

Project: **Myanmar Flood and Landslide Emergency Recovery Credit** Project Stage: Implementation

Team Leader(s): Brecht, Henrike; Bonte-Grapentin, Michael; Stanton-Geddes, Zuzana

Country: Myanmar

Key Project Data

Project Number	P158194	IBRD/IDA Grant/Loan Number	5889-MM	Closing Date	Aug 31, 2021
Total Financing	\$200 million	Counterpart Financing	0	Total Disbursements	0
Board Approval Date	Jul 14, 2016	Date of Last Mission	June 7-8, 2016	Mission Start Date	Jul 25, 2016;
Effectiveness Date	Nov 30, 2016 (expected)	Last Site Visit Date	Sep 1, 2016	Mission End Date	Sep 2, 2016

Introduction

1. The World Bank conducted a mission to Nay Pyi Taw and project areas between July 25 and 29, 2016¹, and between August 22 and September 2, 2016² for the Myanmar Flood and Landslide Emergency Recovery Project (ERC), approved by the World Bank Board of Directors on July 14, 2016, and the Immediate Response Mechanism (IRM), approved by the World Bank on June 15, 2016.

2. For the ERC, the key objectives of the mission were to: (i) advance the road designs for the first 18 months for Component 1, led by the Ministry of Construction (MOC), and Component 2, led by Department of Rural Roads (DRD); (ii) discuss the draft Project Operation Manual; (iii) conduct a field visit to Chin State to agree on the works and Safeguards instruments for the first 18 months of the project; and (v) discuss critical Terms of References and next steps. For the IRM, the objectives were to: (i) agree on the next steps and a timeline; and (ii) provide support to the Ministry of Planning and Finance (MOPF) and the Ministry of Agriculture, Livestock and Irrigation

¹ The team was led by Dung Anh Hoang, Senior Transport Specialist, and comprised Mustafa Iqbal Azam, Senior Engineer; Seida Heng, Financial Management Specialist; Veronica Mendizabal Joffre, Project Implementation Specialist; Khin Aye Yee Operations Analyst; and Thida Aung, Program Assistant.

² The team was led by Henrike Brecht, Senior Infrastructure Specialist (Task Team Leader), Michael Bonte-Grapentin, Senior Disaster Risk Management Specialist (Co-Task Team Leader), and comprised Sirirat Sirijaratwong, Procurement Specialist; Martin Fodor, Senior Environmental Specialist; Juan Martinez, Senior Social Scientist; Zuzana Stanton-Geddes, Operations Analyst; Khin Aye Yee, Operations Analyst; and Thida Aung, Program Assistant.

(MOALI) to advance the discussions with UNOPS.

3. The mission met with representatives from MOPF, the MOC, and MOALI. The team met with representatives of the Japan International Cooperation Agency (JICA) and the Asian Development Bank (ADB).

4. The Mission would like to thank the Government of Myanmar (GoM) for the excellent cooperation and hospitality extended during this mission. The Aide-Memoire contains the following Annexes: Annex 1: List of People Met and Agenda; Annex 2: Component 1 and Component 2 Implementation Recommendations; Annex 3: Environmental and Social Safeguards.

Key Tasks and Next Steps

5. The following table shows the key tasks and next steps.

#	Actions	Responsible	Date
	Project Effectiveness		
1.	MOC to submit project for Cabinet approval	MOC	10 October 2016
2.	MOPF and World Bank to sign Financing Agreement (FA)	MOPF, WB	20 October 2016
3.	MOPF to get legal opinion from Attorney General Office on the FA	MOPF	20 November 2016
	Component 1		
4.	Submit revised procurement plan	MOC	10 October 2016
5.	Finalize critical ToRs	MOC	November 2016
6.	Open Designated Account at MEB	MOC	November 2016
7.	Component 2		
8.	Submit revised procurement plan	DRD	10 October 2016
9.	Submit revised laboratory equipment specifications	DRD	10 October 2016
10.	Finalize critical ToRs	DRD	November 2016
11.	Open Designated Account at MEB	DRD	November 2016

Mission Findings for the ERC

Project effectiveness

6. **Steps to project effectiveness:** The mission discussion with the MOPF and the implementing agencies the necessary steps and timeline for project effectiveness which include the following: (i) MOC to submit project documentation for Cabinet approval, (ii) signing of the Financing Agreement (FA) between the MOPF and the World Bank; (iii) MOPF to get legal opinion from the GoM Attorney General Office on the FA; (iv) Following FA signing, DRD and MOC to open designated accounts.

