



# Report and Recommendation of the President to the Board of Directors

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Project Number: 48322-001  
November 2015

## Proposed Administration of Grant Republic of the Union of Myanmar: Economic Empowerment of the Poor and Women in the East– West Economic Corridor Project

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 11 November 2015)

Currency unit	–	kyat/s (MK)
MK1.00	=	\$0.0007788161
\$1.00	=	MK1,284.000100

## ABBREVIATIONS

ADB	–	Asian Development Bank
EMP	–	environmental management plan
EWEC	–	East–West Economic Corridor
JFPR	–	Japan Fund for Poverty Reduction
MSEs	–	micro and small enterprises
MOHT	–	Ministry of Hotels and Tourism
O&M	–	operation and maintenance
OCM	–	Office of the Chief Minister
PAM	–	project administration manual
PIU	–	project implementation unit
PMU	–	project management unit

## NOTE

In this report, “\$” refers to US dollars, unless otherwise stated.

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 48322-001</b>	
<b>Project Name</b>	Economic Empowerment of the Poor and Women in the East-West Economic Corridor	<b>Department /Division</b>	SERD/SEOD
<b>Country Borrower</b>	Republic of the Union of Myanmar Government of Myanmar	<b>Executing Agency</b>	Ministry of Hotels and Tourism
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
<b>Agriculture, natural resources and rural development</b>	Agro-industry, marketing, and trade		0.00
		<b>Total</b>	<b>0.00</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Knowledge solutions (KNS)	Pilot-testing innovation and learning	Gender equity (GEN)	✓
Partnerships (PAR)	Bilateral institutions (not client government) Official cofinancing		
<b>5. Poverty Targeting</b>		<b>Location Impact</b>	
Project directly targets poverty	Yes		
Geographic targeting (TI-G)	Yes		
<b>6. Risk Categorization:</b>	Low		
<b>7. Safeguard Categorization</b>	No Safeguards Categorization available.		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>0.00</b>	
<b>Cofinancing</b>		<b>3.00</b>	
Japan Fund for Poverty Reduction		3.00	
<b>Counterpart</b>		<b>0.45</b>	
Government		0.44	
Beneficiaries		0.01	
<b>Total</b>		<b>3.45</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on proposed administration of a grant to be provided by the Japan Fund for Poverty Reduction (JFPR) to the Republic of the Union of Myanmar for the Economic Empowerment of the Poor and Women in the East–West Economic Corridor Project.<sup>1</sup>

2. The project will support micro and small enterprise (MSE) development, and increased employment and economic opportunities for the poor and women selling crafts and local food to tourists and residents in the East–West Economic Corridor (EWEC). The project locations are Chaungzon Island, Kyaikhto, Mawlamyine, and Mudon, four townships in Mon State. The project comprises an integrated approach to enable microentrepreneurs to access technical training, skills in business management, appropriate technology, finance, and markets to build competitive and sustainable businesses and contribute to reducing household poverty.

## II. THE PROJECT

### A. Rationale

3. **Inclusive growth and poverty reduction.** Myanmar is classified as a low human development country; the 2014 Human Development Report ranks it 150th of 187 countries.<sup>2</sup> Approximately 26% of the population lives in poverty. Poverty is gendered, and concentrated in rural areas and among some ethnic groups.<sup>3</sup> A key objective of the government's development agenda is to attain sustainable inclusive growth, job creation, and poverty reduction.<sup>4</sup> The government's Framework for Economic and Social Reforms emphasizes transition from predominantly low-productive agriculture to higher-value products by promoting micro, small, and medium-sized enterprises and trade, as one channel to facilitate inclusive growth.<sup>5</sup> In Myanmar, micro, small, and medium-sized enterprises account for 90% of all business and are the largest source of employment, accounting for 70% of the total workforce.<sup>6</sup> Investing in their development is, therefore, essential for inclusive growth and poverty reduction.

4. **Selection of project area.** In Mon State, more than 39% of the population is underemployed and more than 16% of families are classified as poor; despite rapidly increasing trade and tourism in the area. Approximately 55% of the state's population is self-employed, operating MSEs that sell agricultural products such as processed foods and snacks (e.g., fruit and vegetable juice, jams, and dried goods) and handicrafts including bamboo and woven products in nearby markets.<sup>7</sup> However, these MSEs are constrained by low productivity and make limited contributions to reducing household poverty, including (i) insufficient product

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<sup>1</sup> The design and monitoring framework is in Appendix 1.

<sup>2</sup> United Nations Development Programme. 2014. *2014 Human Development Report*. Washington, DC.

<sup>3</sup> Poverty incidence is about twice as high in rural (29%) than urban (15%) areas. Rural areas account for almost 85% of total poverty. Government of Myanmar, Ministry of National Planning and Economic Development; Swedish International Development Cooperation Agency; United Nations Children's Fund; and United Nations Development Programme. 2011. *Integrated Household Living Conditions Survey in Myanmar (2009–2010)*. Nay Pyi Taw.

