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5 November 2019

Proposed Loan, Grant, and Administration of Grants Resilient Community Development Project (Myanmar)

1. The Report and Recommendation of the President (RRP: MYA 51242-002) on the proposed loan, grant, and administration of grants to Myanmar for the Resilient Community Development Project is circulated herewith.
2. This Report and Recommendation should be read with (i) *Country Partnership Strategy: Myanmar, 2017–2021: Building the Foundations for Inclusive Growth*, which was circulated to the Board on 8 March 2017 (DOC.Sec.M2-17); and (ii) *Country Operations Business Plan: Myanmar, 2019–2021*, which was circulated to the Board on 11 December 2018 (DOC.IN.456-18).
3. In the absence of any request for discussion and in the absence of a sufficient number of abstentions or oppositions (which should be communicated to The Secretary by the close of business on 26 November 2019), the recommendation in paragraph 33 of the paper will be deemed to have been approved, to be so recorded in the minutes of a subsequent Board meeting. Any notified abstentions or oppositions will also be recorded in the minutes.

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Report and Recommendation of the President to the Board of Directors

Project Number: 51242-002
November 2019

Proposed Loan, Grant, and Administration of Grants Republic of the Union of Myanmar: Resilient Community Development Project

Distribution of this document is restricted until it has been approved by the Board of Directors. Following such approval, ADB will disclose the document to the public in accordance with ADB's Access to Information Policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 October 2019)

Currency unit	–	kyat/s (MK)
MK1.00	=	\$0.000653
\$1.00	=	MK1,532.00

ABBREVIATIONS

ADB	–	Asian Development Bank
CBD	–	community-based development
CDR	–	climate and disaster risk
CPF	–	community participation framework
DRD	–	Department of Rural Development
EARF	–	environmental assessment and review framework
JFPR	–	Japan Fund for Poverty Reduction
PAM	–	project administration manual
VDP	–	village development plan

GLOSSARY

Adaptation	–	an adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities.
Climate-smart agriculture	–	an approach for transforming and reorienting agricultural development under climate change; may be defined as agriculture that increases productivity, enhances resilience (adaptation), reduces or removes greenhouse gases (mitigation) where possible, and ensures the achievement of food security and development goals.
Climate and disaster risk	–	the potential loss of life, injury, or destroyed or damaged assets that could occur to a system, society, or community in a specific period of time, determined probabilistically as a function of hazard, exposure, vulnerability, and capacity. The hazard factors current and future changes from climate change.
Community-based development	–	an approach that empowers communities with control over planning, decisions, and investment resources for local development projects. Community-based development reduces poverty, improves governance, and promotes inclusion at the local level and can be scaled up.

Resilience	–	the ability of countries, communities, businesses, and individual households to resist, absorb, recover from, and reorganize in response to hazard events, without jeopardizing their sustained socioeconomic advancement and development.
Vulnerability	–	conditions determined by physical, social, economic, and environmental factors or processes that increase the susceptibility of an individual, community, assets, or systems to the impact of hazards.
Shocks and stresses	–	shocks are sudden, sharp events that threaten a community. This document refers to shocks triggered by natural hazards. Stresses are factors that weaken the fabric of a community on a daily or cyclical basis. In this document, stresses refer to the ones that have origin in change in climate variables.

NOTE

In this report, “\$” refers to United States dollars.

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PROJECT AT A GLANCE

1. Basic Data		Project Number: 51242-002	
Project Name	Resilient Community Development Project	Department/Division	SERD/SEER
Country	Republic of the Union of Myanmar	Executing Agency	Ministry of Agriculture, Livestock and Irrigation
Borrower	Republic of the Union of Myanmar		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=51242-002-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=51242-002-PortAtaGlance		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Agriculture, natural resources and rural development	Agricultural policy, institutional and capacity development		59.90
	Agricultural production		12.80
	Livestock		18.80
	Rural market infrastructure		103.50
	Total		195.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		Climate Change impact on the Project	High
✓ Accelerating progress in gender equality			
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability			
✓ Promoting rural development and food security		ADB Financing	
		Adaptation (\$ million)	59.54
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.5		Effective gender mainstreaming (EGM)	✓
SDG 2.4, 2.a			
SDG 5.5			
SDG 10.1			
SDG 13.a		Poverty Targeting	
		Geographic Targeting	✓
4. Risk Categorization:		Low	
5. Safeguard Categorization		Environment: B Involuntary Resettlement: B Indigenous Peoples: B	
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		195.00	
Sovereign Project grant: Asian Development Fund		10.00	
Sovereign Project (Concessional Loan): Ordinary capital resources		185.00	
Cofinancing		30.58	
Asia Investment Facility - Project grant (Full ADB Administration)		27.58	
Japan Fund for Poverty Reduction - Project grant (Full ADB Administration)		3.00	
Counterpart		17.42	
Government		17.42	
Total		243.00	
Currency of ADB Financing: US Dollar			

MYANMAR RESILIENT COMMUNITY DEVELOPMENT PROJECT



I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan and a proposed grant, both to the Republic of the Union of Myanmar for the Resilient Community Development Project. The report also describes the proposed administration of two grants: one to be provided by the Asia Investment Facility financed by the European Union and the other by the Japan Fund for Poverty Reduction (JFPR), and if the Board approves the proposed loan and grant, I, acting under the authority delegated to me by the Board, approve the administration of both grants.¹

