77. The procurement of inputs (seeds, fertiliser, pesticides, herbicides) for a number of demonstrations were not included in the approved procurement plan. These procurements were not bulked but grouped into small lots to ease of delivery to KCs. However, post facto review did not reveal that the inputs would have been significantly cheaper if purchased in bulk. While supporting documents for procurement of inputs identify quotations are obtained, the records checked at the KCs provided evidence that the inputs purchased were distributed to beneficiaries for demonstration purposes.
78. Due to restrictions imposed by the Government, the PCU had informed IFAD in 2015 that purchase of vehicles were not allowed. The DoF of MOALI has now indicated that the Government has not imposed a total ban on purchase of vehicles; if the justification are sound, requests for purchase of vehicles could be approved. As the project is currently renting three vehicles at relatively high cost, the mission recommends that the PCU should seek approval for purchase of vehicles for project use.
79. The project should explore options for entering into Long Term Negotiated Agreements (LTAs) with input suppliers. A competitive and transparent procurement process could result in partnerships with one or several suppliers networks, whereby derived benefits would provide discounted prices for the inputs based on market prices. The cost of procurement could also be considerably reduced.

80. Given the oversight requirements, IFAD will revise its prior and post facto review requirements and would communicate to Government the revisions to the LTB/R to strengthen oversight and ensure that the stipulated procedures are followed.
81. Contract management was generally weak, contract provisions and terms were not understood thus inadequately monitored; the change in the procurement manager in 2016 has resulted in improved contract management. As the contract register and monitoring logs were not adequately maintained and updated, the mission recommends that these documents should adequately maintained, updated, and submitted to IFAD on quarterly basis.
82. Asset records and custody documents are incorrectly prepared and maintained; the custodian names and their official titles are not clearly referenced. It is recommended that the project correct these shortcomings immediately.
83. Procurement records retention is inadequate. Procurement files and records are not systematically filed. The mission recommends that the procurement specialist should reconstruct the procurement files from the data and documentation available from the various vouchers and other documentation.
84. ***The quality and timeliness of Audit is moderately satisfactory (4).*** The OAG issued one audit report with qualified opinion for the period 22 October 2014 to March 31, 2016. The qualifications are related to unused materials accounted as expenditures (USD 1,276), inability to check calculation of a Government financial contribution (USD 2,112), and transfer of project funds of to MoPF's general reserve fund as reported earlier (USD 15,653). The audited financial statements partially comply with the IFAD guidelines on project audits; they do not contain: (i) statement of receipts and payments by component; (ii) sources of funding in the statement of comparison of budget and actual amounts; (iii) statement of designated account activities; (iv) statement of withdrawal application of SOEs (annual and cumulative); (v) cumulative status of funds by category in MMK, USD and SDR; (vi) beneficiaries' contribution in the statement of receipts and payment, sources and application of funds, and statement of budget and actual amounts; and (vii) notes to accounts on information specified in the sample of project audited financial statements. The management letter issued by OAG has pointed out some internal control weaknesses and lack of physical progress as budgeted.
85. ***Internal audit.*** The internal auditor to be appointed for the FY 2015-16 was not appointed, and hence the internal audit was not conducted. It is agreed to appoint an internal auditor for the FY 2016-17 to conduct quarterly audit to check effective implementation of internal control system, correctness of accounting and financial reports and compliance with the financial and procurement procedures and policies as specified in the PIM, legal provisions and legal covenants of the Financing Agreement. The audit log is herewith attached.

Agreed action	Responsibility	Agreed date
Use Sage accounting software & system generated vouchers	PCU	15 Dec 2016, ongoing
Submit periodic financial reports to IFAD as specified	PCU	15 December 2016
Obtain refund of amount transferred to MoPF	MoALI	as an urgent priority
Resolve issues related to bank accounts and flow of funds	MoALI /PCU	15 November 2016
Petty cash mechanisms to be set up at PCU and KC levels	MoALI	15 December 2016
Develop advance payment and settlement modality	PCU	30 December 2016
Reverse charges for erroneous accounting categories.	PCU	30 November 2016
Reverse charges from grant to loan for erroneous charges	PCU	30 November 2016
Request tax exemption from Parliament	MoALI	as appropriate
Develop system for recording GoM and client contribution	MoALI/PCU	30 December 2016
Appoint internal auditor for FY 2016/17 and onwards	PCU	15 December 2016
Appoint independent auditor for FY 2016-17	OAG/PCU	30 December 2016

E. Sustainability

86. ***Institution building is rated as moderately satisfactory (4).*** Due to the lag in implementation of the civil works, the targeted formation and strengthening of water users' groups have also been delayed. WUGs have been formed only in the areas where civil works have been completed. However, capacity building activities for WUGs are delayed due to the absence of an IWUG specialist in the PCU. On the other hand, activities pertaining to savings and credits groups have been demonstrating positive outcomes as reported earlier. Once a sizable number of SCGs have been formed, the project will provide support to strengthen their governance structures and technical aspects to federate into networks that could then apply for licences as micro-finance institution.
87. ***Empowerment is rated as moderately satisfactory (4).*** The mission visited micro-enterprises started by women through the Rural Business Fund. Interviews with beneficiaries reveal not only that the women have supplemented HH income, but they have expressed their sense of empowerment in terms of their business acumen, informed decision making for HH expenditure and capacity to participate in and function as a group. However, this element of empowerment is only limited to the beneficiary members of the landless CIGs. Farmers' group need to still be formed and strengthened to participate proactively in decision making process of the project and specifically for the service delivery of the knowledge centres.
88. ***The quality of beneficiary participation is rated as moderately satisfactory (4).*** An enthusiastic participation of beneficiaries was noted by the mission during the PLUP meetings to discuss infrastructure design plans. Participation of landless CIG members is also notable, especially considering that these groups are now also operating beyond the PCU supervision. However, beneficiary participation in other KC related activities, especially demonstration activities can be improved.
89. ***The Responsiveness of service providers is rated as moderately satisfactory (4).*** Contractors for the construction of the first lot of 15 KCs had been found responsive and had met the necessary specifications during construction. However, there were construction defects visible during the mission. The second lot of 25 KCs do not meet the expected standards and defects are already visible in less than a year. The PCU has been requested to notify such defects immediately to the construction companies and request repairs.
90. ***Exit strategy is rated as satisfactory (5).*** So far, the exit strategy as envisaged in the project design especially with regard to Agricultural Services, is already evident in implementation. The project's activities are mainstreamed into the MOALI's annual workplan and budget. The KC managers are the ministry's extension officers and are successfully brokering linkages between the private sector and farmers. These are proving to be instrumental in modernising agriculture and stimulating rural business growth. The direct partnership between the private sector and the CIGs at the KCs are already evidence of the arrangement functioning beyond the involvement of project funded activities. Similarly, some of the SCGs are functioning without grant from the project. There is a possibility at a later stage to federate them. However, further works need to be done to strengthen the WUGs in order to ensure the sustainability of improved water management solutions introduced by project.
91. ***The potential for scaling-up and replication is rated as highly satisfactory (6).*** The Government considers the project to be a pilot to be scaled up beyond the project area through government financing. As such the modular approach of the project components is designed to enable replication in similar contexts. The FARM design has already been scaled up by the World Bank through a USD 100 million investment in Bago, Sagaing and Mandalay states. The new ADB Irrigated Agriculture and Inclusive Development Project, valued at USD 100 million, will scale up the KC model to Mandalay and Magway states. Two microfinance institutions have started lending operations in the project area and are actively seeking collaboration with the project.

F. Other

92. ***The Physical and financial assets rating is as moderately satisfactory (4).*** It is observed from visits to 4 of the 15 KCs completed in 2014/15 that the foundation and floors have begun

to develop cracks, suggesting poor compaction of the underlying base or use of substandard concrete. Visits to 12 of the 25 KCs completed in 2015/16 revealed construction defects in terms of the materials used, poor welding, and substandard roofing. The PCU has requested KC managers to notify such defects. The 2015/16 structures are still in the defects liability period; the 10% retention and final acceptance have not been issued. In addition, the design (by DoA) had major shortfalls. It was not comprehensive (the septic tank and fencing were not included in the BOQs). Site specific and cost efficient design solutions were not sought for: (i) the requirement and design standard for fencing; (ii) the requirement for a settling/ground tank and two pumping units; (iii) the use of steel profiles for shade rail panels in the perimeter of the roofing structure. These factors have led to cost increases (estimated at 30%) and issues with construction quality compared with the first set of 15 KCs with a wooden structure built in 2014/15.