<sup>4</sup> These are highlighted as priorities in Government of Myanmar. 2012. *Framework for Economic and Social Reforms: Policy Priorities for 2012–2015 towards the Long-Term Goals of the National Comprehensive Development Plan*. Yangon.

<sup>5</sup> Footnote 4.

<sup>6</sup> Nang Saw Nandar Hlaing. 2013. *SME Development and Management in Myanmar*. Posted in ASEAN–Canada Partnership by the Centre for Non-Traditional Security (NTS) Studies' Blog, <http://ntsblog.wordpress.com/2013/06/14/sme-development-and-management-in-myanmar/>.

<sup>7</sup> Footnote 3.

knowledge, poor access to appropriate processing technology, and lack of skilled employees; (ii) lack of business management skills and access to business development services; (iii) limited access to finance and markets; and (iv) insufficient infrastructure and institutional support. These constraints prevent residents of the state from developing productive enterprises that could supply value-added products to expanding local and regional markets.

5. About 15% of the 2.3 million Myanmar nationals migrating to Thailand in search of better-paying jobs are from Mon State.<sup>8</sup> Currently, migrant workers in Thailand remit an annual total of \$1.7 billion nationally, of which more than \$588 million is sent to Mon State.<sup>9</sup> However, these remittances are mostly used to support basic survival needs; the use of these funds for investment and other productive purposes would maximize their development impact and support poverty reduction for households affected by migration.

6. Tourism in Mon State has strong potential for growth. The project site near Kyaikthiyo (the Golden Rock Pagoda) is one of the top tourist destinations in Myanmar, with more than 1 million visitors in 2013.<sup>10</sup> Mawlamyine and Mudon, with the country's largest reclining Buddha, pagodas, old churches, caves, and huge rock formations are also increasingly popular tourist sites. The Mon State government plans to promote these areas for cultural and community-based tourism development. It recently mobilized significant private investment for new hotels and tourist facilities. These opportunities, together with improved connectivity resulting from upgrades to the EWEC will result in a sharp increase in international tourism and trade in the proposed project areas.<sup>11</sup>

7. **Local resources for employment and livelihood generation.** The project will support local producers of agricultural products and handicrafts to access income-generation and employment opportunities associated with this new consumer market, as well as facilitate their access to established local and tourist markets in Mon, Yangon, and at the Myawaddy–Mae Sot border. The project interventions are designed to boost microenterprise development and related job creation that is pro-poor and led by women, through investments in technical training, capacity development for business development and management skills, and small infrastructure to support access to processing technology and markets. Support to strengthen local government and key stakeholder capacity and institutional arrangements will improve the business-enabling environment.

8. **Alignment with government plans and ADB strategy.** The project is aligned with the government's priority to create jobs and generate income to reduce poverty, as highlighted in the Framework for Economic and Social Reforms, 2012–2015 and the National Comprehensive Development Plan, 2011–2031. It is consistent with the interim country partnership strategy of the Asian Development Bank (ADB) for Myanmar, 2012-2014 (extended to 2016), which

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<sup>8</sup> Many of the migrants are males who leave behind females to head the households. International Organization for Migration. Presentation on Assessing Potential Changes in Migration Patterns of Myanmar Migrants and their Impacts on Thailand, Analysis of findings for stakeholders in Myanmar, 24 February 2014.

<sup>9</sup> Footnote 8.

<sup>10</sup> Kyaikhto Board of Trustees; Myanmar Tourism Federation, cited in *Myanmar Tourism Master Plan, 2013–2020*. 2013. Myanmar.

<sup>11</sup> ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of the Union of Myanmar for the Greater Mekong Subregion East–West Economic Corridor Eindu to Kawkareik Road Improvement Project*. Manila. The road improvements will ensure a good road network stretching from Myawaddy on the Thai border and linking it to Hpa-an (in Kayin), Kyaikhto and Mawlamyine (in Mon), and Yangon by 2018.

focuses on inclusive economic growth, job creation, and support for rural livelihoods.<sup>12</sup> The project is included in ADB's country operations business plan for Myanmar.<sup>13</sup> It will complement other ADB assistance<sup>14</sup> and coordinate closely with other development partner interventions.<sup>15</sup>

9. **Lessons.** Lessons learnt from a similar project in Cambodia<sup>16</sup> highlight the need to (i) adequately assess market demand for products and services, (ii) involve private sector partners early and frontload business support services, (iii) involve both men and women in decision-making processes, and (iv) provide adequate project implementation support. Applying these lessons, project preparation included a rapid value chain analysis to guide the selection of product types and project locations. Comprehensive value chain analysis and market studies will be completed during the initial stages of project implementation.

