

# **Impact of the UNDP Human Development Initiative in Myanmar, 1994-2006**

**25 September 2006**

**UNDP Yangon (Myanmar)**

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## Contents

Words	5
Abbreviations and Acronyms	6
Location of UNDP HDI Activities in Myanmar (August 2006)	8
<b>EXECUTIVE SUMMARY: Overall Assessment of Impact of the HDI</b>	<b>9</b>
1. Introduction and Background	21
1.1 Country Background	21
1.2 The HDI Programme	22
2. Scope and Approach	24
2.1 Stakeholders	24
2.2 HDI Programme Scope	25
2.3 Scope of Impact Assessment	26
3. Framework of Analysis	28
4. Targeting Arrangements and Effectiveness	32
4.1 Spatial/Geographical Targeting	32
4.2 Household Targeting	33
4.3 Activity Targeting	35
5. Village Community Institutions and Social Capital	36
5.1 Forms of Community Organizations	37
5.2 Community Participatory Planning Process	39
5.3 Livelihood Based Community Groups in the Earlier HDI Phases	40
5.4 Self Reliance Group (SRG)	42
5.4.1 Formation of SRGs	42
5.4.2 Effects and Impact	42
5.4.3 Sustainability Issues	43
5.5 Community Groups for Common Property and for Social Development	45
6. Sustainable Agriculture, Food Security and Income Diversification	47
6.1 Response to Sustainable Livelihood Needs of the Poor	47
6.2 Environmental and Natural Resources Management	48
6.3 Sustainable Agriculture	53
6.3.1 Small-holder Agriculture	53
6.3.2 Agriculture Diversification	55
6.3.3 Homestead Gardening	56
6.4 Income Diversification for Sustainable Livelihoods	57
6.4.1 Livestock	57
6.4.2 Off Farm Rural Economic Activities	59
6.5 Access to micro-credit	61
7. Social Development	62
7.1 Basic Education	62
7.1.1 HDI Strategy for Educational Development	62
7.1.2 Increasing Access to Basic and Primary Education	62

---

7.1.3	Improving Quality of Basic and Primary Education	63
7.1.4	Promoting Continuing Education and Learning	64
7.1.5	Strengthening Community Capacity and Participation	65
7.2	Basic Health	66
7.2.1	HDI Strategy for Improving Basic Health Services in the Rural Areas	66
7.2.2	Capacity of Basic Health Service Providers at the Village Level	67
7.2.3	Primary Health Care Services and Facilities	67
7.2.4	Water and Sanitation	67
7.2.5	Impact on Health Status of the Village Population	69
7.2.6	HIV/AIDS Prevention and Support	69
7.3	Gender Development	71
7.3.1	Gender Awareness, Equality and Equity	71
7.3.2	Women Empowerment and Change in Gender Relations	72
7.3.3	Social Capital Formation	73
8.	Village Infrastructures	74
8.1	Participatory Community Infrastructure Development	74
8.2	Contribution of Small Infrastructures to Village Development	75
9.	Microfinance	77
9.1	The Myanmar Microfinance Programme – Background	77
9.2	Programme Outreach	77
9.2.1	Breadth of Outreach	77
9.2.2	Scope of Outreach – <i>Diversification of Loan Products</i>	78
9.2.3	Worth of Outreach – <i>Repeat Clients and Dropouts</i>	79
9.2.4	Depth of Outreach	79
9.3	Impact on Poverty/Vulnerability Reduction and Social Development	80
9.3.1	Targeting the Poor	80
9.3.2	Vulnerability Risk Mitigation Measures	81
9.3.3	Impact on Increasing Income Sources and Building Assets	82
(a)	Increasing Income Sources	82
(b)	Micro and Small Enterprises Development	82
(c)	Asset Building and Portfolio Diversification	83
(d)	Financial Assets	83
9.3.4	Contribution of the Microfinance to Client Coping Strategies	83
9.3.5	Social Development Impact	84
9.4	Programme Sustainability	85
9.4.1	Financial Sustainability	85
9.4.2	Operational Efficiency	87
9.4.3	Institutional Issues	89
10.	Local Support Systems	90
10.1	Linkage with Local Level Institutions	90
10.2	Technology Capacity at Local Level	91
10.3	Area Based Development	92

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10.4	Market	93
11.	Macroeconomic Environment and Policies	95
11.1	Poverty Reduction Strategy	95
11.2	Pro-Poor Economic Growth	96
11.3	Public Investment Programme	99
11.4	Financing of Public Investment Programme	100
11.5	Inflation and its Effects	100
11.6	Financial Sector Development	101
12.	Concluding Remarks	103
	Works Cited and References	105
	Tables, Figures and Boxes	
	Tables	
	Table 5.1: Types of Community Groups Formed in Different Regions	38
	Table 5.2: Number of SRGs by Age and Maturity Status	43
	Table 5.3: Financial Performance of SRGs under CDRT Project (Dec 2005)	45
	Table 6.2: Types of Soil/Natural Resource Conservation and Forestry Regeneration Measures Promoted/Supported by the HDI Projects	48
	Table 9.1: Breadth or Scale of Outreach of the Myanmar MF Programme	78
	Table 9.2: Myanmar MF Penetration Rate, as of 31 March 2006	78
	Table 9.3: Number of Loans by Product Line, as of 31 March 2006	79
	Table 9.4: Dropout Rates of the Myanmar MF Programme	79
	Table 9.5: Sector/Industry Utilization of Loan (in Percentage Share), as of 31 March 2006	82
	Table 9.6: Loan Portfolio Growth of the Myanmar Microfinance Project	85
	Table 9.7: Financial Self-Sufficiency of the Myanmar Microfinance Project	86
	Table 9.8: Operational Efficiency Indicators of the Myanmar MF Project	87
	Table 9.9: Operational Cost Efficiency Indicators	87
	Table 9.10: Yield on Portfolio	88
	Table 9.11: Profitability and Investor's Return on Investment	88
	Table 11.1: Shares of Major Sectors in GDP (Percent)	96
	Table 11.2: GDP Growth Rates, 1996 to 2005 (in Percentage)	96
	Table 11.3: Monetary Growth and Inflation, 1995-2005 (in Percentage)	100
	Figures	
	Figure 3.1: Sustainable Livelihoods Analytical Framework	29
	Figure 3.2: Mechanics of HDI Contribution to Poverty Reduction of a Poor Household	30
	Figure 5.1: Conceptual Framework: Levels and Types of Social Capital	36
	Figure 6.1: Simultaneous Provision of and Access to Livelihood Assets/ Capital in Support of Economic Activities of the Poor Households	48
	Figure 11.1: Macroeconomic Environment and Village Level Efforts	95
	Boxes	
	Box 6.1: A Physically Challenged Poor Who Became a Successful Entrepreneur (Producing A-1 Energy-Saving Stoves	52

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Box 6.2: Success Story of “Daw Sanay” @ “Daw Tin Mya” of Saw Kae Chaung Village, Mawlamyaing Gyun Township	56
Box 9.1: Coping with Illness Following Support from the Myanmar MF	84
Annexes	
Annex 1: HDI-IV Projects by Townships (including expansion) and Number of Villages Covered	111
Annex 2: Outreach of HDI-IV Projects – CDRT, ICDP and Microfinance	113
Annex 3: HDI Programme Budget (US\$)	116
Annex 4: Brief Profile of HDI Project Areas	117

## Words

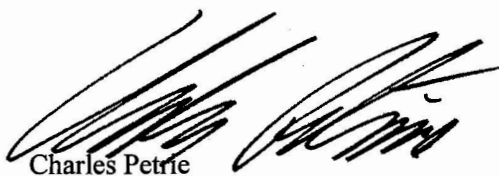
This report is a first attempt by UNDP Myanmar to present a comprehensive analysis of the impact and development results of UNDP's Human Development Initiative (HDI) that commenced in early 1994 in response to the then Governing Council, presently Executive Board's directive to respond to the humanitarian and basic needs of the Myanmar people living in the rural areas. The HDI programme is now in its fourth phase of operation. Much has been achieved as analysed in this Report, and a number of challenges have been posed as UNDP and its partners continue their efforts to alleviate poverty and reduce vulnerability conditions of the rural poor albeit in a limited number of townships given limited resources and implementation capacity on the ground.

Project progress reports, field reports, Independent Assessment Mission reports and project terminal reports have documented the uniqueness of the HDI programme in providing humanitarian assistance that blends with sustainable livelihoods strategy. A number of in-depth purposive research based assessment and evaluation studies in selected areas have provided greater insights into how HDI strategies have been translated into actionable interventions at the grassroots level and the extent to which these initiatives have impacted on livelihoods and welfare of the target beneficiaries – the poor and the poorest - in rural Myanmar.

Much of this information and knowledge is embedded in documents scattered at various locations at the UNDP country office in Yangon and at the 57 HDI township offices. More importantly, much valuable knowledge and information reside in the heads of people who have been working intimately and associated with the HDI. Some of them have explicated their insights in the form of stories, lessons learned and good practices. But much of this type of knowledge remains in unstructured form.

This Report has attempted to collate, assimilate and re-organize these pieces of knowledge and available information into a structure that should enable readers to have a greater understanding of the effects and impact of the HDI in the context of an analytical framework anchored at the sustainable livelihoods strategy. This has indeed been a challenging task of the UNDP Policy Unit that was established only recently, as of April 2006, with joint funding of UNDP and DFID. This report is the first product of the Policy Unit presently staffed by three national professionals supported by an international consultant and one short term national consultant.

I trust that readers of this Report will have better understanding of UNDP's humanitarian assistance activities in Myanmar and how our support is having impact on poverty and vulnerability reduction of the rural poor in the country. Readers will also have a better appreciation of the enabling environment and support systems at the national and local levels that are not only critical to successful implementation of the HDI programme activities but are even more important for ensuring long term sustainability of livelihood gains realized by the target beneficiaries. As for UNDP Myanmar this Report will be used as a basis to develop strategies for future programming that has been recommended by this year's Independent Assessment Mission. We will reflect on the interventions that have worked well and those that appeared marginal; leverage those which have demonstrably impacted on poverty and vulnerability reduction; and assimilate good practices and effective models of interventions in the strategy framework and programme design of UNDP's future assistance activities in Myanmar.



Charles Petrie

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25 September 2006

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## Abbreviations and Acronyms

AEW	Agricultural Extension Worker
AG	Affinity Group
AIDS	Acquired Immunodeficiency Syndrome
AMW	Auxiliary Mid-Wife
ASR	Agricultural Sector Review
AusAID	Australian Aid for International Development
CAP	Community Action Plan
CBO	Community Based Organization
CCSD	Community Cost Sharing Drugs
CDRT	Community Development for Remote Townships
CFUG	Community Forest User Group
CHW	Community Health Worker
CISF	Community Initiative Support Infrastructure Facilities
CLC	Community Learning Centre
ECCD	Early Childhood Care and Development
EIU	Economist Intelligence Unit (of The Economist)
EM	Enhanced Microbes
DFID	Department for International Development (UK)
ERS	Eastern Rakhine State
FAO	Food and Agriculture Organization
FFS	Farmer Field School
FIGG	Farmers Income Generation Group
FRI	Forest Research Institute
GDP	Gross Domestic Product
GRET	Groupe de recherché et d'échange technologies
HDI	Human Development Initiative
HDI-E	Human Development Initiative - Extension Phase
HIV	Human Immune Deficiency Virus
HYV	High-Yield Variety
IAM	Independent Assessment Mission (on the HDI)
ICDP	Integrated Community Development Project
IEC	Information, Education and Communication
IGA	Income Generating Activity
IHLCA	Integrated Household Living Conditions Assessment
IMF	International Monetary Fund
INGO	International Non-governmental Organization
KIO	Kachin Independence Organization
LBVD	Livestock, Breeding and Veterinary Department
LEW	Livestock Extension Worker
LIGG	Livestock Income Generating Group
MADB	Myanmar Agricultural Development Bank

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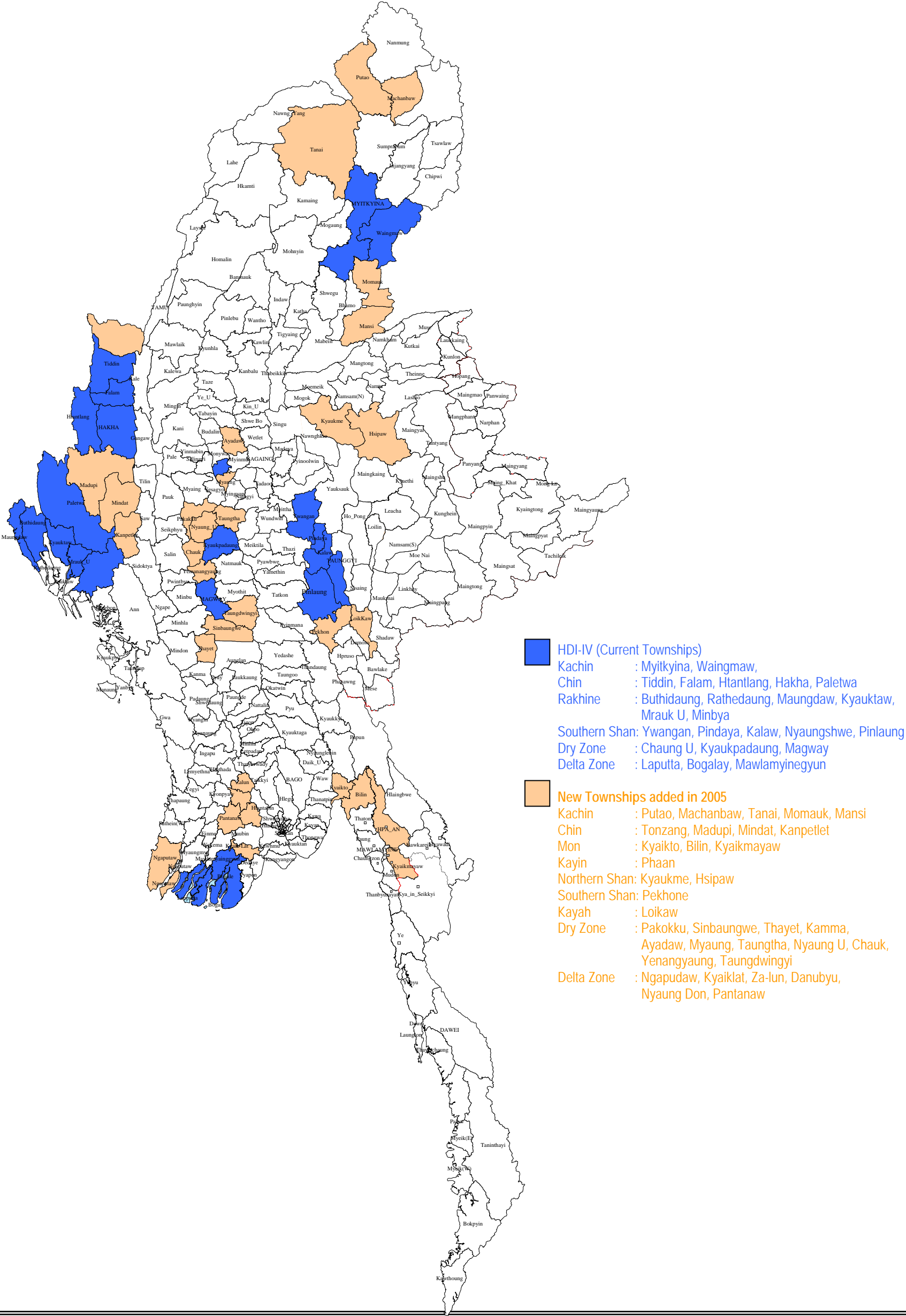
MAS	Myanmar Agricultural Services
MEB	Myanmar Economic Bank
MF	Micro Finance
MIS	Management Information System
MP	Micro Project
NFPE	Non-Formal Primary Education
NGO	Non-governmental Organization
NZ	New Zealand
PACD	Preparatory Assistance for Community Development
PACT	Private Agencies Collaborating Together (a US NGO)
PSI	Population Service International
PTA	Parents-Teachers Association
MYA	Myanmar
PME	Participatory Monitoring and Evaluation
PPP	Purchasing Power Parity
PRA	Originally Participatory Rural Appraisal, now sometimes Participatory Reflection and Action <sup>1</sup>
PSI	Population Services International
PTA	Parents and Teachers Association
SALT	Sloping Agriculture Land Technology
SIDA	Swedish International Development Agency
SLORC	State Law and Order Restoration Council
SPP	Summer Paddy Programme
SRG	Self Reliance Group
SS	Soil Sedimentation
TA	Technical Assistance
TBA	Traditional Birth Attendant
UK	United Kingdom
UN	United Nations
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nation Children's Fund
UNESCO	United Nations, Educational, Scientific and Cultural Organization
UNOPS	United Nations Office for Project Services
US	United States (of America)
VHC	Village Health Committee
WIGG	Women Income Generating Group

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<sup>1</sup> Robert Chambers, in his Foreword to Kumar, Somesh. (2002),



LOCATION OF UNDP'S HUMAN DEVELOPMENT INITIATIVE  
ACTIVITIES IN MYANMAR



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## **EXECUTIVE SUMMARY: *Overall Assessment of Impact of the HDI***

This section provides a summary analysis of outcome and impact of the UNDP HDI programme assessed in greater detail in various sections and chapters of this report with respect to: targeting; village community institutions and formation of social capital; sustainable agriculture, food security and income diversification; basic health, education and gender development; small village infrastructures; and microfinance operation. Each of these chapters has provided analyses of differential strategies pursued by the HDI through sectoral activities but within an integrated framework positioning support to assist the target beneficiaries in their own efforts to access key livelihoods capital assets. In presenting an overview of assessment of the impact, this section will attempt to respond to the five impact-related questions enumerated in section 2.3 of chapter 2 – Scope of Impact Assessment.

### ***Targeting and reaching the poor***

In its twelve years of work at the grassroots level, the HDI has demonstrated and validated the analytical rigour of the sustainable livelihoods strategy. The assessment has confirmed that when interventions aimed at poverty and vulnerability reduction are anchored at the grassroots, village level, support intended to reach the poor and the poorest is indeed achievable with substantial precision. Using participatory processes giving space and opportunity to the villagers in pre-identified poorer townships and villages, the HDI projects have been highly effective in reaching their target beneficiaries – the poor and the poorest. By invoking wealth ranking methodology villagers, with assistance of field staff of the HDI projects, have been able to reflect on their own socio-economic status and evolve a structure that neatly identified households in four to five socio-economic groups. This has helped the HDI projects to bring those households falling within the categories of “poor”, “very poor” and “poorest” within their assistance outreach. As noted in section 4.2 of chapter 4 (Household Targeting), the HDI community development projects have not been able to outreach some eight to ten percent of the households among the poor, very poor and poorest categories. Representatives of some of these households are unable to meet the governance arrangements administered for the community organizations; some are simply not interested to participate in the programme at this stage; and some migrate for seasonal or temporary jobs outside of their village location and are thus unable to meet the regular attendance requirement of the HDI promoted social organizations (i.e. the SRGs). The HDI projects have recently, as of May 2006, taken on the challenge of constructing strategies and approaches to meet the livelihood needs of these poorer households.

There are also a few households among the poorest considered to be in destitute category<sup>2</sup> who could not be assisted by the HDI because the kind of support they needed are direct transfers (or humanitarian relief) in the form of food, clothing, shelter and nutrition and health care. Such support in effect constitutes charity that the HDI is unable to provide. Nonetheless, these destitute members of a village community are generally taken care of by their community members.

While wealth ranking has provided direction to identifying the poor as target beneficiary of the Microfinance programme as well, it is however the operational modality and credit line management of the MF that has effectively outreached services to clients coming from poor and very poor households. The beneficiaries are largely in the rural areas and to a limited extent in the very small coverage of the Myanmar Microfinance (MF) in the township (urban) centres. Small loan size with an average of US\$30, type of economic activities, location outreach of

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<sup>2</sup> Those in the destitute category are unable to engage in economic activities in the same way as others in the communities because they are either old or weak, or physically or mentally challenged; generally in bad health, suffer from chronic illness and are unable to engage in productive economic activities. Many widows having almost no livelihood asset also belong to the destitute category. For further discussion on reaching the poorest of the poor, see section 4.2 of chapter 4.

services and proactive effort of project field staff have effectively built a portfolio of clients of the Myanmar MF who are largely poor.<sup>3</sup>

Having effectively identified that poor, the HDI projects have carefully constructed intervention activities aimed at building capacity of the village communities and groups, empowering them to mobilize their own resources as well as to effectively manage UNDP financed technical assistance, material inputs and capital grants. Under the current phase, support for income generating activities has proved to be more effective than the earlier phase because the target beneficiaries are members of SRGs who have also received complementary technical assistance and technology support from the HDI projects. This technical support to SRG members in the CDRT project areas has been given through the institution of Participatory Technology Development Committee (PTDC) in order to ensure that the micro income generating projects are technical and financially feasible that would in turn ensure that the SRG member beneficiaries are able to repay the micro-credit drawn from their respective SRG common fund. The Myanmar MF project has principally funded micro income generating projects with much lesser technical and management guidance. The project has also initiated financial services to meet health, education and emergency needs of clients; but financing of these activities comprises a very small proportion (about 2 percent) of the project's loan portfolio.

Activities undertaken at the village-wide level are largely in the areas of small village infrastructures, construction and renovation of school buildings and village health centres, irrigation works, dams, and water and sanitation schemes. Identification, design and prioritization of these activities have been done by village-based community groups and implementation committees using instruments of participatory planning exercises with coaching and management oversight by the HDI field staff comprising of community development facilitators, extension workers in economic and social development activities and township level sectoral experts.

#### ***Strategy for enabling the poor to access livelihood assets***

Building on the analytics of sustainable livelihoods strategy, the HDI has anchored its support in community organizations at the village level. The HDI has placed people at the centre of development; developed their capacity to organize themselves into social groups that provide for the organizational strength particularly of the poor to mobilize their own resources as well as those available from the HDI projects for implementation of an array of economic and social activities that impact on their livelihoods. The HDI has indeed been successful in instituting social mobilization across more than 5,400 villages.

Villagers – the poor and the very poor in particular – have thus had the opportunity to assume command over their livelihood resources, available in their village economic space, as well as the entire range of inputs provided by the HDI projects. Hundreds of HDI community development facilitators have coached and assisted the villagers to utilize the PRA tools and processes for drawing participation of the villagers in: reflecting on their socio-economic status; placing village households in structured categories of wellbeing; identifying specific needs of each socio-economic group as well as for development at the village level; prioritizing development activities; mobilizing resources in their local communities; managing resources provided by the HDI projects; implementing activities for household income enhancement and social development; organizing implementation of social infrastructure activities at the village level; and monitoring these activities and their outcomes by the community groups themselves. In this way the HDI has effectively instituted the essence of empowerment of the villagers, especially the poor and very poor and most importantly women. This in turn has enabled the target beneficiaries to have a sense of ownership of the entire range of development activities undertaken by themselves at their household level, community group level, and village level.

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<sup>3</sup> See section 9.3.1 of chapter 9: Microfinance.

Constricted by the mandate given to UNDP by its Executive Board, the HDI has had limited scope to engage in building capacity of its beneficiaries to either access or influence policies, institutions and the processes entailed in securing these enabling support measures and facilities. Yet, as noted in chapter 10 (Local Support Systems), the HDI projects have carefully organized a limited range of technical and administrative support from local level institutions while maintaining the limits of engagement with local government authorities. Thus the HDI could not extend any support to the much needed capacity building of these local government institutions. Furthermore, these institutions have received very little capacity building support from other development agencies. Clearly, the government's investment programme must respond to the critical capacity building needs of these local level institutions.