93. In this context, the mission recommends that the project should: (i) review the quality of all 2014/15 KCs, and take remedial repair measures to ensure compliance with construction norms; (ii) instruct contractors of the 2015/16 KCs to immediately repair all defects identified, prior to releasing retention funds and final acceptance; (iii) review the need for fencing, and discontinue the use of link-wire fencing with immediate effect as this deviates from the concept of a community facility; (iv) finalise the above prior to any consideration of new KCs; (v) disqualify any contractors identified as delivering poor quality structures from future tenders.
94. **Food Security is rated as moderately satisfactory (4).** It is still too early to assess the impact of the project on food security of the beneficiaries.
95. **Quality of natural asset improvement and climate resilience is rated moderately satisfactory (4).** It is too early to assess the impact of the project on natural assets and climate resilience. Nonetheless it can be said that the planned irrigation works, designed to improve control of the water flow in the irrigated basins, will result in a number of environmental benefits including (i) potential increases in field level irrigation efficiencies, (ii) better control over the use of nutrients and pesticides and (iii) reduced greenhouse (methane) emission (with regard to the practice of alternating submergence and drying of the rice basins).

G. Conclusion

96. Overall project performance is **moderately unsatisfactory (3)**. While 33% of the six-year project implementation period (Oct. 2014 to Oct. 2020) has elapsed to date, only 21% of IFAD resources have been disbursed, and physical progress is behind schedule
97. There have been limited field activities till date, however, these activities are generating satisfactory results. Land development investments are increasing paddy yields and driving up land prices, for the benefit of small farmers. The brokering functions of KCs are proving to be instrumental in modernising agriculture and stimulating rural business growth. There is substantial farmer interest in adopting the improved technologies being demonstrated, such as mechanical seeding, input application, and nursery activities. The rural business fund has so far financed 320 group micro-enterprises operated by poor landless households in high value cropping on home gardens, livestock activities, and off-farm products and services, with positive effects on incomes. However, IFAD notes that these positive achievements regrettably remain at a limited scale.
98. Project management performance, however, has been unsatisfactory. It has been characterised by centralised decision-making, unstructured management, imbalanced implementation, inadequate participation and limited social mobilisation (pre-requisite for investments in civil works). It has also been afflicted by fiduciary issues. Procurement actions and financial management have not always complied with requirements and best practices and deviated from standard procedures, particularly in financial accounting and flow of funds, due to perceived contradictions between IFAD requirements and national systems which could have been resolved. As a result, physical progress is well behind schedule and land development targets are largely unmet; the positive achievements outlined above regrettably remain at a

- limited scale. Both MoALI and IFAD understand the urgent need to correct project management problems to ensure timely, efficient and cost-effective implementation.
99. MoALI has taken decisive steps in recent months to address project management challenges. A new project director with the required competencies and experience has just been appointed, with IFAD concurrence. A competitive process is underway for appointment of a new project manager, and is expected to be completed in mid-November following IFAD review and concurrence. A competitive process for a new financial manager will be launched in early November and completed by end-November, also with IFAD review and concurrence.
100. In order to resolve the project's many challenges, the mission recommends that MoALI and the PCU focus on several priority areas over the next two months: (i) complete the renewal of the project management team as outlined above; (ii) address financial management and procurement systems to ensure full compliance with requirements and risk mitigation; (iii) contract substantial technical assistance utilising the IFAD grant (a financial management/procurement specialist, an agriculture value chain specialist, and a rural finance specialist) for periodic inputs over the next 12 months; (iv) re-issue the tender for a reputable service provider to execute social mobilisation activities in advance of civil works; (v) in consultation with targeted communities, carefully prepare the AWPB for 2017-18. IFAD commits to providing enhanced support to project management in these respects.
101. The IFAD mission once again wishes to express its gratitude to the Government of Myanmar, the FARM Project Coordination Unit, and project beneficiaries for their cooperation and support during the mission.

Appendix 1: Summary of project status and ratings

H. Project 1654 [1100001654] Fostering Agricultural Revitalisation in Myanmar Project

Basic Facts

Country	Myanmar	Project ID	1654 [1100001654]	Loan/DSF/Grant/ASAP FI No.	2000000649, 2000000650
Project	Fostering Agricultural Revitalisation in Myanmar Project			Top-up Loan/DSF/Grant/ASAP FI No.	
Date of Update	31-July-2015				
Supervising Inst.	IFAD				
No. of Supervisions	2	No. of Implementation Support/Follow-up missions	2		
Last Supervision	17-28 October 2016	Last Implementation Support/Follow-up mission	1-10 March 2016		

				USD million Disb. rate %		
Approval	08-Apr-2014			Total financing	27.82	
Agreement	22-Oct-2014	Effectiveness lag	6.6	IFAD Total	19.50	
Entry into force	22-Oct-2014	PAR value	-----	IFAD loan	18.73	9
First disbursement	25-Mar-2015			DSF grant		
MTR		Last amendment		IFAD grant	0.78	35
Original completion	31-Dec-2020	Last audit		ASAP grant	0.00	0
Current completion	31-Dec-2020			Domestic Total	8.32	
Current closing	30-Jun-2021			Beneficiaries	0.62	0
No. of extensions	30-Jun-2021			National Govern	5.30	0
	0			Local private	2.40	0
				External Cofinancing Total		

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	3	1. Quality of project management	4	3
2. Acceptable disbursement rate	4	3	2. Performance of M&E	4	4
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	4	3
4. Compliance with financing covenants	4	3	4. Gender focus	4	4
5. Compliance with procurement	4	3	5. Poverty focus	5	4
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	4	4
			8. Climate and environment focus	5	4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Agricultural Infrastructure	4	4	1. Institution building (organizations, etc.)	4	4
2. Agricultural and Business Services	4	4	2. Empowerment	4	4
			3. Quality of beneficiary participation	4	4
			4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	4	5
			6. Potential for scaling up and replication	4	6

B.5 Justification of ratings

While project field activities are limited, they are generating satisfactory results. Project management performance, however, has been unsatisfactory. It has been characterised by centralised decision-making, unstructured management, imbalanced implementation, inadequate participation and limited social mobilisation (pre-requisite for investments in civil works). It has also been afflicted by fiduciary issues. As a result, physical progress is well behind schedule and land development targets are largely unmet; the positive achievements outlined above regrettably remain at a limited scale.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	5	4
C.2 Food security	4	4
C.3 Quality of natural asset improvement and climate resilience	4	4
C.4 Overall implementation progress (Sections B1 and B2)	4	3

Rationale for implementation progress rating

While 33% of the six-year project implementation period (Oct. 2014 to Oct. 2020) has elapsed to date, only 21% of IFAD resources have been disbursed, and physical progress is substantially behind schedule.

C.5 Likelihood of achieving the development objectives (section B3 and B4)	5	4
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While field activities have been limited, the outcomes from those few activities have been satisfactory, thereby validating the soundness of the project's concept. The main reason for the lag in physical progress has been the performance of project management. A new project management team is currently being put in place by MOALI in response to the urgent need to accelerate the pace of implementation. The mission observes that the present lag in physical and financial progress of the project can still be recuperated with revised targets for the next AWPBs and better management. Therefore, at present the mission considers the project will achieve its development objectives.

C. Risks Short description of major risks for each section and their impact on achievement of development objectives and sustainability

Fiduciary aspects	The risk for fiduciary aspects is rated medium mainly due to a few areas which require immediate correction, such as procurement and changing the fund flow in compliance with IFAD Letter to the Borrower and delegating authority to PCU to be fully empowered to manage the flow of funds. The GoM have noted these issues and action is already being taken.
Project implementation progress	The absence of an effective Project Manager is causing some issues in implementation progress and daily management of the project. MoALI is currently in the final stages of hiring of a PM.
Outputs and outcomes	There has been substantial delays in the implementation of the activities as planned in AWPB. During the mission several issues were resolved to ensure that the target for 2016-17 AWPB are achieved.
Sustainability	There are no present identifiable risks with regard to sustainability of the project.

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Current arrangements of the fund flow do not comply with the Letter to the Borrower.	MoALI sent official communication to IFAD committing to establish procedures in accordance with terms of FA and LTB.	30 November 2016	On-going
Change of management set-up in the PCU	MoALI is taking decisive steps in recent months to address project management challenges.	15 December 2016	On-going