2. The project will target areas that are vulnerable to climate and disaster risk (CDR) and will follow a phased, cluster approach, grouping vulnerable townships in the same area. The project has identified clusters of 17 poor townships in regions exposed to CDR using climate projections and 2014 census data.² It will benefit about 1.8 million people in 2,942 villages in Ayeyarwady, Chin, Sagaing, and Tanintharyi Regions. The project will support the Government of Myanmar in strengthening its community-based development (CBD) policies and procedures. It will strengthen community resilience and reduce the food insecurity and poverty of rural people living in vulnerable areas, by building their capacity and providing resources to invest sustainably in climate- and disaster-resilient and market-oriented infrastructure and livelihoods.³

II. THE PROJECT

A. Rationale

3. **Country context.** Myanmar is undergoing rapid change. Since 2011, the government has been pursuing wide-ranging economic, social, political, and governance reforms. New policies and strategies are being implemented to address development challenges, including rural development, education reform, and food security and nutrition. Myanmar's gross domestic product grew by 6.2% in 2018 and is projected to continue growing rapidly, reaching 6.6% in 2019.⁴

4. **Poverty remains high in rural areas.** Myanmar is one of the poorest countries in Southeast Asia. Poverty was estimated at 32.1% in 2015, down from 48.2% in 2004, with 84% of the poor living in rural areas.⁵ Malnutrition rates are among the highest in the region. Twenty-nine percent of children under the age of five are stunted and 18.9% are underweight.⁶ The poor have low levels of human capital and tend to be highly exposed to various CDR-related shocks and stresses.⁷ The rural poor rely on agriculture and casual labor for their livelihood.

5. **Rural development.** Myanmar's rural areas are underdeveloped: (i) only 16% of rural people have access to electricity through the public grid, (ii) nearly three out of 10 lack access to year-round improved drinking water, (iii) one out of four lacks access to improved sanitation, and

¹ The Asia Investment Facility grant is financed by the European Union. The JFPR grant is financed by the Government of Japan. Both grants will be fully administered by the Asian Development Bank (ADB).

² Climate Change Assessment (accessible from the list of linked documents in Appendix 2).

³ ADB provided project preparatory technical assistance. ADB. 2017. [Myanmar: Resilient Communities Development Project](#).

⁴ ADB. 2019. [Asian Development Outlook 2019: Strengthening Disaster Resilience](#). Manila.

⁵ World Bank. 2017. [An Analysis of Poverty in Myanmar](#). Washington, DC.

⁶ United Nations Children's Fund, World Health Organization, and World Bank. 2017. [Levels and Trends in Child Nutrition: Joint data set](#). New York.

⁷ United Nations Development Programme. 2018. [Human Development Indices and Indicators. 2018 Statistical Update](#). New York.

(iv) a fourth of the rural population is not connected by any road. Agriculture, which accounts for 25.7% of the gross domestic product and about 49% of employment, is the main source of rural livelihoods.⁸ Key agriculture sector constraints include (i) limited public spending, resulting in gaps in rural infrastructure and human development; (ii) limited access to finance, inputs, and better technologies; (iii) high exposure and vulnerability to CDR; and (iv) limited institutional capacity.

6. **High risk to disasters and climate change.** Myanmar ranks among the highest in the 2017 Global Climate Risk Index.⁹ Almost the entire country is prone to a range of natural hazards. High exposure in hazard-prone areas, livelihood dependency on climate-sensitive sectors, and low capacity to identify and reduce risks negatively impact the poor. Resilience-building measures can support communities, including women, in resisting, absorbing, adapting to, and recovering from climate- and disaster-related shocks and stresses, thereby reducing the risk of CDR-induced intergenerational transfer of poverty. Climate conditions are projected to change dramatically, and vulnerability in agriculture, water resources, public health, forestry, and coastal systems is expected to increase (footnote 2).

7. **Limited institutional capacity.** Myanmar has a legacy of centralized decision-making and administrative processes. Limited technical and administrative capacity is an issue, especially in townships. Myanmar's development paradigm, however, recognizes the important role of communities, as evidenced by the recent formalization of participatory village development plan (VDP) processes.¹⁰

8. **Community-based development effectively strengthens resilience.** CBD approaches are an effective tool for bringing communities to the forefront of poverty reduction and development, allowing them to manage resources directly through block grants to identify, design, and implement solutions that address their infrastructure and livelihood needs. Evidence from CBD projects indicates an improvement in incomes and well-being, including increases in per capita consumption, greater use of basic services, and higher school participation. Indonesia's experience showed a 9.2% increase in the likelihood of poor households moving out of poverty compared with areas without CBD.¹¹ The costs of works are generally lower than those of works built by contractors for the same type and quality, with cost savings ranging from 8.0% to 76.0% depending on the project type.¹² A recent study of CBD projects in Myanmar also indicates that their economic benefits significantly exceed the costs.¹³ With CDR impacts felt most locally, CBD's participatory approaches allow the identification of localized risks, their historical patterns, and observed changes; and assessment of the exposure of people, assets, and livelihoods. Since 2011, the Department of Rural Development (DRD) has led the implementation of CBD projects for a total amount of \$685 million, supporting 8.8 million people in 237 townships.¹⁴

⁸ World Bank. 2018. *Myanmar Economic Monitor: December 2018—Navigating Risks*. Washington, DC.

⁹ Germanwatch. 2017. *Global Climate Risk Index 2017*. Bonn.

