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Report No: PAD1356

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL FINANCING CREDIT

IN THE AMOUNT OF SDR 284.5 MILLION
(US\$400 MILLION EQUIVALENT)

TO THE

REPUBLIC OF THE UNION OF MYANMAR

FOR THE

NATIONAL COMMUNITY DRIVEN DEVELOPMENT PROJECT

9 June 2015

Social, Urban, Rural and Resilience Global Practice
East Asia and the Pacific Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective as of 30 April 2015)

Currency Unit = Myanmar Kyat
MMK 1,024 = US\$ 1
US\$1.40642 = SDR 1

FISCAL YEAR

1 April to 31 March

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
CDD	Community-Driven Development
CPF	Country Partnership Framework
DRD	Department of Rural Development
EPP	Emergency Project Paper
ESMF	Environmental and Social Management Framework
ESSAF	Environmental and Social Safeguards Assessment Framework
FA	Financing Agreement
FAMWC	Foreign Aid Management Working Committee
GRS	Grievance Redress Service
IDA	International Development Association
IDC	Italian Development Cooperation
I3PM	Independent Third Party Monitoring
JSDF	Japanese Social Development Fund
MEB	Myanma Economic Bank
MIS	Management Information System
NCDDP	National Community Driven Development Project
NGO	Non-Governmental Organization
OM	Operations Manual
O&M	Operations and Maintenance
PDO	Project Development Objective
SDR	Special Drawing Rights
SORT	Systematic Operations Risk-Rating Tool
TPIC	Township Planning and Implementation Committee
VT	Village Tract
VTDSC	Village Tract Development Support Committee
WB	World Bank

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**MYANMAR
NATIONAL COMMUNITY DRIVEN DEVELOPMENT PROJECT**

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ADDITIONAL FINANCING DATA SHEET

Myanmar

National Community Driven Development Project (P153113)

EAST ASIA AND PACIFIC

GSURR

Basic Information – Parent									
Parent Project ID:		P132500			Original EA Category:		B - Partial Assessment		
Current Closing Date:		31-Jan-2019							
Basic Information – Additional Financing (AF)									
Project ID:		P153113			Additional Financing Type (from AUS):		Scale Up		
Regional Vice President:		Axel van Trotsenburg			Proposed EA Category:				
Country Director:		Ulrich Zachau			Expected Effectiveness Date:		30-Sep-2015		
Senior Global Practice Director:		Ede Jorge Ijjasz-Vasquez			Expected Closing Date:		30-Nov-2021		
Practice Manager/Manager:		Jan Weetjens			Report No:		PAD1356		
Team Leader(s):		Ingo Wiederhofer, Nikolas Myint							
Borrower									
Organization Name			Contact		Title	Telephone		Email	
Department of Rural Development			U Myint Oo		Project Director				
Project Financing Data - Parent (Myanmar National Community Driven Development Project-P132500) (in USD Million)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P132500	IDA-H8140	Effective	01-Nov-2012	14-Nov-2012	11-Jan-2013	31-Jan-2019	31-Jan-2019		
Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed

									d
P132500	IDA-H8140	Effective	XDR	52.60	52.60	0.00	12.67	39.93	24.09
Project Financing Data - Additional Financing National Community Driven Development Project (P153113)(in USD Million)									
<input type="checkbox"/>	Loan	<input type="checkbox"/>	Grant	<input type="checkbox"/>	IDA Grant				
<input checked="" type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee	<input type="checkbox"/>	Other				
Total Project Cost:		452.50			Total Bank Financing:		400.00		
Financing Gap:		0.00							
Financing Source – Additional Financing (AF)								Amount	
BORROWER/RECIPIENT								30.00	
International Development Association (IDA)								400.00	
Italian Development Cooperation (IDC)								22.50	
Total								452.50	
Policy Waivers									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
Team Composition									
Bank Staff									
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Theingi Min	Team Member	Operations Analyst		EACMM
Extended Team				
Name		Title	Location	
Elizabeth Moorsmith		Conflict Sensitivity Specialist		
Meriem Gray		Communications Consultant	Vientiane	
Locations				

Country	First Administrative Division	Location	Planned	Actual	Comments
Myanmar	Tanintharyi Division	Tanintharyi Division		X	Kyunsu Township
Myanmar	Shan State	Shan State		X	Namhsan Township (Pa Laung self-administered zone)
Myanmar	Sagaing Division	Sagaing Division	X		Pinlebu township (year 2)
Myanmar	Yangon Division	Yangon Division	X		
Myanmar	Rakhine State	Rakhine State	X		Ann township (year 2)
Myanmar	Bago Division	Bago Division	X		
Myanmar	Mon State	Mon State	X		
Myanmar	Mandalay Division	Mandalay Division	X		
Myanmar	Magway Division	Magway Division	X		Sidoktaya Township (year 2)
Myanmar	Kayah State	Kayah State	X		
Myanmar	Kayin State	Kayin State	X		
Myanmar	Kachin State	Kachin State	X		
Myanmar	Ayeyarwady Division	Ayeyarwady Division	X		Laymyethna township (year 2)
Myanmar	Chin State	Chin State		X	Kanpetlet Township

Institutional Data

Parent (Myanmar National Community Driven Development Project-P132500)

Practice Area (Lead)

Social, Urban, Rural and Resilience Global Practice

Contributing Practice Areas

Cross Cutting Topics

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs

Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Transportation	Rural and Inter-Urban Roads and Highways	30		
Water, sanitation and flood protection	General water, sanitation and flood protection sector	20		
Agriculture, fishing, and forestry	Irrigation and drainage	20		
Health and other social services	Health	15		
Education	General education sector	15		
Total		100		

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Rural development	Rural services and infrastructure	65
Social dev/gender/inclusion	Participation and civic engagement	25
Social dev/gender/inclusion	Social Inclusion	5
Social dev/gender/inclusion	Gender	5
Total		100

Additional Financing National Community Driven Development Project (P153113)

Practice Area (Lead)

Social, Urban, Rural and Resilience Global Practice

Contributing Practice Areas

Cross Cutting Topics

Climate Change

Fragile, Conflict & Violence

Gender

Jobs

[] Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Transportation	Rural and Inter-Urban Roads and Highways	30		
Agriculture, fishing, and forestry	Irrigation and drainage	20		
Water, sanitation and flood protection	General water, sanitation and flood protection sector	20		
Education	General education sector	15		
Health and other social services	Health	15		

Themes

Theme (Maximum 5 and total % must equal 100)

Rural development	Rural services and infrastructure	65
Social dev/gender/inclusion	Participation and civic engagement	25
Social dev/gender/inclusion	Gender	5
Social dev/gender/inclusion	Social Inclusion	5
Total		100

Consultants (Will be disclosed in the Monthly Operational Summary)

Consultants Required ? Consulting services to be determined

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an IDA credit in the amount of US\$400 million equivalent to the Republic of the Union of Myanmar for the scaling up of the National Community Driven Development Project (NCDDP, P153113).

2. The proposed additional credit, to be processed under OP 10.00 (Investment Project Financing), would help finance the costs associated with scaling up the project to expand its geographical reach and increase the number of block grant cycles available to beneficiary communities. The AF will be accompanied by a level 2 restructuring of the original IDA grant to extend the closing date by two years and 10 months (from January 31, 2019 to November 30, 2021) and address a number of issues identified in the course of the first year of Project implementation (e.g., financing of civil works for constructing or renovating office premises, expanding allowable procurement methods). The proposed additional financing, together with counterpart funding from Government and parallel co-financing from Italy as outlined below, would be used to (i) increase the coverage of the project by an estimated additional 48 townships, for a total of 63 townships under the project¹; (ii) increase the number of block grant cycles available to beneficiary communities, from three cycles in the original grant design to four annual cycles; and (iii) increase the annual per capita investment budget. The geographic expansion will allow the project to reach more townships in rural Myanmar, providing both economies of scale for the government and enhancing access to basic services and markets in more rural communities. The additional grant cycle will increase the funds available to communities, drawing on international evidence that CDD projects increase in effectiveness at the community level over time, as communities become more familiar with the CDD approach. Finally, the increase in the per capita investment should also increase the Project's effectiveness as an instrument for rural poverty reduction.

3. The Government of Italy will provide parallel co-financing for the NCDDP through a concessional loan extended to the Government of Myanmar equivalent to US\$22.5 million.² This credit, which has been approved by the parliament of Myanmar, will allow the expansion of the Project to approximately four new Project townships between 2015 and 2019. The Governments of Italy and Myanmar have requested the World Bank to provide supervision services for this loan, which will follow the same provisions as applicable to the IDA financing, including the same Operational Manual, safeguard instruments and financial management and procurement provisions (including the application of the Bank's procurement guidelines), under a co-financing and reimbursable services agreement. This parallel co-financing will permit the expansion of Project activities into approximately four additional townships. These resources may be utilized to finance activities across components one to four of the Project. Specific activities will be defined in the annual work plans and budgets, and related procurement plans, the execution of which will be monitored through quarterly IFRs and progress reports.

¹ The IDA credit and grant will finance sub-projects in approximately 53 townships, the Government contribution will finance sub-projects in about 6 townships, and the Italian credit will finance sub-projects in an estimated four townships.

² Euro 20 million as of May 7, 2015. The IDA Financing Agreement includes a co-financing deadline of September 30, 2016, for the effectiveness of the Italian Co-financing Agreement.

4. In addition, the Government of Myanmar plans to provide the equivalent of at least US\$5 million per year of national budget resources to finance community block grants under the Project. This financing will be in addition to continued in-kind contributions in terms of DRD staff salaries, as well as office space and utilities at the union and township level estimated at US\$10 million equivalent over the AF phase.

5. The team is also preparing a parallel grant from the Japanese Social Development Fund (JPDF) that will provide an additional US\$11 million for complementary activities related to the project. These resources will finance community sub-projects in one additional township, as well as supporting enhanced facilitator training and strengthened social accountability mechanisms.