10. **Replicable, scalable, and sustainable.** The project will demonstrate how to assist local residents access socioeconomic benefits resulting from the increasing number of tourists and road improvements in the EWEC. This will provide a model that can be scaled up in the state and replicated in other parts of the country. It will promote entrepreneurship among migrant returnees and "left-behind" families of migrants through the effective use of remittances. The strengthening of community-based enterprises and implementation of life-skill training programs will provide young men and women with alternatives to unsafe migration. Training on gender equality and life skills is envisaged to promote gender-fair division of resources and labor, and will create an enabling environment for women to better access livelihood opportunities. The project supports infrastructure improvements to connect lower-income groups with markets, and enable lower-educated residents to access training and salaried employment. Capacity building of institutions responsible for MSE development with parallel support to project beneficiaries to engage in all stages of the value chain will enhance the sustainability of project outputs.

## B. Impact and Outcome

11. The impact is aligned with the government's priority to create jobs and generate income to reduce poverty. The outcome will be MSEs are enabled to increase business activities and employment in project areas.

## C. Outputs

12. The project will have the following outputs.

13. **Output 1: Skills and management capacity of micro and small enterprises and their employees developed.** This output will (i) conduct value chain and market studies to identify the crafts and local foods to be supported; (ii) design and implement training programs to improve existing, and create new product lines based on the foundation studies; and (iii) train master trainers from existing training bodies (vocational training institutes, government

<sup>12</sup> ADB. 2012, extended in 2014. *Interim Country Partnership Strategy: Myanmar, 2012-2014*, extended to 2016. Manila.

<sup>13</sup> ADB. 2014. *Country Operations Business Plan: Myanmar, 2015–2017*. Manila.

<sup>14</sup> ADB. 2013. *Concept Paper. Greater Mekong Subregion East–West Economic Corridor Eindu to Kawkaeik Road Improvement*. Manila; ADB. 2015. *Technical Assistance to Myanmar for Preparing Youth for the Workplace Sector Development Program*. Manila; and ADB.2012. *Technical Assistance for Greater Mekong Subregion Capacity Building for HIV/AIDS Prevention; and Third GMS Corridor Town Development Project*. Manila.

<sup>15</sup> Development Coordination (accessible from the list of linked documents in Appendix 2).

<sup>16</sup> ADB. 2011. *Technical Assistance to the Kingdom of Cambodia for Improving Market Access for the Poor in Central Cambodia*. Manila.

agencies, and nongovernment organizations); and provide training materials and equipment, as needed. The project will support 900 households to access livelihood and employment in 12 villages in Chaungzon, Kyaikhto, Mawlamyine, and Mudon townships, in Mon State.<sup>17</sup> Criteria used to select the project location and beneficiaries include (i) villages have poverty rates of at least 16%; (ii) communities have sufficient basic skills to produce crafts and food products; (iii) at least 75% of products selected will be produced mainly by women in enterprises led by women; (iv) market demand for the type of products that can be produced in target villages has been proven; and (v) participation in the project is endorsed by community leaders, women producers, and intended project recipients.

**14. Output 2: Access to business services, credit, and commercial networks strengthened.** This output will identify input suppliers, business development training service providers, microfinance providers, and the feasibility of credit access and commercial networks to strengthen market linkages. It will develop training courses and deliver training to MSEs on business development, management, and accounting that culminate in individual business plans. Activities will strengthen the access of MSEs and retailers to affordable credit by introducing them to local microfinance institutions, while implementing training modules to train MSEs and retailer groups to create independent savings and credit groups. Support for participation in trade fairs and business-matching workshops will strengthen commercial networks involving MSEs, suppliers, wholesalers, and retail outlets and markets in Mon and Yangon. Support to develop a “Made in Mon, Myanmar” brand, product design competitions for innovative handicrafts, and related marketing and promotion programs will increase market awareness of products produced in the project area.

**15. Output 3: Infrastructure to support access to markets and processing facilities improved.** This component will provide retailers and traders with a custom-built public market facility<sup>18</sup> in Mawlamyine and a multifunction processing center in Kyaikhto. Both facilities will be operated under public–private–community partnership models to promote local ownership while ensuring effective management and long-term financial sustainability. This output will (i) develop a local product and craft market with amenities in Mawlamyine, including directional signage and vehicle parking; and (ii) establish a market management committee comprising local community members, retailers, small-scale producers, and local government authorities. A social enterprise managed by the private sector or a civil society organization with relevant experience is expected to operate the market under a public–private–community partnership management agreement. A vendor association will be established to enhance the bargaining power of women, poor producers, and retailers to leverage collective interests in market operations. Establishment of the multifunction-processing center will provide producers with suitable space for hygienic processing, packaging, and distributing food and handicrafts to traders. A management committee will be established comprising producers and local government representatives who may partner with a private or social enterprise to manage the facility (public–private–community partnership agreement). Suitable processing equipment will be provided based on need.