¹⁰ Government of Myanmar, Department of Rural Development. 2015. *Manual for the Formulation of the Village Development Plan*. Nay Pyi Taw.

¹¹ J. Voss. 2012. *PNPM rural impact evaluation*. Washington, DC: World Bank; S. Wong. 2012. *What Have Been the Impacts of World Bank Community-Driven Development Programs? CDD Impact Evaluation Review and Operational and Research Implications*. Washington, DC: World Bank; and R. Edillon et al. 2011. *Impact Evaluation KALAH-CIDSS: Final Survey*. Washington, DC: World Bank and Asia-Pacific Policy Center.

¹² E. Araral and C. Holmemo. 2007. *Measuring the Costs and Benefits of Community Driven Development: The KALAH-CIDSS Project, Philippines*. *Social Development Papers*. No. 102. Washington, DC: World Bank.

¹³ The ratio of benefits to costs ranges from 2.4 to 11.0, with the highest returns being generated from small-scale community infrastructure investments. ADB. 2017. *Resilience Dividends: Evidence from Myanmar*. Manila.

¹⁴ Data from the DRD monitoring and evaluation system; and ADB. 2013. *Grant Assistance Report: Proposed Grant Assistance to the Republic of the Union of Myanmar for Enhancing Rural Livelihoods and Incomes*. Manila (\$12 million JFPR grant).

9. **Value added by ADB assistance and lessons.** The experience of the Asian Development Bank (ADB) in CBD in Myanmar and in the region, especially in the Philippines, and learning from the CBD projects of other development partners informed the project design (footnote 11). Key lessons include (i) aligning with government community planning systems; (ii) applying an integrated mix of rural infrastructure, livelihoods, and capacity building; (iii) allocating sufficient resources and time for community engagement and mobilization; (iv) timely provision of information on CDR and market opportunities for community planning; (v) improving the participation and empowerment of women and the poor through increased facilitation support; (vi) ensuring that community infrastructure subprojects are built to higher standards of resilience, include a sustainable operations and maintenance plan, and are of a scale that improves economic outcomes; and (vii) promoting livelihood resilience by diversifying sources of income, building technical and vocational skills, and linking communities to markets and service providers. The project will follow a conflict-sensitive approach and will create synergies and links with ongoing and planned ADB operations to generate greater impact.¹⁵ The technical assistance for Strengthening Climate and Disaster Resilience of Myanmar Communities will provide CDR modeling information and climate forecasts (footnote 15).

10. **Strategic fit.** The project is aligned with the Myanmar Sustainable Development Plan, 2018–2030; the Agriculture Development Strategy and Investment Plan, 2018–2023; the Climate Smart Agriculture Strategy; the National Framework for Community Disaster Resilience; the Rural Development Strategic Framework; and ADB's Myanmar country partnership strategy, 2017–2021. The project directly supports four of the seven operational priorities of ADB's Strategy 2030 (Table 1).¹⁶

Table 1: Alignment with Strategy 2030

Strategy 2030 Priority	Project Interventions
Addressing remaining poverty and reducing inequalities	Community empowerment to prioritize and implement climate- and disaster-resilient infrastructure investments will reduce risks and stressors that can tip households into poverty. Rural livelihood interventions will (i) provide income and employment opportunities for the poorest four deciles of communities; and (ii) assist households above the poorest four deciles to adapt their livelihoods to climate and disaster risks.
Tackling climate change and disaster resilience, and enhancing environmental sustainability	The project will enhance the government's community-based development processes by integrating climate and disaster risk planning into the community-based village development plan process and in infrastructure and livelihood interventions.
Promoting rural development and food security	Investment in community infrastructure and livelihoods in remote rural areas will promote rural development and food security. Technical support in improving production and income-generating activities will contribute to increase food security.
Accelerating progress in gender equality	Through the community-based development approach, the project will (i) invest in empowering women in their households and communities; (ii) prioritize women's infrastructure and livelihood investment needs in subproject selection; and (iii) set quotas for women's engagement in a wide range of project activities.

Source: Asian Development Bank.

B. Impact and Outcome

11. The project is aligned with the following impact: incomes of rural households improved

¹⁵ ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of the Union of Myanmar for the Equipping Youth for Employment Project*. Manila; ADB. 2013. *Grant Assistance Report: Proposed Grant Assistance to the Republic of the Union of Myanmar for Enhancing Rural Livelihoods and Incomes*. Manila; and ADB. 2017. *Technical Assistance to the Republic of the Union of Myanmar for Strengthening Climate and Disaster Resilience of Myanmar Communities*. Manila.

¹⁶ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

and resilience of communities to CDRs strengthened. The project will have the following outcome: standard of living and resilience of targeted communities improved.¹⁷

C. Outputs

12. **Output 1: Climate- and disaster-resilient community infrastructure developed.** Three thousand climate- and disaster-resilient community infrastructure subprojects will be identified through a participatory VDP and funded through block grants.¹⁸ Climate risk and vulnerability assessments and market opportunity analysis will be made available to communities for their local assessment in prioritizing infrastructure investments. Criteria for selection include the contribution to resilience and public and economic good benefits.¹⁹ Village women will be empowered through dedicated meetings, and quotas for representation on committees (50%) and in labor (40%). Subprojects with the highest benefit to women will receive a weighting value up to 20% out of 100% during the selection of eligible subprojects to influence community infrastructure prioritization. Typical community infrastructures will include village access or farm roads, small bridges, water supply, electric grid connection, and multipurpose centers. The project will finance three multi-phased cycles of community planning and subproject implementation.²⁰ The first cycle will cover all villages in each of the 17 target townships. Subsequent cycles will be performance-based and open to village tracts²¹ that have achieved a minimum social and infrastructure quality assessment review score.²² Each infrastructure investment cycle will amount to MK10 million per village or a per capita investment of MK30,000 per village person, whichever is higher.