II. Background and Rationale for Additional Financing

6. **Strategic context.** Notwithstanding a rich natural resource base and a strategic location in one of the most economically dynamic regions in the world, Myanmar today is one of the least developed countries in Southeast Asia as a result of a long period of civil conflict, isolation, and ineffective economic and social policies. With a population of 51.4 million, the country has a per capita GDP of US\$1,105. The poverty rate in 2010 was estimated at between 25.6 and 37.5 percent, with the lower rate reflecting the Government’s methodology—which showed a 20 percent decline since 2005—and the higher rate reflecting a more broad based methodology used by the World Bank.³ At least 70 percent of Myanmar’s poor live in rural areas, where decades of underinvestment have limited access to essential infrastructure and services. Beginning in 2011, Myanmar accelerated major political and economic reforms. The past years have seen a significant increase of political and civil liberties, and a marked reduction in armed conflict, although fighting continues in Kachin and northern Shan States, and there has been an intensification of communal violence in some parts of the country. Myanmar has also begun an economic reform process by removing some constraints on commerce, trade, and private enterprise that long held back the economy, leading to higher rates of economic growth of 8.3 percent in 2013 (up from an average of 5.1 percent between 2005 and 2010). Government has also significantly increased social expenditures, with education spending tripling between 2011 and 2014, and health spending having risen four-fold over the same period.

7. **Sector Context:** The Government has adopted a vision of “people-centered development” as a guiding principle for key reform frameworks, including the Framework on Economic and Social Reforms (which aims to achieve sustainable and inclusive growth in Myanmar) and the Rural Development Strategic Framework (which outlines support for rural communities and remote areas). A core part of “people centered development” has been to

³ The share of the population considered to be poor includes those who are unable to meet their basic needs. The poverty rate reflects the definition of basic needs used, and there are multiple ways of defining an acceptable standard of living. In 2011, a group of international technical experts and advisors, working closely with the Government of Myanmar and international organizations, estimated absolute poverty in Myanmar to have stood at 25.6 percent in 2009/10. In 2014, the World Bank estimated the poverty rate in 2010 at 37.5 percent. This higher estimate is based on a broader welfare aggregate that includes spending on health care and the use value of assets, and on alternative assumptions on adult equivalence scales and spatial price deflators. No trend data are available for this methodology. A nationwide household survey is being conducted to update both of these poverty estimates, working in collaboration with the Government.

demonstrate the commitment and capacity of the state to deliver public services in a responsive, transparent and accountable manner. Key initiatives in this regard include early steps towards fiscal decentralization, with a focus on state and regional level governments as well as township governments, all of whom have received an increasing share of fiscal transfers from the union level to support local development. Moreover, the Government has been piloting efforts to decentralize frontline service delivery by providing greater spending autonomy to township level healthcare and education authorities.

8. **Project background.** The Myanmar National CDD Project is designed to roll out community block grants in one township in each of the 15 states and regions of Myanmar (including the Nay Pyi Taw Union Territory). The parent Project consists of five components: (i) community block grants (US\$52.2 million), (ii) Facilitation and Capacity-Building (US\$14.2 million), (iii) Knowledge and Learning (US\$1.8 million), (iv) Implementation Support (US\$11.8 million)⁴ and (v) Emergency Contingency Response (US\$0 million). Since becoming effective in January 2013, the NCDDP has delivered quick results and demonstrated the feasibility of operationalizing “people-centered development” in remote rural communities in Myanmar. During the first community cycle in three townships, the Project financed 357 subprojects aimed at increasing access to and use of basic infrastructure and services, including rehabilitating and expanding school buildings, health centers, water supply systems, pico-hydro systems, and roads, footpaths, jetties and bridges. The second cycle is currently underway, with the project expanding to nine townships, home to almost one million people, in some of the country’s poorest and most remote rural areas. Over 1,000 sub-projects have been identified, designed and are being implemented by communities this year. The Project has also set up a Grievance Handling Mechanism (providing a new type of bottom up feedback loop to local communities), and has conducted social audits and multi-stakeholder reviews at village tract, township and union levels as part of the Project’s commitment to fostering adaptive learning.

9. **Alignment with the Country Partnership Framework.** The proposed additional financing is in line with the WBG’s Country Partnership Framework for Myanmar (FY15-17), which foresees a scale up of the National Community Driven Development Project under its first focus area of “reducing rural poverty.”⁵ The CPF specifically notes the importance of the national CDD project in increasing access to essential services for rural populations in a bottom up manner as part of the WBG’s engagement in Myanmar to reduce extreme poverty and boost shared prosperity. Similarly, the CDD project remains an essential component of the Government’s commitment to a shift to “people-centered development.”

Status of Parent Project

10. The Project has been rated in the satisfactory range on both IP and DO for the past 12 months, and to date has disbursed 24 percent of the original grant amount, close to the original disbursement projections at the time of Project design. The Project is fully compliant with all

⁴ Excluding US\$6.3 million of Government in-kind contribution in the form of DRD staff salaries, office space and utilities at the union and township levels.

⁵ The World Bank Group’s Country Partnership Framework FY15-17 (Report No. 95183-MM) discussed by Executive Directors on April 23, 2015.

conditions and legal covenants. There are no outstanding or qualified audits and financial reports. A mid-term review undertaken in March 2015 confirmed the relevance and effectiveness of the Project's approach. Initial shortcomings related to availability of adequate DRD staff at township level have been addressed through the recruitment of a significant number of new DRD personnel in advance of the second year of the Project, and the extension of Township Technical Assistance contracts where necessary.

11. The Project Development Objective (PDO) is *to enable poor rural communities to benefit from improved access to and use of basic infrastructure and services through a people-centered approach and to enhance the Recipient's capacity to respond promptly and effectively to an eligible crisis or emergency.*

12. The ongoing Project consists of five components. This structure will be maintained under the Additional Financing, with components scaled up to increase the Project's geographic coverage and further refined to reflect lessons learned during the first 18 months of implementation.

- (i) **Component 1: Community Block Grants (US\$52.2 million).** This component finances annual cycles of block grants of on average the equivalent of US\$27,000 per village tract (village tracts typically consist of 4-6 villages). Village tract allocations vary depending on the population of a given village tract. The initial Project envisaged coverage of 15 townships (home to about 640 village tracts), using a gradual rollout to allow for adaptive learning.⁶ In the first community cycle, three townships took part in the project, expanding to nine townships in the second cycle (currently underway). The infrastructure financed includes small feeder roads, footpaths and bridges, water supply systems, rehabilitation of class rooms and health centers, and small-scale rural electrification. Given the lack of familiarity of local authorities and communities with the concept of community empowerment, the first annual cycle in each township is limited to a positive list of sub-projects that are easier to implement (using standardized designs) focused on rehabilitation and minor extension work. In subsequent years, communities may select to rehabilitate or construct any new public infrastructure except for investments specified in a negative list. Block grants are allocated through a participatory planning process covering all villages within a village tract. All village tracts in selected townships are covered for equity purposes. Planning and prioritization of sub-projects is undertaken by villagers and representative village tract fora. In the AF, the Project will (i) roll out block grants in additional 48 townships, (ii) increase the number of annual cycles of block grants from three to four in beneficiary townships, and (iii) increase average annual village tract block grant allocations from the equivalent of US\$27,000 to the equivalent of US\$33,000, providing annual grants equivalent to approximately US\$12 per capita.
- (ii) **Component 2: Facilitation and Capacity Development (US\$14.2 million).** This component finances technical assistance, institutional support and training at the union,

⁶ In Myanmar, village tracts are the level below the township (there are 330 townships in the country). On average village tracts each comprise about five villages, with an average population of about 2,755 people. Village tracts are the lowest administrative level of government.

state/region, district, township, village tract and village levels, including the hiring of community facilitators for the purpose of supporting the implementation of community driven activities under component 1. The Project supports capacity development in areas such as participatory planning processes, project management, gender equality and social inclusion, environmental management and social accountability for local committee members as well as government staff at the township, region/state and union levels. This component also includes a grievance handling mechanism. During the Additional Financing phase, this component will expand the implementation of the above-mentioned activities to the additional 48 townships, and further strengthen and institutionalize capacity development of township and Region/State level DRD staff and facilitators through intensified training and the development of certified course for community facilitation and participatory rural development.

- (iii) **Component 3: Knowledge and Learning (US\$1.8 million).** This component supports government staff and community and civil society representatives through learning from community based approaches implemented within and beyond Myanmar. This includes successful south-south learning exchanges undertaken during implementation to date to expose government counterparts to mature community driven development approaches in ASEAN countries and other regions. The Project in August 2014 organized a first annual multi-stakeholder review to share experiences from the previous cycle and discuss ways to improve the project's design and implementation for the next cycle. These reviews included lessons learned with regard to governance, social accountability and anti-corruption measures and informed a substantial revision of the Project Operations Manual. In addition, the monitoring and evaluation framework for the NCDD, which was originally included in Component 4, will be moved to Component 3. The additional financing will support additional analytical, monitoring, evaluation studies and financial and technical audits during the AF. This component will also refine models for enhanced governance and accountability mechanisms at the village level, including the social audits and mechanisms to foster social accountability for service delivery for relevant sub-projects in selected Project townships.
- (iv) **Component 4: Implementation Support (US\$11.8 million).** This component supports project management by DRD at the Union, State/Region, district, township, village tract and village levels, including financial management, procurement, environmental and social safeguards management, communications, audits and rehabilitation and/or construction of DRD offices necessary for Project implementation.
- (v) **Component 5: Contingent Emergency Response (US\$ 0).** This contingency component allows for the rapid reallocation of IDA financing in order to provide preparedness and rapid response support to disaster, emergency and/or catastrophic events, as needed. Intended as a contingency in case of disasters, it has a zero budget allocation and has not yet been activated during implementation to date. As part of the preparation of the proposed additional financing, the task team carried out a climate change and disaster risk screening, confirming that while the risk to the overall PDO

from natural disasters is low, there is a significant risk of parts of the Project area being affected by natural disasters during implementation.