### ***Village community institutions and social capital***

The HDI has accumulated rich experience in the past twelve years of the dynamics of village community institutions in Myanmar. Learning lessons from the earlier experience of the difficulties associated with the narrowly defined objectives of income generating groups – the FIGGs, the LIGGs, the WIGGs and other similar groups – the HDI has evolved its strategy of working with social groups that bring together more effectively members representing households in a village community which share common socio-economic backgrounds and face similar set of obstacles in their fight against poverty.

The income generating groups in the period prior to HDI-IV had their inherent problem of being overly concerned with deriving immediate gains in material wellbeing. Financial and material support given by the HDI projects to these groups had overlooked the more important determinants of forming group cohesion, imbibing trust among group members, enabling the poor to voice their development aspirations effectively, and sequencing and adapting external funding to progression of the groups to different levels of maturity. The perspective of the HDI projects to achieve results (and project objectives) in a relatively short timeline dictated by project duration was misplaced. Community institutions built on cohesive social organizations take time as their progress to attain maturity is determined by their ability to build skills in participatory governance, develop the art of decision-making that is transparent and equitable, forge trust and cohesion among group members, and attain equitable income growth of group members.

These lessons have guided the HDI to promote and work closely with community members to form affinity groups that are smaller - 15 to 20 members in a group. These self reliance groups (SRGs) are now the centre piece of social organizations promoted and supported by the two community development projects – the CDRT project and the ICDP project. As of August 2006, 2,900 SRGs are actively engaged in economic and social development activities in 3,519 villages in 57 townships covered by the HDI. Most of these SRGs are exclusively represented by women members constituting 2,630 or 91 percent of the total SRGs. The remainder 46 SRGs are men and 224 mixed groups. Members come from poor and very poor households as categorised by the villagers themselves through PRA and wealth ranking processes.

The SRGs have demonstrated their capacity to institute self-governance for mobilizing and managing development resources including those provided by the HDI projects. In particular, they have established group savings and micro credit operations based on their common fund with capital injection primarily by the HDI projects. This has provided access to credit/finance for micro income generating activities that the members had in the past could either never meet their critical capital needs or had to resort to credit from rural money lenders at exorbitant interest rates. The SRGs have also been actively involved in important social development activities such as family planning, maternal and child health, early child care, health and nutrition awareness, management of low-cost essential drugs, community forestry and environmental awareness. Their ability to undertake these activities has been strategically supported by the HDI community development activists or facilitators and extension workers whose dedicated work

with the SRGs have contributed to raising functional literacy and knowledge building of the SRG members.

Attainment of organizational maturity by an SRG is a complex undertaking. The process not only involves time but a reinforcement of other factors including organizational vision, organizational and financial management capability and accountability, learning and evaluation effort and linkage between an SRG and the HDI project. Thus in the 16 to 21 months referred to as the withdrawal stage (for external assistance) a substantial number of SRGs in the ICDP project areas have not yet reached higher levels of maturity.<sup>4</sup> The SRGs are also challenged to stay on course with sound financial management of their common fund. SRGs in all CDRT project areas are suffering from high overdue and non-repayment rates of member borrowers who ran into indebtedness in the earlier HDI phase due to drawing down multiple loans without settling past dues. The CDRT project has quickly intervened to help the SRGs protect their common fund and credit operation by integrating the concept of Participatory Technology Development Committee (PTDC) into income generating activities undertaken by the SRG members. This approach has ensured that SRG members' micro-income generating activities are supported by other complementary inputs such as irrigation, technology, training, product development and market assessment. Outcome of these measures has not yet been assessed, but reports of project management indicate that the SRGs have not incurred additional overdue and non-performing loans in the current phase of the HDI. Clearly, close monitoring of the SRG self-managed credit operation and their common fund must be instituted by the community development projects to take corrective measures on time.

Most other social and economic infrastructures including small village infrastructure works have been carried out at the village level. HDI support to these activities has been provided through community organizations formed by the villagers themselves. These organizations, formed as committees and groups for implementing micro projects, have organized construction and setting up of community centres, water supply and sanitation systems, school buildings, rural health centres, irrigation works, small dams, power generation and grids, footbridges, culverts, jetties and other small village infrastructures. By invoking participatory processes these micro projects have been identified, prioritized and implemented by the villagers themselves through the respective implementation committees representing village organizations. The HDI community development projects have assisted them in detailing out technical specification and providing complementary funding, in addition to the 20 to 30 percent of cash and in-kind resources mobilized by the villagers themselves. The HDI projects have ensured through careful appraisal that these micro projects met priority needs of the poor. In the event of cost over-runs the village implementation committees have invariably taken on the responsibility of mobilizing the additional resources needed. The village committees have also organized and arranged operation and maintenance of these small village infrastructures with technical support of HDI projects as needed. These initiatives point at the effectiveness of the HDI in mobilizing villagers' commitment ensuring local ownership and sustainability of these small village infrastructures.

The social capital formed through the network of village community organizations in the areas covered by the HDI has yielded substantive returns in terms of villagers, especially the poor, having increased access to livelihood assets, gaining income from their livelihood and micro-income generating on-farm and off-farm activities, and attaining increased social wellbeing. Attainment of these outcomes is assessed briefly below while details are given in the ensuing chapters.

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<sup>4</sup> See Table 5.2 and its analysis presented in section 5.4.3 of chapter 5 (Village Community Institutions).

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### ***Livelihood Outcomes***

Impact of the HDI can be determined and measured if the beneficiaries – the poor and the very poor – have experienced and realized at their household and community levels the following livelihood outcomes:

- Increase in household per capita income and purchasing capacity as a result of their access to livelihood assets and job opportunities (both self-employment and employment in agriculture, livestock, fishery and other rural economic activities).
- Improved food security by having access to increased subsistence production and income to meet their household food requirement for the minimum food intake needed to meet caloric requirement of household members.
- More sustainable use of natural resources.
- Reduction of vulnerability and effective coping mechanism for mitigating vulnerability.
- Increased wellbeing by freeing themselves from threat of killer diseases; attaining improved health and living longer in good health; acquiring basic education and knowledge; and experiencing improved gender relations at the household and community level.

Unfortunately adequate and systematic data and information is not available to quantify the development results and thereby assess or evaluate with greater confidence realization of these livelihood outcomes. Precise conclusions regarding the HDI impact would require a quasi-experimental approach to situating and measuring livelihood outcomes in HDI villages (beneficiaries) against changes occurring in non-HDI villages (or non HDI beneficiaries) over a period of time. Conditions on the ground have not permitted UNDP to undertake extensive field data collection for such scientific approach to evaluating impact of the HDI interventions. Only four such evaluations have been undertaken in the past five years: one for assessing effectiveness and impact of the Farmer Field School (Heather Morris, 2002); one for evaluating effects and impact of support to basic education (Doran Bernard, 2001); one on evaluation of the HDI in limited areas (Institute IDEA International, 2002); and the fourth study is an evaluation of impact of the Myanmar Microfinance project on vulnerability reduction of client households in the Delta (EDA Rural Systems, 2004).

Other donor assistance in the HDI project areas is very limited; therefore, a reasonably good understanding of HDI impact can be gained by conducting data collection and analysis in sample HDI villages at periodic intervals. The HDI projects have only recently begun to develop appropriate indicators and setting up a field data collection and processing system to generate the minimum set of information needed to monitor impact of the HDI project interventions. Yet additional purposive research studies based on sample data collection at the village level will be needed to gain in-depth analytical knowledge of the effects and impact of the HDI.

Notwithstanding the severity of paucity of impact related data, information and knowledge, this assessment report has attempted to determine effects and impact of the HDI programme based on available studies and reports as noted in section 2.3 of chapter 2 (Scope of Impact Assessment). Details of interventions that have worked well, those which have not been effective, and effects and impact of the HDI in its support to enabling the rural poor to improve their livelihoods are analyzed in relevant chapters of this report. Below is an attempt to bring together these pieces of knowledge into a context that would enable a better understanding of the difference that the HDI has made in rural Myanmar; how the poor have been assisted in their efforts to gain increased access to livelihood assets; and the extent to which these enhanced livelihood opportunities have impacted on their living conditions, particularly in reducing their poverty and vulnerability conditions.

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### ***Food Security and Income Earning Opportunities***

Small farmers, marginal farmers and landless poor in rural areas – constituting about 20 to 65 percent of the rural population in the HDI supported areas - are constantly struggling to secure food for their households throughout the year. Small farmers owning generally less than 3 acres of land must have access to agricultural inputs, knowledge and technology to improve their agricultural production and productivity. Marginal farmers having access to meagre land that is generally unproductive need support for increasing soil fertility of their land. Both these farming groups must also have access to alternative livelihood assets to protect them against crop failures due to environmental, climatic and other external factors over which they have little control. The poorest and most vulnerable landless with almost no livelihood assets must have access to job opportunities in agriculture and off farm income earning activities to generate sufficient income to meet food and basic needs of their families.

The HDI has responded to these livelihood needs of the rural poor by way of conducting differential diagnosis of their poverty and vulnerability conditions in the environment they live. HDI's strategy has involved assisting marginal farmers and landless poor develop fallow land and undertake soil protection and upgrading as well as flood mitigation measures to enable them to have increased access to cultivable land. Additionally, farmers have been assisted by technology, technical assistance and training in adopting improved farming practices, and through provision of improved seeds, farming tools, low-cost technical procedures for making compost and application of EM solution, and access to affordable micro credit.

In the remote areas of Kachin and Chin states where readily cultivable land is particularly acute, the HDI has assisted villagers in developing extensive areas (up to 14,000 acres) of fallow land and assisted marginal farmers and landless poor in securing certification from local authorities to have the right to cultivate crops on these un-classed lands. Increased access to cultivable land has also been secured through support for land protection and soil erosion and conservation measures in Kachin, Chin, Shan and Dry zone. As noted in section 6.2 (Environmental and Natural Resources Management and section 6.3 (Sustainable Agriculture), through construction of extensive areas of bench terrace improvements, farm boundary plantation, and contour and soil sedimentation bunds the HDI has assisted small and marginal farmers in reclaiming large tracts of gully lands, previously left fallow, and extending farming on slopes. These initiatives have also informed the HDI as to which schemes have worked most effectively especially for the poor. For instance, the poor have continued to undertake and manage contour bunds, bench terraces and farm boundary plantations because of the immediate benefits they are able to derive from these low-cost schemes. The impact of the combination of these land reclamation, land development and natural resource management activities have enabled the poor gain access to the most important natural capital in the rural areas – land for cultivation of paddy and other food and cash crops as discussed in detail in sections 6.3 (Sustainable Agriculture) and 6.4 (Income Diversification for Sustainable Livelihoods).

Gaining increased access to land by the poor in rural Myanmar has required complementary measures for conservation and regeneration of natural resources and protection against environmental, natural hazards for reinforcing sustainable food security measures. Community forestry schemes pursued by villagers in all the HDI townships have had the most visible impact. These have not only made a significant contribution to natural resource conservation but have also provided source for fire wood, timber for housing and agricultural tools for marginal farmers and landless. A large number of community members particularly women are now engaged in small-scale nurseries to meet the local demand for tree planting. Beneficiary communities are also maintaining these forestry woodlots with their own effort and resources with the exception of those woodlots located at considerable distance from their villages. Further, where traditional land ownership rights are not well defined communities have shown their reluctance to maintain and further improve the woodlots. Where possible, the HDI has assisted communities in

obtaining support of the Forest Department for securing usufruct certificates that gave them the rights on these un-classed lands.

In the Delta and on a limited scale in Rakhine state the HDI support has successfully prevented the rapid depletion of the mangrove forestry resources that are critical to protecting agricultural land against salinity and providing a sustainable source of fishery resources for the village population. Alternative income earning sources, improvements in soil fertility, and other agricultural support measures as well as environmental awareness supported by the HDI projects have effectively discouraged the local population from felling mangrove trees. However, proper surveillance by the local authorities is needed to prevent poaching by villagers on these resources. Riverbank stabilization in the Delta has also been important. More than 162,000 running feet of riverbank constructed by the villagers with HDI support have protected extensive areas of agricultural land which were previously prone to flooding. As cited in section 6.3, one village in Laputto averted damage of 10 million Kyat as a result of the protection measure against river erosion.

Promotion of alternative, low-cost energy stoves has made a significant impact on forest resource conservation and regeneration. In all project areas three types of these stoves are now extensively used by the village households who have additionally benefited by saving fuel wood, cost and women's labour time. In the Dry zone alone consumption of 57,000 tones of woody biomass per year has been reduced, preventing degradation of forest land up to 10,000 acres.

These environmental and natural resources management measures have thus made a significant contribution to sustainable livelihood opportunities for the villagers in the HDI project areas. Target beneficiaries – small and marginal farmers and those landless poor who now have access to reclaimed land - have benefited from HDI support in improving their agricultural productivity as well as in expanding agricultural production. As noted above and elaborated in section 6.4, increased availability and access to critical agricultural inputs including fertilizer, compost, green manuring, low-cost pesticides, sprayers, farm tools and irrigation water from small irrigation works including small dams, have been effectively used by the farmers to increase agricultural production. Detailed data on production and resulting income increases is not available, but project reports and participatory monitoring of SRG beneficiaries have confirmed that most beneficiaries have indeed increased their agricultural production and income for their households. Introduction of new agricultural practices including cropping pattern and crop diversification has given them additional agricultural produce and income.

Besides increased food availability and income accruing from increased agricultural productivity and production, villagers – particularly small, marginal and landless poor – have gained increased access to off farm income earning activities. As noted in sections 6.3.3, 6.4.1 and 6.4.2, livestock-raising, homestead gardening and small scale fisheries are the major activities which have provided the target beneficiaries with diversified income sources. Pig-raising in particular has become the most popular income earning activity of households in the HDI project areas, due mainly to their short-cycle activity providing a return on investment of more than 20% (net profit) in six to seven months. The market for pigs is also readily available – not only in the village and nearby township market, but also at regional markets. For instance, with the availability of pigs on a large scale aggregated from clusters of villages in the Dry zone, traders from Mandalay are now coming to the region and procuring pig stocks in truck loads (as cited in section 10.4 (Market)).

For those who are landless possessing meagre assets as well as for the marginal farmers not having adequate productive land, the HDI community development projects have assisted them in engaging in off farm income generating activities. The Myanmar MF clients have also utilized a considerable proportion (up to 30 percent) of their loans for off farm economic activities. The community development projects have largely provided technical assistance, training and skills enhancing support in product development including improved technologies and production processes. These SRG beneficiaries also have access to their group-managed micro-credit.



Lack of data and detailed field research has not permitted quantification of income benefits derived by the villagers by engaging in HDI supported off farm income earning activities. A recent study of the MF operation in the Delta has provided estimates of income growth of households of client members that have taken loans for off farm income generating activities (see section 9.3.3). A number of beneficiaries have expanded their production to small-scale enterprise operation. These entrepreneurs have successfully leveraged their innate entrepreneurial quality, conceptualized their business plans, pursued marketing at their own initiative and mobilized additional financial resources from their own resources, family and friends as well as from village money lenders. This outcome is a catalytic effect of HDI support particularly in the areas of product development, trade skills enhancement and access to micro-credit that formed the initial capital injection in these businesses. An important lesson that must however be highlighted is that when assistance, in the form of either access to credit or equipment, is given to target beneficiaries without adequate training, market assessment and disciplined monitoring of loan utilization and payment, the micro-income generating activities are likely to fail. This was indeed the case of a sizeable number of beneficiaries of the revolving fund (of FIGGs and WIGGs) in the earlier HDI phases, whose activities simply failed due to lack of market or ill-conceived micro-business undertaking. A similar situation was observed under HDI-III for SRG members in CDRT project areas who took multiple loans from the SRG managed common fund but failed to repay because they were unable to generate adequate output and revenue from their on-farm and off farm income generating activities (see above under *village community institutions and social capital*).

#### ***Access to Micro-credit***

These off farm income generating activities as well as agriculture, livestock and fishery activities could not have been undertaken on a widespread scale by the HDI beneficiaries without access to finance capital at affordable rates. HDI beneficiaries now have access to credit at affordable rates from two sources: (a) from the SRG managed common fund which makes micro-credit available to SRG members as per terms and conditions established by each SRG; and (b) from the Myanmar MF project that provides institutionalized micro-credit to poorer members of communities in the HDI project areas. Both these schemes have also required member beneficiaries to institute savings habit to mobilize small savings in the village economy. With supplementary capital grants from UNDP, the SRG managed micro-credit operation and the Myanmar MF have effectively promoted financial intermediation in the village economy.

As at December 2005 total savings of SRGs in ICDP projects areas amounted to US\$105,000 with an average savings amount of US\$95 per SRG.<sup>5</sup> Savings of SRGs in the CDRT project areas stood at US\$300,400 with an average savings of US\$12 per SRG. Detailed information on lending activities of the SRGs is not available, but SRGs in the CDRT project areas recorded loan outstanding in the order of US\$893,000 as at December 2005. The lending capacity of SRGs in CDRT project areas at 8.5 times the group savings has been largely met by capital injection from the HDI project. Clearly for long term growth and sustainability of lending operations the SRGs will need to be linked to other funding programmes or domestic financial institutions which are however almost non-existent at the present time. Additionally, as noted above, the SRGs need to develop better capacity for financial management to ensure prudent operation of their lending activities.

The Myanmar MF has established a firm presence in 22 townships servicing more than 250,000 rural households in 3,057 villages. Total savings of its members amounted to US\$946,000, which together with the programme's retained earnings and capital grants from UNDP provided an enlarged lending capacity in the order of 5.9 times the member's savings. The programme's loan outstanding stood at US\$5.6 million as at end December 2005. The Myanmar MF has made a significant contribution to reducing poverty and vulnerability conditions of the poor as discussed

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<sup>5</sup> As per exchange rate of 1057 Kyat per US\$ as at December 2005.

in Chapter 9: Microfinance. The programme has enabled beneficiary/client households to diversify income sources, increase their per capita income, acquire and build real assets (land, equipment and household assets) as well as financial and other relatively liquid assets (savings and gold acquisition). Additionally, clients have drawn micro loans from the MF to meet their cash shortfalls in lean periods of their livelihood activities. They have also used the financing facilities for meeting their emergency health needs, household repair, food, family events, and educational expenses of their children. Allocation of the loans for these activities however comprised a small – 3 to 7 percent – of the total loan of the programme. Most of the loans have thus been utilized by borrowers for income generating activities in agriculture, livestock and fishery, and trading. The MF has also catalyzed small entrepreneurship development in the rural areas.

The Myanmar MF programme is now challenged to establish conditions for sustainability and further growth of its operations. Although the programme has maintained credible operational efficiency and profitability, the real returns on assets and equity are being adversely affected by inflation and cost of funds. The programme's real return on asset is negative. Additionally, the programme needs to reduce its operating expenses by reducing dependence on external technical assistance. However, long term sustainability and expansion of the programme with linkages to diversified funding sources can only be assured by macroeconomic stability with corresponding lowering of inflation rates in the economy and development of the domestic financial sector. These are issues that fall within the domain of government economic management policies and programmes (see chapter 11: Macroeconomic Environment and Policies).

***Social development: primary health care, basic education and gender development***

The HDI has made investments in primary health care and basic educational development at the village level. HDI support in these areas as well as community development, improvements in economic welfare at the household level and social infrastructures at the village level have had important implication for gender development, as summarized below.

***Basic education***

The HDI has promoted basic education at the village level through: financial and material support for construction and renovation of primary schools; early childhood care and development (ECCD) services; provision of educational materials; training of teachers along with provision for teaching aids; establishing continuing education and learning through construction of community learning centres and short training courses in life and trade skills development; and non-formal education for children and adults. In all of its intervention support, emphasis has been placed on community participation in identifying project priorities and in mobilizing local resources for meeting part funding of education infrastructures.

Small investments in school renovation and construction together with improvements and construction of village footpaths, footbridges and provision of water and sanitation have facilitated increased access to education. The HDI projects have recorded increased attendance of children in class. The ECCD services and PTA managed income generating schemes for poorer families have provided increased educational opportunities for children of these deprived families. In particular, SRG members having access to emergency credit/funding and income generating activities have been able to meet part of the cost of schooling for their children. There is also evidence of improvements in quality of education in HDI supported schools. Nonetheless, more than 20 percent of the pupils in both HDI villages and other areas still drop-out before completing primary education, due mainly to the struggling effort of poorer families as they must engage their children to household and livelihood activities while they also do not have the financial resources to meet their children's educational expenses.

Community learning centres have provided opportunity to adult male and female to basic education and post-literacy within the non-formal educational programme. In particular, SRG

members have developed heightened awareness of gaining basic literacy, as close to 70 percent of the adult education programmes administered at the CLCs are SRG (women) members.

#### *Primary health care*

In respect of primary health care, the HDI strategy is centred on people and the communities they live in – to build their capacity to acquire knowledge of health issues, nutrition, hygiene and health measures they must adopt for maintaining a healthy life. Building up an extensive corps of basic health service providers has been the single most important capacity building outcome of the HDI at the village level. The HDI has trained a large number of graduates and diploma holders in basic health services who are now providing a wide range of services in the HDI project areas – in such areas as auxiliary midwifery, family planning, immunization, tracking child and maternal health status, diagnosing communicable and water borne diseases, prescribing anti-malarial medicines, distributing and explaining use of anti-malarial bed nets, and building awareness for prevention and control of HIV/AIDS and counselling people living with HIV/AIDS. This extensive corps of service providers together with inputs from the HDI projects for improvements in health service facilities at the rural health centres, management by SRGs of essential drug schemes, family planning services, and small scale water and sanitation schemes have increased access to improved and expanded range of basic health services for the village population living in the HDI supported villages.

Field reports have recorded improvements in overall health status of the village population in the target villages, positive behavioural change responses of the villagers to improved hygiene and health care, and reduced incidences of malaria, water borne and infectious diseases among the village population. Complementary support of other development agencies especially UNICEF, UNFPA and a number of international NGOs has been critical to bringing about overall improvements in health status of the village population, especially of mothers and children. Infant and maternal mortality rates in the HDI villages have recorded a decline as per medical records from village health centres. Morbidity and mortality due to tuberculosis have also recorded a decline in the HDI villages. Villagers in the target areas of the HIV/AIDS programme have acquired greater awareness of HIV/AIDS. Together with efforts of the government and other international agencies the national HIV prevalence among pregnant women has been reduced from 2.2 percent in 2000 to 1.8 percent in 2005. With a change in focus in its intervention strategy since early 2005 linking HIV/AIDS programme activities to the HDI community development projects, a considerably large number of households including those living in the remoter border areas are now having greater awareness and education regarding HIV/AIDS. This approach is proving more effective in building capacity of SRG members who have considerably greater outreach capacity to village households. Together with counselling support of community health workers, auxiliary mid-wives and traditional birth attendants, the HDI is positioned to extend greater support – counselling, nutrition and health care - to people living with HIV/AIDS.