Additional observations

Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Outcomes/Impact	Verifiable Indicators	Unit	Target for 6 years	From 1 October 2014 to 30 September 2016		Cumulative progress
				Cum. achievement	% achieved	
Goal/Development Objective: Economic status of poor rural women and men in the project area improved.	<ul style="list-style-type: none"> Net income of farming households will be increase by USD 400 per annum in real terms 					
Specific Objective: 59,000 households in 5 townships of Nay Pyi Taw Union have higher incomes and improved nutrition	<ul style="list-style-type: none"> Net annual income of farming HHs increased from about USD 1,300 to USD 1,700 across the whole 112,000 acres (approx. 37,600 HH of which at least 29,000 HH are classified as moderately poor, poor or very poor) 					HHs receiving project services: 8,514 HHs People/ Individuals receiving project services: 13,063 individuals (6,849 male, 6,214 female) Groups receiving project services: 325 groups (landless, lowland & upland CIGs) Participatory wealth ranking in 191 villages: 16,552 poor HHs, 11,471 very poor HHs, 10,306 moderately poor HHs
	<ul style="list-style-type: none"> Landless HHs average food expenditure increased by USD 20/ month 					
	<ul style="list-style-type: none"> 20% shift in relative asset ownership for 2 poorest quintiles (RIMS relative measure) 					
Outcome 1: Land and water resources sustainably managed	<ul style="list-style-type: none"> Access to water all year secured for 3,300 HHs 	HH	3,300	191	6%	191 HHs have access to water all year round for 351 acres (142 kms) of land consolidated area
	<ul style="list-style-type: none"> Field to roadside haulage costs reduced by 15% 					
	<ul style="list-style-type: none"> Post-harvest losses reduced by 20% for each crop 					
Outcome 2: Skills of farming and landless HHs enhanced, employment improved, relevant value chains upgraded	<ul style="list-style-type: none"> Yield increase by 15% on trad. crops after 3 years 					
	<ul style="list-style-type: none"> At least 3,100 HHs benefit from job opportunities 	HH	3,100	222	7%	
	<ul style="list-style-type: none"> Farmgate price of rice increased by 20% 					
	<ul style="list-style-type: none"> At least 20% of farming HHs adopting high value crops in consolidated land 	HH	660	0	0%	
	<ul style="list-style-type: none"> Sale of at least 50% of high value crops on contractual basis 					
Outcome 3: Financial environment for creation/expansion of sustainable and profitable rural businesses improved	<ul style="list-style-type: none"> At least 5,000 incremental HHs accessed microfinance products in project area 	HH	5,000	351	7%	351 HHs accessed matching grant funds from project
	<ul style="list-style-type: none"> Farming HHs' indebtedness down by 50% by PY4 					
	<ul style="list-style-type: none"> At least 60% of rural businesses and 80% of SMEs operating after 3 years 					
	<ul style="list-style-type: none"> Selected MFI financially sustainable 					
	<ul style="list-style-type: none"> At least 90% of LSCIs financially sustainable 					

Appendix 3: Summary of key actions to be taken within agreed timeframes

Action Area	Action Agreed	Date	Whom	Progress
Project Implementation	Appointment of an interim project manager from MOAI	15 Aug. 2015	MOAI, PCU	Completed
	Secondment of staff from ID (3), DOA (2) and DALMS (2) on full-time or part-time basis, initially for one year	15 Aug. 2015	MOAI, PCU	Only DOA (2)
	Formation of township project coordination committees in four townships	31 Aug. 2015	PCU	Completed
	Approval of revised AWPB	31 Aug. 2015	NPSC, IFAD	Not Revised
	Initiation of gender mainstreaming and social inclusion strategy	31 Aug. 2015	PCU	Gender Mainstreaming TA and Workshop undertaken
Outputs and outcomes	Re-consider boundaries for areas selected for land development to about 500 acres per contiguous block	Immediately	PLUP Team / ID	Completed
	Send request to DALMS team; start DALMS verification survey of targeted areas	Immediately	PCU / PLUP Team / ID/ DALMS	Completed
	Plan training activities in detail	15 Jan. 2015	ID / TA (UNOPS grant)	Completed
	Contract TA to support the ID design team	15 Aug. 2015	ID/ PCU	Completed
	Complete the PLUP process across 4,000 acres	15 Dec. 2015	PLUP TL	Completed 351 acres
	Contracting and start of construction works	1 Nov. 2015	PCU / ID / AMD	On-going
	Recruit TA: two agribusiness/value chain specialists, one standards expert (ASEAN, GAP, GGAP, C4), two farming systems advisors and two rural finance/business specialists	15 Aug. 2015	Selected by MOAI/PCU; contracted by PCU	Only 1 agribusiness/value chain specialist was recruited briefly
	Train the KC managers and recruit short term consultants to support them	15 Aug. 2015	Selected by MOAI/PCU; contracted by PCU	Completed
	Support KC constituencies to elect KC Board of Directors and provide them with the required training	15 Aug. after training mgr.	MOAI with PCU support	Completed for 15 KCs
	Support KC constituencies to form WUGs/CIGs, to elect office bearers, to appoint and train extension facilitators	15 Aug. after training	MOAI with PCU support BoD	Completed for 15 KCs
	Contract two business development specialists	15 Aug. 2015	MOAI/PCU	Not completed
	Undertake wealth ranking for the first 15 KCs and next 25 KCs	Aug-Dec 2015	MOAI/PCU	Completed for 40 KCs
	Finalise the selection of financial institutions for providing financial services to target groups	15 Aug. 2015	MOAI/PCU	On-going
	Constitute the matching grant committee under RBF	Aug. 2015	MOAI/PCU	Completed
	Constitute the matching grant committee under ABF	Dec. 2015	MOAI/PCU	On-going

Fiduciary Aspects	Obtain refund of amount transferred to MOF; open Project Accounts which comply with IFAD requirements; signatories to consist of project director and two MOAI officials; project director signature to always be required	as an urgent priority	MOAI	On-going
	PCU finance unit to be authorised to effect payments to vendors (after obtaining MOAI approvals for payments) and to operate the project cheque book	as an urgent priority	MOAI	On-going
	Petty cash mechanisms to be set up at PCU and KC levels	30 Aug. 2015	MOAI	On-going
	Project bank accounts to be opened at township level for the only purpose of cost recovery mechanisms	30 Aug. 2015	MOAI	Completed
	Negotiate with OAG for the external audit of project accounts for 2014-15 and 2015-15	30 Sept. 2015	PCU	Completed
	Submission of PIM related manuals to IFAD and the Cabinet for an official non-objection	By 15 October, 2015	PCU and MOAI	Completed
	MOAI to consider requesting tax exemption from Parliament	as appropriate	MOAI	On-going

Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

CODE	AWPB (April 2016 – March 2017) Activity	RIMS indicator	Where	Unit	Progress up to 30 September 2016				Year 2 Target		% achieved	Comments
					Q1	Q2	Q3	Q4				
Component 1: Agricultural Infrastructure												
1.1	Consolidation of Irrigation land in 3 scheme											
1.1.1.1	NGO assisting in Participatory Planning		Nay Pyi Taw (NPT)	month					0.30	0	0%	Hiring of Service Provider/NGO to assist PLUP Activities under processing
1.1.1.2	International TA to Irrigation Dept Design and Construction Group (ID dept)		NPT	Lump Sum (LS)					1	0	0%	PLUP process not yet completed
1.1.1.3	International Trainer on Irrigation Design and on-farm water management		NPT	LS					1	0	0%	International Trainer of KRC for Training on Land Consolidation Design to be conducted in ITC Bago.
1.1.1.4	Cost of running design course at Training Centre		NPT	LS					1	0	0%	Cost of training for 30 participants in Land Consolidation Design Training in ITC Bago.
1.1.1.5	Regional Study Tour		NPT	Tour					1	0	0%	Capability building for MoALI and FARM Project Officials on Project Technology, (2 staff from ID, 2 staff from DALMS, 2 staff from AMD, 1 from FARM)
1.1.1.6	Extension and Rehabilitation of Minors and Main Drains - Direct Costs	1.1.2	Project Area (PA)	LS					0.40	0	0%	Necessary extension and rehabilitation of Minors and Main Drains for Land Consolidation in Leway Township.
1.1.1.7	Extension and Rehabilitation of Minors and Main Drains - Indirect Costs	1.1.2	PA	LS					0.40	0	0%	Necessary extension and rehabilitation of Minors and Main Drains for Land Consolidation in Leway Township.
1.1.1.8	Irrigation Works at Tertiary Level - Direct costs	1.1.2	PA	acre					2000		0%	Started PLUP process and it is ongoing
1.1.1.10	Irrigation Works at Tertiary Level - Indirect costs	1.1.2	PA	acre					2000		0%	Started PLUP Process activities and ongoing for year 2
1.1.1.12	Dismantling of existing levee, land levelling and re-construction of new levee - Direct Costs	1.1.2	PA	acre					2000		0%	Started PLUP process activities and ongoing for this year 2
1.1.1.13	Dismantling of existing levee, land levelling and re-construction of new levee - Indirect costs	1.1.2	PA	acre					2000		0%	Started PLUP process activities and ongoing
1.1.1.14	Survey, Design and Supervision of Irrigation Works	1.1.2	PA	USD '000					156.3	39.1	25%	Data collection for Land Consolidation in 2016-2017;1,000 acres in Paunglaung and 1,000 acres in Chaungmange Irrigation Project
1.1.1.15	Farmers visit to planned land consolidation area to completed land consolidation area	1.1.2	PA	visit					24		0%	Not yet started
1.2	Farms re-titled and delineated											
1.2.1.1	Realignment of Bunds	1.1.2	PA	acre					2000		0%	PLUP process started
1.2.1.2	Resurvey and reregistration of new alignments	1.1.2	PA	acre					2000	351	18%	Reregistration of new 303 acres of land which completed land consolidation in last FY and 46 acres of completed land consolidation this FY, total 349 acres from last 2015/2016 AWPB
1.2.1.3	Field Allowances		PA	Person day					400		0%	Ongoing PLUP process Allowance for 2 staff from ID, 2 staff from DALMS, 2 staff from AMD, total 6 person x 20 days per Qtr during Land Consolidation in all

THE REPUBLIC OF THE UNION OF MYANMAR
Fostering Agricultural Revitalization in Myanmar (FARM)
Supervision report - Mission dates: 17-28 October 2016
Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

