



Grant Assistance Report

Project Number: 47311
November 2013

Proposed Grant Assistance Republic of the Union of Myanmar: Enhancing Rural Livelihoods and Incomes (Financed by the Japan Fund for Poverty Reduction)

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 3 November 2013)

Currency unit	–	kyat (MK)
MK1.00	=	\$0.001028
\$1.00	=	MK972.52

ABBREVIATIONS

ADB	–	Asian Development Bank
CDD	–	community-driven development
DRD	–	Department of Rural Development
GMU	–	grant management unit
JFPR	–	Japan Fund for Poverty Reduction
JICA	–	Japan International Cooperation Agency
LIFT	–	Livelihoods and Food Security Trust Fund
MLFRD	–	Ministry of Livestock, Fisheries, and Rural Development
NCDDP	–	National Community Driven Development Project
NGO	–	nongovernment organization
VDP	–	village development plan

NOTES

- (i) The fiscal year (FY) of the government and its agencies ends on 31 March. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2013 ends on 31 March 2013.
- (ii) In this report, "\$" refers to US dollars.

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JAPAN FUND FOR POVERTY REDUCTION (JFPR)

JFPR Grant Proposal

I. Basic Data	
Name of Proposed Activity	Enhancing Rural Livelihoods and Incomes
Country	Republic of the Union of Myanmar
Grant Amount Requested	\$12.0 million
Project Duration	4 years
Regional Grant	<input type="radio"/> Yes / <input checked="" type="radio"/> No
Grant Type	<input checked="" type="radio"/> Project / <input type="radio"/> Capacity building

II. Grant Development Objective(s) and Expected Key Performance Indicators

<p>Grant Development Objectives:</p> <p>The proposed project aims to improve agricultural productivity and enhance livelihoods, thereby contributing to reduced rural poverty in the Ayeyarwady Delta, in Magway and Mandalay regions in the Central Dry Zone, in Tanintharyi Region, and in Shan State. The project outcome will be improved essential productive rural and social infrastructure in the project-assisted villages leading to better income opportunities. This will be achieved by (i) mobilizing and organizing communities for identifying priority needs, (ii) improving village- and village tract-level infrastructure and rural livelihoods, and (iii) institutionalizing project management services. Appendix 1 provides the project's full design and monitoring framework.</p>
<p>Expected Key Performance Indicators:</p> <p>The expected key performance indicators are as follow (versus 2013 baseline):</p> <ul style="list-style-type: none"> (i) By 2020, rural incomes of villagers in project area increased by at least 50%. (ii) By 2020, increase in income from rice by 10% in the Ayeyarwady Delta; oilseeds and pulses by 5% in the Central Dry Zone; cash crops, including garlic and chilies by 5% in Shan State; and aquaculture, including fish and shrimp farming, by 10% in coastal and inland areas of Tanintharyi Region. (iii) By 2017, at least 700,000 villagers benefit from improved rural infrastructure plus improved access to markets and social services. (iv) By 2017, rice productivity (tons/hectare) in Ayeyarwady Delta increased by 10%, oilseeds and pulses productivity in Central Dry Zone by 10%, garlic and chilies in Shan State by 10%, and household- and artisanal-level productivity of dried fish and shrimp in Tanintharyi Region by 10%.

III. Grant Categories of Expenditure, Amounts, and Percentage of Expenditures

Category	Amount of Grant Allocated in \$	Percentage of Expenditures
1. Civil works	6,912,000	57.6
2. Equipment and supplies	1,138,000	9.5
3. Training, workshops, and seminars	486,000	4.1
4. Consulting services	795,900	6.6
5. Project management	1,321,600	11.0
6. Other project inputs (including livelihood support)	959,500	8.0
7. Contingencies	387,000	3.2
TOTAL	12,000,000	100.0
Incremental Cost	300,000	

JAPAN FUND FOR POVERTY REDUCTION

JFPR Grant Proposal Background Information

A. Other Data	
Date of Submission of Application	8 October 2013
Project Officer	Pavit Ramachandran, Senior Environment Specialist
Project Officer's Division, E-mail, Phone	Environment, Natural Resources, and Agriculture Division (SEER) E-mail: pramachandran@adb.org
Other Staff Who Will Need Access to Edit/Review the Report	Giap Minh Bui, Natural Resources and Agriculture Economist, SEER Syarifah Aman-Wooster, Senior Social Development Specialist (Safeguards), SEER Thuy Trang Dang, Young Professional, SEER Cynthia R. Garcia, Senior Project Officer, SEER Marianne E. Macabingkil, Operations Assistant, SEER
Sector	Multisector (Agriculture and Natural Resources, Energy, Water Supply and Other Municipal Infrastructure and Services)
Subsectors	Agriculture and rural sector development, energy utility services, water supply and sanitation
Theme	Economic Growth, Environmental Sustainability, Social Development, Capacity Development
Subtheme(s)	Widening access to markets and economic opportunities, Natural resource conservation, Indigenous people, Other vulnerable groups, Institutional development
Targeting Classification	Targeted Intervention—Geographic (TI-G)
Name of Associated ADB Financed Operation(s)	None
Executing Agency	Ministry of Livestock, Fisheries, and Rural Development
Grant Implementing Agency	Mr. Soe Ko Ko Director General Department of Rural Development Ministry of Livestock, Fisheries, and Rural Development Nay Pyi Taw, Myanmar Tel. No.: +95 67 409 026 Fax: +95 67 409 358 E-mail: skko.dda@gmail.com

B. Details of the Proposed Grant

1. Description of the Components, Monitorable Deliverables and/or Outcomes, and Implementation Timetable

Component A	
Component Name	Communities mobilized and organized for identifying priority needs
Cost (\$)	\$1,284,900 (excluding contingencies)
Component Description	This component aims to support participating communities in the project areas or village tracts to take ownership in identifying, prioritizing, and planning their development needs and producing

	<p>village development plans (VDPs).¹ Emphasis will be given to strengthening decentralized planning frameworks and working through existing institutional structures at regional and local levels. Particular aims will be to enhance community participation and ensure effective use of project resources through working with township development and implementation committees and village tract development support committees. Villages will elect village volunteers in participating townships, and at least 40% of representatives to the village tract development support committees will be women. In situations where development support committees already exist at village tract or village level, villagers will be consulted to assess how they may be used and/or adapted for the project.</p> <p>The following criteria (in descending order of weight) will be utilized for selecting townships and village tracts:²</p> <ul style="list-style-type: none"> (i) composite poverty profile, including income poverty, health and education indicators, and food poverty; (ii) livelihood enhancement potential; (iii) capacity of recipient communities as evidenced by prior project involvement and exposure and/or state of readiness of development plans at village tract and/or village level; (iv) low donor density; (v) conducive security situation for project operations; and (vi) ease of access. <p>The selection of participating village tracts and further selection of communities for discrete subprojects will be carried out once project implementation starts and while following the same criteria in an open forum through participatory consultations. A total of six townships based on these criteria will be selected for the project, and an initial listing has been prepared based on discussions with the Chief Minister and the local authorities in the project areas.</p> <p>The townships proposed for consideration are the following:</p> <ul style="list-style-type: none"> (i) Ayeyarwady Delta: Kanyidaunt and Kyaunggon, while specific other townships in the southern part of the Delta will also be evaluated based on the project selection criteria (two townships out of these will be selected); (ii) Magway Region: Myo thit and Myaing (one of the two to be selected); (iii) Mandalay Region: Nyaung-Oo; (iv) Shan State: Ywangan, Namtu, and Mongpyin (one of the three to be selected); as well as (v) Tanintharyi Region: Bokpyin and Tanintharyi (one of the two to be selected). <p>The project aims to cover a total of 96 village tracts distributed as 16 per each of the 6 selected townships.</p>
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¹ The village tract is the basic administrative unit and is made up of 8 to 10 adjacent villages, depending upon the population size in each village. Statistics usually are collected on a village tract basis. Each village tract is under the management of a committee which is directly supervised by the Township Peace and Development Council. These administrative bodies are integral parts of the agricultural statistics system and provide the necessary assistance in collecting, compiling, and maintaining records at the village tract level.

² Criteria were selected in consultation with the states and regions, development partners, and civil society organizations.

<p>Monitorable Deliverables/Outputs</p>	<ul style="list-style-type: none"> (i) At least 50% of poor households participating in assessment, planning, and decision making in identifying priority needs and development of communities in selected village tracts (with at least 40% female participation). (ii) At least 96 appropriate interventions selected for priority infrastructure needs by the village development support committees, membership of which includes 50% women by Q2 2014. (iii) At least 4 gender sensitivity briefings and/or orientations conducted during community mobilization by Q2 2014. (iv) Around 96 village tracts have approved VDPs with baseline data and are certified for receiving block grants by 2016.
<p>Implementation of Major Activities: Number of months for grant activities</p>	<ul style="list-style-type: none"> (i) Provide support in capacity building, including participatory assessment of needs and/or mapping of potential problems and carrying out participatory planning, organizing, and resource mobilization for development of communities in selected village tracts and with the assistance of civil society organizations. (ii) Assist in selecting appropriate interventions for community-identified priority infrastructure and livelihood support needs. (iii) Carry out social and environmental safeguard diagnostics and prepare reports. (iv) Assist communities in developing VDPs. (v) Help secure approval of VDPs. (vi) Prepare for implementation of VDPs through block grants. <p>Quarters 1–2 in 2014 or initial 6 months</p>

<p>Component B</p>	
<p>Component Name</p>	<p>Village- and village tract-level infrastructure and rural livelihoods improved</p>
<p>Cost (\$)</p>	<p>\$8,727,000 (excluding contingency)</p>
<p>Component Description</p>	<p>This component will include improvement of priority infrastructure and livelihood improvement interventions financed through block grants and as communicated by each community through appropriate VDPs. This will be inclusive and responsive to the needs of each of the participating community villages to have enhanced access to the use of basic social services. A total of 96 village tracts in 6 townships (16 village tracts per township) are targeted across each of the regions and states (Ayeyarwady Region, Magway and Mandalay regions in the Central Dry Zone, Tanintharyi Region, and Shan State). A broad positive list of possible infrastructure interventions has been identified and appended.³ These may include (i) construction and/or rehabilitation of rural access roads and wooden jetties; (ii) water resource improvements, including upgrading and installation of community irrigation systems, potable water schemes, and water supply schemes through small diameter bore holes and hand pumps; and provision of community toilets; (iii) construction and/or rehabilitation of social infrastructure, including primary school buildings, community health care centers, and community centers to showcase and market local produce and products. The project will establish and run a regular weekly farmers' community radio program ("Farmers Radio") to be broadcast from</p>

³ Supplementary Appendix 7.

	<p>each of the state capital radio stations (or Sky Net) to provide knowledge and updated market information on (i) prices of inputs as well as produce; (ii) pests outbreaks and their treatment; (iii) inoculations, diseases, and extension support; and (iv) interviews with successful farmers to share information about best practices.</p> <p>Funds allocation will be \$27,000⁴ per village tract, repeated in three cycles (once per year for 3 years) during the project's duration. A total of 288 discrete subprojects will be implemented to cover all 96 participating village tracts. Each selected village tract will have every individual village within it covered under the block grant allocation. The component would support efforts to strengthen the village tract forums as a platform for community–local government engagement and local-level governance. Capacity development for facilitating meaningful consultations, community mobilization and organization, and social preparation at village level will be provided continuously to ensure community needs are reflected in subproject planning and design. Through this iterative process, the project will also institutionalize participation, transparency, and accountability in local governance systems.</p> <p>The menu of livelihood investments includes a variety of appropriate agricultural and fisheries-related activities (e.g. demand-driven extension services, improved postharvest management, aquaculture, water user groups, and off-farm income generation). Livelihood training, extension services, and technical backstopping will be provided as appropriate.</p> <p>(i) Ayeyarwady Delta. The project's focus in the Delta will be on two townships, encompassing 32 village tracts, including (a) the Yangon to Patheingyi Road as part of a "rural ribbon development" approach where there is strong livelihood improvement potential, and (b) eligible village tracts in the southern part of the Delta Region where poverty levels are high. The focus of interventions is likely to be on (a) labor-intensive infrastructure rehabilitation, development, operation, and maintenance; and (b) community-based enterprise and informal sector promotion and vocational training for employment generation. The project will support the provision of solar panels and individual standalone household power supplies.</p> <p>(ii) Central Dry Zone. The focus of activities in the Central Dry Zone will be in Mandalay (around Nyaung-U) and Magway regions. This is an arid zone with little surface water. A primary focus is likely to be on enhancing the availability and management of water resources for various purposes, including irrigated agriculture. The growing of pulses, groundnuts, sesame, and cotton are popular agricultural activities in this area. All other rural infrastructure activities, as appropriate, will also be examined for financing purposes. Additionally, measures will be examined to enhance value addition to agricultural produce, including by producing such marketable products as peanut butter and sesame sweets, bars, and oil; as well as weaving cotton and small-scale textiles</p>
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⁴ The block grant amount of \$27,000 comprises \$24,000 for identified priority civil works and other rural infrastructure developments and \$3,000 for livelihood support and capacity building. Funds allocation will be repeated in three cycles (once a year for 3 years) per village tract during the project's duration to ensure effective monitoring and evaluation of community participation, transparency, and accountability.

	<p>manufacture. Preparatory work has already been carried out by a Japanese international nongovernment organization (NGO)⁵ for a regional community development project in Nyaung-Oo township.</p> <p>(iii) Shan State. Due to extremely high levels of poverty, the main focus is likely to be on reducing and eliminating these communities' vulnerability to food insecurity. Interventions include improving agricultural productivity, diversifying into chilies and vegetables, and supporting livestock husbandry. Detailed interventions from the broad positive list that will achieve this objective will be evaluated in consultation with community groups and local authorities during the project inception period.</p> <p>(iv) Tanintharyi Region. Fishing provides the main livelihood for the coastal and riparian communities. Marine and inland fisheries, including pearl culture, are found in the coastal parts of the region. Opportunities for project interventions are likely to include assistance with a range of small-scale livelihood support, including (a) fish farming (both marine and inland), aquaculture, and pearl farming; (b) rice farming; (c) fish and shrimp processing (salting, drying); (d) livestock husbandry; (e) social infrastructure, including to build schools, health clinics, and minor roads; (f) individual household and/or school-level water supply schemes, sanitation, and solar-powered lighting systems; and (g) community gathering places.</p>
<p>Monitorable Deliverables/Outputs⁶</p>	<p>By 2017:</p> <ul style="list-style-type: none"> (i) At least 96 village tracts (16 per township) in the regions and states implement prioritized infrastructure initiatives: <ul style="list-style-type: none"> (a) 50 kilometers of rural access roads constructed and/or rehabilitated; 20 jetties constructed or rehabilitated; (b) at least 700,000 villagers with enhanced access to the use of basic social services; and (c) at least 96 social infrastructure improvements and/or schemes implemented. (ii) At least 6,000 beneficiaries (no less than 40% of whom are women) trained in livelihood-related skills, including improved crop, fish, and shrimp production (iii) At least 4 community production and coordination centers established (iv) At least 80% of all social infrastructure projects prioritized by women are constructed
<p>Implementation of Major Activities: Number of months for grant activities</p>	<ul style="list-style-type: none"> (i) Prepare operation and maintenance plans in consultation with and through participation of village tracts. (ii) Conduct trainings on ADB's Procurement Guidelines (2013, as amended from time to time) and <i>Loan Disbursement Handbook</i> (2012, as amended from time to time). (iii) Secure disbursement of funds for initiating infrastructure work and livelihood training activities. (iv) Assist in accessing livelihood training activities (particularly for crop, fish, and shrimp productivity) and supervise conduct

⁵ The Organization for Industrial, Spiritual and Cultural Advancement, one of the oldest Japanese development NGOs (founded in 1961), has for more than 15 years been conducting training in sustainable agriculture for Burmese youth in the Central Dry Zone with the support of the Myanmar Agriculture Service.