The Additional Financing

13. **Rationale.** As part of the country's ongoing transition, the Government of Myanmar continues to place a strategic importance on both rural development and the shift from traditional top-down planning to "people-centered development". The Government views the NCDDP as an integral part of operationalizing this approach and achieving results at the ground level. Building on the positive early results, the Government has requested additional financing through IDA resources on credit terms to allow the scale up of the Project. The Government has expressed its intent to use the additional financing, together with its own resources and those of other development partners, to expand the Project to as many rural townships as possible and to increase the number of cycles available to beneficiary communities, with a view to building a national platform for rural development efforts.

14. **Expected outcomes.** The Project Development Objective would remain substantively unchanged, namely to enable poor rural communities to benefit from improved access to and use of basic infrastructure and services through a people-centered approach, and to enhance the Recipient's capacity to respond promptly and effectively to an eligible crisis or emergency.

15. The proposed additional financing, alongside financing from Government and Italy, would be used to (i) increase the coverage of all components of the NCDDP by adding an estimated additional 48 townships; (ii) increase the number of grant cycles under component 1 available to beneficiary communities, from three cycles in the original grant design to four annual cycles; and (iii) increase the average annual per capita block grant investment under component 1 from about US\$10 equivalent to approximately US\$12 equivalent. The geographic expansion will allow the project to reach more townships in Myanmar, providing both economies of scale for the government and increasing the number of rural communities benefiting from improved access to services. The additional grant cycle for communities will increase the funds available to communities, drawing on international evidence that CDD projects increase in effectiveness and impact at the community level over time, as more resources are invested in a given area and communities become more familiar with the CDD approach. Beyond this, the additional resources made available through the AF will finance enhanced community facilitation and project accountability measures.

16. **Coverage.** Together with resources from the original IDA grant (US\$80 million equivalent), the anticipated own resources of Government (US\$40 million), and those of Italy (through an approved concessional loan equivalent to US\$22.5 million equivalent), the IDA Additional Financing credit (US\$400 million equivalent) would enable the NCDDP to cover at least 62 townships (out of 330 in the country), home to an estimated 6.9 million people. The complementary JSDF grant (US\$11 million) would finance community block grants in one further township.

17. **Targeting.** The Project will continue to cover at least one township in each State/Region of the country. In the first instance, the Project would focus on expanding to townships that have already been identified in the participatory township selection process to date, where operationally feasible. As additional townships are added, the Project would not necessarily seek to cover an equal number of townships in each State/Region, but rather select townships based on poverty rates and headcount, as well as on operational considerations (e.g. the potential for clustering townships, minimum security conditions, and the presence of other interventions of a similar nature, etc.). Poverty data are anticipated to improve significantly in the next two to three years as additional poverty analyses are undertaken, and these will help inform the Project's targeting. By focusing on the poorest townships in Myanmar, the Project will continue to directly support the twin goals of reducing extreme poverty and boosting shared prosperity.

18. **Risks.** The Project will continue to be assessed as high risk, primarily due to the high political and governance risk (with the scale up of the project taking place in an election year, posing potential risks around policy continuity under a new Government as well as the improper use of block grant resources during the election period), high stakeholder risks (as there remains a diversity of views by stakeholders on the country's reform process and the appropriateness of international assistance), and high institutional capacity risks (with limited capacity in the counterpart agency, and the potential for staff to be diverted to other tasks as the Government's activities in the rural development field expand). There will also be in an increased set of risks related to Project engagement in areas of the country affected by fragility, conflict and violence. Proposed mitigation measures include continued engagement with a broad range of stakeholders, continued transparency in project design and implementation, careful monitoring of the timing of community block grant disbursements in advance of the elections, as well as a continued focus on capacity building within the implementing agency, regular monitoring and conflict risk analysis.

19. **Capacity of implementing agency.** Implementation experience to date has demonstrated the capacity of the Department of Rural Development to implement the project effectively, despite capacity constraints. The proposed additional financing builds on this proven design. While the number of sub-projects financed under the project will increase, their average size, complexity or safeguards implications will remain the same. The Project would seek to more closely involve the State/Region government level to bring in additional capacity and ensure that the Project continues to support evolving Government efforts to decentralize decision-making.

20. **Areas affected by conflict.** Unlike the original IDA grant, the additional financing would allow for the Project to operate in areas affected by conflict and communal violence, subject to minimal security conditions and the support of key local stakeholders. This is in recognition of the fact that communities affected by conflict and violence are among the poorest of the poor, and that in some states (such as Kayah, Kayin, Kachin and to some degree Shan) there are no townships that are entirely "free" of conflict. This would enable the Project to expand more quickly into areas where peace agreements are reached, to support confidence building and fill acute gaps in infrastructure and access to essential services. In a similar spirit, the Project would seek to expand its support further in Rakhine State. In working in areas affected by conflict and violence, the Project would continuously review and adapt

implementation and supervision modalities as needed to ensure that its operations are adapted to local security conditions and are conflict sensitive, including through extensive consultations with a broad range of stakeholders, local conflict analysis and external monitoring.

21. **Safeguards.** *Environmental Safeguard Policies.* The original project is rated category B. An Environmental and Social Screening and Assessment Framework (ESSAF) was prepared under OP 8.00 (Rapid Response to Crises and Emergencies) as the main safeguard document to be followed for specific project investments during implementation. Since sub-projects are identified by communities during implementation, the ESSAF established a mechanism to: 1) determine and assess potential environmental and social impacts of sub-projects at the time of their planning, and 2) set out mitigation, monitoring and institutional measures to be taken during the implementation and operation of the sub-projects to eliminate potential adverse environmental and social impacts, offset them, or reduce them to acceptable levels. The public consultation and disclosure process for the ESSAF was undertaken in accordance with World Bank policy and guidelines.

22. In accordance with the standard requirements for Additional Financing processed under OP 10.00, the existing ESSAF has been revised and integrated into an Environmental and Social Management Framework (ESMF). The ESMF will serve as the primary safeguards document for all activities financed under the NCDDP, including the original IDA grant, the additional IDA credit financing, the parallel co-financing from the Government of Italy, and the complementary JSDF grant. The additional proposed community sub-projects would finance works of the same type and scope as those anticipated under the ESSAF, e.g. small-scale rural infrastructure rehabilitation, extension and construction. The infrastructure to be financed will be based on an open menu (with a negative list) and typically include small roads, foot-paths and bridges, small-scale water supply, irrigation and pico-hydro systems, rehabilitation of class rooms and health centers, and small-scale rural electrification such as micro hydro or solar panels, that could potentially generate local and temporary minor adverse environmental and social impacts. The average size of the infrastructure sub-projects in the first year was approximately US\$11,000 and it is expected that the scale of the rural works will remain small. Any activities above US\$40,000 require prior approval, and works in the first year of Project activities in each township are restricted to a positive list that primarily focuses on rehabilitation and minor extension works using standard designs with minimal social and environmental impacts. In addition, the ESMF will cover any minor civil works that DRD may carry out during project implementation (such as construction or renovation of township or union level offices). Public consultations on the draft ESMF took place in Yangon (February 9, 2015), Mandalay (February 11, 2015) and Nay Pyi Taw (February 16, 2015). The ESMF, including an Indigenous People's Framework and a Resettlement Policy Framework, was publicly disclosed in both English and Myanmar language on the Project website as well as through the World Bank InfoShop on April 6, 2015.

23. *Social Safeguard policies.* Consistent with the original Project design, no major loss of land or assets is likely to occur under the AF. Physical relocation of households is not allowed. However, the possibility of minor losses of private land or assets cannot be excluded, and the AF thus triggers OP 4.12, as was the case in the original Project. The Project seeks to minimize losses of land or assets in the first instance through sub-project selection and design. In those cases where minor losses of land or assets are unavoidable, it is expected that these will be

primarily based on voluntary donations by the affected people and those voluntary donations will be fully documented. If their informed consent to donating assets is not obtained, an abbreviated Resettlement Action Plan (RAP) will be developed and compensation would be provided at replacement value as per the policies and procedures laid out in the ESMF. In exceptional cases where project impact is significant, a full RAP will be developed.

24. The AF will include townships where ethnic minorities are present, therefore OP 4.10 is triggered. The AF will continue to support the participatory social assessments (SA) to be conducted by affected community members themselves, including ethnic minorities, with the support of qualified Community Facilitators. The participatory SA will include ethnic screening, and free, prior and informed consultations with affected ethnic minorities aimed at ensuring their broad community support. The Village Tract Development Plans (VTDP), which will be developed based on the result of the participatory SA, will serve as the Indigenous Peoples Plan (IPP) under this project, and will meet the requirements of the OP 4.10 for the IPP. The VTDP will be disclosed in all affected local communities in a language understandable to them. Where broad community support is not ascertained, subprojects will not be implemented.

25. Some of the townships participating in the Project are located in areas designated as national forests, and as a result OP 4.04 (Natural Habitats) will be triggered for the AF phase. At present, some villages are located within the boundaries of national forests. The policy is triggered for precautionary reasons to ensure that any physical interventions (including those proposed in known reserved or declared national forests zones) will not adversely impact or lead to the degradation of critical or other natural habitats. The ESMF provides for the screening of potential project impacts and how safeguard issues under this policy should be addressed during project implementation.

26. In addition, the Project will trigger OP 7.50 (Projects on International Waterways), as the Project will finance small community-level sub-projects for water supply, irrigation and pico-hydro facilities that may draw water from tributaries of the Ayeyarwaddy river. The Ayeyarwaddy river meets the definition of an international waterway under OP 7.50. However, relevant water supply, irrigation and pico-hydro subproject activities would be on tributaries which run exclusively within Myanmar. On this basis, the Bank has determined that the project does not require riparian notification in accordance with paragraph 7(c) of OP 7.50.