CODE	AWPB (April 2016 – March 2017) Activity	RIMS indicator	Where	Unit	Progress up to 30 September 2016				Year 2 Target		% achieved	Comments
					Q1	Q2	Q3	Q4				
												Qtrs of 2016-2017
1.2.1.4	Cadastral survey	1.1.2	PA	acre					2000	116	6%	Ongoing PLUP process in Paunglaung and Chaungmange Irrigation scheme
1.2.1.5	Irrigation Maintenance	1.1.2	PA	acre					0		0%	
Geo-media Professional GIS Software		1.1.2	NPT	Unit					1		0%	Under early stage of procurement process
1.3	Water User Groups are organized and functional											
Village Selection and Wealth Ranking		1.3.1	PA	Person day					0		0%	This activities is already included in Component 2 (2.1.1.33)
Formation and advice for Water User Groups		1.3.1	PA	Times					3		0%	Trainings for 4 blocks x USD 5000/Block, and 1 Workshop for WUGs x USD 5,000
Election of Project Implementation Committee (PIC) for land development		1.1.1	PA	Meeting					88	6	6.8%	40 PIC Election for each 50 acres in 2,000 acres of total planned for Land Consolidation
Component 2: Investing In Knowledge												
2.1	Knowledge Centers established and functional											
2.1.1.1	Support on KC Design and Location	2.1.1	PA	LS					0.27	0	0%	PCU sent a letter to MOALI for KC design and identification of location, 15 KCs x USD 272.7 (Design for 3rd batch 15 KCs, design cost will be USD 272.7/KC.)
2.1.1.2	Construction of Knowledge Centres	2.1.1	PA	KC					15	0	0%	15 KCs x USD 37,000 (3rd batch 15 KCs, estimated cost will be USD 37,000/KC)
2.1.1.3	Requirement facility for KC	2.1.1	PA	KC					40	13	33%	Fencing are planned for the 2 nd batch of constructed KCs
2.1.1.4	Installation of generators for KCs	2.1.1	PA	number					14	9	64%	14 KCs x USD 2500 (installation cost will be USD 2500/KC, for areas where there is no electricity), 2 nd batch (25 KCs)
2.1.1.5	Supervision of KC Construction	2.1.1	PA	number					40	25	63%	Completed for 2 nd batch 25 KCs
2.1.1.6	Furniture and housewares for KC	2.1.1	PA	KC					40	25	63%	Completed for 2 nd batch 25 KCs
2.1.1.7	Motor Cycles for KC based Extension Staff	2.1.1	PA	number					33	0	0%	MOF clarified to the mission team that motorcycles can be bought for KCs 33 (for 2nd batch 25 KCs + 5 TPCC Chairpersons + 3 seed inspectors), 33 x USD 1300
2.1.1.8	Mobile Phones for KC based extension Staff	2.1.1	PA	number					40	25	63%	40 KCs (40 x USD 200) Completed in June
2.1.1.9	IT equipment	2.1.1	PA	Lot					40	25	63%	40 KCs x USD 1180)
2.1.1.10	Technical Material		PA	Lot					55	0	0%	Technical specifications provided to PCU Procurement Specialist, 55 KCs (1st batch 15 KCs + 2nd batch 25 KCs + 3rd batch 15 KCs) x USD 4000 (Includes seed testing kits, plant tissue micro and macro nutrient testing kits, soil testing kit and penetrometer and refractometer.)
2.1.1.11	Connecting Electricity to KC	2.1.1	PA	KC					25	0	0%	Outdoor cable, cable post from supply. So different for each KCs (20 KCs x USD 3600/KC)
2.1.1.12	Election of KC Board of Directors	2.1.1	PA	Meetings					2	1	50%	23 out of 40 KC Board of Director elected
2.1.1.13	Recruitment of Legal Adviser		NPT	Year					0	0	0%	Specialist advisor(s), part time recruited through SP
2.1.1.14	International TA for ToT		NPT	Person month					1	0	0%	To undertake first round of ToTs (KCMs) and refresher courses for all extension workers in the District - recruited through SP

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CODE	AWPB (April 2016 – March 2017) Activity	RIMS indicator	Where	Unit	Progress up to 30 September 2016				Year 2 Target		% achieved	Comments
					Q1	Q2	Q3	Q4				
2.1.1.15	Initial Training of Trainers		NPT	Training					10	5	50%	Initial ToT for 2nd batch KCM divided according to cropping pattern of project villages. One session take average of 3 days
2.1.1.16	Refresher Training of Trainers		NPT	Person					0	0	0%	
2.1.1.17	Technical Training Support		NPT	Training					6	3	50%	Demand driven for the KCs - small sums for locally sourced specialized training.
2.1.1.18	Farmers Demonstration Plots	2.1.3	PA	Demo					863	584	68%	1st qr - 21 KCs x 4 Demo Plots, 2nd qr - using transplanter 25 KCs x10 Demo Plots + GAP & others 40 KCs x 6 to 7 Demo Plots, 3rd qr - 40 KCs x 3 Demo Plots, 4th qr - 40 KCs x 2 Demo Plots (Summer paddy based on irrigation water availability). Crops will be rice, corn, maize, tomato, cotton, etc.
2.1.1.19	Farmers Demonstration Plots (Private Sector)	2.1.3	PA	Demo					265	38	14%	4 Private Sectors plans to do demonstration plots
2.1.1.20	Farmers Demonstration Plots (303 Demo for Land consolidation area)	2.1.3	PA	Demo					303	287	95%	Demonstration in land consolidated area
2.1.1.21	Training (Private Sector)	2.1.3	PA	Training					166	10	6%	4 Private Sectors plan to conduct trainings in project area
2.1.1.22	Contract Farming	2.1.3	PA	acre					1978	275.5	14%	
2.1.1.23	Farmer to Farmer Visits	2.1.3	PA	per visit					90	27	30%	Visits to other farmers within and outside the district.
2.1.1.24	Regional study tour for Excellent KCM	2.1.3	NPT	per person					20	0	0%	Outstanding KCMs
2.1.1.25	Training of Seed Inspectors	2.1.3	NPT	Training					1	0	0%	Training will be held on 24 October 2016 National training (30 trainees) cost - USD 6,000.provision of seed testing kits - 60 x USD 100 = USD 6000 (1st batch 30 Trainees (in Mar 2016) and 2nd batch 30 trainees)
2.1.1.26	Refresher Training of Seed Inspectors			Training					0	0	0%	
2.1.1.27	Training of Simple bookkeeping drawing business plan to KCM & N	2.2.1	PA	Training					2	1	50%	2 nd batch KCMs (25) 2 sessions for 40 KCMs
2.1.1.28	Training of Simple bookkeeping , drawing business plan to ELF/ELE	2.2.1	PA	Training					36	13	47%	Total of 17 sessions in 14 KCs
2.1.1.29	Training of SME to KCM &	2.2.1	PA	Training					1	0	0%	1 training for 40 KCMs at KC estimated cost - USD 300/section.
2.1.1.30	Training of SME to ELF/ELE	2.2.1	PA	Training					25	0	0%	Training for village level ELE/ELF at KC - estimated cost = USD 400/section.
2.1.1.31	Training on Survey Methods and Data entry for KCMs (1 section)		PA	Training					2	1	50%	M&E Specialist conducted training in KC 12
2.1.1.32	Training on Data Collection for ELFs (15 sections)		PA	Training					15	1	7%	M&E Specialist conducted training KC 12
2.1.1.33	Village Selection-Wealth Ranking		PA	Per day					792	357	45%	Hiring 2 to 4 numerators per village for 2nd batch of 25 and 3rd batch, 15 KCs
2.1.1.34	Consultant Support to CIG/WUG		Per Month						24	6	25%	1 consultant recruited for 6 months ending on 24 Oct 2016, to assist the CDGS and WUGs
2.1.1.35	Farming System Advisory / GAP Standards Specialist		Per Month						24	0	0%	
2.1.1.36	Training on Rice Cultivation with transplanter		PA	Training					4	1	25%	Conducted for KCMs only in May/June 2016