⁶ Updated baselines will be available within 6 months of project implementation. Due to the modality of community-driven development, the exact types of subprojects cannot be specified and the indicators represent just examples drawn from community priorities highlighted during project preparation.

	<p>of the training activities.</p> <p>(v) Build work groups, appoint supervisors, and provide work contracts.</p> <p>(vi) Supervise construction and implementation, including of 1 community production and coordination center per region or state.</p> <p>(vii) Commission the works and/or certify their completion.</p> <p>(viii) Follow up on advances and payments for laborers.</p> <p>(ix) Train for routine operations and implement maintenance plans.</p> <p>(x) Prepare reports and visuals for disseminating information on achievements and issues.</p> <p>Quarters 3–6 during 2014 and 2015</p>
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Component C	
Component Name	Project management services institutionalized
Cost (\$)	\$1,601,100 (excluding contingency)
Component Description	<p>This component will comprise (i) development and production of published materials (i.e., training manuals) for planning and management of projects at regional and local levels, including the townships and village tracts; (ii) training of appropriate infrastructure staff (engineers and technicians) from the Department of Rural Development (DRD) in planning, management, and project implementation; (iii) training in implementation of social and environmental safeguards, as well as training of DRD staff for quality control of civil works, including earthworks and concrete works, as these will comprise a substantial part of civil works interventions; (iv) financial management, procurement, and contracting at central level and at the township and village tract levels; and (v) distilling and disseminating best practices and lessons from within project village tracts to other townships and village tracts in the country. Knowledge management activities will also include at least two study visits to projects in the Philippines and Indonesia to learn about community-driven development (CDD) models, share best practices, and discuss implementation experiences. This South–South exchange will enhance the success of this proposed JFPR project.</p> <p>Additionally, the project will upload to its own website in both English and Burmese all materials produced and major lessons learned in implementing the JFPR project, as well as best practices. These will also be made freely available to all other village tracts.</p>
Monitorable Deliverables/Outputs	<p>By 2017:</p> <p>(i) At least one set of training manuals developed and produced for standard planning and management of projects at regional and local levels (in both English and Burmese versions whenever applicable).</p> <p>(ii) 80%–100% of DRD engineers and technicians in participating townships trained in project implementation, monitoring, and evaluation.</p> <p>(iii) 80%–100% of DRD staff in participating townships (at least 40% of which are women) trained in financial management, procurement, and contracting at regional and local levels.</p> <p>(iv) Best practices and lessons on CDD shared, distilled, and disseminated from within project village tracts to other townships and village tracts in the country.</p>

Implementation of Major Activities: Number of months for grant activities	<ul style="list-style-type: none"> (i) Establish grant (project) management unit. (ii) Develop agreed work plan between ADB and project management unit. (iii) Conduct baseline surveys. (iv) Develop standard methods for planning and management at regional and local levels. (v) Train infrastructure staff (engineers and technicians) in planning and management tools. (vi) Produce published materials (i.e., training manuals) for standard planning and management of projects at regional and local levels in both English and Burmese whenever applicable. (vii) Undertake monitoring and evaluation of civil works quality control. (viii) Conduct trainings based on ADB's procurement procedures and guidelines and disbursement procedures. (ix) Establish a grievance subcommittee at the village tract level. (x) Submit semiannual and annual reports to the government, ADB, and JFPR staff. (xi) Provide support to ADB and Government of Japan supervisory missions. (xii) Provide assessment reports for completion of stages 1 and 2. (xiii) Conduct at least two study visits to projects in the Philippines and Indonesia to learn about CDD models and their implementation within 6 months after project inception. <p>Quarters 7–15 during 2015 to 2017</p>
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2. Financing Plan for Proposed Grant to be Supported by JFPR

Funding Source	Amount (\$ million)
JFPR	12.000
Government (in-kind)	1.315
Other Sources (community village resources in-kind)	0.587
Total	13.902

3. Background

1. **Country context and sector overview.** Myanmar is the second-largest country⁷ in South East Asia and shares borders with five other countries.⁸ Myanmar is endowed with rich natural resources, including arable land, vast forests,⁹ minerals, as well as freshwater and marine resources. It is nevertheless a poor, predominantly rural country. Some 69% of its estimated population of 57.5 million lives in rural areas.¹⁰ Myanmar continues to have significant

⁷ Total area of country: 676,600 km², land area: 653,500 km² (96.6% of total), water surface area: 23,000 km² (3.4% of total).

⁸ Bangladesh, People's Republic of China, India, Lao People's Democratic Republic, and Thailand.

⁹ Covering nearly 50% of the total land area (some 26% of land is in forest reserves).

¹⁰ UNICEF. 2010. *Myanmar Country Program 2011–2015*. Yangon.

poverty reduction needs. Nationally, the incidence of poverty is estimated at around 25%. The rural poverty level is almost double that of urban poverty, at 29% and 15% respectively. Rural areas also account for 85% of food poverty incidence. The major states and regions contributing to the national incidence of poverty are Ayeyarwady (19%), Mandalay (15%), Rakhine (12%), and Shan (11%).¹¹

2. Myanmar is reemerging on the international scene after two decades of isolation. Despite economic sanctions since the late 1980s, Myanmar's economy has maintained relatively steady growth. Gross domestic product (GDP) grew by an estimated 5.5% in the 2011 fiscal year (ended 31 March 2012) and by an average 4.9% over the previous 3 years. Prior to the devastation wrought by Cyclone Nargis in 2008, the economy had reportedly been growing by more than 10% annually. The economy is predominantly agriculture based, with rice being the main crop and staple food. The agriculture sector accounts for about 36% of GDP, down from 57% in 2001. Meanwhile, the share of GDP accounted for by the industrial sector more than doubled, to 26%. Liberalization of the economy and opening up to foreign direct investment has prompted rapid growth of industry, notably export of natural gas. Although reliable employment data are unavailable, it appears that the agriculture sector still accounts for about 70% of overall employment. It also accounts for between 25% and 30% of exports by value.¹² The government places the highest priority on that sector's development and views it as the basis for food security, increased employment, and export promotion (footnote 11).

3. Geographically, the country may be divided roughly into five major topographic and climatic zones: the Mountainous Region, the Shan Plateau, the Central Dry Zone, the Ayeyarwady Delta Region, and the Coastal Region.¹³ The Mountainous Region, with elevations up to 5,800 meters above mean sea level, covers the north and west of Myanmar bordering India. It is in fact an extension of the Greater Himalaya range. This region takes in about half of Myanmar's total area and is characterized by glaciated high mountains, dense forests, and uplands. The Shan Plateau lies to the east of this region at an elevation of around 2,000 meters above mean sea level. It has rolling hills and uplands. These two regions are characterized by a sparse population consisting largely of ethnic minorities, low levels of development, and poor infrastructure and communications.

4. The Central Dry Zone, in the geographic middle of Myanmar, is characterized by the lowest annual rainfall, an extended dry season, and infertile, sandy soils. It nevertheless has the second-highest population density in Myanmar. The Delta (Ayeyarwady) Region consists of the vast and very fertile delta created from sediments deposited over geological time by the three major rivers, the Ayeyarwady, Sittaung, and Thanlwin. The Delta Region is characterized by the highest population density, highest land and agricultural productivity, moderately high rainfall, extremely flat topography, and ideal conditions for rice growing.¹⁴ The Delta Region has become

¹¹ United Nations Development Programme. 2011. *Integrated Household Living Conditions Survey in Myanmar* (2009–2010). Yangon.

¹² United Nations in Myanmar. 2011. *United Nations Strategic Framework 2012–2015*. Yangon. Agricultural exports as a percentage of total exports dropped to 26% in 2008, reflecting the devastation of the rice and other crops by Cyclone Nargis. In 2009, agricultural exports accounted for 28% of total exports.

¹³ As of August 2012, the Republic of the Union of Myanmar consisted of 14 states and regions plus 1 Union Territory, 70 districts, 330 townships, 84 sub-townships, 398 towns, 3,063 Wards, 13,618 village tracts and 66,777 villages.

¹⁴ Rice is the predominant crop in the Delta Region during the wet season. Some 50% of Myanmar's rice growing areas and rice production are in the three Delta Region divisions of Ayeyarwady, Bago, and Yangon. In the dry season that follows, the same areas grow rice, pulses, and oilseeds.

the rice bowl of Myanmar over the past few decades. Yangon, Myanmar's largest city and the commercial capital, is situated in the Delta Region.¹⁵

5. The Coastal Region is relatively narrow and elongated. It runs along the eastern side of the Bay of Bengal and the Andaman Sea, is bordered by Thailand on its eastern side, and has the smallest land area of the regions. The southern part of this region receives the greatest rainfall, in excess of 4,000 mm/year, making it highly suited for such lowland perennial tree crops as coconut, oil palm, and rubber. The country's widely ranging climatic conditions make it possible to grow tropical and moderately temperate-zone crops. Principal crops are rice, beans and pulses (which have become major export crops), oilseeds, and vegetables. Also grown are substantial amounts of corn, cotton, rubber, sugarcane, and tropical fruits.

6. In addition to its extensive land and forest resources, the country has significant water resources. Five major rivers flowing through the country provide potential for water to be used in irrigation and hydropower generation. At present, irrigation for agricultural production is the major user of water. Only about 10% of the total water resources available to the country are utilized, and 90% of that amount is used for irrigated agriculture. There are also substantial fishery resources in the major rivers, considerable potential for aquaculture development in the low-lying river delta areas in the south and center of the country, and significant marine fishery resources along the country's 1,900 kilometers of coastline and 500,000 hectares of mangrove swamps. Fish and shrimp have now become major exports.

7. **Rationale.** At present, rural incomes are constrained by (i) high transaction costs for agricultural production and marketing (due largely to the poor condition of access roads, tracks, bridges, and boat landing sites as well as of irrigation, drainage, and flood control structures); (ii) sparse opportunities for alternative employment; (iii) limited access to markets and social services; and (iv) inadequate agricultural extension support. Investments improving rural infrastructure, livelihoods, and extension services will reduce these constraints, increase rural communities' access to markets, and leverage their capacity to make real economic gains.

8. The project will implement grassroots interventions based on a community-driven development (CDD)¹⁶ approach aimed to stimulate economic activities in rural areas of Myanmar. This will be achieved through income-enhancing rural livelihood interventions that include rehabilitation, upgrading, and provision of new productive and social infrastructure at village level. Economic and financial benefits are expected from reduced transaction costs and improved access to input supplies due to direct cash payments to the rural population participating in the project's rural infrastructure activities. Central to this project is the use of labor-based appropriate technology which will provide direct cash infusion into rural areas—through pay for work—and enable additional, local income-generating activities. The reduction of infrastructure constraints and direct infusion of cash into village households will provide an economic stimulus in and around the project areas.

9. **Project description.** The project will consist of a single consolidated investment grant of \$12.0 million targeting four diverse geographic (and agro-ecological) regions of the country:

¹⁵ Yangon's population was estimated to be in excess of 4 million as of 2011.

¹⁶ CDD involves a degree of devolution of responsibility to communities for managing their development, including the design and implementation of projects. CDD models support social and economic empowerment of the rural poor, especially vulnerable population groups, including women and disadvantaged communities. An operational definition of CDD drawn from ADB's experience encompasses five features: (i) community focus, (ii) participatory planning and design, (iii) community control of resources, (iv) community involvement in implementation, and (v) community-based monitoring and evaluation.

(i) Ayeyarwady Delta, (ii) Central Dry Zone, (iii) Tanintharyi Region, and (iv) Shan (State) Plateau. This will enable implementation of various interventions based on topography, agricultural production systems, and natural resource management regimes. The project will focus on: (i) improving and upgrading social and productive infrastructure; and (ii) improving capacities of communities, project line agencies at the local and state levels, and, to a lesser degree, those at the central levels.¹⁷ Envisaged interventions include community-prioritized subprojects such as development of small-scale infrastructure at village tract level (e.g., community irrigation and drainage systems, rural access roads, bridges and footpaths, village-level potable water systems) and provision of social infrastructure (e.g., community health centers, enhancement of existing or provision of new education facilities, and meeting rural electrification needs at the household level). The community identified, built and/or modified, and managed small-scale infrastructure will factor in disaster vulnerability and resilience as much as possible, especially in drainage rehabilitation, minor roads connection, minor embankments, irrigation facilities, et.al. Support will also be extended for traditional cottage (home-based) small-scale industries for which there is increasing demand, such as lacquer work and handicraft production. Training for enhanced livelihood opportunities will include functional English literacy training; skills development for the emerging tourism market; and training for improved crop production, agricultural diversification, and agribusiness, especially in the Delta and Central Dry Zone.¹⁸ The primary focus will be on confidence building at local levels by reinvigorating cooperative societies, self-help groups, and traditional rural-level leadership as key local-level centers for planning and development.

10. Implementation strategy. The project will provide block grants with appropriate safeguards to village tracts¹⁹ to undertake priority, small-scale rural infrastructure and livelihood subprojects based on village development plans (VDPs) prepared on a participatory basis and consistent with township development plans.²⁰ The block grants will support activities based on community-identified development priorities building upon an initial broad positive list of interventions (Supplementary Appendix 7). Labor for these interventions will be recruited from village residents with a primary focus on generating employment for poorer and more vulnerable households through cash-for-work initiatives and with some agreed small proportion (around 10%–15%) of in-kind contributions. The focus will be to support local development and service delivery needs identified by the communities themselves. Professional technical supervision will ensure that basic technical standards are met during construction. Decisions on community block grants will be facilitated through elected village tract forums. Block grant agreements with village tract forums will require approval of the proposed activities within the village tract development plans and include written commitments by potential beneficiaries to undertake operation and maintenance of discrete subprojects. Village development support committees will support the development of village development plans and implementation of individual

¹⁷ The design will accommodate no less than 65% of funds for infrastructure and livelihood improvements and around 35% for capacity building interventions. Balance in gender priority interventions will be ensured in the selection of subprojects (between hard and social infrastructure).

