



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
AGRICULTURAL DEVELOPMENT SUPPORT PROJECT  
APPROVED ON APRIL 23, 2015  
TO  
REPUBLIC OF THE UNION OF MYANMAR

AGRICULTURE AND FOOD GLOBAL PRACTICE

EAST ASIA AND PACIFIC REGION

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**BASIC DATA**

**Product Information**

Project ID P147629	Financing Instrument Investment Project Financing
Original EA Category	Current EA Category
Approval Date 23-Apr-2015	Current Closing Date 30-Jun-2022

**Organizations**

Borrower Republic of the Union of Myanmar	Responsible Agency Ministry of Agriculture, Livestock and Irrigation
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**Project Development Objective (PDO)**

Original PDO

The Project Development Objective is to increase crop yields and cropping intensity in the selected existing irrigation sites in the Recipient's Bago East, Nay Pyi Taw, Mandalay, and Sagaing regions.

Current PDO

The Project Development Objective is to increase crop yields and cropping intensity in the selected existing irrigation sites in the Recipient's Bago East, Nay Pyi Taw, Mandalay, and Sagaing regions, and, in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis or Emergency.

**Summary Status of Financing**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Commitment	Net Disbursed	Undisbursed
IDA-56240	23-Apr-2015	09-Sep-2015	29-Sep-2015	30-Jun-2022	100.00	51.60	45.73



### Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. This Restructuring Paper seeks for approval for a Level 2 restructuring to extend the deadline of audit reports from 6 months to 9 months for the Agricultural Development Support Project (ADSP: P147629). The Myanmar project portfolio has a recent history of late submission of audit reports. The challenges with respect to compliance with the six-month requirement for submission of audit reports arise from the need to align with country systems and delays due to low capacity and/or complexity of implementation arrangements. The majority of project implementing agencies have been able to submit their audited financial statements only 2 to 3-months after the designated six-month deadline. Therefore, the proposed extension of the deadline to nine months after the end of the financial year should ensure the project financing agreements covenant for submission of audit reports will be fully complied with. This is the third restructuring (first restructuring: June 2016; second restructuring: April 2018).
2. The ADSP project development objective is to increase crop yields and cropping intensity in the selected existing irrigation sites in the Recipient's Bago East, Nay Pyi Taw, Mandalay and Sagaing Regions. The project, financed by an IDA credit (Credit no. 5624-MM) of US\$100 million (SDR 71 million), was approved on April 23, 2015 and became effective on September 29, 2015. In July 2015, the country suffered major landslides and flood devastation, and the government requested the Bank to trigger the project's Contingency Emergency Response Component (CERC). The project was restructured in June 2016, to allocate \$4.99 million from Component 1 to finance the disaster response and the PDO was revised to: "to increase crop yields and cropping intensity in the selected existing irrigation sites in the Recipient's Bago East, Nay Pyi Taw, Mandalay, and Sagaing regions, and, in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis or Emergency." This was the first restructuring for the project.
3. As of November 2019, most of the PDO indicators have been adequately met or exceeded, including average yields of selected crops (targets exceeded by 30 %) and farmers adopting improved technologies (achieved 91 % of the target). The project has reached 33,688 direct beneficiaries—a 34 % achievement of the target. The contribution to the PDO, therefore, remains Satisfactory.
4. The Implementation Progress (IP) rating remains Moderately Satisfactory (MS). The disbursement ratio stood at about US\$42.16 million as of December 2019, accounting for more than forty percent of the total IDA budget. Based on the annual budget plan, it is expected that the project will disburse around US\$ 20.5 million by September 2020, as the civil works and operations are now at full speed for all batch 1 irrigation schemes and work will soon pick up as proposal designs for the Batch 2 sites have just been given no objection by the Bank. The IP remains MS largely due to the delay in the actions to address Dam Safety issues as described in the Safeguard section. It is expected that the IP rating would be upgraded once the actions under the dam safety are completed and once the safeguard rating is upgraded.



5. Financial management is rated MS. The most recent audit ensured that that funds provided for the project was being used efficiently and for the purpose, the Auditor General's office carries out half yearly audits for each of the regional offices as well as for the entire project. So far, no adverse findings with regards to adverse integrity issues has been identified or reported. The Interim Financial Reports (IFRs) have been submitted on time.
6. Following the overflow and collapse of Swa Dam in August 2018, which is located in Bago East region, the safeguard rating was downgraded from Satisfactory to Unsatisfactory, primarily due to the absence of (i) dam safety plans and (ii) site specific 'Interim Emergency Preparedness Plans (EPP)'. The project thereafter expedited the activities undertaken related to safety of dams in general and Swa dam system, in particular, leading to an upgrade to 'Moderately Unsatisfactory (MU)' in May 2019. The 10th implementation Support Mission organized in October 2019 recommended actions to be undertaken by the Project by March 2020, namely: (i) submission of spillway/embankment reconstruction plan of the Swa Chaung Dam; (ii) submission of additional design checking of the spillway and embankment structures using updated seismic hazard assessment results; (iii) submission of updated dam safety plans (instrumentation plan, O&M plan, and EPP). Upon submission of these, it is expected that the dam safety rating will be upgraded from 'MU' to 'MS'. The project has already commissioned steps to address these areas.
7. Delays in submission of audit reports have also arisen due to the late submission of project financial statements to the Office of the Auditor General of the Union (OAGM) for audit by the implementing agencies. The financial statement preparation process takes time as the manual accounting records from the subnational levels need to be accumulated, reconciled and consolidated. There is targeted ongoing work to automate the process which will continue. It is expected that this work will result in both improved accuracy/reliability of the financial information and a substantial reduction in the time taken for financial statement preparation for future years.
8. There are also other challenges which are impacting the compliance with the six-month requirement for submission of audit reports. These include: (a) The current practice of the OAGM not to commence any audit work on the project financial statements until after the project implementing agency has submitted them for audit. Only then would it complete the detailed transaction testing of up to 100 per cent; (b) The OAGM practice is to produce the audit reports in the Myanmar language. The financing agreement requires that the audit reports be in English. This has meant that the implementing agencies need to translate the audit reports into English and this English version would need to be certified by the OAGM, causing further delays<sup>1</sup>; (c) The OAGM capacity is becoming increasingly stretched, resulting from the broadening of the OAGM's mandate to include performance audit, increasing demands from other development partners to audit their projects financial statements and recruitment difficulties due to competition from the private sector.

## II. DESCRIPTION OF PROPOSED CHANGES

1. In the light of the prevailing country practices/conditions and with the objective of maintaining full alignment with the country systems, this restructuring seeks approval to extend the timeline for submission of the audit reports for the Myanmar Agriculture Development Support Project from six months to nine months., starting with audit reports due on FY2020.
2. This follows from a request made by the Deputy Minister, Ministry of Planning, Finance & Industry to representatives of the World Bank on February 5, 2020, where the Recipient requested that the World Bank extend the due date of the audited

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<sup>1</sup> This has not impacted on the audit report delays as Financial Management has reviewed and updated PRIMA on the date the Myanmar language version has been received. However, the formal acknowledgement letter has only been sent to the implementing agencies on receipt of the OAGM certified English version of the audit report.



financial statements for various investment lending projects from six (6) months to nine (9) months after the end of the Recipient's fiscal year.

### III. SUMMARY OF CHANGES

	Changed	Not Changed
Financial Management	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓



**IV. DETAILED CHANGE(S)**