16. Initial operation and maintenance (O&M) plans for the market and processing facility are included in the project administration manual (PAM).<sup>19</sup> In addition, detailed O&M plans will be prepared during implementation to ensure sustainability and financing of incremental recurrent costs. This output will provide direct employment for vendors, vendor employees, site

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<sup>17</sup> Training will also be provided to the unemployed, especially women and the poor.

<sup>18</sup> Accessibility of the market to women owned MSEs and retailers will be a key criterion.

<sup>19</sup> Project Administration Manual (accessible from the list of linked documents in Appendix 2).

managers, and maintenance staff in markets. Indirect employment will be generated for suppliers and transportation providers.

17. **Output 4: Capacity of executing and implementing agencies, and key stakeholders enhanced.** This output will strengthen the management capacity of the project management unit (PMU) and the project implementation unit (PIU). It will support institutional capacity building and interagency coordination for smooth project implementation, including biannual project review and planning meetings with the participation of project staff, village focal point representatives, and other project stakeholders. Sex-disaggregated project performance, monitoring, and reporting systems will be established to monitor key performance indicators, safeguard compliance, and the gender action plan (footnote 19). Output 4 will also support the preparation of baseline, midterm, and final poverty and social impact assessments to measure project performance; the preparation of annual audited financial statements; and a project exit and sustainability strategy.

#### D. Investment and Financing Plans

18. The project is estimated to cost \$3.45 million (Table 1).

**Table 1: Project Investment Plan**  
(\$ million)

Item	Amount <sup>a</sup>	Share of Total (%)
<b>A. Base Cost<sup>b</sup></b>		
1. Skills and management capacity of micro and small enterprises and their employees developed	0.389	11.3
2. Access to business services, credit, and commercial networks strengthened	0.269	7.8
3. Infrastructure to support access to markets and processing facilities improved	1.084	31.4
4. Capacity of executing and implementing agencies, and key stakeholders enhanced	1.205	34.9
<b>Subtotal (A)</b>	<b>2.948*</b>	<b>85.4</b>
<b>B. Contingencies<sup>c</sup></b>	<b>0.504</b>	<b>14.6</b>
<b>Total (A+B)</b>	<b>3.452</b>	<b>100.0</b>

\* Rounded to millions decimal point.

<sup>a</sup> In April-2015 prices.

<sup>b</sup> Base costs include taxes and duties of \$0.302 million to be financed by the Japan Fund for Poverty Reduction grant and the government for its specific expenditures. The taxes and duties (i) are within the reasonable threshold identified during preparation of the Asian Development Bank (ADB) interim country partnership strategy, (ii) do not represent an excessive share of the project cost, (iii) apply only to ADB-financed expenditures, and (iv) are relevant to the success of the project.

<sup>c</sup> Physical contingencies computed at 6% for civil works. Price contingencies computed at an average of about 1.2% on foreign exchange costs and 6% on local currency costs; include provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

Sources: Asian Development Bank and Government of Myanmar estimates.

19. The Japan Fund for Poverty Reduction will provide a grant not exceeding the equivalent of \$3 million, to be administered by ADB. The government will provide \$0.44 million equivalent from national and provincial budgets, which will include the estimated in-kind value of land provided by the government, government staff salaries, and taxes and duties related to these expenses. Participating communities will provide additional counterpart financing of \$0.01 million equivalent as in-kind contribution, e.g., time inputs of beneficiaries.

20. The financing plan is in Table 2.

**Table 2: Financing Plan**

Source	Total	Share of Total (%)
Japan Fund for Poverty Reduction <sup>a</sup>	3.000	86.9
Government of Myanmar	0.440	12.7
Communities	0.012	0.4
<b>Total</b>	<b>3.452</b>	<b>100.0</b>

<sup>a</sup> The Japan Fund for Poverty Reduction grant may finance local transportation, insurance, and bank charges.

Sources: Asian Development Bank and Government of Myanmar estimates.

## E. Implementation Arrangements

21. The project will be implemented from 2016 to 2019. Implementation arrangements are summarized in Table 3, and described in detail in the PAM (footnote 19).

**Table 3: Implementation Arrangements**

Aspects	Arrangements		
Implementation period	January 2016–December 2019 (4 years)		
Estimated completion date and grant closing date	31 December 2019 (physical) and 30 June 2020		
Management			
National Project Steering Committee	Union Minister (MOHT), chair; members: director general, MOHT and project director; senior officials representing the Office of the Chief Minister of Mon State, Ministry of Commerce, Ministry of Cooperatives, Ministry of Social Welfare, Ministry of Labour, and Ministry of Agriculture		
Executing agency	MOHT		
Project management unit	Comprising MOHT staff (four) located in Nay Pyi Taw		
Implementing agency	Office of the Chief Minister for Mon State		
Project implementation unit	PIU located in Mawlamyine in Mon State; comprising project manager from the Department of Planning and a deputy project manager and project coordinators from MOHT and one accountant (five). The PIU will include local multisector line agencies: Trade Promotion Department (Ministry of Commerce), Small Scale Industries Department (Ministry of Cooperatives), General Administration Department, Department of Social Welfare, Department of Agriculture, Department of Labour, and the Township Community Development Committee		
Procurement	National competitive bidding	2 contracts <sup>a</sup>	\$0.65 million
	Shopping	8 contracts	\$0.17 million
	Consulting and other services <sup>b</sup>	11 consultants for 217 person-months	\$1.28 million
Advance action	Consultant selection procedures for one grant start-up consultant will be undertaken on a noncommittal basis prior to grant effectiveness. The request of expression of interest for the consultant will be advertised prior to grant approval.		
Disbursement	The grant proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.		