#### *Gender development*

Gender sensitivity and awareness as well as gender equity and equality represent an important dimension of the HDI strategy. As such, the HDI projects have promoted gender equality by integrating gender perspectives in all aspects of project cycle management. Project staff have been trained and sensitized on gender issues and accordingly project implementation activities have effectively integrated gender considerations. Staffing of the HDI programme across all projects reflect equal opportunity for women and men. About fifty-one percent of the total 827 HDI project staff is women. Project staff working closely with village communities have emphasized equitable and equal participation of women and men, girls and boys in all aspects of HDI project activities including participatory planning and implementation of economic, social and small village infrastructure activities.

Empowerment of women is particularly noticeable in the strategies adopted by the two community development projects to encourage women members of households to participate in SRGs and related activities. More than 90 percent of the SRGs are exclusively represented by women members. The Myanmar MF project has also focused primarily on women members of households in accessing credit for their respective households' income and social development activities. More than 95 percent of the MF clients are women. SRG members as well as MF borrowers are now able to play significantly greater role in household resource management, decision-making in respect of resource utilization at the household level, and village level development activities. The gender impact study of SRGs (2006) has confirmed the considerable impact on improvements in gender relations at the household level resulting from women's participation in SRG activities.

### ***Small Village Infrastructures***

The HDI has made substantial investments in small rural infrastructures such as village roads, foot paths, foot bridges, transport services, boat landing sites, small scale power generation facilities, community centres and other low-cost physical infrastructures. As assessed in chapter 8: Village Infrastructures, these small village infrastructures have made a significant contribution to farming activities, off farm rural economic activities, market access for rural producers, access to health and education facilities and services, and community development activities. Villagers themselves have identified and prioritized these investments through participatory planning processes. They have also assumed responsibility for organizing implementation of these micro/small projects and mobilized their own funding to the extent of 20 to 30 percent of cost of each project undertaking. Communities have also demonstrated their capacity and commitment to setting up management systems for operation and maintenance of these village infrastructures. However, detailed assessments through further field studies are needed to establish the extent to which the recovery costs would meet replacement costs of these village infrastructure investments.

### ***Sustainability of Village Development Activities and Livelihood Gains***

The sustainable livelihood strategy that underpins HDI support stresses the importance of access to policies, processes and institutions to ensure that the poor, the target beneficiaries of the programme, are able to sustain their development effort and expand their livelihood outcomes. Constricted by its restricted mandate the UNDP through its HDI programme has had to limit its assistance activities to building capacities of the village communities and households. These interventions have indeed made a significant contribution to the villagers' effort to expand their access to the critical livelihood assets that in turn has reduced their vulnerability and poverty conditions at the household level as well as improved the overall socio-economic condition at the village level in the 5,444 villages covered by the HDI. Sustainability of these livelihood gains attained by the poor will require continued and expanded investment support that can principally be provided by the government. This requirement will become more critical as UNDP prepares for a gradual reduction and eventual withdrawal of its support to existing villages and townships that have been receiving HDI assistance for over 12 years.

This report has identified a number of critical local support systems and macroeconomic environment and policy measures needed to sustain the livelihood efforts of the poor. Firstly, the government investment programme needs to provide considerably greater emphasis on pro-poor strategies developed within a framework of a national poverty reduction strategy. Secondly, since a number of international NGOs and UN agencies are involved in humanitarian and development assistance for poverty alleviation, their participation in articulating a national poverty reduction strategy coordinated through a government initiated consultation mechanism will be essential to ensure that the extensive experience of grassroots level poverty alleviation initiatives are reflected in the national poverty reduction strategy. Thirdly, government investment programmes need to incorporate long term investments in establishing technology capacity at the local level to support agriculture and other resource based livelihood activities, off farm income earning

activities, community development management support, small scale village infrastructures, basic education, skills development and primary health care and nutrition support. This will require increased investments in capacity building of local level government administered technical institutes, modalities of national investment programmes that effectively build and utilize capacities of community organizations, non-governmental organizations and the private sector. Fourthly, there are certain interventions that require area-based approaches that effectively combine local level technology capacity and supportive local level institutions to support environmental and natural resources conservation and regeneration, agricultural and land development, and integration of local economy to the regional and broader economy-wide market through development of transport infrastructures, transport services, other market facilitation measures. Such investments involve substantial development fund allocations and should necessarily be financed principally from the government budget. Fifthly, government policies and regulatory measures need to be instituted for the development of the financial sector and financial intermediation in the rural economy. In particular, enabling policies and regulatory frameworks must support long-term sustainability and expansion of microfinance operations. Sixthly, the overall macroeconomic economic environment must be supportive of pro-poor investment and growth. This report has specifically noted the critical importance of macroeconomic stabilization policy measures that in particular must reduce the persistence of high inflation rates in the economy. Chapter 11: Macroeconomic Environment and Policies discusses the critical macroeconomic issues that have important bearing on outcomes and development results of the HDI.

# **1. Introduction and Background**

## **1.1 Country Background**

Myanmar is situated in Southeast Asia. The country covers an area of 676,577 square kilometres with extensive borders with China on the north-eastern side, India and Bangladesh on the north-western and western, Lao PDR on the eastern side, and Thailand on the south-eastern to southern borders of the country. The country's extensive coastline, stretching from southern to north-western parts of the country, provides access to sea routes and marine resources. Flat land areas, which are enclosed within the mountain barriers, are mostly agricultural land with high population density. In 2004 the country's population was estimated at 54.3 million settled in 14 states and divisions of the Union's administrative structure. Seventy-five percent of the population live in rural areas. The population is diverse in ethnicity.

Myanmar is endowed with natural resources including agricultural land, forestry, natural gas, various metals and gems, and water resources. The country's water resources offer considerable hydroelectricity potential. Myanmar has substantial agricultural potential for growing a wide variety of crops of which rice is a staple crop. Official data indicates that forest areas cover 48 percent of the country; Myanmar teak and hardwood are known worldwide for their quality.

With abundant agricultural land the country's economic structure is primarily dependent on agriculture and farm related activities that currently provide livelihoods to more than 65 percent of the population. Agriculture accounts for 55 percent of the country's gross domestic product (GDP), followed by services and industry accounting for 32 percent and 13 percent of the GDP respectively. Since 1989 the government has encouraged agricultural development in its economic reform programme by liberalizing trade in key agriculture products. This has contributed to a revival of agricultural production and export although much remains unattended in opening up the economy to market-led growth and development. After a short period of boom in 1996-99, the growth of the economy has not reached a level comparable to the neighbouring countries. Low per capita economic growth is compounded with uncertain political situation and pervasive administrative control on economic activities that restrict market oriented growth, trade and commerce, and foreign investment inflow along with technology and management.

Myanmar is ranked 129 out of 177 countries in terms of the country's human development attainment as estimated by the 2003 UNDP Human Development Report. Other reports on the country's socio-economic situation indicate that there has been slight improvement in human development indicators such as life expectancy and literacy rates. However, information and experience gained from village level humanitarian programme activities under the ongoing UNDP Human Development Initiative (HDI) indicate considerable shortfalls in health and education services in the rural areas. The poverty situation particularly in the rural areas has drawn the attention of UN agencies and international non-governmental agencies (INGOs) which are presently focused on providing basic needs and humanitarian support to people living in extreme poverty conditions in the rural areas. Recent studies and field work on poverty undertaken by UN agencies and INGOs indicate that the human poverty situation is likely to have worsened in the past five years due to insufficient growth of the rural economy, persistence of high inflation running at over 30 percent per annum in recent years, and shortfall in investments in local level institutions and programmes which are critical to livelihood activities of the rural population. The incidence of poverty – both food poverty and overall poverty measured on the basis of minimum food expenditures to satisfy caloric requirements plus reasonable non-food expenditure to meet basic needs of the people – is high in the rural areas. There are considerable disparities in poverty between states/divisions and townships. Higher to average poverty incidence is found in Chin State, Kachin State, Shan East and North, Rakhine, Magwe (in Dry Zone) and Ayeyarwaddy (in the Delta). These are also the areas where the UNDP HDI humanitarian assistance has been operational since the early 1990s.

## 1.2 The UNDP HDI Programme

UNDP's response to the acute poverty condition of the poor in Myanmar is placed within the framework of humanitarian assistance programme that was authorized by the organization's Executive Board or the then UNDP Governing Council in late 1993. Governing Council Decision 93/21 and its successor Executive Board Decisions until 2005, authorizing continuation of UNDP humanitarian assistance in Myanmar, have required UNDP to target its assistance to the poor primarily in the rural areas where the incidence of poverty is highest. Since early 1994 the UNDP assistance programme has been organized within the framework of a Human Development Initiative (HDI) providing for support in the areas of primary health care, environment, HIV/AIDS, training and education, and food security to the rural poor. Consistent with the Governing Council and its successor Executive Board Decisions, these intervention programmes are targeted at having grassroots impact in a sustainable manner.<sup>6</sup>

The HDI programme and its constituent projects have evolved and undergone significant transformations as reflected in the objectives, strategies and intervention focus of the four phases of the HDI pursued during the twelve year period since early 1994. A central strategy that has underpinned each phase of the HDI is the support for local communities in their efforts to organize and strengthen their social and community organizations through community empowerment and participatory approaches. This process has led to building and strengthening the social capital of the poor. Over time these community organizations, especially the self reliance groups (SRGs) in the current phase of the HDI, have in turn demonstrated greater competence in planning, identifying and prioritizing interventions that have augmented their efforts at the individual, household and community level to improve their livelihoods and to alleviate their poverty and vulnerability conditions.

Utilizing strategies and support activities financed under the HDI projects, households and communities have undertaken various socio-economic activities that have directly impacted their livelihoods. Such activities include agricultural land development, land resource and environmental management for improving agricultural productivity, farm based income diversification, off-farm income earning activities, micro-credit and microfinance operations, improvements in basic health, nutrition and education services at the village level, prevention and control of HIV/AIDS, water and sanitation improvements at the household, community and village levels, and upgrading and building of small scale village level physical infrastructures.

Until 2002 these intervention activities were delivered through sectoral projects (seven in total) under three phases of the HDI programme. In terms of geographical or spatial coverage, these projects under HDI-I (phase one) were operational in 14 townships which were identified on the basis of planning to outreach assistance to the poor as elaborated in chapter 4: Targeting Arrangements and Effectiveness. In the immediate extension phase (HDI-E) the spatial coverage of the programme was extended to poor villages in 23 townships – out of a total of 324 townships organized within the country's local administrative structure. With experience gained from grassroots development and additional resources available to UNDP from its core budget as well as supplementary funding from other development partners,<sup>7</sup> UNDP has been able to further expand the spatial coverage of its HDI programme. In late 2002, the HDI-IV was launched with a major restructuring of its programme strategy. Firstly, the spatial coverage was extended to 34 additional townships, bringing the total number of townships to 57 covered under the HDI

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<sup>6</sup> Each annual Independent Assessment Mission conducted since 1995 as per requirement of the UNDP Government Council/Executive Board instructions, has confirmed that the HDI programme operations are in full conformity with these instructions and guidelines.

<sup>7</sup> Principally five bilateral donors: Australia, Japan, New Zealand, Sweden and United Kingdom. Additionally, Italy made a small contribution to the HDI/ICDP project from the balance of funds allocated to relief activities related to the floods in Myanmar in 1998.

programme.<sup>8</sup> Secondly, building on the experience of greater effectiveness of integrated approach to community development support organized under the Community Development in the Remote Townships (CDRT) project, all interventions implemented previously under the sectoral projects were consolidated and brought within the framework of two integrated projects namely the CDRT project and the newly formulated Integrated Community Development Project (ICDP). Two additional HDI projects that had been operational prior to HDI-IV phase – the Microfinance project and the HIV/AIDS project – have been extended under the current phase of the HDI in their earlier operational modality with some adjustments in their strategy. The Microfinance project is now implemented through one implementing partner – PACT, an international NGO. The HIV/AIDS project under the HDI that had hitherto operated country-wide targeting at high-risk areas across the country is now being increasingly linked to CDRT and ICDP project implementation activities in order to utilize strength of community organizations supported by the HDI for prevention and control of HIV/AIDS. The outreach of HDI projects – in terms of spatial or geographical coverage and number of townships, villages, households and population reached - is presented in Annex 2. Presently, the HDI programme activities are operational in 57 townships, covering 5,444 villages, outreaching about 2.9 million people or 30 percent of the rural population living in these villages. The CDRT and ICDP community development projects together cover 3,519 villages including 1,132 villages that ICDP and MF jointly share in their coverage of villages. Benefits of the two community development projects have accrued to about 1.6 million poor household members. The Microfinance project, operating in three zones/areas (Dry zone, Shan state and the Delta), is presently operational in 3,057 villages (including its joint coverage with ICDP in 1,132 villages) and servicing 249,279 clients whose average household size consisting of 5.2 members bring its coverage to 1.3 million people.

The HDI-IV programme budget includes two further projects – the Integrated Household Living Conditions Assessment (IHLCA) and Agricultural Sector Review (ASR). The ASR was completed in 2005. Activities under the IHLCA project are closing on the finalization of the poverty and vulnerability reports based on the data and information generated from the extensive household income and expenditure surveys conducted in 2002-2003 and 2004-2005.

The HDI programme budget has increased with additional funds from the UNDP core budget and cost-sharing contribution of development partners (five bilateral donors). An overview of the HDI programme budget under its current phase (HDI-IV) is presented in Annex 3. Total budget for the period 2003-2006 is estimated at US\$42.8 million, with annual expenditure allocation increasing from US\$6.7 million in 2003 to an estimated earmarking of US\$15.2 million in 2006. Eighty-eight percent of the total budget for the 2003-2006 is financed directly from UNDP's core budget; the remainder 12 percent is financed principally by five bilateral donors – AusAID (Australia), DFID (UK), Japan, New Zealand and SIDA (Sweden).

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<sup>8</sup> Details of Townships covered by the HDI-IV are provided in Annex 1: HDI-IV Projects by Townships (including expansion) and Number of Villages Covered



## 2. Scope and Approach

### 2.1 Stakeholders

This impact assessment report has been written in response to the need to apprise stakeholders of the UNDP programme on the development results and poverty reduction outcome of the HDI. Stakeholders of the HDI include those donors which have made substantial contribution to the HDI programme budget, UN agencies having assistance programmes in Myanmar and have similar interest in alleviating extreme poverty condition of the rural poor, as well as international NGOs some of which have partnered with UNDP in implementing HDI project activities and also have their own support programmes for alleviating poverty and mitigating vulnerability of the rural poor. Additionally, the HDI programme management and field staff who have been providing dedicated services in implementing HDI project activities in remote villages, working patiently and passionately with the programme's target beneficiaries, would also be interested to know how well their efforts have impacted on improving livelihoods of the rural poor and the overall socio-economic conditions of the outreached villages.

Most importantly, it is the target beneficiaries,<sup>9</sup> the poor and the very poor in the HDI covered villages who would be keen to know what changes have occurred at their household and village levels as a result of their participation in the HDI programme activities in their village locations, and to what extent their expectations of alleviating their poverty conditions have been realized. As participants of the programme, the rural poor have invested considerable time and effort in building their community organizations, mobilizing their own financial and material resources, and managing resources of the HDI entrusted to them for effective implementation of livelihood and social infrastructure activities. Thus, they would have an interest in knowing if the community-based development models promoted by the HDI and subscribed by the rural poor have had the desired impact; principally, if these models of community based organizations have indeed resulted in improving their livelihood conditions, in reducing their poverty and vulnerability situation, and most importantly in freeing themselves from "poverty trap".<sup>10</sup>

At first instance, readers of this assessment report may expect a response as to whether the HDI has made a significant contribution to reducing poverty and vulnerability of the target beneficiaries of the programme during its twelve years of active involvement in grassroots level interventions. In this regard three specific questions may be structured:

- (a) Have the target beneficiaries of the programme, who have received considerable livelihood support from the HDI as well as benefited by having access to a wide range of improved and new social infrastructure facilities in their villages, succeeded in their effort to reduce their poverty conditions and escape from "poverty trap" at the household level?
- (b) Those (households) that have indeed managed to break out of "poverty trap", are there sufficient conditions in place to ensure that they are no longer vulnerable to economic, health and environmental shocks that can throw them back into poverty?
- (c) Aggregation of improved socio-economic conditions and human capacity of households in HDI assisted villages combined with social infrastructure development at the village level (such as improvements in water and sanitation, health and education facilities, physical infrastructure, etc.) should result in improvements in overall socio-economic and living conditions in the HDI supported villages. Have changes in these villages established conditions for sustained improvements in the overall socio-economic status of the target villages?

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<sup>9</sup> For this, they would require this Report to be translated in the Myanmar language.

<sup>10</sup> A description of the analytics of poverty trap is presented in chapter 3 (Framework of Analysis).

## 2.2 HDI Programme Scope

Taking a closer look at the mandate and scope of the HDI it will be clear that the above three questions are not appropriately placed. Firstly, the restricted mandate of the HDI has not provided scope for UNDP to situate its cooperation or assistance in the context of a national programme led by the Government. Secondly, the national programme and its constituent policy framework itself are inadequate in their focus on pro-poor development. Thirdly, any attempt by an external development partner (including UNDP) at reducing poverty can only be effective through a partnership arrangement with other development agencies that would maximize the magnitude of resources needed for eliminating poverty of the depth and dimension prevailing in rural Myanmar. Unfortunately, the operating environment in the country has not been favourable to the multitude of international development assistance that would normally be available for a least developed country like Myanmar.

Under these prevailing conditions, successive decisions of the UNDP Executive Board since its earlier Government Council decisions 92/96 and 93/21 have authorized UNDP to limit its programme to *humanitarian assistance* that responds to the humanitarian and basic needs of the Myanmar population. In that, UNDP assistance activities, as approved by its Executive Board, are to be "... clearly targeted at having grassroots impact in a sustainable manner, .... particularly in the areas of primary health care, the environment, HIV/AIDS, training and education, and food security." Successive Independent Assessment Missions conducted in Myanmar on an annual basis as per directive of the UNDP Executive Board, including the one fielded in May/June 2006, have concluded that the content and objectives of all HDI projects are in total conformity with the relevant provisions of the Governing Council and Executive Board decisions. These Missions have also concluded that generally the HDI programme activities have positively impacted on rural poverty in Myanmar; however, they continue to encounter the complicated issues of sustainability in a difficult environment. Yet a number of these Missions expected that the HDI "holds promise as a model for future efforts to address poverty in the country."<sup>11</sup>

The ongoing core programme of the HDI in its phase IV, oriented to grassroots level impact, is designed to implement activities in direct partnership with village communities. The core programme is explicit in achieving three specific *outcomes* of its assistance activities as enumerated below:

1. Village community institutions would have the capacity to prepare and implement more effective village development activities in a participatory, transparent and equitable manner.
2. Village communities would be able to take care of their and their families' basic social needs (health and education) *as a result of* (i) increased skills and knowledge and (ii) access to social infrastructure and services.
3. Village communities would have improved incomes and food security *as a result of* (i) increased skills, (ii) knowledge and (iii) access to sustainable livelihood assets and services.

Analysing the above three outcome statements in the context of the sustainable livelihoods strategy<sup>12</sup> can provide a greater clarity of the scope of the HDI. The programme analytics place emphasis on enabling the poor to have greater access to key livelihood capital assets namely: (i) social capital embedded in village community institution; (ii) human capital provided through health, education and skills; (iii) knowledge capital – technology, know-how and expert insight through personal experience; (iv) natural capital – land, natural resources and environment; (v) business and finance capital for income earning activities; and (vi) physical infrastructure. HDI's

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<sup>11</sup> Report of the 2005 Independent Assessment Mission.

<sup>12</sup> See figure 3.1 and figure 3.2 in chapter 3 (Framework of Analysis).

humanitarian assistance is expected to empower the poor with access to these six capital assets that are critical for their sustainable livelihoods, at the minimum to meet their basic needs – income and food security, health and education.

Analytics of the sustainable livelihoods strategy require that the ability of poor households to meet “basic needs” will be inadequate if they are unable to generate sufficient savings or surplus income needed to compensate for the constant depreciation of their livelihood assets and the increase in their household population (see figure 3.2 in chapter 3). Economic, health and environmental shocks over which the poor have little control pose serious threat to their livelihoods. Thus, in each successive round of their livelihood activity cycle they need to secure against the possibility of erosion of their livelihood assets acquired and accumulated in the preceding period by ensuring they have adequate savings or surplus income. This is the essence of “sustainability” of their livelihoods and maintenance of their basic needs.

## **2.3 Scope of Impact Assessment**

This sets out the parameters enveloping the scope of the impact assessment attempted in this report:

- Firstly, the report will identify and analyse improvements and augmentation of the key livelihood assets that have resulted from HDI support at the household and village level in the areas where HDI operational activities have been implemented in the last twelve years.
- Secondly, the report will show how improved access to these livelihood assets has made positive changes in the socio-economic welfare of the poor in the target villages.
- Thirdly, the report will highlight those interventions that have worked effectively and will describe the mechanics of their transmission effect on livelihood capital/asset formation.
- Fourthly, factors determining sustainability of those interventions that have proven effective will be assessed.
- Fifthly, the report will explicate the limiting factors of the programme. These relate primarily to access to policies, institutions and processes that are critical to enabling the poor to have effective and sustained access to their livelihood assets.<sup>13</sup>

An important point to note is that the HDI has indeed made visible impact on meeting basic needs of the poor at their household level. Information generated through participatory monitoring exercises<sup>14</sup> provides indication of the economic wellbeing of SRG members. Success stories, lessons learned and other field reports also indicate beneficiaries moving up to higher rungs of the sustainable wellbeing ladder. However, such information is not available on any systematic basis; and even if they are generated in a systematic way, they lack the technical basis for generalizing conclusions on poverty impact.

Fortunately, selective assessment/evaluation studies of the HDI programme, carried out primarily under HDI-III, have used technical methods including sample surveys to elicit household level information from project beneficiaries as well as community and village level information from

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<sup>13</sup> See chapter 10: Local Support Systems and chapter 11: Macroeconomic Environment and Policies.

<sup>14</sup> Such as, the PACD Impact information developed on the basis of responses given to community development facilitators by beneficiaries of the Participatory Assistance for Community Development project under HDI. This spider web format provides information of a project beneficiary of her livelihood (and poverty) condition before and after HDI support, with respect to ten indicators namely: income, savings, productive assets, food security, non-productive assets, skills/knowledge, confidence/status, access to water and sanitation, education, and health.

villagers. These studies<sup>15</sup> have established a sound technical basis for generalizing poverty reduction and welfare outcome of the poor resulting from HDI project support over a period of time. Investment in such selective, in-depth purposive studies accompanied by household level questionnaire (administered on SRG members and microfinance recipients) and focus group discussions at the community and village level in sample villages would generate structured information and knowledge amenable to generalizing conclusions regarding the outcome and impact of the HDI programme. Such types of studies together with other qualitative studies<sup>16</sup> as well as project progress reports and other similar reports would provide a credible basis for analysing impact of the HDI.

This assessment report is therefore handicapped by the unavailability of such technical work. Further data, information and knowledge will lend support to concluding with greater confidence the extent to which the HDI has had impact on meeting basic needs of the poor with conditions firmly established to secure their livelihoods against “external” shocks.

Using available project progress reports, technical studies, and assorted information generated by field staff of the HDI projects, the report has attempted to respond to the above-mentioned five issues pertaining to effects and impact of the HDI programme.

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<sup>15</sup> Such as, EDA Rural Systems Pvt. Ltd. (2004), Heather Morris (2002), Institute IDEA International (2002), Kahan, D. (2001), Dorian Bernard (2001),

<sup>16</sup> For instance, see Smith, Reid (2006), FAO (2001, 2002, 2003), Aung, Htay Htay (2002).

