

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: 72460-MM

EMERGENCY PROJECT PAPER

ON A

PROPOSED PRE-ARREARS CLEARANCE GRANT

IN THE AMOUNT OF SDR 52.6 MILLION
(US\$80 MILLION EQUIVALENT)

TO THE

REPUBLIC OF THE UNION OF MYANMAR

FOR A

NATIONAL COMMUNITY DRIVEN DEVELOPMENT PROJECT

OCTOBER 10, 2012

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

CURRENCY EQUIVALENTS

(Exchange Rate Effective August 31, 2012)

Currency Unit = Kyat
MMK 872 = US\$ 1
US\$ 1.52 = SDR 1

FISCAL YEAR

April 1 – March 31

ABBREVIATIONS AND ACRONYMS

ASEAN	Association of Southeast Asian Nations
BP	World Bank Procedure
CDD	Community Driven Development
DRD	Department of Rural Development
DSW	Department of Social Welfare
EMP	Environmental Management Plan
ECOPs	Environment Codes of Practice
ESSAF	Environmental and Social Screening and Assessment Framework
FMM	Financial Management Manual
FY	Fiscal Year
GAC	Governance and Anti-Corruption
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
ISN	Interim Strategy Note
LIFT	Livelihoods and Food Security Trust Fund
MMK	Myanmar Kyat
NGO	Non-Governmental Organization
OAG	Office of the Auditor-General of the Union
OP	World Bank Operational Policy
RAP	Resettlement Action Plan
UNDP	United Nations Development Programme

Vice President:	Pamela Cox
Country Director:	Annette Dixon
Country Manager:	Kanthan Shankar
Sector Director:	John Roome
Sector Manager:	Julia Fraser
Task Team Leaders:	Asmeen Khan/Markus Kostner

The Republic of the Union of Myanmar
National Community Driven Development Project

CONTENTS

	Page
A. Introduction.....	1
B. Emergency Challenge	1
C. World Bank Response: The Project.....	7
D. Appraisal of Project Activities.....	11
E. Implementation Arrangements and Financing Plan.....	17
F. Key Risks and Mitigating Measures	22
G. Terms and Conditions for Project Financing.....	23
Annex 1: Detailed Description of Project Components.....	25
Annex 2: Results Framework and Monitoring.....	34
Annex 3: Summary of Estimated Project Costs.....	37
Annex 4: Operational Risk Assessment Framework	38
Annex 5: Financial Management and Disbursement Arrangements	42
Annex 6: Procurement Arrangements.....	50
Annex 7: Implementation and Monitoring Arrangements.....	54
Annex 8: Project Preparation and Appraisal Team Members	62
Annex 9: Environmental and Social Safeguards Assessment Framework	63
Annex 10: Economic and Financial Analysis.....	72
Annex 11: Documents in the Project File	73
Annex 12: Statement of Loans and Credits	76
Annex 13: Country at a Glance.....	77
Annex 14: Map	79

The Republic of the Union of Myanmar

National Community Driven Development Project

East Asia and Pacific Region

Basic Information							
Country Director: Annette Dixon				Sectors: Rural roads (30%), irrigation and drainage (20%), water supply (20%), general education (15%), health (15%)			
Sector Director/Manager: John Roome/Julia Fraser				Themes: Participation and civic engagement, rural services and infrastructure, social inclusion, gender			
Team Leaders: Asmeen Khan/Markus Kostner				Environmental category: B			
Project ID: P132500				Expected Closing Date: January 31, 2019			
Expected Effectiveness Date: January 31, 2013				Joint IFC: No			
Lending Instrument: Emergency Recovery Grant							
Project Financing Data							
[] Loan [] Credit [X] Grant [] Guarantee [] Other:							
Proposed terms: Standard IDA Grant terms							
Financing Plan (US\$m)							
Source				Total Amount (US\$m)			
Total Project Cost:				86.3			
Cofinancing:							
Borrower:				6.3			
Total Bank Financing:							
IBRD							
IDA				80.0			
New				80.0			
Recommitted							
Client Information							
Recipient: Republic of the Union of Myanmar, Ministry of Finance and Revenue							
Responsible Agency: Department of Rural Development							
Contact Person: U Soe Ko Ko, Director General							
Telephone No.: +95-67-409 026							
Fax No.: +95-67-409 358							
Email: skko.dda@gmail.com							
Estimated Disbursements (Bank FY/US\$m)							
FY	13	14	15	16	17	18	19
Annual	1.7	7.3	14.3	25.0	20.4	11.1	0.2
Cumulative	1.7	9.0	23.3	48.3	69.7	79.8	80.0
Project Development Objective and Description							
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.							

Components		
Component Name	Cost (US\$m)	
Community Block Grants	52.2	
Facilitation and Capacity Development	14.2	
Knowledge and Learning	1.8	
Implementation Support	11.8	
Emergency Contingency Response	0.0	
Safeguard and Exception to Policies		
<u>Safeguard policies triggered:</u>	<u>Yes</u>	<u>No</u>
Environmental Assessment (OP/BP 4.01)	x	
Natural Habitats (OP/BP 4.04)		x
Forests (OP/BP 4.36)		x
Pest Management (OP 4.09)		x
Physical Cultural Resources (OP/BP 4.11)		x
Indigenous Peoples (OP/BP 4.10)	x	
Involuntary Resettlement (OP/BP 4.12)	x	
Safety of Dams (OP/BP 4.37)		x
Projects on International Waterways (OP/BP 7.50)		x
Projects in Disputed Areas (OP/BP 7.60)		x
Does the project require any exceptions from Bank policies? Have these been approved by Bank management?		x
Conditions and Legal Covenants:		
Financing Agreement Reference	Description of Condition/Covenant	Date Due
Schedule 2-Section IV.B.1(b)	Preparation and adoption of a Project Operations Manual in form and substance satisfactory to the Association	Withdrawal condition for component 1
Schedule 2-Section IV.B.1(c)	Declaration of an Eligible Crisis or Emergency, and the Association has agreed with such determination; preparation and disclosure, in form and substance satisfactory to the Association, of all safeguards instruments required and implementation of any actions which are required to be taken under said instruments; establishment of adequate implementation arrangements, satisfactory to the Association; and updating of the Project Operations Manual in accordance with the provisions of Section I.D of Schedule 2	Withdrawal condition for component 5

Schedule 2-Section II.B.4	Appointment of the independent auditors with qualifications, experience and terms of reference satisfactory to the Association	Not later than three months after the Effective Date
Schedule 2-Section II.B.5.	Installation of an accounting and financial management software at the Department of Rural Development, in form and substance satisfactory to the Association	Not later than six months after the Effective Date

A. Introduction

1. **This Project Paper seeks the approval of the Executive Directors** to provide a pre-arrears clearance grant in the amount of SDR52.6 million (US\$80 million equivalent) to the Republic of the Union of Myanmar for a National Community Driven Development Project.

2. **Since President Thein Sein took office in 2011 following the country's first elections in 20 years, Myanmar has embarked on a triple transition:** from an authoritarian military system to democratic governance; from a centrally-directed economy to market-oriented reforms; and from 60 years of conflict to peace in the border areas. If successful, these transitions together present a unique chance for Myanmar's transformation, but in unfolding simultaneously they also pose the risk that setbacks in any one of these realms will affect the others.

3. **Fundamental to the triple transition is a "paradigm shift" to a "people-centered approach," as articulated by President Thein Sein.** This encompasses greater attention to the delivery of services, a greater proportion of government budget to health and education, and a shift from "top-down" to "bottom-up" planning. This shift holds out the promise of change in state-society relations, following a half century of rule by successive military governments. Nowhere will this paradigm shift have a bigger impact than in Myanmar's rural villages which are home to over 70 percent of the country's population. Following decades of neglect and underinvestment, rural villages experience higher levels of poverty, have limited access to quality services and infrastructure, and have had little voice in the development process.

4. **The project will support this paradigm shift and "people-centered" development by enabling poor rural communities to lead the identification of needs and implementation of activities aimed at promoting access to basic services and rural infrastructure.** This will both empower communities and allow the government to deliver visible results of reform at the community level. In addition, the project will engender more constructive relationships between government and communities, and will support rural poverty alleviation, a stated objective of the government's economic reforms. If successful, the project, which will be implemented in 15 of Myanmar's 330 townships, can be scaled up across the country.

B. Emergency Challenge

Country Context

5. **Myanmar is one of the poorest countries in the East Asia and Pacific Region, with an estimated gross domestic product per capita of between US\$500-800.** While reliable poverty data are scarce in Myanmar, all indicators point to poverty being concentrated in rural areas: two rounds of household surveys (in 2005 and 2009) supported by the United Nations Development Programme (UNDP) highlight significant differences in poverty across geographical areas, with rural poverty considerably higher than urban poverty. Available figures also suggest that social indicators are poor, with for example 32 percent of children under five suffering from malnutrition, the highest rate in the region. Agriculture is the mainstay of the national economy, generating 43 percent of gross domestic product, 54 percent of employment and providing livelihoods to more than 70 percent of the population. However, the sector is

characterized by a number of constraints, including limited irrigation, little value added agro-processing capacity, poor policy settings, and widespread indebtedness in rural communities.

6. Lack of access to and the poor state of existing infrastructure are major impediments for the provision of basic health and education services, and for economic development. About 75 percent of the population has no access to electricity, and the consumption of electricity (about 160 kilowatt hours per capita) is one of the lowest in the world – twenty times less than the world average. Furthermore, the existing power infrastructure can meet only about half of current demand, resulting in frequent blackouts and rationing of electricity supply. Only about 12 percent of roads are paved and almost half of all roads are not passable during the monsoon season, one of the lowest figures in the region. Telecommunications and internet access are also very limited, with teledensity at only 7.5 percent and only 1 percent of the population using the internet. Moreover, access to these services is unevenly distributed, with rural areas lagging behind the national average.

7. Decades of underinvestment have taken a toll on public institutions and the civil service, limiting their ability to provide services in rural areas. Health, education, and agricultural extension services all suffer from having been underfunded for decades. As part of the move toward a “people-centered approach,” government has substantially increased spending on health and education, respectively doubling and tripling their nominal allocations in fiscal year 2012. In addition, the FY2012/13 budget provided a significant raise to civil servants, whose salaries – in particular for those at the lower levels of the bureaucracy and in rural areas – had often been insufficient to cover living costs. Partly as a legacy of these limitations, households have had relatively high out-of-pocket costs to access public health and education services – a 2007 survey showed out-of-pocket expenditures accounting for 84 percent of total spending on health. Moreover, a lack of funds to cover the cost of transportation has in many cases confined agricultural extension workers to the areas they can easily reach.

8. Despite recent efforts by government at the union level, corruption remains a problem, both at the local level in people’s daily lives (with ad-hoc fees required for many interactions with government) and at the institutional level, in particular in areas of natural resource management and public investment. Myanmar has a vertically integrated judicial system, with the Supreme Court serving as the country’s highest court, and a number of high courts as original and appellate chambers for each region and state. Corruption is reportedly widespread with payments required to expedite hearings, influence judicial decisions, evade arrest, and improve prison conditions. Inconsistent application of laws due to corruption and other institutional reasons affects not just business and investor confidence, but also ordinary citizens’ perceptions about state effectiveness and legitimacy. Ethnic minorities, including in central Myanmar, are particularly affected by these as they experience greater difficulty in renewing their documents and more scrutiny of their legal status by local officials.

9. Fifty years of military rule led to a top-down structure of governance, which is gradually changing. In the past, instructions emanated from the center and cascaded down to the regions/states, then the district level, followed by the township level. Village tracts, which are the level below the township and on average comprise about five villages, are the lowest

administrative level of government.¹ Traditionally, village tract administrators were appointed by government, with their role articulated under a law dating from 1908 that included extensive powers of security, surveillance, and enforcement. In 2012, however, a new ward and village tract administration law was passed that both changed the role of the village tract administrators and their appointment, to be based on indirect elections.²

10. **While formal government structures and authorities have been predominantly top-down, governance at the local level offers more entry points for accountability,** with a sophisticated set of both formal and informal institutions. While civil servants at the township level are frequently rotated, village tract administrators come from the area where they serve, making them both more approachable and more accountable. Notably, studies have found that the formal village leadership is responsive to the community, in part due to the informal involvement of elders in village governance, creating a system of checks and balances.³ This system is imperfect and impacted by local factors, including ethnic and religious differences, but offers some mechanisms for feedback and accountability at the local level. The interactions between formal and informal village institutions can thus provide a useful basis for engagement on core issues, including service delivery, especially if coupled with new approaches to strengthen the voices of the poor.

11. **Social cohesion remains strong at the local level in Myanmar.** In many ways, the relative isolation of many communities during the era of military rule fostered strong community bonds and traditions of mutual help. This social cohesion has been an essential part of the safety net. For instance, in the wake of Cyclone Nargis, which devastated the southern Ayeyawady Delta in May 2008, local populations were the first responders. Qualitative fieldwork in different parts of Myanmar has shown that people are able to act collectively at the local level and help each other to gain access to services and improve livelihoods.⁴ A wide variety of informal social networks exists that provide a range of support, from financial help for poor families, to education and board for children, to free funeral services, with religious institutions of all faiths as well as ethnic associations playing a critical role in these networks.

12. **Myanmar is one of the most diverse countries in the region.** There are 135 officially recognized languages and ethnic groups, with ethnic minorities making up approximately 30 percent of the population. Myanmar is approximately 85 percent Buddhist, with significant Muslim and Christian minorities, as well as animist communities in remote areas. This diversity creates variation in local norms and power structures, ranging from a system of small principalities in Shan and Kayah States to the tribal systems of the Kachin; although since independence the power of traditional local leaders has been reduced.⁵

¹ There are 7 regions and 7 states and one union territory in Myanmar comprising 330 townships, 13,627 village tracts and 64,308 villages.

² Village tract administrators are elected by the heads of groups of ten households. These elections are being rolled out across the country but have not yet taken place in all areas.

³ World Bank. 2011. What Lies Beneath: An Operational Analysis on Leadership and Institutions at the Local Level in Myanmar.

⁴ World Bank and Livelihoods and Food Security Trust Fund. 2012. Qualitative Social and Economic Monitoring, Round One Report.

⁵ Leach, Edmund. 1954. Political Systems of Highland Burma: A Study of Kachin Social Structure. London: G. Bell & Sons Ltd.

13. **A number of existing community based development projects in Myanmar provide a starting point for how a change from top-down to people-centered development could be realized.** Notably, UNDP began implementing a community-based program in Myanmar in 1994, while more recently the multi-donor Livelihoods and Food Security Trust Fund (LIFT) has financed community based development projects in many of the country's regions and states with implementation by local and international non-governmental organizations (NGOs).⁶ Furthermore, local and international NGOs have been implementing a broad range of community based activities in different parts of the country on a smaller scale. These existing projects have supported the development of local governance structures at the village level, but they have yet to connect up to government at the township and region/state levels.

14. **Vertical, and to some extent inter-group, social capital is less strong, however.** While cohesion is strong at the village and village tract level, at points where the community interacts with the state and other outside actors, trust, communication, and collective action diminish, in part because of a legacy of top-down control of the economy and other spheres of community life, and limited service delivery at the village tract level. In addition, active conflict continues in Kachin State and fragile ceasefires are in place in other areas. Impediments on travel and communication have been frequent in the past, resulting in little connection, and indeed understanding, between different areas of the country. Furthermore, localized instances of communal violence including recently in northern Rakhine State indicate the presence of continuing societal fault lines. Poor state-society relations, along with poverty and poor services could potentially hold back Myanmar's transition unless addressed in a concerted manner.

15. **In conflict-affected areas, efforts are underway in support of the peace process that the government initiated in late 2011.** The government has concluded or renewed ceasefires with many of the non-state armed groups. The Myanmar Peace Support Initiative has been created by development partners under the leadership of Norway to help communities in the conflict-affected areas recover from conflict and build confidence and momentum for peace on the ground. The long-running conflicts have created different dynamics in the conflict-affected areas, requiring a differentiated approach, in particular because additional support will be needed to build trust between communities and the government. Specialized NGOs and community based groups with access to and relationships of trust with the affected communities will play a key role in the implementation process. This model has been tested successfully by Norway in agreement with the government.

16. **In this context, the World Bank is preparing a \$5 million project for funding by the Bank-administered Korean Trust Fund for Economic and Peace-building Transitions.** This project will support the Myanmar Peace Support Initiative by focusing on longer-term support to community recovery and development. It will use the same community driven approach as the project. However, it will use the above-mentioned implementation modality through NGOs and community based groups.

⁶ LIFT is funded by Australia, Denmark, the European Commission, France, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States. It is administered by the United Nations Office for Project Services.

Government Strategy

17. **The shift to a “people-centered” approach, as articulated by President Thein Sein in a speech to senior union and region/state government officials on June 19, 2012, is reflected in the government’s strategy to develop the rural areas, which is one of its four economic objectives.** This approach addresses two particular challenges that underlie Myanmar’s triple transition. First, many rural communities, especially in more remote areas, received little outside assistance during military rule when government development priorities were focused on large infrastructure projects. As a result, poverty rates in these communities are significantly higher. Second, a military government controlled public life for five decades; consequently, there is still limited trust in the state despite the current government’s efforts to break with the past.

18. **Government has moved towards greater decentralization in planning and budgeting.** For instance, the “Framework for Economic and Social Reforms” which government is preparing to guide its reform efforts, is based on, and foresees, more systematic inputs from township, district, and region/state levels to planning and budgeting. Furthermore, the government has instituted an annual transfer of one billion kyats to each of the regions and states for poverty reduction and rural development programs.

19. **However, the modalities of the people-centered development approach have not yet been defined.** The government’s decision to move towards a bottom-up planning model can potentially yield great benefits for Myanmar’s poor rural communities, but will require additional support. Experience from around the globe with community driven development (CDD) models, including those implemented within Myanmar, have shown that communities are best placed to identify needs and constraints to their development, and with appropriate technical support are able to address these. Comparative studies have also shown that this type of project intervention can have statistically significant, positive impacts on household living standards and welfare and shows generally positive results on poverty reduction and access to and use of services.⁷ By providing government with both a new model of development and funding, the project will support the implementation of this policy for the benefit of poor communities in rural Myanmar.

Early Performance

20. **While Myanmar’s transition has only just began, early performance has been promising, with the government having taken significant steps towards social recovery.** The government has embarked on an important process of reconciliation with ethnic minorities, reaching ceasefires with several armed groups and renewing ceasefires that had come under strain. In addition, significant progress has been made on national reconciliation, including through the release from house arrest of Aung San Suu Kyi and the re-registration and entry into politics of her National League for Democracy party. Finally, the government has been welcoming back members of the diaspora, including prominent critics of the government.

⁷ Wong, Susan. 2012. What Have Been the Impacts of World Bank Community-Driven Development Programs? CDD Impact Evaluation Review and Operational and Research Implications. World Bank, Social Development Department.

21. **Similarly, significant reforms have been implemented within a short period of time that put the country on a promising path towards economic recovery.** Although there is no stabilization program formally supported by the International Monetary Fund, the Fund has been closely engaged in providing policy advice on macroeconomic reforms in the context of Article IV consultations. In early 2012, the authorities agreed for the first time to the publication of the staff report on the 2011 Article IV consultations. Far-reaching policy measures have also been undertaken, including discussion of the national budget in parliament, the floating of the Myanmar kyat, and the relaxation of a number of trade restrictions.

22. **Partly as a result of the reform measures undertaken by the government, the macroeconomic situation has remained relatively stable.** The economy is estimated to have grown at 5.5 percent in FY2010/11 and is projected to grow at 6.5 percent in FY2012/13, in part due to improved business confidence following the suspension of sanctions and the economic reform momentum. Inflation has been on a downward trend due to the decrease in commodity prices and a shift from monetization of the fiscal deficit to bond financing; it is forecast at 5.8 percent. The fiscal deficit reached 5.6 percent of GDP in FY2010/11 and is estimated to have increased to 6.2 percent of GDP in FY2011/12. Going forward, revenues are expected to increase significantly as a result of using the managed float exchange rate for public sector exports, including natural gas, and increased production in a major new gas field. The FY2012/13 budget allocated a significant increase in expenditure on health and education, albeit from low levels. With the recent liberalization of car imports and plans to lift exchange restrictions, the current account deficit is projected to increase to about 4.4 percent of GDP. International reserves are expected to remain comfortable at about \$8.4 billion (equivalent to 8 months of imports) in FY2012/13, mainly due to higher expected foreign exchange inflows.

Rationale for World Bank Involvement

23. **Many of the governance reforms taking place in Myanmar support an institutional transformation process, which is a central element of the country's triple transition but will take time.** The World Development Report 2011: Conflict, Security and Development shows that even in the fastest transitions of the past century, institutional transformation in contexts of fragility often took as long as a generation. At the same time, delivering visible results for citizens is critical to creating and sustaining the necessary public confidence for a positive transition. Myanmar is not only one of the poorest countries in the region, but is emerging from a long period of authoritarian rule. In order to build public confidence in the transition, results, in the form of local level services, as well as a more transparent and participatory approach are important. For this reason, and to deliver more immediate benefits to poor rural communities, the government has requested the World Bank's technical and financial support for the design and implementation of a community driven development project in Myanmar. The World Bank has the technical knowledge and experience for supporting such projects in many countries, including in settings of limited institutional capacity.

24. **By taking a bottom-up approach, the project will complement the World Bank's ongoing support for institutional transformation at the union level,** including on public financial management, private and financial sector development, and support for an overall economic reform agenda aimed at promoting inclusive growth and poverty reduction.

25. **The project will allow government to address concretely urgent social and economic development needs at the local level through an explicitly participatory and transparent mechanism.** By empowering communities to determine their own development path and resourcing it, the government will give meaning to its intention to break with past policies and will positively affect the relationship between poor rural communities and local authorities, in turn influencing local views of the union government.⁸ By bringing in new stakeholders in the local development process, such as non-governmental organizations and the World Bank, it will broaden the coalition for change. And by committing to mechanisms to ensure transparency and accountability in the use of funds through third-party monitors, it will enhance the credibility of these signals, committing to their implementation and preventing reversal, including at the local level.