13. **Output 2: Resilient livelihood activities for poor men and women developed.** At least 15,000 resilient livelihood subprojects will be funded through block grants. As part of the VDP process, communities will identify the lowest four deciles of poor and vulnerable households in their villages using a participatory wealth and vulnerability ranking methodology.²³ That cohort will be eligible to apply for livelihood subprojects, valued at up to MK300,000 per household. Targeted households will be enabled to form groups with a common livelihood interest and to submit a livelihood subproject proposal. Livelihood subprojects could include new or improved climate-smart agriculture, livestock, fisheries activities, value addition to farm and nonfarm products, marketing, and the acquisition of new skills for employment. The project will assist interested groups, particularly women and youth, to source vocational training through the Equipping Youth for Employment Project (footnote 15). To ensure sustainability and scale-up, the project will also facilitate, but not fund, group access to credit by linking to financial services, particularly microfinance institutions. This output will also provide training to poor households that are above the lowest four deciles of the wealth ranking to adapt to CDR. The project will assist livelihood groups to evaluate the benefit of being associated at township or township cluster level, to increase their market power or add scale to their production.

14. **Output 3: Institutional and organizational capacity of communities and government strengthened.** The project will support the DRD to develop its VDP process and build its capacity to assist villagers. VDPs will be aggregated to establish village tract development plans and to

¹⁷ The design and monitoring framework is in Appendix 1.

¹⁸ The conditions for disbursement under block grants are provided in the legal agreements and detailed in the project administration manual (PAM) (accessible from the list of linked documents in Appendix 2).

¹⁹ Subproject selection criteria are provided in the legal agreements and detailed in the PAM.

²⁰ Of the 17 townships, five will be covered under phase 1, six under phase 2, and six under phase 3.

²¹ A village tract is a fourth-level administrative subdivision of rural townships.

²² Performance criteria are defined in the draft project operations manual, the key guiding document for implementation at the community level.

²³ Communities rank member households into four wealth/vulnerability categories (A to D) based on their assessment of the households' assets (land, house, productive assets, and business assets) and CDR vulnerability.

contribute to township planning. A DRD training unit will be established, along with associated training curricula, in the areas of community-based planning, resilience building, gender, leadership, and livelihood development, among others. This unit will train communities and government departments, paying particular attention to the development of information and communication technology training programs. Knowledge centers to promote CDR in agriculture, livestock, fishery, and rural development will also be supported. Support service providers will facilitate implementation at communities' level. The upgrade of DRD training center will also be supported under this output.

15. The project will include a disaster contingency feature. In the event of a disaster affecting an entire township, funds from the subsequent cycle of community subproject implementation may be advanced for the reconstruction of damaged infrastructure and the recovery of livelihoods, based on the request of the Ministry of Agriculture, Livestock and Irrigation, and approval by ADB. The selection of infrastructure and livelihood subprojects will follow similar participatory processes and criteria as for outputs 1 and 2.

D. Summary Cost Estimates and Financing Plan

16. The project is estimated to cost \$243.00 million (Table 2). Detailed cost estimates by expenditure category and by financier are included in the project administration manual (PAM).²⁴ The government has requested (i) a concessional loan in the amount of \$185.00 million from ADB's ordinary capital resources, and (ii) a grant not exceeding \$10.00 million from ADB's Special Funds resources, to help finance the project. The loan will have a 32-year term, including a grace period of 8 years; an interest rate of 1.0% per year during the grace period and 1.5% per year thereafter; and such other terms and conditions set forth in the draft loan agreement. The government will finance the equivalent of \$17.42 million for the salaries of counterpart staff, and office space. The loan proceeds will mostly be used to provide block grants to communities to implement infrastructure and livelihood subprojects. In addition, the Asia Investment Facility (€24.25 million [\$27.58 million equivalent]) and the JFPR (\$3.00 million), will provide grant cofinancing to be administered by ADB mainly to finance consultants, capacity building and block grants. The summary financing plan is in Table 3. Climate adaptation is estimated to cost about \$59.54 million. ADB will finance 100% of adaptation costs. Sector lending is proposed to provide flexibility and adequate project preparation.²⁵

Table 2: Summary Cost Estimates
(\$ million)

Item	Amount
A. Base Cost^a	
1. Climate- and disaster-resilient community infrastructure developed	144.87
2. Resilient livelihood activities for poor men and women developed	60.59
3. Institutional and organizational capacity of communities and government strengthened	20.10
Subtotal (A)	225.56
B. Contingencies^b	17.44
Total (A+B)	243.00

^a In mid-2019 prices as of 30 June 2019. Includes taxes and duties of \$1.95 million which will be financed by the Asian Development Bank. Such amount does not represent an excessive share of the project cost.

^b Physical contingencies computed at 5.0% for civil works, field research and development, training, surveys, and studies. Price contingencies for foreign exchange costs computed at 1.5% in 2019 and 1.6% from 2020; and for local currency costs at 6.8% in 2019, 7.5% in 2020, 7.0% in 2021, and 6.5% from 2022. Price contingencies include provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

Source: Asian Development Bank estimates.