ADB = Asian Development Bank, MOHT = Ministry of Hotels and Tourism, PIU = project implementation unit.

<sup>a</sup> Civil works for market and processing facility.

<sup>b</sup> Consulting services refer to recruitment of a firm and/or individual consultant to support project management.

Source: Asian Development Bank estimates.

22. Policy guidance and oversight will be provided by the national steering committee, chaired by the Union Minister, Ministry of Hotels and Tourism (MOHT), and will meet at least twice per year. MOHT will be the executing agency and the Office of the Chief Minister (OCM) for Mon State will be the implementing agency. Overall project management and coordination will be led by the PMU embedded in MOHT. The implementing agency will establish a PIU staffed with multidisciplinary teams to oversee day-to-day project implementation. The PIU will report to the OCM for Mon State and to the PMU, which will coordinate quarterly project progress reports for submission to members of the national steering committee and ADB. The PMU and PIU will share consultant resources and attend all steering committee meetings to ensure project activities are well coordinated. The project will work directly with communities, civil society organizations, and other stakeholders, which will appoint focal points to ensure good coordination between the PIU and project beneficiaries. Budget is allocated for the project implementation and coordination costs for both the PMU and the PIU. The PMU will establish an imprest account with a subaccount in the PIU. The government will provide project staff capable of using standard government accounting and financial management systems.

23. Consultants and other service providers will be recruited in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time) to support project implementation. They will provide capacity building, research, training, and other services to achieve the project's intended targets and ensure that safeguard issues are properly dealt with. The PMU and PIU will procure goods, civil works, and other contracts in accordance with ADB's Procurement Guidelines (2015, as amended from time to time).

### III. DUE DILIGENCE

#### A. Technical

24. The selection of MSEs and product lines for the project are based on sound value chain analysis and market studies.<sup>20</sup> Project-support for processing technology and infrastructure considers cost, durability, affordability, and climate resilience, and is compatible with local capacity for O&M. Civil works will follow standard design parameters. Contract packaging will include relevant technical standards and specifications to attract contractors with suitable qualifications and ensure efficient procurement.

#### B. Economic and Financial<sup>21</sup>

25. The economic analysis for the project was undertaken in accordance with the principles and procedures set out in ADB's *Guidelines for the Economic Analysis of Projects*.<sup>22</sup> The economic benefits quantified are (i) incremental income of existing producers, retailers, and traders due to enhanced capacity; (ii) incremental income of new employment generated by the project; and (iii) economic benefits from the construction of a market facility estimated by using willingness-to-pay of vendors as a proxy indicator of the benefits.<sup>23</sup> The economic costs include

<sup>20</sup> Initial value chain assessment identified the following product lines: (a) Processed foods: jams, dried fruits, pickles, sauces and pastes; and (b) Handicrafts: (i) tobacco pipes (ii) decorative walking sticks, (iii) wooden jewelry boxes (iv) cane baskets, wallets, carry bags, flip flops and toys (v) bamboo baskets and furniture (vi) longyis.

<sup>21</sup> Cash flow analysis provided in Table 1 in Appendix 2 of PAM (footnote 19) shows that the market will generate sufficient revenue for the operation and maintenance costs. Detailed financial analysis will be undertaken as part of market feasibility study during implementation.

<sup>22</sup> ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila.

<sup>23</sup> Economic Analysis (accessible from the list of linked documents in Appendix 2).

investment costs for infrastructure, training and project management, and O&M. The economic analysis yields an estimated net present value of \$0.17 million and an economic internal rate of return of 13%, assuming a discount rate of 12%. The sensitivity analysis shows that the project is most sensitive to a decrease in incremental income and increase in investment cost. Therefore, mitigation actions focus on ensuring all capacity development activities for the targeted beneficiaries will lead to a high economic return.