¹⁸ The Central Dry Zone offers ample opportunities for agricultural diversification in horticulture, livestock, and poultry, while Ayeyarwady Region offers increasing opportunities for commercial (small-scale) fisheries development.

¹⁹ Village tracts constitute the lowest administrative level of government. A typical village tract is organized under a township, comprises 4–5 villages, and has administrators elected by heads of households. Village tracts with prior project implementation experience will be prioritized under the JFPR grant.

²⁰ Successful experiences and lessons learned in the Central Dry Zone regarding the village development committee model under the Livelihoods and Food Security Trust Fund (LIFT) and other UN programs while utilizing livelihood subgroups to assist beneficiaries in larger communities will also be examined for potential transferability and/or adaptation to the other project regions.

subprojects.²¹ Civil society organizations, community facilitators, and village volunteers will be recruited to facilitate community interactions, assist local authorities and communities in preparing VDPs, and assist in the design and supervision of these civil works in collaboration with relevant engineers in township development committees.²² Capacity for participatory planning, budgeting, and implementation of subprojects will be developed at the village tract level.²³ The project will not operate in areas with security and/or conflict issues. Target beneficiaries are estimated to total 700,000 within 96 village tracts across all four regions.

11. Alignment with government's policies and plans. The project is aligned with the government's stated priorities on food security and agricultural growth as articulated in Myanmar's Framework for Economic and Social Reforms, and in particular the emphasis on (i) rural infrastructure, including small- and medium-scale irrigation systems and improved rural roads; and (ii) broader development of the rural sector through community-based development schemes and cash-for-work rural works programs.²⁴ The emphasis on rural development through community-driven, participatory processes is also one of the cornerstones of the "people-centered approach" articulated by President Thein Sein. Consistent with this focus, the project will promote good governance and improvements in service delivery at all levels through capacity development and strengthening of state, regional, and local bodies.

4. Innovation

12. The project design draws on regional experience with CDD, including national programs for CDD in the Philippines and Indonesia,²⁵ and through an Asian Development Bank (ADB) knowledge-sharing product.²⁶ Ex-post economic analyses of CDD projects in these countries have shown high economic rates of return and improved cost efficiencies.²⁷ Economic internal rates of return average between 16% and 53% for CDD subprojects, with lower unit cost and improved resource allocation outcomes compared to government-procured infrastructure procurement and service delivery. CDD subprojects have also demonstrated positive track records in restoring and/or improving rural infrastructure, identifying smallholder production technologies and marketing channels, and introducing renewable energy systems.

²¹ Village development support committees have been established under a presidential order enacted in 2013. The elected representatives of the village development support committees have primary responsibility for preparing village development plans.

²² The fact-finding mission also undertook its own internal review and due diligence regarding the technical and organizational capacities of existing local civil society and international nongovernment organizations, as well as of township development committees. It also examined their experience in implementing CDD projects.

²³ This is to include thorough capacity development on financial management, procurement, and safeguard systems.

²⁴ A document drafted by the Ministry of National Planning and Economic Development and launched in January 2013 contains the most detailed articulation of the government's reform agenda in a 10-point basic Framework for Economic and Social Reforms.

²⁵ CDD models have been successfully scaled up to national programs in the Philippines and Indonesia under the *Kapit-Bisig Laban sa Kahirapan* (Comprehensive Integrated Delivery of Social Service) and the National Program for Community Empowerment projects, respectively. These provide opportunities to build on proven and tested models. See ADB. 2012. The KALAHI-CIDSS Project in the Philippines: Sharing Knowledge on Community-Driven Development. http://ncddp.dswd.gov.ph/Media/uploads/ADB_The_Kalahi_CIDSS_Project_in_the_Philippines.pdf

²⁶ ADB. 2013. *Regional Technical Assistance for Sharing Knowledge on Community-Driven Development in Asia and the Pacific*. Consultant's Report. Manila (TA 7543-REG). This report documents the experience of five CDD projects in Bangladesh, the People's Republic of China, Indonesia, Republic of Korea, and the Philippines.

²⁷ S. Wong. 2012. *What have been the Impacts of World Bank Community-Driven Development Programs: CDD Impact Evaluation Review and Operational Implications*. Social Development Department, Sustainable Development Network. World Bank; Dongier, et. al. 2003. *Community Driven Development. Poverty Reduction Strategy Paper Sourcebook*. World Bank; World Bank. 2007. *Enabling East Asian Communities to Drive Local Development*; Voss, J. 2008. *Impact Evaluation of the Second Phase of the Kecamatan Development Program*. World Bank.

13. The project will distill useful lessons from JFPR experience with CDD projects in Mongolia²⁸ and other projects in the region with CDD component. The project will build on lessons, experiences, and successes achieved under the ongoing multidonor Livelihoods and Food Security Trust Fund (LIFT), which has financed similar activities in Myanmar, albeit to a lesser extent than this project envisions.²⁹ Civil society organizations will initially be recruited from among those experienced with cash-for-work activities under LIFT and that are proven to have effective implementation capacities and familiarity with the project area. Synergies and complementarities have been identified in the design and implementation arrangements with the World Bank's National Community Driven Development Project (NCDDP) that was approved in October 2012. Township selection criteria will explicitly ensure there is no overlap between the NCDDP and the JFPR grant in the townships selected.³⁰ The Japan International Cooperation Agency (JICA) has extensive operational experience in the agricultural and natural resource sectors in Myanmar. Lessons learned from JICA's interventions in the Central Dry Zone are especially useful for project design and implementation arrangements.

14. The proposal involves several innovative aspects that have been discussed with the communities at field level and which they have received positively. These include establishing and running a regular weekly community radio program for farmers to be broadcast from the local state capital radio (or Sky Net). It would transfer knowledge, share experiences, and provide market price updates for both inputs and farm products. Specific programming examples include conveying information on pest outbreaks and their treatment; interviews with successful farmers to share and disseminate best practices; and information important for livestock farmers on inoculations, diseases, and extension services.

15. Innovative approaches to livelihood enhancement will include provision of functional English language training to youth in project areas, and especially in the Central Dry Zone where tourist numbers have increased greatly since the economy began opening up in 2011. By improving competency levels in tourism, communities will be equipped to follow a livelihood path in the tourism industry. Considering the substantial gaps across the project areas in rural energy access and opportunities for supporting decentralized energy systems, the project will examine the feasibility of providing selected poor households with simple, standalone, fixed rooftop solar energy systems complete with solar panels, storage batteries, inverters, and fluorescent tube lamps.³¹ Where this is not feasible, household solar lanterns may be provided.

16. The project will support enhanced agricultural productivity and address improving yields through improved seeds for rice productivity in the Delta and for oilseeds and legumes in the

²⁸ ADB. 2007. *Proposed Grant Assistance to Mongolia for the Community Driven Development for Urban Poor in Ger Areas*. Manila (JFPR 9106).

²⁹ LIFT is a multidonor fund established in Myanmar in 2009. Evaluations of LIFT's livelihood support in the Delta and Central Dry Zone and successful approaches and lessons learned in community engagement will be adapted and/or transferred to the project, as appropriate.

³⁰ The World Bank's NCDDP has a total commitment of \$86.3 million with the emergency recovery loan lending modality. The pre-arrears clearance grant is SDR52.6 million (\$80.0 million equivalent) under the International Development Association. Although the project became effective in January 2013, activities on the ground have not commenced. In February 2013, a series of consultations with various stakeholders led to selecting the first three townships that will participate in the NCDDP. They are Kanpetlet in Chin State, Namhsan (Pa Laung Self-Administered Zone) in Shan State, and Kyunsu in Tanintharyi Region. The selection process will be refined and used in 2014 for choosing five additional townships. The project will eventually operate in 15 townships (one in each of the country's 14 regions and states as well as the Union Territory). The implementation period for the project is 6 years.

³¹ Only 16% of rural areas in Myanmar have access to electricity. World Economic Forum. 2013. *New Energy Architecture: Myanmar Report*. Nay Pyi Taw.

Central Dry Zone. Linkages will be strengthened between farmers in the Delta and Yezin Agricultural University and between farmers in the Central Dry Zone and the Oil Crops Research Centre of the Department of Agricultural Research of the Ministry of Agriculture and Irrigation in Magway.

5. Sustainability

17. The project adopts funding modalities and implementation framework currently in use by the Department of Rural Development (DRD) and the Ministry of Livestock, Fisheries, and Rural Development (MLFRD), thus facilitating the transition to regular programs at project completion. The project will strengthen and build capacities for decentralized planning and implementation mechanisms (in particular, the elected village tract forums and village development support committees). Procurement and monitoring subcommittees will be constituted within the village tract forums while drawing on representatives from the participating villages.

18. Strong support and commitments of township authorities, key government departments, and village authorities will be nurtured by involving them from the early stages of planning and implementation. Project staff from DRD and other relevant line ministries will be trained in participatory and inclusive approaches to planning and implementation consistent with CDD.

19. Village development committees, with livelihood subgroups and self-help groups (e.g., seed banks and farmers' associations) have proven a robust model for assisting larger communities. The project will map out and identify successful community mobilization and consultation models at the village level. Emphasis will be on working with existing models rather than to "reinvent the wheel," as it were.³² Communities and civil society organizations and stakeholders at all levels will be informed about criteria, entitlements, and those activities which the project will implement with participating village tracts, starting from beneficiary selection, through implementation, and throughout the life of the project.

20. Commitments will be secured at village tract level to ensure ownership in asset management and control and that sufficient operational budgets are available for post-project sustainability of assets. The village tract forums will serve also to engender operation and maintenance commitments as part of the block grant approval process through the following measures: (i) the project will require the beneficiary to carry out operation and maintenance, including all minor repairs of project-built components for the first 3 years after completing construction and handover to the communities; (ii) the participating village tracts will present their needs for major repairs to the monthly township planning and implementation committee meetings for action by the relevant line ministries; and (iii) the project will build ownership in the communities for all infrastructure components being built by requiring the communities (through their elders and/or elected leaders) to contribute at least 10% of labor used for construction, with the remaining 90% being paid for by the project at prevailing labor market rates.

21. Livelihood analysis will be conducted to identify appropriate livelihood strategies and market mapping. Maintenance subcommittees will be set up as part of village development support committees for farming, livestock, and small business to manage the communities' sustainable use of the inputs while promoting active participation of the beneficiaries. Livelihood

³² Several nongovernment organizations (NGOs), including international NGOs (Population Services International, ActionAid, Help Age International, World Vision, Mercy Corps, Welthungerhilfe, CARE, among others) and local civil society organizations (such as the Network Advocacy Group) are active in the project areas and work directly with communities at village level through both informal (self-help groups, community-based organizations, and volunteer networks) and more formal village institutions (e.g., village development committees).

skill training and vocational training (e.g., farming techniques, business planning and management, livestock husbandry, postharvest technologies) for livelihood beneficiaries will be provided to strengthen their capacity for increased income generation.

6. Participatory Approach

22. The project will develop capacity and support community groups, cooperative societies, and self-help groups as means of engaging communities. Initial needs assessment will be conducted to formulate community action plans. Participatory rural appraisal and rapid rural appraisal processes will be used to identify project strategies, prepare a discrete portfolio of subprojects, and develop integrated village development plans. NGOs (local and international) and community facilitators will be engaged for mobilizing communities and providing hands-on training (through a training of trainers approach) on skills development, organizational and financial accountability, and improving market information. Priority groups receiving the benefits shall include households headed by women, the poor, the vulnerable, the marginalized, and the needy. At least one subproject per village tract will be based on those priority needs expressed by women in the villages.

Primary Beneficiaries and Other Affected Groups and Relevant Description	Other Key Stakeholders and Brief Description
<p>About 96 village tracts covering around 700,000 target beneficiaries in the poorest areas of the Ayeyarwady Delta, in Magway and Mandalay regions within the Central Dry Zone, in Tanintharyi Region, and in the Shan State, as well as four villages with majority ethnic group populations are expected to benefit from</p> <ul style="list-style-type: none"> (i) improved essential social and productive rural infrastructure to lead to better income opportunities, (ii) rehabilitated and/or constructed village-level infrastructure and livelihood interventions, and (iii) institutionalized project management services. <p>Moreover, because the households are expected to participate in the assessment, planning, and decision making, their needs will be prioritized in the village development plans and in the discrete subprojects at community (village) level(s).</p>	<p>Other key stakeholders and their benefits include the following:</p> <ul style="list-style-type: none"> (i) NGOs, potentially including one or more Japanese international NGOs, working in the Central Dry Zone will not only gain from possible lessons learned but also have an integrated development plan for the specific project sites. (ii) The government's implementing agency, DRD, and its staff (engineers and technicians) in participating townships will be trained in project planning, management, and implementation. They also will be trained in financial management, procurement, and contracting as required by ADB. (iii) Line agencies, including the Ministry of Agriculture and Irrigation, Ministry of Health, and Ministry of Cooperatives, will likewise be trained and exposed to CDD activities, thus gaining experience in project implementation and monitoring.

7. Coordination

23. Two separate ADB consultation missions visited Myanmar in September 2012 and March 2013. The formal fact-finding mission was conducted in June 2013. In all instances, discussions on the project concept were conducted with the DRD and other relevant government offices, the Embassy of Japan in Myanmar, the JICA, and development partners. The reactions expressed regarding this initiative have been positive.

24. On 12 September 2012, the ADB mission met with and briefed Mr. Yasuyuki Sato, Representative, JICA; Mr. Akira Fukuyama, Representative, JICA; Mr. U Tun Myint Thein,

Program Officer, Embassy of Japan; Mr. Hideaki Matsuo, Counselor and Head, Economic and ODA Section, Embassy of Japan; and Mr. Hideki Wada, Second Secretary, Embassy of Japan. In March 2013, the mission again discussed the project's progress with Messrs. Sato and Myint Thein. During the fact-finding mission on 17 June 2013, the mission met with and briefed Mr. Sato and Ms. Yoko Yamazaki, Project Formulation Adviser (Agricultural and Rural Development Sector). Feedback from JICA and the Embassy of Japan has been supportive of the CDD approach and decentralized implementation arrangements. ADB's mission leader also met with Mr. Tadashi Watanabe, Vice Chairman of the Organization for Industrial, Spiritual and Cultural Advancement International, on 2 September 2013 and identified specific areas for collaboration, including potential engagement of the agro-forestry training center in the Central Dry Zone for extension and training support under the project.

25. Lessons learned from JICA's interventions in the Central Dry Zone³³ and in the Delta are especially useful for project design and implementation arrangements. JICA had implemented a project on rural water supply technology in the Central Dry Zone, focused on installing and repairing village tube well systems and transfer of expertise. JICA has also been involved in projects on rice seed multiplication and distribution and in agricultural extension activities. The project will ensure appropriate channeling of these lessons to improve grant implementation.

26. During the fact-finding mission of June 2013, consultation meetings were also conducted with the World Bank, Department of International Development (LIFT co-chair), United Nations Office of Project Services (LIFT fund manager), the Food and Agriculture Organization, and the United Nations World Food Programme.