Component 1: Resilient Rehabilitation of National Roads (US\$105 million)

7. **Stage 2 Works:** The mission conducted a survey visit to the Kalay - Hakha road section. Widening works are being implemented by MOC in most areas of the road link. To a limited extent, box culverts and guardrail are being built but slope protection/ stabilization works are not addressed. Further needed works for increased resilience will be financed under the ERC project under Stage 2 works. There is a risk that the Bank might not be able to work on this corridor if implementation delays of the MOC works occur or if the Bank's and Government's Safeguards requirements are not met³.

8. **Stage 1 Works Implementation Plan:** It was agreed that Stage 1 works will be shifted from Chin State to Rakhine due to the observed Safeguards risks in Chin State which will require time to be solved. MOC conducts the needed surveys and prepares detailed design for the works and sends them to the Bank for review and comments. Below is a proposed plan for preparation of bidding document for Stage 1 Works:

#	Actions	Date
1.	Visit to Rakhine to identify Stage 1 works	November 2016
2.	MOC to complete survey work	December 2016
3.	Detailed design document sent to Bank for comments	January 2017
4.	Development of Safeguards documents	February 2017
5.	Finalize detailed design and Bidding documents (BD)	February 7, 2017
6.	Bank no-objection for BD	February 31, 2017

9. **Donor Coordination:** MOC chaired a meeting with JICA and WBG to coordinate donor activities for the Kalay – Hakha – Gangow road corridor in Chin State. The discussion focused on the section Falam to Hakha where JICA plans provide road construction equipment to MOC. This equipment will then be used by MOC to implement the rehabilitation works with state budget. It is envisioned that afterwards, the ERC will then complement these basic works with climate resilience and traffic safety measures. There is a risk of delay for completion of the works, financed by JICA/MOC in sections where both partners contribute to the MOC's efforts. In case works are not sufficiently advanced in the spring 2017, the ERC will have to finance another road link to avoid disbursement delays under the project. The MOC and World Bank team agreed to assess the advancement of these works in March 2017.

Component 2: Resilient Rehabilitation of Rural Roads and Livelihoods Support (US\$70 million)

10. **Works under Stage 1:** The scope of works under Stage 1 is limited to those not needing

³ To enhance project readiness, the project will be implemented under a two-stage approach. Stage 1 will cover works with simple design while Stage 2 will cover works that require comprehensive and detailed geotechnical and hydrological surveys. Criteria to identify Stage 1 works are (a) simple level of design that does not require a detailed geotechnical/soil/hydrological investigation; (b) permanent works, not maintenance; and (c) neither involuntary resettlement required nor significant environmental impacts caused.

comprehensive surveys or complex designs or complex environmental and social mitigation measures. DRD sent the Bank a proposed list of works under Stage 1 which includes road and bridges with cost estimate of about US\$10 million equivalent. Typical designs of box culverts and bridges were shared with the Task Team for review and it is recommended that these designs are carefully revised and improved before implementation considering disaster and climate resilience. Based on the current capacity of DRD, it is strongly recommended that Stage 1 works should cover only roads with drainage system (side ditch and box culverts) and no bridges. Cost estimates based on the revised list should be in a range of US\$5-7 million equivalent.

11. **Stage 1 Works Implementation Plan:** DRD was asked to conduct surveys and prepare detailed designs for those above-mentioned works and send to the Bank for review. Below is a proposed plan for preparation of bidding document for Stage 1 works:

#	Actions	Date
1.	Visit to project sites to identify Stage 1 works	November 2016
2.	Complete survey work by DRD	December 2016
3.	Detailed design document sent to Bank for comments	January 2017
4.	Development of Safeguards documents	February 2017
5.	Finalize detailed design and Bidding documents (BD)	February 2017
6.	Bank no-objection for BD	February 2017

12. **Rural Roads Strategy:** A strategic development plan for rural roads in Myanmar is being developed, which identifies key priorities, including climate resilient design standards and long term rural road prioritizations for future investment based on a network database and connectivity to higher transport network. The ERC will finance the development of both resilient design standards and a road prioritization method, which will be presented to DRD for adoption. It was also agreed with the DRD Director General asked that the ERC will co-finance the finalization of this plan.

13. **Technical training:** The mission team conducted a one day technical training on the road design, box culvert design including small bridges with DRD.