²⁴ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

²⁵ ADB. 2003. [Sector Lending. Operations Manual. OM D3/BP](#). Manila.

Table 3: Summary Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (concessional loan)	185.00	76.1
Special Funds resources (grant) ^a	10.00	4.1
Asia Investment Facility (grant) ^b	27.58	11.4
Japan Fund for Poverty Reduction (grant) ^c	3.00	1.2
Government	17.42	7.2
Total	243.00	100.0

^a Asian Development Fund Disaster Risk Reduction.

^b The Asia Investment Facility is a blended facility of the European Union, to be administered by ADB. The amount reflects the current equivalent of €24.25 million, at the exchange rate of \$1.00 = €0.879817 as of 30 June 2019.

^c Administered by Asian Development Bank.

Source: Asian Development Bank estimates.

E. Implementation Arrangements

17. The implementation arrangements are summarized in Table 4 and described in detail in the PAM.

Table 4: Implementation Arrangements

Table 11 Implementation Arrangements			
Aspects	Arrangements		
Implementation period	January 2020–September 2026		
Estimated completion date	30 September 2026		
Estimated loan and grant closing date	31 March 2027		
Management			
(i) Oversight body	Project steering committee Deputy minister, MOALI (chair) MOPF; DRD, DOP, DOA, DOL in MOALI; MONREC; MSWRR; and other relevant ministries (members)		
(ii) Executing agency	MOALI		
(iii) Implementing agency	DRD		
(iv) Implementation unit	National: PMU. PIUs will be established at township clusters.		
Procurement	OCB, RFQ, and direct contracting (goods, works, and auditor)	12 contracts	About \$7.1 million
Consulting services	QCBS	6 contracts	About \$20.8 million
Community procurement	Subprojects financed through block grants (total amount about \$156.34 million) will follow community procurement as per the community procurement sub-manual included in the PAM.		
Advance contracting	Recruitment of MIC and SSP, purchase of equipment, and vehicles		
Disbursement	The loan and grant proceeds will be disbursed following ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB.		

ADB = Asian Development Bank; DOA = Department of Agriculture; DOL = Department of Livestock; DOP = Department of Planning; DRD = Department of Rural Development; MIC = main implementation consultant; MOALI = Ministry of Agriculture, Livestock, and Irrigation; MONREC = Ministry of Natural Resources and Environmental Conservation; MOPF = Ministry of Planning and Finance; MSWRR = Ministry of Social Welfare, Relief and Resettlement; OCB = open competitive bidding; PAM = project administration manual; PIU = project implementation unit; PMU = project management unit; QCBS = quality- and cost-based selection; RFQ = request for quotations; SSP = support service provider.

Source: Asian Development Bank.

III. DUE DILIGENCE

A. Technical

18. Project preparation considered (i) the economic viability of different infrastructure and livelihood investment options and their fit in terms of vulnerability and CDR reduction; (ii) ways to diversify farm and nonfarm livelihood activities and increase productivity; (iii) ways to strengthen linkages to markets; (iv) measures to minimize adverse environmental and climate change impacts; and (v) ways to integrate project activities into existing and planned government systems. Due diligence was conducted for a wide range of infrastructure and livelihood subprojects.²⁶ The project team also used the existing subprojects under the Enhancing Rural Livelihoods and Incomes Project as a reference in developing standard drawings (footnote 14).

19. The project outputs were designed based on a robust understanding of the climate change and disaster risks of the township clusters. The site planning and design specifications for infrastructure to be supported under output 1 were designed to reduce the potential impact of CDR on the said infrastructure and the wider community (e.g. embankments above flood levels, drainage structures to provide safe passage, and public buildings built to provide safe refuge in disaster situations). Further, output 2 comprises the dissemination of crop, livestock, and fisheries technologies, incorporating climate-resilient varieties and good husbandry practices. The uptake of new technologies will be strengthened through improved access to technical advice.

B. Economic and Financial

20. The economic and financial analysis was undertaken at the subproject and overall project levels. At the subproject level, the analysis covered four community infrastructure subprojects under output 1: lowland and upland roads, water supply, and primary schools. Under output 2, the project will either introduce new livelihood activities or expand their current scale. Thirteen livelihood activities were analyzed, covering crop and livestock production, and primary processing. These subprojects were selected as they were the most commonly proposed by villagers during consultations. For all subprojects, the economic internal rates of return exceed the required 9% threshold and are robust against downside risks. At the overall project level, the economic internal rate of return is estimated to be 17.8% (footnote 26).

21. Financial and sustainability analysis was conducted to determine the financial viability of the subprojects. For the community infrastructure subprojects, the annual operation and maintenance costs are about 3.0% of the construction costs. The project will support training in operations and maintenance planning and execution in townships, village tracts, and villages. While most of these infrastructure subprojects do not generate direct revenue, they will stimulate market activities that will generate incremental financial resources for the beneficiaries to finance the infrastructure's upkeep. For the livelihood subprojects, preliminary market assessments indicate sufficient demand for the produce.²⁷ The analysis indicates that the livelihood subprojects will significantly increase farm incomes, and that the returns to family labor are multiples of the prevailing daily wage rate.

C. Governance

22. All procurement and recruitment of project-financed consultants will be in accordance with the ADB Procurement Policy and the Procurement Regulations for ADB Borrowers (2017, as

²⁶ Economic and Financial Analysis (accessible from the list of linked documents in Appendix 2).