27. International and local NGOs were interested in and supportive of the project. In addition to consultations in the project areas, a one-day workshop was organized with international NGOs, local NGOs, and with the Food Security Working Group in Yangon. Within the project's proposed target areas, both local and international NGOs support livelihood-related activities. Similar models of working with village development committees and village tract forums are in place. In some areas, NGOs have worked in recent years with VDCs on complementary CDD approaches and they have the skills and capacity to engage in the project areas. They have received substantial training on both technical and organizational management issues, and women have also received specialized training in some areas. The international NGOs emphasized the need to be flexible in the CDD methodology and approaches to be adopted, noting a range of experiences and successful models involving self-help and informal community groups in the project areas.

28. Synergies with the World Bank in implementation and institutional arrangements have been identified in terms of (i) adapting and/or adopting the management information system and reporting arrangements under the NCDDP; (ii) harmonizing ADB's social safeguard requirements with those of the World Bank in terms of entitlements, procedures, and institutional arrangements; and (iii) adapting the financial management capacity assessment and procurement capacity assessments of DRD and township levels within the project. As the LIFT program co-chair, the World Bank's Department of International Development offered to share its capacity assessments of NGO groups based on their extensive experience implementing livelihood projects in Myanmar. CDD approaches will also be adopted from within successful subprojects implemented by LIFT.

³³ The Dry Zone Greening Department has been implementing the following projects: (i) Afforestation Project in Nyaung-Oo District in cooperation with Yomiuri NGO from Japan; (ii) Afforestation Project in Nyaung-Oo District with Japan International Forestry Promotion and Co-operation Agency; and (iii) Greening Project in Pakkoku District with Organization for industrial, Spiritual and Cultural Advancement International.

29. A follow-up consultation mission visited Myanmar during 27–29 August 2013 to firm up agreements finalized during the fact-finding mission. It thus confirmed the project scope, implementation arrangements, cost estimates, time frame, and other details with the reorganized executing agency, the Ministry of Livestock, Fisheries, and Rural Development.

8. Detailed Cost Table

30. Please refer to appendixes 2 and 3 for the summary and detailed cost estimates, and Appendix 4 for the fund flow arrangement.

C. Link to ADB Strategy and ADB-Financed Operations

1. Link to ADB Strategy

31. Myanmar's Interim Country Partnership Strategy for 2012–2014, approved by ADB's Board on 26 October 2012, emphasizes the promotion of sustainable and inclusive economic development and job creation. A key program area involves support for creating access and connectivity to improve rural livelihoods and increase access to markets and social services. Support for improving rural infrastructure is an important component of the strategy for income generation, accelerating economic development, and reducing rural–urban gaps. The emphasis on rural infrastructure to boost productivity of the food crop subsector and for improved water resource management was also emphasized in the Initial Sector Assessment, Strategy, and Roadmap for Myanmar's agriculture, natural resources, and environment sector.

Document	Document Number	Date of Last Discussion	Objective
Myanmar: Country Operations Business Plan 2014–2016		Draft for Board approval as of 15 Oct 2013	This is the first country operations business plan for Myanmar following ADB's reengagement in 2012. Lending assistance will support projects in agriculture and natural resources; energy; transport; and water supply, sanitation, and other municipal infrastructure services.
Myanmar: Interim Country Partnership Strategy 2012–2014 ³⁴	Sec.M64-12	Board Approval date: 26 October 2012	This interim country partnership strategy provides ADB's framework for reengagement activities in the country. It adopts a phased approach commencing in early 2012.
Initial Sector Assessment, Strategy and Roadmap: Myanmar, Agriculture, Natural Resources and Environment Sector ³⁵		Final draft dated 14 January 2013	The interim assessment, strategy, and roadmap highlights the government's plans for addressing priority needs and identifies possible areas of international assistance for the sector.
Framework for Economic and Social Reforms			This country document prescribes the policy priorities for 2012–2015 toward the long-term goals of the National Comprehensive Development Plan.

³⁴ ADB. 2012. *Myanmar: Interim Country Partnership Strategy (2012–2014)*. Manila.

³⁵ ADB. 2013. *Myanmar: Agriculture, Natural Resources, and Environment (ANRE); Sector Assessment, Strategy and Roadmap*. Manila (April).

2. Link to Specific ADB-Financed Operation

Project Name	Irrigated Command Area Development in the Dry Zone
Project Number	47152
Date of Board Approval	Firm for 2015
Loan Amount (\$ million)	\$75.0 million

3. Development Objective of the Associated ADB-Financed Operation

32. In accordance with requests of the government, upgrading of irrigation schemes within the Central Dry Zone region could be a focus of support based upon the following justification: (i) it is the second-most densely populated region but remains one of the least developed; (ii) it is a traditional agriculture area, and improved irrigation would significantly strengthen productivity and output; (iii) relatively low-cost investment would be involved, as the main structures have already been constructed; and (iv) there is ample potential for expansion and modernization, as more than 200 systems are in need of upgrading. Investments under the JFPR grant will enable the testing of various participatory approaches to water use and irrigation management. As such, these will serve to catalyze follow-on investments.

4. Main Components of the Associated ADB-Financed Operation

33. The proposed Irrigated Command Area Development in the Dry Zone will include the following components: (i) irrigation infrastructure rehabilitation and development, (ii) improved irrigation management and service delivery, (iii) agricultural support for enhanced productivity, and (iv) project management support and capacity development. The intended impact is to reduce poverty and improve farmers’ livelihoods. The target outcome is increased agricultural productivity and increased farmers’ incomes.

34. Agricultural support services—including extension and input support—will be provided to enhance value chain linkages for improved productivity and market access. Institutional support and capacity building will be provided to (i) conduct water balance assessments in the prioritized schemes; (ii) strengthen water user groups and farmer associations; and (iii) improve the efficiency, collection rates, and overall sustainability of water tariffs. Activities will build on and scale-up interventions under the JFPR grant.

5. Rationale for Grant Funding versus ADB Lending

35. Myanmar remains one of the poorest countries in the Asia and Pacific region, with per capita GDP of \$857 and a Human Development Index rank of 149 out of 187 countries. As of 2010, 25% of its population was living in poverty (footnote 11). Poverty is highest in the rural and remote border regions, which are the target areas for this development assistance. The project comprises ADB’s first grant assistance for rural infrastructure development in Myanmar since its recent reengagement. The proposed grant funding is envisaged to support project activities that combine the development of social capital and capacity with the rehabilitation of physical infrastructure. The approach will focus on community-based contracting while engaging local support and ownership. It is expected that ADB will help to facilitate the long-term recovery and rehabilitation of the country’s rural infrastructure.

D. Implementation of the Proposed Grant

1. Provide the Name of the Implementing Agency	Department of Rural Development (DRD)
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36. The Ministry of Livestock, Fisheries, and Rural Development (MLFRD) will be the executing agency for the project.³⁶ It will establish and delegate responsibility for project management to a grant management unit (GMU) at the DRD head office which will be responsible for the project's overall management and coordination. The GMU will be headed by a project director and a combined deputy project director and project manager who will be responsible for management and supervision of the activities. The DRD has assured that at least five full-time senior staff will be assigned to the GMU and be dedicated to the project. The primary implementing agency will be the DRD at Union level and operating through its offices at the township levels. Four grant implementing units will be established at the relevant DRD township offices, one in each of the project regions or states to coordinate and supervise the subproject activities at the respective village tract level.³⁷ Implementation arrangements are diagrammed in Appendix 5.

37. The GMU will be comprised of experienced professional technical and accounting staff, including a finance officer (accountant), procurement officer, block grant manager, infrastructure officer (engineer), and safeguard specialist.³⁸ For rural infrastructure engineering design and supervision, the township DRD offices will serve as technical hubs to provide engineering services, including basic design, cost estimation, construction support to village tracts, and supervision of civil works. Consultants and/or NGOs will be recruited using competitive selection procedures to conduct technical audits and monitor the implementation of civil works interventions. A committee will be established to undertake necessary lateral coordination with other relevant line ministries and their departments at the township level, including the Ministry of Agriculture and Irrigation, Ministry of Health, and Ministry of Cooperatives. Moreover, a CDD project secretariat has been established under the World Bank's NCDDP and the project structure will adapt its management information and reporting systems within the JFPR project. Consistent with the decentralized focus of interventions, the Chief Minister's Office at the regional and state levels, through the rural development and poverty alleviation committees, will play an important role to facilitate interministerial coordination, organize community activities, and monitor implementation of the project in the participating townships.

38. The elected village tract forums will be the main decision-making bodies responsible for the community block grants and implementing the subprojects based on village tract and/or

³⁶ The Ministry of Border Affairs was initially identified as the executing agency and DRD was designated as the implementing agency. By virtue of Presidential Order No. 67/2013, dated 9 August 2013, DRD was subsumed under the Ministry of Livestock and Fisheries and the Ministry was renamed Ministry of Livestock, Fisheries, and Rural Development. DRD's mandate, staffing, and responsibilities remain unchanged, and ongoing project arrangements will be transferred to the new ministry. DRD was itself established on 7 June 2012, renamed from the Department of Development Affairs. DRD's mandate involves the overall socioeconomic development of rural areas, including the construction of rural roads and bridges, rural water supply and sanitation, rural electrification, and rural finance. That mandate extends also to rural livelihood and poverty reduction measures. DRD has an extensive organizational apparatus across the country involving 14 state and regional development committees (including 2 branch offices of the Shan State Development Committee), 284 township development committees, and 82 sub-township development committees. DRD also serves as implementing agency under the World Bank's NCDDP.

³⁷ For reasons of logistical and implementation efficiency, a single grant implementing unit will be established for both the Mandalay and Magway regions in the Central Dry Zone. It will be based in Bagan.

³⁸ Environmental and social safeguard specialists will be required at the grant implementing unit offices to monitor and oversee subproject implementation.

village development plans. These plans will be prepared by village tract development support committees and endorsed by township development and implementation committees. Community facilitators will be engaged to support the village tract forums in conducting community consultations mobilization, and project planning.

39. The government has established the Aid Management Working Committee, which serves as the project steering committee. Currently, it is chaired by the Union Minister for the President's Office. There is also an interministerial technical committee at Union level under the national CDD project to oversee and provide direction to project implementation. The project will work with the same arrangements and will not require constituting a separate steering committee. The steering committee will meet every 6 months after grant effectiveness, or more frequently as needed. The GMU shall serve as the secretariat for the project steering committee for all JFPR-related meetings and will maintain minutes of the meetings. Within 2 weeks after each meeting, the steering committee will submit a copy of such meeting's minutes in English to ADB and in Burmese to relevant project staff and units.

40. The project implementation timeframe will be 48 months, with a start planned in January 2014. Activities in the Ayeyarwady Delta and Central Dry Zone will be initiated together, followed 6–8 months later by simultaneous activities in Shan State and Tanintharyi Region. This staggered implementation will allow for more targeted implementation support and sharing of preliminary lessons from the Delta and Central Dry Zone with the other two project areas.

a. Social Safeguards

41. Project interventions will generate tangible and substantial social and economic benefits. Potentially adverse impacts to the participating communities are expected to be minimal because of the location, design, construction, and operation of subprojects, as well as due to the demand-driven nature of the development as proposed by the communities. Community identified priority interventions will be reviewed to exclude any activities that may cause significant adverse impacts on people. Appropriate mitigation measures will be included based on social economic impact assessment and frameworks to be prepared in compliance with the requirements of ADB's Safeguard Policy Statement (2009).

42. Screening for subprojects will exclude those that would involve significant involuntary resettlement impacts and have adverse effects on indigenous peoples and/or ethnic groups. Minimal land acquisition may nevertheless be required for infrastructure improvement and development, and this might trigger a Category B rating for involuntary resettlement. A land donation mechanism has been prepared, because communities might potentially want to contribute to their own development and land donation will follow a strict protocol and accountability mechanism. Category B is also anticipated for indigenous peoples, as ethnic communities are present in some project areas. A resettlement and ethnic group framework has been prepared and will serve as the combined involuntary resettlement and indigenous peoples framework that is compliant with the Safeguard Policy Statement (2009).³⁹ This will ensure that ethnic groups and vulnerable people actively participate in the project and that they receive gender and culturally appropriate project benefits (Supplementary Appendix 2). Harmonization of ADB's social safeguard requirements with those of World Bank, at least in terms of entitlements, procedures, and institutional arrangements, will be explored to ensure smooth implementation. As the subproject activities will be proposed by participating communities after intensive consultation and as part of their village development plans, only frameworks are being

³⁹ Disclosed on 20 September 2013. <http://www.adb.org/projects/47311-001/documents>

prepared to provide guidance for preparing full indigenous peoples plans and/or resettlement plans, if required.

b. Poverty and Social

43. The project is intended to contribute to improving both income and non-income poverty measures by targeting the poorest areas and setting up strategic interventions that address a given area's specific needs, including access to vocational and skills training in agriculture and other livelihood activities.⁴⁰ About 96 village tracts covering around 700,000 target beneficiaries in the project regions and state will be selected. The project will also target at least four villages with majority ethnic group populations. About 70% of Myanmar's population resides in rural areas and is dependent on agriculture for its livelihood. A summary poverty reduction and social strategy (Appendix 6) was prepared to ensure that participation and empowerment of the poor, gender and development, and other social risks are addressed accordingly while resources (budget and expert) are allocated adequately.

44. A gender action plan was drafted based upon a gender analysis (Supplementary Appendix 1). The plan includes measures to ensure that women have access to project information and participate actively in project planning, implementation, and monitoring. Access to knowledge and skills in livelihood improvement in agriculture, livestock husbandry, processing technology, and labor saving technology will be prioritized for women based on their potential and needs. The quality of facilitation will ensure equitable gender outcomes and a selection of subprojects that is representative of women's needs. The project will facilitate women's representation in planning and decision making. Equitable representation in village tract forums will be pursued while including at least one female representative in each participating village tract forum. An enabling environment will be fostered to ensure that women and girls will be included in the village tract discussion in prioritizing village development plans. Adequate resources (budget and expert) will be allocated to implement the plan, which might need to be revised as the situation develops. A gender specialist will be hired to support the socialization and implementation of the plan.

c. Environmental Safeguards

45. The project has been assigned category B for environment according to ADB's Safeguard Policy Statement (2009). Overall, the potential for negative environmental impacts for small-scale subprojects are limited and localized. Most such impacts are reversible and can be mitigated. The size and scale of subprojects will be limited by the size of block grants of up to \$27,000 each (footnote 4). The environmental assessment and review framework (Supplementary Appendix 3; footnote 39) guides the screening of all subprojects under the project, sets out institutional arrangements in relation to environmental management and monitoring, and defines environmental assessment guidelines. Technical support will be provided by the project to build capacity of the GMU and grant implementing units for implementing and monitoring environmental safeguard measures set out under the environmental assessment and review framework.