Procurement

14. **Procurement Plans:** The Procurement Plans were updated following the discussions during the two technical missions. DRD and MOC are asked to send the plans to the Bank for no objection by October 10, 2016 taking into comments provided in Annex 2.

15. **Project readiness:** While procurement documents, such as TORs, advertisements and bidding documents are currently being prepared, contracts can be signed only after project effectiveness due to no retroactive financing provision in the FA. The mission advised the implementing agencies to mobilize key individual consultants as soon as possible. These consultants would provide daily advice to both MOC and DRD and help accelerate the

implementation progress. The following positions were recommended for DRD to procure as soon as possible: (i) International Road and Bridge Advisor (IST); International Procurement Specialist (IST) with a National Procurement Assistant (CIU), (ii) National Social Safeguards and gender Specialist (IST); and National Environmental Safeguards Specialist (IST).

16. **Training on procurement aspects** was provided for both implementing agencies between August 30 and 31, 2016 at the World Bank Office.

Safeguards

17. **Safeguards documents:** The development of site-specific safeguards documents for both Component 1 and Component 2 will be based on the guidance in the Environmental and Social Management Framework, Resettlement Policy Framework and the Ethnic Minority Planning Framework as well as the new Myanmar Environmental Impact Assessment Procedures (December 2015) and the proposed mitigation measures should be incorporated in the Bidding Documents. In Chin State, the safeguards mission found a broad range of environmental and social safeguards issues associated with impacts occurring in the corridor from ongoing road widening and rehabilitation works financed by the Government of Myanmar. The mission recommends to address the following issues: (i) linkage (association) of the proposed Bank funded road rehabilitation with the recent and concurrent works funded by others; and (ii) legacy issues (pre-existing conditions) from recent years' works and their largely unmanaged environmental and social impacts. The situation represents an opportunity to not only deliver on the emergency recovery but also to improve environmental and social sustainability of all interventions in the road corridor, while developing safeguards capacity in MOC.

18. **Training** on safeguards aspects was provided for both implementing agencies on September 2, 2016 at the World Bank Office.

Institutional and Implementation Arrangements

19. **Project Operation Manual (POM).** A draft POM discussed with the management and technical staff of the implementing agencies during the mission. The POM describes the essential management requirements to implement the project in accordance with the GoM and the WBG policies and procedures, covering procurement, safeguards, including the redress of grievances and gender integration, M&E, technical design aspects and implementation plans, and capacity development. The financial management manual is an integral part of the POM and separate discussions took place (see below). The POM should also include linkages to and steps for operationalization of the Environmental and Social Management Framework (ESMF), Resettlement Framework (RPF) and Ethnic Minority Planning Framework (EMPF). The mission confirmed that there is broad agreement on the contents of the POM among the implementing agencies with remaining questions on the government internal decision making procedures and whether it is possible to streamline the current procedures in order to accelerate the procurement process.

20. **Component Implementation Unit staff:** It was requested by the World Bank team that to ensure smooth project implementation and benefit from intensive capacity-building provided to the

staff of the project CIUs, the World Bank should be notified in writing of any changes to the CIUs' staffing.

Financial management (FM)

21. The following items have been discussed with respective finance officers' in-charge of each Component Implementation Unit (CIU) as part of finalization of the Financial Management Manual for the Project: (i) Contract management and monitoring link to the payment process and approval; (ii) Commitment (arrangement to carrying over unpaid contract balance to next financial year); (iii) Travel policies; (iv) Advance management; (v) Cash and bank arrangement; (vi) Existing accounting forms and register in use; (vii) Staffing arrangement to manage FM of the Project.

22. **Component 1:** Existing control and procedures in place in MOC related to contract management and related payments process are robust and will be adopted for the Project: (a) advance payment is made against the bank guarantee; (b) progress payment is made based on (i) the certified progress with recommendation from the Chief Engineer of the State where the construction is located; (ii) certified progress by independent engineer (if the engineering firm was contracted to supervise the project); and recommendation of the project management team at the union level; (c) retention payment can be made against bank guarantee. The use of petty cash is not envisaged by the Budget Director as small operating expenses such as stationery, electricity and traveling etc. will be covered by national budget. Most of payments transactions will be processed through bank accounts. It is noted that the existing controls over bank accounts are adequate and will be adopted for the Project. Most of existing accounting forms and registers were assessed as adequate and some will be further simplified for the Project. There will be two staff from the Finance Section appointed as project accountants, one for preparation and documentation process and the other with MS Excel knowledge will be in-charge of recording and reporting. Both will be under direct supervision of the Finance Director. This arrangement was assessed as adequate.