### **C. Governance**

26. The financial management risk without mitigation is assessed as substantial. Identified risks include the country public financial management environment, lack of capacity in financial reporting, weaknesses in the internal audit function, and outdated accounting policies and procedures. However, MOHT has previous experience in implementing ADB-financed technical assistance, administering other development partner assistance, and managing the regular government budget. Furthermore, measures to support procurement oversight and strengthen financial management skills have been prepared to avoid potential problems. These include (i) the application of standard ADB bidding procedures; (ii) capacity building and training assistance for financial management and procurement under output 4; (iii) establishment of suitable accounting systems; and (iv) embedding of long-term consultants in the PMU and PIU to provide on-the-job training for project staff and counterparts. Review missions and regular project support will monitor compliance with ADB's financial management and external audit requirements. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and MOHT. The specific policy requirements and supplementary measures are described in the PAM (footnote 19). Implementation of these risk management measures will ensure that financial management arrangements are adequate. An assessment of the executing and implementing agencies' capacity to undertake procurement and financial management envisaged under the project, including the imprest fund procedure, concludes that the proposed implementing arrangements are appropriate.

### **D. Poverty and Social**

27. The project will directly benefit 900 households in the four participating project towns. The project will support local entrepreneurs, in particular women, to access livelihoods and employment. The project will provide technical training together with business development and management skills to MSEs, and facilitate their access to finance, markets, and business support services. This will support the establishment of productive businesses or expansion into higher-value production in profitable and emerging sectors. Since, in Myanmar poverty has much more to do with low returns from work rather than simply access to work, these interventions will help increase the returns and income for many microentrepreneurs operating in the area and provide economic opportunities to benefit poor and low-income households. The project is categorized as gender equity. It will improve women's access to economic opportunities and decision making. The gender action plan ensures, among others, that at least 60% of the (i) members of producer groups are female, (ii) newly developed enterprises will be owned by women, (iii) women producers and retailers have access to credit, and (iv) community members employed for the project-supported infrastructure are women.

### **E. Safeguards**

28. **Involuntary resettlement.** The project is categorized C for involuntary resettlement. It will not support any activities that require land acquisition and resettlement. The land for the market will be vacant, unused, and unoccupied land, to be identified and provided by the

government and project beneficiaries. The project will not entail any land acquisition. Where land is available, it will be free from encumbrances, and have no past or existing land and resettlement issues in regard to existing facilities. The PIU will ensure this by completing a social safeguard screening checklist for construction of each infrastructure component. The assigned PMU staff and consultants will confirm the checklists prior to submission for financing.

29. **Indigenous peoples.** The project is categorized B for indigenous peoples. It focuses primarily on training and capacity building for the rural poor, who are overwhelming ethnic minorities. The presence of many ethnic minorities as primary beneficiaries in the project's target areas meets the criteria of integration of indigenous peoples plan elements into project design in accordance with ADB's Safeguards Policy Statement (2009). No specific targets are set for the indigenous people group participation. Interviews and consultations with affected indigenous people communities—producers, retailers, and owners of MSEs—were conducted and their support for improvements in the value chain gained. Consultation and participation will be continued throughout the project cycle to ensure their involvement in access to finance, training, and other project activities. The indigenous people groups are already producing the handicrafts and the project will support improvements in the value chain. A consultation and participation summary is included as part of the project documentation.<sup>24</sup>

30. **Environment.** The project is classified category C, at this stage, in accordance with the ADB's Safeguard Policy Statement. The proposed activities are likely to have minimal or no adverse environmental impacts, however, in the event that the project involves any environmental impacts, mitigation measures for any identified impacts are included in the environmental assessment and review framework.<sup>25</sup> Initial estimated costs for developing and implementing the environmental management plan (EMP) are integrated in the project costs. At the detailed design stage, the EMP will be updated and finalized, and the categorization of the project confirmed. The final EMP, cleared by ADB, will form part of the contract bidding documents. In compliance with ADB's information disclosure and consultation requirements, the safeguard documents will be posted on ADB's website. Procurement of applicable government environment clearances and approvals will be obtained before award of contract. A designated PMU official responsible for environment issues will ensure safeguard monitoring and/or EMP implementation.<sup>26</sup>

## F. Risks and Mitigating Measures

31. The integrated benefits and impacts of the project are expected to outweigh the costs. Major risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.<sup>27</sup>

**Table 4: Summary of Risks and Mitigating Measures**

<b>Risks</b>	<b>Mitigating Measures</b>
Fiduciary risks include contracting for national competitive bidding on equipment and civil works-related investments.	Control of the procurement process and supervision of the quality of the work or services delivered will take place through the support of consultants.
International accounting standards	The Office of Auditor General (OAG) is included in the approved

<sup>24</sup> Value Chain Assessment Report (accessible from the list of linked documents in Appendix 2).

<sup>25</sup> Environmental Assessment and Review Framework (accessible from the list of linked documents in Appendix 2).

<sup>26</sup> The roles and responsibilities are detailed in the PAM (Footnote 19) and/or in the EMP.