26. **The project will fit well within the government’s evolving development framework and program, supporting as it does key elements of the President’s reform agenda, including rural development, poverty reduction and people-centered development.** By helping the government to put into action the policy changes with regard to bottom-up development that it has promulgated at the union level, and working through local government structures in a way that fosters coordination across government departments, the project will aim to create a foundation upon which the transformation of the institutions and processes of local governance could be built. During project implementation, the World Bank will engage with government as well as non-state actors in a dialogue about the operational lessons emerging from the project and what they might imply for longer-term options and prospects for local governance and decentralization.

27. **In addition, the project design incorporates several design features of community based projects in Myanmar sponsored by the United Nations and NGOs.** The project has been designed so as to complement these activities institutionally (by supporting government institutions), geographically (by engaging in areas not yet covered by similar approaches of other development partners), and sectorally (by focusing on public goods while other large-scale interventions predominantly support livelihoods). The project will also aim to engage other development partners on harmonizing salient features of community participation to achieve consistency in approach regardless of the funding source.

C. World Bank Response: The Project

Brief Description of the World Bank’s Strategy for Emergency Support

28. **The proposed grant will be the first World Bank/IDA financed project support to the Republic of the Union of Myanmar in a quarter-century.**⁹ As a result, the World Bank lacks recent experience with project implementation in the country, and the government is unfamiliar with World Bank operational policies and procedures; both pose a significant risk to

⁸ Research has shown that attitudes toward the central government are determined in large measure by relationships with local agencies; see Thawngmung, Ardeth Maung. *Behind the Teak Curtain: Authoritarians, Agricultural Policies and Political Legitimacy in Rural Burma/Myanmar*. 2004.

⁹ In 2007, the World Bank provided an Avian and Human Influenza Activity trust fund grant to the Food and Agriculture Organization for Myanmar under the Global Program for Avian Influenza Control and Human Pandemic Preparedness and Response. The US\$1.7 million project closed in 2011.

achieving the project objective. With a view to mitigating this risk, the project will build on the design of existing, successful community based development projects implemented by non-governmental organizations and United Nations agencies in Myanmar.

29. **While the design of the project builds on existing community development models, it will work with and through government.** This choice of implementation modality is premised upon the recognition, as articulated in the World Development Report 2011, that the state needs to deliver, and be seen as delivering, benefits of development to the population. Additionally it also offers an opportunity to build capacity within government through the introduction of improved planning, financial management, procurement, and safeguard systems. Considering the significant risks to implementation emanating from this approach, the strategy that the project will pursue is one of continuous learning and adaptation. Communications will play a key role in the process. It is in supporting and reinforcing the government's signals for state-building that the World Bank adds the greatest value.

Project Development Objective

30. **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.** This approach will empower villagers to manage and participate in their own development. The objective will be achieved through: (i) financing community-identified rural infrastructure investments; (ii) strengthening the capacity of communities in partnership with local authorities to effectively identify, plan and implement their development priorities; and (iii) facilitating the participation of the poor and vulnerable, both women and men, throughout the project cycle at the community level.

Summary of Project Components

31. **The project is comprised of five components,** implemented over a period of approximately six years. Each component will include specific activities that seek a gender balance as well as to empower women.

32. **Component 1: Community Block Grants** (US\$52.2 million), to finance three annual cycles of on average US\$27,000 to about 640 village tracts in 15 townships for priority community level infrastructure. The infrastructure to be financed will be based on an open menu (using a negative list) and typically include small feeder roads, foot-paths and bridges, small dykes, drinking water systems, rehabilitation of class rooms and health centers, and small-scale rural electrification. Considering the unfamiliarity of government and communities with the concept of community empowerment, the first annual cycle in each township will contain a positive list of sub-projects that are easier to implement (using standardized designs). Block grants will be allocated through a participatory planning process covering all villages within a village tract. All village tracts in selected townships will be covered for equity purposes. Planning and prioritization of sub-projects will be undertaken by villagers and representative village tract forums.

33. **Component 2: Facilitation and Capacity Development** (US\$14.2 million), to finance technical assistance and institutional support at the union and township levels, including the hiring of community facilitators for the purpose of supporting the implementation of community driven activities under component 1 and a grievance redress mechanism. In this context, it will support capacity development in areas such as participatory processes, project management, gender equality and inclusion, environmental management and social accountability for local committee members as well as government staff at the township, region/state and union levels.

34. **Component 3: Knowledge and Learning** (US\$1.8 million), to support government staff and community and civil society representatives through learning from community based approaches implemented within Myanmar. Other activities will include south-south learning exchanges to expose government counterparts to successful community driven development approaches in ASEAN countries and other regions. There will also be annual multi-stakeholder reviews to share experiences from the previous cycle and discuss ways to improve the project's design and implementation for the next cycle. These reviews will include lessons learned with regard to governance and anti-corruption measures. Moreover, the project will fund an annual "development marketplace" to highlight the most promising innovations in people-centered development in Myanmar with a view to initiating these in the project areas. Finally, a CDD gender network will be established for the project to improve gender equality and women's empowerment.

35. **Component 4: Implementation Support** (US\$11.8 million), to support project management at the union and township levels, including monitoring and evaluation, reporting and communications as well as administration and logistical support for project implementation. Furthermore, this component will include third-party financial and technical audits.

36. **Component 5: Emergency Contingency Response** (US\$0 million), to allow for the rapid reallocation of grant proceeds from other components in order to provide preparedness and rapid response support to disaster, emergency and/or catastrophic events, as needed. The conditions for disbursement under this component are presented in Section G. below. The funds flow and disbursement arrangements will be determined at the time that a contingency response is activated

Geographical Coverage

37. **The project will operate in 15 townships – one in each of the country's 14 regions and states as well as the union territory.** Criteria for the selection of townships are: primarily poverty, with additional criteria being absence of external funding and commitment by regional government to the objectives of the project (as specified in the project operations manual). The project will operate in all regions and states but not in areas affected by conflict. It thereby complements the World Bank's support under the Myanmar Peace Support Initiative (see Section B). As the situation in the conflict-affected areas normalizes and experience from the national community driven development project grows, these areas could in the future also be covered by the national program and its implementation modalities.

Eligibility for Processing under OP/BP 8.00 (Rapid Response to Crises and Emergencies)

38. **The reform-minded government that has been in office since 2011 is under increasing pressure to generate benefits for the people.** The project will support and accelerate the paradigm shift from top-down to people-centered development by translating national reform into action at the local level through direct support to communities, capacity building, and demonstration of its new approach. This in turn will nurture urgently needed trust in the government and potentially contribute to stabilizing Myanmar's state-building transition.

39. **The project will help finance the costs associated with the rehabilitation or construction of community level rural infrastructure.** The support will address the following priorities (as defined in paragraph 4 of OP 8.00): (a) rebuilding and restoring physical assets at the community level; (b) restoring the means of production and economic activities through the revitalization of economic infrastructure and the creation of temporary employment; (c) restoring essential services through the revitalization of social infrastructure; (d) establishing institutional and social capital by building partnerships for project planning and implementation at the community level; and (e) facilitating peace building by demonstrating commitment to reform and change approach at the local level.

Consistency with the World Bank's Interim Strategy Note

40. **The project directly supports the first and second pillars (“transforming institutions” and “building confidence”, respectively) of the Interim Strategy Note for Myanmar.** The first pillar aims at supporting government's efforts to transform institutions to allow them to deliver services for citizens, including through policy advice and capacity building, as well as technical assistance and investment. The second pillar covers activities that support the delivery of tangible results by government to build confidence in the ability of the ongoing reform process to deliver benefits for the population. A community driven development approach is specifically envisaged in the ISN given the success of similar projects elsewhere in providing early tangible results of government commitments. The project will be presented to the Board at the same time as the ISN.

Expected Outcomes

41. **The project seeks to help the government deliver tangible results for the rural population early in the transition process.** It will enable poor rural communities to benefit from improved access to and use of basic rural infrastructure and services through a people-centered approach. The outcomes include improved access to community-prioritized services and infrastructure, and enhanced participation of rural populations, including the poor and vulnerable, in the development process.

42. **Outputs are along the four main components of the project:** (i) community block grants; (ii) capacity development and facilitation; (iii) knowledge and learning; and (iv) implementation support. Some of the main outputs include (for more details see Annex 2: Results Framework):

- Number and type of community infrastructure built (for instance, kilometers of road rehabilitated, number of schools, clean water provision)
- 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
- Grievance redress mechanism established and percent of grievances resolved.

43. **There are three main indicators at the project development objective level**, one to measure improved services and the other two indicators focusing on the people-centered approach. Indicators will be disaggregated by gender, ethnicity, and poverty where feasible.

- 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
- Percent of community members satisfied with the project.

D. Appraisal of Project Activities

Economic and Financial Analysis

44. **Given the demand-driven nature of the project's design, it is not possible to determine beforehand what type of sub-projects will be funded.** Nevertheless, based upon discussions with NGOs working in Myanmar and the initial positive list of activities, it is likely that communities will request small-scale rural infrastructure such as feeder road construction or rehabilitation, bridges, school rehabilitation, health posts and rural electrification. To the best of the World Bank's knowledge, 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 range from an average of 18 to 53 percent. Furthermore, several related studies show the cost effectiveness of CDD projects as compared to equivalent works built through other government service delivery mechanisms.

Technical Aspects

45. **Assuring the technical quality of the community infrastructure constructed or rehabilitated by the project will be critical to its sustainability.** Communities generally lack the technical skills to adequately design sub-projects and/or select contractors of their choice. Consequently, engineers of the Department of Rural Development (DRD), the project's implementing agency, will support the village tract forums by undertaking the technical design for the sub-projects. The union DRD office will develop standard designs that meet government quality standards. The DRD township engineers will adapt these designs to the specific location and requests by the communities. The design process will include the review of potential negative environmental and social impacts and the identification of adequate mitigation measures. Operations and maintenance arrangements will be considered while preparing the sub-projects, including the role of government departments. Furthermore, the NGOs/firms hired at the union and township levels will help to establish systems of quality control and provide general technical oversight. Lastly, an independent NGO or firm will be hired by the union DRD

office to conduct sub-project technical audits of 10 percent of randomly selected village tracts annually.

Institutional Arrangements

46. **The Foreign Aid Management Working Committee will play a crucial role in promoting this people-centered approach to development across government.** It will serve as the project's steering committee and provide general oversight over the project: it will advise the Department of Rural Development, Ministry of Border Affairs, on implementation matters, facilitate the resolution of any policy level or complex operational issues, and support and coordinate the involvement of relevant ministries. It will also approve the selection of the participating townships. At least at the beginning of operations, the steering committee will meet quarterly to discuss DRD's quarterly progress reports.

47. **The Department of Rural Development will be the implementing agency for the project.** DRD will set up a secretariat and appoint a project director within its existing structure to manage the project. This secretariat will comprise current and reassigned DRD staff, as needed. Responsibilities include: overall compliance with the provisions of the project operations manual¹⁰, the procurement of consultancy services for technical assistance and institutional support, communications and outreach, capacity development of all project stakeholders, monitoring and evaluation, and consolidated reporting. The secretariat will also support the steering committee for inter-ministerial coordination related to the project.

48. **DRD has a national mandate, with a presence in each of Myanmar's 14 States and Regions and 330 townships.**¹¹ As part of the government's reform program and paradigm shift the Department of Development Affairs was reorganized as the Department of Rural Development in June 2012 to support a bottom-up approach to improve the socioeconomic conditions of the rural population. All DRD township offices have two units, one for administration and one for engineering. DRD has long-standing expertise across the country in the construction of small local infrastructure, especially rural feeder roads and bridges, the provision of water supply and rural electrification. Since 2012 it is also tasked with supporting livelihoods and microfinance activities as part of the government's national rural development and poverty alleviation program. DRD has experience working with development partners, such as UNDP, the United Nations Children's Fund, the United Nations Human Settlements Programme (HABITAT) and the Japan International Cooperation Agency. The choice of DRD as the implementation agency reflects its track record in local infrastructure development and its strong operational focus and technical knowledge. The project will bring this expertise together with that of organizations that have carried out community development approaches in Myanmar or elsewhere.

¹⁰ The project operations manual will spell out the roles and responsibilities of all actors involved in implementation, including with regard to technical aspects, financial management and procurement, grievance redress, social and environmental safeguards, reporting, and monitoring and evaluation.

¹¹ The former Department of Development Affairs was also responsible for rural development activities in what became the union territory in 2007. With the move of the country's capital to Naypyitaw, the Naypyitaw Development Council took over the functions of the department. The council has the same organizational and staffing structure as DRD.

49. **The implementation of the project will present DRD with new technical and operational challenges.** To address these, DRD will recruit local and/or international NGOs/consulting firms with a previous track record of implementing community-based activities – one at the union level, and different NGOs/firms at the township level. The primary task of the NGOs/firms will be to provide technical assistance, capacity building and institutional support to DRD. They will be embedded in the DRD secretariat at the union level and DRD township offices.

50. **No dedicated project office, technical assistance or institutional support is envisaged at the region/state level.** The existing DRD region/state offices will coordinate with the region/state governments and line ministries with regard to monitoring the performance of the township aid management sub-committees, and supporting these sub-committees as needed to resolve any implementation issues that can be addressed at this level.

51. **DRD will be responsible for project implementation at the township level through its existing offices.** DRD will assign dedicated project and administrative officers for each office. DRD staff will provide continuous technical support to community facilitators and village tract forums. In addition, the offices will be responsible for coordinating with government department and other development partners, as well as monitoring of and reporting on project activities in the townships.

52. **The existing township aid management sub-committees will be the node where the state and community levels interact both administratively and substantively.** These are the extension of the union level Foreign Aid Management Working Committee and bring together a broad range of ministries present at the township level. They are sub-committees of the township planning and implementing committees which are coordinated, but not necessarily chaired by DRD. The township aid management sub-committees will perform the important role of coordinating development and service delivery activities of line ministries with the bottom-up planning undertaken by villagers and village tract forums, and ensuring that the village tract development plans are in line with sector plans and that complementary sector services are provided to support villages. By strengthening the use of these sub-committees, the project will also bolster existing sector coordination. The DRD township offices will serve as the secretariat to the township aid management sub-committees.

53. **At the village tract level, village tract forums will be established.** These forums will comprise elected members and be representative of gender as well as of ethnic and religious groups found in each project location. Based on local institutional analysis in Myanmar, the forums will include the formal village and village tract leaders in an advisory capacity. If there was a functioning project committee already in existence in a village or village tract, it will be adapted as needed to ensure consistency across the project area. Forum elections will be repeated if villagers so requested in response to underperformance. The village tract forums will set up finance sub-committees to manage project funds. The project will place special emphasis on training forum members in all aspects of the project cycle at the community level.

54. **At the village level, villagers will elect members to village implementation committees** that oversee implementation of the sub-projects in the respective village. These in

turn will set up monitoring and procurement sub-committees. Furthermore, villagers will form operations and maintenance committees to maintain the works once completed.

55. **The village tract forums and village implementation committees will represent a significant departure from the past.** In this context, the institutional approach proposed by the project will not just strengthen local bottom-up planning but also contribute to transforming the way the state has viewed its citizens, particularly the poor as actors in development, and the way the people have viewed the state.

Fiduciary Aspects

56. **Poor governance and corruption are key fiduciary risks that need to be addressed up-front through informed project design and enhanced monitoring during implementation.** The Bank has conducted a number of intensive governance and anti-corruption (GAC) reviews in CDD projects, such as in Indonesia and Kenya.¹² UNDP has also recently completed a governance assessment for Myanmar. Key findings include a lack of transparency, top-down accountability, limited voice and weak institutions of accountability. Despite this challenging environment, the current reform process provides an opening to build bottom-up systems of accountability, inclusion and voice. In addition, NGOs are increasingly seeking to collaborate with government to improve social mobilization and voice.

57. **GAC measures are built into the project design to support transparency, voice, accountability, participation and inclusion of previously excluded groups.** The project contains several important elements to mitigate related risks, including participatory village monitoring, annual social audits at the village tract level and establishing a grievance redress mechanism coupled with widespread information disclosure and transparency, including at the community level and in local languages. In addition, the project operations manual will include a sanctions regime to spell out sanctions for villagers, forum members and government officials who misuse funds, engage in corrupt practices or do not abide by the provisions of the block grant agreement (See Annex 7: Implementation and Monitoring Arrangements). This agreement, which will be translated into local languages and be signed by the village tract forum members and the township DRD offices, will include basic provisions on procurement, financial management, environmental and social as well as anti-corruption issues.

Environmental and Social Safeguards

58. **Sub-projects financed under the project will comprise small-scale civil works that could potentially generate local and temporary minor adverse environmental and social impacts.** Consequently, the project triggers OP 4.01 (Environmental Assessment). The potential negative impacts will come from the construction, operation and maintenance of the eligible sub-project activities funded by the project. The size and scale of these activities will be limited by the size of the block grants. The project has, therefore, been assigned environmental category B. As the project has been prepared under OP 8.00, an Environmental and Social Screening and Assessment Framework (ESSAF) has been adopted by DRD and disclosed both in-country and the World Bank's Infoshop on October 15, 2012.

¹² See, for example, World Bank. 2012a. How-To Notes: Dealing with Governance and Fiduciary Issues in CDD Projects in Fragile and Conflict-Affected States.

59. **The environmental safeguards instruments are two Environmental Codes of Practice (ECoP).** For those sub-project activities that are eligible for financing in year 1, only ECoP no. 1 will be used to mitigate the potential impacts of these sub-projects. Use of a positive list during the first year will ensure that potential physical impacts are avoided altogether, or where they occur remain small and local. It will also provide opportunities for government staff and community members to become familiar with the World Bank's safeguards policy requirements. For those activities eligible for financing in year 2 and beyond, the environmental screening will determine whether the two ECoPs suffice to mitigate potential impacts. If not, a simple Environmental Management Plan (EMP) will be prepared.

60. **Myanmar is one of the most ethnically diverse countries in the region.** There are 135 distinct ethnic minorities officially recognized. It is, therefore, expected that ethnic minority communities are present in areas where the project will be implemented. The project, thus, triggers OP 4.10 (Indigenous Peoples). The project will employ various measures to ensure that they participate in and receive benefits from the project. Participatory social assessments will be conducted in all project villages. With the support of community facilitators, screening and free, prior and informed consultations will be undertaken with villagers, including ethnic minorities, leading to broad community support. Other measures to mitigate the risk that ethnic minorities are not able to fully participate in project implementation and receive project benefits will include: the recruitment of village volunteers elected from among ethnic groups who assist the community facilitator throughout project implementation; the involvement of ethnic minorities in the decision-making process in the village tract forums; the participation of ethnic minority representatives in village implementation committees and monitoring sub-committees; and the use of local languages in the dissemination of project related information.

61. **Sub-projects will finance the rehabilitation of existing, or the construction of new, small-scale rural infrastructure, and are unlikely to require acquisition of private land or loss of private assets.** No major impact beyond the loss of small numbers of trees, fences or other non-residential structures or the acquisition of small strips of private land is anticipated. However, since sub-projects will be developed on a demand driven basis, minor land acquisition or loss of assets cannot be fully ruled out. For this reason, OP 4.12 (Involuntary Resettlement) is triggered. If any land acquisition or asset loss is found to be unavoidable, measures to mitigate such impacts will be developed and implemented. It is expected that almost all impacts be addressed through voluntary donations by the affected people. A clear protocol will be established for voluntary donations and strong monitoring and approval mechanisms will be put in place to ensure that asset donations are indeed voluntary and that no negative impact on livelihood will ensue.

62. **Where land or non-land assets are affected by a sub-project and compensation needs to be paid, an abbreviated Resettlement Action Plan (RAP) will be developed** as per the policies and procedures laid out in the ESSAF. A full RAP will be developed in the event that a sub-project displaces more than 200 people either economically or physically. No sub-project that involves loss of private assets will be implemented until and unless payment of compensation at replacement cost to affected people or their informed consent to asset donation, as applicable, has been confirmed. Proceeds from the World Bank grant cannot be used to pay for land acquisition or compensation for this purpose.

63. **Main elements of the ESSAF are included in Annex 9 and will be part of the project operations manual.** The framework includes information relating to: the establishment of the village implementation committees and village tract forums; the negative and positive lists of sub-projects; the selection, design and evaluation of sub-projects; the approaches to mitigate potential negative environmental and social impacts; grievance redress to address social issues related to sub-project selection and implementation; consultation and disclosure; and implementation arrangements for supervision, monitoring and evaluation. The framework as well as other social aspects related to the project will be integrated in the capacity building activities at the local and union levels.

Other Social Aspects

64. **The project will contain two particular social accountability measures: social audits and a grievance redress mechanism.** The social audits will be held in the form of public meetings facilitated by the NGOs supporting the DRD township offices in all village tracts at the end of each annual cycle. The results of the social audits will feed into the annual multi-stakeholder reviews. Second, a grievance redress mechanism will be established. This mechanism will handle any grievance arising from the project, including regarding labor practices. The design of the grievance redress mechanism will be included in the project operations manual. It will specify the systems and requirements (including staffing) for the grievance redress “value chain”, from uptake, sorting and processing and acknowledgement and follow-up, to verification and action, monitoring and evaluation, and finally feedback. The NGO at the union level will help to develop and implement the project’s grievance redress mechanism, train DRD staff and community members involved in implementation, and continuously sensitize the public in the participating townships – with a view to building DRD capacity so that it can take over responsibility for managing the mechanism over a 2-3 year period.

65. **In order to ensure women’s participation in the decision making, implementation and monitoring of the project, each village will elect one female and one male representative to the village tract forum.** The project further aims to empower women by: organizing separate village consultations with women and men on their respective needs and priorities; allocating at least one sub-project per village tract annually to directly respond to women’s priorities; and ensuring that women working on sub-projects receive equal pay for equal work. Project-related reporting will track progress on women’s participation in decision making, implementation and monitoring, as well as the impact of the sub-projects on enhancing gender equality in agency, resources and voice.