23. **Component 2:** DRD is currently implementing the National Community Driven Development Project (NCDDP) financed by the Bank. The applicable controls and procedures described in the FM manual under the CDD project will be integrated into the FM manual for DRD's ERC component by incorporating control procedure related to contract management and payments for small work. The existing government procedures related to contract management and payments are similar to MOC whereby the payment will be made at Union level based on certified progress and the recommendation of the supervision engineer at the township level (if any), engineer at the district level and Chief Engineer at the State level where works are carried out. There will be two staff from the Finance Section appointed as project accountants, one for preparation and documentation process and the other for bookkeeping using the existing accounting software being used by NCDDP. This arrangement was assessed as adequate.

24. **Inconsistence in travel allowance rates.** Under the CDD project implemented by DRD the per-diem rate for travel is MMK10,000 per day while for MOC the government rate is only MMK3,000 per day. Per the discussion with the Budget Director of Finance Section, Highway Department, the use of Project's proceeds for travel is not envisaged; and national budget would be used to cover such activities. However, if the Project proceeds will be used to support the eligible travelling activities under the Project, the same rate that is being used by the CDD project could be

applied until a new travel allowance rate is issued by the Government to reasonably reflect the cost of living.

Mission Findings on IDA IRM

25. **Status and Next Steps:** The IDA IRM was requested by the Government of Myanmar on June 3, 2016, in the amount of US\$32 million, which was requested, and approved by the World Bank on June 15, 2016. A withdrawal for US\$22 million is being processed. The MOPF is in the process of contracting UNOPS to provide items in the amount of US\$22 million. The list of items is to be approved by the National Disaster Management Committee. The World Bank is ready to continue supporting the MOPF in the implementation of the IDA IRM, including negotiations with the UNOPS. The Minutes of Contract Negotiations should record all issues discussed and agreed, including the procurement agreed process and expected turnaround time between UNOPS, MOALI and MOPF. After negotiations, the MOPF is to send the negotiated contract and proposal, as well as minutes of negotiations to the World Bank for no objection.

26. **Next Steps and timeline,** as agreed with the MOPF:

- MOPF to seek feedback on UNOPS proposal and agreement from line ministries (30 September)
- Feedback/Revisions (7 October)
- Negotiations with UNOPS (13 October)
- MOPF to request the Bank's no objection to single source selection of UNOPS, together with the draft negotiated contract, SSS justifications, and the signed Minutes of Contract Negotiations. (20 October)
- Cabinet Approval & signed contract (15 November)

Communication to the World bank on the remaining US\$10 million from the approved IDA IRM and US\$15 million from ERC (1 December).

Annex 1. List of People Met and Mission Agenda

1. H.E. U Win Khaing, Union Minister, Ministry of Construction
2. H.E U Maung Maung Win, Deputy Minister, Ministry of Planning and Finance
3. H.E Dr. Tun Win, Deputy Minister, Ministry of Agriculture, Livestock and Irrigation
4. U Kyaw Linn, Permanent Secretary, Ministry of Construction
5. U Khant Zaw, Director General, Department of Rural Development, Ministry of Agriculture, Livestock and Irrigation
6. U Win Pe, Director General, Ministry of Construction
7. Daw Tin Moe Myint, Director, Department of Rural Development, Ministry of Agriculture, Livestock and Irrigation
8. U Myint Oo, Deputy Director General, Department of Rural Development
9. Daw Nyo Nyo Win, Deputy Director General, Department of Rural Development
10. Daw Tin Moe Myint, Director, Department of Rural Development, Ministry of Agriculture, Livestock and Irrigation
11. U Win Pe, Director General, Ministry of Construction
12. U Khin Maung Kyaw, (DDG) U Khin Thet (CE), Ministry of Construction
13. U Hla Tun Oo, Chief Engineer, Project Director, Ministry of Construction
14. Daw Thein Nu, Director, Design Department, MOC
15. Daw Aye Aye Khaing, Director, Finance Department, MOC
16. U Kyaw Swar Aung, Director, Procurement Department, DRD
17. U Soe Soe Oo, Deputy Director, DRD
18. Daw Soe Soe Aye, Deputy Director, DRD
19. U Salai Liang Lwe, Chief Minister, Chin State
20. U Shwe Htu, Minister, Ministry of Transport, chin State
21. U Salai Issac Kin, Minister, Ministry of Development Affairs and Industry, Chin State
22. U Pyone Cho, Secretary, Chin State Government
23. U Hla Tun Oo, Chief Engineer, Road Department, MOC
24. U Khin Zaw, Director, Road Department, Chin State
25. U Kyaw Kaung Cho, Director, Department of Bridge, MOC
26. U Kyaw Myo Htut, Deputy Director, Kalewa, Road Department
27. U Kyaw Swe, Assistant Director, Road Department, Falam District, MOC
28. U Htar Pang, Assistant Director, Road Department, Hakha, MOC