CODE	AWPB (April 2016 – March 2017) Activity	RIMS indicator	Where	Unit	Progress up to 30 September 2016				Year 2 Target		% achieved	Comments
					Q1	Q2	Q3	Q4				
2.2	Rural business for landless entrepreneurs and farming HH sustainably implemented											
2.2.1.1	Business Development Consultant		NPT	Person Month					24	3	13%	Contract completed in July 2016
2.2.1.3	Vocational training of entrepreneurs CIGs	2.2.3	PA	Training					17	5	29%	Animal healthcare training, 5 sessions on 18 to 26 June 2016 in KC 10 & KC 15
2.2.1.4	Seconded from DOA, DAR		NPT	Person day					360	180	50%	2 staff to assist KCM
2.2.1.5	Numerator at village activities		PA	Person day					800	0	0%	
2.2.1.7	NGO Support to Landless Entrepreneurs/ Farmer HH	2.2.1	PA	Months					84	0	0%	Hiring of service provide for COMP 1 & 2 under processing
2.3	Value chains strengthened											
2.3.1.1	Sub Project Design Support	2.3.1	PA	LS					0.1	0	0%	Contract completed in July 2016
2.3.1.2	Value Chain Analysis	2.3.1	PA	Study					4	1	25%	Completed, VC analysis on rice was produced
2.3.1.3	Market Promotion		PA	LS					0.2	0	0%	Not yet started
2.4	Beneficiaries participatory planning and monitoring											
2.4.1.1	Weekly progress review at KC		PA	Meeting					1920	156	37%	Monthly KC board meeting for progress review
2.4.1.3	KC and village level participatory planning workshop		PA	Meeting					40	0	0%	Planned in November/December 2016 for AWPB 2017-18
2.5	Project Staff & Allowances											
2.5.1.1	Salary/Allowance - Project Agriculturalist & Manager		NPT	Months					12	6	50%	
2.5.1.2	Salary - Advisor to Project Director		NPT	Months					12	5	42%	
2.5.1.3	Salary - Community Devt & Gender Specialist		NPT	Months					12	6	50%	
2.5.1.4	Salary - Water Management/WUG Specialist		NPT	Months					12	0	0%	
2.5.1.5	Salary - Water Management/WUG consultant		NPT	Months					12	3	25%	
2.5.1.6	Salary - Value Chain Consultant		NPT	Months					12	3	25%	Contract completed June/July 2016
2.5.1.7	Travel Costs for specialists		NPT	Person Yr					36	0	0%	Minor local travel only
2.5.1.9	Allowances for KC Extension Staff		NPT	Person Yr					40	20	50%	40 KCMs were provided with allowance up to July and 39 KCMs up to Sept
2.5.1.11	Allowance - Caretaker		NPT	KC Year					65	0	0%	
2.6	Other Operating Costs											
2.6.1.1	Vehicle Operating Costs		NPT	Vehicle/ Month					24	12	50%	Based on 400l diesel plus repairs
2.6.1.3	Annual Costs of Knowledge Centres		PA	KC Year					40	20%	50%	40 KCMs were provided with allowance up to July and 39 KCMs up to Sept
2.6.1.4	Car Rent		PA	Month					24	12	50%	For PCU staff use in the field
Component 3: Financing Growth												
3.1	Rural business and SMEs accessed sustainable financing											
3.1.1.1	Incremental Re-financial Resources for MFIs	3.1.4	NPT	LS					0.5	0	0%	Incremental resources for financing project beneficiaries to be provided as a grant through cooperating MFIs. Details to be negotiated between PCU and MFIs based on Implementation Guidelines.
3.1.1.2	Farm Machinery		PA	Unit					2	0	0%	Mission suggested to reduce 1 combined harvester, to purchase 1 Laser leveller
3.1.1.3	Solar Pump and Drip Irrigation System		PA	Unit					5	0	0%	Not yet started
3.1.1.4	Equipment and building branch office for MFI	3.1.4	PA	LS					2	0	0%	Pre-selection completed, pending approval by NPSC
3.1.1.5	Capacity building during staff up for MFI staff		PA	LS					2	0	0%	Not yet started
3.2	Improved access to rural finance											

CODE	AWPB (April 2016 – March 2017) Activity	RIMS indicator	Where	Unit	Progress up to 30 September 2016				Year 2 Target		% achieved	Comments
					Q1	Q2	Q3	Q4				
3.2.1.1	Investments Made by Private Sector	3.2.1	NPT	LS					0.23	0	0%	Pending approval by DoA, investments made by Private Sector, entrepreneurs in agro processing and other value chain activities.
3.2.1.2	Matching Grant Fund - Agribusiness	3.2.1	PA	LS					0.23	0	0%	Pending approval by DoA, resources to be provided to approve Value Chain investments to be matched at least 60:40 by the investor.
3.3	Microfinance outreach extended to Households											
3.3.1.1	Beneficiaries' Contribution to IGAs	3.1.4	PA	LS					0.7	0.2	29%	Matching Inputs in cash or in-kind in support of IGA Activities
3.3.1.2	Matching Grant Fund for IGAs	3.1.3	PA	LS					0.5	0	0%	Pending approval from NPSC for PY2
3.4	Project Staff & Allowances											
3.4.1.1	Salary - Rural Finance Specialist		NPT	Months					12	6	50%	
3.4.1.2	Travel Costs for Specialists		Per NPT Month						12	0	0%	
Component 4: Project Management and Coordination												
4.1	PCU Established and Upgraded											
4.1.1.1	Rehabilitation or Upgrade of Premises		NPT	LS					0.5	0	0%	Assumption is that Government rents adequate sized premises and storage for project, including Aircon, phone and internet connection is done as part of the project
4.1.1.2	Computers & Other Electronic Equipment		NPT	Set					15	0	0%	Includes, internet, office phones & switchboard, high-speed copier/scanner/printer, desktops and software, laptops, printers, projector, Camera. Not yet started
4.1.1.4	4WD Double Cab		NPT	Vehicle					2	0	0%	Tax and registration fees assumed to be paid in full on vehicles
4.1.1.6	Office Building		NPT	Unit					1	0	0%	Design documents provided by DoA
4.2	Training & Technical Assistance											
4.2.1.1	Capacity Building for PCU Staff		NPT	training					4	0	0%	Capacity building for new PCU staff (WUG Specialist, Procurement Specialist, M & E Specialist, Gender Study)
4.2.1.2	Exposure Visits and Regional Workshops		NPT	workshop					7	0	0%	The budget allocation includes the provision for a MoALI delegation trip to Rome (6 people), including H.E. Minister MoALI (USD 50,000). We also budget additional USD 20,000 for other PCU/MoALI staff.
4.2.1.3	Follow Up Baseline Surveys for RIMS (Old 73 Villages)		NPT	Survey					0.5	0	0%	Hiring of external service provider for baseline survey under 40 KCs
4.2.1.4	Mid Term Reviews		NPT	MTR					0	0	0%	
4.2.1.5	Project Completion Report		NPT	PCR					0	0	0%	
4.2.1.6	Communication and Knowledge Management		NPT	LS					0.3	0	0%	Dissemination of project information and results both in printed form and on the web. Includes inception workshop
4.3	Planning, Monitoring and Knowledge Sharing											
4.3.1.1	Internal Audit		NPT	LS					0	0	0%	
4.3.1.2	Annual Audit Fee		NPT	Audit					0	0	0%	
4.3.1.3	IFAD Start up workshop		NPT	People					0	0	0%	
4.3.1.4	Six-Month Progress workshop		NPT	People					400	0	0%	
4.3.1.6	Quarterly meeting at Township		NPT	Meeting					20	2	13%	done in Pyinmana and Lewe townships

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					Q1	Q2	Q3	Q4				
4.3.1.7	Quarterly supervisions from PWC		NPT	Person day					100	32	32%	17 June 2016 - 13 participants, 10 May 2016 - 8 participants, 17 Aug 2016 – 11 participants Total - 32
4.3.1.8	Township level planning workshop		NPT	Meeting					5	0	0%	
4.3.1.9	Annual AWPB Workshop		NPT	Meeting					1	0	0%	Not yet started, going to conduct in 3 rd Qr.
4.3.1.10	Gender Study Workshop		NPT	Meeting					1	1	100%	Held on 24 th June 2016, total participants - 250

Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5A: Financial performance by financier

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan ¹	18,726.00	2,442.95	13.05
IFAD grant ¹	778.50	92.30	11.86
Government ²	5,296.60	342.13	6.46
Private Sector ²	2,402.40	69.24	2.88
Beneficiaries ²	621.30	35.89	5.78
Total	27,824.80	2,982.51	10.72

¹For the IFAD loan and grant, actual disbursement made in USD from Flexcube has been used and expenditures incurred but yet to be disbursed has been converted at the exchange rate of USD transferred to MMK Operating Bank account.

² The project does not maintain the expenditure incurred by the Government, private sector and beneficiaries and hence the expenditures are calculated based on information provided by the Government and private sector and beneficiaries and converted in USD using exchange rate of MMK per USD used for transfer of USD from designated account to operating bank account.

Table 5B: Financial performance by financier by component (USD '000) as on 30 September 2016

Component	IFAD loan			IFAD Grant			Government			Private Sector			Beneficiaries			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
1. Agricultural Infrastructure	8,736.20	877.66	10.05	283.90	50.00	17.61	3,808.40	221.16	5.81	-	-	-	341.30	4.28	1.25	13,169.80	1,153.10	8.76
2.1 Agricultural and Business services- Investing in Knowledge	4,583.40	1,113.55	24.30	357.50	38.50	10.77	775.10	75.57	9.75	302.40	69.24	22.90	-	-	-	6,018.40	1,296.86	21.55
2.2. Agricultural and Business services- Financing Growth	3,300.20	98.72	2.99	-	-	-	-	-	-	2,100.00	-	-	280.00	31.61	11.29	5,680.20	130.33	2.29
3. Project Management and Coordination	2,106.20	353.01	16.76	137.10	3.80	2.77	713.10	45.40	6.37	-	-	-	-	-	-	2,956.40	402.21	13.60
Total	18,726.00	2,442.95	13.05	778.50	92.30	11.86	5,296.60	342.13	6.46	2,402.40	69.24	2.88	621.30	35.89	5.78	27,824.80	2,982.51	10.72

Note: 1. Initial deposit is not included.