27. **Procurement.** Procurement for the Project will be carried out in accordance with the World Bank's Procurement and Consultant Guidelines, and the provisions stipulated in the Financing Agreement and in agreed Procurement Plans. The Department of Rural Development has gained significant procurement experience during implementation to date, and is familiar with the Bank's Procurement and Consultants Guidelines. For each contract to be financed by the Project, the applicable procurement or consultant selection method, estimated costs, prior review requirements, and time frame will be agreed between the Project and the Bank's Task Team and indicated in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect actual project implementation needs. In the interest of flexibility and timeliness, the Project will add a goods procurement method to allow for Direct Contracting with UN organizations. The Project will also add civil works as an eligible expenditure to support, for example, the construction or renovation by DRD of township offices.

28. **Financial Management & Disbursement.** To facilitate disbursement, the Project will establish three new Designated Accounts at the Myanma Economic Bank (MEB) to channel Additional Financing IDA credit resources. These will be DA-D (for payment of block grants in Myanmar kyats), DA-E (for payment of project expenses in Myanmar kyats), as well as DA-F in USD to facilitate low value US dollar denominated payments to suppliers of goods and consultant service.

29. The existing FM and disbursement arrangements will continue for the Original IDA grant, with the addition of a DA-C denominated in USD for facilitating low value US dollar denominated payments to suppliers of goods and consultant services. DA-C will be opened at the Myanmar Economic Bank. Designated accounts opened under the original grant will continue to be maintained at the Central Bank of Myanmar. Please see Table 2 of [Annex 3](#) for the allocation of both original and additional financing among existing disbursement categories and the respective financing percentages.

Partnerships & Co-financing

30. From the outset, an important part of the WBG's strategy in Myanmar has been to develop platforms for working through Government systems that can be used by other development partners. The NCDD project explicitly follows this approach, creating a model of participatory local development that DRD and other Government departments can use to deliver services to rural communities and that donors can support through financing.

31. **Government of Italy:** At this time, the Government of Italy has approved a concessional loan of Euro 20 million (equivalent to US\$22.5 million) to support a scale up of the NCDD project. The Bank and the Italian Government are preparing a co-financing agreement under which the Bank would provide supervision services for the Italian concessional loan, applying the same fiduciary and safeguard provisions as those applicable to the IDA financing. The loan agreement between the Governments of Italy and Myanmar will also reflect these arrangements. The further expansion of this model will depend on the willingness and capacity of the Government of Myanmar to encourage and adopt this approach more broadly.

32. **The Government of Japan:** The Government of Japan has approved an introductory note for a Japanese Social Development Fund (JSDF) grant in an amount of US\$11 million to provide complementary financing to support the implementation of community development activities. This grant is expected to finance the following: (i) community block grants in one additional township, with a focus on a township with ethnic minority and/or other vulnerable communities (US\$4 million), (ii) resources to strengthen the quality of facilitation at the community level (US\$4 million), (iii) additional knowledge and learning activities, with a focus on social accountability and external monitoring (US\$2 million), (iv) implementation support (US\$1 million). This financing will become available subject to an additional approval by the Japanese government and the JSDF Secretariat. Please see [Annex 4](#) for a more detailed description of this complementary Grant, including related financing and disbursement tables.

33. **The Government of Myanmar:** The Government of Myanmar has indicated that it will contribute the equivalent of approximately US\$5 million per year (equivalent of US\$30 million over the life of the Project) of national budget resources towards community block grants. These resources would finance community block grants in a specific number of Project townships, utilizing NCDDP procedures. In addition, the Government would continue to provide in-kind contributions towards project implementation, including the DRD staff salaries, office space and utilities at union and township level, estimated at the equivalent of US\$10 million for the AF phase.

34. The IDA financing (both original and additional), Government of Myanmar and Government of Italy funds are expected to be used to finance Project components as outlined in the tables below:

Table 1: Overview of Estimated NCDDP Project Costs (US\$ million)

Project Cost By Component	Original Project Cost US\$ million	Percentage	Revised Project Cost US\$ million*	Percentage
1. Community Block Grants	52.2	65%	358.6	67%
2. Facilitation and Capacity Development	14.2	18%	105.8	20%
3. Knowledge and Learning	1.8	2%	11.2	2%
4. Implementation Support	11.8	15%	56.9	11%
5. Contingent Emergency Response	0.0	0%	0.0	0%
Total Project Cost	80.0	100%	532.5	100%

**This figure excludes (i) US\$11.5 million of future complementary financing from the proposed JSDF grant. (ii) US\$10 million equivalent of in-kind financing to be provided by the Government of Myanmar; and (iii) Euro 730,000 equivalent that the Government of Italy will provide to the World Bank for supervision services for the Italian parallel co-financing of NCDDP. It also excludes eventual community contributions.*

Table 2: Overview of Estimated NCDDP Financing by Source (US\$ million)

Project Financing	Original Project Financing* US\$ million	Percentage	Revised Project Financing*	Percentage
Government of Myanmar	0		30.0	6
International Development Association Grant**	80.0	100	80.0	15
International Development Association Credit**	0		400.0	75
Government of Italy Concessional Credit***	0		22.5	4
Total Project Financing	80.0	100%	532.5	100%

**This figure excludes (i) US\$11.5 million of future complementary financing from the proposed JSDF grant. (ii) US\$10 million equivalent of in-kind financing to be provided by the Government of Myanmar; and (iii) Euro 730,000 equivalent that the Government of Italy will provide to the World Bank for supervision services for the Italian parallel co-financing of NCDDP. It also excludes eventual community contributions*

***IDA resources are provided in US\$ equivalent of Special Drawing Rights.*

****Government of Italy contribution will be provided in Euro.*

World Bank Grievance Redress

35. In addition to the grievance handling mechanism set up under the Project, communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

III. Proposed Changes

Summary of Proposed Changes	
The Additional Financing will enable the scale up of the project to expand its geographical reach, to increase the number of grant cycles available to beneficiary communities, and to increase per capita investment amounts. Concurrently, the original IDA grant will be restructured to extend its closing date by two years and 10 months (from 31 January 2019 to 30 November 2021), and to address a number of issues identified in the course of the first year of Project implementation (e.g., financing of civil works, expanding allowable procurement methods, etc.).	
Change in Implementing Agency	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Project's Development Objectives	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Results Framework	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Safeguard Policies Triggered	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change of EA category	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Other Changes to Safeguards	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Legal Covenants	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Loan Closing Date(s)	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Cancellations Proposed	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Arrangements	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Reallocation between Disbursement Categories	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Estimates	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change to Components and Cost	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Institutional Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Financial Management	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Procurement	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Implementation Schedule	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Other Change(s)	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Development Objective/Results	
Project's Development Objectives	
Original PDO	
The development objective is to enable poor rural communities to benefit from improved access to and use of basic infrastructure and services through a people-centered approach and to enhance the government's capacity to respond promptly and effectively to an eligible crisis or emergency.	

Change in Project's Development Objectives		
Explanation: The word "government's" will be replaced by the term "Recipient's" in order to ensure consistency in the PDO between the term used in the Financing Agreement and the term used in the Project Paper.		
Proposed New PDO - Additional Financing (AF)		
The development objective is to enable poor rural communities to benefit from improved access to and use of basic infrastructure and services through a people-centered approach and to enhance the Recipient's capacity to respond promptly and effectively to an eligible crisis or emergency.		
Change in Results Framework		
Explanation: The indicators in the results framework will remain the same except for the modification of one intermediate results indicator in the Knowledge and Learning component. Based upon the first year's implementation experience, the Project determined that holding Multi-Stakeholder Reviews annually would be a more suitable performance indicator for sharing knowledge and learning, rather than providing development marketplace awards. All other indicators remain the same, though end targets will be increased to reflect the additional financing, which will enable the project to expand its geographical reach, increasing the number of project beneficiaries, the number of township exchanges, and the number of government officials receiving training under the project.		
Compliance		
Change in Safeguard Policies Triggered		
Explanation: In view of the presence of Project villages in national forest areas, the Project will trigger OP 4.04 (Natural Habitats). The Project will also trigger OP 7.50 on International Waterways, as it may finance the construction of new small scale community water supply, irrigation and pico-hydro activities on tributaries to the Ayeyarwaddy river that run only in Myanmar.		
Current and Proposed Safeguard Policies Triggered:	Current(from Current Parent ISDS)	Proposed(from Additional Financing ISDS)
Environmental Assessment (OP) (BP 4.01)	Yes	Yes
Natural Habitats (OP) (BP 4.04)	No	Yes
Forests (OP) (BP 4.36)	No	No
Pest Management (OP 4.09)	No	No
Physical Cultural Resources (OP) (BP 4.11)	No	No
Indigenous Peoples (OP) (BP 4.10)	Yes	Yes
Involuntary Resettlement (OP) (BP 4.12)	Yes	Yes
Safety of Dams (OP) (BP 4.37)	No	No
Projects on International Waterways (OP) (BP 7.50)	No	Yes
Projects in Disputed Areas (OP) (BP 7.60)	No	No

Other Changes to Safeguards						
<p>Explanation:</p> <p>The original IDA grant was processed under OP 8.00 (Rapid Response to Crises and Emergencies) and used an Environmental and Social Screening and Assessment Framework (ESSAF) approach. The Additional Financing will be processed under OP 10.00 (Investment Project Financing). While the project will continue to use a framework approach given that project sites and sub-projects will be identified during implementation, the ESSAF will be converted to an Environmental and Social Management Framework (ESMF), in keeping with requirements of OP 10.00. A draft ESMF was prepared and disclosed during preparation and public consultations on the draft ESMF were held in February 2015 (in Yangon, Mandalay and Nay Pyi Taw).</p>						
Covenants - Additional Financing (National Community Driven Development Project - P153113)						
Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
				<input type="checkbox"/>		
Conditions						
Source Of Fund		Name		Type		
Description of Condition						
Risk						
Risk Category				Rating (H, S, M, L)		
1. Political and Governance				High		
2. Macroeconomic				Substantial		
3. Sector Strategies and Policies				Substantial		
4. Technical Design of Project or Program				Substantial		
5. Institutional Capacity for Implementation and Sustainability				High		
6. Fiduciary				Substantial		
7. Environment and Social				Substantial		
8. Stakeholders				High		
9. Other						
OVERALL				High		