World Bank Technical Mission: July 22-29, 2016					
Date	Time	Meeting Person/ Position	Venue	Participants	Remarks
July 25		Arrival of Mission Members		Dung Anh Hoang, Mustafa Azam, Veronica Joffre, Seida Heng	By flight
July 26	9:00 – 9:30	Meeting with JICA and MOC		Dung, Mustafa, Kay, Veronica and Seida	
	9.30 - 11:00	Meeting with MOC U Hla Tun Oo and Team	MOC	Dung, Mustafa, Veronica, Kay	Discuss Procurement Plan and Operations Manual

	10:00-11:00	Meeting with MOC Daw Aye Aye Khaing		Seida and translator	Discuss FM Manual
	11:15-14:00	Meeting with DRD		Dung, Mustafa, Kay, Veronica and Seida	
	14:30	Leave for Chin by car		Dung, Mustafa and Kay	
July 27 and 28	8.30	Meeting with Director General, Department of Rural Development	DRD	Dung, Mustafa, Kay,	
	9.30	Follow up meeting with DRD team	DRD	Veronica, Seida	Operations Manual and FM Manual
	13.00	Follow up meeting with Daw Nyo Nyo Win, DRD DDG	DRD	Veronica, Seida	Operations Manual and FM Manual
July 27	All day	Kale-Hakha	MOC	Dung, Mustafa, Kay	By car and by air
July 28	All day	Hakha – Kale	MOC	Dung, Mustafa, Kay	By car and by air
July 29	All day	Kale-Yangon	MOC	Dung, Mustafa, Kay	Return

World Bank Technical Mission: Aug 22-Sept 2, 2016					
Date	Time	Meeting Person/Position	Venue	Participants	Remarks
Aug 22 Monday		Team arrival			
Aug 23 Tuesday					
		Meeting with MOC- Courtesy call to Minister	MOC	Abdoulaye Seck, Henrike Brecht, Michael Bonte-Grapentin, Zuzana Stanton-Geddes, Khin Aye Yee	ERC, DRM
		Meeting with MOALI- Courtesy call to Minister	MOALI	Abdoulaye Seck, Henrike Brecht, Michael Bonte-Grapentin, Zuzana Stanton-Geddes, Khin Aye Yee	ERC, DRM
	16.00-17.00	Meeting with MOPF- Courtesy call to Minister	MOPF	Abdoulaye Seck, Henrike Brecht, Michael Bonte-Grapentin, Zuzana Stanton-Geddes, Khin Aye Yee	IRM, ERC, DRM
Aug 24 Wednesday					
	10.00-11.00	Meeting with Transport and Communication- Courtesy call to Minister	MoTC	Michael Bonte-Grapentin, Henrike Brecht, Zuzana Stanton-Geddes, Khin Aye Yee	DRM
	11:30-12:30	Meeting with MOSWRR- Courtesy call to Minister	MOSWRR	Michael Bonte-Grapentin, Henrike Brecht, Zuzana Stanton-Geddes, Khin Aye Yee	DRM
	13.30-15:30	Technical meeting with MOC	MOC	Henrike Brecht, Michael Bonte-Grapentin, Zuzana Stanton-	ERC