Lessons Learned

66. **The design builds on the World Bank’s extensive experience with community driven development projects in situations of fragility and conflict, as well as emergency operations.** Specific emphasis is placed on keeping the design flexible and reasonably simple. Whilst various design features (such as livelihood support, community based cash transfers or community based natural resource management) have shown promising results elsewhere, they have proven to be complex to implement and will, thus, not be tested. Considering the fragility of the transition process, the development objective is devised to be achievable and easily measurable whilst not losing sight of the broader contribution to societal transformation that the project aspires to

achieve. Furthermore, the project contains a strong system for monitoring and evaluation that will nonetheless be sufficiently light in implementation.

67. **Among the many other lessons integrated into the project's design are the following.** These are drawn also from the experience of other development partners in Myanmar as well as qualitative social and institutional analysis in Myanmar over the past four years.

- The adaptation of project design and implementation modalities to context, with special emphasis on continuous learning and adaptation.
- The critical role that community facilitation and capacity development play for project implementation.
- A timeframe of six years to reflect the need to invest in capacity development at the outset, and scale up operations over time as experience grows.
- Explicit attention to operations and maintenance of the funded community infrastructure.
- The involvement of relevant line ministries in the project cycle to enhance government ownership and institutional sustainability, including for operations and maintenance.
- The inclusion of a grievance redress mechanism that will also monitor labor practices under the project.
- An understanding of the roles and responsibilities of formal and informal village leaders, and how these impact the effectiveness of local structures.
- The need to create “negotiated space” where those previously excluded from participating in village decision-making such as women and minorities can participate
- The importance of transparency and communication at the local and union levels, including a variety of social accountability measures.
- A focus on gender equality to make sure that women contribute to and benefit from local decisions as much as men do.
- A reasonably pragmatic approach to managing fiduciary, governance and safeguards risks without risking undue implementation delays.

68. The project does not involve any exceptions to Bank policies.

E. Implementation Arrangements and Financing Plan

69. **DRD will be responsible for overall project management, including coordination and monitoring of and reporting on project activities.** It will contract local and/or international NGOs/firms with a previous track record of implementing community based activities for technical assistance and institutional support at the union and township levels – one NGO/firm at the union level and one NGO/firm in each township. In each participating township the DRD office will provide oversight and provide technical support throughout the project cycle through its existing staff. Any staffing gaps will be filled by reassignments from other township offices or the union DRD office.

70. **The project will make use of the existing township aid management sub-committees.** These committees include line ministry representatives (health, education, agriculture, planning, etc.) and will oversee implementation in the township and coordinate project activities with line ministry programs. Furthermore, the first development plan of each village tract will be endorsed

through a meeting of the township aid management sub-committee; annual revisions will require endorsement only in cases of significant deviations from previous plans.

71. **Village tract forums and village implementation committees will be responsible for the community planning process and sub-project cycle at the village tract and village levels, respectively.** Facilitation is a critical element of community driven development. The NGOs at the township level will recruit community facilitators, with each responsible for about two tracts. Assisted by these facilitators, the village tract forums will be responsible for the preparation and annual revision of tract development plans and the approval and implementation of the sub-projects, including accounting for the funds received. DRD engineers will prepare the sub-projects in consultation with the village implementation committees, the community facilitators and the village volunteers. The village monitoring sub-committees will report on progress, and authorize payments.

72. **The project cost will be US\$86.3 million,** financed from two sources: government and an IDA pre-arrears clearance grant (see Table 1).

Table 1: Summary Project Costs and Financing Plan (US\$ million)

Components	Government 1/	IDA	Total
Component 1: Community Block Grants	0.0	52.2	52.2
Component 2: Facilitation and Capacity Development	0.0	14.2	14.2
Component 3: Knowledge and Learning	0.0	1.8	1.8
Component 4: Implementation Support	6.3	11.8	18.1
Component 5: Emergency Contingency Response	0.0	0.0	0.0
Grand Total	6.3	80.0	86.3

1/ The government's contribution is in the form of staff salaries, office space and utilities at the union and township levels.

73. **Retroactive financing for payments made on or after October 1, 2012 but before the signing date of the financing agreement in the amount of up to US\$8 million will be allowed for eligible expenditures,** in accordance with paragraph 7(d) of OP 8.00. The following activities will be covered by retroactive financing: recruitment of international procurement and financial management specialists, recruitment of the NGO/firm for institutional support at the union level, recruitment of the NGOs/firms for institutional support for the first batch of participating townships, recruitment of an NGO/firm to support the CDD gender network, the purchase of office equipment and furniture as well as of cars and motorcycles for the DRD union secretariat and first year townships, the printing of the project operations manual, and the first annual cycle of block grants in the initial townships¹³. This arrangement will enable DRD to initiate early implementation activities quickly, in particular regarding upfront capacity development at the union, township and community levels. DRD will apply simplified procurement and financial management regulations that are consistent with the World Bank's fiduciary policies and procedures, to ensure that all expenditures made by DRD under retroactive financing are eligible.

¹³ The government's adoption of a satisfactory project operations manual will also be a condition for disbursement for any retroactive financing under component 1 (Community Block Grants).

Financial Management

74. **The overall financial management risk is assessed to be “high”.** The main risks that need to be addressed include: (1) inadequate documentation of policies and procedures (although the systems of internal control within DRD are quite strong); (2) inexperience with managing and implementing donor funded projects; and (3) low capacity particularly at the community level. These risks will be mitigated by:

- a. having in place an acceptable financial management manual for the union and township levels integrated into an acceptable project operating manual for the implementation of the Project and the block grants, including a simple financial management guide for the village tract forum members;
- b. having in place specific transparency and accountability measures (such as public disclosure of the project’s audited financial statements), a grievance redress mechanism, and community disclosure and awareness processes (including regular disclosure of financial information on sub-projects through the village tract forums) along with a defined sanctions protocol should any non-compliance with policies and procedures or misuse of funds be detected;
- c. having additional qualified financial management consultant(s) to complement the existing DRD staff and assist with implementation and building capacity; and
- d. having the project financial statements subject to an independent external audit annually, including the audit of a risk-based sample of sub-projects. The application of the World Bank’s access to information policy and procedures for the public release of information and audit findings has been agreed with the government.

75. **The financial management arrangements will be deemed acceptable** and meet the requirements of OP/BP 10.02 (Financial Management) when the proposed mitigation measures have been implemented (see Annex 5: Financial Management and Disbursement Arrangements).

Disbursement

76. **DRD will open two (2) segregated Designated Accounts at the Central Bank of Myanmar.** One account (DA-A) will be used exclusively for component 1 of the project (community block grants) whilst funds for components 2-4 will be held in the second account (DA-B). DA-A and DA-B will be denominated in Myanmar Kyat (MMK), as the expenditures for the project will be incurred primarily in local currency. Furthermore, DRD will open an account at each township, to facilitate the transfer of funds/payments to DRD at the township level, to cover the costs associated with supervising the project (travel costs, etc.). The procedures and internal controls governing the transfers to these township accounts will be specified in the project operations manual (and include provisions governing how the amounts to be transferred will be calculated, reconciliation requirements/forms, etc.). Funds for component 1, will be transferred from DA-A to bank accounts, opened in the name of the village tract forums, held at commercial banks (one bank account for each village tract forum).

77. **The primary disbursement method will be Advances and Direct Payments.** DA-A and DA-B will have variable ceilings based on a six-monthly forecast of expenditures. Supporting documentation required for documenting eligible expenditures paid from the Designated Accounts are Summary Sheets with Records and Statement of Expenditures (with a customized Statement of Expenditure to be used for component 1). The frequency for documenting expenditures paid from the Designated Accounts will be quarterly. Direct Payments will primarily be used for foreign currency denominated payments, and be documented by Records.

78. **Eligible expenditures under component 1 will be the use of the grant proceeds for goods, works and services required to build or related to the community level infrastructure sub-projects.** These expenditures will need to be incurred prior to the Closing Date. Disbursement under component 1 can only be made once the government has adopted a satisfactory project operations manual. The expenditures under component 1 will be recorded by the World Bank as being “eligible” at the time of the transfer of the funds into the bank accounts of the village tract forums with the oversight of the use of those funds (incurrence of eligible expenditures) to be included in the project operations manual.

Procurement

79. **Procurement for the project will be carried out in accordance with** the World Bank’s “Guidelines: Procurement under IBRD Loans and IDA Credits” dated January 2011; “Guidelines: Selection and Employment of Consultants by IDA Borrowers” dated January 2011; and the provisions stipulated in the Financing Agreement.

80. **At the union level, DRD will be responsible** for selecting NGOs and/or consultant firms for institutional support and technical assistance, as well for procuring office equipment, vehicles, furniture, etc. For each contract to be procured at the union level and financed under the project, the different procurement methods, estimated costs, prior review requirements, and timeframe will be defined in a procurement plan. The plan will be updated annually, or as required, to reflect actual project implementation needs and improvements of the institutional capacity. At the village level, procurement activities will be carried out by the procurement sub-committees with the assistance of the DRD township engineers and NGOs/firms. The sub-committees will follow simplified methods involving procedures that will be detailed in the project operations manual.

81. **Based on a procurement capacity assessment undertaken in preparation of the project, the overall procurement risk is considered “high”** due to the lack of a legal framework for public procurement and limited experience and capacity of the implementation agency. More detailed information is presented in Annex 6: Procurement Arrangements.

Monitoring and Evaluation

82. **At the village level, monitoring sub-committees will be elected to oversee progress under the sub-projects.** These sub-committees will check on procurement, finances, and sub-project implementation and report back to the entire village at periodic open village meetings.

These meetings will enhance the transparency of project implementation and the accountability of the sub-committees.

83. The township level will be responsible for the regular monitoring of project activities against set work plans and schedules. Each month, the DRD township offices and NGOs/firms supporting them will provide progress reports describing project cycle activities at the tract and village levels, training, results achieved, financial disbursements, and plans for the next period.

84. At the union level, DRD will make regular monitoring and supervision visits to project locations. The DRD team at the union level will be responsible for reviewing township monthly reports, resolving management and implementation issues as they arise, and providing a learning feedback loop with the townships. The union DRD office will provide quarterly reports to the steering committee and the World Bank.

85. The project will support an impact evaluation, with treatment and control areas, during the life of the project. Due to the accelerated implementation timetable for year 1, conducting a baseline survey was not deemed feasible for 2012-13. In the future, the World Bank plans to work with the government on a national socio-economic survey through separate financing. If this happened, the project's impact evaluation could piggy-back on that survey, or conduct a separate survey with baseline in year 2 or 3 and endline in year 6.

86. Several special studies will be undertaken to enhance the understanding of key aspects of the project. These include:

- Qualitative monitoring and beneficiary assessments. Building upon the work under the Qualitative Social and Economic Monitoring undertaken by the World Bank in partnership with LIFT, the qualitative studies will focus primarily upon societal dynamics and ethnic groups, women, and the most vulnerable.
- Technical studies to examine the technical quality of the project's main infrastructure types; operations, maintenance and sustainability; and safeguards compliance.

Arrangements for Implementation Support

87. Experience from the implementation of community driven development programs indicates the need for intensive implementation support. This need is amplified in the context of Myanmar given that it is the first project for the government since the last operation closed in 1993. The World Bank will undertake close implementation support, especially during the early years of project implementation. It will also engage development partners with regard to possible co-financing of the project, including technical support to DRD and joint implementation support.

Implementation Schedule

88. A phased approach to implementation is a central element of the project's risk mitigation strategy. Cognizant of the country's limited capacities and hence the need to invest in capacity development upfront, as well as of the novelty of this type of approach to development and the time it takes to build confidence, the project will be implemented over a

period of six years. The estimated closing date is January 31, 2019. Implementation will be launched in up to three townships in the first year of operation and be expanded to the remaining townships in the second and third year. Consequently, disbursements will start slowly and peak after several years when all 15 townships are operational.

F. Key Risks and Mitigating Measures

89. **The risk related to the project's implementation is considered 'high'.** As the ISN indicates, the scale and pace of Myanmar's transition pose a unique set of risks that have been recognized in the project's design. The ISN identifies five key country-level risks that are equally relevant to the project: the continued fragility of reforms; the risk of continued conflict in Kachin State and a resumption of conflict in ceasefire areas; the uncertain operating environment; the risk of rising expectations leading to popular frustration and disillusionment; and the risk of government overreach in the reform agenda in the context of limited capacity, leading to a sub-optimal reform program or economic mismanagement.

90. **There are also unique project-specific risks as further elaborated in Annex 4** (Operational Risk Assessment Framework). These include in particular the lack of government familiarity with World Bank policies and procedures, and the lack of World Bank familiarity with government systems; the weak fiduciary environment and capacity limitations, especially at lower levels of government; distrust by the population in government-led investment projects; and a history of top-down development antithetical to the concepts of participation and accountability.

91. **Key mitigation measures for the project include the following:**

- Extensive institutional support to DRD through technical assistance and frequent World Bank implementation support.
- Close involvement of the entire spectrum of World Bank units involved in the project cycle, and continuous engagement with and learning from other ongoing World Bank community driven development operations.
- Particular attention to governance, safeguards, and fiduciary principles at both the union and local levels of implementation, encouraging citizen participation wherever feasible.
- Continuous communications about the project and progress in implementation to raise awareness and engage stakeholders in a dialogue about people-centered development in Myanmar.
- Intensive investment in capacity development at the union and community levels prior to disbursing block grants, based on a comprehensive yet adequately simple project operations manual.

G. Terms and Conditions for Project Financing

Legal Basis for Assistance to a Member in Arrears

92. **This project is proposed in the context of IDA’s framework for pre-arrears clearance grants that has been in place since the twelfth IDA replenishment¹⁴ as revised under the fifteenth IDA replenishment¹⁵.** The five conditions constituting this framework require that: (i) the proposed grant has been designed in accordance with OP 2.30, “Development Cooperation and Conflict” (January 2001); (ii) early performance is promising as evidenced by the recipient country having taken convincing steps towards social and economic recovery; (iii) arrears to IBRD and/or IDA are large and protracted, and cannot be easily or quickly cleared using domestic resources; (iv) a concerted international effort to provide positive financial flows and other assistance is underway, and other creditors have agreed not to make net withdrawals of financial resources from the country; and (v) alternative sources of financing for post-conflict recovery are inadequate or available only on inappropriate terms.¹⁶

93. **IDA15 revised the conditions so that:** (a) IDA will be able to provide additional pre-arrears clearance grants to countries where arrears clearance is delayed for reasons unrelated to a country’s track record; (b) condition (iv) of the pre-arrears clearance grant framework should be implemented flexibly, taking account of specific country circumstances while fully protecting preferred creditor status of IBRD and IDA and full *pari passu* treatment with other multilateral institutions; and (c) re-engaging countries eligible for exceptional support for arrears clearance could also be eligible for pre-arrears clearance grants. This revision explicitly extended eligibility to Myanmar, Togo and Zimbabwe.

94. **Myanmar meets the conditions for pre-arrears clearance grants.**

- a. Regarding condition (i), the objectives, terms and conditions of the proposed grant are consistent with OP 2.30.
- b. Regarding condition (ii), as outlined in Section B above, the government has undertaken far-reaching reforms that have already resulted in progress towards social reconciliation and improved economic performance.
- c. Regarding condition (iii), Myanmar has been in arrears to IDA since 1998, and as at August 31, 2012, these amounted to US\$406.5 million, equivalent to 11.7 percent of total revenues excluding grants. Myanmar would not be able to clear its arrears to IDA out of its domestic resources without risking macroeconomic instability because the country needs significant international reserves to ensure exchange rate stability under the newly introduced exchange rate regime. Further, the country’s foreign exchange needs for clearing arrears with all creditors are huge, estimated at US\$10.6 billion.

¹⁴ The framework was first detailed in paragraphs 24 and 25 of the Memorandum and Recommendation of the President for the first IDA pre-arrears clearance grant to the Democratic Republic of Congo for an Emergency Early Recovery Project, IDA Report No: P 7469 ZR.

¹⁵ International Development Association, “Further Elaboration of a Systemic Approach to Arrears Clearance”, Resource Mobilization Department, June 2007.

¹⁶ IDA Report No: P 7469 ZR, paragraph 25.

- d. Regarding condition (iv), a concerted international effort to provide positive financial flows and other assistance is underway and other creditors have agreed not to make net withdrawals of financial resources from the country. In this context, the World Bank is coordinating closely with the Asian Development Bank on clearing arrears in keeping with the *pari passu* principle of treatment for multilateral debt. Furthermore, the World Bank has been participating in Paris Club meetings on Myanmar.
- e. Finally, regarding condition (v), various development partners are reviewing their aid programs to Myanmar, and will likely increase them. However, as in the past, bilateral and multilateral development assistance is likely to continue to bypass the government (at various levels) at least in the short- to medium-term. Consequently, alternative sources of funding are not adequate to support the government in demonstrating its commitment to the paradigm shift to people-centered development, as this project does.

95. **There are no conditions of effectiveness attached to this project.** The approval of an acceptable project operations manual is a condition for disbursement under component 1 (community block grants). No disbursements can take place under component 5 unless the government has: (i) declared that an eligible crisis or emergency has occurred, and the World Bank has agreed with such determination; (ii) prepared and disclosed all safeguards instruments required for activities under component 5 of the project, if any, and the government has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.E of Schedule 2 of the Financing Agreement; (iii) established adequate implementation arrangements, satisfactory to the World Bank, including staff and resources for the purposes of said activities; and (iv) has updated the project operations manual in accordance with the provisions of Section I.D of Schedule 2 of the Financing Agreement so as to be appropriate for the inclusion and implementation of activities under component 5 of the project.

Annex 1: Detailed Description of Project Components

MYANMAR: National Community Driven Development Project

Project Development Objective

1. **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.** This approach will empower villagers to manage and participate in their own development. This objective will be achieved through: (i) financing community-identified rural infrastructure investments; (ii) strengthening the capacity of communities in partnership with local authorities to effectively identify, plan and implement their development priorities; and (iii) facilitating the participation of the poor and vulnerable, both women and men, throughout the project cycle at the community level.

Project Description

2. **The project comprises of five components**, as elaborated below. Each component will include specific activities that seek a gender balance as well as to empower women.

Component 1: Community Block Grants (US\$52.2 million)

3. **The project will finance three annual block grants of on average US\$27,000 each to about 640 village tracts for priority community level infrastructure.** Judging from community based projects supported by other development partners, this amount will suffice to finance two to five village sub-projects per tract per year. This number of sub-projects and the duration of support of three years in each tract are expected to build community capacity and greater transparency and accountability on the use of development funds.

Selection of project locations

4. **The village tract is the level at which the project will be operational.** There are on average five villages in a village tract, and an average of about 43 tracts in a township. The average village tract and village size is around 4,000 and 800 individuals, respectively. Operating at the village tract level will, thus, allow for economies of scale while at the same time implementing the project as closely to the grassroots as is practical. All village tracts in the selected townships will be covered for equity purposes.

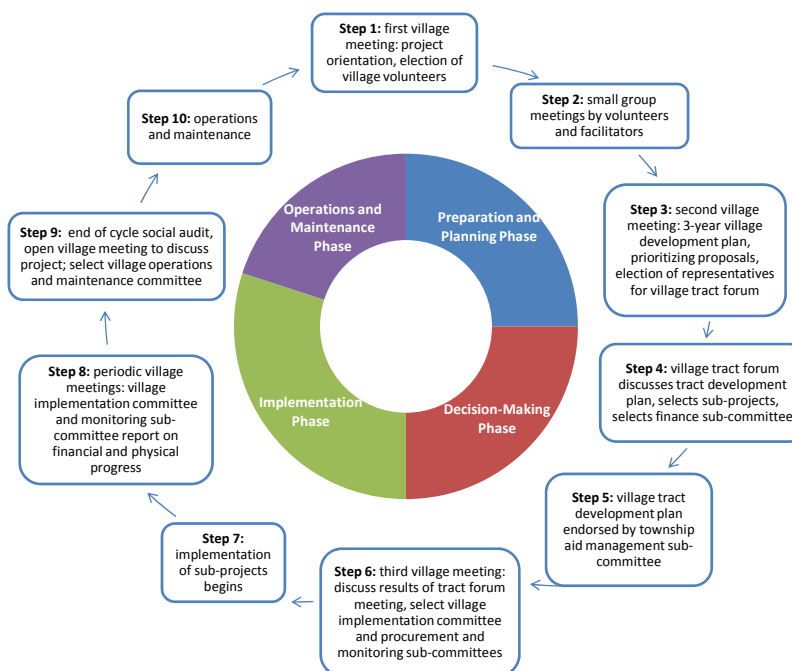
5. **The project will operate in 15 townships** representing about 5 percent of the country's 330 townships. Criteria for the selection of townships include: primarily poverty (as measured by UNDP's poverty analysis and other available sources), with additional criteria being absence of external funding (in particular regarding coverage of an entire township supporting similar activities as opposed to funding individual activities in a number of village tracts) and commitment by regional government to the objectives of the project, as further specified in the project operations manual. The government will select the townships as follows: a first prioritization by region/state governments, followed by confirmation at the union level by the Ministry of National Planning and Economic Development and the Ministry of Border Affairs,

prior to approval by the steering committee. The list of selected townships will be sent to the World Bank for no-objection. The selection criteria and process will be further elaborated in the project's operations manual.

Planning cycle

6. **The project cycle at the community level has four phases:** (1) preparation and planning; (2) decision-making; (3) implementation; and (4) operations and maintenance (see Chart A1.1).