46. Efforts are being made to strengthen environmental safeguard procedures in Myanmar. A midterm review will reassess the country's safeguard system and revise the environmental

⁴⁰ One of the primary selection township criteria is the poverty index (based on a composite of both income and human development indicators), with the poorest village communities being given priority for the project.

assessment and review framework accordingly to ensure the project meets both ADB's and the country's environmental safeguard requirements.

d. Financial Management

47. The ADB grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time). Detailed arrangements agreed between the government and ADB will be described in the grant implementation manual (Supplementary Appendix 6). The imprest account is to be used exclusively for ADB's share of eligible expenditures.

48. MLFRD through DRD will establish and administer the imprest account in its name. It will be accountable and responsible for proper use of advances to the imprest account. DRD will open a sub-account in each of the four regions and state (at township level) to facilitate funds transfer and payments. The imprest account will have a ceiling at 10% of the grant amount, and the account will be denominated in US dollars. Requests for the initial and additional advance(s) should be based on planned expenditures for 6 months of implementation. The imprest account funds should be separated from other funds and be used exclusively to finance ADB's share of eligible expenditures. Reimbursements and replenishment of advances to the imprest account will be based on full documentation of eligible expenditures.

49. **Block grants.** Funds under Component B for block grants will be transferred from the imprest account directly to community block grant (beneficiary) accounts in tranches.⁴¹ Block grants will be allocated through a participatory planning process covering all villages within a village tract with three annual cycles in the amount of \$27,000 (footnote 4). Planning and prioritization of subprojects will be undertaken by villagers and representative village tract forums. A block grant agreement (a sample of which is included in the grant implementation manual) will clearly spell out important elements to mitigate related risks, including participatory village monitoring, annual social audits at the village tract level, establishing a grievance redress mechanism, as well as broad information disclosure and transparency (including at the community level and in local languages). The grant implementation manual will spell out sanctions for villagers, forum members, and government officials who misuse funds, engage in corrupt practices, or do not abide by provisions of the block grant agreement. This agreement, which will be translated into local languages and signed by the village tract forum heads and the township DRD offices, will include basic provisions on procurement and financial management, as well as environmental, social, and anticorruption measures. Community information billboards will be put up in subproject sites showing project information, community assemblies, and such other activities as schedules of training events, audits, and grievance-related consultations. The community block grant fund management arrangements are described in Supplementary Appendix 8. Detailed arrangements are reflected in the grant implementation manual.

50. **Accounting, auditing, and public disclosure.** MLFRD will maintain, or cause to be maintained, separate books and records according to funding source for all expenditures incurred on the project. MLFRD will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

⁴¹ These grants will be implemented in accordance with ADB's Project Administration Instruction 5.12 (Implementing Small Projects with Community Participation), <http://www.adb.org/sites/default/files/pai-5-10.pdf>

51. MLFRD will also cause the entity-level financial statements to be audited in accordance with International Standards on Auditing and with the government's audit regulations by an independent auditor acceptable to ADB.⁴² The audited entity-level financial statements, together with the auditors' report and management letter, will be submitted in English to ADB within 1 month after their approval by the competent authority. The annual audit report for the project accounts will include an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether or not loan and grant proceeds were used solely for the purposes of the project; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project; and (iv) proper use of the imprest fund procedure in accordance with ADB's *Loan Disbursement Handbook* and the project documents. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision. There will be regular follow-up with all parties concerned, including the external auditor.

52. The government, MLFRD, and DRD have been made aware of ADB's policy on submission of audited project financial statements, as well as the requirements for their satisfactory and acceptable quality. Should the required audits not be conducted in a manner satisfactory to ADB or if the audits are substantially delayed, ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower) or to require that additional support be provided to the auditor. ADB reserves the right to verify the project's financial accounts in order to confirm that its share in financing is used in accordance with ADB's policies and procedures.

53. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011). After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The audit management letter will not be disclosed.

54. The results and findings of the financial management assessment of DRD (Supplementary Appendix 4) reveal its limited experience in undertaking international development projects. Nevertheless, DRD, as the central agency in implementing the World Bank's NCDDP, and while building on its existing staffing and institutional resources, is currently being exposed to a series of capacity strengthening modules and exposure to international financing institutions' financial management processes and systems. The project will consolidate and build on these efforts. In addition, specific risk mitigation measures will be provided, including targeted capacity building at the national and state or region levels, training of DRD project staff, and dedicated consulting support. Full details are provided in the financial management assessment and are designed to lower the risk level from the present high-medium range to the medium-low range.

55. **Governance and anticorruption.** DRD will (i) comply with ADB's Anticorruption Policy (1998, as amended to date) and Integrity Principles and Guidelines (2010, as amended to date), and acknowledge that ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practice relating to the project; and (ii) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation. MLFRD will ensure that the anticorruption provisions

⁴² The World Bank under the NCDDP has agreed that the Auditor General of the Union Government shall act as the independent auditor. Similar arrangements will be explored for the proposed grant.

acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and of all contractors, suppliers, consultants, and other service providers as they relate to the project.

e. Procurement Procedures

56. All procurement to be financed by the project will be undertaken in accordance with ADB's Procurement Guidelines (2013, as amended from time to time). Civil works and livelihood packages (Component B, subproject grants) will consist of 288 units (estimated value of \$27,000/unit), with multiple lots or contracts to allow small contractors and community groups to participate and bid under a community contracting scheme. Procurement of civil works valued between \$100,000 and \$1.0 million per package shall follow national competitive bidding procedure, upon which ADB and the government will agree. Goods and civil works costing between \$10,001 and \$99,999 per package shall be procured through the procedure known as shopping. Goods estimated to cost less than \$10,000 may be purchased by the executing and/or implementing agency directly from the supplier, and, in this case, ADB should be satisfied that the price paid is reasonable.

57. Procurement of consulting services, vehicles, and equipment will be conducted at central level by the GMU within the DRD office in Nay Pyi Taw. A procurement committee has been established and is operational in the DRD office. At the village level, procurement will involve community participation through simplified methods for the small civil works and livelihood packages under the block grants. Procurement subcommittees will be set up at the village tract level to coordinate the community procurement, shopping, and direct contracting for civil works and livelihood interventions with support from DRD township engineers and relevant line agencies. Quality control and monitoring will be conducted by NGOs and/or consulting entities.

58. Results and findings of the procurement capacity assessment are in Supplementary Appendix 5. Risks have been identified and assessed as "high," given the incipient legal framework and limited capacity within DRD. Accordingly, mitigation measures have been drawn up and include a planned series of seminars and/or workshops on ADB's Procurement Guidelines, Guidelines on the Use of Consultants, and the *Consulting Services Operations Manual*. Through consultants and support staff, dedicated procurement support will be provided within the GMU at the national level and the four grant implementing units at the township level to backstop and ensure quality control of all procurement activities. A simplified procurement manual will be drawn up during the first 3 months of project implementation and updated regularly to reflect project needs.

59. **Consulting services.** A combination of individual consultants, firms, as well as local and international NGOs will be recruited to provide consulting services, including technical and financial audits and training, workshops, and seminars. All consultants will be recruited in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). All consulting firms (including local and international NGOs) will be recruited using quality- and cost-based selection with an 80:20 quality:cost ratio or consultants' qualifications selection. Terms of reference will be prepared for these services.

60. **Project performance monitoring and evaluation.** Within 6 months of grant effectiveness, the executing agency will complete the establishment of a monitoring and evaluation mechanism to monitor project inputs, activities, outputs, outcome, and impact. The monitoring mechanism will capture the indicators provided in the design and monitoring

framework and grant implementation manual on project performance monitoring and evaluation. The mechanism will be based on existing data collection arrangements, supplemented with project-specific before and after surveys to assess changes in access, quality, and management of services; risk behavior; and use of services for the target populations. The monitoring framework will be undertaken in parallel with that of the World Bank's NCCDP for consistency and ease in complying with submission requirements.

2. Risks Affecting Grant Implementation

61. Key project implementation risks are summarized here. At the country level, key governance challenges include weak accountability mechanisms, lack of transparency, inconsistencies in the application of laws, and limited participation by individual people. At the entity level, DRD has limited experience working with international development agencies and is not familiar with ADB policies and procedures governing the management and administration of grant assistance projects. In addition to the absence of a national procurement law, DRD's internal control system lacks formal documentation of policies and procedures. Further, DRD has limited capacity for CDD approaches and social mobilization. At the project level, bureaucratic rigidities may weigh down the participatory elements of the project. Other potential implementation issues include elite capture of processes and benefits, leakages in the use of project funds, and delays in fund releases.

Type of Risk	Brief Description	Measure to Mitigate the Risk
Country level: Governance	Weak accountability and transparency mechanisms, inconsistent application of laws, limited base of participation, and top-down governance structure	<p>Project design has built-in mechanisms for ensuring accountability, transparency, predictability, as well as participation of and decision making by the communities themselves.</p> <p>Well-focused capacity building interventions for all project stakeholders</p> <p>Establishment of a grievance redress system for the project at the national and subnational levels</p> <p>Periodic conduct of technical and financial audits during project implementation</p> <p>Transparent and merit-based recruitment process for project staff</p> <p>Enforcement of code of conduct for project staff</p> <p>Clear and transparent criteria for subproject development and management</p>
Entity level: Executing and implementing agencies	<p>Executing and implementing agencies do not have experience working with international finance institutions and are unfamiliar with ADB policies and procedures</p> <p>Limited capacity of DRD on social</p>	<p>DRD will be supported by qualified and experienced international and national consultants experienced in working with international finance institutions, in particular ADB.</p> <p>DRD will be complemented with</p>

Type of Risk	Brief Description	Measure to Mitigate the Risk
	<p>mobilization, community development, and participatory approaches</p> <p>Absence of national laws or regulations on procurement</p> <p>Lacks formal documentation of financial management policies and procedures</p>	<p>adequate project staff fully experienced in community mobilization and development.</p> <p>DRD and project staff will be trained on community empowerment, project operations and monitoring, financial management, disbursement, and procurement, including ADB guidelines and processes for those areas.</p> <p>Financial management policies and procedures will be documented and incorporated into the project operations manual.</p>
Project level:	<p>Top-down planning and decision-making structure</p> <p>Elite capture of processes, project proceeds, and outcomes</p> <p>Leakages in the use of project funds</p> <p>Delays in the release of project funds</p>	<p>Community facilitators will be hired and mobilized to work closely with villagers and government counterparts.</p> <p>Participatory approaches and community empowerment will be incorporated into the project design, particularly in subproject planning and selection.</p> <p>Protocols for conducting technical and financial audits incorporated into the project design and reflected in the project operations manual</p> <p>Establishment of a well-functioning system for handling complaints and preventing abuse of authority and misuse of funds</p> <p>Engagement of nongovernment and civil society organizations in the different phases of subproject development and management, particularly in the exercise of oversight, monitoring, and audit</p> <p>Community information tools such as billboards and assemblies will be utilized to increase transparency and monitor grievance issues and other concerns.</p>

3. Incremental ADB Costs

Component	Incremental Bank Cost
Amount requested	\$300,000
Justification	The proposed grant is unusually complex and would need additional resources beyond those provided by the regular administration budget. Intermittent consultant inputs are

Component	Incremental Bank Cost
	required to assist in (i) finalizing the grant implementation manual, including subcontract agreements and disbursement methods, and a detailed procurement plan; (ii) project inception; (iii) ensuring rapid start-up and advance action on procurement, capacity development in financial management, and training of project staff; (iv) designing and implementing a baseline survey; (v) facilitating community participation or NGO collaboration; (vi) assisting in project review missions, project administration, and the project completion review; (vii) formulating policy recommendations; (viii) developing and disseminating knowledge products; and (ix) strategizing community preparation. Various workshops will be needed also to facilitate and ensure smooth project start-up.
Type of work to be rendered by ADB	Oversee preparation of the grant implementation manual; conduct of the baseline survey; grant inception, midterm and completion reviews; training and capacity development, project evaluation; and disseminating project information and lessons learned.

4. Monitoring and Evaluation

Key Performance Indicator	Reporting Mechanism	Plan and Timetable for M&E
Rural incomes of villagers in targeted areas increased by at least 50% from 2013 baseline as a result of cash infusions from rural infrastructure wage earnings and expanded employment opportunities	Government records of Ayeyarwady Region, Central Dry Zone, Tanintharyi Region, and Shan State	A full baseline study of representative sample villages in the project will be undertaken soon after inception of the project in Q4 2013 and/or Q1 2014. This will include agricultural indices such as yields (tons/hectare) of rice and cash crops; productivity (tons) of these crops; market prices, and average per capita incomes and social indices such as poverty and availability of social infrastructure. These indices, when measured in 2020 will be compared to the baseline from 2013/2014. Annual monitoring of these indices will be carried out routinely to capture trends in effectiveness of the project.
Increase in income attributable to the project versus 2013 baseline from (i) rice in the Ayeyarwady Delta (10%); (ii) oilseeds and pulses in the Central Dry Zone (+5%); (iii) cash crops, including garlic and chilies in Shan State (+5%); and (iv) aquaculture, including fish and shrimp farming, in coastal and inland areas of Tanintharyi Region (+10%)	Annual reports of MLFRD, Ministry of Agriculture and Irrigation, Ministry of Cooperatives	Quantitative monitoring of increased productivity and income will be done at the government level.
At least 700,000 villagers benefit from improved rural infrastructure plus improved access to markets and social services	Government records (in particular those of DRD) for Ayeyarwady	The executing agency will establish a monitoring and evaluation mechanism to monitor project inputs, activities, outputs, outcome, and impact. At village level, implementation committees will

Key Performance Indicator	Reporting Mechanism	Plan and Timetable for M&E
	Region, Central Dry Zone, Tanintharyi Region, and Shan State	be established to oversee implementation in their respective villages via monitoring and procurement subcommittees. In addition, villagers will form operations and maintenance committees to maintain the works once completed.
Increase in (i) rice productivity (tons/hectare) in the Ayeyarwady Delta by 10%, (ii) oilseeds and pulses productivity in the Central Dry Zone by 10%, (iii) garlic and chilies productivity in Shan State by 10%, and (iv) household- and artisanal-level production of dried fish and shrimp in Tanintharyi Region by 10% from 2013 baseline	Annual reports of MLFRD and Ministry of Agriculture and Irrigation	Quantitative monitoring of increased productivity and income will be done at the government level.