				Geddes, Khin Aye Yee; Sirirat Sirijaratwong	
	16.00-17.00	Technical meeting with DRD	DRD	Henrike Brecht, Michael Bonte-Grapentin, Zuzana Stanton-Geddes, Khin Aye Yee, Sirirat Sirijaratwong	ERC
Aug 25 Thursday					
	13.00-14:30	Technical meeting with MOPF- Treasury Department on IRM	MOP F	Henrike Brecht, Michael Bonte-Grapentin, Zuzana Stanton-Geddes, Khin Aye Yee	IRM
	15.00-17.00	Technical meeting with MOC	MOC	Henrike Brecht, Michael Bonte-Grapentin, Zuzana Stanton-Geddes, Khin Aye Yee, Sirirat Sirijaratwong	ERC
	15.00-17.00	Technical meeting with DRD	DRD	Henrike Brecht, Michael Bonte-Grapentin, Zuzana Stanton-Geddes, Khin Aye Yee	ERC
	15.00-17.00	Meeting with JICA	JICA	Michael Bonte-Grapentin	ERC, DRM
Aug 26 Friday					
	11.00-12.00	Wrap up meeting with MOPF, MOC, DRD on ERC	MOP F	Henrike Brecht, Michael Bonte-Grapentin, Zuzana Stanton-Geddes, Khin Aye Yee	ERC, DRM
	15.00-16.00	Meeting with Joseph Fisher		Henrike Brecht, Michael Bonte-Grapentin, Zuzana Stanton-Geddes, Khin Aye Yee	DRM
Aug 27 Saturday		Earthquake assessment in Bagan	Bagan	Michael Bonte-Grapentin, Khin Aye Yee	DRM
August 29 Monday					
	08:30-10:00	Meeting with ADB	WB/ ADB	Michael Bonte, Khin Aye Yee	DRM
	11:00-14:00	Meeting with Safeguards Specialists		Michael Bonte, Juan Martinez, Martin Fodor	ERC
	14:00-15:00	Meeting with JICA	WB/ JICA	Michael Bonte, Juan Martinez, Martin Fodor, Khin Aye Yee	ERC
	15.00-17.00	Meeting with EU	WB/ EU	Michael Bonte, Khin Aye Yee	DRM
Aug 30 Tuesday		Safeguards aspects	MOC	Juan Martinez, Martin Fodor, Thida Aung	ERC
		Yangon-Kale	MOC	Juan Martinez, Martin Fodor, Thida Aung	ERC
Aug 31 Wednesday		Kale-Falam-Hakha-Falam	MOC	Juan Martinez, Martin Fodor, Thida Aung	ERC
Sept 1 Thursday		Falam-Kale- Yangon	MOC	Juan Martinez, Martin Fodor, Thida Aung	ERC
Sept 2 Friday		Debrief on Safeguards to MOC	NPT	Juan Martinez, Martin Fodor, Thida Aung, Khin Aye Yee	ERC
	PM	Training on Safeguards to MOC and DRD	NPT	Juan Martinez, Martin Fodor, Thida Aung, Khin Aye Yee	ERC

Annex 2. Component 1 and Component 2 Implementation Recommendations

Component 1: Resilient Rehabilitation of National Roads (US\$105 million)

1. **Procurement Plan:** It was agreed that the Procurement Plan will be updated and sent to the Bank for prior review, taking into account:

- **Goods:** It was recommended that procurement for packages under this category should commence as soon as possible. MOC can prepare the bidding document for the technical equipment, and update information related to field office furniture and materials. It was agreed that the draft bidding document for these packages will be sent to the Bank for review and comments by end of November 2016;
- **Works:** MOC will update details of the size of each work lots for Stage 1 works which are approximately US\$2 million in size, totaling no more than US\$6 million.
- **Consultancy Services:** (i) As per negotiated Procurement Plan, Individual Consultants (IC) will be hired for various positions and formed as the IST team supporting both CIUs; (ii) In addition to consultants to support the MOC CIU, it was agreed that as part of the IST team, MOC will take the lead in hiring the following positions: International M&E Specialist (IST), and International Specialist for Mid-Term-Review (IST); as well as agreed technical assistance studies.

Component 2: Resilient Rehabilitation of Rural Roads and Livelihoods Support (US\$70 million)

2. **Procurement Plan:** It was agreed that the Procurement Plan will be updated and sent to the Bank for a no objection, taking into account:

- **Goods:** The proposed revision and reallocation of funds have been discussed and will be incorporated into the revised procurement plan for the Bank's no objection. It was recommended that procurement for these packages to commence as soon as possible. DRD can prepare the bidding document based on the revised list of equipment. It was agreed that the draft bidding document for these packages will be sent to the Bank for review and comments by end November 2016;
- **Stage 1 Works:** A concern was raised by DRD with regard to the first proposed package (C2-W1). The proposed works are located in three far-away villages which may cause difficulty to the Contractor to manage, especially with a local small-scale Contractor. DRD will provide revised cost estimates for the three packages in the revised Procurement Plan.
- **Consultancy Services:** (i) As per negotiated Procurement Plan, Individual Consultants (IC) will be hired for various positions and formed as the IST team supporting both CIUs; (ii) in addition to consultants to support the DRD CIU, it was agreed that as part of the IST team, DRD will take the lead in hiring the following positions: (i) International Road and Bridge Advisor (IST); International Procurement Specialist (IST) with a National Procurement Assistant (CIU), (ii) National Social Safeguards and gender Specialist (IST); and National Environmental Safeguards Specialist (IST). The procurement of these positions should start as soon as possible to ensure quick project implementation start.

Annex 3. Environmental and Social Safeguards

Findings of the Safeguards Mission, August 29 to September 3, 2016 Kalay – Falam – Hakha Road Corridor

1. Martin Fodor, Sr. Environmental Specialist, Juan Martinez, Sr. Social Development Specialist, and Thida Aung, Program Assistant, carried out a technical safeguards mission to the proposed Kalay-Falam-Hakha Road (the corridor) in Chin State from August 29 to September 3, 2016. The mission included a site visit along the entire road corridor and meetings with representatives from the MoC, Chin State Government, and local Civil Society Organizations (CSOs). In addition, in Yangon on August 29, the mission met with JICA technical staff. This annex summarizes the key safeguards mission findings.

Key Finding and Overall Recommendation.

2. The safeguards mission found a broad range of environmental and social safeguards issues associated with impacts occurring in the corridor from ongoing road widening and rehabilitation works financed by the Government of Myanmar. The mission recommends to address the following issues under Component 1: (i) **linkage** (association) of the proposed Bank funded road rehabilitation with the recent and concurrent works funded by others; and (ii) **legacy** issues (pre-existing conditions) from recent years' works and their largely unmanaged environmental and social impacts. The situation represents an opportunity to not only deliver on the emergency recovery but also to improve environmental and social sustainability of all interventions in the road corridor, while developing safeguards capacity in MoC.

Detailed Findings and Observations.

3. The mission gleaned the following information from meetings with various stakeholders and field observations.

4. Project Site Information

- **Baseline – context.** The corridor works are proposed along the main Union road connecting the capital of Chin State, Hakha, to the nearest airport in Kalay across the Manipul River through a single lane road dating to 1952. The length of the corridor is about 124 miles; it forms a lifeline to the poor rural communities it connects. The road is situated in difficult morphological and geological conditions of Chin Hills (very steep terrain, unstable slopes on metamorphic and sedimentary rock, landslides). Landslides are common along the road cut. The area, with an altitude of about 2,000 meters, receives very high rainfall during the monsoon. The area is characterized by small, mainly roadside, settlements which live of subsistence agriculture and logging.
- There are three financing sources envisaged to concurrently finance works in the transport corridor: (i) JICA – both through Loan and Grant funding; (ii) MoC and State and District (Township); and (iii) the World Bank ERC.
- MoC and JICA road works started in 2014 (MoC) and 2015 (JICA).

- MoC and State budget are allocated annually and covers three types of activities: (i) routine maintenance (typically equivalent of about USD700 per mile for roadside mowing drain cleaning etc.; (ii) periodic maintenance (e.g. pothole repair) by both the Union and the State, and (iii) emergency maintenance (e.g. addressing landslide consequences).
- Main works funded by JICA and MoC are earthworks, including widening (cutting and disposal of spoil), construction of retention walls in selected areas; construction of drainage (drains, culverts) and surfacing
- Importantly, the works funded by different sources spatially overlap, e.g. JICA funded emergency works are taking place in sections being widened with GoM funding; segment proposed for WB funding is being widened and maintained with GoM funding.