Chart A1.1: Project Cycle at the Community Level



7. **The cycle for developing the village tract development plans will contain four steps:**

- First, community facilitator supported by village volunteers will use a range of participatory methods to help villagers to identify their priority needs, the priority interventions to meet these needs (captured in a village development plan), and the priority groups that will benefit from these interventions, including the poor and marginalized groups.
- Second, the village tract forum will review the respective village development plans and prioritize the interventions against the needs of the tract and the available funding envelope in a 3-year village tract development plan. This plan will also lay out how the various population groups in the tract will benefit from the priority sub-projects, as well as operations and maintenance considerations of the sub-projects. In this regard, the village tract development plans will include at least one sub-project per year to directly respond to the priority needs expressed by women.

- Third, the township aid management sub-committee will review the village tract development plans against existing sector plans and other known assistance to the township and endorse the first development plan of each village tract.
- Fourth, the village tract forum will report back to the villagers. Should there be a complaint with regard to the priorities presented in a village tract development plan, the village tract forum will be required to re-assess the priorities and submit a revised plan to the township level for endorsement, as warranted.

8. **The community facilitators and village volunteers will assist the villagers and village tract forums in the preparation of their plans.** They will also ensure that separate consultations are held with women and men in the villages so as to identify their respective needs and priorities. They will in turn be assisted by the DRD township offices and the NGOs/firms supporting them. As secretariat to the township aid management sub-committee, the DRD office will facilitate the deliberations of this sub-committee.

9. **The village and village tract development plans will be updated annually in advance of the next allocation cycle.** The villagers and village tract forums will re-evaluate their needs and adjust the priority interventions as necessary. The township aid management sub-committee will endorse significant deviations from a previous tract development plan (as detailed in the project operations manual) but will otherwise receive the updated plans for information only. In case of any complaint about the updated village tract development plan, the village tract forum will be required to re-assess the priorities and submit a revised plan.

10. **Disbursements to the bank account of a village tract forum will only take place:** (1) once the training of the forum members has been undertaken, (2) the township aid management sub-committee has endorsed (or received, as applicable) the village tract development plan, (3) there are no complaints about the priorities presented in this plan, and (4) the village tract forum members have signed a block grant agreement with the DRD township office.

Village sub-project implementation

11. **The village monitoring sub-committees will supervise the implementation of the sub-projects and authorize payments to the contractors and laborers.** The village procurement sub-committee will be responsible for the procurement of goods, works and services, assisted by the DRD engineer. However, financial management and contracting will be undertaken by the village tract finance sub-committee. The DRD engineers at the township level will also be responsible for the technical design of the sub-projects.

12. **Sub-projects may cover more than one village within a tract.** A village tract forum may select a sub-project from within its annual allocation that will directly benefit more than one of its villages. In this case, the DRD engineer will prepare the sub-project in consultation with the forum members, community facilitator and village volunteers. The village tract forum will review and approve the sub-project. The monitoring sub-committees of the benefiting villages will jointly supervise the implementation of the sub-project and authorize payments to the contractors and laborers.

13. **Sub-projects may also cover more than one village tract within a township.** Sub-projects benefiting more than one tract will also be prepared the DRD engineer but approved by the township aid management sub-committee and supervised by the monitoring sub-committees of the benefiting villages. The tract forums will agree the apportionment of the sub-project cost between their annual tract allocations. In case of a dispute, the township aid management sub-committee will support the tract committees in reaching a mutually agreeable solution. The community facilitators and village volunteers of all tracts and villages involved will assist in preparing and supervising the sub-project.

14. **There will be no community counterpart contribution in cash or in kind required for any of the sub-projects.** Labor services rendered by community members will be remunerated based on the going village wage rate for day labor. The rates will be reviewed on a regular basis by the township DRD office.

Sub-project eligibility

15. **During the first year of operation in each township only a ‘positive list’ of sub-projects will be eligible.** It is recognized that capacities especially at the local level are weak, and that community empowerment is a concept that remains unfamiliar to most stakeholders. The project will, therefore, focus on capacity development of the village implementation committees and village tract development forums as a first priority. To allow a learning-by-doing approach, sub-projects eligible for funding in the first year of operation in each township will be simple to design and implement. These include small works for the rehabilitation or minor extension of community infrastructure that use a standardized design, and for which procurement needs from outside the tract are minimal. The first year positive list presented in Table A1.1. Additional criteria are listed in Table A1.2.

Table A1.1: Year 1 Positive List of Sub-Projects

Eligible sub-project categories		Clarifications and limitations on eligible categories
1	Rural health center	Rehabilitation or minor extension of existing facilities
2	School buildings	Rehabilitation or minor extension of existing facilities
3	Rural roads (roads connecting villages, and between villages and township)	Rehabilitation or maintenance of existing roads within existing alignment, small bridges and culverts
4	Rural water supply	Construction or rehabilitation of deep/shallow well; rainwater harvesting; pipelines from natural springs or surface water sources
5	Rural electrification	Solar panel and charge station, pico hydro (<10kw), solar street lighting, biogas charge station, diesel generator (<15 kilovolt-amps), biomass generator (<15 kilovolt-amps)
6	Community recreation centers	Rehabilitation or minor extension of existing facilities, including child care center, telecommunication center
7	Rural markets	Rehabilitation or minor extension of existing facilities
8	Small scale irrigation	Rehabilitation (<100 hectares) or minor extension of existing facilities or new construction (<25 hectares)
9	Sanitation facility	Rehabilitation or minor extension of public latrines, small scale waste treatment and disposal facilities, etc.

16. **During the second and later years of operation in each village tract, all types of sub-projects are eligible for funding**, including small new construction activities, except those included in a ‘negative list’ (Table A1.2):

Table A1.2: Negative List of Sub-Projects for Year 2 and Beyond

Sub-projects are not eligible for funding if they:	
1 *)	– are not included in the village tract development plan;
2 *)	– exclude the poor or marginalized population groups;
3 *)	– do not provide equal pay for equal work for women and men;
4 *)	– include the payment of land acquisition or compensation for asset loss from the proceeds of the World Bank Grant;
5*)	– finance private goods;
6 *)	– do not meet the required technical and quality specifications as specified in the project operations manual;
7 *)	– have a negative environmental or social impact that cannot be adequately mitigated;
8 *)	– are financed, or scheduled to be financed, by the Government or other development partners;
9*)	– contain the purchase or use of drugs, military equipment or other potentially dangerous materials and equipment; or
10 *)	– are implemented using forced labor.

*) These criteria also apply to the positive list for year 1.

17. The negative list is also specified in the project operations manual. The Government and the World Bank review the positive and negative lists periodically and update them, as needed, based on the experiences gained during implementation and consultations with community facilitators and DRD staff.

Operations and maintenance of sub-projects

18. **The project operations manual will require an operations and maintenance plan for each approved sub-project.** Minor repairs will be undertaken by the villagers; more major repairs and maintenance will be undertaken by the relevant government department at the township level. The community facilitators and village volunteers will assist the village implementation committees in setting up operations and maintenance committees and establishing a village maintenance fund through voluntary contributions.

Component 2: Facilitation and Capacity Development (US\$14.2 million)

19. **Under any circumstance, local facilitation and capacity are the most important ingredients for successful community driven development projects.** This holds even truer for Myanmar which has no tradition of formal local-level development decision making. The project will, thus, invest heavily in both. The following will be financed:

- Technical assistance and institutional support for DRD at the union and township levels by NGOs/firms with a previous track record of implementing community driven activities.
- The hiring of community facilitators to support sub-project implementation as well as the village tract forums and village implementation committees.
- The development and implementation of a grievance redress mechanism. Particular

attention will be paid to simplicity, accessibility and confidentiality. The mechanism will also include the monitoring of labor practices under the funded sub-projects.

- The development of training materials, including: project and sub-project management, including financial management and procurement; participation; technical manual (environmental codes of practice); assessment and mitigation of potential negative environmental and social impacts; monitoring and evaluation; communication, transparency and accountability, incorporating World Bank fraud and corruption guidelines; guidance on voluntary land donations; and gender equality.
- Continuous training events for government staff at the township, state and union levels as well as of members of the village implementation committees and village tract forums.
- Training and periodic refresher training of the community facilitators and village volunteers as well as the DRD engineers.

20. **The basis for capacity development will be the project operations manual.** The manual will be prepared by DRD with support from the World Bank. The manual will be translated into Myanmar language. The NGO/firm hired at the union level will assist DRD in developing training materials for all levels of implementation. The materials for training at the community level will be simple (including simplified sections of the project operations manual) and translated into applicable local languages. As a first step, the World Bank and the NGO/firm at the union level will train the DRD project secretariat in all aspects of the manual shortly after the recruitment of said NGO/firm.

21. **In each of the participating townships, the initial months of operation will be devoted to capacity development.** The DRD secretariat, supported by the NGOs/firms, will train the DRD staff at the township level. The township DRD offices and NGOs/firms will thereafter train the community facilitators, in all relevant areas of the project operations manual. Only at this stage will the project cycle at the community level begin (see Chart A1.1), starting with the first village meeting. The township DRD offices, the NGOs/firms and the community facilitators will undertake specific training for those villagers taking an active role in implementation, namely the village volunteers and the members of the village tract forum, village implementation committees and various sub-committees.

22. **Capacity development activities for community members and DRD staff will be undertaken regularly and as needed,** including refresher training prior to each new annual block grant cycle. This investment in human capital is considered essential for the success of the project, especially for the first annual cycle in each participating township. This initial capacity development period may last between three and six months, depending on local capacity. This slow start-up is purposeful and built into the project's disbursement projections. The training responsibilities will be included in the contracts with the NGOs/firms. Approximately US\$700,000 is allocated in the project budget for training activities.

Component 3: Knowledge and Learning (US\$1.8 million)

23. **The project will test a new approach to community development in Myanmar, with a view to demonstrating its replicability and scalability.** To this end, the project will invest in knowledge generation and learning beyond its stakeholders. Activities that will be funded are exchange visits, workshops, and development marketplaces.

24. **DRD will organize regular exchange visits of different types.** These will include visits between village tracts and townships supported by the project to enable forum members and government staff involved in the project to learn from each other. They will also take project stakeholders to other community-based projects within Myanmar. Lastly, there will be visits for project stakeholders to community driven development projects in other ASEAN countries, as well as other regions. All these visits will serve to help stakeholders appreciate the similarities and differences in approaches, enhance their own performance, and make suggestions for improving the design and implementation of the project.

25. **Given the novelty of this type of approach to development in the country, there is a need for continuous and informed dialogue.** Learning events within Myanmar will be organized for government officials at the region/state and union levels who are not directly involved in the project but are engaged in supporting local development in other ways. DRD will also organize annual public forums (multi-stakeholder reviews) across the country to share lessons emerging from project implementation widely, including with reference to governance and anti-corruption measures, and provide a space for government to hold a dialogue with non-state actors on community development.

26. **A “development marketplace” will be held every year in a different part of the country.** DRD and the World Bank will identify a specific theme for each year, for example, innovative projects that promote social inclusion, accountability or gender. A committee comprising government and non-government actors will select and award the most promising innovations in people-centered development in Myanmar.

27. **Additionally, the project will establish a CDD gender network for the project to improve gender equality and women’s empowerment.** The network will include the gender focal point at the township level, members of the village tract forums, the community facilitators, relevant township authorities, DRD and civil society groups. It will facilitate social networking, sharing lessons drawn from project implementation, building capacity, better access to information, and enhanced outlook and confidence. DRD in cooperation with the Department of Social Welfare (DSW) will organize periodic meetings of the gender network, for instance alongside training or field visits. The project will also finance the production of a series of brief reports on gender lessons learned as input into policy and implementation discussions among the gender network members and other stakeholders.

Component 4: Implementation Support (US\$11.8 million)¹⁷

28. **This component will finance the cost associated with DRD project management at the union and township levels.** This includes staff and operating costs as well as goods and additional consultant services for monitoring and evaluation, reporting and communications as well as administration and logistical support for project implementation. In addition, the component will finance:

- Undertaking independent financial audits in a sample of village tracts every year through the Auditor General’s Office.

¹⁷ The government will contribute an additional US\$6.3 million for staff salaries, office space and utilities at the union and township levels to this component.

- The commissioning of technical audits to ensure the quality of the civil works financed by the project.

Component 5: Emergency Contingency Response (US\$0 million)

29. This provisional zero component is added under the project to allow for the rapid reallocation of grant proceeds from other components in order to provide preparedness and rapid response support to disaster, emergency and/or catastrophic events, as needed. The conditions for disbursement under this component are presented in Section G. above. The funds flow and disbursement arrangements will be determined at the time that a contingency response is activated.

Gender Equality and Women's Empowerment

30. **Existing norms which direct women to fulfill their gendered expectation in the household have limited the opportunities for women's participation in economic and public life as well as decision making in Myanmar.** The 2011 Gender Inequality Index, which assesses gender-based inequality in reproductive health, empowerment and economic activity, ranked Myanmar at 96 of 146 countries, compared to Laos and Cambodia at 99 and 107, respectively. In general, gender inequality gaps are being improved such as in primary and secondary schooling. Major challenges still persist in human development, economic opportunity and voice.

31. **In order to ensure that the project enhances gender equality and empowers women, aspects of gender will be mainstreamed throughout the project structure, processes, capacity building, and knowledge sharing.** Discussions with stakeholders and field visits to local communities as well as existing research suggest that a gender-informed approach and affirmative action with significant capacity building support will need to be applied to the project. This approach will help to ensure that women's specific needs are taken into account and that benefits from the project accrue equally to women and men. Consequently, gender issues will be fully integrated into the project operations manual. The Department of Social Welfare at the Ministry of Social Welfare, Relief and Resettlement, which is in charge of women's affairs in government, will work closely with DRD to provide gender-related policy guidance and technical support for the project.

32. **Measures to increase gender equality and empower women under the project include the following.**

- ***At the village level,*** trained community facilitators and village volunteers will organize separate meetings with women and men to identify their respective needs and priorities for the village development plan and document these in the project's management information system. For work performed for sub-projects, there will be equal pay for equal work for women and men. Furthermore, the environmental and social safeguards screening for each sub-project will include gender aspects. Safeguards plans prepared for the sub-projects will include a review of gender aspects, and propose specific actions related to gender issues when warranted. The community facilitators and village volunteers will also ensure that there are no restrictions on women's participation and

that women are properly represented in the village implementation committee and various sub-committees.

- ***At the village tract level***, community facilitators will use a deliberative process to assist village tract forum members, of whom half will be women, in agreeing at least one sub-project per village tract annually that will directly respond to women's priorities. These supported sub-projects will be documented in the project's management information system. Women are also expected to serve on the finance sub-committee.
- ***At the township level***, a DSW staff member will provide advice to the township aid management sub-committee to review gender aspects of the village tract development plans prior to their endorsement. In addition, s/he will assist community facilitators and volunteers and will review sub-projects for gender sensitivity as part of the safeguards screening. Project-related gender issues will be included in the agenda of meetings organized by the township DRD office for community facilitators to discuss progress in enhancing gender equality as well as approaches to address evolving challenges.
- ***At the union level***, DSW will second a gender focal point to DRD to oversee the gender aspects of project implementation and capacity building support at all levels. S/he will ensure that project-related reporting tracks progress on women's participation in decision making, implementation and monitoring as well as identifies the impact of the projects on enhancing gender equality in human development, resources and voice. The DSW gender focal point will organize the CDD gender network. Furthermore, s/he will review the gender note/reports prepared under the project, and submit them to relevant committees to inform the policy dialogue on gender in Myanmar.

33. **Strong capacity building and knowledge sharing measures will be put in place to strengthen the project's gender impact.** DRD will hire an experienced NGO/firm to provide technical assistance on gender, which includes: 1) developing a gender training manual and providing training/coaching support for project staff at all levels, including the CDD gender network; 2) undertaking short policy notes and analytical work on specific gender issues to engage government in an evidence-based policy dialogue; 3) organizing field visits and study tours to learn from experiences and share lessons among project staff and stakeholders; and 4) providing support for gender disaggregated data and gender tracking with regard to the project's key indicators. In addition, at least one "development marketplace" theme will be on "gender and development."

Annex 2: Results Framework and Monitoring

MYANMAR: National Community Driven Development Project

Project Development Objective: To enable poor rural communities to benefit from improved access to and use of basic rural 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.

Project Development Objective Level Results Indicators ¹⁸	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5	YR 6				
Indicator One: Number of persons having access to and use of project-built infrastructure and services (e.g., all-weather roads, water, schools, health services)	X	No. of persons	0	Due to the demand-driven nature of the project, it is not possible to determine ex-ante the type of investments communities will choose and therefore who will benefit. These figures will be reported upon after sub-projects are completed.						Annual	Project management information system, field reports	DRD, NGOs/firms	Access and use of services from sub-project investments
Indicator Two: Percent of households in project villages participating in planning, decision-making, and implementation of sub-projects		% of households	0		>50%	>50%	>50%	>50%	>50%	Annual	Project management information system, field reports	DRD, NGOs/firms	Villagers participating in various project activities
Indicator Three: Percent of community members satisfied with the project		% of community members based upon sample	0			>80%		>80%		Measured twice during project	Qualitative monitoring, field supervision, impact evaluation	DRD, NGOs/firms, survey firm	Satisfaction rates

¹⁸ Where feasible, indicators will be disaggregated by gender, ethnicity and poverty

INTERMEDIATE RESULTS

Intermediate Result (Component One): Community Block Grants

Intermediate Results Indicators	Core	Unit of Measure	Baseline	YR 1	YR 2	YR3	YR 4	YR5	YR 6	Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
<i>Intermediate Results Indicator One:</i> #/type of rural infrastructure built		Units/kms	0	Due to the demand-driven nature of the project, it is not possible to determine ex-ante the type of investments communities will choose. These figures will be reported upon after sub-projects are completed,						Annual reporting	Project management information system	NGOs/firms	#/types of infrastructure selected by community
<i>Intermediate Results Indicator Two:</i> % of sub-projects evaluated as high priority by communities		% based upon sample	0			>90%		>90%		Measured twice during the project	Implementation support missions, qualitative reports, impact evaluations	DRD, NGOs/firms, survey firm	Extent to which sub-projects actually meet community needs
<i>Intermediate Result Indicator Three:</i> % of sub-projects evaluated independently meeting project operations manual technical and safeguard specifications		% based upon sample	0			>85%		>85%		Measured twice during the project	Technical review	DRD, study firm	Extent to which sub-projects meet high tech standards

Intermediate Result (Component Two): Capacity Building and Facilitation

Intermediate Results Indicators	Core	Unit of Measure	Baseline	YR 1	YR 2	YR3	YR 4	YR5	YR 6	Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
<i>Intermediate Results Indicator One:</i> # of government officials using their new skills in project management, engineering, planning		# persons (cumulative values)	0		>15 pers	>40 pers	>75 pers	>60 pers	By end of project, >75 pers	Annual	Management information system, training data	DRD, NGOs	Trained government officials using their skills

<i>Intermediate Results Indicator Two:</i> # of community members using their new skills in project planning, financial management, and procurement		# persons (cumulative values)	0		>3,000 pers	>8,000 pers	>16,000 pers	>12,000 pers	By end of project, > 16,000 pers	Annual	Management information system, training data	DRD, NGOs/firms	Trained villagers using their skills
Intermediate Result (Component Three): Knowledge and Learning													
Intermediate Results Indicators	Core	Unit of Measure	Baseline	YR 1	YR 2	YR3	YR 4	YR5	YR 6	Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
<i>Intermediate Results Indicator One:</i> # internal cross-township learning exchanges		# annual exchanges	0		3	8	15	12	7	Annual	Progress reports	DRD	Facilitation of knowledge across townships
<i>Intermediate Results Indicator Two:</i> Awards given out through development marketplace		# awards	0		3	3	3	3	3	Annual	Progress reports	DRD	Awards for best village project per township
Intermediate Result (Component Four): Project implementation and management													
Intermediate Results Indicators	Core	Unit of Measure	Baseline	YR 1	YR 2	YR3	YR 4	YR 5	YR 6	Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
<i>Intermediate Results Indicator One:</i> % of project grievances resolved	X	%	0		>70%	>75%	>80%	>85%	>85%	Annual	NGOs/firms	NGOs/firms, village monitoring sub-committee	Grievance redress mechanism established and % of grievances resolved
<i>Intermediate Results Indicator Two:</i> % of annual significant financial audit findings addressed (misuse of funds, non-compliance with procedures)		%	0		>90%	>95%	>95%	>95%	>95%	Annual	Audit reports	External auditor	Findings of annual audits followed up/resolved

Annex 3: Summary of Estimated Project Costs

MYANMAR: National Community Driven Development Project

Components	Local	Foreign	Total	% Foreign	% Total Base Costs
Component 1: Community Block Grants	52,245,000	-	52,245,000	0%	65%
Component 2: Facilitation and Capacity Development	1,838,912	12,402,481	14,241,393	87%	18%
Component 3: Knowledge and Learning	1,486,878	260,000	1,746,878	15%	2%
Component 4: Implementation Support	9,480,610	2,286,119	11,766,729	19%	15%
Component 5: Emergency Contingency Response	-	-	-	-	-
Grand Total 1/	65,051,400	14,948,600	80,000,000	19%	100%

1/ Additionally, the government's contribution for component 4 is estimated at US\$6.3 million.