5. Estimated Disbursement Schedule

Fiscal Year (FY)	Amount (\$ million)
FY 2014	1.490
FY 2015	3.043
FY 2016	3.829
FY 2017	3.638
Total Disbursements	12.000

Appendixes

1. Design and Monitoring Framework
2. Summary Cost Table
3. Detailed Cost Estimates
4. Fund Flow Arrangement
5. Implementation Arrangements
6. Summary Poverty Reduction and Social Strategy

Supplementary Appendixes (available upon request)

1. Gender Action Plan
2. Resettlement and Ethnic Groups Framework
3. Environmental Assessment and Review Framework
4. Financial Management Analysis
5. Procurement Capacity Assessment
6. Draft Grant Implementation Manual
7. Broad Positive List
8. Community Block Grant Management

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Improved agricultural productivity and enhanced livelihoods contributing to reduced poverty in the selected regions</p>	<p>By 2020: Rural incomes of villagers in targeted areas increased by at least 50% as a result of cash infusions from rural infrastructure wage earnings and expanded employment opportunities from 2013 baseline^a</p> <p>Increase in income attributable to the project from (i) rice in the Ayeyarwady Delta (+10%); (ii) oilseeds and pulses in the Central Dry Zone (+5%); (iii) cash crops, including garlic and chilies in Shan State (+5%); and (iv) aquaculture, including fish and shrimp farming, in coastal and inland areas of Tanintharyi Region (+10%) (2013 baseline)^a</p>	<p>Annual reports from Ministry of Livestock, Fisheries, and Rural Development; Ministry of Agriculture and Irrigation; Ministry of Cooperatives</p> <p>Government records for Ayeyarwady Region, Central Dry Zone, Tanintharyi Region, and Shan State</p>	<p>Assumptions Government considers this as a positive intervention.</p> <p>Governments at regional, state, and local levels support these initiatives.</p> <p>Risks Government's top-down governance structure and processes inhibit community participation.</p> <p>Government does not permit movement of project staff to the areas.</p> <p>Ethnic tensions and/or civil unrest may occur in some areas.</p>
<p>Outcome Improved essential productive rural and social infrastructure in the project-assisted villages to lead to better income opportunities</p>	<p>By 2017: At least 700,000 villagers benefit from improved rural infrastructure plus improved access to markets and social services</p> <p>Increase in (i) rice productivity (tons/hectare) in the Ayeyarwady Delta by 10%, (ii) oilseeds and pulses productivity in the Central Dry Zone by 10%, (iii) garlic and chilies productivity in Shan State by 10%, and (iv) household- and artisanal-level production of dried fish and shrimp in Tanintharyi Region by 10% from 2013 baseline^a</p> <p>Increase in the number of households deriving their primary livelihoods from aquaculture by 20% from 2013 baseline^a</p>	<p>Project baseline data</p> <p>Surveys at completion of project</p> <p>Routine project monitoring and survey reports</p> <p>Annual reports of the Ministry of Agriculture and Irrigation</p> <p>Government records of the Ayeyarwady Region, Central Dry Zone, Tanintharyi Region, and Shan State</p>	<p>Assumptions Government is willing and able to provide adequate counterpart staff support for the project at regional, township, and local levels.</p> <p>Target communities are selected and are willing to participate in the project.</p> <p>Risks Numbers of technical staff are insufficient to provide counterpart technical professionals for project.</p> <p>Potential government restrictions will exist in some project areas.</p> <p>Elite capture of project processes and outcomes might occur.</p>
<p>Outputs 1. Communities mobilized and organized for identifying priority needs</p>	<p>By 2017: At least 50% of poor households participate in assessment, planning, and decision making, including to identify priority needs, for the development of communities in selected village tracts (40% female participation)</p> <p>Around 96 village tracts with approved VDPs have baseline data and are certified for receiving block grants by 2016</p> <p>At least 96 appropriate interventions</p>	<p>Project progress reports, government reports</p> <p>Approved VDPs, project progress reports</p> <p>Project monitoring reports</p>	<p>Assumptions Township-level coordination is functional and supported by key officials.</p> <p>There exists willingness of government at all levels to support the project.</p> <p>Risks Potential exists for government restrictions on project activities in some</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	<p>selected for priority infrastructure needs by the village development support committees, membership of which includes 50% women by Q2 2014</p> <p>At least 4 gender sensitivity briefings and/or orientations conducted during community mobilization by Q2 2014</p>		<p>project areas.</p> <p>Social and/or civil unrest could occur in some project areas.</p>
<p>2. Village- and village tract-level infrastructure and rural livelihoods improved</p>	<p>By 2017:</p> <p>At least 96 village tracts (16 per township) in the regions and states implement prioritized infrastructure initiatives, such as</p> <ul style="list-style-type: none"> (i) 50 kilometers of rural access roads constructed or rehabilitated; 20 jetties rehabilitated (ii) At least 700,000 villagers with enhanced access and use of basic social services (iii) At least 96 social infrastructure improvements and schemes implemented^a <p>At least 6,000 beneficiaries (no less than 40% of whom are women) trained in livelihood-related skills, including improved crop, fish, and shrimp production</p> <p>At least 4 community production and coordination centers established</p> <p>At least 80% of all social infrastructure projects prioritized by women are constructed</p>	<p>National, state, and township governments' routine reports</p> <p>Project monitoring reports</p> <p>Baseline surveys</p> <p>Project evaluation report</p> <p>Project completion report</p> <p>Midterm completion report</p>	<p>Assumptions</p> <p>The communities agree on the selection of villages for inclusion into the project.</p> <p>International and local civil society organizations show willingness to provide services in areas that are difficult to reach.</p> <p>Risks</p> <p>There exist potential government restrictions in some project areas.</p> <p>Access to some project villages could be difficult.</p>
<p>3. Project management services institutionalized</p>	<p>By 2017:</p> <p>At least one set of training manuals developed and produced for standard planning and management of projects at regional and local levels (in both English and Burmese versions whenever applicable)</p> <p>80%–100% of Department of Rural Development engineers and technicians in participating townships trained in project implementation, including monitoring, and evaluation</p> <p>80%–100% of Department of Rural Development staff in participating townships, including at least 40% women, trained in financial management, procurement, and contracting at regional and local levels</p> <p>Best practices and lessons on community-driven development shared, distilled, and disseminated from within project village tracts to other townships and village tracts</p>	<p>Training manuals and guidelines</p> <p>Project monitoring reports</p> <p>Regional, state, and township governments' reports and records</p> <p>Project progress reports</p>	<p>Assumptions</p> <p>Governments at various levels will be able to release sufficient technical staff for these trainings.</p> <p>The trained officials will be able to enforce the standards required in civil works construction and in procurement of goods and services.</p> <p>Female staff members will occupy key government positions, especially in technical and engineering posts.</p> <p>Risks</p> <p>Trainees may be less than enthusiastic about applying the quality control, monitoring, and evaluation for civil works. There is potential for</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	in the country		restrictions in accessing some project areas.
<p>Key Milestone Activities:</p> <p>Output 1: Communities mobilized and organized for identifying priority needs (quarters 1 and 2 of 2014 or initial 6 months)</p> <p>1.1 Provide support in capacity building, including participatory assessment of needs and/or mapping of potential problems and carrying out participatory planning, organizing, and resource mobilization for development of communities in selected village tracts and with the assistance of civil society organizations; conduct baseline surveys</p> <p>1.2 Assist in selecting appropriate interventions for community-identified priority infrastructure and livelihood support needs</p> <p>1.3 Carry out social and environmental safeguard diagnostics and prepare reports</p> <p>1.4 Assist communities in developing VDPs</p> <p>1.5 Help secure approval of VDPs</p> <p>1.6 Prepare for implementation of VDPs through block grants</p> <p>Output 2: Village- and village tract-level infrastructure and rural livelihoods improved (quarters 3–6 during 2014 and 2015)</p> <p>2.1 Prepare operation and maintenance plans in consultation with village tracts</p> <p>2.2 Conduct trainings on ADB's Procurement Guidelines (2013, as amended from time to time) and <i>Loan Disbursement Handbook</i> (2012, as amended from time to time)</p> <p>2.3 Secure disbursement of funds for initiating infrastructure work and livelihood training activities</p> <p>2.4 Assist in accessing livelihood training activities (particularly on crop, fish, and shrimp production) and supervise conduct of the training activities</p> <p>2.5 Build work groups, appoint supervisors, and provide work contracts</p> <p>2.6 Supervise the construction and implementation while including 1 community production and coordination center per region or state</p> <p>2.7 Commission the works and/or certify completion</p> <p>2.8 Follow up on advances and payments for laborers</p> <p>2.9 Train for and implement routine operations and maintenance plans</p> <p>2.10 Prepare reports and visuals for disseminating information on achievements and issues</p> <p>Output 3: Project management services institutionalized (quarters 7–15 during 2015–2017)</p> <p>3.1 Establish grant management unit and grant implementing units</p> <p>3.2 Develop agreed work plan between ADB and grant management unit</p> <p>3.3 Conduct baseline surveys</p> <p>3.4 Develop standard methods for planning and management at regional and local levels</p> <p>3.5 Train infrastructure staff (engineers and technicians) in planning and management tools</p> <p>3.6 Produce published materials (i.e., training manuals) for standard planning and management of projects at regional and local levels in both English and Burmese whenever applicable</p> <p>3.7 Monitor and evaluate civil works quality control</p> <p>3.8 Provide training in financial management and procurement at relevant levels</p> <p>3.9 Establish a grievance subcommittee at the village tract level</p> <p>3.10 Submit semiannual and annual reports to government, ADB, and JFPR staff</p> <p>3.11 Provide support to supervision missions</p> <p>3.12 Provide assessment reports for completion of stages 1 and 2</p> <p>3.13 Conduct at least two study visits to projects in the Philippines and Indonesia to learn about community-driven development models and their implementation</p>			<p>Inputs</p> <p>JFPR grant: \$12.00 million</p> <p>Government in-kind contribution: \$1.32 million (to be confirmed)</p> <p>Community (villagers') in-kind contribution: \$0.59 million</p>

ADB = Asian Development Bank, JFPR = Japan Fund for Poverty Reduction, VDP = village development plan.

^a Baselines will be available within 6 months of project implementation. Due to the modality of community-driven development, the exact types of subprojects cannot be specified and the indicators represent examples drawn from community priorities highlighted during project preparation.

Source: Asian Development Bank.

SUMMARY COST TABLE
(**\$**)

Item	Component A: Community Empowerment and Development	Component B: Enhancement of Living Standards and Livelihoods	Component C: Capacities for Project Planning, Implementation, and Monitoring Institutionalized	Contingencies	Total^a (\$)	Percent of Total
1. Civil works	0	6,912,000	0	0	6,912,000	57.60
2. Equipment and supplies	281,600	523,600	332,800	0	1,138,000	9.48
3. Training, workshops, and seminars	306,000	90,000	90,000	0	486,000	4.05
4. Consulting services	386,200	116,000	293,700	0	795,900	6.63
5. Project management	297,600	212,400	811,600	0	1,321,600	11.01
6. Other inputs (including livelihood support)	13,500	873,000	73,000	0	959,500	8.00
7. Contingencies	0	0	0	387,000	387,000	3.23 ^b
Subtotal JFPR Grant Financed	1,284,900	8,727,000	1,601,100	387,000	12,000,000	100.00
Government contribution (in-kind)	1,068,640	111,780	134,580	0	1,315,000	
Community contributions (in kind):	0	587,000	0	0	587,000	
Total Estimated Costs	2,353,540	9,425,780	1,735,680	387,000	13,902,000	
Incremental Costs					300,000	

JFPR = Japan Fund for Poverty Reduction.

^a Base costs include taxes and duties of \$0.761 million to be financed by ADB. The taxes and duties (i) are within the reasonable threshold identified during interim country partnership strategy preparation, (ii) do not represent an excessive share of the project cost, (iii) apply only to ADB-financed expenditures, and (iv) are material and relevant to the success of the project.

^b Potential savings resulting from phased implementation in the project areas and sequenced and calibrated disbursements of block grants to priority townships will be allocated to contingencies.

Source: ADB estimates.

DETAILED COST ESTIMATES

(\$, except as indicated)

Supplies and Services Rendered		Costs				JFPR		Contributions ^b	
		Quantity	Unit	Cost per Unit	Total ^a	Amount (A)	Method of Procurement	Government (B)	Village (C)
Component A. Community Empowerment and Development				2,353,540	1,284,900		1,068,640	0	
1	Training, Workshops, and Seminars				397,800	306,000		91,800	0
1.1.	Training, workshops, and seminars	170	unit	1,800	397,800	306,000	CQS/ICS	91,800	0
2	Consulting Services				502,060	386,200		115,860	0
2.1.	Project Development and Management Expert/ Team Leader (international)	396	person-days	700	360,360	277,200	QCBS	83,160	0
2.2.	International travel	8	round trip	3,500	36,400	28,000		8,400	0
2.3.	Per diem	540	day	150	105,300	81,000		24,300	0
3	Equipment and Supplies				366,080	281,600		84,480	0
3.1.	Training references and materials	100	lot	50	6,500	5,000	Direct Purchase	1,500	0
3.2.	Project manuals	100	unit	30	3,900	3,000	Direct Purchase	900	0
3.3.	Office supplies and communications	48	month	1,200	74,880	57,600	Shopping	17,280	0
3.4.	Local travel, transportation, and fuel costs	48	month	4,500	280,800	216,000	Direct Purchase	64,800	0
4	Project Management				1,074,100	297,600		776,500	0
	National Project Management Office								
4.1.	Social Safeguards Specialist	24	person-month	1,000	31,200	24,000	CQS	7,200	0
4.2.	Project Development Officer	36	person-month	1,000	46,800	36,000	CQS	10,800	0
4.3.	Gender Specialist	24	person-month	900	28,080	21,600	CQS	6,480	0
	Regional Project Management Office								
4.4.	Community facilitators	720	person-month	300	216,000	216,000	CQS/ICS	0	0
4.5.	Government counterpart staff				752,020	0		752,020	0
5	Other Project Inputs				13,500	13,500		0	0
5.1.	Language translation services	15	lot	900	13,500	13,500		0	0
Component B. Enhancement of Living Standards and Livelihoods^c				9,425,780	8,727,000		111,780	587,000	
1	Civil Works				7,499,000	6,912,000		0	587,000
1.1.	Subproject grants	288	subproject	24,000	7,499,000	6,912,000	Community Participation	0	587,000
2	Training, Workshops, and Seminars				117,000	90,000		27,000	0
2.1.	Training, workshops, and seminars	50	unit	1,800	117,000	90,000	Lump Sum	27,000	0
3	Consulting Services				116,000	116,000		0	0
3.1.	Rural Development Expert (international)	66	person-days	700	46,200	46,200	ICS	0	0
3.2.	Civil Works Expert (international)	44	person-days	700	30,800	30,800	ICS	0	0
3.3.	International travel	6	round trip	3,500	21,000	21,000		0	0
3.4.	Per diem	120	day	150	18,000	18,000		0	0