²⁷ During implementation, the proposed livelihood subprojects will be subjected to further market assessments before approval.

amended from time to time). The overall procurement classification is *moderate*. The DRD has substantial experience in procuring goods and services under ADB projects, and international and national procurement specialists will support it for more efficient delivery. The financial management risk is *substantial* given the limited capacity in financial reporting. The project will put in place accounting systems to ensure adequate financial records. Consolidated project financial statements prepared by DRD will be audited annually by independent auditors acceptable to ADB. The project will disclose the implementation progress and bid notifications and their results on the DRD website, and establish a grievance redress mechanism. ADB's Anticorruption Policy (1998, as amended from time to time) was explained to and discussed with the government. The specific policy requirements and supplementary measures are described in the PAM.

D. Poverty, Social, and Gender

23. The project is classified *targeted intervention—geographic*. It will increase the standard of living of at least 80% of target communities by 20%, and raise the resilience of project communities above the baseline.²⁸ This will be achieved by institutionalizing community participation, strengthening the availability and resilience of community infrastructure, improving access to markets, raising household incomes through livelihood investments, and building skills and knowledge to address CDR. The project will promote inclusive economic growth, reduce poverty, provide rural employment opportunities, and improve market opportunities and access. Community infrastructure construction will provide on-the-job skills training, and skilled and unskilled work opportunities for communities. Groups of poor households, particularly women-headed households, will be enabled to improve their livelihoods through access to skills training and livelihood grants.

24. **Gender.** The project is categorized *effective gender mainstreaming*. Twenty-three percent of rural households in the project area are women-headed. The project will support women by ensuring their meaningful participation and building their capacity to invest sustainably in climate- and disaster-resilient infrastructure and livelihoods. A gender equity and social inclusion action plan includes measures such as (i) empowerment of women in their households and communities; (ii) separate meetings for women during community investment prioritization; (iii) targets for women's participation in committees, meetings, training, and construction; (iv) equal pay for women and men for equal work; and (v) training for all participating communities and implementing agencies in gender and development.²⁹ The project will pilot test the household methodologies approach to women's empowerment in their households in 3,000 households.³⁰ Key gender targets include (i) at least 50% women's participation in village committees; (ii) at least 40% of unskilled paid works for women in community infrastructure construction; (iii) at least 40% of meeting participants are from poor, women-headed, and vulnerable households; and (iv) fifty percent of women's infrastructure subproject priorities implemented.

25. **Conflict-sensitive approach.** The project adopts a conflict-sensitive approach that promotes a good understanding of the local context, builds in flexibility in design and implementation, and establishes strong local ownership. The project will ensure: (i) robust social preparation and awareness raising activities that reach out to all villagers, especially the vulnerable, women and ethnic groups and secure their participation; (ii) informed decision making on community infrastructure and livelihood investments based on a good understanding of all

²⁸ Standard of living will be proxied by the asset index which is based on the valuation of household mobile and immobile assets and net income.

²⁹ Gender Equity and Social Inclusion Plan (accessible from the list of linked documents in Appendix 2).

³⁰ International Fund for Agricultural Development. 2018. [Household methodologies](#). Rome.

villagers' needs; and (iii) promotion of local ownership by building village capacities to implement and sustain project activities.

E. Safeguards

26. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follows.³¹

27. **Environment (category B).** The project is expected to achieve significant socioeconomic benefits through the provision of climate-resilient basic infrastructure and livelihood improvements. The small-scale community infrastructure subprojects are anticipated to have minimal or minor adverse environmental impacts. These impacts will be limited to the construction period, will be localized and reversible, and can be mitigated through good construction practices and standard mitigation measures. An environmental assessment and review framework (EARF) prepared for the project identifies subproject eligibility criteria; defines procedures and responsibilities for environmental screening and assessment of subprojects, grievance redress mechanism, and meaningful public consultation; and specifies the supervision, monitoring, and reporting requirements.³² The EARF also includes Environmental Codes of Practice and a generic environmental management plan to mitigate the anticipated environmental impacts. The DRD will have the main responsibility for EARF implementation and will assign qualified staff in the Project Management Unit, which will be supported by international and national environmental safeguard consultants. The DRD will submit semiannual environmental safeguard reports to ADB for disclosure.

28. **Involuntary resettlement (category B).** A community participation framework (CPF) has been developed. Subproject screening and selection criteria will identify and reject any subproject requiring involuntary resettlement and compulsory acquisition.³³ Investments in village roads and water supply schemes may require minor land use reallocation. In these cases, the project will pursue voluntary donation. The CPF includes a due diligence procedure to verify voluntary donation bona fides through a third party, and this will be used to screen and select subprojects during implementation.³⁴ The CPF will be used to conduct social safeguards assessments of all subprojects.

29. **Indigenous peoples (category B).** Ethnic groups live in most project townships.³⁵ In some areas, ethnic groups reside within or outside ancestral domains. The project is assessed *category B* and an ethnic group development framework has been prepared to guide the screening of each subproject for possible ethnic group impacts and to ensure inclusiveness, consultation, and participation as needed. Subprojects with negative impacts on ethnic groups will not be funded.³⁶

30. **Grievance redress mechanism.** Within 6 months of project effectiveness, a safeguards grievance redress mechanism acceptable to ADB will be established by the government in accordance with the EARF, the ethnic group development framework, and the CPF. Adequate resources will be allocated to the screening, preparation, implementation, monitoring, and reporting of social and environmental safeguards; and associated capacity development.

