

Ex-Ante Evaluation (for Japanese ODA Loan)

1. Name of the Project

Country: The Republic of the Union of Myanmar

Project: Regional Development Project for Poverty Reduction Phase I

Loan Agreement: June 7, 2013

Loan Amount: 17,000 million yen

Borrower: The Republic of the Union of Myanmar

2. Background and Necessity of the Project

(1) Current State and Issues of the Regional Development Sector in Myanmar

Development issues of Myanmar have been left unsolved in the framework of the international society because of the unrealistic exchange rate and rigid economic structure, uncertain economic policies under the military government for more than 20 years, and also because of economic sanctions imposed by western countries. One of the most serious issues is the economic disparity between urban and rural areas: 85% of impoverished people live in rural areas (UNDP, 2010). Moreover, the country's infrastructure is poorer than that in other ASEAN countries: for example, the national average road pavement ratio and electrification ratio are 11.9% and 26% (ADB, 2012), respectively, and 30% of the people have no access to safe water (UNDP, 2010). The former military administration focused on development of large-scale infrastructure in urban areas where the majority of the Bamar lived, putting less emphasis on investment in regional areas, so that the infrastructure in regional areas was underdeveloped: the electrification ratio and the ratio of residents having no access to safe water in rural areas are reportedly 16% (ADB, 2012) and almost 40% (UNDP, 2010), respectively. The underdeveloped infrastructure disturbs economic activities and interferes with poverty reductions in regional areas: the development of infrastructures for regional residents is an urgent task to be tackled.

(2) Development Policies for the Regional Development Sector in Myanmar and the Priority of the Project

The incumbent administration launched in March 2011 and led by President Thein Sein views rural development and poverty reductions as important issues in its national policy, having carried out various reform programs with an eye to democratization and transition to a market economy. The president presented an initiative to reduce the country's poverty ratio from 26% in 2010 to 16% by 2015 (president speech in March 2012), and expressed an intention to proceed with rural development with support from the international society including international borrowing (president speech in June 2012). The Five-Year National Development Plan (FY2011 – FY2015) currently pending approval by the parliament deals with development of individual states and regions as one of the top priorities. This project aims to support regional development in roads, electricity and water supply sub-sectors, the basic

infrastructures for peoples' lives, and thus is consistent with the National Development Plan.

(3) Japan and JICA's Policy and Operations in the Regional Development Sector

This project will contribute to regional development by building local infrastructure, thereby contributing to poverty reductions in regional areas. In this light, the project is consistent with Japan's Country Assistance Program for Myanmar (April 2012): that is, "assistance to improve people's lives" and "assistance for development of infrastructure and systems necessary for sustainable economic growth". Recent projects to assist the development of infrastructure in regional areas include the "Project for Rural Drinking Water Supply in Shan State" (E/N signed in 2000); the "Project for Improvement of the Road Construction Equipment for Kokang Region in Northern Shan State" (E/N signed in 2001); the "Project for Electrification of Kokang Region in Northern Shan State" (E/N signed in 2001); and the "Project on Rural Water Supply Technology in the Central Dry Zone" (E/N signed in 2010), all of which are grant aid projects.

(4) Other Donors' Activity

The World Bank is planning to conduct community driven development projects in 15 townships¹ across the country during the period between 2013 and 2019. The assistance will be addressed to development of community infrastructures including village roads and water supply facilities; that is, smaller-scaled infrastructures than those covered by this project.

(5) Necessity of the Project

Assistance not only to Yangon, Mandalay and other large cities but also to regional areas where many poor people live is essential to accelerate economic development and poverty reductions in Myanmar. Assistance to local infrastructure which directly benefits residents in regional areas is especially important. This project is consistent with the development policy of the Government of Myanmar, and Japan and JICA's assistance policies. Thus given the above, JICA's assistance for this project is highly necessary and relevant.

3. Project Description

(1) Project Objective: This project is highly beneficial to impoverished people in seven regions and seven states. The objective of this project is to improve the living standards of people in regional areas by building and rehabilitating local infrastructures (roads, bridges, electricity and water supply) that are urgently needed, thereby contributing to development and poverty reductions in regional areas.