### 3. Framework of Analysis

The underlying strategy of the core HDI programme that assumed the bulk of UNDP-administered resources is built on the analytical framework of sustainable livelihoods. The sustainable livelihoods approach places people (the poor, who are the target beneficiary of the HDI) at the centre of development. The poor living in their local (village) environment have in possession a range of assets that provide the means for eking out their livelihoods. Due to their poverty conditions, structural rigidities in the economy and absence of pro-poor government policy, the poor often lack access to a minimum combination of these livelihood assets that prevent them from meeting their family's basic needs. And when they are able to meet their basic needs they may not have adequate "savings" or surplus (over their basic needs) to take "precautionary" measures to mitigate their vulnerability to economic, health and environmental shocks – that can throw them back into a "poverty trap."

Figure 3.1 presents a schematic overview of the mechanics of sustainable livelihoods. This is an approach that has also formed the basis for designing sustainable livelihoods and poverty alleviation support programmes of a number of development agencies including DFID, FAO and UNDP<sup>17</sup> as well as non-governmental organizations. Indeed, as noted in the earlier chapter, the HDI programme strategy is firmly anchored in the sustainable livelihoods strategy with one critical link missing – i.e. access to policies, institutions and processes. At the core of the sustainable livelihoods analytical framework is the ability of the poor, operating as members of their respective households, to combine their capabilities, skills and knowledge with the different resources at their disposal to engage in activities that will enable them to achieve the best possible livelihood outcome for themselves and the household as a whole. Everything that goes towards creating that livelihood can be considered as a livelihood asset. The framework used by DFID, FAO and UNDP invokes five different types of assets: human capital, social capital, natural capital, physical capital, and finance capital. Based on the more recent work of Jeffrey Sachs<sup>18</sup>, the analytical framework presented in Figure 3.1 includes an additional capital – i.e. knowledge capital, and restricts the term physical capital to infrastructure and broadens the definition of finance capital to include business capital. Therefore, the six major kinds of capital that people (and the rural poor in Myanmar) need for their livelihoods are:

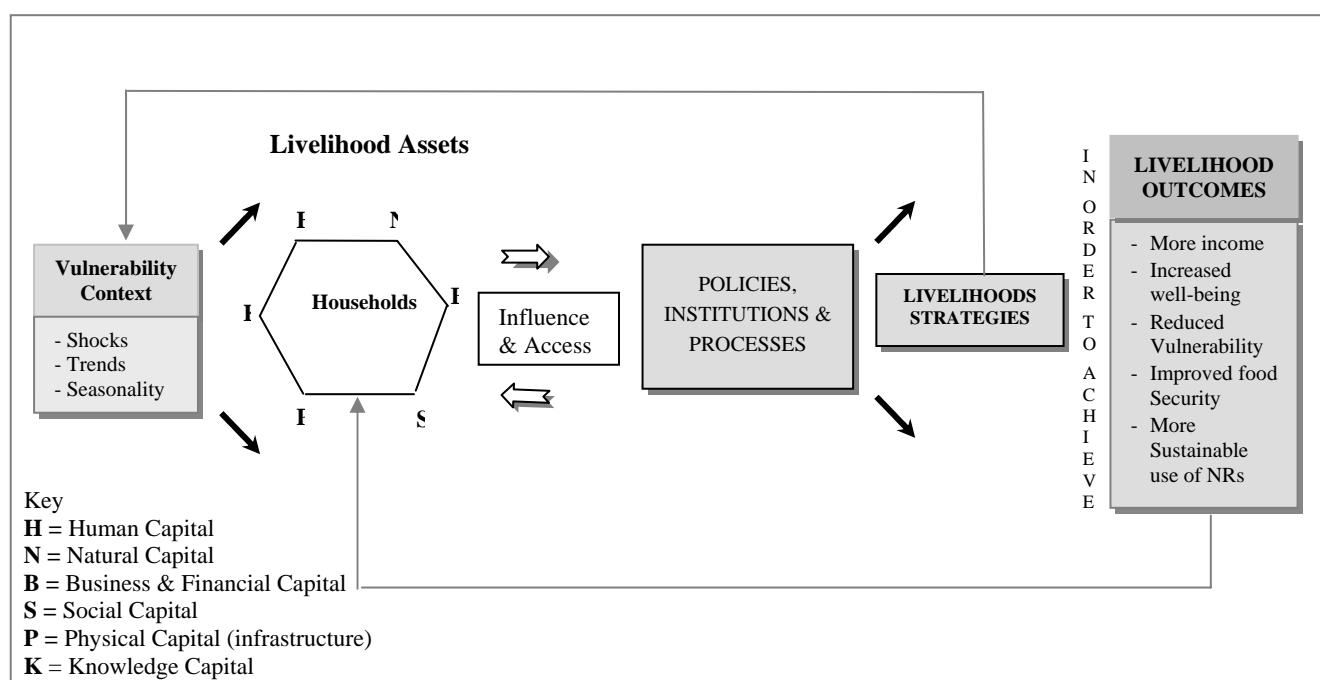
- *Human capital*: health, nutrition, education and skills that each person must have to be economically productive.
- *Natural capital*: arable land, fertile soil, soil conservation measures, biodiversity and well-functional ecosystems that ensure environmental conservation and regeneration for sustainable livelihoods.
- *Business and finance capital*: agricultural tools, farm equipment, irrigation pump, industrial equipment and machinery, motorized transport, and finance (credit and equity funds) that a person or an entrepreneur needs for business investment and operation (for fixed capital and working capital financing).
- *Infrastructure and physical capital*: rural access roads, seeds and grain storage facilities, jetties and boat landing sites, village footbridges and culverts, power supply, power grid, water and sanitation systems and facilities, and other similar infrastructures that are essential for economic and social activities.

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<sup>17</sup> Marsh, R. (2003).

<sup>18</sup> Sachs, Jeffrey (2005).

Figure 3.1: Sustainable Livelihoods Analytical Framework



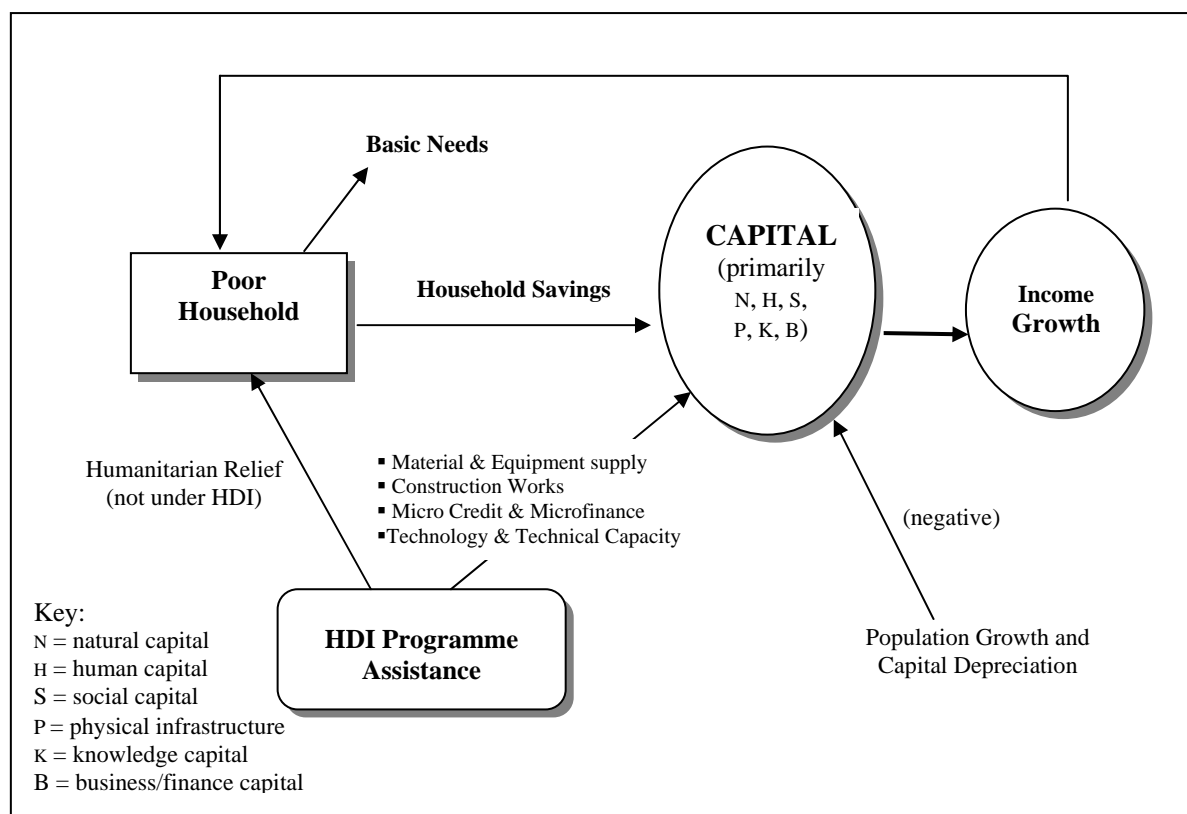
Source: Marsh, R. (2003); Messer, Norman and Philip Townsley (2003).

- *Knowledge capital*: technology, scientific and technical know-how that can be applied in economic production and social development processes (including health and education) towards raising productivity and efficacy. Application of knowledge capital can also promote physical and natural capital.
- *Social capital*: organizational arrangements at community or national level that can promote interests of individual households through mutual support, reciprocal exchange and trust. Such social organizations can also be used for common resource management (e.g. water supply schemes, education facilities, village-level environmental measures), social and economic facilities, and development assistance schemes.

Programme activities under the HDI have supported the rural poor in augmenting and in facilitating their access to these assets. In order to analyse the effects and impact of assistance under the HDI, it is necessary to have an understanding of the process mechanisms that the combination of these capital assets available to the poor would increase their economic and social well-being. Figure 3.2 depicts how assistance under the HDI is likely to impact on asset formation for the poor. The figure also demonstrates the process by which increased availability of these assets to the poor can generate household income growth. And, subsequently improve livelihoods conditions of the poor and, more importantly, trigger conditions that would help the poor to come out of a poverty trap and attain sustainable economic and social wellbeing, provided a number of critical conditions are met.

A poor household in rural Myanmar has limited savings as it has limited access to land and other capital assets. In the event that the household is given the opportunity to have access to land that had earlier remained fallow in the village and is given access to improved seeds, fertilizer, pesticides, and technical know-how, able bodied members of the household could engage in increased agricultural production that would lead to income growth. In the next round, after meeting basic needs (food and essential non-food items), the household will be able to sell (or exchange) the surplus produce it has attained from increased agricultural production.

Figure 3.2: Mechanics of HDI Contribution to Poverty Reduction of a Poor Household



Source: Adapted from J. Sachs (2005).

The household then allocates part of this income to meeting other non-food essential items and the remainder is set aside as savings. The household then finds an opportunity to convert this savings into capital asset by procuring a livestock that can be raised over a period of six to eight months and sold at a higher price at a later date. Alternatively, the household may purchase a bullock as it finds an opportunity of renting the bullock to other farmers for ploughing agricultural land. This gives the household immediate increase in income, which is allocated to consumption and savings (or further capital stock building).

HDI assistance has precisely met the critical capital needs of the poor. With reference to Figure 3.2 it can be seen that the HDI assistance has not been given directly to poor households (in the form of humanitarian relief comprising of food aid or cash support). The assistance has been given to community organizations (e.g. self-reliance groups) that have used their self-governing mechanism for providing their members with access to capital assets as per member's preference for engaging in income earning activities. Members of community groups have thus had access to equipment and material inputs, and cash injection used for group management of micro credit. A separate line of microfinance funds have been made available to household members (primarily women) for the working capital and fixed capital financing needs for micro and small income earning activities. Additionally, the poor marginal farmers and landless have had opportunity to engage in temporary jobs commissioned under HDI assistance programmes such as construction of small physical infrastructure, water supply schemes, environmental measures, school and health clinic construction/renovation and other similar construction works. These small village level physical infrastructures and construction works together with technology and technical support (including training) have contributed to the building up of capacity of health, education and natural resources base that have now become available to the poor. The poor have thus been provided with increased access to livelihood capital assets.

A critical issue is that these capital assets are subject to continuous depreciation with increased usage. Additionally, per capita availability of capital for a household, especially agricultural land, soil quality (nutrients), farm tools and small equipment, depreciates with population growth or increase in members of a household. These forces tend to act as a negative factor in capital accumulation. Hence, the rate of savings and capital accumulation of a household must consistently be greater than the rate of increase in population (of a household) and depreciation of capital assets available (or accessible) to a poor household. Sustainability of HDI assistance measured in terms of sustainable net growth in livelihood capital assets is an aspect that must be assessed. This particular issue together with sustainability of social capital formed at the community and village level through HDI support will be examined and assessed in this report.

There is one other critical dimension in the sustainable livelihoods framework that should be considered in assessing sustainability and enhancing effectiveness of the HDI support to enabling the poor in their effort to improve their socio-economic conditions. As depicted in Figure 3.1, attempts by the poor to improve their livelihoods depend crucially on their access to policies, institutions and processes. These enabling factors are not only critical to reinforcing sustainability of local level development interventions, but these also operate as scale parameters for enhancing effectiveness and up-scaling of successful interventions.<sup>19</sup> These enabling parameters relate to functioning markets, government policies, legal frameworks, social safety and protection measures, macroeconomic policies, government pro-poor investment programmes, local level institutions and local administrative authorities, and the processes that enable citizens (and the poor) to exercise their rights to access these enabling policies, instruments and facilities. This report will explicate the critical policies and local level institutions that are supportive as well as analyze those that are weak or lacking which in turn have acted as limiting factors to leveraging potential of the local level development interventions. Further, weakness or lack of supportive government policies, pro-poor development programmes, and regulatory measures, as well as weaknesses in the technical capacity of local level institutions have constrained effectiveness and impact including potential for up-scaling of successful poverty alleviation interventions initiated under the HDI at the local, village and community level.

On the other hand, the HDI programme has also been handicapped in its operation because of the restricted mandate given by the UNDP Executive Board to limit its programme scope to working directly with the poor only – at the local, grassroots level. The UNDP mandate restriction has meant that concurrent support much needed for building capacity of selective local level institutions could not be established. Further, apparent lack of response from the government administration to provide a wide range of pro-poor investments has additionally limited impact of the HDI programme. These impact limiting factors are discussed in various sections of this report, particularly chapter 10: Local Support Systems and chapter 11: Macroeconomic Environment and Policies.

An overview of assessment of impact of the HDI is presented in Executive Summary of this Report. This overview draws upon the findings and conclusions reached in each chapter of the report, with an attempt to situate them in the context of the livelihood possibilities created for the poor with the resulting impact on their welfare and village development.

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<sup>19</sup> Messer, Norman and Philip Townsley (2003).



## 4. Targeting Arrangements and Effectiveness

In planning to reach the poor and the poorest in the villages that would have grassroots-level impact in a sustainable manner, the HDI from its inception in late 1993 had the challenge of developing methodologies and approaches for poverty targeting. This was not an easy task at that time when data and information on poverty was acutely inadequate. UNDP had to embark on poverty targeting and its HDI programme planning by innovating methodologies for assembling and reconstructing information on poverty based on available data from the government, information generated from assistance programmes of donor agencies in the earlier period, and new information collected through short missions to the field/target areas.

A cascading approach was adopted for identifying the target beneficiaries – the poor and the poorest. Firstly, taking the approved HDI programme budget as a constraint, available resources had to be allocated to a limited area. This prompted identification of spatial or geographical areas where prevalence of poverty was relatively high. The township administration was taken as the unit of planning for spatial targeting. The next step involved identifying villages within a selected township where the prevalence of poverty was high compared to other villages in the same township. Once the target villages had been identified, participatory planning methodologies using PRA<sup>20</sup> tools were invoked to identify poor households within a village. Subsequently, activities were formulated and prioritised through participatory planning processes involving men, women and children from poor households as well as villagers (for village wide social, livelihood and small physical infrastructure activities). Details of these targeting methodologies and processes are discussed below along with an assessment as to their effectiveness in reaching the target beneficiaries .

### 4.1 Spatial/Geographical Targeting

In an attempt to select target townships having relatively high prevalence of poverty, the HDI programme planning exercise adopted the following methodology and approach. Firstly, the country was broadly divided into different agro-ecological zones having different development potentials and constraints. This exercise resulted in a classification of three agro-ecological zones where HDI assistance activities could be focused: the Delta, the Dry zone and the four critical watersheds of southern Shan state. Additionally, the programme coverage included parts of remote Border areas where isolation and restricted movement of local population in some areas of the region called for urgent humanitarian assistance.

Secondly, within each agro-ecological zone and the remote border areas several townships were selected by way of applying a set of poverty criteria, opportunities and feasibility for implementing project activities, efficiency in resource use, access possibility including access by roads or water ways, and government approval for security. Assessment of poverty situation at the township level was conducted on the basis of secondary data and information; subsequently substantiated by various reconnaissance field missions to the selected townships. During these field missions, the available poverty data and information were verified by conducting visits to randomly selected villages where group discussions were held with village communities, local authorities and line department personnel. The reconnaissance field missions gathered information on socio-economic and poverty conditions of the resident village population, environmental and natural resource degradation, resource constraints, development opportunities, perception of the local population of UNDP cooperation, security, intra-township accessibility, and opportunities for organizing viable community development activities at the village level. The entire range of information collected were subsequently organized, assessed and evaluated to arrive at decisions on prioritizing townships for planning and programming of HDI assistance

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<sup>20</sup> Generally referred to as Participatory Rural Appraisal or now sometimes Participatory Reflection and Action, noted by Robert Chambers, in his Foreword to Kumar, Somesh. (2002),

activities. The final selection of target townships where HDI programme activities were to be organized and implemented at the village level, were done in discussion with the local authorities and approval of the government.

Initially a total of 16 townships were selected; 14 in the Delta, Dry zone and southern Shan state; and two in the remote Border areas. Using the same planning methodology and approach, additional seven townships in the Delta, Dry zone and Shan state were included for HDI support in the extension phase of the HDI-I (often referred to as HDI-E). In the follow up HDI phase (i.e. HDI-III) one additional township in the remote Border areas was included in the programme coverage. This made up a total of 24 townships under the programme as at the implementation phase of HDI-III. These townships continued to receive attention in the early part of HDI-IV that commenced in early 2003. In 2004 following an expansion strategy, additional 33 townships were included in the HDI programme coverage. The selection of these townships was based on the earlier methodology and approach that had proved effective in targeting townships and villages where prevalence of poverty is high. Annex 2 provides information on the 57 townships presently covered by the HDI-IV and its constituent projects – the CDRT project, the ICDP project, the Microfinance project and the HIV/AIDS project.

Prevention and control of HIV/AIDS constitute an important dimension of HDI support. The programme started off in 1994 by concentrating activities in those areas which were considered to be “high risk”. These areas are where population movements across the borders are high, commercial sex workers are concentrated, and sea-farers make their transit stopovers. HIV/AIDS programme activities also included support to the National AIDS Programme that covered the entire country. HDI support for HIV/AIDS has undergone change in its strategy under the current phase in order to focus its limited resources to those areas where the community development projects are operational. The rationale for this strategy is based on the tested models of community development under the HDI that provides for effective social organizations that would be effective in outreaching the poor in building their awareness on prevention and control of HIV/AIDS as well as in extending assistance measures to those living with HIV in the communities.

## **4.2 Household Targeting**

### ***Household targeting by the community development projects***

In an attempt to identify the poorer households in the target villages the HDI instituted an extensive process of participatory planning using PRA tools. A core group of village development facilitators or activists under supervision of sectoral and development experts conducted focus group discussions with the villagers across all villages in the 57 townships covered by the HDI projects. Using PRA tools groups of villagers have been coached to explicate their perception of poor and non-poor status in multiple categories based on livelihood determinants such as access to land, possession of household durable asset, income, vulnerability indicated by periods of months in food deficit, and other similar livelihood issues. This has provided the villagers themselves to reflect on their poverty and livelihood conditions. Additionally, information generated from these group discussions and follow up participatory planning exercises has provided the knowledgebase on the characteristics of poverty in each village, identification of households in the different socio-economic wellbeing or poverty categories, priority livelihood and development needs at the village community level, and structuring of development intervention activities with a focus on targeting the poor and the poorest.

The HDI programme has now developed extensive capability in participatory planning and poverty mapping at the village level. This has enabled the projects to refine household targeting in an attempt to respond more precisely to the needs of the poor and the poorest. Presently in the ICDP covered villages the target households are those that have revealed their livelihood conditions related to “poor”, “very poor” and “poorest” socio-economic categories reflective of

the structure emanating from the wealth ranking exercise. Households belonging to the first two categories are generally in poverty and vulnerable to economic and health shocks; they are marginal farmers with access to land which is unproductive; landless but having few opportunities for on-farm jobs throughout the year; their household members lack adequate skills and access to finance to engage in off farm income generating activities. Households in the “poorest” category are landless, have little opportunity to find jobs in agriculture, lack skills for engaging in off farm income earning activities, food insecure throughout the year, long-term migrants in the search for menial jobs in mines and construction work, and live in very poor shelter. Among the poorest are also destitute who are unable to engage in economic activities in the same way as others in the communities because they are either old and weak, or physically or mentally challenged; generally in bad health, suffer from chronic illness and are unable to engage in productive economic activities; and widow having almost no livelihood asset. PRA exercises have found only a few households belonging to the destitute category. In some villages none are identified in the destitute category; in others only one or two out of an average of 100 households have revealed their destitute status.

The other two socio-economic categories are rich and better-off or moderately poor in the upper rungs of the village socio-economic ladder. These two groups are excluded from HDI assistance outreach.

Similar characteristics of the poor households are identified in the CDRT project areas although the socio-economic groups in these areas are categorised into four groups. In either of these project areas households targeted by the HDI belong to the poor and very poor categories. The HDI is aware of the difficulty in comparing poor and very poor in the different villages because these groupings or categorizations are based on the perception of the villagers which differ from village to village. Further over time households’ perception of their wellbeing will change and therefore periodic wealth ranking exercise is warranted for maintaining precision of targeting and restructuring of assistance activities targeted at poverty alleviation.

#### ***Difficulty in reaching the poorest of the poor***

The community development project management has noted that not all those belonging to the poor, very poor and poorest categories participate in livelihood activities supported by the HDI projects. Some eight to ten percent of households in these categories in a village have not been outreached by the HDI programme assistance extended through the SRGs. Their inability to participate in a SRG arises from several factors. Firstly, there are those whose main income earner in the household are not permanently resident in the villages because they must spend some time of a year working outside their village location on seasonal jobs. Secondly, there are those who are simply not interested in the HDI support programme because they are not sure of the benefits they would derive in participating in group meetings. Thirdly, some of the household members find it difficult to attend the group meetings required of the HDI support. Nonetheless, these households have the option of participating in the programme (SRGs) at a future date when they are able to meet the requirements of the governance arrangements of the SRG and other village committees. Fourthly, the destitute require assistance that essentially constitutes charity or direct transfers in the form of food, basic clothing and shelter, which can not be provided by the HDI because such assistance is not within the scope of the programme.