Annex 4: Operational Risk Assessment Framework

MYANMAR: National Community Driven Development Project

Project Stakeholder Risks	Rating: S			
<p>Description: The government is not familiar with external donor funding or World Bank funding modalities. Similarly, after two decades of absence from Myanmar, the World Bank needs to understand government systems, which are to some extent in flux.</p> <p>Development partners have so far avoided the use of government systems. The project will be the first to do so in two decades. Donors are concerned about government capacity but also keen to learn from the World Bank’s experience.</p> <p>Several consultations were held with civil society groups but many are still unfamiliar with the World Bank. The intended beneficiary communities are unfamiliar with the World Bank, and the project envisions a greater level of direct involvement of government officials than has been the case to date in similar projects in Myanmar.</p>	<p>Risk Management: The World Bank is currently conducting a Public Expenditure and Financial Accountability Assessment and a Public Expenditure Review with the Ministry of Finance and Revenue and development partners. This will help partners understand better the public financial management and procurement systems and identify areas for technical support.</p> <p>The World Bank is engaging with development partners interested in using country systems, to benefit from their longer experience in Myanmar, and to share lessons from project design and implementation with a view to strengthening donor support of country systems.</p> <p>The World Bank will work with DRD to pay particular attention to local level perceptions and to incorporate communication and outreach, both formal and informal, into the project operations manual.</p>			
	<p>Resp: DRD and World Bank</p>	<p>Stage: Implementation</p>	<p>Due Date: By the end of the first block grant cycle</p>	<p>Status: Ongoing</p>
	Implementing Agency Risks (including fiduciary)			
Capacity	Rating: S			
<p>Description : DRD has significant engineering capacity and a presence in each township. However, DRD has focused on rural roads and water supply, and as such has limited experience with social mobilization, facilitation, or management of multi-sector projects.</p> <p>Financial management capacity at DRD is relatively strong with experienced staff and a good level of accounting knowledge. The existing systems of internal control are good but there is a lack of formal documentation of the policies and procedures followed in some key areas. There is low capacity at the community level. There is no experience with World Bank financial management policies and procedures.</p> <p>There are no national regulations or laws regarding public</p>	<p>Risk Management : The project’s design incorporates institutional support and technical assistance from NGOs/firms at the union and township levels to work directly with DRD on project management, facilitation and communication. The NGOs/firms at the township level will recruit community facilitators to work together with DRD engineers in supporting village tract forums and village implementation committees.</p> <p>All financial management procedures to be used under the project will be documented in a financial management manual. A substantial training program will be put in place. No sub-grant disbursements will take place until there has been adequate financial management training at the township and village tract levels. The financial management action plan (see Annex 5) outlines the timelines for implementing the mitigation measures.</p> <p>DRD will follow the World Bank’s Procurement/Consulting Guidelines, and simple procurement methods will be used as much as possible. NGOs/consulting firms will be employed by DRD to</p>			

<p>procurement. Procurement capacity at DRD is limited as it does not have experience with procurement financed by international financial institutions, especially the selection of consultants.</p> <p>While communities have experience with implementing smaller-scale community-based projects, this will be the first time that they receive funds from the government and use it according to World Bank fiduciary, safeguards and governance standards.</p>	<p>provide assistance for project management including procurement. Intensive training in these areas will be provided by the NGO/firms and the World Bank.</p> <p>The project operations manual will be distributed in all townships. Village tract forum members and village implementation committee members will be trained based on this manual before disbursements under block grants commence. The manual will also include requirements for the transparency of procurement processes at the village level, including publication of bidding opportunities, names of bidders and prices offered, selected bidder and the contract amount, actual payments, etc.</p>			
Governance	Rating: H			
<p>Description: Despite recent efforts by government at the union level, corruption remains a problem, both at the local level in people’s daily lives (with ad-hoc fees required for many interactions with government) and at the institutional level.</p> <p>Fifty years of military rule led to a top-down structure of governance. In the past, instructions emanated from the center and cascaded down to the regions/states, then the district level, followed by the township level.</p> <p>Key findings of a recent governance assessment for Myanmar include a lack of transparency, top-down accountability, limited voice and weak institutions of accountability.</p>	<p>Risk Management Extensive governance, accountability and transparency measures have been integrated into the project’s design (see Annex 7), including attendant capacity development for all actors involved in project implementation. A grievance redress mechanism will be put in place and a sanctions regime will be applied should any misuse of funds be detected. The fraud and corruption clauses in the World Bank’s Procurement/Consultant Guidelines will be included in bidding documents, request for proposals and in contracts financed by the project.</p> <p>The project will include technical audits of 10 percent of participating village tracts, financial audits of a minimum sample of 10 percent of block grants using a risk based approach, and robust internal controls. The management information system will track business processes and monitor red flags. Surveys/checks of unit costs of materials will be conducted by the DRD engineers.</p> <p>The project will require an open and transparent recruitment process for the community facilitators. Village volunteers will be selected through an open process. There will be a code of conduct/ethics for all project staff, integrated into the project operations manual. Clear and transparent criteria for the selection of sub-projects will also be incorporated into the project operations manual.</p>			
Project Risks	Rating: H			
Design	Rating: H			
<p>Description: As the administration is accustomed to “top-down” planning, there is a risk that participatory mechanisms may not be fully understood and implemented.</p>	<p>Risk Management: The project design incorporates lessons learned from existing community-based projects in the country, e.g., inclusive composition of village committees, inclusion, transparency of information, and technical assistance for strong local facilitation</p>			
<p>Resp: DRD</p>	<p>Stage: Implementation</p>	<p>Due Date: Prior to disbursement under component 1</p>	<p>Status: Ongoing</p>	
<p>Resp: DRD</p>	<p>Stage: Implementation</p>	<p>Due Date: Prior to disbursement under component 1</p>	<p>Status: Ongoing</p>	

<p>The geographical coverage is ambitious. The project will cover around 640 village tracts in all regions/states of the country. This may prove to be logistically challenging.</p> <p>The project will, for the first time, bring together government and non-governmental organizations in the joint implementation of project activities.</p>	<p>The project will take a phased approach to implementation. It will start in up to three townships in the first year of operation and add the additional townships in the second and third year.</p> <p>The project design incorporates a number of joint learning activities. Furthermore, the project operations manual will specify the responsibilities of the actors involved in implementation.</p>			
<p>Social & Environmental</p>	<p>Rating: S</p>			
<p>Description: Men dominate the public sphere in rural Myanmar. Most formal and informal village leaders are male. They may not appreciate the need to provide the space for women to engage more actively in community decisions and processes.</p> <p>Decades of conflict and a lack of experience among government officials with consulting with and involving ethnic minorities in decision making at the community level pose a risk to ensure free, prior and informed consultation with minority communities and achieve their broad support. Loss of land or other assets will be minor, if any, but the government is unfamiliar with the World Bank’s resettlement policy. Land acquisition without proper compensation under government funded projects is widely reported.</p> <p>There is no established framework and very little capacity for environmental management in Myanmar. The capacity of the communities to manage potential negative impacts to acceptable levels and compliant with World Bank requirements is also a concern. Furthermore, the country does not have a history of undertaking participatory and meaningful consultations for addressing communities’ local environmental concerns associated with any type of project activity.</p>	<p>Risk Management: All project components will contain explicit provisions for including women in decision-making process and addressing their priority needs. Women will make up 50 percent of the decision-making village tract forums. The monitoring and evaluation system will collect gender disaggregated data. All committee members and staff involved in the project will receive training in gender awareness. At least one sub-project under each annual block grant to village tracts will address priorities needs identified by women. There will be equal pay for equal work for men and women for work performed under sub-projects.</p> <p>The Environmental and Social Screening and Assessment Framework (ESSAF) lays out steps to achieve the full participation of ethnic minorities during sub-project design and implementation and to ensure free, prior and informed consultation with and broad community support of minorities. The ESSAF sets out general principles and institutional arrangements for voluntary asset donation and compensation for involuntary land/asset loss.</p> <p>The use of a positive list of sub-projects in the first year of operation in each township will simplify sub-project planning and implementation. The ESSAF provides clear and simple screening procedures to identify and analyze negative impacts. It also includes similarly easy to use mitigation measures to manage them to acceptable limits. To this effect, major emphasis will be placed on building the capacity of communities and project staff.</p>			
<p>Program & Donor</p>	<p>Rating: S</p>			
<p>Description: There are many international and local NGOs operating in Myanmar, many of whom are undertaking community-based projects. There is a risk that the project will overlap with similar donor-financed projects, possibly using different planning and funding mechanisms.</p>	<p>Risk Management: In the design of the project, the World Bank has worked closely, and will continue to work closely with donors to ensure complementarity. The absence of other donor funded projects is among the criteria for selecting participating townships.</p> <p>The World Bank will support DRD in exercising its role of coordinating the various projects under its</p>			
	<p>Resp: DRD and World Bank</p>	<p>Stage: Implementation</p>	<p>Due Date: Prior to disbursement under component 1</p>	<p>Status: Ongoing</p>

There is a significant interest by donors in partnering with DRD. DRD may become overwhelmed by different donor modalities and reporting requirements.	remit so as to optimize resources and avoid duplication.			
	Resp: DRD and World Bank	Stage: Implementation	Due Date: Within six months of effectiveness	Status: Ongoing
Delivery Monitoring & Sustainability				
<p>Description: The participatory process and community decision-making may be dominated by local government officials or elites. There is also the risk that the vulnerable and poor will not join in the project processes or that the targeted support built into project design will not lead to meaningful participation.</p> <p>Unfamiliarity with World Bank operational policies may lead to delays in project implementation.</p> <p>For civil works, operations and maintenance to sustain the investments may be a challenge, as it is with community driven development projects in other countries.</p> <p>The sustainability of the project processes and project-formed committees may be a challenge.</p>	Rating: H			
	<p>Risk Management : Participatory elements are at the heart of the project cycle, starting with open village meetings, elections of village representatives, and quotas for women. The design also features annual social audits to report on and openly discuss project implementation and finances.</p> <p>The World Bank will provide close institutional support to DRD. In addition, NGOs/firms will be hired to provide technical assistance and institutional support at the union and township levels</p> <p>The project operations manual will require an operations and maintenance plan for each approved sub-project. Minor repairs will be undertaken by the villagers; more major repairs and maintenance will be undertaken by the township authorities. The community facilitators and village volunteers will assist the village implementation committees in setting up operations and maintenance committees and establishing a village maintenance fund through voluntary contributions.</p> <p>Through the project, the World Bank aims to test one way for communities and elected village bodies to work in an inclusive and open manner for their own development, linking the project to Myanmar’s plans for decentralization and people-centered development. The World Bank will engage government and other stakeholders in a dialogue about the applicability of this approach across the country, so that any benefits that the project may generate can transcend its boundaries.</p>			
	Resp: DRD and World Bank	Stage: Implementation	Due Date: By the end of the first block grant cycle	Status: Ongoing
Overall Risk Following Review				
Implementation Risk Rating: High				
Comments: Given that the overall risk is rated H, the World Bank will undertake intensive implementation support especially during the first few years of operation to ensure compliance with the mitigation measures outlined above.				

Annex 5: Financial Management and Disbursement Arrangements

MYANMAR: National Community Driven Development Project

Staffing

1. **At the union level, DRD's Finance Division is under the Planning section** headed by a Deputy Director General. The division has 23 staff, most of whom are accounting and economics graduates. At the township level, there are between two and ten finance staff depending on the size of the township. Staff of the Finance Division at both the union and township levels appear to have adequate financial management capacity. However, DRD has not worked with the World Bank before and does not have experience in managing donor funds. Consequently, assistance from qualified financial management consultants will be needed at least in the first one to two years of operation to assist with institutional support and capacity building at the union, township and community levels. These will be recruited under the contract of the NGOs/firms supporting DRD at the union and township levels but also report to the Head of Finance Division at each level. The terms of reference of the financial management consultant at the union level will include the preparation of a capacity needs assessment and the preparation and implementation of a financial management training program for staff at all levels. DRD will assign a specific staff member to work closely with the consultant on financial management capacity building and training activities.

Budgeting

2. **The current budgeting process appears to be adequate for project budgeting purposes.** Therefore, the project will follow the existing government budgeting system used to obtain parliamentary approval. A consolidated budget for the project will be prepared annually. Township DRD offices will submit their budgets to DRD at the union level for consolidation. The annual project budget will be reviewed and endorsed by the Director General of DRD and the Minister of Border Affairs before submission to the Budget Department of the Ministry of Finance and Revenue. The Budget Department and the Ministry of National Planning and Economic Development will review and approve the budget before submission to the Financial Commission of the Parliament for approval.

3. **The annual budget will be broken down into quarterly budget allocations based on the timing envisaged for implementation of project activities.** Explanations of variances between actual versus budgeted expenses will be reported in an interim unaudited financial report and linked to the physical progress of project implementation on a quarterly basis.

4. **Budgets will be reviewed bi-annually and revised if necessary through the government's supplementary budget process.** The supplementary budget will be prepared in the same manner and follow the same approval process as the annual budget. Budget execution will also be reviewed during each implementation support mission together with a review of implementation progress. The budgeting process, timing and review of execution will be detailed in the project's financial management manual (FMM).

Accounting Policies and Procedures

5. **Project accounting will use a double entry system** and follow the cash basis of accounting, with systems designed to monitor advances, commitments and fixed assets.

6. **An acceptable financial management manual will be prepared and included as part of the project operations manual.** Appropriate accounting policies (on receipts, expenditure, foreign exchange, etc.) and procedures will be determined and detailed in the FMM. The international financial management consultant, contracted under the NGO contract, will provide support and assist DRD with drafting the FMM. The consultant will review the current policies and procedures and systems of internal control and identify which, if any, additional measures will need to be implemented for the purposes of the project. The FMM will be subject to review and approval by the World Bank. Simplified financial and disbursements procedures will be developed to guide financial management performance during the period of retroactive financing.

Block grants

7. **Block grants will be implemented by the village tract forums.** Authorization of payments to suppliers and contractors will be made by the DRD engineer and the village monitoring sub-committee. Requirements for bookkeeping at the village tract level will be detailed in the project operations manual. Simple guidelines on block grant bookkeeping will be produced and translated into local languages as a reference for village tract forum members, in particular the village tract finance sub-committees.

Internal controls

8. **Details of internal controls including segregation of duties, payment authorization, accounting procedures and supporting documentation retention requirements will be included in the project operations manual.** The manual will also include criteria for the selection, roles and responsibilities of the members to the village tract finance sub-committee. Two authorized signatories will be required for the withdrawal of funds from the village tract forum bank account. Other accountability and transparency mechanisms will be put in place, e.g., public disclosure of financial information at periodic village meetings and on notice boards, public disclosure of audited financial statements, public communication of audit reports and audit findings at the village tract, and clearly defined sanctions for non-compliance with policies and procedures or the misuse of resources. Furthermore, a grievance redress mechanism and awareness communication is included in the design of the project.

9. **For other expenditures incurred at the union and township levels, DRD will use the existing government systems as far as feasible.** Specific controls over commitments will be implemented. The policies and procedures for the transfer of block grants, accounting procedures, financial authorities and delegation levels, segregation of duties for incompatible functions, reconciliations, and policies on safeguarding of assets will be detailed in the FMM.

Fund flows

10. **DRD will open two (2) segregated Designated Accounts (DA) at the Central Bank of Myanmar.** One account (DA-A) will be used exclusively for component 1 of the project (community block grants) whilst funds for components 2, 3 and 4 of the project will be held in the second account (DA-B). DA-A and DA-B will be denominated in Myanmar Kyat (MMK), as the expenditures for the project will be incurred primarily in local currency. Funds for component 1 will be transferred from DA-A to bank accounts, opened in the name of the village tract forums, held at commercial banks (one bank account for each village tract forum). Banking facilities are available at most townships. In cases of remote townships where banking facilities may not be available, an assessment will be made to determine the most efficient and secure way of transferring funds to the village tract forums. Furthermore, DRD will open an account at each township, to facilitate the transfer of funds/payments to the DRD township office, to cover the costs associated with supervising the project (travel costs, etc.). The procedures and internal controls governing the transfers to these township accounts will be specified in the project operations manual (and include provisions governing how the amounts to be transferred will be calculated, reconciliation requirements/forms, etc.). Chart A5.1 (page 45) summarizes the flow of funds under the project.

Financial Reporting

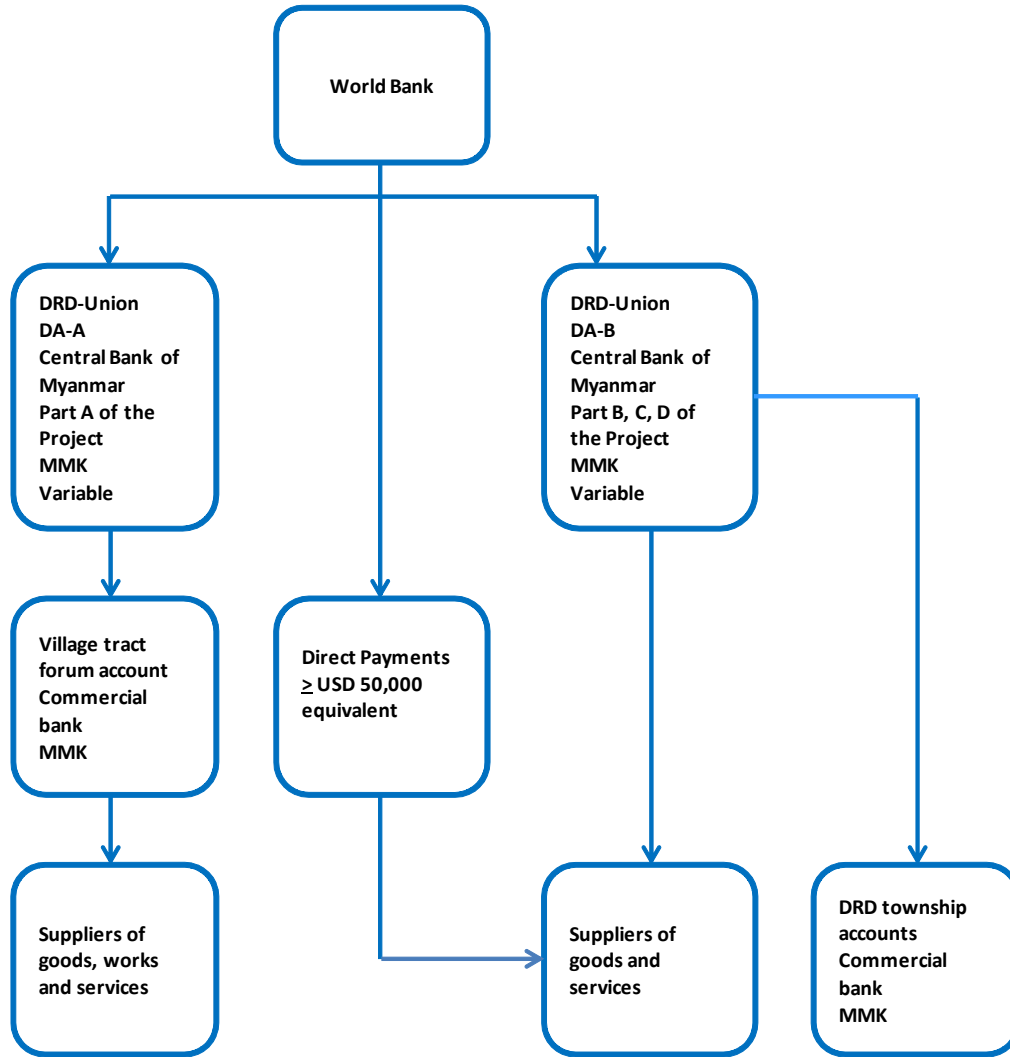
11. **DRD township offices will prepare financial statements on a monthly basis, including consolidated financial information from village tracts on sub-projects.** They will report receipts, expenditure, fund balances, commitments and fixed assets. Details of the content of these reports and the supporting documents required will be included in the FMM.

12. **DRD at the union level will be responsible for entering the transactions based on DRD township reporting into a computerized accounting system** which will be used to prepare consolidated financial information for the project. The DRD Finance Division will also produce monthly financial statements for review by the project director, the DRD Director General and the Budget Department of the Ministry of Finance and Revenue. Moreover, DRD at the union level will be responsible for coordinating the preparation of the quarterly Interim Unaudited Financial Statement to be submitted to the World Bank no later than 45 days after the end of quarter.

Block grants

13. **Expenditures on block grants will be recorded by the village tract bookkeeper.** The accounting processes and content of the monthly financial reporting by the village tract forum will be included in the project operations manual. Monthly receipts and expenditure under block grant agreements entered into between the DRD township offices and the village tract forums will be disclosed on public notice boards and presented at periodic village meetings. Copies of financial documents will be provided to and kept at the township DRD offices when sub-projects are completed.

Chart A5.1: Flow of Funds



Audit Arrangements

14. **The Office of the Auditor-General of the Union (OAG) at both the union and region/state levels audits all government funds.** The audit is carried out twice a year at all levels. The OAG mainly carries out financial audits, performance audits and compliance audits, in accordance with the Myanmar Standards on Auditing. This standard is equivalent to the International Standards on Auditing. The OAG follows the Audit Documentation System when carrying out the audit. This system covers the process for planning, implementing, reporting and follow-up of actions. The OAG reports to the Union Parliament through the President in accordance with the Union Auditor-General Law and Constitution Law. Region and state OAG also issue audit reports to their respective regional audited entities, responsible ministers, and higher regional OAG. The audit is usually carried out, completed and tabled at the Parliament within six months of the end of the fiscal year. The OAG has more than 6,000 staff members at all levels. Although there is no specific mandate for the OAG to audit development partner

projects, the OAG has had experience auditing infrastructure projects funded by the United Nations Children's Fund and implemented by DRD.

15. **Based on the World Bank's preliminary findings, the OAG appears to be capable of carrying out the external audit of the project.** The World Bank and OAG will identify capacity building needs to enable the OAG to carry out this function. An agreed upon procedure will be prepared to guide the audit. The appointment of the independent external auditors with terms of reference acceptable to the World Bank will occur within three months of project effectiveness.

16. **Audit reports and management letters are to be submitted to the World Bank no later than six months after the end of each fiscal year.** The audit report and audited project financial statements will be publicly disclosed following the World Bank's Policy on Access to Information.

17. **In addition, a minimum sample of 10 percent of block grants will be selected for financial audit annually using a risk based approach.** DRD will monitor the quality and timeliness of the monthly financial reporting by the village tract forums. This information will help to determine the sample of sub-projects to be audited. An agreed mechanism for the disclosure of the block grant audit reports to the public and at the village tract level will be included in the project operations manual.