(2) Project Site/Target Area: Seven regions and seven states (Kachin State, Kayah State, Kayah State, Chin State, Sagaing Region, Tanintharyi Region, Bago Region, Magway Region, Mandalay Region, Mon State, Rakhine State, Yangon Region, Shan State and Ayeyarwady Region). The project will not cover, however, Yangon City, Mandalay City and other urban areas, as well as regions in conflict, areas near the country border and secluded areas. The

¹ By the Constitutional Law, each region or state of Myanmar consists of districts, townships (equivalent to counties), wards, towns, village tracts, and villages. There are a total of 325 townships in the country.

project sites will be basically regional cities and their surrounding areas.

(3) Project Components

- 1) This project comprises a total of 79 sub-projects to rehabilitate and expand the following local infrastructures.
 - ① Implementation of road and bridge sub-projects (total of 21 sub-projects: 19 sub-projects for asphalt pavement and 2 sub-projects for concrete pavement (1-lane roads in all the sub-projects) and bridges of 100 meters or shorter attached to these roads)
 - ② Implementation of electricity sub-projects (total of 28 sub-projects: 20 sub-projects for rehabilitation/expansion of small- and medium-scale power transmission/distribution lines, and rehabilitation of power substations and transformers; 7 sub-projects for replacement of power generators; and 1 sub-project for rehabilitation of small-scale hydropower plant)
 - ③ Implementation of water-supply sub-project (total of 30 sub-projects for development of development/expansion of water supply pipes and development of water purification facilities in rural cities)
- 2) Consulting services (designing review, preparing bidding documents, bidding assistance, construction supervision, strengthening the capacity of the executing agencies to manage financial issues, project evaluation and monitoring, and environmental and social considerations)

(4) Estimated Project Cost (Loan Amount)

22,297 million yen (of which loan amount in the present phase: 17,000 million yen)

(5) Schedule

June 2013 – June 2016 (37 months). The project will be completed when the facilities start operation (June 2016).

(6) Project Implementation Structure

- 1) Borrower: The Government of the Republic of the Union of Myanmar
- 2) Guarantor: N/A
- 3) Executing Agencies: The Foreign Economic Relations Department of the Ministry of National Planning and Economic Development is the overall executing agency responsible to manage and supervise the related ministries and agencies of the central government, and state/region governments. On the other hand, the Public Works of the Ministry of Construction is the executing agency for road sub-projects; the Electricity Supply Enterprise of the Ministry of Electric Power for electricity sub-projects; and the Department of Rural Development of the Ministry of Border Affairs for water-supply sub-projects.
- 4) Operation and Maintenance System: As in the execution of sub-projects, the Public Works of the Ministry of Construction is in charge of operation and management of road sub-projects; the Electricity Supply Enterprise of the Ministry of Electric Power in charge of operation and management of electricity sub-projects; and the Department of Rural Development of the Ministry of Border Affairs in charge of operation and management of water-supply sub-projects. Local offices of each ministry are in charge of maintenance

of the relevant sub-projects.

(7) Environmental and Social Consideration/Poverty Reduction/Social Development

1) Environmental and Social Consideration

- ① Category: B
- ② Reason for Categorization: The project does not fall under the category of large-scale projects in the road, water supply, and the power transmission and distribution line sectors cited in the JICA Guidelines for Environmental and Social Considerations (published in April 2010), so its potential adverse impacts on the environment and society is deemed to be not significant. The project does not have sensitive characteristics, nor is it located in any sensitive area.
- ③ Environmental Permit: Any law of the country does not require an Environmental Impact Assessment (EIA) for this project.
- ④ Anti-Pollution Measures: This project is to build new roads, and electricity and water-supply facilities and rehabilitate the existing roads and facilities. Any construction or rehabilitation work is not large scale. Although the work may cause negative impacts on air quality or noise, measures to mitigate negative impacts, such as appropriate maintenance work and watering, will be taken during the work, so that no significant negative impact on environment is assumed. Even after the facilities start the operation, since the project is to construct small-scale facilities and rehabilitate the existing facilities, no significant negative impact is assumed.
- ⑤ Natural Environment: Some parts of the power transmission lines will be laid in the vicinity of tropical forests, but the project requires no logging operation. In addition, the executing agencies plan to conduct monitoring activities with the assistance from environmental and social consideration experts of the consultant hired in the project. Thus, no significant impact on environment is assumed.
- ⑥ Social Environment: The project uses public land, requiring neither land acquisition nor resettlement of residents. Thus, no significant negative impact on the social environment is assumed.
- ⑦ Other / Monitoring: For sub-projects for each of roads, bridges, electricity and water supply, the relevant executing agencies will conduct monitoring activities for air quality and noise during construction work according to monitoring plans. They will monitor the sub-projects after the facilities start to provide services.