2. IFAD loan and IFAD grant actual data includes expenditures (June to September 2016) which are yet to be claimed with IFAD.

Table 5C(i): IFAD loan (Account Number 2000000649) disbursements (SDR, as at 30 September 2016)

Category Code	Category Description	Allocated	Disbursed	W/A pending	Balance	Per cent disbursed
200003	Works	5,020,000.00	952,789.00	71,708.81	3,995,502.19	18.98
200011	Equipment and Materials	240,000.00	61,191.91	33,906.96	144,901.13	25.50
200012	Grants & Subsidies	1,870,000.00	23,067.94	14,941.01	1,831,991.05	1.23
200013	Goods, Services and Inputs	2,270,000.00	19,022.77	132,369.80	2,118,607.43	0.84
200016	Operating Costs	1,540,000.00	321,041.49	112,413.55	1,106,544.96	20.85
290001	Unallocated	1,210,000.00	0.00	-	1,210,000.00	-
Total		12,150,000.00	1,377,113.11	365,340.12	10,407,546.77	11.33

Table 5 C(ii): IFAD Grant (Account Number 2000000650) disbursements (SDR, as at 30 September 2016)

Category Code	Category Description	Allocated	Disbursed	W/A pending	Balance	Per cent disbursed
200008	Consultancies	510,000.00	65,689.27	7,500.11	436,810.62	12.88
Total		510,000.00	65,689.27	7,500.11	436,810.62	12.88

Note: The expenditures incurred but yet to be claimed have been reported in the W/A pending column using exchange rate of USD transferred to Operating Bank account and USD 1.37361 per SDR prevailing on October 24, 2016.

Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Financing Agreement:				
Section B, Para 7	The Borrower/Recipient shall provide counterpart contribution for the Project in a total amount equivalent to approximately USD5,300,000, in order to cover, inter alia, machinery for works under Component 1, extension staff salaries and allowances under Subcomponent 2.1 and taxes and duties levied on the implementation of the Project.	Request MOF on permit and procedure for Tax and duties exemption	Partially Complied	Salary and allowances of extension staff and seconded staff to PCU are borne by Government
Section C, Para 1	The Lead Project Agency shall be the ministry of Agriculture and Irrigation		Complied	
Section C, Para 2	Additional Project Parties shall include, inter alia, the participating government agencies, Yezin Agricultural University, and the Non-Governmental Organizations (the "NGO") and contracted services providers selected to implement the Components of the Project.		Being complied	
Section D	The Financing shall be administered and the Project supervised by the Fund. In addition to supervision missions which shall normally be carried out, by the Fund, jointly with the Borrower/Recipient, shall conduct 2 mid-term reviews at the end of the second and fourth years of Project Implementation respectively.		Complied	First mid-term review due has been postponed for the third year due to low progress.
Section E, Para 2	The Project Director and Project Manager, both acceptable to IFAD, shall have been selected.		Complied	
Schedule 1, Para 5	<i>Lead Project Agency.</i> The MOAI, in its capacity as the Lead Project Agency, shall have the overall responsibilities for the Project's implementation.		Complied	
Schedule 1, Para 6	Governance. The project's governance framework shall consist of: (i) the NPSC; (ii) the Project Working Committee(the PWC); (iii) the Township Project Coordination Committees (the TPCC); and (iv) the Village Tract Facilitation and Monitoring Groups.		Being complied Ongoing	TPCCs and VTGs are being established
Schedule 1, Para 7	NPSC shall be co-chaired by the MOAI Deputy Minister for Irrigation and the Deputy Minister for Agriculture. Other members may include the Director Generals of relevant MOAI Departments as well as representatives from the Ministry of National Planning and Economic Development (MNPED) , the Ministry of Finance (MOF), the Ministry of Livestock, Fisheries and Rural Development (MOLFRD) and the Nay Pyi Taw		Complied	

	Council. The NPSC shall be based in Nay Pyi Taw.			
Schedule 1, Para 8	PWC. The PWC shall serve as the MOAI committee to provide guidance and oversight for Project Implementation. It shall be established by the Minister of the MOAI and shall consist of Deputy-Director General s of the relevant MOAI Departments and the Project Director.		Complied	
Schedule 1, Para 9	TPCC. In each project township, a TPCC shall be established, co-chaired by a local officer of the DOA of the MOAI and a local official, with other members representing relevant MOAI departments, implementing agencies and farmers' organizations.		Complied	
Schedule 1, Para 10	Village Tract Facilitation and Monitoring Groups. The project village tracts, facilitation and monitoring groups shall be established, chaired by the Village Tract Leader, and include representatives of the partner NGOs, the KCs, and community organizations, as well as a staff member of the DOA.		Being complied Ongoing	
Schedule 1, Para 11	PCU. The PCU shall be established by the Lead Project Agency and managed by the Project Director. The PCU shall be responsible and accountable for the management of the Project and the achievement of its results. It shall be an autonomous entity reporting to the NPSC, and will be located in Nay Pyi Taw. Its structure shall reflect project component and investments, and it shall be enjoy a certain level of financial autonomy in order to fulfill its mandate. The PCU will consist of three units: (i) the administration office responsible for financial management, accounting, procurement and contracting, headed by a financial manager;(ii) the investment office responsible for investment activities, consisting of a rural finance specialist and an irrigation/water management specialist; (iii) the capacity building office responsible for mobilising communities and strengthening their organizations, consisting of a community/ gender specialist.		Being complied	PCU maintains separate account books and prepares AWPB. However, the project accounts are administrated by DOA of MOAI. PD is not yet one of the signatories of the PAs.
Schedule 1, Para 12	The Project Director shall be as a senior officer seconded from the MOAI. The Project Director shall be supported by a Project Manager (an agriculture specialist) and other Project personnel. The selection of the Project Director, Project Manager and Finance Manager shall be subject to the NPSC's approval and concurrence of the Fund.		Complied.	
Schedule 1, Para 13	A specific committee composed of the PCU management shall be created to address and grievances arising from the implementation of the Project.		Not complied	Not yet formed.
Schedule 1, Para 14	The Project shall be implemented under the leadership of the Lead Project Agency through partnerships with relevant		Not complied	Not yet appointed but it is in the process of selection.

	government agencies, NGOs, contracted service providers and the private sector. Partners and service providers shall be appointed on performance-based contracts, with performance assessed by the PCU and beneficiary representatives.			
Schedule 1, Para 15.1	Participatory planning for land development shall be implemented by the local NGO experienced in Participatory Land Use Planning (the PLUP) and Free, Prior and Informed Consent (the "FPIC") approaches, selected by the PCU on a competitive basis and contracted for an aggregate period of up to four (4) years.		Not applicable	IFAD gave consent to award to ID
Schedule 1, Para 15.2	Participation in land development under PLUP and FPIC approaches shall be organized by the NGO and PCU to ensure that farming households: (i) participate in the design of all civil works; (ii) set up mechanisms for sharing losses of cultivatable land arising from civil works; (iii) redefine the boundaries of each household's plot of land for land re-titling purposes; and (iv) elect a Project Implementation Committee to monitor execution and accept works. .		Not applicable	IFAD gave consent to award to ID
Schedule 1, Para 15.3	Civil works for land development shall be implemented through direct contract with MOAI's irrigation Department (ID). The ID shall execute the design, civil works and supervision of tertiary canals, drainage networks and farm roads.		Being complied Ongoing	
Schedule 1, Para 15.4	The full package of design, implementation and training services for micro hydro turbines shall be provided by a specialized international entity duly contracted by the PCU through an international bidding process. This activity shall not start before the second Project Year.		Not yet due	
Schedule 1, Para 16.1	The rehabilitation and/or construction of KCs shall be undertaken by a local firm duly selected through national competitive bidding.		Complied	
Schedule 1, Para 16.2	A legal advisor contracted by the PCU shall facilitate the selection of beneficiary representatives as well as the electoral process for the formation of the KC boards.		Not complied	
Schedule 1, Para 16.4	A local NGO shall be duly selected through a competitive procurement process and contracted by the PCU.		Not complied	NGO is in process of selection
Schedule 1, Para 16.5	Demonstration and trials shall be organized through agreements among the PCU, the MOAI Department of Agriculture Research (the "DAR"), the YAU, and the private sector as appropriate, based on KC plans.		Being complied Ongoing	
Schedule 1, Para 17.1	The Rural Business Fund (RBF) and Agribusiness Fund (ABF) shall be managed by the PCU. The PCU will issue periodic calls for proposals, analyse the proposals received based on pre-defined eligibility criteria, define possible amounts of Project		Being complied Ongoing	Agribusiness fund (ABF) is yet to be disbursed.