Finance										
Loan Closing Date - Additional Financing (National Community Driven Development Project - P153113)										
Source of Funds					Proposed Additional Financing Loan Closing Date					
IDA recommitted as a Credit					30-Nov-2021					
Loan Closing Date(s) - Parent (Myanmar National Community Driven Development Project - P132500)										
Explanation: Concurrently with the Additional Financing, the original IDA grant will be restructured to extend its closing date by two years and ten months, from 31 January 2019 to 30 November 2021, to coincide with the closing date of the IDA AF credit.										
Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)					
IDA-H8140	Effective	31-Jan-2019	31-Jan-2019	30-Nov-2021						
Change in Disbursement Arrangements										
Explanation: To facilitate disbursement, the Project will establish three new Designated Accounts at the Myanmar Economic Bank (MEB) to channel Additional Financing IDA credit resources. These will be DA-D (for payment of block grants in Myanmar kyats), DA-E (for payment of project expenses in Myanmar kyats), as well as (DA-F) in USD to facilitate low value US dollar denominated payments to suppliers of goods and consultant service. The existing FM and disbursement arrangements will continue for the Original IDA grant, with the addition of a DA-C denominated in USD for facilitating low value US dollar denominated payments to suppliers of goods and consultant services. DA-C will be opened at the Myanmar Economic Bank. Designated accounts opened under the original grant will continue to be maintained at the Central Bank of Myanmar.										
Change in Disbursement Estimates (including all sources of Financing)										
Explanation: Disbursement estimates of the original IDA grant have been updated to reflect implementation experience to date.										
Expected Disbursements (in USD Million)(including all Sources of Financing)										
Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Annual	3.00	15.00	45.00	80.00	110.00	105.00	95.00	64.00	15.50	0.00
Cumulative	3.00	18.00	63.00	143.00	253.00	358.00	453.00	517.00	532.50	0.00
Allocations - Additional Financing (National Community Driven Development										

Project - P153113)				
Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement % (Type Total)
			Proposed	Proposed
IDA	XDR		284.50	100.00
		Total:	284.50	
ITAL	USD		22.50	100.00
		Total:	22.50	
Components				
Change to Components and Cost				
Explanation:				
<p>There are no major changes to the project components. The additional financing will be used to scale up the same types of activities as included in the original project. Total costs have been updated to integrate the additional financing, which will be used to expand the project's geographical reach and project implementation period. Under the AF, there will be a moderate increase to the sizes of village tract block grant allocations and number of grant cycles available to beneficiary communities, with a view to enhancing project impacts.</p> <p>Monitoring and evaluation activities will be financed under component 3 (Knowledge and Learning) instead of component 4 (Implementation Support) to better reflect their purpose. Based on lessons learned from the first two years of Project implementation, component 4 (Implementation Support) will be able to finance the rehabilitation and/or construction of office space for DRD.</p>				
Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Community Block Grants	Community Block Grants	52.20	358.60	Revised
Facilitation and Capacity Development	Facilitation and Capacity Development	14.20	105.80	Revised
Knowledge and Learning	Knowledge and Learning	1.80	11.20	Revised
Implementation Support	Implementation Support	11.80	56.90	Revised
Emergency Contingency Response	Contingent Emergency Response	0.00	0.00	Revised
	Total:	80.00	532.50	

Other Change(s)		
Implementing Agency Name	Type	Action
Change in Financial Management		
<p>Explanation:</p> <p>The original project included the financing of works only under Component 1 for community infrastructure sub-projects and Component 5 for emergency response. The project will be restructured to also permit financing of civil works under component 4 to cover, for example, renovations and/or construction of DRD township offices required for Project implementation.</p>		
Change in Procurement		
<p>Explanation:</p> <p>Based on implementation experience, procurement arrangements will be expanded to allow for direct contracting with UNOPS, which has proved important for the timely and cost-effective procurement of key equipment such as vehicles. The Project will also allow National Competitive Bidding for goods and works.</p>		
Change in Implementation Schedule		
<p>Explanation:</p> <p>The implementation schedule is revised take into account the time required to scale up to the additional townships and to reflect the fact that part of the additional financing will be used to finance a fourth grant cycle for beneficiary communities.</p>		
Appraisal Summary		
Economic and Financial Analysis		
<p>Explanation:</p> <p>As noted in the original project paper, economic and financial analyses of small-scale rural infrastructure in Myanmar do not exist. However, looking at other CDD projects in the region and elsewhere, economic internal rates of return for rural infrastructure of the type to be constructed under the NCDDP (e.g. feeder road construction or rehabilitation, bridges, school rehabilitation, health posts and rural electrification) range from an average of 18 to 53 percent. Furthermore, several related studies have demonstrated the relative cost-effectiveness of CDD projects as compared to equivalent works built through other government service delivery mechanisms.</p>		
Technical Analysis		
<p>Explanation:</p> <p>No substantive changes are proposed. An initial technical review of a sample of sub-projects constructed during the first community cycle found sub-projects to have been of generally good quality, although it identified some shortcomings in the planning and feasibility assessments of sub-projects. To address these, DRD has increased the number of technical facilitators supporting communities and increased the training offered to these facilitators as well as to DRD engineers to ensure their familiarity with the project's engineering standards, including with respect to environmental and social safeguards. Standard designs have been complemented by simple drawings. A technical audit is currently under procurement, the results of which will feed into ongoing training for DRD engineers and project facilitators.</p>		

<p>Social Analysis</p>
<p>Explanation:</p> <p>No substantive changes are proposed. Project implementation experience to date has highlighted the capacity of communities to work together effectively, with high participation rates in all stages of the community cycle, including during project prioritization, planning, implementation and evaluation. The project appears to have had a positive impact on women’s empowerment, including through its requirement that 50 percent of committee members be women and that women receive equal pay for equal work. Ethnic minorities have participated in project activities with no indications of exclusion from project benefits. As the project moves forward and expands into areas affected by ethnic or communal conflict, adaptations to implementation arrangements may need to be made to ensure the project's effectiveness in these areas and its responsiveness to all community members.</p>
<p>Environmental Analysis</p>
<p>Explanation:</p> <p>No substantive changes are proposed. The Environmental Code of Practice (ECoP) proved effective during implementation to date and was further refined and simplified following the project's first multi-stakeholder review in August 2014. The project will continue to use the ECoP as part of the ESMF to ensure adherence to environmental safeguards in sub-projects, and will use an environmental screening during the sub-project design stage to determine whether the ECoP will be sufficient to mitigate potential impacts or whether an Environmental Management Plan (EMP) needs to be prepared.</p>
<p>Risk</p>
<p>Explanation:</p> <p>The risk ratings have been updated to reflect the move from the ORAF to the SORT, were confirmed at the Decision Meeting, and are in line with risk ratings identified in the Country Partnership Framework.</p>

ANNEX 1: RESULTS FRAMEWORK

Project Name:	National Community Driven Development Project (P153113)	Project Stage:	Additional Financing	Status:	DRAFT
Team Leader(s) :	Ingo Wiederhofer	Requesting Unit:	EACTF	Created by:	Ingo Wiederhofer on 06-Feb-2015
Product Line:	IBRD/IDA	Responsible Unit:	GSURR	Modified by:	Nikolas Myint on 25-May-2015
Country:	Myanmar	Approval FY:	2015		
Region:	EAST ASIA AND PACIFIC	Lending Instrument:	Investment Project Financing		
Parent Project ID:	P132500	Parent Project Name:	Myanmar National Community Driven Development Project (P132500)		

Project Development Objectives

Original Project Development Objective - Parent:

The development objective is to enable poor rural communities to benefit from improved access to and use of basic infrastructure and services through a people-centered approach and to enhance the government's capacity to respond promptly and effectively to an eligible crisis or emergency.

Proposed Project Development Objective - Additional Financing (AF):

The development objective is to enable poor rural communities to benefit from improved access to and use of basic infrastructure and services through a people-centered approach and to enhance the Recipient's capacity to respond promptly and effectively to an eligible crisis or emergency.