5. **Safeguards issues observed**

- Based direct observations during the field site visits, information provided and feedback from stakeholders, there are environmental and social risks generated from the works underway.
- Based on discussions with relevant stakeholder during the field site visit, State authorities and CSOs have concerns about the adverse impacts from the construction and expect these to be avoided or managed in the World Bank project.
- Social Issues observed during field site visit includes land acquisition that affects farm land mainly agricultural and forest plantations and many roadside households in specific villages. Information, consultation and participation is weak; and requires immediate attention.
- Environmental safeguards issues observed or otherwise identified are broad ranging, pervasive, and relate to timing of extensive earthworks during the monsoon season; dumping of spoil including on farmland, forests and natural vegetation; erosion control and management of bare slopes; protection of stream and water bodies from sedimentation and pollution; traffic safety management; traffic flow management; storage and handling of fuel and lubricants; solid waste management and sanitation in workers camps and shelters; siting of workers camps and shelters vis a vis communities and road; safety signage; siting of crusher plants in residential sites; management of borrow areas; protection of roadside graves; practices potentially unsafe to health and safety of communities in the project area; vegetation clearance management; visual impacts on the landscape; risks to infrastructure in the area of influence (power lines, water supply lines, Manipul River Bridge); financier and contractor supervision on environmental, use of personal protective equipment; influx of skilled labor into the local rural community, and other health and safety (EHS) issues. Management of spoil and earthworks in general is of priority concern.
- From direct observations and discussions with the engineers both at the regional and township level, social and environmental safeguards are generally not in place for the ongoing investments – neither in terms of personnel or funding.
- MoC officials have limited familiarity with the new Government Environmental Impact Assessment Regulations (issued December 2015); additionally, technical capacity and budget for monitoring safeguards are generally not allocated.

Safeguard Implications

6. **Linkage of Bank segment to the GoM and JICA funded works.** Based on the guidance

provided by OP 4.01 on Environmental Assessment⁴, OP 4.12 on Involuntary Resettlement⁵, concepts of linked (ancillary, related, associated) activities, wording of the PDO and choice of PDO indicators⁶, and common sense, the proposed World Bank financed activities constitute part and parcel of the rehabilitation and improvement of the Kalay – Falam – Hakha road corridor that commenced in 2014. Therefore, the World Bank safeguards policies apply to all works taking place in the entire 124 mile corridor as the area of project influence, regardless the source of financing.

7. **Legacy of Environmental and Social Issues in the Corridor.** Based on the Bank guidance⁷, the pre-existing conditions for the Bank component constitute a legacy situation when the Bank engages in a project that is well underway, is asked to support a narrowly defined part of a broader project which has already significantly progressed, and where concerns exist about inadequate **environmental** and social impacts assessment and management. Therefore, the Bank engagement would be predicated on assessing the residual and current impacts, devising a corrective action plan to address them, and agreeing with GoM on its implementation.

8. **Safeguards Capacity Gap.** As identified during project preparation, there is a gap in capacity to handle environmental and social safeguards. It is well acknowledged by all stakeholders, and thus represents both an urgent need and a significant opportunity for improving the environmental and social sustainability of the project and MoC more broadly. An adequate counterpart safeguards team will need to be in place; safeguards capacity development plan that covers all levels of implementation (especially at the MoC and Township levels and supervisory personnel on the ground) implemented; and site specific social and environmental instruments prepared before Bank funded works begin. There is an ESMF for the Project that provides useful guidance on social and environmental aspects, e.g. it includes screening guidance that should be followed during the selection of the proposed Bank funded activities/subprojects to be financed for phase I. It is important to note, however, that even careful application of the ESMF will not lead to identification of complex linkage and legacy issues; continued safeguards specialist support and guidance to the Project team will be necessary to ensure adequate handling of the safeguards aspects of the Project.

Safeguards Action Plan and Next Steps

9. The safeguards mission identified the following next steps:
- (i) consultative and participatory engagement of the stakeholders (of all works) in the corridor to provide adequate information and manage expectations;
 - (ii) procurement of individual safeguards consultants and other capacity building measures (e.g. short trainings) required for adequate handling of phase I works (starting with finalizing draft TORs for consultants);
 - (iii) Stage 1 works are to be shifted from Chin State to Rakhine State to allow for time to address Safeguards risks in Chin State. This will require the preparation of site-specific safeguards instruments with the upcoming dry season (construction season) in mind;

⁴ OP 4.01, footnote 2

⁵ OP 4.12 para 4

⁶ Focusing on recovery of priority areas measured, among other indicators, by length of road rehabilitated – see PAD for full PDO and indicators.

⁷ <http://intresources.worldbank.org/INTSAFEPOL/Resources/LegacyGuidelinesjun09.pdf>

- (iv) procurement of safeguards consultants and articulation and implementation of safeguards capacity development plan for Stage II works, environmental and social audit, and corrective actions for the recent / current works;
- (v) preparation of site-specific safeguards instruments for proposed phase II works; and
- (vi) preparation of environmental and social audit for all recent / current works in the corridor.