#### ***Targeting by the Myanmar Microfinance project***

The HDI supported Myanmar Microfinance (MF) project has adopted a different methodology and approach to targeting households. As described in section 9.3.1 of chapter 9 - Targeting the Poor, the Myanmar MF has invoked the PRA process to have an understanding of the socio-economic status of households prior to developing its operational strategy of savings and micro-credit in the target villages. This exercise is then followed up by house-to-house interviews on a sample basis to assess vocation or income earning activities of the households. Subsequently, the programme conducts review of its banking operational standards and tailors strategies that would

meet varying needs of different household groups categorised as poor, borderline and non-poor. Additionally, the programme's disciplined approach to extending micro-credit to individuals formed into small groups of members coming from similar socio-economic backgrounds and the small size of loan extended to each client to begin with, provides for self-selection of clients who belong to the poor category. Indeed, as noted in section 9.3.1, 45 percent of the Myanmar MF clients in the Delta belong to the poor category and 41 percent borderline, as assessed through the PRA process. Similar studies in the other two project areas – Shan state and Dry zone – have not been done, but given the small size of the loans it is likely that the poorer segments of the income groups in these areas are primarily recipients of the programme's services.

### **4.3 Activity Targeting**

HDI projects on the ground are implemented through activities with associated inputs budgeted for each project (CDRT, ICDP, Myanmar MF and HIV/AIDS). These activities are formulated to produce measurable outputs in a given timeline in respect of support to agriculture, fishery, livestock, natural resources and environmental management, off farm income generating activities, microfinance and micro-credit operation, primary health care and nutrition support, basic education, and small scale physical infrastructures at the village level. The support for these sectoral activities is however constructed within the framework of balancing input provisions that respond to the varying needs of the target beneficiaries in their effort to have access to the livelihood assets as explicated in figure 3.1 of chapter 3. This programmatic approach to integrating activities within the community development intervention strategy underpins the core programme strategy of the HDI-IV. In the earlier HDI phases, activities were pursued through sectoral projects that had the inherent weakness of not being able to bring together the optimality of support activities warranted to meet basic needs of the target beneficiaries in their sustainable livelihood efforts.

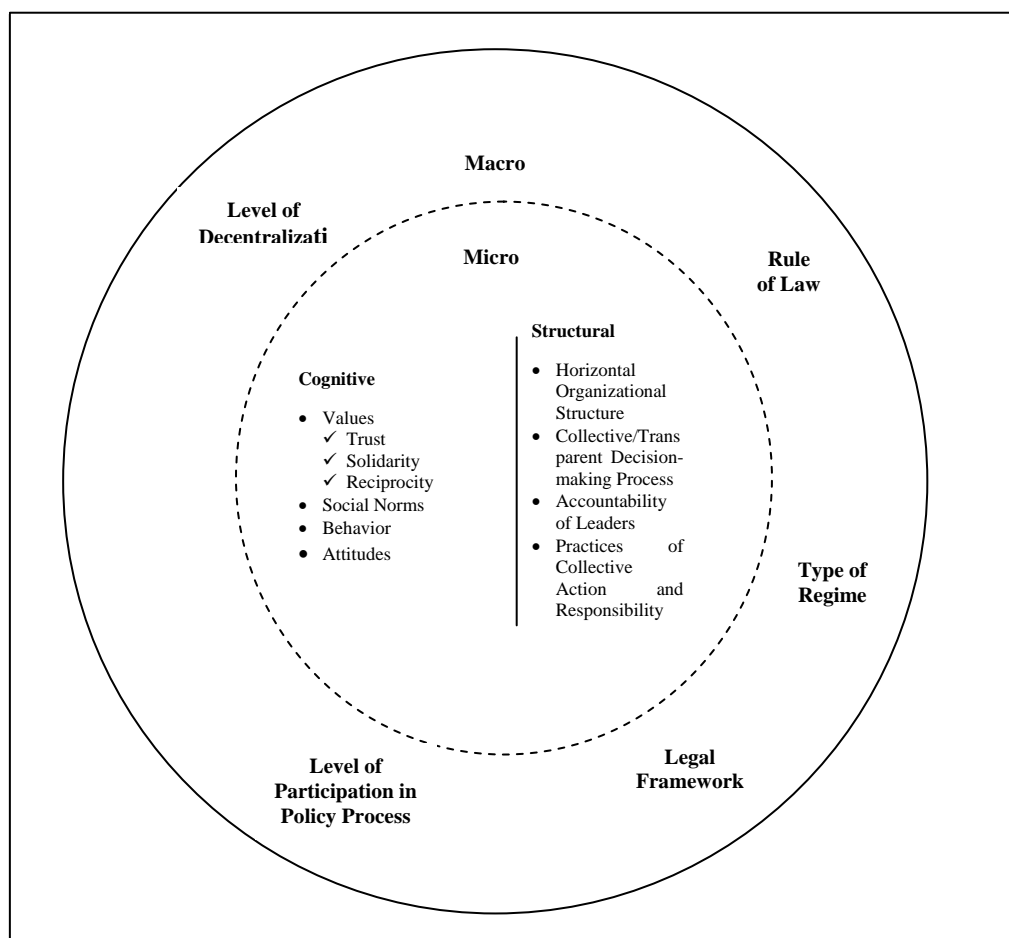
Although the HDI is a humanitarian response to meeting the critical human development needs of the rural poor, the support activities have been carefully constructed to build capacities of the village communities to have greater access to the most critical livelihood assets. All activities have been carried out through village based community organizations as elaborated in chapter 5: Community Institutions and Social Capital. Household level benefits have accrued through their members' participation in SRGs as well as community groups for common property and for social development. Thus households have been reached through participation of their representatives (primarily women members) in the SRGs in both income generating and social development activities. Savings and credit operations of the Myanmar MF have engaged household members (primarily women) directly.

Activities undertaken at the village-wide level are largely in the areas of small village infrastructures, construction and renovation of school buildings and village health centres, irrigation works, dams, and water and sanitation schemes. HDI support for these activities is strictly demand-driven, based on participatory planning exercise involving active involvement of village-wide community members. Although better-off members of village communities participate in these groups and committees alongside poorer members, the HDI community development facilitators or activities ensure that the PRA processes are well conducted to enable the poorer members communicate their development preferences. Further, the HDI projects are also careful in approving micro-projects in the above-mentioned areas/sectors which are small, cost-effective and can be afforded by the communities in terms of their ability to mobilize either own share of resources and capacity to operate and maintain the schemes. Generally, communities have contributed in the order of 20 to 30 percent of the investment cost of these small-scale village infrastructure schemes; the remaining investment has been funded by the HDI community development projects.

## 5. Village Community Institutions

The construction of village community institutions is an anchor of the HDI programme in Myanmar. A well structured community provides cohesion and equitable participation of villagers in planning, prioritizing, mobilizing resources and implementing activities for improving socio-economic welfare as well as overall development of the village and community they live in. The social capital formed through an organized functioning of a network of community organizations is particularly important for the poor. It offers them greater likelihood of collective action for pooling resources for livelihood activities and helps them confront poverty and vulnerability, resolve disputes, take advantage of new opportunities, and exercise their rights to access common property resources and public goods.<sup>21</sup>

Figure 5.1: Conceptual Framework: Levels and Types of Social Capital



Source: Bain and Hicks (2000).

Social capital formation is identified at two levels – macro and micro.<sup>22</sup> As shown in figure 5.1, the macro level is the institutional context in which organizations operate. It includes formal relationships and structures such as the rules of law, legal frameworks, the political regime, the level of decentralization, and the level of participation in policy formulation processes. The micro level is where horizontal organizations and social networks contribute to development.

<sup>21</sup> See, Brown and Schafft (2000), Collier (1998), Isham, (1999), Levitte (2004), Moser (1996), and Narayan (1997).

<sup>22</sup> Bain and Hicks (2000).

Within the micro level, social capital functions in two dimensions – cognitive and structural.<sup>23</sup> Cognitive social capital consists of values, beliefs, attitudes, behaviour and social norms. Values include the trust, solidarity and reciprocity that are shared among members of a community for the common good. Structural social capital includes the composition and practices of local level institutions, both formal and informal, which serve as instruments of community development. Structural social capital is built through horizontal organizations and networks that facilitate collective and transparent decision making processes, accountability of leaders, and practices of collective action and mutual responsibilities.

## 5.1 Forms of Community Organizations

The HDI programme has established different forms of community organization through several phases. In the earlier phases of HDI (prior to HDI-IV) sectoral projects in areas of food security, education, health, and water and sanitation created various forms of community groups and organizations that were responsible for community participation in planning, prioritizing development activities, and implementing HDI programme activities. These groups were formed on the basis of engaging communities in: a) harnessing livelihood opportunities, b) accessing common properties, and c) meeting social needs. Table 5.1 provides an overview of the community groups promoted in different regions/areas where the HDI projects have been operational in its earlier phases as well as the current phase.

Livelihoods-based community groups in the earlier phases were formed to help members mobilize and access livelihood resources for small capital formation and income generation. The following community groups were formed:

- Farmers Income Generating Group (FIGG);
- Livestock Income Generating Group (LIGG);
- Fishery Group;
- Women Income Generating Group (WIGG); and
- Affinity Group (AG).

The HDI in all its phases sponsored different forms of user groups to undertake planning, development and management of common resources and properties. For example, in earlier phases community forest user groups (CFUGs) were formed to manage, develop and sustain utilization of community forestry resources. Similar types of groups were formed for environmental management. Members of these groups expressed interest in managing village-wide conservation and sustainable management and regeneration of environmental and natural resources. The members' contribution to natural resources management in their villages helped them gain access to these resources for agriculture and other livelihood activities. In HDI-IV these forest conservation and natural resources management activities are undertaken by the SRGs.

Other villagers have also benefited from these environmental and natural resources management activities. The HDI projects have encouraged villagers to plan, implement, operate and maintain water and sanitation schemes and a wide range of small village physical infrastructures such as irrigation, dam construction and renovation, mini-hydro and small diesel generator and power grid in villages. These activities have been organized through different implementation committees. Thus, water and sanitation (watsan) committees are responsible for village level water and sanitation schemes; micro-project implementation committees are organized for undertaking small village physical infrastructure works.

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<sup>23</sup> Uphoff (1996).

Table 5.1: Types of Community Groups Formed in Different Regions

Types of Community Groups	HDI Phases	ICDP Area			CDRT Area				
		Dry	Delta	Shan	Kachin	Chin	Rakhine	Mon	Kayin
<b>Livelihood-based Community Groups</b>									
FIGG	I to III	√	√	√					
LIGG	I to III	√	√						
WIGG	I to III	√	√	√					
AG	III	√							
Fishery Group	I to III		√						
Self Reliance Groups	II to IV for CDRT; IV for ICDP	√	√	√	√	√	√	√	√
<b>Common Property-based</b>									
Watsan Committee	I to IV	√	√	√	√	√	√	√	√
CFUG	I to IV	√	√	√	√	√	√	√	√
Various Micro-project Implementation Committees (Environmental Conservation)	I to IV	√	√	√	√	√	√	√	√
<b>Community Groups for Social development</b>									
VHC	I to IV	√	√	√	√	√	√	√	√
CCSD management	III	√	√						
PTA	I to IV	√	√	√	√	√	√	√	√
CLC Management	I to III	√	√	√					
ECCD management	I to IV	√	√	√					
Various Income Generating Committees	I to III	√	√	√	√	√	√	√	√
MP Implementation Committees (Social Dev.)	I to IV	√	√	√	√	√	√	√	√

Abbreviations:

FIGG = farmer income generating group;	CFUG = community forestry user group
LIGG = livestock income generating group;	VHC = village health committee
WIGG = women income generating group;	AG = affinity group
CCSD = community cost-sharing drugs scheme	PTA = parents-teachers association
CLC = community learning centre	MP = micro-project
ECCD = early childhood care and development	

Social development activities in the earlier HDI phases were organized and carried out by committees such as village health committee (VHC), community cost sharing drugs (CCSD) management committee, parents-teachers association (PTA), and community learning centre (CLC) management committee. Various income generating management committees addressed social needs; such as school income generating groups which provided income opportunity to poor households to meet their children's school education expenses. Micro-project implementation committees were also organized for other social development activities including social infrastructures, family planning, and malaria prevention. With minor adjustment of their groupings most of these committees are continuing to play a critical role in social and small physical infrastructure development activities in the HDI supported villages.

In addition, village development forums or village development committees consisting of members from the above groups provide a mechanism for sharing information, knowledge and experiences on village development issues. These committees also serve as a mechanism for conflict resolution and problem-solving in respect of resources.

Immediately following the first phase of the HDI, the CDRT project in the remote townships of Rakhine, Chin and Kachin states introduced the concept of self reliance groups (SRGs) based on the model developed by the Indian NGO, MYRADA in southern India. Here it is important to note that the SRGs now constitute the dominant form of community organization. Groups of 15 to 20 members representing poorer households participate in and promote livelihood and social development activities. The two community development projects – CDRT and ICDP projects – have effectively mainstreamed SRGs in their support for sustainable livelihood activities of the poor. With the induction of the self-reliance group concept in community development activities, the HDI in its current phase has abandoned the earlier livelihood-based groups that operated as FIGGs, LIGGs, WIGGs, FGs, and AGs. Other groups that were mobilized for environmental and natural resources management activities, common social infrastructure facilities (e.g. watsan), and the various implementation committees for implementing and sustaining social and small infrastructure activities, have continued to assume importance in the current HDI phase.

The following sections provide assessment of the community organizations in instituting participatory planning processes, the effectiveness of the livelihood groups promoted in the earlier HDI phases, and effectiveness of SRGs and other village community institutions.

## **5.2 Community Participatory Planning Process**

In earlier HDI phases, as well as in the current phase, all projects have adopted and applied participatory processes for planning and implementing intervention activities through community organizations. Participatory processes have been invoked through various stages, starting from the first dialogue which identifies and prioritizes the needs of a target community to the point of understanding where a clear partnership agreement between the HDI project and the community is established using the PRA methodology. The effects of the planning process have been realized as follows:

- (a) At both village and community levels target beneficiaries, especially the poor, women and children, have participated and gained experience on participatory planning process for decision making that can reinforce their traditional and conventional style of decision making. They have acquired tools and methods used for participatory planning and decision making processes.
- (b) By participating in PRA processes communities themselves have been able to identify their socio-economic characteristics and relative wealth status of their households. This has helped them reflect on their socio-economic welfare issues and the various strategies and support that would be needed by groups from different rungs of their village community welfare ladder.
- (c) Village communities together with HDI project staff and community activists have been able to better articulate community's development priorities, strategies and methods of mobilizing resources equitably, which allow for transparency in resource utilization and implementation of development activities.
- (d) At the village-wide level, village development forums and similar committees have provided the opportunity to communities including the poor and the poorest, women and children, and elderly and physically challenged, to express their concerns and collaborate on formulating sustainable livelihood strategies and take decisions that affect their daily lives.

These experiences and benefits are being further enriched under the current phase of the HDI, as villagers continue to participate in their village development activities through their social and community based organizations.



### 5.3 Livelihood Based Community Groups in the Earlier HDI Phases

Livelihood-based community groups were widely sponsored in the earlier phases of the HDI with the narrow objective of organizing community strength to mobilize their own livelihood resources and more importantly to manage financial and material resources provided through the HDI food security and micro income generating projects as grant to the communities. These groups in particular managed resources provided by the HDI projects in the form of revolving funds and participated in a variety of training activities to learn and adopt improved technologies for agriculture, soil fertility, crop protection, livestock development, fishery resource management, and off-farm income generating activities.

The revolving fund management system was established with the financial and technical assistance of HDI projects, aimed at empowering the community groups to assume responsibility and accountability for financial resources management. Project reports and IAM assessments<sup>24</sup> of those earlier periods noted that these groups had indeed demonstrated their capacity to effectively utilize the grants (financial and material support) albeit under close supervision of the HDI projects. These assertions did not however live up to the test when HDI project supervision was withdrawn. During the ten month hiatus period, when the HDI food security and micro income generating projects were downsized to prepare for the next phase of the HDI (HDI-IV), a considerable amount of resources under custody and management of the livelihood-based groups were depleted or misappropriated in certain cases due to extensive default of group members.<sup>25</sup> There are other deep-rooted problems that were associated with the concept and operational modalities of these failed groups.

Firstly, the governance arrangements of these livelihood-based groups were weak. Leadership of the groups was elected in community meetings where a person was nominated by some group members and his/her leadership role was endorsed by community members (by either communicating verbally or by raising their hands). This event occurred in the presence of all villagers. This process may have seemed transparent, but only apparently. In Myanmar culture and society, especially in the rural social milieu, people do not normally express their disapproval of any person in public in order to prevent any negative consequence of an action. Those who were by and large nominated for leadership positions had possessed considerable influence and administrative command in their villages. Thus these influential and “clever” people were elected to the executive and decision-making positions in their respective livelihood-based groups. However, in most cases the relatively poorer members of the groups did not trust the leadership; they were also sceptical of the group cohesion and equitable decision-making processes.<sup>26</sup>

Secondly, the structure and size of the livelihood-based groups were too large. Members came from diverse wealth/economic backgrounds and from more than one village. Even when a group was formed of members from one village, the size of the community group was too large to conduct meetings that could ensure transparency, accountability and participatory decision-making.<sup>27</sup>

Thirdly, in an attempt to accomplish high delivery of project resources (budget) these HDI projects injected substantial cash funds and material resources without carefully evaluating the capacity of the community groups. Instituting trust and cohesion among group members require development and effective application of agreed norms, standards and terms of agreement for resource management that are achievable over a period of time; certainly not within restricted

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<sup>24</sup> Project Terminal Reports, 2002 of three food security projects and UNDESA, 2002

<sup>25</sup> Paw, Nay Wun (2004).

<sup>26</sup> Win Shwe and Khin Htun (2005); Nay Wun Paw (2004).

<sup>27</sup> Paw, Nay Wun (2004).

timelines established by externally funded projects.<sup>28</sup> As noted in a 2002 UNDESA sponsored study<sup>29</sup> the community groups at the prevailing time needed a build up of their financial management skills to manage the revolving funds efficiently and transparently with full accountability.

Fourthly and perhaps most importantly, is the absence of an environment that can provide for a formalized set of rules and regulations with provision for legal support measures when needed by community members to take remedial action on fund management, allocation and utilization issues. Although most of the income-generating groups of the earlier HDI phase were made up of members representing poor households, they were however constrained due to local cultural factors from taking action against their own members when issues of non-transparent decision-making or default on credit arose. Generally, in Myanmar rural society people live in harmony in the communities and they do not easily resort to any negative conduct against their fellow community member. They tend to maintain their indifference to any negative behaviour of their fellow community members; taking a safe side in an attempt to mitigate the adverse impact of such an event. Thus in the context of their income generating groups they would rather protect a member who may have been found to misappropriate or misuse funds of their group and would normally not take any strong measures to recover the funds from the individual.

The above factors may not be generalized to conclude that the groups demonstrated their failure to manage and use the HDI provided resources (revolving funds) inequitably. It has been observed that at some point in the growth process of community organizations (in this case the income generating groups) some members may find it too costly for them to continue attending group meetings and subject their individual livelihood activity plans to assessment or review by the group management. They may feel more secure in pursuing their small business enterprise activities on their own while being accountable to improving economic welfare of their own family members. In such an event they may separate their association with the group taking their perceived share of the financial resources they had initially taken from the community-managed revolving fund. Indeed, such cases have been observed in a field report that noted that a substantial number of individuals who had earlier been members of defunct livelihood community groups are successfully carrying out their income earning activities with the funds and technology support they had received earlier from their community/income generating groups.<sup>30</sup>

These livelihood community groups were also highly effective in learning management and disseminating technology know-how among members. The group members participated actively in the institution of Farmers Field Schools (FFS) that were introduced by the FAO through the environmentally sustainable food security and micro-income generating projects in the Delta, Dry Zone and southern Shan state.

In evaluating the shortfalls and problems associated with the working of the narrow economic objective of the livelihood-based groups, UNDP in its HDI-IV has incorporated the income-generating dimension into the broader objective of promoting sustainable livelihoods through the SRGs as discussed below.

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<sup>28</sup> As noted by North (1990), community groups are informal institutions that work on generally agreed upon arrangements or rules of behaviour such as sanctions, taboos, customs, traditions, and codes of conduct. This requires these groups to invest sufficient time for sensitizing their members to understand and comply with these agreements and rules of behaviour as well as to strengthen their sense of ownership of their group.

<sup>29</sup> Institute IDEA International (2002).

<sup>30</sup> Paw, Nay Wun (2004).

## **5.4 Self Reliance Groups (SRGs)**

### **5.4.1 Formation of SRGs**

SRGs are formed with members who share common socio-economic backgrounds and livelihood constraints; they also share common interest in furthering their capacity to access improved means of livelihoods. SRGs are small with membership ranging from 15 to 20 people. The small size of the group allows members to form greater cohesion and trust amongst themselves. These members are mostly women. Presently, women groups constitute 1,103 out of a total of 1,105 SRGs supported by the ICDP project; the remaining two SRGs comprise of both men and women members. As to date, women groups in the CDRT project areas make up 1,527 out of a total of 1,795 SRGs. The remaining are mixed groups (222) and exclusively men groups (46).

The two community development projects have facilitated formation of these SRGs through coaching and working together with the villagers. Project community development facilitators have coached the villagers in applying PRA tools and ranking households in different categories of socio-economic status.<sup>31</sup> Members come largely from “poor” and “very poor” categories and some from “poorest” categories as noted in section 4.2 of chapter 4 (Household Targeting).

Members of each SRG cooperate to set rules, regulations and working procedures for governing their respective groups. They meet regularly to discuss their individual as well as common problems and find solutions through a cooperative effort. The HDI projects provide advice, guidance, technical assistance and training. In addition, once the SRGs have attained a certain level of maturity by being able to demonstrate their ability to manage their own financial resources (primarily member’s savings) and group-based efforts at planning and carrying out livelihood activities, they qualify for financial and in-kind resources from the HDI projects. The HDI financial contribution goes directly into the SRG common fund. This fund is managed by the SRG members themselves and it constitutes the most critical component of their resource base. As per established rules, the SRG members themselves manage their group’s savings and credit operation (based on the group’s common fund). Besides financial resource management, SRG members also undertake an entire range of social development activities such as management of resources for their family planning activities (e.g. distribution of condoms among member families, relatives and fellow villagers), mother and child health care, HIV/AIDS awareness, essential low-cost drugs scheme, emergency needs of group members, and other similar social development activities.

The HDI projects support the SRGs in monitoring their own activities using participatory monitoring and evaluation (PME) techniques and processes. This provides SRG members with the opportunity to track progress in building up their social capital, identify constraints, resolve conflicts, and assume group responsibility for taking corrective measures. A PME tool is used by the SRG members to periodically assess their social organizational development status. This provides community development facilitators of the HDI projects the opportunity to monitor growth and maturity of the SRGs. Accordingly the HDI projects organize their assistance activities in response to SRGs’ assessed needs and their ability to carry out the livelihood activities prioritized by members themselves.

### **5.4.2 Effects and Impact**

HDI project field monitoring reports, IAM reports and a recent study on gender development of SRGs<sup>32</sup> are unequivocal in their assessment of strength of the SRGs in improving livelihoods of their member households and in bringing about positive changes in social dimensions of development including significant developments in gender relations (see section 7.3 of chapter

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<sup>31</sup> See section 4.2 of chapter 4.