Supplies and Services Rendered	Costs				JFPR		Contributions ^b	
	Quantity	Unit	Cost per Unit	Total ^a	Amount (A)	Method of Procurement	Government (B)	Village (C)
4 Project Management				212,400	212,400		0	0
National Project Management Office								
4.1. Engineer	36	person-month	1,000	36,000	36,000	QCBS	0	0
4.2. Rural Development and Agriculture Specialist	36	person-month	1,000	36,000	36,000	QCBS	0	0
4.3. National Procurement Officer	36	person-month	1,000	36,000	36,000	QCBS	0	0
4.4. National Finance Officer	36	person-month	1,200	43,200	43,200	QCBS	0	0
Regional Project Management Office								
4.5. Bookkeeper and/or Budget Assistant	36	person-month	800	28,800	28,800	ICS	0	0
4.6. Procurement Specialist	36	person-month	900	32,400	32,400	ICS	0	0
5 Equipment and Supplies				605,680	523,600		82,080	0
5.1. Vehicles ^d	5	lot	50,000	250,000	250,000	Shopping	0	0
5.2. Office supplies and communications	48	month	1,200	74,880	57,600	Shopping	17,280	0
5.3. Local travel, transportation, and fuel costs	48	month	4,500	280,800	216,000		64,800	0
6 Other Project Inputs				875,700	873,000		2,700	0
6.1. Language translation services	10	lot	900	11,700	9,000		2,700	0
6.2. Community livelihood support and capacity building	288	lot	3,000	864,000	864,000		0	0
Component C. Capacities for Project Planning, Implementation, and Monitoring Institutionalized				1,735,680	1,601,100		134,580	0
1 Consulting Services				293,700	293,700		0	0
1.1. Financial Management Expert (international)	66	person-days	700	46,200	46,200	ICS	0	0
1.2. Community Development Expert (international)	66	person-days	700	46,200	46,200	ICS/CQS	0	0
1.3. Procurement Expert (international)	66	person-days	700	46,200	46,200	ICS	0	0
1.4. Social Safeguards Expert (international)	44	person-days	700	30,800	30,800	QCBS	0	0
1.5. Environment Safeguards Specialist (international)	44	person-days	700	30,800	30,800	QCBS		
1.6. International travel	10	round trip	3,500	35,000	35,000		0	0
1.7. Per diem	390	day	150	58,500	58,500		0	0
2 Project Management Staff				811,600	811,600		0	0
National Project Management Office								
2.1. National Project Coordinator	30	person-month	1,200	36,000	36,000	QCBS	0	0
2.2. Administrative Officer	36	person-month	700	25,200	25,200	QCBS	0	0
2.3. Environmental Safeguard Specialist	24	person-month	1,000	24,000	24,000	QCBS	0	0
2.4. Monitoring and Evaluation/IT Officer	24	person-month	900	21,600	21,600	QCBS	0	0
2.6. Administrative Aide (Driver)	40	person-month	300	12,000	12,000		0	0
Regional Project Management Office								
2.7. Regional Project Manager	160	person-month	1,200	192,000	192,000	ICS	0	0
2.8. Regional Financial Analyst and Accountant	144	person-month	900	129,600	129,600	ICS	0	0
2.9. Regional Procurement Officer	144	person-month	900	129,600	129,600	ICS	0	0
2.10. Monitoring and Evaluation Officer	144	person-month	900	129,600	129,600	CQS/ICS	0	0
2.11. Administrative Assistant	160	person-month	400	64,000	64,000		0	0
2.12. Administrative Aide (Driver)	160	person-month	300	48,000	48,000		0	0

Supplies and Services Rendered	Costs				JFPR		Contributions ^b	
	Quantity	Unit	Cost per Unit	Total ^a	Amount (A)	Method of Procurement	Government (B)	Village (C)
3 Equipment and Supplies				420,880	332,800		88,080	0
3.1. Laptops	28	unit	1,000	28,000	28,000	Shopping	0	0
3.2. Computers and printers	6	lot	1,200	7,200	7,200	Shopping	0	0
3.3. Multimedia projectors	5	unit	800	4,000	4,000	Direct Purchase	0	0
3.4. Office equipment and furniture	5	lot	4,000	26,000	20,000	Shopping	6,000	0
3.5. Office supplies and communications	48	month	1,200	74,880	57,600	Shopping	17,280	0
3.6. Local travel, transportation, and fuel costs	48	month	4,500	280,800	216,000	Direct Purchase	64,800	0
4 Training, Workshops, and Seminars				117,000	90,000		27,000	0
4.1. Training, workshops, and seminars	50	unit	1,800	117,000	90,000	Lump Sum	27,000	0
5 Other Project Inputs				92,500	73,000		19,500	0
5.1. Project evaluation study	1	lot	20,000	26,000	20,000		6,000	0
5.2. Development, publication, and dissemination of knowledge products	8	lot	2,500	26,000	20,000		6,000	0
5.3. External audit	4	unit	2,000	8,000	8,000		0	0
5.4. Office refurbishing	5	lot	5,000	32,500	25,000	Direct Purchase	7,500	0
Components A to C = Subtotal			Subtotal	13,515,000	11,613,000		1,315,000	587,000
Contingency^e				387,000	387,000		0	0
Total Grant Costs			Total	13,902,000	12,000,000		1,315,000	587,000
Total Incremental Costs				300,000				

ADB = Asian Development Bank, CQS = consultant qualification selection, ICS = individual consulting services, IT = information technology, JFPR = Japan Fund for Poverty Reduction, QCBS = quality- and cost-based selection.

^a Base costs include tax and duties of \$0.761 million to be financed by ADB. The taxes and duties (i) are within the reasonable threshold identified during interim country partnership strategy preparation, (ii) do not represent an excessive share of the project cost, (iii) apply only to ADB-financed expenditures, and (iv) are material and relevant to the success of the project.

^b In-kind counterpart contributions from the government and community.

^c The block grant amount of \$27,000 comprises \$24,000 for identified priority civil works and other rural infrastructure developments and \$3,000 for livelihood support (items 1.1 and 6.2). Capacity building for subproject implementation, training, and extension support will be included as part of the subproject grants.

^d Effective project management and administration will require acquiring a set of vehicles to deliver the component interventions in the project areas (Ayeyarwady Region, Tanintharyi Region, Mandalay and Magway regions in the Central Dry Zone, and Shan State), to be serviced by four grant implementation offices and a central grant management office in Nay Pyi Taw. These are disparate areas, marked by undulating, variable, and difficult terrain. They are spread over vast distances and have markedly different topographies. As the project requires extensive consultations with rural communities, and given the decentralized nature, geographic spread, and coverage of interventions, one dedicated four-wheel-drive vehicle and several motorcycles will be needed for each of the five project offices to successfully implement the project. Purchase and eventual turnover and/or disposition of vehicles to the recipient implementing agency will be carried out as prescribed under ADB's Procurement Guidelines (2013, as amended from time to time). Operational costs such as maintenance and repairs will be borne by the government.

^e Any potential savings resulting from phased implementation in the project areas and sequenced and calibrated disbursements of block grants to priority townships will be allocated to contingencies.

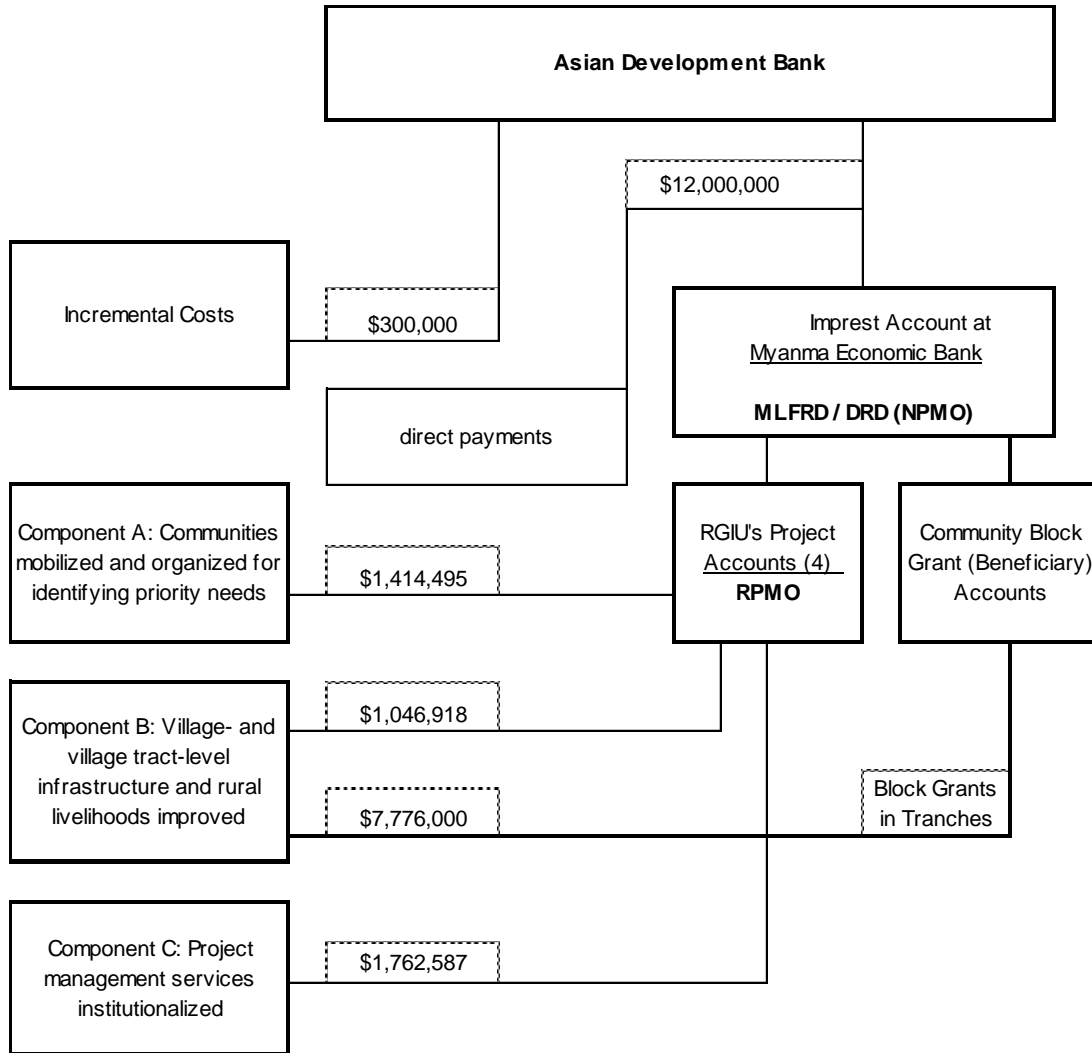
Source: ADB estimates.

FUND FLOW ARRANGEMENT

1. Immediately after grant effectiveness, an imprest account will be established for the Ministry of Livestock, Fisheries, and Rural Development through the Department of Rural Development (DRD) at Myanma Economic Bank.
2. DRD will open a sub-account in each of the four regions or state (at township level) to facilitate funds transfer and payments. The sub-accounts shall be operated by at least two out of three designated signatories, one of whom shall be the authorized representative of the DRD. Funds under Component 2 for block grants will be transferred from the imprest account directly to community block grant (beneficiary) accounts in tranches.¹ Direct payments by ADB will be used primarily for payments to suppliers of goods and services denominated in foreign currency. The schematic fund flow by project component for the Japan Fund for Poverty Reduction project is shown in Figure A4.

¹ Detailed arrangements are in paras 47–49 of the main text. The proposed management arrangement for the community block grant is in Supplementary Appendix 8.

Figure A4: Fund Flow Arrangements for Japan Fund for Poverty Reduction Project^a

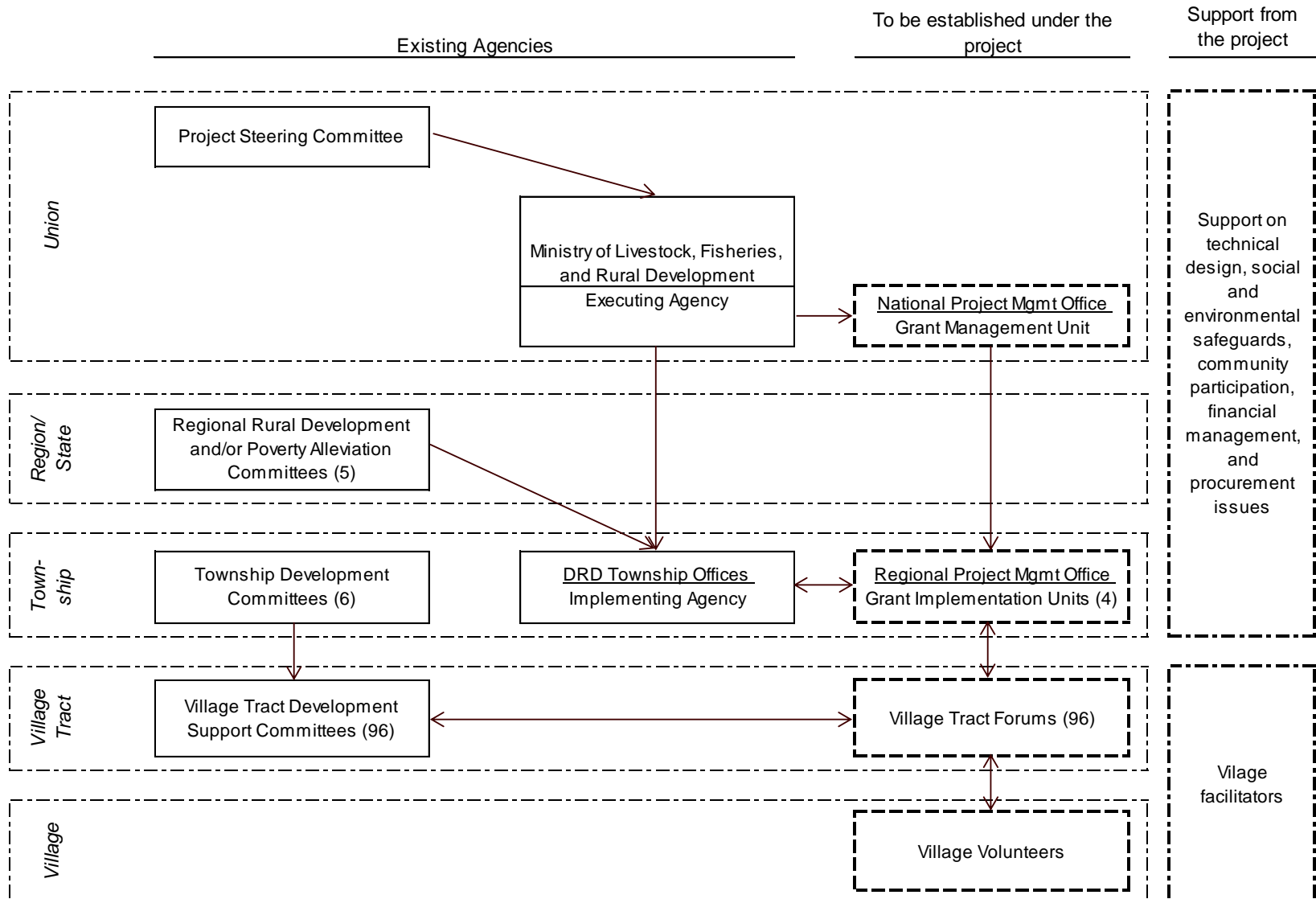


DRD = Department of Rural Development; MLFRD = Ministry of Livestock, Fisheries, and Rural Development; NPMO = National Project Management Office; RGIU = regional grant implementing unit; RPMO = Regional Project Management Office

^a Contingency funds are distributed in components A and C.