³¹ ADB. [Safeguard Categories](#).

³² Environmental Assessment and Review Framework (accessible from the list of linked documents in Appendix 2).

³³ Community Participation Framework (accessible from the list of linked documents in Appendix 2).

³⁴ As the subprojects are CBD subprojects, they will be identified during implementation by the communities.

³⁵ The Government of Myanmar uses the term "ethnic groups" instead of "indigenous peoples."

³⁶ Ethnic Group Development Framework (accessible from the list of linked documents in Appendix 2).

F. Summary of Risk Assessment and Risk Management Plan

31. Significant risks and mitigating measures are summarized in Table 5 and described in detail in the risk assessment and management plan.³⁷

Table 5: Summary of Risks and Mitigating Measures

Risks	Mitigating Measures
Limited capacity at national, township, and community levels in project management and technical expertise in CDR	A capacity building and training plan has been prepared and will be rolled out at start-up of the project. International and national consultants will support the project. The MIC will support the DRD nationally while the SSPs (one per township cluster) will support implementation in the communities.
Weak legal system in Myanmar may result in low compliance with procurement principles by government agencies	The project will hire procurement specialists to support project staff in advance contracting, reviewing design, elaborating tender documents, and managing contractors. Procurement packages have been minimized.
Limited financial management capacity of the executing and implementing agencies	The project has developed financial management manuals for the DRD and communities. The project will hire finance specialists under the MIC and SSPs, and will mobilize community finance facilitators to work in villages.

CDR = climate and disaster risk, DRD = Department of Rural Development, MIC = main implementation consultants, SSP = support service provider.

IV. ASSURANCES

32. The government has assured ADB that implementation of the project shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the PAM and loan and grant documents.

V. RECOMMENDATION

33. I am satisfied that the proposed loan and proposed grant would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve:

- (i) the loan of \$185,000,000 to the Republic of the Union of Myanmar for the Resilient Community Development Project, from ADB's ordinary capital resources, in concessional terms, with an interest charge at the rate of 1% per year during the grace period and 1.5% per year thereafter, for a term of 32 years, including a grace period of 8 years, and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board; and
- (ii) the grant not exceeding \$10,000,000 to the Republic of the Union of Myanmar, from ADB's Special Funds resources (Asian Development Fund) for the Resilient Community Development Project, on terms and conditions that are substantially in accordance with those set forth in the draft grant agreement presented to the Board.

Takehiko Nakao
President

4 November 2019

³⁷ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

DESIGN AND MONITORING FRAMEWORK

Impacts the Project is aligned with Incomes of rural households improved and resilience of communities to climate and disaster risks strengthened (Rural Development Strategic Framework, and National Framework for Community Disaster Resilience) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Standard of living and resilience of targeted communities improved	By 2027 a. Standard of living ^b of at least 80% of targeted communities improved by 20% (2018 baseline: standard of living 37%) b. Resilience of project communities improved from baseline: (number of people affected and economic losses) ^c (baseline total 3 years [2016–2018]: people affected 17,248 [annual average 5,749]; deaths 25 [annual average 8]; economic losses MK1.4 billion [annual average MK472 billion])	a. Outcome surveys (midterm and end-term); M&E system b. Central Statistical Organization reports, midterm and end-term surveys; M&E system	Major disasters and deteriorating security reduce sustainability of project results
Outputs 1. Climate- and disaster-resilient community infrastructure developed	By 2026 1a. At least 3,000 community infrastructure subprojects completed (2018 baseline: 0) 1b. Climate- and disaster-resilient standards of at least 80% of completed subprojects met (2018 baseline: 0%) 1c. At least 40% of the paid community labor held by women (2018 baseline: 0%) 1d. At least 40,000 villagers (25% are women) reported increased skills in construction and maintenance (2018 baseline: 0) 1e. At least 50% target households participated in subproject construction activities (2018 baseline: 0)	1a–e. M&E system, midterm and end-term surveys; quarterly progress reports, annual quality assurance reviews, audits	Major disasters damage community infrastructure

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
2. Resilient livelihood activities for poor men and women developed	2a. At least 15,000 livelihood subprojects operational (2018 baseline: 0) 2b. Increased knowledge of climate-resilient livelihoods reported by at least 50,000 villagers (30% are women) (2018 baseline: 0)	2a–b. M&E system, quarterly progress reports, midterm and end-term surveys; annual quality assurance review, audits, DRD records, and community surveys	Substantial decrease in market demands and job opportunities in the sector because of increased production in neighboring countries or political instability Major disasters damage community livelihoods
3. Institutional and organizational capacity of communities and government strengthened	3a. Gender-responsive climate and market information incorporated in 75% of village tract development plans (2018 baseline: 0) 3b. At least 500,000 villagers (30% are women) trained in climate and disaster resilience practices (2018 baseline: 0) 3c. At least 1,000 government staff (30% are women) trained in climate and disaster resilience practices (2018 baseline: 0)	3a–c. M&E system, quarterly progress reports, midterm and end-term surveys, annual quality assurance review, audits, DRD records, and community surveys	Institutional changes negatively affect the availability of skilled staff under the project