<sup>27</sup> Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

are not fully met. Accounting and financial reporting system is still largely manual and paper-based.	RCDTA: Enhancing Roles of Supreme Audit Institution in Selected ASEAN Countries. OAG will work closely with PMU in improving financial reporting and auditing of the Project.
Country-Specific Risks PFM system is under-regulated and largely practice-based. Weak management skills and capacity. Budgetary and fiscal information is highly limited. Internal control environment is relatively weak.	Various ADB TAs are in place (additional grant assistance are in process) to provide capacity building to strengthen PFM arrangements, including raising public accounting and auditing to international standards; and a regional TA on empowering the Office of the Auditor General (OAG). Other development partners are also pursuing PFM reforms in budgeting, public expenditure and PFM systems.

ADB = Asian Development Bank, PIU = project implementation unit, PMU = project management unit.  
Source: Asian Development Bank.

#### IV. ASSURANCES

32. The government, MOHT, and OCM of Mon State have agreed with ADB on certain covenants for the project, which are set forth in the grant agreement. The government, MOHT, and OCM have assured ADB that implementation of the project will conform to all applicable ADB policies including those concerning gender, anticorruption measures, safeguards, procurement, consulting services, and disbursement as described in detail in the PAM and grant documents.

#### V. RECOMMENDATION

33. I am satisfied that the proposed grant would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the administration by ADB of the grant not exceeding the equivalent of \$3,000,000 to the Republic of the Union of Myanmar for the Economic Empowerment of the Poor and Women in the East–West Economic Corridor Project, to be provided by the Japan Fund for Poverty Reduction.

Takehiko Nakao  
President

23 November 2015

## DESIGN AND MONITORING FRAMEWORK

<b>Impact the Project is Aligned with</b>			
The project is aligned with the government's priority to create jobs and generate income to reduce poverty <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources or Reporting Mechanisms</b>	<b>Risks</b>
<b>Outcome</b> Micro and small enterprises (MSEs) enabled to increase business activities and employment in project areas	By 2020: a. At least 300 new MSEs established, of which at least 60% are led by women, and have a majority of women employees (2015 baseline: 1,500) b. 500 people (of which 60% are women) employed through project interventions (2015 baseline: 0) c. Real income increased by 25% in project-supported areas (2015 baseline: N/A) *	a & b. Project monitoring reports   c. Household surveys	Adverse economic conditions, political unrest, or natural disasters occur
<b>Outputs</b> 1. Skills and management capacity of MSEs and their employees developed	By 2019: 1a. At least 1,700 people trained, of which at least 60% are women (2015 baseline: 0) 1b. Value chain analysis conducted for 12 products with potential for commercialization (2015 baseline: 0) 1c. 3,100 master trainers trained from government, civil society organizations, and producer groups (60% women) (2015 baseline: 0)	1a & 1c. Quarterly project progress reports 1b. Interviews with producers and entrepreneurs, trainers, and consumers	Inadequate coordination with key government stakeholders and ministries for the delivery of project activities and outputs
2. Access to business services, credit, and commercial networks strengthened	2a. At least 900 MSEs have increased knowledge of good business development and management practice (60% women-owned MSEs) (2015 baseline: N/A)* 2b. 90% of MSEs have access to affordable credit (60% women-owned MSEs) (2015 baseline: N/A)* 2c. At least seven new products marketed and sold through retail outlets in Yangon and other major cities (2015 baseline: 0)	2a. Interviews with women producers and intended project recipients  2b & 2c. Quarterly and annual project progress reports	Potential coordination issues with local civil society organizations, women's groups, business development services service providers, and other stakeholders
3. Infrastructure to support access to markets and processing facilities improved	3a. Dedicated craft and local product market with at least 25 vendors developed, operating, well maintained, and financially sustainable (60% of vendors are women) (2015 baseline: N/A)*	3a. Interviews with site managers, entrepreneurs, and consumers  3b, 3c, & 3d. Quarterly and	Sustainability, operation and maintenance of infrastructure assets are not implemented effectively

\* These will be updated based on socioeconomic study and value chain analysis.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources or Reporting Mechanisms	Risks
	3b. A market management committee and one vendor association established (60% of members are women) (2015 baseline: 0) 3c. One multiproduct processing center established for production of handicrafts and processed foods (2015 baseline: 0) 3d. Two management, operation, and maintenance plans developed and implemented for the market and processing facilities (2015 baseline: 0)	annual project progress reports	
4. Capacity of executing and implementing agencies, and key stakeholders enhanced	4a. Project management, implementation, and consulting teams fully staffed (35% women) (2015 baseline: 0) 4b. Sex-disaggregated data project performance and management systems established (2105 baseline: 0) 4c. All counterpart staff, consultants, and implementing partners trained on gender issues in enterprise development	4a. Annual project reports  4b. Performance monitoring and evaluation reports  4c. Project completion report	Required counterpart staff are not appointed