Source: Asian Development Bank.

IMPLEMENTATION ARRANGEMENTS



DRD = Department of Rural Development, mgmt. = management.
Source: Asian Development Bank

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Myanmar	Project Title:	Enhancing Rural Livelihoods and Incomes
Lending/Financing Modality:	Proposed under Japan Fund for Poverty Reduction	Department/Division:	Southeast Asia Department/Environment, Natural Resources, and Agriculture Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: Targeted intervention—geographic

A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy

The project is aligned with the stated government priorities on food security and agricultural growth articulated in Myanmar's Framework for Economic and Social Reforms,^a in particular, the emphasis on (i) rural infrastructure, including small- and medium-scale irrigation systems and improved rural roads; and (ii) broader development of the rural sector through community-based development schemes and cash-for-work rural works programs. The government has also stressed a people-centered approach in line with the aforementioned reforms while emphasizing good governance at all levels and strengthening of state, regional, and local bodies. The Interim Country Partnership Strategy for 2012–2014 approved by ADB's Board on 26 October 2012 emphasizes the promotion of sustainable and inclusive economic development and job creation. A key program area involves support for creating access and connectivity for improved rural livelihoods and increased access to markets and social services. Support for improving rural infrastructure is an important component of the strategy for income generation, accelerating economic development, and reducing rural–urban gaps. The emphasis on rural infrastructure to boost productivity of the food crop subsector and for improved water resource management was also emphasized in the *Initial Sector Assessment, Strategy, and Roadmap* for Myanmar's agriculture, natural resources, and environment sector (April 2013). The Country Operations Business Plan 2014–2016^b will also support projects in agriculture and natural resources; energy; transport; and water supply, sanitation, and other municipal infrastructure services.

B. Results from the Poverty and Social Analysis during Project Preparatory Technical Assistance or Due Diligence

1. Key poverty and social issues. About 70% of Myanmar's population resides in rural areas and depends on agriculture for its livelihood. Moreover, about 36% of the rural population, many of which people are landless laborers, live below the poverty line. A living conditions assessment in 2011 showed a national poverty incidence of 32%, with rural poverty at 36% and urban at 22%.^c The main key poverty and social issues in the project areas are (i) high transaction costs for agricultural production and marketing (largely due to the poor condition of access roads, tracks, bridges, and boat landing sites, as well as of irrigation, drainage, and flood control structures); (ii) limited opportunities for alternative employment; and (iii) limited access to markets, as well as social and technical services.

2. Beneficiaries. A total of 96 village tracts in 6 townships (16 village tracts per township) are targeted across each of the regions and state (Ayeyarwady Region, Magway and Mandalay regions in the Central Dry Zone, Tanintharyi Region, and Shan State).^d There is great inequality of wealth distribution in these regions; more than 70% of the households are poor and their livelihoods are from small-scale agriculture and fishery. Poor education and livelihood skills, inaccessibility to markets, and poor infrastructure make it difficult for poor households. Poor ethnic groups, including Rakhain, Kayah, Kachin, Mon and Shan, are living in many of the project areas and they lack drinking water, sanitation, employment opportunities, and basic facilities. Many of these groups live below the national poverty line.

3. Impact channels. The project impact will be improved agricultural productivity and enhanced livelihoods contributing to reduced rural poverty in the Ayeyarwady Delta, Central Dry Zone, Tanintharyi Region, and Shan (State) Plateau. The poor will benefit in three ways: (i) participating communities in the project areas will be enabled to identify, prioritize, and plan their development needs and subsequently produce village development plans (VDPs); (ii) priority infrastructure and livelihood improvement interventions as communicated by each community through appropriate VDPs will be constructed and/or rehabilitated; and (iii) capacities for project planning, implementation, and monitoring will be institutionalized.

4. Other social and poverty issues. The project does not provide livelihood project assistance to individuals or private entities. It can, however, provide common service facilities that can be used by members of the communities in undertaking their economic activities. The project will target ethnic groups in some rural areas where their access to skills, markets, and capital are very limited. The project will complement the World Bank's National Community Driven Development Project, as well as the other poverty reduction projects of other line agencies.

5. Design features. Project interventions may include (a) construction and/or rehabilitation of rural access roads and wooden jetties; (b) water resource improvements, including upgrading and installation of community irrigation systems, potable water and water supply schemes through small diameter bore holes and hand pumps, and provision of community toilets; and (c) construction and/or rehabilitation of social infrastructure, including primary school buildings, community health care centers, and community centers to showcase and market local produce and products. The interventions will also focus upon (i) labor-intensive infrastructure rehabilitation, development, operation, and maintenance; and (ii) community-based enterprise, informal sector promotion, and vocational training to generate employment. Based on community demand, the project will also consider providing computing hardware, software, and training facilities to Myanmar Agriculture Development Bank to facilitate improved outreach of credit to eligible farmers. That could have positive multiplier effects on yields of rice and other field crops.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation.

The project relies on the active engagement and mobilization of community villagers to identify, design, develop, and implement subprojects prioritized under their respective VDPs, and to address locally identified development priorities.

Women’s groups and other informal groups will be encouraged to participate actively in the projects. Balance in gender priority interventions will be ensured in the selection of subprojects (between hard and social infrastructure).

2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation.
 Civil society organizations are represented in various project structures from the townships level to the national steering committees, and they will continue to be engaged in various capacities within the project areas.

3. Explain how the project ensures adequate participation of civil society organizations in project implementation.
 Volunteers from all target villages will organize committees to undertake specific tasks during project planning and implementation. Many of these will transform themselves into formal people’s organizations to sustain the operation and maintenance of subprojects. Civil society organizations have participated in planning the framework for their engagement.

4. What forms of civil society organization participation is envisaged during project implementation?
 (H) Information gathering and sharing (H) Consultation (H) Collaboration (H) Partnership

5. Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons, particularly the poor and vulnerable?
 Yes. No. Nevertheless, capacity building and empowerment of community volunteers from participating communities are integral to project design and will be undertaken by project-hired staff.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Effective gender mainstreaming (EGM)

A. Key issues. Key gender issues in the project include (i) limited women’s participation and leadership decision-making structures and planning processes, especially in relation to local infrastructure investments; (ii) women’s limited access to technical training and employment in civil works and in the operation and maintenance of completed infrastructure, as well as their limited access to capital and markets; and (iii) lack of clarity on how social mapping is used to understand the needs and preferences of community villagers, in particular the poorest and most marginalized sections of the community, including households headed by women. In addition, area coordination teams highlighted the need for simplified and harmonized technical guidance notes on gender mainstreaming (in particular for social investigation and subproject assessment), as well as additional training for area coordinators and community facilitators in the use of social and gender analysis tools and the effective use of associated findings in subsequent planning.

B. Key actions. The project’s gender interventions support and encourage women’s participation in local decision-making processes and ensure that local priority infrastructure investments serve women’s needs and priorities. The project gender action plan ensures that (i) sex-disaggregated data is collected to identify the needs and priorities of women and men related to local infrastructure; (ii) separate meetings are held with marginalized households—including those headed by women, where needed—to discuss VDP proposals; (iii) 40% of the leadership positions in the various volunteer committees, including village representation teams, are provided to women by the end of the project and they will be provided with adequate organizational training; (iv) at least 40% of trainings on financial management, procurement, and contracting are participated in by women; (v) gender and culturally sensitive information materials are prepared and used; (vi) a number of gender sensitivity briefings and/or orientations are conducted during community mobilization and for all staff; (vii) gender specialists will be part of the project management team at the national level to ensure that responsibilities are mainstreamed and included in the terms of references and performance targets of project management officers; and (viii) gender indicators are integrated into the monitoring and evaluation framework.
 Gender action plan Other actions or measures No action or measure

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement **Safeguard Category:** A B C FI

1. Key impacts. Adverse impacts are likely to be minimal, as community preference will be direct toward small-scale rural infrastructure subprojects. Despite an open-menu approach, an exclusion list will help guide the identification of subprojects to avoid and minimize social economic impacts upon participating communities.

2. Strategy to address the impacts. As subprojects will be known only during grant implementation, a draft resettlement and ethnic groups framework has been prepared. Depending on the selected subproject and identified impacts resulting from a social impact assessment, a resettlement plan will be prepared, although it is very likely that no resettlement issues will emerge. Such plan will be a prerequisite to accessing block grants for small-scale infrastructure construction. Based on the social assessment and consultation, resettlement plans for subprojects will be prepared as needed.

3. Plan or other actions.
 Combine Resettlement and Ethnic Groups Framework

B. Indigenous Peoples Safeguard Category: A B C FI

1. Key impacts. Myanmar is one of the most ethnically diverse countries in the region. Officially, there are 135 recognized ethnic minorities. About 69% of the country’s inhabitants are Bamar, while the remainder is made up of ethnic minorities, among whom the Shan are the numerically largest group (8.5%), followed by the Karen (6.2%), Rakhine (4.5%), Mon (2.4%), Chin (2.2%), Kachin (1.4%), and Kayah (0.4%). Shan State occupies the largest geographic area. As such, it is expected that ethnic minority communities are present in some areas where the project is to be implemented. Consequently, participatory social assessments will be conducted in all project villages. With the support of community facilitators, informed consultations will be conducted with villagers, including members of ethnic minorities, to ensure broad community support. The principles, processes, and procedures for the participatory social assessment, including the participation of indigenous peoples, are further refined in the grant implementation manual. Based on social assessment and consultation, ethnic groups plans will be prepared for subprojects as needed.

Is broad community support triggered? Yes No
 The project does not trigger broad community support as the indigenous and/or ethnic group communities will themselves

<p>identify and decide on the subprojects they will implement. Project design ensures appropriate consultation with indigenous and/or ethnic group communities and their inclusive participation in local development processes that will promote their well-being. Capacity building will ensure the participation of ethnic group communities in the entire project cycle. When necessary, special consultations with indigenous groups will ensure that their inputs are obtained during discussions and that they are able to participate in decision making on subprojects. Some percentages of budgets will be allocated for ethnic group activities.</p> <p>2. Strategy to address the impacts. Social assessment approaches and consultations with ethnic minorities are part of the participatory social assessment and described herein. Policies and procedures to mitigate social impacts due to loss of private assets will be developed. A combined resettlement and ethnic groups framework has been prepared for the project and will utilize local structures to further enhance consultation and participation. Community dynamics will be respected in determining representation and participation in all stages of the project cycle. Focal persons from ethnic groups and professionals from ethnic group communities and local NGOs familiar with the indigenous culture and languages will be hired.</p>
<p>3. Plan or other actions</p> <p><input checked="" type="checkbox"/> Combine Resettlement and Ethnic Groups Framework</p>
<p>V. ADDRESSING OTHER SOCIAL RISKS</p>
<p>A. Risks in the Labor Market</p> <p>1. Relevance of the project for the country's or region's or sector's labor market. <input checked="" type="checkbox"/> (L) unemployment <input checked="" type="checkbox"/> (L) underemployment <input type="checkbox"/> (NA) retrenchment <input checked="" type="checkbox"/> (L) core labor standards</p> <p>2. Labor market impact. Project projections indicate that minor road improvement subprojects will reduce transportation costs and create business opportunities through improved access. The project will provide some income-generating opportunities for both skilled and unskilled labor during subproject construction. Covenants will ensure that core labor standards are adhered to during project implementation.</p>
<p>B. Affordability</p> <p>There is limited impact on affordability as community infrastructure will contribute to improved access to basic services.</p>
<p>C. Communicable Diseases and Other Social Risks</p> <p><input type="checkbox"/> (NA) Communicable diseases <input type="checkbox"/> (NA) Human trafficking <input checked="" type="checkbox"/> Others (please specify) not applicable</p>
<p>VI. MONITORING AND EVALUATION</p>
<p>1. Targets and indicators. Targets and indicators are in the design and monitoring framework. The outcome performance targets of empowerment, access, and inclusiveness align with the DRD's program results framework. The project monitors the completion of subprojects, improved capacity of community villagers and community volunteers, and enhanced program management, and the monitoring and evaluation system. Data in the project's management information system are collected through midterm and endline community and household surveys and from village community meeting minutes.</p> <p>2. Required human resources. DRD project staff and consultants will monitor the poverty and social impact of the project. Social development specialists (ethnic groups, gender) will be hired to support project implementation.</p> <p>3. Information in grant implementation manual. Quarterly progress reports will provide targets and information on accomplishments of key project indicators, disbursements, other updates, and next steps that are required to update ADB's project performance reporting system. The midterm review will evaluate (i) project design, (ii) stakeholder participation, (iii) quality of works, (iv) social and environmental impacts, (v) capacity building, (vi) compliance with grant assurances, (vii) improvement of local governance, (viii) effectiveness of implementation arrangements and project management structures, (ix) attainment of operation and maintenance budgets for sustainable maintenance, and (x) future implementation plans for the remaining works and any reallocations of funds needed.</p> <p>4. Monitoring tools. The project's monitoring and evaluation system monitors progress toward the outcome. Joint review missions with the World Bank and midterm review missions will be conducted where possible.</p>

^a This document, drafted by the Ministry of National Planning and Economic Development and promulgated in January 2013, contains the most detailed articulation of the government's reform agenda in a 10-point basic Framework for Economic and Social Reforms.

^b Draft as of October 2013.

^c The poverty line is defined as earning less than \$162 per capita per year. United Nations Development Programme. 2011. *Integrated Household Living Conditions Survey in Myanmar (2009–2010)*. Yangon.

^d The project team presented the following set of criteria (in descending order of weighting) based on the existing criteria adopted under the World Bank's National Community Driven Development Project and discussions with the states and regions and civil society organizations: (i) composite poverty profile, including income poverty, health, and education indicators, as well as food poverty; (ii) livelihood enhancement potential; (iii) capacity of the recipient communities as evidenced by prior project involvement and exposure and/or state of readiness of development plans at village tract and/or village levels; (iv) low donor density; (v) conducive security situation for project operations; and (vi) ease of access. Preparatory missions, having familiarized the states and regions with these criteria, were then presented with townships selected in order of priority by and with the regional and state authorities. The final selection of participating village tracts and further selection of communities for discrete subprojects will be carried out once project implementation starts (and while following the same criteria) in an open forum through participatory consultations. The townships proposed are as follow: Ayeyarwady Delta: (i) Kangyidaunt, (ii) Kyaunggon, and (iii) specific other townships in the southern part of the Delta that will be evaluated based on the project selection criteria (two townships out of these will be selected); Magway: (i) Myo thit and (ii) Myaing (one out of the two to be selected); Mandalay: (i) Nyaung-Oo; Shan State: (i) Ywangan, (ii) Namtu, and (iii) Mongpyin (one out of the three to be selected); and Tanintharyi: (i) Bokpyin and (ii) Tanintharyi (one out of the two to be selected).