<sup>32</sup> Project Annual reports of ICDP and CDRT for 2005; Independent Assessment Mission reports of the HDI for 2005 and 2006; and Smith, Reid (2006).

7). In respect to economic wellbeing, SRG members have productively utilized their group's common fund to undertake agriculture, livestock, fishery and a wide range of off farm rural income earning activities. Individual members have come up with their own proposals for micro income generating projects developed at their household level, but they have also benefited from discussing their livelihood economic activities with group members and community development facilitators of the HDI projects. To ensure that the financial resources - common fund and savings and credit operation - are well managed, HDI projects have provided training to the SRG members in fund operation and record keeping. These efforts of SRG members have resulted in improvements of their economic wellbeing as noted in chapter 6: Sustainable Agriculture, Food Security and Income Diversification. With immediate access to their common fund, many members have had, for the first time, the opportunity to access funds to meet their emergency needs - for both economic, health and basic education needs of their families. In a way, this facility has provided them with a social safety net for the poor.

At the social and community level, SRGs have gained better and improved social relations and networking. SRGs have provided the prospect of group learning for members by sharing personal knowledge and experience, discussing problems and finding solutions. In the process members have developed a greater capacity to articulate their concerns in community decision making.<sup>33</sup> The SRGs have also provided the basis for social mobilization, building of confidence, and capacity to promote self-reliance. In all of these activities SRG members have admittedly benefited considerably from support of the HDI projects particularly injection of cash grant/capital into the SRG common fund, prompting, coaching, advice, technical assistance and training.

### 5.4.3 Sustainability Issues

The fact that SRG members have indeed benefited from their participation in and contribution to building up their community organizations, it is reasonable to assume that they would continue their group/community activities even without HDI support and follow-up supervision. The underlying social theory behind the SRG concept is that as a group attains a certain level of maturity in respect of organizational development, internal dynamics of the group would propel continued functioning of the group on its own. Reaching a maturity level is a function of both time and ability of a group to build its organizational and technical capacity. Information on maturity levels assessed for the ICDP project supported SRGs provide some insights into these issues.

Table 5.2: Number of SRGs by Age and Maturity Status

Stages and Maturity Status	VH	H	MH	M	L	VL	Total # of SRGs
1. Formation Stage (1 - 4 months)			3	5	40	19	67
2. Stabilization Stage (5 - 15 months)		3	34	102	67	31	237
3. Withdrawal Stage (16 - 21 months)	16	150	309	231	71	24	801
Total	16	153	346	338	178	74	1105
Note: VH = very low status.    H = high.    MH = medium high M = medium.                L = low.        VL = very low.							
Source: ICDP SRGs Status Report, 2005.							

<sup>33</sup> Smith. R (2006)

Information presented in Table 5.2 indicates that an SRG's maturity status in terms of organizational features/development does not correspond consistently to its age.<sup>34</sup> As of date, there are still a considerable number of SRGs at medium, low and very low maturity status even after they have been functioning for 16 to 21 months. These constitute some 75 percent of those SRGs that have attained "very high" to "medium high" status in 16 to 21 months. Those that could not attain higher maturity levels in 16 to 21 months are likely to lack internal strength in building social cohesion among the SRG members. They may have needed more support of the HDI project community development facilitators. Indeed, providing support to SRGs is highly labour-intensive and entails time. The ICDP project provides one community development facilitator (CDF) to cover SRGs in 25 to 30 villages. A CDF not only has the task of guiding, coaching and supporting an SRG; he/she is also responsible for implementing downstream project activities.

Field observations also indicate that only a few SRGs already at mid to high maturity levels have demonstrated their initiative to undertake well-defined group initiatives without prompting and coaching by the HDI projects. The initiatives referred to above are mainly social development in nature such as day-care nurseries, community forestry management, community managed essential drugs schemes, women reproductive health, and other similar social development activities promoted by the HDI projects. As SRGs grow and mature they begin to engage increasingly in income generating activities with credit from their group's common fund. Detailed studies on these issues are needed to further assess the abilities and organizational cohesiveness of the SRGs to continue with these types of social development activities independently of external support. It should however be noted that sustainability of their efforts would require the SRGs to have continued access to reliable and effective extension support for their livelihood and social development activities as discussed in chapter 10 (Local Support Systems) and chapter 11 (Macroeconomic Environment and Policies).

Savings and credit operations by the SRG members themselves constitute a key dimension of their livelihood promotion activities. The funding base of their credit lines is provided primarily by the HDI projects. Lessons drawn from the CDRT project operation in the earlier HDI phase suggest that the SRGs must demonstrate sufficient maturity level and fund management competency before making any substantial injection of capital grant into their common fund. Further, it is important to ensure that members accessing micro credit from their group's common fund have the knowledge, viable project concept, know-how and skills for the income earning activities that they wish to pursue. Otherwise, their common fund may collapse with recurring defaults by the members. As indeed occurred in the earlier HDI phase in the CDRT project areas, a large number of SRG members had taken multiple loans from their group's common fund in an attempt to payback their earlier loans. With interest rates compounding they ran into substantial debts which they could not service with their limited household income earning capacity. Table 5.3 shows that the SRGs in all the CDRT project areas are in serious difficulties with their credit operations and common fund management. Repayment and loan outstanding rates are alarmingly high in all cases, except for Chin North where the overdue rate has come down following increased performance of loan repayments as well as repayment of arrears on account of SRG members.

The CDRT project management detected these financial management problems in the latter part of the HDI-III, and accordingly took corrective measures. The project now supports livelihood activities through individual groups which require livelihood infrastructure such as irrigation systems or land for cultivation – irrigation user groups and land development groups – or through

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<sup>34</sup> SRG maturity is measured in 6 different categories – Very High, High, Medium High, Medium, Low, and Very Low – based on the aggregated scores of 6 organizational features determined with the use of specific ranking criteria.

Table 5.3: Financial Performance of SRGs under CDRT Project (as of December, 2005)

Particular	Area				Total
	Chin North	ERS	Kachin	NRS	
Total amount of loan outstanding (in '000 Kyat)	206,967	321,034	357,119	58,718	943,838
Number of overdue loan (#)	258	2,949	2,430	924	6,561
Total amount of overdue loan (in '000 Kyat)	5,982	141,894	156,714	32,836	337,428
Overdue as % of loan outstanding	3%	44%	44%	56%	36%
Current Repayment rate (%)	63%	49%	30%	48%	47%
Total number of SRGs	500	605	464	212	1,781

Source: SRG Status Report of CDRT Project for 2005

Participatory Technology Development Committees (PTDC) for agriculture, livestock or other income generation activities. These groups revolve the funds assisted by the project in future.<sup>35</sup>

The CDRT project management has reported that financial management of the SRG common funds has improved and repayment/overdue problems are no longer an issue for the loans taken by the SRG members in the current phase of the HDI. But the debt overhang of a large number of SRG members is a concern that requires closer monitoring and corrective action.

Similar information on SRG's credit operation in the ICDP project areas is not available. But clearly, it is important that the two community development projects institute a system of monitoring the credit and savings operations of the SRGs. This is especially critical for ensuring that corrective measures are taken early as has indeed been undertaken by the CDRT project. The outcome of these corrective actions needs to be monitored as the proper credit operations and fund management by the SRG members is vital to long term sustainability of their development efforts.

## 5.5 Community Groups for Common Property and for Social Development

The HDI has supported formation of these community groups at the village level to provide for the organization the village population need for identifying, prioritizing and carrying out activities that would benefit their village communities as a whole. The HDI projects have ensured that the poor who previously had limited access to common properties such as forestry have greater access to these resources. Similarly, the community groups for social development activities have been supported with advice, technical assistance and financial resources to ensure that these accrue the largest benefit to the poorer members of the villages.

Participatory planning exercises have formed the core operational modality for identifying and prioritizing these social development activities. Project community development facilitators have worked closely with the communities to prepare micro project proposals covering an entire range of social infrastructure activities. These proposals are appraised carefully by project appraisal committees organized by the HDI projects involving both community members and project staff. This participatory approach has enabled communities to have a sense of ownership. Additionally, communities themselves have mobilized their own resources to the extent of 20 to 30 percent of the project costs (especially for small village infrastructure projects, water and sanitation, small irrigation works, and school building construction and renovation). In the event of project cost-overruns due to increased cost of inputs, the communities themselves have quickly mobilized the additional resources (both cash and in-kind resources) in order to successfully complete the

<sup>35</sup> CDRT Annual Progress Report (2005).

project.<sup>36</sup> This is clearly a demonstration of sense of community ownership of the projects promoted through their own initiative. For operation and maintenance of these social infrastructure schemes, communities have been successful in mobilizing resources through user-charges or from their community's own fund. The community organizations (i.e. the various implementation committees organized by the village communities themselves) have been successful in setting norms and standards for operation and management of these social infrastructure facilities.

Most of these village based community groups will need to have linkages to local support systems that can provide for the know-how, training, technology and extension support (see chapter 10: Local Support Systems). The HDI projects have organized technical support to these community organizations in a way that leveraged available services from local level institutions. Thus community participation has been linked to technical services of the local institutions that offered the required capacity. Capacity of Auxiliary Midwives has been linked with township and health centre level health personnel; Agricultural Extension Workers with Myanmar Agricultural Service personnel at the township level; Livestock Extension Workers with Township Veterinary personnel; Community Forest Activists with Township Forest personnel; Parents-Teachers Association with Township Educational Personnel. The HDI projects have designed training for the participants in a way that offered scope for participants and the local institutions to collaborate on village development activities. However, as noted in chapter 10, these local level institutions will require government investment support to build up their technical and management capacities to respond effectively to the needs of the village communities.

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<sup>36</sup> These examples are cited in ICDP and CDRT Project Annual Reports of 2003, 2004 and 2005.

## **6. Sustainable Agriculture, Food Security and Income Diversification**

The HDI has placed considerable emphasis on supporting the rural poor in the target villages to increase agricultural production and productivity, land management, and securing arable land against loss of soil nutrients and degradation due to natural disasters such as floods and soil erosion. In order to reduce vulnerability of their livelihoods dependent exclusively on agriculture, the rural poor have been encouraged and provided with opportunities to expand their access to alternative sources of income such as livestock raising, fishing, and off farm economic activities. Strategic interventions in these areas have been carefully designed through participatory planning involving the village population in the HDI target areas. Intervention priorities have taken into account natural resource constraint, environmental management issues, opportunities for agriculture and other income sources based on locally available resources, and possibilities for rural off farm production activities in relation to the extent of the local market.

Strategies for sustainable agriculture and other livelihood activities have varied according to the differences in local resource base, natural resources and environmental conditions, and the socio-economic and poverty conditions of the village population in the HDI target areas. Brief profiles of the livelihood situation of the poor in the target regions/areas are outlined in Annex 4.

### **6.1 Response to Sustainable Livelihood Needs of the Poor**

The HDI projects have responded to the varying needs of the poor in the target villages/areas by deploying differential diagnosis of problems and constraints. Through participatory approaches with coaching by the HDI project staff, villagers have identified their community strengths, resource (livelihood capital) constraints, and opportunities for livelihood income earning activities. Building on the sustainable livelihoods approach, the HDI projects have met the needs of the poor by facilitating their access to a combination of livelihood assets as set out in Figure 6.1 below. For instance, in the Dry zone greater emphasis has been placed on environmental and natural resources management to conserve water in soil, increase soil nutrients, arrest soil erosion, and establish community forestry. This conservation based approach has been critical to improving agricultural productivity and production that has also required well-managed application of improved seeds, fertilizer, compost and pesticides. In southern Shan state the HDI has responded with greater attention to the need for arresting soil erosion, improving soil fertility, and improved agricultural practices for crop diversification. In the Delta, regeneration of mangrove forestry received greater priority to arrest decline in fishery resources and provide renewed access to protein diet for the village population.

Additionally, economic/income earning activities also required simultaneous access to finance/business capital (micro credit and equipment), physical infrastructure, technology and technical capacity, as well as access to improved primary health, nutrition support and basic education. The HDI programme strategy for sustainable livelihoods is responsive to these needs – i.e. greater access to a combination of the livelihood assets. Therefore, although in the following sections, analysis of the programme impact of environment and natural resources management, agriculture and food security, and diversification of income earning activities is done separately, the effective outcome on wellbeing of the poor has been determined by their access to the other assets noted above. Section below attempts at analysing effects and impact of the environmental and natural resources support measures.



Figure 6.1: Simultaneous Provision of and Access to Livelihood Assets/Capital  
in Support of Economic Activities of the Poor Households

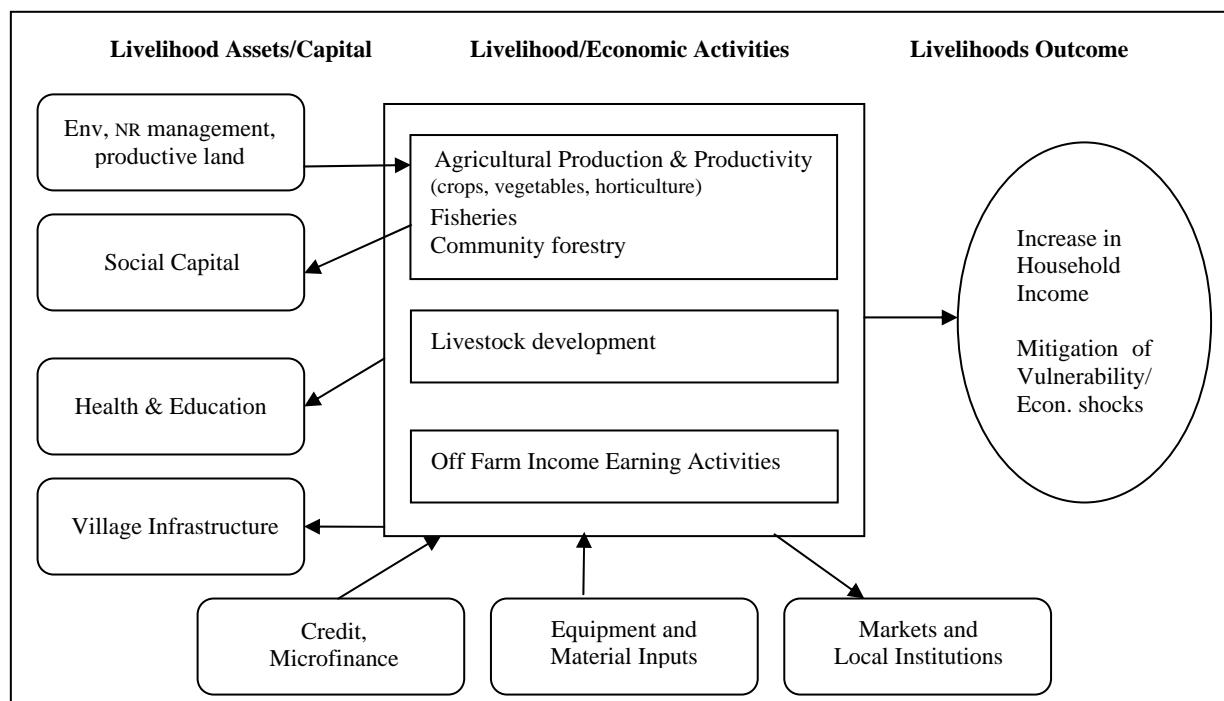


Table 6.2: Types of Soil/Natural Resource Conservation and Forestry Regeneration  
Measures Promoted/Supported by the HDI Projects

Soil Conservation Measure	Shan	Dry zone	Delta	Kachin	Chin	Rakhine
1. Soil sedimentation bund		✓				
2. Sediment storage dam	✓	✓				
3. Contour bund	✓	✓				
4. Contour hedge row	✓	✓				
5. Bench terrace improvement		✓			✓	✓
6. Farm boundary plantation (wind break plantation).	✓	✓				
7. Watershed protection	✓	✓			✓	
8. Mangrove conservation			✓			✓
9. Flood control measures			✓			
10. Elimination of slash and burn agricultural practices				✓	✓	✓
11. Reduction of dependence on fuel wood	✓	✓	✓	✓	✓	✓
12. Community forestry	✓	✓	✓	✓	✓	✓

Source: Various reports produced under the HDI projects.

## 6.2 Environmental and Natural Resources Management

Environmental and natural resources management has constituted an integral part of HDI support for enabling the poor farmers improve their agricultural productivity, provide access to agricultural land which had earlier remained fallow, protecting fishery resources in the mangroves (in Eastern Rakhine and Delta), reducing dependence on fuel wood and biodiversity preservation. Intervention schemes have included soil conservation schemes, flood control measures, community forestry and forestry conservation, and education and awareness creation among the village population on environment and natural resources management issues.

Implementation of these measures and schemes have varied according to agro-ecological and topography characteristics in the project areas.

Table 6.2 provides an overview of the types of *soil conservation, agricultural land protection and natural resources conservation* measures promoted by the HDI projects. Contour hedge bunds complemented by contour hedge rows have been promoted by the HDI projects from its inception period in Dry zone and Shan state.<sup>37</sup> Soil sedimentation (SS) bunds have been effective in controlling soil erosion and rain water harvesting within the plots in the Dry Zone only. Weather and availability of suitable trees in the region support the conduct of these soil conservation measures.

Both rich and poor farmers have gained sufficient knowledge and skills to manage these soil conservation measures. Some better off farmers have multiplied the soil conservation structures, particularly soil sedimentation bunds, with their own investments. SS bunds have proven to be most effective structures for water harvesting particularly in controlling the runoff that comes out from the waste lands situated at the up stream sites of the cultivated land.<sup>38</sup> While SS bunds have greater impact on agricultural production, they are relatively more expensive to develop as considerable earth work, farm power (draught bullock) and labour input are required for their development. The relatively well-off farmers can therefore afford these investments. Contour bunds complemented by contour hedge rows, on the other hand, require considerably less investment and are easy to maintain. The poorer farmers therefore prefer contour bunds to other measures for soil conservation.<sup>39</sup>

HDI project activities in Dry zone and Shan state have introduced two other effective measures of soil conservation and crop protection. These include *bench terrace improvements and farm boundary plantation* (wind break plantation). Fifty to seventy percent of the cultivated lands have thus far been treated with soil conservation measures which are as of date well maintained by the communities.<sup>40</sup> Villagers are now confident about continuing the soil conservation measures on their own. These soil conservation measures have led to increase in agricultural production per acreage. Bench terrace improvement techniques have proved to be effective in bringing back the saline fields for cultivation in the Dry zone, while sediment storage dams have been effective in restoring gullies for crop production in both Shan state and Dry zone. Assessments undertaken by the HDI projects have concluded that these soil conservation measures have either increased or prevented decline in soil fertility, generally; enhanced productivity as a result of improved moisture retention in soil and nutrient recycling; and increased the output of livestock products. Technical on-farm demonstrations validated these positive outcomes. For instance, pigeon pea yields increased by 33 percent after contour and SS bunds were constructed and improved planting practices were practiced with project support.<sup>41</sup> Additionally, many farmers have had increased access to land as they reclaimed large tracts of gully lands, previously left fallow, and brought them under cultivation (paddy and other crops).

*Farm boundary plantation* which acts as wind break to protect crops is now widely practiced in HDI project areas in Dry zone and Shan state, are of special interest to poorer farmers. They are inexpensive to develop and maintain. Having individual ownership of such plantation is an additional incentive for the poor farmers to expand farm boundary plantation. Furthermore, the trees provide fire wood, green feed for livestock, biomass for compost, and some timber.

In Chin and Rakhine states bench terrace cultivation has also been widely promoted by the HDI. In Chin state, the CDRT project also provided considerable assistance to village communities in

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<sup>37</sup> Paw, Nay Wun (2004) and FAO (2001, 2002).

<sup>38</sup> FAO (2001, 2002).

<sup>39</sup> Paw, Nay Wun (2004).

<sup>40</sup> ICDP Annual Progress Report (2004).

<sup>41</sup> FAO (2001).

protecting watersheds through improved measures for closing catchment areas, tree planting and reforestation. These measures have provided increased access to cultivable land and improved agricultural productivity.

HDI project activities in respect to natural resources conservation in these two states as well Kachin have principally focused on enabling farmers to ***reduce dependence on their traditional slash and burn agricultural practice***. The *taung ya* farmers have been following the slash and burn method of cultivation in the region for generations due to lack of stable land for agricultural production (often subject to soil erosion), lack of knowledge on improved agricultural production methods, and lack of access to agricultural inputs including improved seeds, fertilizer and compost, pesticides, agricultural tools, and adequate water for irrigation. The HDI has adopted a three-pronged approach to eliminating dependence on *taung ya* farming practice. It has provided access to improved agricultural opportunities, diversified income sources, and environmental awareness creation. The outcome of the first two efforts is discussed in sections 6.3 and 6.4 below. Environmental awareness creation measures have had significant impact. Through basic learning tools (e.g. using project logo and jigsaw puzzle), training, and field demonstrations, communities in the region have been made aware of environmental issues that are critical to their livelihoods.<sup>42</sup> Working closely with the World Conservation Society, the CDRT project is also building awareness of the local population about the importance of protecting wildlife in the Tiger Reserve in Hukung Valley in Kachin state. Outcome of these environmental preservation and conservation measures will require sustained administrative measures by the local authorities for policing of existing legislation. This applies also to all other HDI project areas where environmental education activities have been critical for building awareness among communities of their sustainable livelihood strategies.

***Conservation of mangroves*** in the Delta and to some extent in Rakhine state received priority attention of the HDI support programme from its inception. By the early 1990s the rich ecosystem of the mangrove forests in the Delta had been severely depleted. The mangrove forests, which provide a multitude of benefits to the local population whose livelihood is dependent on agriculture, fisheries and forestry, had been overexploited for over 30 years until the early 1990s to provide wood for charcoal, timber, building poles, fuel wood and nipa thatch roofing for rural dwellings in the Delta. Although charcoal conversion of wood from the mangroves was banned by the government in 1993, food drive initiatives by the local population caused the extreme clearing of mangroves and permanent conversion to low-yield paddy fields. As a result of this overexploitation, fisheries stock in the Delta declined considerably, natural protection services of the coastal areas eroded, and production potential of the rich ecosystem declined. The HDI strategy for sustainable livelihoods in the Delta therefore gave prominence to conservation of the mangrove forests by way of providing the local population alternative sources of income opportunities in addition to improving access to expanded agricultural production possibilities. The next section discusses measures supported by the HDI for agriculture and income diversification effort of the rural poor, which together with environmental awareness have discouraged the local population to fell mangrove trees. Two problems require continued attention. One is that many in the locality have competing claims on mangrove resources and the land that can be cleared albeit for low-yield farming. Second, the local administrative authority needs to have proper surveillance and legal measures to protect these forests (as well as the community forest resources as discussed below).

In the Delta ***riverbank stabilization*** through biological measures (tree planting) was promoted in the earlier HDI phase. By 2003 more than 162,000 running feet of riverbank was stabilized; a special effort in one village in Laputto township had averted severe river erosion and prevented

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<sup>42</sup> CDRT Project Progress Report (2005).

damage of 10 million Kyat.<sup>43</sup> Riverbank stabilization has proved to be very difficult and expensive and not much of such work has been carried out under the current HDI phase.