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
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Revised	Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	Value	0.00	225000.00	4000000.00
				Date	01-Oct-2012	31-Oct-2014	30-Nov-2021
				Comment			
No Change	Female beneficiaries	<input checked="" type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	51.00	50.00
				Date			
				Comment			
Revised	Number of persons having access to and use of project-built infrastructure and services (e.g., all-weather roads, water, schools, health services)	<input type="checkbox"/>	Number Sub Type Supplemental	Value	0.00	225000.00	4000000.00
				Date			
				Comment			
Revised	Percent of households in project villages participating in planning, decision-making, and implementation of sub-projects	<input type="checkbox"/>	Percentage	Value	0.00	57.00	50.00
				Date	01-Oct-2012	31-Mar-2014	30-Nov-2021
				Comment			
Revised	Percent of community members satisfied with the project	<input type="checkbox"/>	Percentage	Value	0.00	81.00	80.00
				Date	01-Oct-2012	30-Nov-2014	30-Nov-2021
				Comment		Source: Social Audits	

Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	#/type of rural infrastructure built	<input type="checkbox"/>	Number	Value	0.00	357.00	40000.00
				Date	01-Oct-2012	31-Dec-2014	30-Nov-2021
				Comment			
Revised	% of sub-projects evaluated as high priority by communities	<input type="checkbox"/>	Percentage	Value	0.00	0.00	90.00
				Date	01-Oct-2012	31-Oct-2014	30-Nov-2021
				Comment		Data not collected	

						yet.	
Revised	% of sub-projects evaluated independently meeting project operations manual technical and safeguard specifications	<input type="checkbox"/>	Percentage	Value	0.00	73.00	85.00
				Date	01-Oct-2012	31-Oct-2014	30-Nov-2021
				Comment			
Revised	# of Government officials using their new skills in project management, engineering, planning	<input type="checkbox"/>	Number	Value	0.00	48.00	500.00
				Date	01-Oct-2012	31-Oct-2014	30-Nov-2021
				Comment			
Revised	# of community members using their new skills in project planning, financial management, and procurement	<input type="checkbox"/>	Number	Value	0.00	4731.00	30000.00
				Date	01-Oct-2012	31-Dec-2014	30-Nov-2021
				Comment			
Revised	# of internal cross-township learning exchanges	<input type="checkbox"/>	Number	Value	0.00	2.00	20.00
				Date	01-Oct-2012	31-Oct-2014	30-Nov-2021
				Comment			
Revised	Annual multi-stakeholder reviews conducted	<input type="checkbox"/>	Number	Value	0.00	1.00	8.00
				Date	01-Oct-2012	31-Oct-2014	30-Nov-2021
				Comment			
Revised	Grievances registered related to delivery of project benefits addressed (%)	<input checked="" type="checkbox"/>	Percentage	Value	0.00	99.00	85.00
				Date	01-Oct-2012	31-Mar-2014	30-Nov-2021
				Comment			
No Change	Grievances related to delivery of project benefits that are addressed-(number)	<input checked="" type="checkbox"/>	Number Sub Type Supplemental	Value	0.00	318.00	0.00
Revised	% of annual significant financial audit findings	<input type="checkbox"/>	Percentage	Value	0.00	0.00	95.00
				Date	01-Oct-2012	31-Oct-2014	30-Nov-2021

	addressed (misuse of funds, non-compliance with procedures)			Comment			
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ANNEX 2: DESIGN CHANGES BASED ON LESSONS LEARNED TO DATE

1. **This annex sets out lessons learned during Project implementation to date and how these have informed the design of both the ongoing Project and the proposed additional financing.** This is particularly important given that the NCDD Project was the World Bank Group's first investment project in Myanmar in 25 years. Approved in November 2012 at the same time as the WBG's Interim Strategy Note, the Project was designed over a period of three months using emergency procedures to deliver quick tangible results in support of the Government's reform program, notably the shift from top-down to bottom-up planning and "people-centered development."

2. **In recognition of the limited knowledge base underpinning the Project's design, the Project explicitly incorporated an adaptive learning approach, wherein lessons learned during implementation would feed back into design modifications.** Given the relatively new experience of using government systems for CDD in Myanmar, Project management expected that project implementation would not always proceed according to plan and mistakes would be made along the way. Thus, the Project design included a gradual rollout (e.g. starting with three project townships in year 1 and adding new townships in years 2 and 3), multiple feedback loops (including social, technical and financial audits, as well as annual social audits at the village tract level and multi-stakeholder reviews), and intensified World Bank implementation support. All of these mechanisms produced important lessons that have helped to improve the effectiveness and impact of the Project, as evaluated during the project's mid-term review.

3. **During its first community cycle (from roughly October 2013 to June 2014, communities implemented 357 sub-projects in three townships:** Namhsan township in Shan State, Kyunsu township in Thanintharyi Region and Kanpetlet township in Chin State. These three townships presented the Department of Rural Development (DRD) with significant implementation challenges: both Kanpetlet and Namhsan townships are very mountainous, with limited all-season roads and communications infrastructure, while Kyunsu township consists of 201 islands spread around an archipelago. Moreover, ethnic conflict in Namhsan intensified during implementation, with the Talaung National Liberation Army engaged in multiple armed clashes with government forces in and around the township. Finally, delays in the procurement of township TA providers meant that the community cycle started later than expected, compressing the time available for training, planning and prioritization.

What went well

4. **Notwithstanding these challenges, the first community project cycle went remarkably well, with active community participation and satisfactory sub-projects.** Sub-projects were identified, designed and implemented with very high levels of community participation. On average, 57 percent of households in each village participated in the community orientation and planning meetings. This included active engagement by women, who made up 50 percent of community committees in line with provisions of the project Operations Manual, and strong engagement by ethnic minorities, including in village tracts with populations of mixed ethnicity. Moreover, communities demonstrated significant technical skills, enabling

some 83 percent of sub-projects to be implemented by communities themselves using community force accounts, thus providing a sizeable cash injection into local economies. A subsequent independent technical review of a sample of sub-projects found them to be of largely good technical quality. Moreover, during the social audit and multi-stakeholder review, participants commented positively on the quality and relevance of the training received at the community level, noting the impact it had on their capacity to carry out especially procurement and financial management under the Project. Social audits in the three townships reported 81 percent of community members satisfied with the project during its first year.

5. **Equally importantly, the project performed well on dimensions of transparency, accountability and community empowerment.** DRD established a grievance handling mechanism that between October 2013 and September 2014 fielded 318 complaints and enquiries, with 99 percent of these responded to and resolved in a timely manner. The success of the grievance handling mechanism was in part a result of investments in the transparency in Project operations, including in very remote communities, where project materials, posters, and feedback boxes were displayed in public areas. DRD also established strong communications with both communities in the project area and a broader group of stakeholders, including through a very active Facebook page, website and media outreach including a feature film to explain the sub-project cycle, televised sessions of township selection, and frequent TV and radio interviews to respond to public questions. DRD also hosted a number of field visits by interested NGOs, which resulted in useful feedback for the Project.

6. **After the first cycle, all village tracts conducted social audits designed for community and committee members to discuss the process, finances and results of the first cycle's activities.** Results of these social audits were shared at the township level. These activities culminated in a successful multi-stakeholder review organized by DRD at the union level in August 2014, which brought together 350 representatives from project communities, project staff, development partners, civil society, media and government representatives for three days of frank discussions about the project's performance to date and opportunities for improvements. Most of the major recommendations from the multi-stakeholder review have been incorporated into the design and reformulation of the Operations Manual (see below).

7. **An initial assessment of the Project implementation with regard to gender in the first three townships indicates encouraging signs of inclusion, and improvement of gender equality and the empowerment of women.** The Project will continue to use the measures that have been established in the project operations manual, especially a) 50/50 percent for male and female representatives at the village tract committee, b) at least one sub-project per village tract annually to directly respond to women's priorities, c) quotas for the participation of women on project sub-committees, and d) equal pay for equal work among men and women on Project-financed activities. Going forward, the Project will continue to increase gender awareness at the village and township levels, to provide more hands on training and coaching for women's groups, as well as to continue taking lessons learned from experience across the townships, states and regions to inform policy discussions.

8. **The first financial audit of the project was completed in October 2014, and found that the Project had complied with relevant rules and regulations.** While a full technical

audit (which would include a cost effectiveness review of sub-projects) has not yet been completed, a preliminary technical review of 30 subprojects confirmed that the works are mostly of satisfactory technical quality.

What did not work, and how the Project adapted

9. **Among the opportunities for improvement identified through the above feedback mechanisms, the most important was a proposal to increase the size of block grants.** This came out strongly in the multi-stakeholder review and reflected the reality of a larger number of sub-projects being implemented on the ground (e.g. on average one sub-project per village, as opposed to pooling funds at the village tract level). In part, this may be a reflection of the remoteness and the terrain of the participating townships, where villages within a village tract were often far apart and it was thus more difficult to identify sub-projects that would benefit multiple villages. It was also a reflection of the significant infrastructure needs at the community level. At the multi-stakeholder review, it was agreed to significantly increase the size of village tract block grants, from an average of the equivalent of US\$27,000 per village tract to an average of the equivalent of US\$33,000 per village tract. Moreover, the categories of block grants were adjusted to more accurately account for different population sizes of village tracts, with the aim of providing about US\$12 per capita equivalent in block grants, in line with international evidence on investment levels required to ensure the impact of CDD projects.

10. **A second finding that came out of both the social audits and the multi-stakeholder review was the need to simplify project processes at the community level, particularly in regard to the number of reporting and administrative forms.** The number of forms was streamlined significantly in the second community cycle. Moreover, the Project's management information system was upgraded to run on MS Access and be compatible with an Android based interface that will allow the majority of MIS information to be entered by facilitators directly into tablets. Tablets were provided to facilitators in the first three townships during the second community cycle as part of a pilot of this new system. Field visits conducted during the mid-term review suggest that these changes have greatly eased the administrative burden of the Project, that communities are now more comfortable with project processes, and that facilitators are using the tablets frequently, although some procedural and software issues remain to be fixed. Finally, based on suggestions at the multi-stakeholder review, the Operations Manual was streamlined and simplified to serve as a ready point of reference for project communities. Field visits during the mid-term review confirmed that communities were using the revised Operations Manual to answer questions related to the Project as they arose.

11. **Successive Bank implementation support missions also identified the persistence of capacity constraints, and the need for a robust set of technical assistance at both the union and township levels.** Due to an unforeseen DRD reorganization at the outset of the Project, DRD faced difficulties and delays staffing up union and township level project staff. The lack of staff created constraints in fully implementing the project design as originally intended. At the union level, DRD has been supported in its work by a firm providing technical assistance in areas including financial management, procurement, training, monitoring and evaluation and grievance handling. At the township level, DRD in the first year contracted two international NGOs (Mercy Corps and the International Rescue Committee) to provide technical assistance for

project implementation, including fielding the community facilitators that engage with communities. Having government contract international NGOs for technical support presented a new set of relationships following decades of mistrust and distance. While this process has inevitably been challenging, the overall quality of the Project was greatly strengthened by the presence and work of these technical assistance providers. The original plan of having the township level technical assistance phase out after two years seems inadequate at this point in implementation, including because of very sizeable one-off staffing changes at DRD township offices in 2014. More broadly, the proposed budget for the AF phase includes a longer period of township level technical assistance. Given the economies of scale from a larger financing envelope, this can be done while continuing to increase the share of project financing going to block grants.