Implementation Support Plan

18. **Financial management implementation support will be frequent in the first year of project implementation,** and then at least bi-annually thereafter depending on the updated project financial management risk assessment. The financial management missions will include reviews of the continued adequacy of the project's financial management arrangements as well as an integrated fiduciary review (procurement, financial management and disbursement) of block grant expenditures and other goods and services contracts.

Disbursements Arrangements

19. **The primary disbursement methods will be Advances and Direct Payments.** DA-A and DA-B will have variable ceilings based on a six-monthly forecast of expenditures. Supporting documentation required for documenting eligible expenditures paid from the Designated Accounts are Summary Sheets with Records and Statement of Expenditures (with a customized Statement of Expenditure to be used for component 1). The frequency for documenting expenditures paid from the Designated Accounts will be quarterly. Direct Payments will primarily be used for foreign currency denominated payments.

20. **The Reimbursement, Special Commitment, and Direct Payment disbursement methods will also be available.** Reimbursements will also be documented by Summary Sheets with Records and Statement of Expenditures. Direct Payments will be documented by Records. The minimum application size for Reimbursements, Special Commitments and Direct Payments will be US\$50,000 equivalent.

21. **The project will have a Disbursement Deadline Date four months after the Closing Date.** This date is the final date on which the World Bank will accept applications for withdrawal from the government for documentation on the use of grant proceeds already advanced by the World Bank. This “grace period” is granted in order to permit the orderly project completion and closure of the grant accounts via the submission of applications and supporting documentation for expenditures incurred on or before the Closing Date. Expenditures incurred between the Closing Date and the Disbursement Deadline Date will not be eligible for disbursement, except as otherwise agreed with the World Bank.

22. **All documentation for expenditure submitted for disbursements will be retained by DRD and be made available to the external auditors for their annual audits,** and to the World Bank and its representatives if requested. Should the auditors or the World Bank find that disbursements made were not justified by the supporting documentation, or are ineligible, the World Bank may, at its discretion, require the government to (i) refund an equivalent amount to the World Bank; or (ii) exceptionally, provide substitute documentation evidencing other eligible expenditures. The World Bank may also withhold disbursement of additional deposits into the Designated Accounts if the ineligible expenditures were paid from the Designated Accounts. If the Recipient does not comply with any of the requirements stated above, within 12 months following notice by the World Bank to the government of the requirement, the World Bank may (a) decline to allow the use of Designated Accounts under new grants/credits made to or guaranteed by the government, (b) establish compliance as a condition for Board presentation of new grants/credits, (c) suspend disbursements under the grant; or (d) in extreme cases, suspend disbursements under all ongoing grants/credits to or guaranteed by the government.

23. **Disbursement from grant account will be made against the three expenditure categories** (Table A5.1, page 48). Eligible expenditures under component 1 (Part A of the Financing Agreement) will be the use of the grant proceeds for goods, works and services required to build or related to the community level infrastructure sub-projects. These expenditures will also need to be incurred prior to the Closing Date. Disbursement under Category 1 can only be made once the government has adopted a satisfactory project operations manual. The expenditures under Category 1 will be recorded by the World Bank as being “eligible” at the time of the transfer of the funds into the account of the village tract forums with oversight for the use of those funds (incurrence of actual eligible expenditures) to be included in the project operations manual.

Table A5.1: Disbursement Categories

Expenditure Category	Amount of the Grant Allocated (expressed in USD)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Block Grants under Part A of the project	52,245,000	34,400,000	100% of the amount of the Block Grant disbursed
(2) Goods, non-consulting services, consultants' services (including audits), Training and operating costs for the project, other than Parts A and E	27,755,000	18,200,000	100%
(3) Goods, works, non-consulting services, consultants' services and operating costs under Part E of the project	0	0	100%
Total	80,000,000	52,600,000	

24. **“Operating Costs” means the reasonable expenditures directly related to the project incurred by the government**, based on annual budgets approved by the World Bank, on account of the implementation, management, coordination, and monitoring and evaluation of the project, including expenditure on travel, lodging and per diems, consumable materials, office supplies, communications services (including postage handling, telephone and internet costs), publication services, translation services, operations and maintenance of office equipment and vehicles, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the government’s civil service.

25. **“Training” means the reasonable costs of training under the project**, based on annual budgets approved by the World Bank, and directly attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, course fees, services of trainers, rental of training facilities, preparation, acquisition, distribution and reproduction of training materials, and other activities directly related to course preparation and implementation.

Emergency Contingency Response

26. **No withdrawal shall be made under component 5 until the government has:** (i) declared that an eligible crisis or emergency has occurred, and the World Bank has agreed with such determination; (ii) prepared and disclosed all safeguards instruments required for activities under component 5 of the project, if any, and the government has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.E of Schedule 2 of the Financing Agreement; (iii) established adequate implementation arrangements, satisfactory to the World Bank, including staff and resources for the purposes of said activities; and (iv) has updated the project operations manual in accordance with the provisions of Section I.D of Schedule 2 of the Financing Agreement so as to be appropriate for the inclusion and implementation of activities under component 5. The funds flow and disbursement arrangements will be determined at the time that the contingency response is activated.

Financial Management and Disbursement Action Plan

Table A5.2: Financial Management and Disbursement Action Plan

Action	Responsible party	Timing
Recruitment of a financial management consultant at the union level	DRD	By project effectiveness
Recruitment of financial management specialists, as part of the NGO/firm contracts, at the union and township levels	DRD	By project effectiveness
Development and approval of an acceptable Financial Management Manual	DRD and World Bank	Interim manual by November 30, 2012 and a full manual within 3 months of project effectiveness
Development and approval of an acceptable project operations manual (including a simple guide for village tract forum financial policies and procedures)	DRD	Before any disbursements against component 1 (Community Block Grants) are made
DRD finance staff at union and township levels trained in financial management and disbursement policies and procedures	DRD and World Bank	Immediately after approval of the project operations manual (including financial management policies and procedures)
Appropriate accounting software at DRD at the union level in place	DRD	Within six months of project effectiveness
Village tract forum members trained in financial management procedures	DRD	Before funds are released to the bank account of the village tract forums
Appointment of external auditors with terms of reference acceptable to the World Bank (covering the project's consolidated financial statements and a sample of sub-projects)	DRD	Within three months of project effectiveness

Annex 6: Procurement Arrangements

MYANMAR: National Community Driven Development Project

Procurement Implementation Arrangements

1. **At the union level, there is no law or regulation on public procurement.** In most ministries, a “closed tender” system was used where a list of pre-selected bidders was established by the Ministry of Commerce and available to other line ministries. Line ministries invited only bidders on this list for quotations. In June 2011, the President’s Office instructed all line ministries to use an “open tender” system. Each line ministry will develop its own procedures for an “open tender” process. By the time of project preparation, no procedures were finalized or issued.

2. **Procurement for the project will, therefore, be carried out in accordance with the World Bank’s “Guidelines: Procurement under IBRD Loans and IDA Credits”** dated January 2011; “Guidelines: Selection and Employment of Consultants by IDA Borrowers” dated January 2011; and the provisions stipulated in the Financing Agreement. The various items under different expenditure categories are described in general below. At the union and township levels, consulting services will be provided by NGOs and/or consulting firms. DRD will also be responsible for the selection of NGOs/firms, the procurement of office equipment, office furniture, and training/socialization materials. For each contract to be procured at the union level and financed under this project, the different procurement methods, estimated costs, prior review requirements, and timeframe are defined in a procurement plan. The procurement of construction materials or works for community infrastructure will be the responsibility of the procurement sub-committee at the village level with the assistance of DRD engineers.

Community Participation

3. **Except for the first year of operation when a positive list will be used, the infrastructure to be financed in villages will be based on an open menu** and typically include small feeder roads, foot-paths and bridges, small dykes, drinking water systems, class rooms and health centers. Procurement will be carried out by a procurement sub-committee at the village level which will follow simplified methods involving community procedures. The procedures will be detailed in the project operations manual to be adopted by the government. A simple guideline on community procurement will be produced and translated into relevant local languages as a reference for the village implementation committees, in particular the procurement sub-committee members.

4. **In cases where the village implementation committees do not have the capacity to carry out a sub-project themselves, or where the community so decides, the village may choose to hire a contractor** (with the prior agreement from the DRD engineer). In this case, simplified shopping procedures (as defined in the project operations manual) will be followed. These will be lump sum, fixed price contracts awarded on the basis of quotations obtained from at least three qualified contractors in response to a written invitation. The invitation will include basic specifications, required start and completion dates, an agreement format (as included in the project operations manual), and relevant drawings. The award will be made to the contractor who

meets the quality requirements and offers the lowest price quotation for the works. No restriction on participation in the bidding is allowed. To enhance transparency, the list of vendors and their corresponding committed/paid amounts will be disclosed publicly, such as on village notice boards.

5. **The township DRD office and supporting NGO/firm will provide technical assistance on all aspects of the construction process in the villages**, including any permits for construction that may be required. This includes, but is not limited to: (a) engineering design; (b) determination of hiring or not hiring contractors; and (c) procurement packaging and planning. The project operations manual will provide detailed procedures regarding this matter.

Selection of Consultants

6. **The project will require consultant services as follows:**

- An NGO or consulting firm at the union level to provide institutional support and technical assistance to DRD, including on assistance to manage, coordinate and evaluate the township NGOs.
- One NGO/firm to provide institutional support and technical assistance to each township DRD office. An NGO/firm may cover one or more townships.
- NGOs/firms to be hired for: technical audits, an impact evaluation, qualitative studies, and the establishment of a CDD gender network.

7. **The NGO or consulting firms hired for the union and township levels will be critical for the successful implementation of the project.** Therefore, the rapid deployment of these NGOs/firms is necessary to allow for a quick start-up. To support this, the packages for the union level NGO/firm and the NGOs/firms for the first set of townships may be covered by retroactive financing arrangements. Based on an assessment of DRD's internal procedures for carrying out procurement, the selection under Quality-Based Selection/Quality and Cost-Based Selection may take five or more months. Consequently, DRD will hire an individual procurement consultant to assist in the initial procurement so that the contracts could be awarded by early 2013.

8. **The World Bank's standard Request for Proposals for the selection of consultants will be used.** Short lists of consultants for technical assistance services with an estimated cost of less than US\$200,000 or equivalent per contract may be composed entirely of qualified national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. This threshold may need to be adjusted depending on the capacity of local NGOs/firms and their willingness to participate in calls for proposals.

Individual Consultants

9. **Individual consultants will be employed as procurement and financial management experts to support DRD at the union level in the initial phase of project implementation.** They will be selected by comparing qualifications of three candidates and hired in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Prior Review

10. **All consultant contracts above US\$50,000 and contracts following Single Source Selection procedures are subject to the World Bank's prior review.** Procurement under retroactive financing is also subject to prior review and the World Bank will train DRD staff on the World Bank's procurement procedures to ensure expenses are eligible for retroactive financing. Other prior review requirements will be specified in the procurement plan. Procurement under component 1 (Community Block Grants) will be subject to post review.

DRD's Procurement Capacity Assessment

11. **Procurement capacity at DRD is limited as it does not have experience with procurement financed by international financial institutions,** especially the selection of consultants. As a result, simple procurement methods will be used as much as possible, also due to the fact that most procurement will be undertaken at the community level. Furthermore, NGOs/consulting firms will be employed by DRD to provide assistance for project management, including procurement.

Major Risks and Mitigation Measures

- There is no legislation on public procurement and no regulation within the Ministry of Border Affairs. To address this risk, the project will follow the World Bank's Procurement/Consulting Guidelines. Simple procurement methods will be used as much as possible.
- Because the project envisions the bulk of procurement to take place at the community level, i.e., in more than 3,000 villages across 15 townships, overseeing this process will be a challenge for DRD. DRD will, thus, assign an experienced project officer to supervise procurement under the project. Additionally, NGOs/consulting firms will be employed by DRD to provide assistance for project management, including procurement, at the township level.
- Weak capacity at the community level may pose a risk to procurement. Consequently, DRD engineers and community facilitators will work with the village procurement sub-committees on regular basis, and intensive training on procurement will be provided by DRD and supporting NGOs/firms before disbursements under block grants commence. Additionally, the project operations manual will include a procurement section with, among others, sample procurement forms and requirements for the transparency of procurement processes at the village level (such as publication of bidding opportunities, names of bidders and prices offered, selected bidder and contract amount, schedule of and actual payments, etc.).
- DRD does not have any experience with procurement financed by international financial institutions, especially the selection of consultants. An international procurement specialist will, therefore, be hired early in the implementation phase to assist the DRD in carrying out procurement activities, especially the selection of NGOs/firms for project

institutional support and technical assistance. Once the union level NGO has been hired, it will ensure a procurement specialist is on site to assist with procurement and training.

Procurement Plan

12. **In accordance with OP 8.00 DRD has prepared a simplified procurement plan for the first six months of operation** that has been made available on the World Bank's external website. The procurement plan will be updated in agreement with the World Bank annually or as required to reflect actual project implementation needs and improvements in institutional capacity.

Frequency of Procurement Support

13. **The procurement capacity assessment indicated the need for quarterly implementation support missions** to assist in project implementation during the first year of operation, and at least bi-annually thereafter depending on the updated project procurement risk assessment. The procurement missions will include reviews of the continued adequacy of the project's procurement arrangements as well as an integrated fiduciary review (procurement, financial management and disbursement) of block grant expenditures and other goods and services contracts.

Details of the Procurement Arrangements Involving International Competition

A. Goods, Works and Services

- There will be international competitive bidding packages as part of the project to cover the procurement of vehicles.

B. Consulting Services

- For consulting services for institutional support and technical assistance, the shortlists may comprise international NGOs/firms with international experience.

Annex 7: Implementation and Monitoring Arrangements

MYANMAR: National Community Driven Development Project

Implementation Arrangements

1. **The project will be implemented at three main levels:** the community (village and village tract); the township, and the union. In addition, the region/state level authorities will play a coordination and oversight role. Figure A7.1 presents the institutional structure and Table A7.1 (page 55) summarizes the entities involved in project implementation at the various levels.

Figure A7.1: Institutional Structure

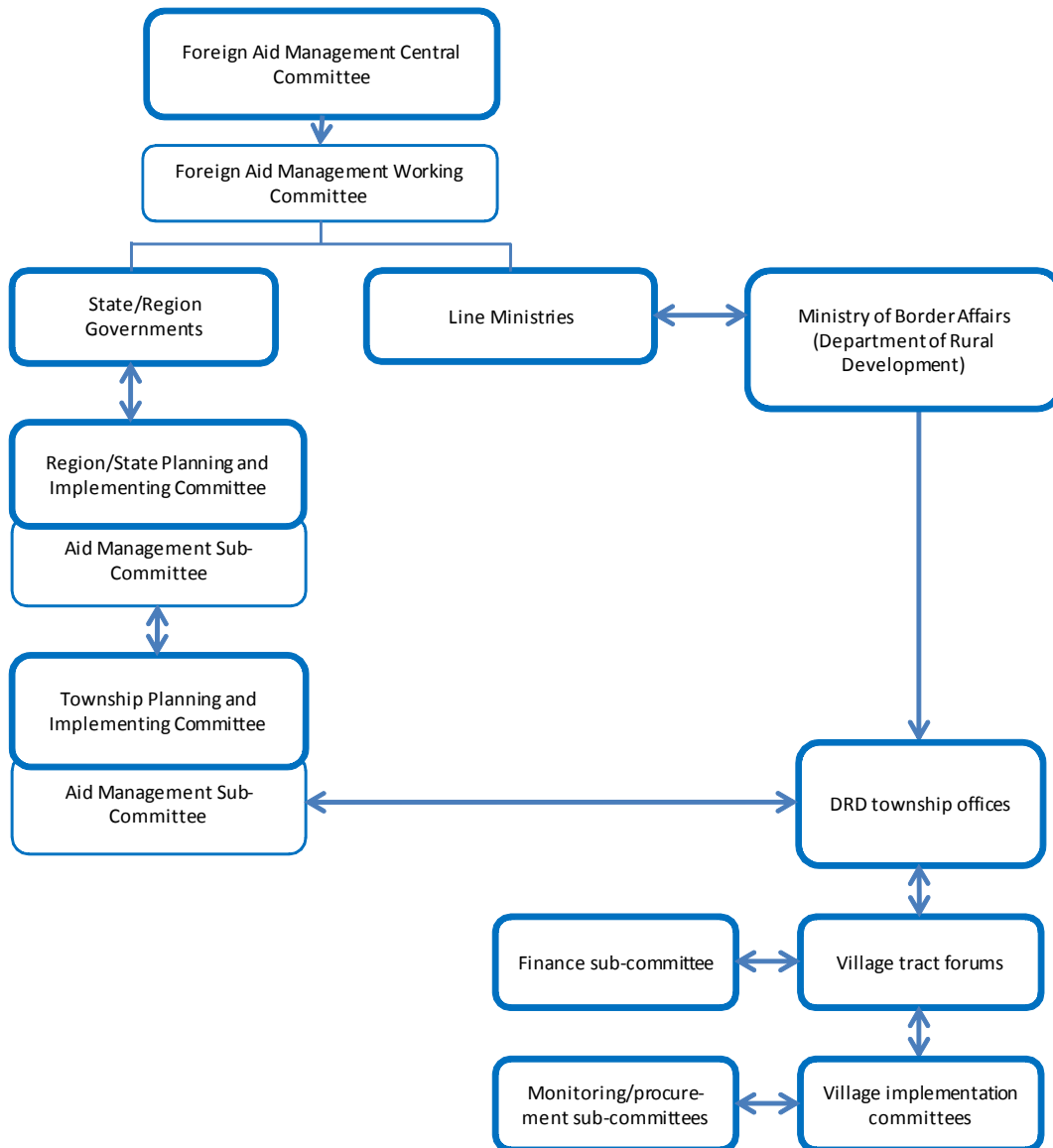


Table A7.1: Entities Involved in Project Implementation

Name	Membership	Main Functions	Status
<u>Union Level</u> Steering Committee	Inter-ministerial committee	Oversees implementation, approves selection of townships	Exists
DRD Project Secretariat	Project director, technical and administrative staff; NGO/firm	Overall project implementation, monitoring	To be established by effectiveness
<u>Township Level</u> Township Aid Management Sub-Committee	Includes relevant technical agencies	Provides oversight and linkage between village tract and township plans; brings in services and support from technical agencies, endorses first development plan from each village tract	Exists
DRD Project Secretariat	DRD head, administrative and technical staff, NGO/firm, community facilitators	Provides implementation support; design and screening of sub-projects; facilitating annual social audits	To be established at the beginning of the first year of operation in the respective townships
<u>Village Tract</u> Village Tract Forum	Forum has two members from each village (one man and one woman); village tract administrators and village heads as advisors; supported by community facilitator	Preparing village tract development plan; sub-project approval; managing block grants	To be established at the beginning of the first year of operation in the respective townships
Finance Sub-committee	3-4 persons selected by village tract forum members based on transparent criteria	Keeping books for sub-projects, making payments to contractors, vendors and laborers	To be established by the village tract forum upon its inception
<u>Village</u> Village Implementation Committee	Elected by groups living in the village with representation of women and marginalized and minority groups; supported by village volunteer and community facilitator	Identifying priority needs, participating in sub-project design and screening	To be established at the beginning of the first sub-project in the respective village
Monitoring sub-committee	3-4 persons selected from village implementation committee members	Monitoring implementation of sub-projects including safeguards; providing periodic reports to village	To be established by village implementation committee upon its inception

Name	Membership	Main Functions	Status
Procurement sub-committee	3-4 persons selected from village implementation committee members	Carrying out procurement of goods, works and services related to sub-project implementation	To be established by village implementation committee upon its inception

Village and Village Tract Level

2. **The main decision-making authority will lie with the village tract forum** (see Annex 1: Detailed Project Design). This forum will be comprised of one female and one male member from each village in the village tract. Villagers will elect their representatives at the village tract level. Forum membership will take account of the various strata in the villages to ensure their adequate representation. In addition, the village heads as well as the village tract administrators will be members of the village tract forums in an advisory role. Forum members will elect a head from amongst them.¹⁹

3. **To facilitate implementation, village tract forums will set up a finance sub-committee.** To compensate all committee and sub-committee members except the village tract administrators for the time spent on the project they will receive some remuneration. The village tract forums will open bank accounts, and manage project funds according to the provisions of the project operations manual. To this effect, the forum head will sign a block grant agreement with the DRD township office on behalf of the forum members. This agreement will stipulate the fiduciary, safeguards and governance standards that apply to the implementation of all sub-projects.

4. **Community facilitators will support sub-project implementation and the village tract forums throughout the development planning and sub-project cycles.**²⁰ They will be recruited by the NGOs/firms providing institutional support at the township level. They will be native to the township and have adequate technical qualifications.

Township Level

5. **DRD will be responsible for project implementation at the township level through its existing offices.** DRD will assign dedicated project and administrative staff to each office. DRD staff will provide continuous technical support to community facilitators and village tract forums. For so doing, each township DRD office will be assisted by a local or international NGO/firm with a previous track record of implementing community-based activities. These NGOs/firms will be hired by DRD at the union level and be embedded in the DRD township offices. In addition, DRD township offices will be responsible for coordination with government departments and other development partners, as well as monitoring of and reporting on project activities in the townships.

6. **The township aid management sub-committees will be the node where the state and community levels interact both administratively and substantively.** They will perform the important role of coordinating the development activities of line ministries with the bottom-up

¹⁹ Village tract administrators and village heads could not be elected heads of the village tract forums.

²⁰ The project cycle at the community level is discussed in Annex 1: Detailed Project Design.

planning undertaken by villagers and village tract forums. The DRD township offices will serve as the project secretariat to the township aid management sub-committees.

Region/State Level

7. **No dedicated project office, technical assistance or institutional support is envisaged at the region/state level.** The existing DRD region/state offices will coordinate with the region/state governments and line ministries with regard to monitoring the performance of the township aid management sub-committees, and supporting them as needed to resolve any implementation issues that can be addressed at this level.