Key Activities with Milestones

1. Climate- and disaster-resilient community infrastructure developed

In 1st phase townships

- 1.1. Establish cluster SSP teams by Q2 2020 (GCD, GEM)
- 1.2. Undertake a climate and disaster risk and market opportunity cluster analysis by MIC and PMU and SSP and PIU teams by Q2 2020 (KNS)
- 1.3. Commence social preparation to support community-approved subprojects by Q2 2020 (GEM)
- 1.4. Establish village and village tract development support committees by Q3 2020 (GCD)
- 1.5. Complete village climate and disaster risk maps and market information by Q3 2020 (KNS)
- 1.6. Initiate participatory planning by Q3 2020 (GCD, GEM)
- 1.7. Finalize village development plans by Q3 2020 (GCD, GEM)
- 1.8. Initiate selection of infrastructure subprojects by Q4 2020 (PAR, GEM)
- 1.9. Commence transfer of block grants for implementation by Q4 2020
- 1.10. Initiate key activities 1.3–1.9 in 2nd phase townships in 2021 and 3rd phase townships in 2022 (GCD, GEM, KNS, PAR)
- 1.11. Implement selected subprojects (2020–2026)

2. Resilient livelihood activities for poor men and women developed

In 1st phase townships

- 2.1. Establish township livelihoods team by Q2 2020 (GCD)

<p>2.2 Identify vocational training institutions, potential training partners, and partnership agreements by Q2 2020 (GCD, GEM, PAR)</p> <p>2.3 Establish village and village tract livelihood subcommittees by Q3 2020 (GCD, GEM)</p> <p>2.4 Initiate prioritization of livelihood subprojects and identification of livelihood groups by Q3 2020 (GCD, GEM, PAR)</p> <p>2.5 Commence training to support prioritized livelihood subprojects by Q3 2020 (GEM)</p> <p>2.6 Commence transfer of block grants for implementation by Q1 2021 (not applicable)</p> <p>2.7 Initiate key activities 2.1–2.6 in 2nd phase townships in 2021 and 3rd phase townships in 2022 (GCD, GEM, PAR)</p> <p>3. Institutional and organizational capacity of communities and government strengthened</p> <p>3.1 Finalize capacity building plan by Q1 2020 (GCD)</p> <p>3.2 Commence pre-project orientation training for DRD staff by Q2 2020 (GCD, GEM)</p> <p>3.3 Commence orientation training of MIC staff by Q2 2020 (GCD, GEM)</p> <p>3.4 Commence orientation training of township DRD and SSP staff by Q2 2020 (GCD)</p> <p>3.5 Initiate development of the DRD training unit by Q1 2021 (GCD)</p> <p>Project Management Activities</p> <p>Complete baseline study by Q1 2019 (completed)</p> <p>Establish DRD project management teams nationally and in townships by Q4 2019</p> <p>Initiate MIC and SSP consultant recruitment by Q4 2019</p> <p>Initiate procurement following the 18-month procurement plan for key goods and services by Q4 2019</p> <p>Operationalize systems and procedures for fund transfers and special window for the livelihood subprojects by Q1 2020</p> <p>Conduct briefings for states, township, and village tract administrators; and sign memorandum of understanding by Q1 2020</p> <p>Design and roll out project monitoring and evaluation; and grievance system by Q2 2020</p>
<p>Inputs</p> <p>ADB: \$185.00 million (concessional loan) \$10.00 million (grant)</p> <p>Asia Investment Facility: €24.25 million (\$27.58 million equivalent) (grant)</p> <p>Japan Fund for Poverty Reduction: \$3.00 million (grant)</p> <p>Government: \$17.42 million</p>
<p>Assumptions for Partner Financing</p> <p>Not applicable</p>

ADB = Asian Development Bank, DRD = Department of Rural Development, GCD = governance and capacity development, GEM = gender equity and mainstreaming, KNS = knowledge solution, M&E = monitoring and evaluation, MIC = main implementation consultant, PAR = partnerships, PIU = project implementation unit, PMU = project management unit, Q = quarter, SSP = support service provider.

^a Government of Myanmar, Ministry of Livestock, Fisheries and Rural Development. 2014. *Rural Development Strategic Framework*. Nay Pyi Taw; and Government of Myanmar, National Disaster Management Committee. 2017. *Myanmar National Framework for Community Disaster Resilience*. Nay Pyi Taw.

^b Asset index, based on valuation of household mobile and immobile assets and net income.

^c Assumes a level of natural hazard-related shocks consistent with that across 2016–2018.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=51242-002-3>

1. Loan Agreement
2. Grant Agreement: Asian Development Fund
3. Sector Assessment (Summary): Agriculture, Natural Resources, and Rural Development
4. Project Administration Manual
5. Contribution to the ADB Results Framework
6. Development Coordination
7. Economic and Financial Analysis
8. Country Economic Indicators
9. Summary Poverty Reduction and Social Strategy
10. Risk Assessment and Risk Management Plan
11. Japan Fund for Poverty Reduction Grant
12. Climate Change Assessment
13. Gender Action Plan: Gender Equity and Social Inclusion Action Plan
14. Environmental Assessment and Review Framework
15. Indigenous Peoples Development Framework: Ethnic Groups Development Framework
16. Community Participation Framework

Supplementary Documents

17. Detailed Poverty and Social Impact Analysis
18. Detailed Gender Analysis Report
19. Detailed Economic and Financial Analysis
20. Financial Management Assessment
21. Procurement Capacity Assessment
22. Climate Change and Disaster Risk Assessment
23. Capacity Building and Training Plan
24. Human Resources and Capacity Building Plan
25. Conflict-sensitive Approach in the Resilient Community Development Project
26. Stakeholder Communication Strategy
27. Stakeholder Consultation and Participation Plan