12. These capacity constraints contributed to implementation delays, including in the areas of procurement and financial management. Townships began the community cycle relatively late in both the first and second year of implementation because the procurement of township-level technical assistance took longer than anticipated. As a result, the community planning cycle was rushed in the first year of Project implementation. During the second year, to compensate for the expedited first year, technical assistance teams spent more time with communities undertaking participatory rural appraisal exercises and deepening the village-level planning process. For the third cycle, township-level technical assistance will be procured in packages covering multiple townships to reduce transaction costs and reduce the risk of delays. Similarly, delays in financial management meant that some of the project's partners were paid late and that some township offices (and indeed the union office) at times ran low on operating funds. The enhanced technical assistance described above will focus in particular on procurement and financial management to help build capacity in the Department of Rural Development and avoid these problems going forward.

Things to watch going forward

13. The expansion of the Project proposed as part of the additional financing will bring with it new risks and opportunities for learning. Among these, one notable change is the project's expansion into conflict-affected areas, in recognition of the fact that these communities are among the poorest of the poor in Myanmar, that engagements can provide important benefits at this stage of the country's peace process, and that in a rapidly evolving environment some townships may become affected by conflict during the project's implementation. In expanding into areas affected by conflict, the Project will engage carefully with a broad range of stakeholders, including local authorities and ethnic armed groups, to ensure there is broad understanding of and support for the Project (in both Kayin and Kayah States, which are expected to be included in the project's third year of operations, engagements with ethnic armed groups has begun). The Project will also consider adaptations to implementation and supervision modalities as needed to ensure it operates effectively and in a conflict-sensitive manner. Any expansion would be limited to areas where security conditions allow community-level work and where there is sufficiently broad support for the project among local stakeholders.

14. Decentralization and the changing role of local government will provide another potential area of engagement for the project going forward. Over the past years, the

Government has significantly increased the share of fiscal transfers to both the State/Region and the township level. However, the decentralization policy framework as well as coordinated funding windows at the local levels are still not fully developed. The Project will explore a more active role for State/Region level authorities, as well as continued policy discussions at the township level to identify possible synergies, including the use of the community-level planning implemented through the CDD program to inform spending priorities for township development funds.

15. **The AF phase will also see the country's first national elections with broad participation of opposition political parties and a possible change in government in 2016.** Throughout project implementation, the Project has engaged with a broad group of stakeholders, including opposition parties, and the policy goal of rural development is broadly shared by parties across the political spectrum. Nonetheless, the Project is expanding in an environment of considerable policy uncertainty. This offers both opportunities, including to institutionalize community-driven development as a platform for government engagement in rural areas, as well as challenges, including the need to explain the Project's principles and demonstrate its benefits to a new group of stakeholders.

16. **From its inception, the NCDDP has sought to create a vehicle for both government and development partners to channel support to rural communities in a transparent, effective and accountable manner.** In the AF phase, the IDA financing will be complemented not only by Government funds, but also by parallel co-financing from the Government of Italy and complementary funding from the Japan Trust Fund for Social Development. Going forward, one ambition would be to expand the range of partners supporting the Government's CDD approach to further develop economies of scale. Government leadership will be critical to accomplish this. Continued south-south exchanges, including through the regional CDD network of government officials, will help to showcase approaches taken by different governments in the region and beyond to create such a unified platform.

Bottom line: a robust model

17. **The mid-term review's analysis of the project's performance to date concluded that the underlying model of community-driven development in Myanmar is robust,** with communities able to effectively plan, design and implement sub-projects, despite implementation challenges in the first two years of project operations. The Project's adaptive learning strategy has provided an opportunity to adapt the project based upon both implementation experience and an evolving context. This strategy, including the multiple feedback loops and inflection opportunities, will be carried forward into the AF phase, where continued changes in context appear inevitable. This will include finding the right balance between technical assistance and Government implementation, strengthening the ability of community committees to plan and implement sub-projects, and continued and timely monitoring and evaluation to learn what works and what does not in Myanmar's unique context.

ANNEX 3
PROJECT FINANCING INFORMATION

Table 1: Estimated NCDDP Disbursements by WB Fiscal Year and By Source, excluding complementary JSDF Grant financing (US\$ Million)

	2013 & 2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Gov't of Myanmar	0	0	4	4	4	5	5	5	3	30
IDA Grant	3	15	10	15	15	8	5	5	4	80
IDA Credit	N/A	0	25	55	85	87.5	85	54	8.5	400
Govt of Italy Credit	N/A	0	6	6	6	4.5	0	0	0	22.5
Total Annual	3	15	45	80	110	105	95	64	15.50	532.5
Total Cumulative	3	18	63	143	253	358	463	517	532.5	

**This figure excludes (i) US\$11.5 million of future complementary financing from the proposed JSDF grant or details on this); (ii) US\$10 million equivalent of in-kind financing to be provided by the Government of Myanmar; and (iii) Euro 730,000 equivalent that the Government of Italy will provide to the World Bank for supervision services for Italian parallel financing. It also excludes eventual community contributions.*

Table 2: IDA Grant, IDA Credit & Italy Credit Financing by Disbursement Category, excluding complementary JSDF Grant financing (US\$ Million)

Disbursement Category	IDA Grant	IDA Credit	Government of Italy Credit	Government of Myanmar	Percent Financed
Community Block Grants	52.3	261.6	14.7	30.0	100%
Goods, works, non-consulting services, consultants' services, Training and Operating Costs	27.7	138.4	7.8	0	100%
Contingent Emergency Response	0	0	N/A	N/A	100%
Total	80	400	22.5	30.0	

**This figure excludes (i) US\$11.5 million of complementary financing from the proposed JSDF grant; (ii) US\$10 million equivalent of in-kind financing to be provided by the Government of Myanmar and Euro 730,000 equivalent that the Government of Italy will provide to the World Bank for supervision services for Italian parallel financing. It also excludes eventual community contributions.*

ANNEX 4:

COMPLEMENTARY ACTIVITIES PROPOSED TO BE FINANCED UNDER THE JAPANESE SOCIAL DEVELOPMENT FUND GRANT: ENHANCING COMMUNITY-DRIVEN DEVELOPMENT IN MYANMAR

I. Introduction

1. The Government of Japan and the Secretariat of the Japanese Social Development Fund (JSDF) have approved an introductory note for a JSDF grant in an amount of US\$11 million to provide complementary financing to support the implementation of community development activities under the NCDDP. This grant is expected to finance the following activities: (i) community block grants in one additional Project township (US\$4 million), (ii) measures to strengthen facilitation at the community level (US\$4 million), (iii) knowledge and learning activities, with a focus on social accountability and external monitoring (US\$2 million), (iv) implementation support (US\$1 million). In addition, US\$0.5 million would be allocated to the World Bank to ensure the supervision of the JSDF resources. This financing will become available subject to an additional approval by the Japanese government and the JSDF Secretariat.

II. Objectives and Scope of Complementary JSDF Financing

2. The objective for the JSDF grant is to strengthen the capacity of the Recipient to enable poor rural communities to benefit from improved access to and use of basic infrastructure and services through a people-centered approach.

3. The JSDF grant would support CDD activities through the following activities:

- (i) finance community-identified rural infrastructure investments in one additional township, with a particular focus on a township with ethnic minority groups;
- (ii) piloting innovative mechanisms for strengthening community participation through well trained facilitation; and
- (iii) piloting activities for enhancing social accountability and external monitoring.

Component 1: Community Block Grants (US\$4 million)

4. These resources would finance community block grants in one township, financing four rounds of sub-projects in the selected township over a period of four years. NCDDP Project townships are normally selected by the state and regional Chief Ministers based on a participatory process that brings together local government officials, civil society, and community representatives in a workshop setting to identify the poorest township of the State/Region. The key criteria for township selection are (i) poverty; (ii) the absence of external funding for similar activities, (iii) willingness and capability of the township authorities to implement the project, (iv) adequate peace and stability of the township, and (v) relative ease of logistical access to and within the township. The JSDF grant resources will be utilized to finance community block grants in a poor township with ethnic minorities and/or other vulnerable communities.

Output Indicators

- Number and type of community infrastructure built (for instance, kilometers of road rehabilitated, number of schools, clean water provision);
- Local government officials and community members trained and using their new skills in planning, implementation, project management, and monitoring;
- Cross-learning and knowledge exchanges facilitated between townships;

Outcome Indicators

- Number of persons having access to and use project-built infrastructure and services;
- Percent of households in project villages participating in planning, decision-making, and implementation of sub-projects; and
- Percent of community members satisfied with the project.

Component 2: Facilitation and Capacity Development (US\$4 million)

5. Effective facilitation is the key ingredient of an effective CDD project. Experience from the region and elsewhere provide the Myanmar NCDDP with the potential to benefit from lessons learned over years in other countries. The JSDF grant will support DRD to “skill up” for effective facilitation at scale. The NCDD project is still new – the skills necessary to deliver CDD processes at the grass roots are, and will be, developed incrementally over successive cycles. However in Myanmar, the limited pool and low base of mobilization/facilitation/interface skills suggest a need to “catch up” to address the lack of skilled facilitators through innovative activities additional to the normal NCDDP process.

6. The component will support the establishment of a community facilitator learning program targeted at developing a cadre of facilitators. This capacity building initiative would provide technical training and experiential learning in mobilization, facilitation and interface/liaison activities in poor communities. It would at first include a focus on the skills necessary to facilitate CDD activities, but as need arises, could be expanded to provide a forum for the development of skills for other sectors (e.g. training on social accountability in health, education or other services). This will not only develop the capacity of human resources available to play this role in the NCDDP, but create a solid foundation for participatory development in Myanmar in the medium/long term. This facilitation training program will also help facilitators identify and mitigate risks of conflict and/or social exclusion in community engagement processes.