2) Promotion of Poverty Reduction: The majority of the project sites are poor areas. An improvement in local infrastructures such as roads, bridges, electricity and water supply is expected to improve the living standards of residents in the project area and thus generate the effect of poverty reductions.

3) Promotion of Social Development (e.g. Gender Perspective, Measure for Infectious Diseases Including HIV/AIDS, Participatory Development, Consideration for the Handicapped etc.): N/A

(8) Collaboration with Other Donors: N/A

(9) Other Important Issues: N/A

4. Targeted Outcomes

(1) Quantitative Effects

1) Performance Indicators (Operation and Effect Indicator)

Indicator	Baseline (Actual Value in 2012)	Target (2018) 【Expected value 2 years after project completion】
(a) Roads		
● Driving time per km (minute on average)	4.4	1.4
(b) Electricity		
● No. of households with electricity (total number of households)	89,360	196,015
● Volume of electricity sold (kWh/month in total)	5,584	32,842
(c) Water supply		
● No. of households supplied with water (total number of households)	47,762	126,482
● Volume of water supplied (m ³ /month in total)	79,008	130,444

Note: The baseline and target values were at the time of investigations and for the project areas only. They will be reviewed in detailed designing. Consultants in charge of monitoring and evaluations will provide assistance to monitoring activities of the executing agencies.

2) Internal Rate of Return: Due to the nature of the project, in which a number of sub-projects are implemented, the IRR will not be calculated.

(2) Qualitative Effects: improvement and stabilization of incomes, bridging the disparity and an improvement in the living standards

5. External Factors and Risk Control

Care must be taken for the security situation in areas where ethnic minorities live, and attention must be paid to the situation of peace negotiations between the Government of Myanmar and armed groups of minorities in areas where such negotiations are in progress. In preparation for any situations where sub-projects may cause any impact unfavorable to ethnic minorities even in relatively safe areas, a Project Steering Committee comprising stakeholders including the central and state/region governments will have a decision-making role in project planning so that sub-projects can be revised halfway through to some extent.

6. Results of Evaluations and Lessons Learned from Past Projects

(1) Results of Evaluation of Similar Past Projects: The ex-post evaluation of the “Rural Infrastructure Development and Living Standard Improvement Project” in Vietnam has given a lesson that the establishment of project-implementing and operating

organizations which are chiefly formed by the executing agency, personnel allocation of such organizations, and appropriate understanding of the progress by such organizations are important.

- (2) Lessons for the Project: Myanmar is not used to the ODA loan operations, so the issue is to strengthen the implementation capacity of the Ministry of National Planning and Economic Development, the overall management/supervisory agent. The project will, thus, hire and allocate consultants specializing in ODA loan projects to the Project Management Unit of the ministry, and experts in ODA loans to the ministry so as to smoothly implement the project and enhance the capacity of staff members of the recipient country to supervise and implement the project.

7. Plan for Future Evaluation

(1) Indicators to be Used

1) Road and bridge sub-projects

- Driving time per km (minute on average)

2) Electricity sub-projects

- Number of households with electricity (total number of households)
- Volume of electricity sold (kWh/month in total)

3) Water-supply sub-projects

- Number of households supplied with water (total number of households)
- Volume of water supplied (m³/month in total)

(2) Timing of Next Evaluation

Two years after project completion