### Key Activities with Milestones

1. Skills and management capacity of MSEs and their employees developed
  - 1.1 Baseline socioeconomic study by second quarter (Q2) 2016
  - 1.2 Training needs assessment and value chain analysis by Q2 2016
  - 1.3 Selection of target villages determined by baseline studies and multistakeholder inception workshops by Q2 2016
  - 1.4 Election and mobilization of village focal point representatives in 12 villages by Q2 2016
  - 1.5 Producer and retailer groups established by Q3 2016
  - 1.6 Detailed design of multiple product lines for handicraft upgrading program by Q3 2016
  - 1.7 Implementation of training courses and modules for handicraft upgrading program by Q4 2016
  - 1.8 Detailed design of multiple product lines for processed foods upgrading program by Q3 2016
  - 1.9 Implementation of training courses and modules for processed foods upgrading program by Q4 2016
  - 1.10 Training of master trainers by Q4 2016
  - 1.11 Seminars on gender equality, safer migration, and life skills by Q3 2016
  - 1.12 Seminars with producers and suppliers on availability and sustainability of raw materials by Q1 2017
  - 1.13 Seminars to disseminate consumer preferences on market demand for selected products by Q1 2017
2. Access to business services, credit, and commercial networks strengthened
  - 2.1 Mapping of local service providers for business development services, and microcredit and banking services by Q2 2016
  - 2.2 Implementation of business start-up, management, and financial literacy and credit-training courses by Q3 2016
  - 2.3 Intermediate and advanced business planning, marketing, and application of savings and credit by Q1 2017
  - 2.4 Marketing and branding strategy developed by Q2 2017

**Key Activities with Milestones**

- 2.5 Marketing and branding strategy implemented by Q4 2017
- 2.6 Workshop to create independent savings and credit groups and mentoring support by Q2 2017
- 2.7 Exposure visits to facilitate linkages with markets in Yangon and other major cities by Q4 2017
- 2.8 Promotion of "Made in Mon State" brand in national regional trained fairs by Q3 2017
- 2.9 Product design competition for innovative handicrafts for the souvenir market by Q1 2017
- 2.10 Manuals and promotional materials disseminated by Q2 2018
- 3. Infrastructure to support access to markets and processing facilities improved
  - 3.1 Identification of market, site survey (with no land acquisition and resettlement), and initial concept drawings completed and agreed by Q4 2016
  - 3.2 Completion of initial environmental examination reports as may be required; applicable government environmental clearances, permits, and approvals obtained by Q4 2016
  - 3.3 Bidding, award, and construction of market in Mawlamyine by Q1 2017
  - 3.4 Equipment procured and fit out for the market at Mawlamyine by Q4 2018
  - 3.5 Market management committee established by Q4 2018
  - 3.6 Management contracts prepared for private and/or social enterprise by Q4 2018
  - 3.7 Identification of land for processing center, site survey, and initial concept drawings completed and agreed by Q4 2016
  - 3.8 Bidding, award, and construction of market in Kyaikhto by Q1 2018
  - 3.9 Equipment procured and fit out for multipurpose processing center in Kyaikhto by Q4 2018
  - 3.10 Facility management committee established and operations commenced by Q1 2019
- 4. Capacity of executing and implementing agencies, and key stakeholders enhanced
  - 4.1 Recruit and train project management unit and project implementation unit staff by Q1 2016
  - 4.2 Establish project performance management system by Q1 2016
  - 4.3 Recruit consulting services and specialists with expertise in MSEs development, marketing, civil engineering, value chain analysis, training, and project management by Q1 2016
  - 4.4 Gender training for project management unit, project implementation unit, consultants, and implementation team by Q2 2016
  - 4.5 Biannual planning and review steering committee meetings by Q2 2016
  - 4.6 Exit strategy developed and implemented by Q3 2019
  - 4.7 Midterm evaluation and completion report by Q3 2017

**Inputs**

Japan Fund for Poverty Reduction: \$3.0 million grant

Government: \$0.44 million

Community contributions: \$0.01 million

**Assumptions for Partner Financing**

Not Applicable

<sup>a</sup> Government of Myanmar. 2012. *Framework for Economic and Social Reforms, 2012–2015*. Yangon; and Government of Myanmar. 2014. *National Comprehensive Development Plan – A Prosperous Nation Integrated Into the Global Community 2030*. Yangon.

Source: Asian Development Bank.

### **LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/LinkedDocs/?id=48322-001-GAR>

1. Grant Agreement
2. Sector Assessment (Summary): Micro, Small, and Medium-Sized Enterprises
3. Project Administration Manual
4. Contribution to the ADB Results Framework
5. Development Coordination
6. Economic Analysis
7. Country Economic Indicators
8. Summary Poverty Reduction and Social Strategy
9. Gender Action Plan
10. Environmental Assessment and Review Framework
11. Involuntary Resettlement and Indigenous People Safeguards Guidelines
12. Risk Assessment and Risk Management Plan

### **Supplementary Documents**

13. Consultation and Participation Summary
14. Japan Fund for Poverty Reduction Grant Summary Report
15. Value Chain Assessment Report