7. A partnership of a locally-based organization/institute with capacity building skills, together with an international partner, will deliver this program. Depending on feasibility, there may be two or three regionally based centers. Implementation arrangements will be determined based on the capacity of partners to deliver a well-designed, targeted and sustained set of training events – linked to learning in real situations (likely through the NCDD project townships).

8. While a primary aim is to increase the pool of facilitators for the CDD project, the program would also provide a platform to deepen the quality of skills of existing Community Facilitators. Candidates for training would be selected from a pool of recent graduates, and from

other disciplines with experience in community interface, including community facilitators recruited by Township Technical Assistance (TTA) providers under the Project, many of whom originate from Project beneficiary villages. The academy could also support skills building of other government personnel in basic participatory development approaches if requested.

9. Preparatory outputs would include: (i) identification of the training provider, and (ii) the development of the core curriculum (training modules and field experience/internships). The first stage of implementation would then launch and execute a training and learning-by-doing course covering basic tools/techniques as well as the primary steps in the CDD process and certify a cadre of facilitators from the first round of the course. This would be followed by successive rounds that adapted to the lessons of the previous rounds, and would foster sharing of lessons learned among facilitators trained under the Project.

Output Indicators

- Number community facilitators trained and using their new skills in planning, implementation, project management, and monitoring;
- Number of township level DRD officials trained.

Outcome Indicators

- Community perceptions of NCDDP community empowerment activities;
- DRD staff capacity to implement participatory rural development utilizing CDD principles and methods.

Component 3: Knowledge and Learning (US\$2 million)

10. NCDDP envisages a number of accountability activities to be undertaken within the scope of the project. Both government (project-led) activities and civil society (community-led) activities are envisaged to form a project accountability framework. In the Project design, standard project accountability mechanisms (reporting and fiduciary controls) are supplemented by social accountability mechanisms and instruments that introduce transparency and access to information, monitoring, feedback and complaints through a grievance redress mechanism, a social audit process and multi-stakeholder review.

11. Given that all stakeholders are new to these approaches and in the context of disempowered poor communities (some of the poorest in Myanmar) participating in a new type of CDD project, these mechanisms may only be partially effective at the outset. The proposed grant will thus further strengthen this system by supporting an independent third party monitoring process (I3PM) across all Project townships. The proposed I3PM will act as a check on project/social accountability mechanisms, and provide an independent review/snapshot of project processes and outcomes, with a focus on high risks townships. Lessons learned will be shared with a broad set of stakeholders, including Department for Rural Development (DRD), the World Bank and civil society observers.

12. The I3PM would focus on project inputs and outputs that are the responsibility of government, procurement and financial management, and on project outcomes, processes, perceptions and beneficiary satisfaction. The independent third party monitoring approach

proposed would therefore include: (i) broad-based oversight monitoring, and (ii) in-depth monitoring around key risk areas. In a first stage, the grant would support third party monitoring and focus on performance, processes and outcomes at the various stages of the project cycle across Project townships:

- Stakeholder selection and behavior (process): performance of project sub-committees, TA and local government actors carrying out agreed roles; adherence to code of conduct;
- Participation, decision-making and feedback (process): inclusion, role of women and other vulnerable groups in project decision-making and implementation, effectiveness of Grievance Reporting Mechanism;
- Conflict risks
- Procurement (process); nepotism, capture of procurements of good and services;
- Implementation/construction (process): specifications/materials/workmanship; contracting and labor standards, selection and payment of labor and other labor issues.
- Identification and management of conflict-related issues;
- Budgets and expenditures (process): funds used for intended purposes, irregularities in financial processes, perception of capture of funding;
- Transparency and communication (process); transparency and access to information is a critical aspect of the accountability framework; and
- Utilization and satisfaction to provide a check on outcomes (outcomes) to ensure that the sub-projects are functioning, being utilized as intended, and are benefitting intended beneficiaries, including women and vulnerable groups.

13. This component will also finance monitoring and evaluation of project activities at village and township levels in beneficiary townships utilizing quantitative and qualitative survey methods. Some studies will be identified on the basis of demand and needs identified during the annual multi-stakeholder reviews.

14. Lastly, this component will also finance the collation and reporting of information on JSDF grant financed activities within the framework of the Project's regular quarterly and annual reporting processes. The World Bank's aide memoires of implementation support missions as well as Implementation Status and Results Reports (ISRs) will report specifically on JSDF grant implementation.

Output Indicators

- Number, quality and timeliness of independent third party monitoring reports;
- Public availability of third party monitoring reports;
- Timeliness and quality of NCDDP quarterly and annual reports with dedicated annexes on JSDF grant activities.

Outcome Indicators

- Satisfactory transparency of Project activities;
- Enhanced awareness over time of NCDDP governance risks and mitigation strategies in project beneficiary communities, township authorities in project communities, and in DRD at union level.

Component 4: Implementation Support (US\$1 million)

15. This component supports project management by DRD at the Union, State/Region, district, township, village tract and village levels, including financial management, procurement, environmental and social safeguards management, communications, and audits.

Output Indicators

- Timeliness and quality of financial reporting and of Project audits;
- Allocation of adequate DRD staff for Project implementation at union and township levels.

Outcome Indicators

- % of annual significant financial audit findings addressed (misuse of funds, non-compliance with procedures);
- ISR ratings for Project management.

III. JSDF Financing Information

Table 1: Overview of Estimated NCDDP Project Costs and Complementary JSDF Grant (US\$ Million)

Cost By Component	Original Project Cost and JSDF Grant US\$ million	Percentage	JSDF Grant Financing	Revised NCDDP & JSDF Cost US\$ million*	Percentage
1. Community Block Grants	52.2	65%	4.0	362.6	67%
2. Facilitation and Capacity Development	14.2	18%	4.0	109.8	20%
3. Knowledge and Learning	1.8	2%	2.0	13.2	2%
4. Implementation Support	11.8	15%	1.0	57.9	11%
5. Contingent Emergency Response	0.0	0%	N/A	0.0	0%
Total Project Cost	80.0	100%	11.0	543.5	100%

**This figure excludes (i) US\$0.5 million of JSDF grant resources to be allocated to the World Bank for supervision purposes; (ii) US\$10 million equivalent of in-kind financing to be provided by the Government of Myanmar in terms of staff salaries, office space and utilities at union and township levels; and (iii) Euro 730,000 equivalent that the Government of Italy will provide to the World Bank for supervision services for the Italian parallel co-financing of NCDDP. It also excludes eventual community contributions.*

Table 2: Overview of Estimated NCDDP Financing by Source and Complementary JSDF Grant (US\$ Million)

NCDDP and JSDF Project Financing	Original NCDDP Financing* US\$ million	Percentage	Revised NCDDP and JSDF Financing*	Percentage
Government of Myanmar	0		30.0	6
International Development Association Grant**	80.0	100	80.0	15
International Development Association Credit**	0		400.0	74
Government of Italy Concessional Credit***	0		22.5	4
Japanese Social Development Fund Grant	0		11.0	2
Total Project Financing	80.0	100%	543.5	100%

***This figure excludes (i) US\$0.5 million of JSDF grant resources to be allocated to the World Bank for supervision purposes; (ii) US\$10 million equivalent of in-kind financing to be provided by the Government of Myanmar in terms of staff salaries, office space and utilities at union and township levels; and (iii) Euro 730,000 equivalent that the Government of Italy will provide to the World Bank for supervision services for the Italian parallel co-financing of NCDDP. It also excludes eventual community contributions.*

***IDA resources are provided in US\$ equivalent of Special Drawing Rights.*

****Government of Italy contribution will be provided in Euro.*

Table 3: Estimated NCDDP and Complementary JSDF Grant Disbursements by WB Fiscal Year and By Source (US\$ Million)

	2013 & 2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Gov't of Myanmar	0	0	4	4	4	5	5	5	3	30
IDA Grant	3	15	10	15	15	8	5	5	4	80
IDA Credit	N/A	0	25	55	85	87.5	85	54	8.5	400
Govt of Italy Credit	N/A	0	6	6	6	4.5	0	0	0	22.5
JSDF Grant	N/A	0	1	2	2	2	2	1.5	0.5	11
Total Annual	3	15	46	82	112	107	97	65.5	16	543.5
Total Cumulative	3	18	64	146	258	365	462	527.5	543.5	

**This figure excludes (i) US\$0.5 million of JSDF grant resources to be allocated to the World Bank for supervision purposes; (ii) US\$10 million equivalent of in-kind financing to be provided by the Government of Myanmar in terms of staff salaries, office space and utilities at union and township levels; and (iii) Euro 730,000 equivalent that the Government of Italy will provide to the World Bank for supervision services for Italian parallel financing. It also excludes eventual community contributions.*

Table 4: IDA Grant, IDA Credit & Italy Credit Financing by Disbursement Category, including Complementary JSDF Grant (US\$ Million)

Disbursement Category	IDA Grant	IDA Credit	Government of Italy Credit	Government of Myanmar	JSDF Grant	Percent Financed
Community Block Grants	52.3	261.6	14.7	30.0	4	100%
Goods, works, non-consulting services, consultants' services, Training and Operating Costs	27.7	138.4	7.8	0	7	100%
Contingent Emergency Response	0	0	N/A	N/A	N/A	100%
Total	80	400	22.5	30	11	543.5

**This figure excludes (i) US\$0.5 million of complementary financing from the proposed JSDF grant allocated for WB supervision costs; (ii) US\$10 million equivalent of in-kind financing to be provided by the Government of Myanmar in terms of staff salaries, office space and utilities at union and township levels; and (iii) Euro 730,000 equivalent that the Government of Italy will provide to the World Bank for supervision services for Italian parallel financing. It also excludes eventual community contributions.*

ANNEX 5: MAP

IBRD 39565