Union Level

8. **DRD will set up a secretariat and appoint a project director within its existing structure to manage the project.** This secretariat will comprise current and reassigned DRD staff, as needed. Responsibilities include: overall compliance with the provisions of the project operations manual, the procurement of consultancy services for technical assistance and institutional support, communications and outreach, capacity development of all project stakeholders, monitoring and evaluation, and consolidated reporting. The secretariat will also support the steering committee for inter-ministerial coordination.

9. **The implementation of the project will present DRD with new technical and operational challenges.** Consequently, it will recruit a local or international NGO/firm with a previous track record of implementing community-based activities. This NGO/firm will be embedded in the secretariat and assist DRD staff across the full range of activities. The NGO/firm will also support the secretariat in tracking and monitoring complaints through the establishment of a grievance redress mechanism. Moreover, an NGO/firm will be hired to carry out technical audits in 10 percent of village tracts annually to verify the quality of the financed sub-projects.

10. **The Foreign Aid Management Working Committee will play a crucial role in promoting the people-centered approach to development across government.** It will serve as the project's steering committee and provide general oversight over the project: it will advise the Department of Rural Development, Ministry of Border Affairs, on implementation matters, facilitate the resolution of any policy level or complex operational issues, and support and coordinate the involvement of relevant ministries. It will also approve the selection the participating townships. At least at the beginning of operations, the steering committee will meet quarterly to discuss the DRD quarterly progress reports.

Transition to the Longer-term

11. **If the proposed approach to people-centered development proved effective in delivering development benefits to local communities, it could be scaled up to more townships.** Experience from other countries that have undergone such a scaling-up suggests that a geographical expansion over a short period of time carries operational challenges and risks. Critical to the successful transformation of a project with limited reach to a fully national program are the capacity and resilience of the institutions involved at the local and central levels.

12. **The project places emphasis not just on the empowerment of communities, but also of government institutions that support community driven development.** To this effect, the consultant services contracted to provide technical assistance and institutional support at the union and township levels are expected to transform over time, from a more prominent role during the first years of operation to a more supporting role later before phasing out entirely with responsibilities assumed by the DRD offices. Such arrangements will be spelled out in the terms of reference of these consultant services.

Monitoring Arrangements

13. **At the village level, monitoring sub-committees will be elected to oversee progress under the sub-projects.** They will check on procurement, finances, and sub-project implementation and report back to the entire village at periodic open village meetings. These meetings will enhance the transparency of project implementation and the accountability of the sub-committees.

14. **The township level will be responsible for the regular monitoring of project activities against set work plans and schedules.** Each month, the DRD township offices and NGOs/firms supporting them will provide progress reports describing project cycle activities at the tract and village levels, training, results achieved, financial disbursements, and plans for the next period.

15. **At the union level, DRD will make regular monitoring and supervision visits to project locations.** The DRD office at the union level will be responsible for reviewing monthly township reports, resolving management and implementation issues as they arise, and providing a learning feedback loop with townships. The union DRD office will also provide quarterly progress reports to the steering committee and the World Bank.

Governance and Accountability Measures

16. **GAC measures are built into the project design to support transparency, voice, accountability, participation and inclusion of previously excluded groups.** Lessons learned from existing CDD projects in Myanmar emphasize the need to establish new structures that provide “space” for previously excluded groups to participate and articulate development priorities but importantly do not exclude formal and informal village leaders. The project will contain several important elements to mitigate GAC risks, including participatory village monitoring, annual social audits at the village tract level and establishing a grievance redress mechanism coupled with widespread information disclosure and transparency, including at the community level and in the local languages. In addition, the project operations manual will include a sanctions regime to spell out sanctions for villagers, forum members and government officials who misuse funds, engage in corrupt practices (for instance, nepotism, fraud, abuse of authority) or do not abide by the provisions of the block grant agreement. The sanctions protocol will build on the existing relevant laws of Myanmar, including a 1915 circular on civil service rules on criminal action, and a 1948 law on anti-bribery.

17. **Table A7.2 provides typical examples of fraud and corruption risks encountered in CDD projects.** The mitigation measures identified for the project are modified based on

experience in Myanmar.²¹ More details on key checks and balances that are build in the project’s design are presented in the subsequent paragraphs.

Table A7.2: Governance and Anti-Corruption Risk Mapping and Mitigation Measures

Key Risks	Select Design Mitigation Measures
Elite capture of processes and outcomes at the community level	<ul style="list-style-type: none"> • Significant local level political economy analysis on institutions (Post-Nargis Social Impacts Monitoring 2008-10, Qualitative Social and Economic Monitoring since 2011) • Lessons applied from global CDD experience, including Afghanistan, Indonesia, the Philippines and Sri Lanka • Key principles of transparency, accountability and participation included in the project operations manual • Planned visits of government counterparts to countries with ongoing CDD programs to see well functioning grievance redress mechanisms and management information systems • Establishment of representative village tract forums with elected members to prevent elite capture • Use of secret ballots to elect one man and one woman from each village to represent villagers at the village tract forum. Villagers can request new elections if forum members underperform • Establishment of finance, procurement and monitoring sub-committees at the village and tract levels • Annual facilitated social audit in all village tracts • Focus on simple information and communication materials
Patronage/nepotism in the selection of project staff, especially community facilitators	<ul style="list-style-type: none"> • Open and transparent recruitment process for technical assistance and institutional support at the union and township levels • Election of village volunteers by villagers based on transparent criteria, including diversity • Code of conduct/ethics for all project staff (DRD and NGOs/firms)
Conflict of interest within the village tract forum in the selection of sub-projects	<ul style="list-style-type: none"> • Clear and transparent criteria in the project operations manual • Village tract forum represents different interest groups • Earmarking of funds for sub-projects identified by women • Close monitoring and supervision by community facilitators • Grievance redress system
Diversion and/or embezzlement of project funds	<ul style="list-style-type: none"> • Village tract forums to sign block grant agreements with township DRD offices to commit to adhering to agreed fiduciary, safeguards and governance procedures • A minimum sample of 10 percent of block grants will be selected for audit annually using a risk based approach • Internal controls at the union, township and community levels • Sub-project procurement by village procurement sub-committees • Posting of village tract development plans, sub-project designs and budgets, procurement information, and summary quarterly income and expenditure statements at an easily accessible place in the local language(s) • Extensive and continuous capacity development of the members of village tract finance sub-committees and village monitoring and procurement sub-committees • Management information system to track business processes and monitor red flags

²¹ Adapted from World Bank, 2012a, op cit.

Key Risks	Select Design Mitigation Measures
	<ul style="list-style-type: none"> Grievance redress system
Bribes and kick-backs to project officials	<ul style="list-style-type: none"> Fraud and corruption guidelines adopted by the government Grievance redress system Sanctions included in project operations manual
Diversion of project assets	<ul style="list-style-type: none"> Regular audits and asset inventories Grievance redress system
Short-changing of sub-project value resulting in poor value for money	<ul style="list-style-type: none"> Annual technical audits of 10 percent of randomly selected village tracts, including “value for money” audit of selection of sub-projects Surveys/checks of unit costs of materials by DRD engineers Cross-check visits from village tract forum members across village tracts Focus on capacity building of procurement sub-committee Grievance redress system
Failure to enhance community empowerment and perception of government legitimacy	<ul style="list-style-type: none"> Focus on extensive capacity development throughout the project’s implementation Communications and outreach strategy to communities and the population at-large Lessons learned from existing successful community based project in Myanmar

18. **Participatory monitoring will be conducted by village monitoring sub-committees that represent women, men and marginalized groups.** Sub-committee members will receive training from the community facilitator and village volunteer on how to monitor sub-project implementation and prepare simple reports. During the construction phase of a sub-project, the monitoring sub-committee will periodically organize a village meeting to provide information on implementation progress to the community. The village monitoring sub-committee will also play a key role in monitoring the implementation of any environmental and social mitigation measures. Moreover, it will be responsible for posting simple information on the project (names of people employed, location of sub-project, duration, wages paid to men and women, cost of materials, name and contact details of person to whom complaints can be sent, etc.) on a public notice board.

19. **Social audits will be conducted on an annual basis and facilitated by the NGOs/firms supporting the DRD township offices.** The community facilitators will organize an open public meeting at the village tract; information on the meeting will be posted in advance. The purpose of the social audit will be to report back to the population living in the village tract on past year’s progress, the expenditures under the village tract development plan, and any financial and technical audit findings. The meeting will be attended by the village volunteers, community facilitators, DRD staff and village tract forum members. It will provide a public forum to present problems, and air any grievances or other issues people may have with the project. The community facilitator will prepare minutes of the meeting that record the issues raised and how they will be addressed in the subsequent annual cycle. This information will be included in the updated village tract development plan.

20. **A grievance redress mechanism is an essential part of the project and an integral part of the project’s monitoring and information system.** It aims to ensure that feedback is received, that the voices from the poor and marginalized groups are heard, and that the issues raised are resolved effectively and expeditiously. The details of the grievance redress mechanism will be included in the project operations manual. The manual will specify the systems and

requirements (including staffing) for the grievance redress “value chain”, from uptake, sorting and processing and acknowledgement and follow-up, to verification and action, monitoring and evaluation, and finally feedback.

21. **The grievance redress mechanism will be carried out by the NGOs/firms hired at the union and township levels.** To this end, the NGOs/firms will recruit dedicated staff, as needed. Information on the grievance redress mechanism will be disseminated widely in meetings and through pamphlets and brochures, specifically information on how and where to lodge complaints/grievances. The general public across the participating townships will also be continuously sensitized about the mechanism. The NGOs/firms will provide training to DRD staff at the union and township levels, the community facilitators and village volunteers, and the members of the village tract forums and village implementation committees. These actors will also encourage villagers to seek clarification or remediation through the mechanism if they have any questions or grievances. The NGOs/firms will report on findings and impacts during the annual multi-stakeholder reviews and social audits. Over time, the grievance redress function will be transferred to DRD.

Annex 8: Project Preparation and Appraisal Team Members

MYANMAR: National Community Driven Development Project

Name	Title	Unit
Anthony Toft	Deputy General Counsel	LEGVP
Aristeides Panou	Counsel	LEGOP
Asmeen Khan	Lead Governance Specialist/Co-Task Team Leader	EASPR
Christopher Fabling	Sr. Financial Management Specialist	EASFM
Edith Bowles	Sr. Operations Officer	EAPRT
James Orehmie Monday	Sr. Environmental Engineer	EASTS
Kyaw Htut Aung	Assistant	EACMM
Manuela Adl	Division Manager	CTRLN
Markus Kostner	Social Development Sector Leader/Co-Task Team Leader	EASER
Miguel-Santiago Oliveira	Sr. Finance Officer	CTRLN
Ngozi Blessing Obi Malife	Program Assistant	EASER
Nikolas Win Myint	Country Officer	EACSQ
Nitaya Chatnantawej	Resource Management Analyst	EAPCA
Pamornrat Tangsanguanwong	Sr. Social Development Specialist	EASTS
Piathida Poonprasit	Team Assistant	EACTF
Satoshi Ishihara	Sr. Social Development Specialist	EASTS
Siriphone Vanitsaveth	Financial Management Specialist	EASFM
Sirirat Sirijaratwong	Procurement Analyst	EASR2
Susan Wong	Lead Social Development Specialist	SDV
Thawdar Sann	Assistant	EACTF
Vikram Raghavan	Sr. Counsel	LEGES
Zhentu Liu	Sr. Procurement Specialist	EASR2

Annex 9: Environmental and Social Safeguards Assessment Framework

MYANMAR: National Community Driven Development Project

Overview

1. **The existing laws and regulations in force in Myanmar are considered insufficient to identify and mitigate the project's potential negative environmental and social impacts according to the World Bank's safeguards policies.** An environmental law became effective in 2012 but regulations and standards have not yet been issued. There are also other laws with environmental policy implications such as the 1992 Forest Law and a number of international laws and conventions that Myanmar has ratified. Regarding social issues, the existing Land Acquisition Act (1894) is outdated and does not address many current problems around land acquisition. Moreover, its implementation is reportedly erratic. Furthermore, Myanmar is ethnically mixed with about 30 percent of its population belonging to ethnic minorities.

2. **Consequently, the project triggers the following World Bank safeguards policies:**

- Environmental Assessment OP 4.01
- Indigenous Peoples OP 4.10
- Involuntary Resettlement OP 4.12

The potential environmental impacts are likely to be small, local and in most cases temporary. Therefore in accordance with the requirements of *Environmental Assessment OP/BP 4.01*, the project has been assigned environmental category B.

Summary of the Environmental and Social Safeguards Approach

3. **As the project is being prepared under OP 8.00, an Environmental and Social Screening and Assessment Framework (ESSAF) has been prepared and adopted by DRD.**²² The ESSAF provides general policies, guidelines and procedures to ensure that the project is implemented in an environmentally and socially sustainable manner and in line with the applicable World Bank safeguard policies. Specifically, the ESSAF aims to achieve the following:

- a. Minimize potential negative environmental and social impacts;
- b. Enhance positive environmental and social impacts wherever possible;
- c. Ensure that ethnic minorities are meaningfully consulted and that they receive project benefits in a culturally appropriate manner;
- d. Prevent and, where unavoidable, fully compensate loss in livelihood associated with or caused by the project; and
- e. Develop the capacity of DRD to manage environmental and social impacts in partnership with the affected communities.

4. **All elements of the social assessment required under OP 4.10 and the approaches to ensure free, prior and informed consultations with ethnic minorities are part of the**

²² This annex provides an extract of the ESSAF. Its full version is disclosed separately as a stand-alone document.

participatory social assessment and are described in the ESSAF. The policies and procedures to mitigate social impacts due to loss of private assets in line with OP 4.12 are also developed in the ESSAF. A separate Indigenous Peoples Plan or Resettlement Policy Framework will, therefore, not be developed under the project.

Key Steps

Step 1 – Identification of sub-projects

5. **Participatory social assessment, screening and identification of priorities at the village level.** A series of village meetings will be held in all beneficiary villages with the support of the community facilitator where a participatory social assessment is conducted and villagers identify priority needs, develop village development plans and elect village volunteers and their representatives to the village tract forum. The participatory social assessment will also include the screening for the presence of ethnic groups in the project area. If ethnic minority communities are found to be present, their socioeconomic conditions and participation in community decision making processes as well as their perspectives on the overall project approach will be assessed. Free, prior and informed consultations will also be conducted with them to establish their broad community support to priority issues, village development plans and sub-projects to be proposed to the village tract forum.

6. **Consolidation of village priorities in village tract development plans.** The village tract forums will consolidate the village development plans into village tract development plans which include the list of priority sub-projects. Free, prior and informed consultation of the village tract development plans and the consolidated priorities and sub-projects therein included will be conducted with ethnic minorities present in the village tracts.

7. **Endorsement of village tract development plans by township aid management sub-committees.** The sub-committees will review the village tract development plans against existing sector plans and other known assistance, and endorse them. Copies of approved plans will be made available in the local language(s) at the village tract office and in places convenient to the local population in all villages that constitute the village tract. The summary of the approved village tract development plans, including the list of approved sub-projects, will be described in a short brochure, posters and other information materials and displayed on notice boards in all villages as well as the village tract offices.

8. **Handling of complaints.** The village tract forums will report back to the villagers once the township aid management sub-committees have approved the village tract development plans. If there is a complaint with regard to the priorities presented in a village tract development plans, the village tract forums will reassess the priorities and submit a revised plan to the township level for endorsement, as warranted.

9. **Amendment of village and village tract development plans.** Villagers and the respective village tract forums will reevaluate the development plans annually and adjust them as needed. The adjusted plans will be endorsed by the township aid management sub-committee if there are major changes. Each time the village and village tract development plans are updated,

free, prior and informed consultations will be carried out with beneficiary communities and with ethnic minorities to ensure their broad community support to the updated plans.

Step 2 – Screening of potential environmental and social impacts and determination of safeguards instruments

10. **Safeguard screening.** The DRD engineers, in partnership with the village tract forums, village implementation committee and community facilitators, will carry out the environmental and social screening, using the screening sheet that is included in the project operations manual as part of the preparation of detailed designs.

11. **During the first year of project implementation in each township, using the year 1 positive list,** screening will focus only on confirming the eligibility of the proposed sub-project activities. For those sub-project activities that are eligible for financing in year 1, only the Environmental Code of Practice (ECoP) no. 1 is used to mitigate the potential impacts of these sub-projects (Table A9.1).

Table A9.1: Environmental Codes of Practice

No.	Description ²³
1.	Environmental management measures for activities in Year 1 focusing on eligible rehabilitation and minor extension works only (eligibility based on the Positive Lists)
2.	Environmental management measures for activities in Year 2 and beyond focusing on eligible small new construction works (eligibility based on the Open Menu)

12. **For those activities eligible for financing in year 2 and beyond,** the environmental screening will focus on four areas: (i) based on the open menu, confirming whether the proposed sub-project is eligible for financing; (ii) using the screening form to determine potential impacts from the sub-projects; (iii) determining whether or not ECoP no. 1 or no. 2 suffices to mitigate these potential impacts; and (iv) identifying what additional mitigation measures, if any, beyond those contained in the ECoP may be needed to manage the impacts.

13. **Environmental Management Plan.** If additional measures are required beyond what is already contained in the ECoPs, a simple Environmental Management Plan (EMP) will be prepared. An EMP will identify potential site specific impacts that are not covered by the ECoPs and indicate when, by whom, and how the mitigation measure(s) are applied. A sample EMP will be included in the project operations manual.

14. **The community facilitators will provide the necessary technical guidance** so that village tract forum members can review the safeguard screening sheet in line with the project operations manual and the ESSAF. The approved safeguard screening sheet in the local language with the detailed project designs will be available in the beneficiary village(s). Furthermore, villagers will be given the opportunity to address questions and concerns to members of the village implementation committees.

²³ The Environmental Codes of Practice are specified in detail in the project operations manual.

15. **If the safeguard screening finds that some minor impact cannot be avoided, the village tract forums will develop measures to address this impact.** No major impact beyond the loss of small numbers of trees, fences or other non-residential structures or the acquisition of small strips of private land is anticipated. Impact on private asset may be addressed either through: (i) voluntary donation or (ii) compensation at replacement cost. Proceeds from the World Bank grant cannot be used to pay for land acquisition or compensation.

16. **Voluntary donation.** The project will allow community members who benefit from a sub-project to donate land and other private assets to the sub-project without compensation. It is expected that most project impact will be addressed through voluntary donation without any significant or long-term impact on livelihood. The following protocol will govern voluntary donation of private assets.

- Voluntary donation will be an act of informed consent and affected people will not be forced to donate land or other assets with coercion or under duress, or misled to believe that they are obliged to do so.
- Voluntary donation will be allowed only if a sub-project can technically be implemented in another location than where it is planned – if a sub-project is location-specific by nature, land acquisition associated with such a sub-project cannot be considered as voluntary; rather, it is an act of eminent domain. In such cases, an abbreviated RAP or a full RAP, as applicable, will be developed.
- Voluntary donation will be allowed only for very minor impact that meets the following criteria:
 - The households contributing land or other assets are direct beneficiaries of the sub-project;
 - The total size of productive land owned by the affected household is more than 300m²;
 - The impact is less than 5 percent of the total productive assets owned by said household; and
 - No one has to be physically relocated.
- The affected people will be fully informed that they have the right to refuse to donate land and instead receive compensation at replacement cost, and that a grievance redress mechanism is available to them through which they can express their unwillingness to donate. People will be encouraged to use the grievance redress mechanisms if they have questions or inquiries, either in writing or verbally. Adequate measures will be put in place to protect complainants.
- The community facilitator, village representatives of village tract forums and the village implementation committee will confirm through a face-to-face meeting that the affected people are indeed aware that they are entitled for compensation and knowingly agree to donate land or other assets without compensation. The minutes of this meeting, which include confirmation that all conditions for voluntary donations

provided in the ESSAF are met, will be attached to the signed voluntary donation form.

- Once the informed consent of the affected people has been confirmed in writing, the village tract forum will develop a voluntary donation form. Both the husband and the wife of the affected household will sign the form in the presence of the community facilitator and the village implementation committee.
- The village tract forum will review and approve the signed voluntary donation form, and keep one original, signed voluntary donation form for review by DRD and the World Bank. The affected household will keep another original, signed form.
- Implementation of sub-projects involving voluntary donation will start only once the village tract forum has approved the signed voluntary donation forms.
- Annual social audits carried out by the NGO supporting the DRD township offices will verify the informed agreement of affected people.

17. **Compensation at replacement cost.** If affected people are unwilling to donate assets without compensation, or if impacts that go beyond the threshold for voluntary donations occur, village tract forums, with the support of the community facilitator, will develop an abbreviated RAP. A full RAP will be developed in the event that more than 200 people are affected by a sub-project, i.e., displaced either economically or physically.

18. **Detailed processes and procedures for the preparation of an abbreviated RAP and a full RAP,** including consultation and disclosure requirements and table of contents of these RAPs, will be included in the project operations manual. Furthermore, the processes and procedures for voluntary land donation and involuntary land acquisition including grievance redress will be summarized in a pamphlet in all applicable local languages and distributed in all participating villages.

Step 3 – Development of Safeguard Instruments

19. **If the safeguard screening finds that land acquisition or loss of private assets is unavoidable and if voluntary donation does not apply,** the village tract forum, with technical inputs from the DRD engineer and the support of the community facilitator, will prepare the applicable resettlement instrument. All village representatives will receive safeguards training. Also, basic processes and procedures with regard to social and environmental safeguards will be displayed at a notice board in all project villages.

20. **When sub-project documents and applicable resettlement instruments are drafted,** members of the village tract forum including the representatives from the beneficiary village, the DRD engineer and the community facilitator will visit the sub-project site and carry out a half-day consultation with the village implementation committee. During the consultation meeting, the final sub-project documentation²⁴ is presented together with the draft detailed design. Inputs

²⁴ The final sub-project documentation includes the detailed engineering design, cost estimates, civil works documents (bill of quantities (BoQ), draft civil works contract, etc.), screening forms, the ECoP (and EMP if

from the village implementation committee will be sought regarding whether or not all potential impacts are adequately covered and mitigated, and whether adequate measures are incorporated in the design to meet the special needs of affected people and disadvantaged groups, including in particular ethnic minorities. The final sub-project documentation that is submitted to the village tract forum for approval will incorporate the inputs from villagers, and the result of the meeting will be documented and kept in the project file.