**Promotion of community forestry** has been extensively supported by the HDI in villages in all the townships covered by the programme. The community forestry schemes have made significant contribution to not only natural resource conservation, but the small-scale forestry resources have provided fire wood, timber for housing and agricultural tools for marginal farmers and landless. These schemes have been undertaken at the village level through formation of forestry user groups (under HDI I to III) and through SRGs under HDI IV. By way of environmental education/awareness building, training, provision of seeds, small-scale nurseries and forest tree seed production, and linking community groups to local authorities (Forest Department and Township Settlement and Land Records Department especially in Shan state), communities have successfully carried out extensive greening of their villages in all the project townships. The HDI projects have facilitated the community groups to file applications with the local authorities to obtain the required usufruct certificates that provide rights to the communities on un-classed lands as well as to the Reserved and Protected Public Forests (especially in Shan state). With permission from the Forest Department, communities have also accessed natural forests with the right to plant forest trees that in turn gave them access to wood for their domestic fuel wood need and dwelling construction as per rules established by the Forest Department and training support from the HDI projects.

Thousands of acres of woodlots have been covered by the village population in the HDI project areas in the past twelve years. Management of these forestry schemes has constituted an important dimension of the village greening programme. For instance, in the Delta where trees in rows of three to five have been planted along embankment, the HDI project mobilized water user groups to take on the responsibility for protection and management of the forest trees. Where SRG members have undertaken community forestry schemes, they secured exclusive rights to these resources including access to the wood which provided income to the members. Community group members also earned income from sale of trees grown on small-scale nurseries. In the Delta, for instance, by 2003 more than 80 percent of the villages have established small-scale nurseries to meet the local demand for tree planting.<sup>44</sup> Generally the forestry woodlots have been well maintained by the communities. Only in cases where woodlots are located at considerable distance from their village location the community groups have encountered difficulty in maintaining them (e.g. preventing and putting out forest fires in the Dry zone and Shan state) and protecting them against encroachment from cattle, sheep and goat.<sup>45</sup>

Project experience has informed that where traditional land ownership rights are strong, as in Chin state, the communities have been slow in accepting the need for community forestry. Communities require long-term ownership rights for undertaking investment decisions in community forestry.

A yet another effective strategy for forestry conservation and regeneration in all HDI project areas has been the adoption of **energy efficient cooking stoves** by households. Early on in the HDI programme, in mid 1990s, FAO introduced a new technology to the Forest Research Institute (FRI) in Yezen (near the new capital Nay Pyi Taw in Dry zone). In the early years, HDI projects procured these stoves from the FRI and provided extensive demonstration to communities in villages. Evaluation surveys carried out under HDI-III established that 0.8 tonnes

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<sup>43</sup> FAO (2003).

<sup>44</sup> FAO (2003).

<sup>45</sup> Paw, Nay Wun (2004), who also notes that as of December 2004 as much as 50 percent of the trees in some locations had been burned down by forest fire and cattle grazing. But in most areas 80 to 90 percent of the community forests have been well maintained and the trees growing well. Several communities in Shan state have organized maintenance of the community forests by way of sub-contracting (with their own funds) to landless poor to work in the dry season to protect forest fire.

of fuel wood could be saved annually per household if A-1 energy-saving stoves were adopted for cooking. Indeed, extensive stove application by households in the Dry zone contributed to saving some 57,000 tonnes of woody biomass annually, equivalent to 10,000 acres of degraded forest land.<sup>46</sup> The A-1 type stove is considerably more efficient (in terms of fuel wood saving) than that provided by other two types of stoves promoted by the project, namely airtight mud stove and rice husk stove (which have largely been promoted in the Delta in addition to the A-1 type stove). Yet all three types have proved efficient in saving fuel wood, women's labour time and costs for households.

Availability of the A1 type stove has been a problem for villagers. They prefer the type produced by the FRI in Yezen,<sup>47</sup> but being a research institute the FRI does not have the capacity to produce for an enlarged market. The HDI projects have encouraged and provided technical assistance to local producers to make these stoves, but their quality has not attained the standard of the FRI produced stove. Nonetheless, stocks from local producers have met market demand. In the process, the community development projects have made a small contribution to micro-enterprise development and employment generation albeit on a limited scale. Box 6.1 narrates a story of a physically challenged who with technical assistance from a FAO/UNDP project in HDI II phase has become a successful local producer of the A-1 type stove. This particular producer has also been given a captive market by the HDI in its current phase; the ICDP project has been purchasing all of his production for (free) distribution to households in project villages through village "distribution" committees. An assessment report<sup>48</sup> of the ICDP project suggested that since villagers have now long been aware of the benefits of the A-1 energy efficient stoves and since each unit cost about 800 to 1,000 kyats only, it would be desirable to recover cost of stove from a beneficiary buyer.

**Box 6.1: A Physically Challenged Poor Who Became  
a Successful Entrepreneur (Producing A-1 Energy-Saving Stoves)**

**U Pe Thein of Kyar Nai Village, Kyaukpadaung township (Dry Zone)**

U Pe Thein is a polio victim dependent on crutches. He had to quit his study after completing class five as his parents could not afford his educational expenses. At the age of 15 U Pe Thein lost his parents and stayed with his uncle. He worked as a casual labour that gave him a meagre income for a few months a year. U Pe Thein left his village and went to southern Shan state in search for a better job opportunity. For a year he worked in Zawgyi Hodro Power Supply Project. He had to quit this job after he suffered from a severe bout of malaria.

U Pe Thein returned to his village and managed to get a less arduous job at a fuel station near his village. One day he came across U Zaw Zaw Han, rural energy specialist of FAO/UNDP project (under HDI III). The energy specialist was then trying to organise training for local people to produce A-1 energy saving stoves and Chaung Ma happened to be a place where raw materials required to produce the stoves are available. U Pe Thein along with his four other friends had the benefit of participating in the training given by experts from Yaegen Agricultural University. As a follow up of the training a production plant was set up by FAO/UNDP project where U Pe Thein worked as a supervisor and accountant.

U Pe Thein was then encouraged by the FAO energy specialist to start his own production unit. He received financial assistance in the amount of 85,000 Kyat from the FAO project that assisted him to start up his small-scale production unit. The FAO project itself offered ready market for his products. And today the ICDP project is his client. He sells about 1,500 units a month using his small production unit that now employs eight workers; sometimes demand for worker at this production unit goes up to twenty. However, his net monthly income/profit is still small for his household as he has to support three of his sisters at home.

Source: Adapted from a story recorded by the ICDP project management office, Yangon. December 2005.

<sup>46</sup> FAO (2001).

<sup>47</sup> Paw, Nay Wun (2004).

<sup>48</sup> Paw, Nay Wun (2004).

## 6.3 Sustainable Agriculture

### 6.3.1 Small-holder Agriculture

From its inception the HDI has focused on supporting small-holder and marginal farmers to improve their food security by providing them with increased access to agricultural production and productivity possibilities. Small-holder farmers generally have 2 to 3 acres of productive land, while marginal farmers generally have less than 2 acres of agricultural land that is often highly unproductive. In some cases marginal farmers may own more than 3 acres of land but the yield from this land is extremely low due to low soil fertility. Marginal farmers suffer from extreme food insecurity and therefore must have access to alternative sources of livelihoods.

Prior to HDI-IV, beneficiaries of agricultural support also included farmers of all scale through their membership in Farmers Income Generation Group (FIGG) that included all farmers owning greater than one acre of land but lacked sufficient financial resources to purchase agricultural inputs themselves.<sup>49</sup> In HDI-IV, in both CDRT and ICDP projects, considerable refinement of targeting method has been done through wealth ranking. This has enabled the projects to target support more precisely to those households which belong to the small-holder and marginal farmer category – and who are either poor, very poor or poorest – and are members of SRGs.<sup>50</sup> Under the HDI the entire range of livelihood support measures including agriculture, livestock, fishery, and off farm income generating activities, have been provided to the SRG members.

The HDI has given exclusive emphasis on environmentally sound agricultural practices with a combination of agricultural input and technology support strategically reinforced by appropriate environmental and natural resources management measures as discussed in section 6.2 above. Key support inputs channelled through FIGGs (under the previous HDI phases) and SRG members (under HDI-IV) have been extended to provide farmer households with greater access to arable land (especially in the CDRT project areas in Kachin, Chin and Rakine states), improved seeds, seed and crop storage, fertilizer, compost, practice of green manuring, pesticides, small irrigation pumps, small irrigation schemes, micro credit, and technology and know-how in improved agricultural practices. Access to the Microfinance project has also enabled farmers, who could qualify the borrowing criteria, to meet their financing requirement for agricultural crop production. The community development projects have also implemented small irrigation schemes with resources mobilized by the communities themselves (often between 20 to 30 percent of total cost of a scheme).<sup>51</sup>

**Land development** including reclamation of fallow land constituted a key strategy of the CDRT project in Kachin and Chin to provide access to arable land for marginal farmers and landless poor. Similar opportunity for providing greater access to land for the poorest of the poor has been limited in Rakhine state because of scarcity of land or little land available for development. In this area the project has exclusively focused on supporting the poor to utilize existing land by increasing paddy yields and growing high value winter cash crops (as noted below). Working closely with the local administrative authorities, the project in Kachin and Chin has secured for a number of these target beneficiaries title to registered lands. Large areas of more than 14,000 acres of land have been successfully developed in these two states.<sup>52</sup> As of April 2006 about 7,500 acres of these reclaimed land is being effectively cultivated (growing paddy) by the beneficiaries.<sup>53</sup> Soil erosion measures such as bunding and bench terracing (noted in section 6.2)

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<sup>49</sup> Kahan, David (1999).

<sup>50</sup> See Chapter 4, Section 4.2 above.

<sup>51</sup> ICDP Project Brief, March 2006.

<sup>52</sup> CDRT Project Progress Report (December 2005). As per CDRT project work in Kachin and Chin, an acre of land can be developed for 40,000 to 45,000 Kyats (i.e. about US\$36) plus imputed cost of household labour.

<sup>53</sup> CDRT Project Brief (April 2006).

have also contributed to farmers having increased access to cultivable land, especially in Kachin and Chin states, as well as Dry Zone and Shan state.

Lack of availability of *quality (and improved) seeds* for all crops has been a major problem for the poorer farmers. The HDI has provided poor farmers access to improved seeds by way of procuring seeds from the Myanmar Agricultural Services (MAS) and local market, encouraging and supporting community group members to produce and multiply high yield seed varieties that were made available to target beneficiaries of the HDI, seed storage facility, and building their knowledge capacity of using new and improved seed varieties combined with application of compost, green manuring technique, and careful spraying of pesticides.

While farmers have been quick in adopting improved seed varieties, quality seeds are still scarce in the local market. Timely availability of seeds as well as compost, fertilizer and pesticides is critical to ensuring crop production. Adequate *seed storage facilities* are needed to make seed stock available to farmers on time. Much of the support for seed storage was given in the previous phases of the HDI, distributed to farmers through FIGGs. But with the collapse of the FIGGs in most areas, farmers have been unable to maintain and operate these storage facilities (especially in the Dry Zone and Shan state where such inputs were given to FIGGs). Field assessment in 2004<sup>54</sup> suggested that only mature SRGs be given access to construction of such seed storage facilities which should also be used for storage of other agricultural inputs. Multipurpose use of these facilities will ensure optimal use of their capacity and beneficiaries would have the incentive to administer their proper maintenance.

Fertilizer and pesticides are critical agricultural inputs that the poor farmers have always had difficulty in accessing due to their high cost and unavailability in the local market. From the beginning the HDI projects have introduced and promoted through field trials and demonstration low-cost *compost* for crop production which has proved extremely effective in reducing dependency on high cost chemical fertilizer. Today, one can witness extensive application of compost by small and marginal farmers across all HDI covered villages. Additionally, marginal farmers and landless poor have been actively involved in making compost in their homestead with technical assistance from the HDI community development projects. Field assessments have noted that farmers have preference for application of indigenous microbes (FYM) over enhanced microbes (EM solution) for compost making mainly because of their ready availability in the local market.<sup>55</sup> Poor farmers have also received knowledge from the HDI projects in applying *green manuring technique* for soil preparation that has contributed to crop yield increase at very low cost. Nonetheless, farmers must still apply chemical fertilizer in the “right” proportion to realize full yield potential of several crop varieties. Credit schemes managed by the SRG members as well as credit availability from the Microfinance project have enabled farmers to have greater access to chemical fertilizer that they could not otherwise afford with their own funds. But farmers in many areas still have difficulty in finding good quality chemical fertilizer in the local market.

The HDI projects have also ensured that beneficiary farmers have access to adequate *pesticides* and tools for spraying pesticides. The community development projects have provided extensive training, field demonstration and on-farm technical support by Agricultural Extension Workers (AEW). Farmers have been introduced to natural insecticides (i.e. neem oil, tobacco solution) which unlike chemical pesticides do not cause environmental pollution. With credit from their SRGs and project administered training, small farmers have had increased access to sprayers for efficient application of pesticides. Previously, these farmers had to lease-in such sprayers from larger farmers at exorbitant rates.

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<sup>54</sup> Paw, Nay Wun (2004).

<sup>55</sup> Paw, Nay Wun (2004).

**Irrigation** schemes and related equipment provision have constituted an integral part of the input package for agriculture promotional measures. Thousands of acres of cultivable land have been irrigated with HDI support and much of the benefits have accrued to poor farmers. HDI project community development field staff have ensured that small and marginal farmers are adequately represented in community groups (and related committees) that have been encouraged to identify, prioritise and prepare technical specification (with HDI technical support) of these irrigation works. Such schemes like other physical infrastructure works have been jointly funded by the community groups and HDI community development projects. As noted above, contribution of the communities generally ranged from 20 to 30 percent of total cost of a scheme. Communities themselves managed construction of these schemes with supervisory support of the HDI projects. All contractual arrangements have also been done by the committee (of the village level community group). Generally, the landless poor worked on these construction works at daily wage rate ranging from 700 Kyat to 900 Kyat, depending on an area/region.

Irrigation schemes have included construction and renovation of new dams and weirs, spillway and sluice gate (at embankment) for regulating water, and canal fed water schemes in all project areas where such projects have been identified and prioritised by the village communities. In the period 2003 to early 2006, much of these irrigation works in the CDRT project areas have been undertaken in Kachin and Chin states. Support for these schemes has been relatively more extensive in the ICDP project areas. The effect of these irrigation measures is substantial. For instance, embankment with sluice gate construction enabled farmers in a village in Boglay township in the Delta to realize increase in paddy yield from 40 basket monsoon paddy to 55 basket, and 55 basket summer paddy to 80 basket.<sup>56</sup>

Irrigation support has also been provided through distribution of low-cost diesel-powered pumps (largely under the previous phases of the HDI) and manual pumps including hand pumps and the more efficient Bangladesh made manual foot pump (widely known as the *treadle pump*). These pumps have been introduced to farmers by the HDI with demonstration and training on their use and application. Projects have injected cash to SRGs specifically earmarked for purchase of the pumps through the SRG managed credit operation.<sup>57</sup> The *treadle pump* which was first introduced in northern Rakhine state has met considerable interest of poorer farmers as well as other service providers particularly NGOs.<sup>58</sup> These pumps since the latter part of 2004 have been introduced in eastern Rakhine, Kachin, southern Shan and the Delta where small farmers realized immediate benefits for irrigation of cash crops particularly winter crops.

### 6.3.2 Agriculture diversification

Availability and access to the essential package of agricultural inputs including improved seed varieties, compost and fertilizer, pesticides, irrigation water, improved agricultural practices and technology and know-how have provided opportunity for the small holder farmers to diversify their agricultural production for increased food security. Poor farmers in Rakhine state where scarcity of land has reached critical proportion have benefited from newly introduced crops and associated farming methods. They have successfully exploited the opportunity to plant chickpea on residual soil moisture providing cash crop (with proper pest and disease control) and returning

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<sup>56</sup> ICDP project Brief, May 2006.

<sup>57</sup> This modality of adoption of irrigation pumps has worked well because of individual ownership of the pumps by the beneficiary farmers. In the earlier HDI phases, hand pumps and diesel pumps were given by the projects to FIGGs which required them to administer their usage by members on user charge basis. Ownership remained in the "group" but not to individual farmers. With collapse of most FIGGs the diesel pumps had rapidly depreciated without adequate arrangements for maintenance and replacement. Only in a few isolated cases members of collapsed FIGGs have managed to maintain and operate the diesel pumps, although at a lower capacity due to their inability to meet the high cost of diesel fuel (Paw, Nay Wun (2004).

<sup>58</sup> CDRT Project Annual Report (2004).



valuable nitrogen to the soil for the subsequent paddy crop. In Kachin state farmers have been assisted with inputs and technology support to grow other high value vegetables such as chilli, tomato, potato, onion, garlic, etc. Their effort has been supported through provision of technology, training, seeds and irrigation measures (small irrigation works and treadle pumps). This particular crop diversification measure has resulted in added income for the marginal farmers and created seasonal job opportunity for the landless – with significant cash incomes of 150,000 to 200,000 Kyats per household in a period of low labour demand. Further, poor households have had the benefit of increased food security – for up to six months - whereas in the past they could be food secure for up to three months only.<sup>59</sup>

In the Delta small farmers have been quick in adopting cultivation of cash crops in summer – such as chilli, groundnut, mung bean, black gram. In the Dry Zone small farmers have been assisted with establishment of mushroom enterprises. These crops fetched high prices in seasons when farmers previously had not earned income from these alternative crops.

In Shan state farmers have been encouraged and provided with technology support to develop orange orchards as well as agro forestry. These activities however demand careful application of pesticides, tree planting and land management, cost of which are beyond the capacity of small and marginal farmers.

Box 6.2: Success Story of "Daw Sanay"@ "Daw Tin Tin Mya" of  
Saw Kae Chaung Village, Mawlamyaing Gyun Township

Daw Sanay @ Daw Tin Tin Mya is one of the poorest families in Saw Kae Chaung village in Mawlamyaing Gyun township in the Delta. She is married; her husband is casual labor and provides support to the family. They have two school-going-age children. Their life has been a struggle.

On joining 'Kye Tar Yar' Self Reliance Group (SRG) in September 2003, she continuously saved the designated amount and participated in the SRG weekly meetings. In March 2004, she was able to borrow 5,000 Kyat with a repayment period of one month at an interest rate of 3 % per month decided by the SRG. With the borrowed money she bought some 'Zaw Lone' (*money*) plants which she grew in her **homestead garden**. She managed to pay back the loan with interest from her husband's earning. She could get the fruit of her effort only after five months when the plants matured. She sold the first lot of plants for 5,000 Kyat and this continued without further investment. After the successful business of 'sowing and selling Zaw Lone' plant she could easily afford to meet her daily needs.

In September 2004, she borrowed 10,000 Kyat from her SRG and bought one piglet. After six months the pig bred first round of piglets and in ten months second round of piglets. She sold some of the piglets in the local market at a market price and some to fellow SRG members at less than the market price.

Daw Sanay said "I now have good income and do not need to worry about our livelihood and the schooling expenses for my children." Earlier she used to buy rice in Pyis (eight condensed milk tins) but now in bags.

In early 2005, she had planted 10,000 units of 'Zaw Lone' plant buds with loan from her SRG. She has continued with her homestead gardening as she now has a good market for her garden plants.

She has also got involved in compost making with technical assistance from the ICDP project. She uses the compost for her homestead garden plants and has successfully replaced application of chemical fertilizer which she used to buy at the rate of 10,000 Kyat per bag. She said that in two years there has been a positive change in her family's economic and social status.

Source: Adapted from a story published in ICDP Bulletin, No.6, April 2006.

### 6.3.3 Homestead Gardening

Marginal farmers and landless poor have also received technical, agricultural extension, material and credit support (through SRGs) for homestead gardening that has provided alternative sources of income from their meagre capital asset as well as improved nutrition and food. Households

<sup>59</sup> CDRT Annual Project Report 2004.

have grown vegetables, garden plants and fruit trees. Horticulture development offers potential in all areas but the long-term returns tend to be less attractive to poor households who can not afford the investment and maintenance costs while waiting for returns. The risks are too great and poor households constantly look for activities with short-term returns.

With meagre income from homestead gardening households can quickly multiply their income by engaging in a variety of economic activities. Box 6.2 demonstrates a case of a very poor SRG member who has been able to diversify income sources in less than two years by initially engaging in homestead gardening with a very small amount of micro credit. Throughout HDI project areas observers can witness the widespread practice of homestead gardening. But for those poorest (landless) households who have very little space for homestead gardening, access to other livelihood assets must be available to them. Livestock and off farm income generating activities are effective sources of alternative income earning sources, as discussed below.

## **6.4 Income Diversification for Sustainable Livelihoods**

A critical strategy for sustainable livelihoods for the rural poor in Myanmar must include increased access to diversified income earning opportunities. Small holder farmers can not depend completely on their small agricultural lands. They are often subject to severe economic, environmental and health shocks over which they have little control, and which constantly place them under threat of income and food insecurity. Such sources of their vulnerability include natural disasters such as floods and drought, environmental degradation due to severe environmental and weather related effects, economic downturn resulting from external economic shocks, persistent inflation with severe effect on erosion of purchasing capacity of the rural population, inappropriate government policies causing adverse terms of trade for the rural segment of the economy, health shocks resulting from sudden death in family from killer diseases like malaria, tuberculosis, and AIDS. Marginal farmers and landless poor are in greater need of multiple sources of income because the size of each livelihood capital assets that can be accessed in their rural economic environment is very small and limited opportunities are available to them for secured employment in agriculture.

Providing the rural poor with access to diversified income sources has indeed constituted a critical dimension of HDI's humanitarian assistance strategy. Consistent with sustainable livelihoods, the programme has from its inception provided support measures for augmenting human capital (skills) and knowledge capacity (technology know-how) of the target beneficiaries together with increased access to livelihood capital through provision of micro credit (administered by the community groups themselves and the microfinance project), equipment and material input with arrangements for their cost-recovery by the communities themselves. Beneficiaries have used these capital assets to engage in productive activities particularly livestock, fisheries, compost making, community forestry, energy efficient stove production, and a wide range of off farm income generating activities based on the local resource base, trade skills capacity of the beneficiaries, and access to local market opportunity. Effects and impact of compost making, community forestry and energy efficient stove making have been analysed in other sections of this Report (i.e. sections 6.2 and 6.3). Impact of other diversified income generation activities are analysed in the sections below.

### **6.4.1 Livestock**

HDI support for livestock development has received most widespread response from the target beneficiaries particularly the marginal and landless poor. Livestock-raising has been largely done by women members of poor households in their homestead. Those engaged in livestock activities have derived benefit in two ways: (a) by raising livestock, particularly pig, over a period of six to eight months and then selling them at a higher value in the local market or to their fellow community members; and (b) raising cattle with the intention of using them as draught animal power with significant rental income earning possibility.

Across all HDI project areas pig breeding has become most popular among women and landless poor. Raising a piglet over a period of six to seven months accrues more than 20% net profit.<sup>60</sup> Households engaged in pig-raising have generally found easy access to local market and the risk of the investment activity is minimal. Yet poor households needed technical support from the HDI to improve sanitation measures for pig-raising and animal health through timely vaccination including solar refrigerators for preservation of vaccination stock.

Those project beneficiaries who have opted for cattle and buffalo raising for earning income from the draught animal power have had to wait a much longer time for their investment returns. Incremental income from renting a pair of draught bullock can be twice as much as a landless would earn from his/her daily labour in seasonal jobs. The income is further doubled if a pair of bullock is rented along with a cart to medium to large farmers.<sup>61</sup> Nonetheless the overall return on this investment is generally low due to inadequate effective demand arising from short duration need of medium to large farmers. Thus, the landless poor have found this activity rather risky and often ended up with extreme difficulty in returning their micro loans taken from their community groups.<sup>62</sup> This long-cycle, livestock development activity is more suitable for small to medium size farmers. Where the landless poor have pursued income earning opportunity from draught cattle and buffalo, they are generally the ones who have already established other income sources.