	financing based on resources mobilized by the entrepreneur, submit short-listed proposals to the Grant Committee composed of representatives from the PCU, the MOAI and private sector representatives, and manage financial flows (tranches0 to beneficiaries.			
Schedule 1, Para 17.2	The PCU shall broker an agreement with a microfinance institution(s) (the "MFI") to establish operations in the Project area and provide financial services to smallholders and the landless.		Not yet complied	In process of selection
Schedule 1, Para 17.3	The formation of savings and credit institutions shall be organized by a specialized NGO/MFI contracted by the PCU.		Not yet complied	MFI is in process of selection
Schedule 1, Para 18	The PCU shall prepare a draft Project Implementation Manual (PIM) which shall be approved by the NPSC before the Fund's non-objection shall be obtained.		Complied	
Schedule 1, Para 19	The Lead Project Agency shall forward the draft PIM to the Fund for its non-objection. If the Fund does not comment on the draft PIM within thirty (30) days after receipt, it shall be deemed approved.		Complied	
Schedule 3, Para 3	The Borrower/Recipient shall ensure that Project investments in KCs are managed by appointed extension staff, who shall not be transferred to positions outside the Project area during the implementation period.		Being complied	
Schedule 3, Para 4	The Borrower/Recipient shall ensure that Project beneficiaries, farming and landless households, will be supported to obtain proper identification documents enabling them to meet the requirements of financial institutions.		Not yet complied	MFI is in process of selection.
Letter to the borrower:				
LTB paragraph 6	The proceeds of the Financing may not be used to pay taxes.		Not yet Complied	Commercial taxes are paid from IFAD sources though they are small amounts. Tax exemption approval is yet to be obtained from the Government.
LTB paragraph 7	The Borrower/Receipt is required to open a bank account of the loan (Loan Designated Account) and another bank account for the Grant (Grant Designated Account) for the purpose of receiving and channeling the proceeds of the loan and the grant respectively and financing the project. Both Designated Accounts shall be opened, and maintained by the Borrower/Recipient in a bank acceptable to the Fund, and shall be denominated in USD. The DAs shall be administered following Imprest Fund arrangements. The DA will be segregated with other financing sources.		Complied	

LTB paragraph 9	There shall be separate loan and grant Project Account denominated in MMK opened in Myanmar Economic Bank (MEB) or another Bank acceptable to the Fund and maintained and operated by the PCU. The director of the project shall be fully authorized to operate the relevant PAs. The PCU shall maintain separate Implementation Accounts in local currency to receive proceeds of the financing from the counterpart funding. The PCU shall ensure that funds received at each level are transferred without delay.		Partially Complied	The Operating Bank accounts are being operated by joint signatures of any two from Permanent Secretary of MOALI, Deputy Permanent Secretary of MOALI and Project Manager. Deputy Director General of DOA, Finance Director of DOA and Director General of DOA are joint bank signatories (any two of them) of Ministry Department Bank Account. It is agreed that signatories of the Operating bank accounts will be changed as per revised funds flow mechanism.
LTB Paragraph 10	The Project Accounts shall be funded and replenished from time to time upon request of the PCU, from resources of the Designated Accounts in accordance with expenditures incurred under approved Annual Work Plan and Budget's (AWPBs). On the basis of the approved AWPB and project needs the PMO will request advances for the implementation of activities from the loan Designated Account and the Grant Designated Account to the respective MMK accounts.		Complied	
LTB Paragraph 10	Before withdrawals commence, IFAD needs to receive from the Minister of Finance or a designated officials representative, a letter designating the person or persons authorized to sign withdrawal applications, which includes their authenticated specimen signatures		Complied	
LTB Paragraph 19	Project procurement of goods, works and consulting services will be carried out in compliance with the IFAD's Procurement Guidelines.		Not fully complied	
LTB Paragraph 20	As soon as possible after project commencement, the PCUs shall submit to IFAD the draft AWPB and the Procurement Plan covering the initial 18 months period of project implementation. This shall be updated to cover each succeeding twelve (12) months period for IFAD review and no objection.		Partially complied	Not before 60 days prior to start of the fiscal year
LTB Paragraph 21	In accordance with Paragraph 3, Module F5 of the IFAD's procurement Handbook, International Competitive Bidding will be mandatory method of procurement for contracts above the following value: Goods: Above USD 200,000 Works: Above USD 1,000,000 Services: Above USD 100,000		Being complied	
LTB Paragraph 22	Methods for procurement of goods/works as per thresholds is		Being complied	However, the procurement packages

	<p>established as follows:</p> <p>a. Goods:</p> <p>i. National Competitive Bidding for contract value greater than USD 25,000 and less than or equal to USD 200,000;</p> <p>ii. National shopping for contracts greater than USD 1,000 and less than or equal to USD 25,000</p> <p>iii. Direct contracting for contracts less than or equal to USD 1000</p> <p>b. Works:</p> <p>iv. National Competitive Bidding for contract values greater than USD 50,000 and less than or equal to USD 1,000,000</p> <p>v. National shopping for contracts less than or equal to USD 50,000</p>			are being split to avoid obtaining quotations and tenders.
LTB Paragraph 23	<p>The Irrigation Department of Ministry of Agriculture and Irrigation (MOAI) shall be directly contracted to undertake the design and execution of land consolidation works, the construction of irrigation systems and structures which include farm road.</p> <p>A service provider with expertise in infrastructure will be contracted (in consultation with IFAD) by the PCU to support engineering design work, assess construction norms, verify unit costs, supervise civil works (complementing Irrigation Department and beneficiary supervision), and provide technical assistance to ID for capacity building and modernization purposes.</p>		Being complied	Service provider has not yet been contracted.
LTB paragraph 24	<p>the following shall be subject to prior review by the Fund:</p> <p>(a) Award of all ICB contracts for goods and works;</p> <p>(b) Award of all direct contracts between the MOAI/PCU and Irrigation Department for design, civil works and supervision;</p> <p>(c) Award of NCB contracts for goods and works estimated to cost USD 25,000 or more;</p> <p>(d) Award of direct contracts for goods estimated to cost USD 1000 or more;</p> <p>(e) Award of all contracts for consulting services to firms and individuals.</p>		Not being fully complied	Some of the contracts were entered without obtaining prior approval of IFAD.
LTB paragraph 26	<p>All contacts, with or without prior IFAD approval, shall be listed in the Register of Contracts with the dates of approval. The register shall be updated and submitted to the IFAD on a six-month basis.</p>		Being complied	Some of the contracts entered without prior IFAD approval are not recorded in the Register of Contracts and the register is not being submitted to IFAD
LTB Paragraph 27	<p>The PCU shall prepare a draft PIM which shall be approved by the National Steering Committee (NPSC) before the Fund's no-objection shall be obtained.</p>		Complied	
LTB Paragraph 28	<p>The Lead Project Agency, shall forward the draft PIM to the</p>		Complied	The final copy of the PIM has not been

	Fund for its non-objection. If the funds does not comment on the draft PIM within 30 days after receipt, it shall be deemed approved. The Lead Project Agency shall adopt the PIM, substantially in the form approved by the Fund, and the Lead Project Agency shall promptly provides copies thereof to the Fund.			provided the IFAD
LTB paragraph 30	The project shall utilize a computerized accounting software for the project. The accounting software and chart of accounts will be set up to ensure separate project accounts to monitor implementation progress, identify works, goods and services, and disclose their use in the project.		Complied	The project is using Sage 50 accounting software. It does not provide information as per government budget line.
LTB paragraph 33	Annual financial statements shall be prepared in accordance with International Financial Reporting Standards (IFRS) or International Public Sector Accounting Standards (IPSAS).		Partially complied	First annual financial statements for the period from beginning to March 31,2016 have been prepared as per cash basis of accounting.
LTB paragraph 34	Annual financial statements shall be prepared in a format acceptable to IFAD and will include the following: (i) Sources and uses of Funds Statement, with classification of expenditures by category and financing source, (ii) expenditures by component and financing source, (iii) actual expenditures compared to approved budget, (iv) Statement of Expenditures (SOE) - Withdrawal application schedule, (v) a reconciliation statement of the Designated Account, (vi) a fixed assets register, (vii) notes to the financial statements.		Partially complied	(1) Sources and uses of Funds Statement with classification of expenditures by component and financing source, (2) Statement of Expenditures (SOE) - Withdrawal application schedule, (3) a fixed assets register, and (4) notes to the financial statements are not attached with the financial statements.
LTB paragraph 35	As soon as practicable, but no later than 120 days after entry into force of the Financing Agreement, the Borrower/Recipient shall appoint external independent auditors, acceptable to IFAD, to audit the financial statements relating to the Project for the first fiscal period. Thereafter, as soon as practicable, but not later than 120 days after the beginning of each succeeding fiscal year, the Borrower/Recipient shall confirm the appointment of the same independent auditor for the successive fiscal year. Possible change in auditors shall be communicated to IFAD for non-objection.		Not complied	The OAG conducted audit of the first audit period ending March 31, 2016. The external independent auditor will be appointed for the next fiscal year after obtaining consent of the OAG.
LTB paragraph 36	The Log of Audit Observation should be maintained and updated regularly.		Complied	Maintained during mission.
General Condition for Agricultural Financing:				
Section 7.03(b)	Borrower/Recipient shall make available to the Project Parties during the Project Implementation Period counterpart funds from its own resources in accordance with its customary national procedures for development assistance.	During implementation period	Ongoing compliance	