21. The resettlement instruments developed for a sub-project will be reviewed and approved by the village tract forum and endorsed by the Settlement and Land Record Department under the Ministry of Agriculture and Irrigation prior to its implementation.²⁵ Copies of approved abbreviated RAP or full RAP will be made available at the village tract office and in easily accessible places in the villages where the sub-project is implemented, with a summary translated into the local language(s).

Step 4 – Implementation of safeguard instruments, supervision, monitoring and evaluation

22. Each village tract forum will be responsible for the implementation of the sub-project safeguards instruments including the ECoP (and EMP if required), voluntary donation forms, abbreviated RAP or full RAP, as applicable, according to the policies and procedures laid out in the ESSAF. The village tract forum will ensure that no physical land acquisition or resettlement of affected people commences before an abbreviated RAP or RAP has been implemented, or before the voluntary donation form is signed by the affected household(s) and reviewed and approved by the village tract forum.

23. Village monitoring sub-committees, in collaboration with community facilitators and village volunteers, will monitor the implementation of the safeguards instruments, including the ECoP (and EMP if required), voluntary donation forms, abbreviated RAP or full RAP. The village monitoring sub-committees will confirm the proper application of the instruments and notify the village tract forum that a sub-project is ready for implementation. The implementation of sub-projects involving voluntary land donation, involuntary land acquisition or asset loss will start only once this confirmation has been given.

24. Throughout the implementation of a sub-project, the village monitoring sub-committees and village volunteers will monitor any negative impacts that may arise. Community facilitators will regularly visit villages and receive feedback. If villagers have any questions or grievances that cannot be answered at the community level, they will be encouraged to seek clarifications and solutions through the project's grievance redress mechanism.

25. Social audits will be conducted on an annual basis and facilitated by the NGOs/firms supporting the DRD township offices. The community facilitators will organize an open meeting at the village tract; information on the meeting will be posted in advance. The purpose of the social audit will be to report back to the population living in the village tract on past year's progress, the expenditures under the village tract development plan, and any financial and technical audit findings. The meeting will be attended by the village volunteers, community

required), operations and maintenance requirements and plans, minutes and record of attendance of consultations, and applicable the resettlement instruments.

²⁵ The Settlement and Land Record Department is responsible for compensation under the national legislation.

facilitators, DRD staff and village tract forum members. It will provide a public forum to present problems, and air any grievances or other issues people may have with the project. The community facilitator will prepare minutes of the meeting that record the issues raised and how they will be addressed in the subsequent annual cycle. This information will be included in the updated village tract development plan, submission of which to the DRD township office will be a condition for the transfer of the next annual block grant allocation.

26. **The village tract forums will summarize environmental and social safeguard related activities in their monthly reports to the township DRD office.** These reports will also include a short report on any environmental mitigation plan, voluntary donation, abbreviated RAP or RAP that was completed during the reporting period.

27. **The World Bank will review** the safeguards screening forms, environmental management plans, voluntary donations, abbreviated RAPs or full RAPs and the use of the ECoPs on a random basis and will carry out field trips to verify safeguard compliance.

Institutional Assessment and Capacity Building

28. **The NGOs/firms hired under the project will help to develop the capacity of key stakeholders** to ensure that the sub-projects are implemented in an environmental and socially sustainable manner and in line with the ESSAF requirements. A capacity development needs assessment was conducted during project preparation; its results are presented in Table A9.2.

Table A9.2: Institutional Capacity Assessment and Training Needs

Institution		Sub-project planning	Design	Review, appraisal and approval	Implementation	Operations and maintenance
DRD (union level)	Responsibility		Master/schematic designs and documents, including ECoPs	-	-	-
	Staff Assessment	Engineers available				
	Technical Assistance	Technical capacity adequate, additional engineer not required				
	Training needs	Training on ESSAF, ECoPs, consultations, and documentation, etc. Training on ECOPS required				
DRD (township level)	Responsibility	Technical review of sub-project proposals	Revising standard documents, screening, use/referencing of ECoPs, measurement of impact, production of detailed designs in consultation with villagers	Yes	Yes – oversight monitoring	Yes – oversight, periodic monitoring
	Staff	Engineers available (consisting of township sector engineers) but a				

Institution		Sub-project planning	Design	Review, appraisal and approval	Implementation	Operations and maintenance
	Assessment	significant gap in knowledge of applicable safeguard policies.				
	Technical Assistance	Technical capacity possibly adequate but may need to be strengthened, especially if the project increased their workload significantly. Community facilitators to assist the engineers on applicable safeguard policies and engagement with villagers, including on minor repair and operational guidance during the operational phase.				
	Training needs	Training of township engineers and community facilitators on ESSAF, ECoPs, consultations, documentation, etc. Training of and facilitation for township engineers and community facilitators on continuous engagement with villagers on operations and maintenance.				
Village tract forum	Responsibility	Development of village tract development plans, selection of sub-projects, review and approval of sub-project proposals, safeguards screening, voluntary donation form, abbreviated RAP or RAP, as applicable.				
	Staff Assessment	No technical staff or capacity and a significant gap in knowledge of applicable safeguard policies.				
	Technical Assistance	Community facilitators provide continuous support throughout implementation, including on applicable safeguard policies.				
	Training needs	All members of the village tract forums on all aspects of the ESSAF, ECoPs, consultations, documentation, etc.				
Village implementation committee	Responsibility	Decision-making authority for all aspects of sub-project planning, review and oversight.				
	Staff Assessment	No technical staff or capacity and a significant gap in knowledge of applicable safeguard policies.				
	Technical Assistance	Community facilitators provide continuous support throughout implementation. DRD township engineers provide continuous support for the design, operations and maintenance of sub-projects				
	Training needs	Key members of the village implementation committees on all aspects of the ESSAF, ECoPs, consultations, documentation, etc.				

Grievance Redress Mechanism

29. **A grievance redress mechanism is an essential part of the project to address the concerns that affected people may have about the project.** In addition, participatory monitoring and social audits will be conducted so that any grievances that people affected by the project may have will be identified and redressed. Details regarding the grievance redress mechanisms will be included in the project operations manual. DRD staff and community members involved in project implementation will be trained, and the public in the participating townships will be continuously sensitized about the mechanism and how to use it (see Annex 7: Implementation and Monitoring Arrangements for more information).

Monitoring and Evaluation of Safeguards

30. **The project includes periodic technical audits of a sample of sub-projects.** These audits will review in part if environmental and social safeguard procedures have been followed. In addition, the project's management information system and regular reporting will document issues related to land donations and any environmental issues.

Consultations and Disclosure

31. **The ESSAF contains specific guidance and requirements for consultations with potentially affected people**, consistent with the bottom-up approach and planning cycle of the project. The sub-projects will be identified and proposed by the villagers and reviewed and approved by the village tract forums. The project design has specific requirements, including for representation of gender, ethnic and religious minorities, as applicable, and other vulnerable groups in the villages. Furthermore, as part of the technical design and safeguards planning, village tract forums and village implementation committees will consult with the households potentially affected by a sub-project before the village tract forum approves it. These consultations will be done in a culturally appropriate manner, documented and included in the sub-project documentation, and disclosed locally. Training to ensure these measures are properly understood and effectively implemented will be provided to all relevant members of the village tract forums, village implementation committees and monitoring sub-committees, and DRD township staff.

32. **World Bank policies require that the ESSAF be disclosed as a separate and stand-alone document** by the Department of Rural Development in Myanmar in Myanmar language and at the World Bank's Infoshop in English. Furthermore, sub-project documentation relating to the design and implementation of the safeguards instruments will be disclosed in the local language(s) in the affected communities.

Budget for Implementing the ESSAF

33. The costs associated with implementing the ESSAF processes and safeguards instruments are included in component 2 (Facilitation and Capacity Development) and 4 (Implementation Support), and the costs of implementing the measures in the ECoPs and the benefits in any abbreviated or full RAP will be included in the cost of each sub-project under component 1 (Community Block Grants).

Annex 10: Economic and Financial Analysis

MYANMAR: National Community Driven Development Project

1. **Given the demand-driven nature of the project design, it is not possible to determine ex ante what type of sub-projects will be funded.** Nevertheless, based upon discussions with NGOs working in Myanmar and the initial positive list of activities, it is likely that communities will request small-scale rural infrastructure such as feeder road construction or rehabilitation, bridges, school rehabilitation, health posts and rural electrification. To the best of the Bank's knowledge, economic and financial analyses of small-scale rural infrastructure in Myanmar do not exist. However, several NGOs working on small-scale rural infrastructure in the country report significant benefits such as short-term employment, new business development, and time savings due to new or rehabilitated footpaths and roads. Looking at other CDD projects in the region and elsewhere, economic internal rates of return for rural infrastructure range from an average of 18 to 53 percent.²⁶ On roads, for example, benefits are seen through the creation of temporary employment, improved connectivity to markets and services, savings in travel time, new business growth, increased passenger, labor and agriculture machinery movement, and reduced unit costs of transport. Large benefits accrue from opening up remote areas and access to markets that were made possible by transport infrastructure. For water projects, the returns come primarily from time savings.²⁷

2. **Several related studies show the cost effectiveness of CDD projects as compared to equivalent works built through other government service delivery mechanisms.** The Philippines, Indonesia, and Nepal, for example, report 13 to 39 percent lower costs depending on the type of investments. These cost savings come primarily from eliminating the middle man or contractor overhead. For social funds in Bolivia, Honduras, and Nicaragua, where the projects allowed greater community control over decisions and resources, unit costs were found to be lower by 25 to 40 percent. However, when the projects worked through private contractors and government intermediaries, unit costs tended to be higher.²⁸ Other CDD/social fund projects in Africa, such as in Burkina Faso and Malawi, also report similar rates of cost savings – in the 15 to 40 percent range – as compared to other programs producing similar quality investments.

²⁶ Economic rates of return are calculated based upon numerous assumptions and methodologies. They should, thus, be considered with caution.

²⁷ Wong, op, cit.

²⁸ Rawlings, Laura, Lynne Sherburne-Benz, and Julie van Domelen. 2003. Evaluating Social Funds: A Cross Country Analysis of Community Investments. Washington, DC: World Bank.

Annex 11: Documents in the Project File

MYANMAR: National Community Driven Development Project

- Barron, Patrick. 2011. Community Driven Development in Post-Conflict and Conflict-Affected Areas. Experiences from East Asia. Background Paper for the 2011 World Development Report. World Bank.
- Burma Environmental Working Group. 2011. Burma's Environment: People, Problems, Policies.
- Callahan, Mary and David Steinberg. 2012. Drivers of Political Change in Post-Junta, Constitutional Myanmar. USAID.
- Centre for Peace and Conflict Studies. 2010. Listening to the Voices from Inside: Ethnic People Speak.
- Dapice, David. 2012a. Electricity in Myanmar: The Missing Prerequisite for Development. Harvard Kennedy School. Ash Center for Democratic Governance and Innovation.
- Dapice, David. 2012b. Myanmar: Negotiating Nation Building A Path to Unity and Progress. Harvard Kennedy School. Ash Center for Democratic Governance and Innovation.
- Dawei Project Watch. 2012. No Rights to Know: The Collective Voices of Local People from the Dawei Special Economic Zone.
- Duffield, Mark. 2008. On the Edge of No Man's Land: Chronic Emergency in Myanmar. Centre for Governance and International Affairs University of Bristol.
- Horse, Richard. 2012. Inter-communal Violence in Myanmar. Conflict Prevention and Peace Forum.
- International Crisis Group. 2012. Myanmar: The Politics of Economic Reform.
- Leach, Edmund. 1954. Political Systems of Highland Burma: A Study of Kachin Social Structure. London: G. Bell & Sons Ltd.
- Livelihoods and Food Security Trust Fund. Undated. Annual Report 2010.
- Lofving, Annami. 2011. If Given the Chance: Women's Participation in Public Life in Myanmar.
- Myint, U Thein and U Kyaw Thu. 2005. Sustainable Microfinance to Improve the Livelihoods of the Poor. Impact Study of Microfinance Project, MYA/01/004.
- New Light of Myanmar. 2012. President U Thein Sein delivers address on working procedures of state reforms in meeting with Union level organization members, region/state Chief Ministers, Chairmen of Self-Administered Division/Zone, deputy ministers and departmental heads. June 19.

- Rawlings, Laura, Lynne Sherburne-Benz, and Julie van Domelen. 2003. *Evaluating Social Funds: A Cross Country Analysis of Community Investments*. Washington, DC: World Bank.
- Republic of the Union of Myanmar, Ministry of Home Affairs. 2012. *Ward or Village Tract Administration Law*.
- Smith, Reid. 2006. *A Hen is Crowing: A Gender Impact Study of Two UNDP Myanmar Community Development Programs*.
- Thawngmung, Ardeth Maung. 2004. *Behind the Teak Curtain: Authoritarians, Agricultural Policies and Political Legitimacy in Rural Burma/Myanmar*.
- Tripartite Core Group. 2010. *Post-Nargis Social Impact Monitoring: April 2010*.
- Tripartite Core Group. 2009a. *Post-Nargis Social Impact Monitoring: June 2009*.
- Tripartite Core Group. 2009b. *Post-Nargis Social Impact Monitoring: November 2008*.
- United Nations Development Programme. 2012. *Democratic Governance in Myanmar: Preliminary Situation Analysis*.
- United Nations Development Programme. 2007. *Impact Assessment Baseline Survey Report (Draft). Integrated Community Development Project, MYA/01/001*.
- United Nations Population Fund. 2011. *United Nations and Partners at Work: Gender Briefing Kit Myanmar*.
- Women's Projection Technical Working Group. 2011. *Myanmar Laws and CEDAW: The Case for a Women's Protection Law*.
- Women's Protection Technical Working Group. 2010. *Women's Protection Assessments: Post Cyclone Nargis, Myanmar*.
- Wong, Susan. 2012. *What Have Been the Impacts of World Bank Community-Driven Development Programs? CDD Impact Evaluation Review and Operational and Research Implications*. World Bank, Social Development Department.
- World Bank. 2012a. *How-To Notes: Dealing with Governance and Fiduciary Issues in CDD Projects in Fragile and Conflict-Affected States*.
- World Bank. 2012b. *Implementation Completion and Results Report: Avian and Human Influenza Facility Grant*. Food and Agriculture Organization. *Global Program for Avian Influenza Control and Human Pandemic Preparedness and Response*.
- World Bank. 2011. *What Lies Beneath: An Operational Analysis on Leadership and Institutions at the Local Level in Myanmar*.

World Bank. 2006. Community-Driven Development in the Context of Conflict-Affected Countries: Challenges and Opportunities.

World Bank and Livelihoods and Food Security Trust Fund. 2012. Qualitative Social and Economic Monitoring, Round One Report.

Annex 12: Statement of Loans and Credits

MYANMAR: National Community Driven Development Project

Project ID	FY	Purpose	Original Amount in US\$ Millions				Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF*	GEF**			Orig.	Frm. Rev'd
Total:			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* Special Financing
 ** Global Environment Facility

**COUNTRY
 STATEMENT OF IFC's
 Held and Disbursed Portfolio
 In Millions of US Dollars**

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
Total portfolio:		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

		Approvals Pending Commitment			
FY Approval	Company	Loan	Equity	Quasi	Partic.
Total pending commitment:		0.00	0.00	0.00	0.00

Annex 13: Country at a Glance

Myanmar: National Community Driven Development Project

POVERTY and SOCIAL	Myanmar	East Asia & Pacific	Low-income	
2010				
Population, mid-year (millions)	48.0	1962	796	
GNI per capita (Atlas method, US\$)	..	3,696	528	
GNI (Atlas method, US\$ billions)	..	7,249	421	
Average annual growth, 2004-10				
Population (%)	0.7	0.7	2.1	
Labor force (%)	14	11	2.6	
Most recent estimate (latest year available, 2004-10)				
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	34	46	28	
Life expectancy at birth (years)	65	72	59	
Infant mortality (per 1000 live births)	50	20	70	
Child malnutrition (% of children under 5)	..	6	23	
Access to an improved water source (% of population)	83	90	65	
Literacy (% of population age 15+)	92	94	61	
Gross primary enrollment (% of school-age population)	126	111	104	
Male	126	111	108	
Female	126	112	101	
KEY ECONOMIC RATIOS and LONG-TERM TRENDS				
	1990	2000	2009	2010
GDP (US\$ billions)
Gross capital formation/GDP	13.4	12.4	18.9	22.7
Exports of goods and services/GDP	19	0.5	0.1	0.1
Gross domestic savings/GDP	11.7	12.3	18.9	22.7
Gross national savings/GDP
Current account balance/GDP
Interest payments/GDP
Total debt/GDP
Total debt service/exports	8.9	1.5
Present value of debt/GDP
Present value of debt/exports
	1990-00	2000-10	2009	2010
(average annual growth)				
GDP	7.0	12.3	10.6	10.4
GDP per capita	5.6	11.7	9.8	9.6
Exports of goods and services	8.8	2.4	-2.0	16.1

Development diamond*

Life expectancy

GNI per capita

Gross primary enrollment

Access to improved water source

Myanmar (green line), Low-income group (red line)

Economic ratios*

Trade

Domestic savings

Capital formation

Indebtedness

Myanmar (green line), Low-income group (red line)

STRUCTURE of the ECONOMY	1990	2000	2009	2010
(% of GDP)				
Agriculture	57.3	57.2	38.1	36.4
Industry	10.5	9.7	24.5	26.0
Manufacturing	7.8	7.2	18.1	19.5
Services	32.2	33.1	37.4	37.6
Household final consumption expenditure	..	..	..	..
General gov't final consumption expenditure	..	..	..	..
Imports of goods and services	3.6	0.6	0.1	0.1
(average annual growth)				
Agriculture	5.7	9.7	5.6	4.7
Industry	..	..	..	..
Manufacturing	7.9	18.7	19.0	20.3
Services	7.2	13.1	12.2	11.6
Household final consumption expenditure	..	..	..	..
General gov't final consumption expenditure	..	..	..	..
Gross capital formation	15.3	23.7	34.7	33.9
Imports of goods and services	5.8	4.1	-18.9	57.0

Growth of capital and GDP (%)

2005 2006 2007 2008 2009 2010

GCF (green line), GDP (red line with diamonds)

Growth of exports and imports (%)

2005 2006 2007 2008 2009 2010

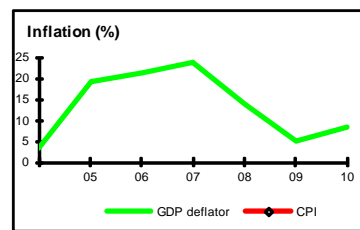
Exports (green line), Imports (red line with diamonds)

Note: 2010 data are preliminary estimates. This table was produced from the Development Economics LDB database. 3/29/12

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

PRICES and GOVERNMENT FINANCE

	1990	2000	2009	2010
Domestic prices (% change)				
Consumer prices	17.6	15.6	..	..
Implicit GDP deflator	18.5	2.5	4.9	8.2
Government finance (% of GDP, includes current grants)				
Current revenue	25.5	..	..	..
Current budget balance	0.0	..	..	..
Overall surplus/deficit	0.0	..	..	..

**TRADE**

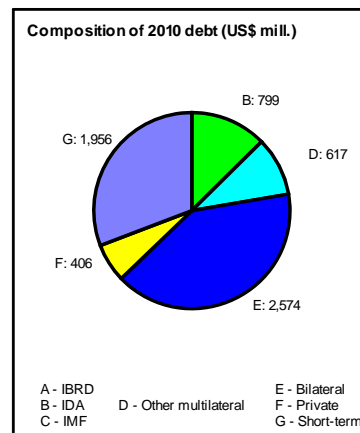
	1990	2000	2009	2010
<i>(US\$ millions)</i>				
Total exports (fob)	897	..	..	..
Timber	184	..	..	..
Rice	77	..	..	..
Manufactures	..	..	..	..
Total imports (cif)	1,832	..	..	..
Food	..	..	..	..
Fuel and energy	5	..	..	..
Capital goods	..	..	..	..
Export price index (2000=100)	..	..	..	..
Import price index (2000=100)	..	..	..	..
Terms of trade (2000=100)	..	..	..	..

BALANCE of PAYMENTS

	1990	2000	2009	2010
<i>(US\$ millions)</i>				
Exports of goods and services	1,279	..	..	..
Imports of goods and services	2,103	..	..	..
Resource balance	-824	..	..	..
Net income	-52	..	..	..
Net current transfers	..	..	..	..
Current account balance	-416	..	..	..
Financing items (net)	371	..	..	..
Changes in net reserves	45	..	..	..
Memo:				
Reserves including gold (US\$ millions)	..	269	..	..
Conversion rate (DEC, local/US\$)	..	..	..	..

EXTERNAL DEBT and RESOURCE FLOWS

	1990	2000	2009	2010
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	4,695	5,975	8,186	6,352
IBRD	0	0	0	0
IDA	716	684	777	799
Total debt service	60	36	29	687
IBRD	0	0	0	0
IDA	9	0	0	0
Composition of net resource flows				
Official grants	37	45	322	339
Official creditors	86	10	-9	-104
Private creditors	-8	-17	0	-546
Foreign direct investment (net inflows)	163	258	323	756
Portfolio equity (net inflows)	0	0	0	0
World Bank program				
Commitments	0	0	0	0
Disbursements	57	0	0	0
Principal repayments	3	0	0	0
Net flows	53	0	0	0
Interest payments	5	0	0	0
Net transfers	48	0	0	0



Note: This table was produced from the Development Economics LDB database.

3/29/12

Annex 14: Map

Myanmar: National Community Driven Development Project