Section 7.05 (a)	Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each Procurement Plan shall identify procedures which must be implemented by the Borrower/Recipient in order to ensure consistency with the IFAD Procurement Guidelines.	During implementation period	Ongoing compliance	Not being fully complied as some of the procurements have been done without prior approval.
Section 7.08 (a)	Insurance of vehicles, equipment and civil works financed from the loan proceeds to be consistent with sound commercial practice.	During implementation period	Partially complied	Third party insurance of 2 vehicles and motorbikes and comprehensive insurance of one vehicle
Section 7.09 (a)	The Borrower/Recipient shall ensure that no Project Party shall enter into any Subsidiary Agreement, or consent to any modification thereof, inconsistent with the Financing Agreement or the Project Agreement.		Being complied	
Section 7.11	The Borrower/Recipient or the Lead Project Agency shall appoint the Project Director and all other key Project personnel in the manner specified in the Agreement or otherwise approved by the Fund. All key Project personnel shall have qualifications and experience specified in the Agreement or otherwise approved by the Fund.		Complied.	
Section 7.13	The Borrower/Recipient and the Project Parties shall ensure that the resources and benefits of the Project, to the fullest extent practicable, are allocated among the Target Population using gender disaggregated methods.		Being complied	
Section 8.02 (a)	The Lead Project Agency shall establish and thereafter maintain an appropriate information management system in accordance with the Fund's Guide for Project Monitoring and Evaluation with which it shall continuously monitor the Project.		Partially complied	There is no management information system software rather the information are maintained in excel spreadsheet for monitoring & dissemination purpose.
Section 8.03 (a)	Progress Report: The Lead Project Agency shall submit to the Fund periodic progress reports on the Project, in such form and substance as the Fund shall reasonably request which is the Project's Implementation no later than 2 months after end of each reporting period during the Programme Implementation Period.	Six monthly and Yearly	Complied	
Section 8.03 (b)	Mid-Term Review: The Lead Project Agency and the Fund shall jointly carry out a review of Project implementation no later than the midpoint of the Project Implementation Period (the "Mid-Term Review") based on terms of reference prepared by the Borrower and approved by the Fund.		Not yet due	it will be carried out in the mid- point of implementation.
Section 8.04	Completion Report: The borrower shall submit to the Fund the completion report on the Programme no later than six (6) months after the Programme Completion Date.		Not yet applicable	

Section 8.05	Plans and Schedules: The Project Parties shall furnish to the Fund promptly upon their preparation, such plans, design standards, reports, contract documents, specifications and schedules relating to the Project, and any material modifications subsequently made therein.		Partially complied	AWPB is being submitted for review to IFAD and no objection is being received. Some of the other reports and contract documents are not submitted to IFAD.
Section 9.01	The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the Project until the Financing Closing Date, and shall retain such accounts and records for at least ten (10) years thereafter.		Being complied	
Section 9.02	Financial Statements: The borrower shall prepare consolidated financial statements of the operations, resources and expenditures related to the Program for each Fiscal Year. Within 4 months of each Fiscal Year end, such financial statements shall be delivered to the Fund.	31 st July of every year	complied	Unaudited financial statements of FY 2015/16 are submitted to IFAD on June 2, 2016.
Section 9.03 (a)	Audits: The Borrower/Recipient shall, each Fiscal Year, have the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund.		Partially complied	The audit has been conducted in compliance with generally accepted auditing standards instead of International Standards of Supreme Audit Institutions (ISSAI).
Section 9.03 (b)	The borrower shall, within six (6) months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower/Recipient shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof.	30 th September of every year	Partially complied	Financial statements are not prepared as per IFAD guidelines and audited financial statements is yet to be submitted to IFAD in English language.
Section 9.03 (c)	If the Borrower/Recipient does not timely furnish any required audit report in satisfactory form and the Fund determines that the Borrower/Recipient is unlikely to do so within a reasonable period, the Fund may engage independent auditors of its choice to audit the accounts relating to the Project.		Partially complied	The OAG issued one audit report for the year 2014-15 and 2015-16 in local language on October 11, 2016 after six months from the end of the financial year. The audit report is yet to be submitted to the IFAD

Appendix 7: Audit Log

TABLE OF SUMMARY STATUS OF AUDIT OBSERVATION						
Audit observation as per Audit Report			Audit Observations Settled		Audit Observations Outstanding	
Financial	Numbers	Amount in MMK	Numbers	Amount in MMK	Numbers	Value
2014-16	12	22,407,286.65				

S. No	Financial Year	Class: Serious/ General	Audit Ref	Audit Observation	Amount in MMK	PCU Action	Auditor's Validation Results
1	2014-16		AO -4(a) & ML-3(b)	Unused materials of MMK 1,542,633 (USD 1,275.78) for sand, wood and diesel purchased for land development of 303 acres farmland have been accounted to expenditures	1,542,633	It is advisable to make use of the leftover supplies mentioned above by listing them as secured assets.	
2	2014-16		AO -4(b)	Salary for government's financial contribution calculation was not checked	2,459,549	Next fiscal year will do adjustment.	
3	2014-16		AO -4(c) & ML-3(i)	Unspent balance of USD 15,651.56 at March 31, 2016 was transferred to MOF General Reserve Fund	15,945,555.65	Coordination is need between Ministry of planning and Finance and International Fund for Agricultural Development- IFAD so as to create relevancy between the costs which can be spent directly	

						in USD and the payment in MMK after the department's withdrawal was registered	
4	2014-16		ML-3(a)(1)	Overall implementation of appropriation for the component (1) agricultural Infrastructure improvement is 22% only. Project has taken a rough measure to develop 2000 acres of improved farmland, project implementation is ended up with developing 303 acres of farmland because of difficulty in convincing farmers.	0	Project needs supervision to act on the estimate prescribed in annual work plan and budget.	
5	2014-16		ML-3(a)(2)	Overall implementation of appropriation for the component (2) of agricultural and business services (Investment in Knowledge) is 47% only. The failure factors to meet expected outcome for the	0	Project needs supervision to act on the estimate prescribed in annual work plan and budget.	

				component (2) comprised (a) failure to hire an NGO to help business-minded people without farmland, (b) failure to hire an NGO to help business-minded people without farmland, and (c) failure to consolidate value-added chain and related business in implementation of the project.			
6	2014-16		ML-3(a)(3)	Overall progress of component (3) of Agricultural and Business Services is 39% only due to failure to realize cooperation with micro-finance institutions in areas such as sharing implementation cost caused the project's component stopped.	0	Project needs supervision to act on the estimate mentioned in annual work plan and budget.	
7	2014-16		ML-3(a)(4)	Overall progress of component	0	Project needs supervision to act on the estimate	

				(4) is 28% only due to (a) not permitted to buy cars for the project, (b) decrease in spending for capacity building of coordination unit, and (c) late appointment of staffs for the PCU.		mentioned in annual work plan and budget.	
8	2014-16		ML-3(c)	USD 32,373 has been disbursed out of IFAD Loan for rural business fund (RBF) against budget of USD 84,000. However, One group failed to receive the term loan of MMK 2000 Million loan until 24 Aug 2016 due to conflict among members of the group.	0	The found that the PCU supervision is necessary to check, in accordance with the Financing Agreement, whether the project implementation operates successfully or not.	
9	2014-16		ML-3(d)	There are contradictions between rates paid for the trainers and the rates approved for various training program.	0	Project needs to clearly classified the types of training based on trainers international, national and their CV. Then make the payment based on classification.	
10	2014-16		ML-3(f)	Advance of MMK 260.412	0	The Project should request for no objection	

				million was given for the direct contract of PaugLaung Irrigated Cultivation and Systematic Farmland Development for 750 acres which was settled on March 22, 2016 and No Objection was requested on the same day which has not been received till audit day of August 26, 2016. The contract must be entered after obtaining No Objection letter.		by including (1)The draft contract (2)The final design of civil work (3) Final BOQ and Costs (4) The PLUP Report	
11	2014-16		ML-3(g)(1)	Salaries of two drivers seconded by the Department of Agriculture were short calculated.	76,452	Next fiscal year will do adjustment.	
			ML-3(g)(1)	Salary paid to the Project Manager has not been included in the Government contribution.	2,383,097	Next fiscal year will do adjustment.	

Appendix 8: Knowledge management: Learning and Innovation

Learning

The available cadastral information and land titles in areas targeted for land development turned out inadequate for use as a basis for the reallocation of plots and distribution of losses. Implementation experience shows that an ex-ante re-survey is required and its outcomes have to be validated with the local communities to sort out discrepancies; these would otherwise constitute a major bottleneck for the implementation of land development.

Innovation

The project has supported International Technical Assistance from KRC for the calculation of optimal cut/fill for area-based levelling using a dedicated proprietary 3D hydraulic design software made available to the MOALI Engineers. This represents a state-of the art practice for land development works, innovative in the Myanmar context.