In certain areas especially in the Dry zone, project beneficiaries have preference for raising sheep and goat because cost of rearing of these livestock is low with negligible cost on cattle feed. Further the market for sheep and goat is generally good. But villagers must carry out measures to improve range lands with soil conservation measures because of the environmental deterioration that goat and sheep cause from grazing on lands. In the CDRT project areas, the HDI introduced and promoted a lot of cross breed to upgrade productivity and improved breeding stock.

Women of poor households in particular have pursued other livestock activities with support from the HDI projects. Popular among their preferred activities are duck and local chicken-raising. Households have found them easy to rear requiring no cost for feeding and having possibility of earning income stream in a short time. But infectious diseases require vaccination support and knowledge among the rearers. Access to micro credit from the SRG managed funds and the Microfinance project as well as technology and know-how support from Livestock Extension Workers (LEW) and animal health including vaccination support have constituted most critical inputs for livestock development. The impact of the HDI on livestock development can be summed as follows:

- Small holder and marginal farmers, and landless poor have had increased opportunity to diversify their income sources that have provided the critical supplementary income much needed for reducing their vulnerability to economic, environmental and health shocks.
- Women have increased access to income earning sources.
- Investments in piglet, sheep, goat, and duck and chicken-raising yield return in relatively shorter term. These are most effective sources of improving income of poorer households. Long-cycle livestock such as cattle and bullock for use as draught animal and farm transport service can yield return only in the longer term with the added disadvantage of inadequate effective demand. Such investments are thus not suitable for the marginal and landless poor who need shorter-period investment returns.

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<sup>60</sup> FAO (2003).

<sup>61</sup> FAO (2001).

<sup>62</sup> FAO (2001, 2003).

- Technical support from LEW and animal vaccination has been effective in substantially reducing mortality rates of the livestock. However, attempts to recover cost of these services by charging nominal fee to beneficiaries have not been successful.<sup>63</sup>
- Beneficiaries also received improved know-how for livestock development.
- Sanitary cattle houses, promoted by the HDI projects in some areas,<sup>64</sup> have provided particularly the marginal farmers and landless with access to raising their livestock which they otherwise would not be able to perform due to limited land area in their homesteads.
- Income derived by the marginal and landless poor from livestock development (as well as other sources of diversified income) has contributed to the easing of pressure on nearby forests as the poor now no longer have to depend on fuel wood sale from these forests. Widespread environmental awareness in HDI projects has also been critical to conservation of this environmental capital.

#### **6.4.2 Off Farm Rural Economic Activities**

For small farmers and most importantly for marginal farmers and landless poor, alternative off farm rural economic activities must be developed and exploited to reduce their poverty and vulnerability conditions. Access to off farm alternative livelihood opportunities is also critical to reducing the environmental and natural resource degradation in the rural areas as noted in section 6.2 above.

Beginning the early phase of the HDI sizeable investments have been made in providing target communities and poor households with access to training for skills development, micro-credit, small equipment and tools, and technical advice on product development and market opportunities - to assist them in engaging in small income generating activities including fishery especially in the Delta. The HDI did not however adopt an explicit strategy for off farm income generation. Interventions have generally responded to intuitive understanding of project management and field staff on the ground of the apparent opportunities available in the local, village economic environment. Nonetheless, on reflection a framework of HDI support for off farm income generation appears to have evolved. The emphasis has been on product development and improving production processes embedding improved technologies. HDI support has been focused on improving quality of products that the villagers had already been producing. These products are primarily based on locally available resources; mostly agro based. New agro-based products have also been introduced based on raw materials available in the villages. In pursuing this product development focus the HDI intervention strategy assumed that the improved and newly developed products would find their own markets in the local/village economic space. Demand for these products constituted final consumer demand of households in the target villages and to a lesser extent market opportunities in the nearby small urban centres at the township level. Some of the products also responded to demand created by agriculture, fishing and natural resources management activities.

Skills development and integration of improved but simple technologies in production processes assumed much of HDI support to off farm income generating activities. Depending on the availability of resources in the local environment villagers have been supported to engage in an entire range of products on a micro scale. These included mushroom production, bee keeping and honey production, orchid planting, coffee drying, food processing, crab and eel fattening, dried onion production, tailoring and knitting, bamboo craft making, budding and grafting, potato chip

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<sup>63</sup> FAO (2001).

<sup>64</sup> Especially in the Delta region.

making, hair dressing, sewing, mechanical repair, bicycle repair, and A-1 energy saving stove production.

In the earlier phases of the HDI, support was extended to income-generating groups and communities in the form of cash injection to revolving fund creation, small equipment and tools, and training. The assumption was that members of the community groups would access the revolving fund on credit basis for purchase of small equipment as well as to meet their small working capital needs. When equipment and material were made available by the HDI projects, it was assumed that the community members would pay back to the community “fund” in the form of user fee (equivalent to equipment lease rental fee). These interventions were not generally successful for a number of reasons. Firstly, most beneficiaries of income generating groups including women members (of WIGGs) had engaged in activities that were not precisely linked to the local market demand. Secondly, the products were not of the quality that met consumers’ choice and market demand even if these products had found their way to a nearby market in the township centres. Thirdly, most of the beneficiaries did not possess business management skills.<sup>65</sup> Fourthly, in some cases equipment and initial stock of raw materials that were provided by the HDI projects simply had no relationship with availability of raw materials locally in addition to local market demand. For instance, a field study conducted in 2004 reported that a candle making machine that was provided to a WIGG in Pindaya (southern Shan state) had been lying idle due to lack of raw material (i.e. wax). The same report documented that of all the equipment that were provided by the HDI project to FIGGs in Pindaya – including trailer jeep, forage cutter, wheat threshing machine, diesel engine and rice mills – only two of these were being used but not for income generation. The jeep was being used for village monastery construction and diesel engine for monastery electrification. All other equipment had been stored in a warehouse (FIGG office).<sup>66</sup> It may be risky to generalize the situation from these isolated examples, but such outcomes are not surprising given their weak intervention models (as stated above) including the demonstrated un-sustainability of the earlier generation of HDI supported income generating groups (see chapter 5: Community Institutions and Social Capital).

Those few beneficiaries who were successful had their innate entrepreneurial qualities and the products they chose for their micro to small business activities had high market demand. Further, they were able to mobilize their household members and market contacts to pursue marketing activities. For instance, dry onion making supported by the HDI in the Dry zone has been sustained because of good local market as well as good linkage with markets in Yangon. The above-mentioned 2004 field study in the Dry Zone reported that in one village (in Magway township) more than 100 women were still actively engaged in dry onion making (in dry season only though). Their businesses were not only profitable but had potential for further expansion and growth if they could only develop better packaging for their products and gain greater access to markets in Mandalay and other larger market centres. Shortfall in packaging quality and access to market are constraints that beneficiaries continue to face in the current phase of the HDI as well.

However, the HDI-IV has adopted a carefully designed strategy to ensure that target beneficiaries willing to engage in income generating activities are sufficiently aware of their capabilities and market constraints. Further assistance under the current HDI phase is targeted with greater precision and improved structural model. Two important elements of this model merits highlighting. Firstly, only SRG members have access to HDI supported income generating activities. This allows targeting the poor, focusing of assistance activities and monitoring of outcomes. Secondly, as applied intensively in the CDRT areas, SRG members proposing to engage in income generating activities with credit from their SRG common fund must be subject

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<sup>65</sup> As noted in the reports prepared by Kato, Masakatsu, Alfredo de Torres and Hugh Marshall (1998), and Nay Wun Paw (2004).

<sup>66</sup> Paw, Nay Wun (2004).

to review by the Participatory Technology Development Committee (PTDC). Members of this committee are made of up selected SRG members, other villagers having interest in developing their communities, and project field staff (e.g. community development facilitators and sectoral specialists). The committee evaluates a proposal of an SRG member and only successful proposals are entitled to receive funding from the SRG managed micro-credit and technical assistance of the HDI community development project. The outcome of these recent efforts has not yet been assessed through systematic field studies, although project field reports inform positively of impact of the ongoing income generating activities pursued through the SRGs. This can also be validated by the parallel efforts made by the poor who have accessed funding from the Myanmar Microfinance project. As noted in chapter 9: Microfinance, clients/beneficiaries engaged in non-farming based and micro-enterprise activities are indeed able to perform their businesses satisfactorily as also well reflected in the high repayment rates (almost 100 percent) of the loans they have taken from the programme. Nonetheless, a greater understanding of off farm economic activities including rural markets and potential for their development is needed in order to develop comprehensive strategies for development of off farm segment of the rural economy in Myanmar.

## **6.5 Access to Micro-credit**

Much of the on-farm and off-farm livelihood activities could not have been undertaken by the small and marginal farmers and landless poor if they did not have access to small finance made available by the HDI projects through two sources: (i) micro-credit operation by the SRGs which received substantial capital grant through their common fund; and (ii) institutionalized microfinance operation through the Myanmar MF project. SRG managed micro-credit operation is discussed in chapter 5 and the development impact and sustainability of the Myanmar MF is chapter 9.

## **7. Social Development**

### **7.1 Basic Education**

Education represents a significant part of life to the Myanmar people as much as it does anywhere else around the world. The overall literacy rate of the Myanmar people is relatively high. Ninety two percent of the population aged 15 and above have the ability to read and write with an understanding of short simple sentences about one's everyday life<sup>67</sup>. The adult male population has a higher literacy rate (95 percent) than the adult female population (84 percent). Although Myanmar's overall literacy rate is high, a large percentage of the village population lacks functional literacy that provides for life skills and occupational competence. In HDI townships, poverty related factors create great difficulty in access to schooling among poor families. Children from these families are unable to attend school simply because their families can not afford the expenses – school fee, cost of textbooks and uniform. Some families believe that sending their children to school incurs high social and economic costs. Children, especially girls, are often needed for farm work and household chores, such as fetching water or looking after young brothers and sisters. The remote infrastructure of the villages and lack of transport create further difficulties in access to schools and thus deter many families from sending their children to school.

The rapid expansion of primary schools by the government in the past was not accompanied by sufficient quality investment. Government administered primary and secondary schools suffer from shortage of qualified teachers, inadequate funds and facilities for in-service teacher training, deteriorating and/or depleted school infrastructure, and acute shortage in supply of educational materials. Poor communities and families in the villages find it extremely difficult to meet the costs of basic education as well as secondary education.<sup>68</sup>

#### **7.1.1 HDI Strategy for Educational Development**

The main purpose of HDI educational development is to increase the educational and learning attainment of the targeted communities. While concentration of each HDI phase on implementation activities has varied, the HDI strategy for educational development may be examined in four components: (i) increasing access to basic and primary education, (ii) improving quality of basic and primary education, (iii) promoting education beyond basic and primary education, and (iv) strengthening community participation for effectiveness and sustainability. In this section the achievements and impact of HDI projects are assessed with respect to these four components that are derived from the project's aims and objectives<sup>69</sup>.

#### **7.1.2 Increasing Access to Basic and Primary Education**

Access to basic and primary education encompasses the following features: better schooling environment, easy transit to school and affordability, especially among the poor, for schooling. During the planning stage for village development, renovation and construction of schools were given top priority. HDI believes this is a predominant factor in increasing access of children to primary education. Insufficient space and shelter, earth floors and an environment that is not conducive to learning or concentration are factors that hinder morale and enthusiasm among children and negatively affect regular school attendance<sup>70</sup>.

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<sup>67</sup> DPH/UNICEF Multiple Indicator Cluster Survey (2003).

<sup>68</sup> CDRT Annual Report (2005).

<sup>69</sup> During HDI-IV, ICDP project and CDRT project have focused their educational development only on increasing access to basic and primary education within their limited project capacity.

<sup>70</sup> The Independent Assessment Mission Report of HDI, 2005 alluded to the impact of school infrastructure on educational development.

HDI projects have increased access to education by improving the existing school buildings and by helping communities construct new school buildings. Eighty percent of the schools under HDI programme support received assistance for improving their infrastructure – renovation, extension, construction, simple school furniture, and water and sanitation facilities. In some villages, HDI projects have supported construction of village footpaths to help school children reach their schools. Early Childhood Care and Development (ECCD) services have been implemented in order to provide school-aged children, presently not in school, with an opportunity to turn to schools and to reduce school dropouts. This service has also helped mothers gain more working hours in income earning and productive activities and release children from spending time doing housework or farm work as well as looking after their younger siblings.

HDI projects have provided financial support for the provision of exercise books, textbooks and other stationeries, especially for poor students. A textbook library arrangement has been introduced in some primary school clusters in order for school children have access to textbooks. Where there were insufficient numbers of children to warrant a school on its own, HDI projects have helped communities develop a non-formal primary education programme with a locally funded small school. HDI projects have provided training for selected community members on basic literacy, teaching aids and financial support so these community members could in turn conduct community literacy classes in the villages.

According to UNESCO's Evaluation Report (2001)<sup>71</sup> that assessed outcome of education development support in the earlier phases of the HDI, project townships have reported a primary school admission rate approaching universal access to primary education. Regarding school participation in HDI townships, gross and net enrolment rates appear to be increasing. The gross enrolment rates for the poorest families were higher in the HDI townships while net enrolment rates were comparable in HDI and outside areas. The Evaluation Report also points at increases in enrolment and regular attendance after the schools were renovated in the project townships. Families from the project area spent 80 percent less on basic learning materials, and 18 percent less on textbooks. This indicates that project inputs alleviated the costs of education for poorest families encouraging their children to be sent for schooling.

One important factor that may account for the higher rates of both gross and net enrolment is the introduction of the SRG approach that involves participation of poor families. Poor members of SRGs have affordable emergency access to credits when they need money for their children's education. A member who is less enthusiastic about sending her children to school is also encouraged by peer members to send her children to school. In income generating activities, seed money was used by parents to set up small businesses of which at least 80 percent made profit. The rate of return reached 22 percent on the capital invested. Profits were used mainly for meeting part of the cost of schooling for children of poor families who could not otherwise enrol.

### **7.1.3 Improving Quality of Basic and Primary Education**

The HDI projects have advanced the quality of education in various ways. The first and most important intervention involved teacher training. Improving the quality of teaching and learning has been achieved through a series of training and capacity building exercises. The project has trained teachers with a student-centred approach, which has involved children more in the process of learning and increases motivation to attend school. A total number of 20,478 teachers have been trained. In its early phases, HDI coordinated with UNICEF's Continuous Assessment Programme (CAP) to ensure that the approaches in improving quality of education were compatible and complementary.

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<sup>71</sup> Impact Evaluation of the Human Development Initiative Education Activities in Myanmar, UNESCO, Bangkok, 2001



The second set of interventions involved provision of curriculum teaching guides and support materials (such as teaching aids, posters and games) that assist teachers in using better teaching methods. The HDI projects have also increased the relevance of the curriculum to children in poor rural schools. Two approaches have been used: (i) In the previous phase, HDI prepared twenty modules on high-relevance life skills and 20 modules on environmental education, which were distributed and sent to 2456 primary schools (such activities are no longer practiced in HDI-IV though); and (ii) As part of co-curricular activities HDI projects have provided financial and technical support for environmental awareness raising sessions/competitions and school health corners, health knowledge and hygiene competitions.

As a third strategy, the projects have initiated development of school clusters of 5 to 7 schools in which schools and teachers work more closely together, support one another, share resources and ideas and provide a base for more effective support and supervision. 362 school clusters have been established. The clusters continue to be used as sites for training, reinforcement and professional contact.

There is evidence that the quality of education is improving more rapidly in HDI schools. Many HDI area teachers believe that annual scores of students have improved over the last several years. Parents claim positive behavioural changes have occurred among children in HDI schools as a result of new teaching methods introduced by the HDI. Their children have spoken about health messages coming from their teachers and have put this advice into practice. Isolation and limited opportunities for professional contact and reinforcement were seen as problems leading to low morale and absenteeism among rural teachers. The school clusters approach has supported teachers, reduced their isolation and reinforced the introduction of new teaching methods on a peer basis. They confirmed the view that school clusters encourage cooperation among teachers, providing them with more opportunities to exchange experiences.

But a major problem in Myanmar is the high drop-out in primary education. Field reports informed that repetition rates have been decreasing and promotion rates increasing rapidly both inside and outside the HDI area, mainly as a consequence of the adoption of Government's continuing assessment system. However, 20 percent of the pupils are still dropping-out before the end of primary education.<sup>72</sup> The high drop out rate that reduces the internal efficiency of education are largely due to non-school factors such as poverty, migration and absenteeism for seasonal work.

#### **7.1.4 Promoting Continuing Education and Learning**

The HDI projects in the earlier phase created 71 community learning centres (CLCs) as local institutions outside the formal education system in order to provide various learning opportunities for community development and improve people's quality of life. CLCs provided access to basic literacy and numeracy skills and continuing opportunity for community learning for out-of-school children aged 10-14 (both children who have never been enrolled in 'a formal' school and those who dropped out before completing primary education level) and women and men<sup>73</sup>. HDI projects in the earlier phases (i.e. prior to HDI-IV) offered short training courses for youths and adults in life skills and income-generating skills, and provided them with information materials to reinforce these courses at those centres. In addition, mobile school libraries were set up on a school cluster basis to provide primary school children with continuing co-curricular reading and learning opportunities.

Community learning centres played an important role for access to non-formal education. Basic and post-literacy programmes reached illiterate and newly literate persons. Women's participation and high completion rates were particularly noticeable; they represented three-

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<sup>72</sup> The Human Development Initiative (HDI-III) Education Project Terminal Report, UNESCO, 2002.

<sup>73</sup> Evaluation Study on Non-Formal Education in 11 HDI Project Townships by ENVIPRO Co. Ltd., 2004, Yangon

quarters of the learners. The formation of SRGs increased demand for adult education programmes. As approximately 68 percent of the households were SRG members in the Community Development for Remote Township Project (CDRT); most were poor, illiterate and female<sup>74</sup>. Participation in CLCs increased confidence among learners to deal with each other and outsiders; it also improved collaboration and understanding among community members and contributed breaking a physical and mental isolation.

Higher rates of literacy can be attributed to effective management of CLCs for provision of continuing learning opportunities for the communities. As mentioned above, CLCs have not been promoted in HDI-IV. With the absence of HDI projects' facilitation, the functions of CLCs have become vague and in some cases completely stopped. Enhancing basic literacy will not be sufficient without providing the communities with further learning opportunities. With more than ten years of effort from HDI in wiping out illiteracy, the management mechanism for providing continued learning opportunities needs to be considered in order to strengthen the linkage between education and sustainable livelihood of the communities.

### **7.1.5 Strengthening Community Capacity and Participation**

HDI projects have taken the initiative to involve local people in their education programme. The community holds discussions in which the educational infrastructure needs are identified and planned. These are built by the communities themselves, not by a contractor or project staff. The community makes contributions in the form of cash, material, labour, transport and management. Community contributions have varied from 11 percent to 35 percent of the total cost of a construction scheme. Although the following initiatives were not found in HDI-IV phase, previous education projects trained artisans and community representatives who acted as construction manager, site supervisor, treasurer or stock keeper. This contributed to a high degree of ownership by the communities as reflected in the maintenance of the premises. The previous projects also held a wide range of training and workshops (on small business planning and management, bookkeeping, marketing, etc.) for the community.

As mentioned in chapter 5: Community Institutions and Social Capital, Parents and Teachers Associations are essential to community participation in the functioning of primary school systems. Through various training activities, HDI projects have contributed to strengthening all actors of the education mission at community level including PTA members, community members, community leaders, and ECCD care-givers. The length of training ranges from one day to two weeks. In previous HDI phases, the education projects assisted primary schools, CLCs and ECCDs with funds for income generation to help the children of the poorest households increase their school attendance as well as improve teaching quality.

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<sup>74</sup> HDI Community Development for Remote Townships Project Terminal Report, 2002.

## **7.2 Basic Health**

Health status of the Myanmar people reflects their extreme poverty condition. Lack of adequate knowledge of health, nutrition and hygiene combined with severely constrained health support facilities in the rural areas and low purchasing capacity of the rural population largely account for the acute problems of health and nutrition status of the rural poor. Average life expectancy at birth of the Myanmar people is 60 years; infant mortality and under five mortality rates are 76 and 107 per thousand live births, respectively.<sup>75</sup> Dysentery, diarrhoea and other water-borne diseases acutely affect children in the rural areas, primarily due to lack of adequate access to improved water sources and sanitation. An estimated 75 percent of the rural population have access to safe drinking water supply; 66 percent have access to improved latrines. Besides these water borne diseases, malaria, trachoma, malnutrition and childhood diseases affect mortality rates of the rural population. HIV/AIDS in Myanmar is alarmingly high. With the assistance of UNICEF, UNFPA and a number of international NGOs, the Department of Health has a country-wide public health programme. Nonetheless, acute shortfall in financial resources and lack of adequate technical and management capacity at the national and sub-national levels have constrained the delivery of health services in the rural areas.

### **7.2.1 HDI Strategy for Improving Basic Health Services in the Rural Areas**

The HDI strategy for basic health is centred on people and the communities they live in -- to build their capacity to acquire knowledge of health, nutrition, hygiene and health measures they must adopt for maintaining a healthy life. The emphasis is on:

- (a) increasing capacity of communities to be aware of their health problems and basics of prevention measures;
- (b) utilizing the strength and cohesiveness of community groups (SRGs and various village committees) to share and acquire knowledge of health issues, preventative health care including child and maternity health, and to manage essential drugs for equitable distribution among the community member households with cost-recovery measures;
- (c) providing funding to village community organizations and implementation committees to construct and renovate rural health centres, water and sanitation facilities, small village level infrastructures to improve access to these facilities and to enable access by community health workers to village communities and households (for home care support);
- (d) awareness and prevention of HIV infection and capacity of communities to support people living with HIV/AIDS with home-based counselling by village health workers; and
- (e) developing a corps of multidisciplinary community activities, non-physician health workers and community agents for extending basic health services through the village health centres as well as for strengthening social participation in health, nutrition, water and sanitation.

In providing grants for improving health infrastructures including construction and renovation of health facilities, water and sanitation schemes, the HDI has placed emphasis on village communities to mobilize local resources through their own initiatives to provide for the cost-sharing of resources needed for implementation of these activities/facilities. Generally, communities have provided 20 to 30 percent of the cost of a scheme, and the large part financed by the two HDI community development projects. These health, water supply and sanitation schemes and facilities have been identified and prioritized by the village communities themselves

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<sup>75</sup> Human Development Report 2005, UNDP, New York.

and appropriate mechanisms have been established for their operation and maintenance – which are requirements for community ownership and sustainability of these facilities.

### **7.2.2 Capacity of Basic Health Service Providers at the Village Level**

Building up an extensive corps of basic health service providers has been the single most capacity building outcome of the HDI at the village level. Since its inception in 1994, the HDI has emphasized the creation of technology base at the village level through training of a large number of graduates and diploma holders in basic health services – both preventative and curative – and participatory processes that are critical to extend counselling in basic health to the village population. Literate village based voluntary health workers – auxiliary midwife, community health worker and traditional birth attendant – have established capacity at the village level to give immunizations, track child and maternal health status, diagnose communicable and water borne diseases, explain villagers the use of oral re-hydration, prescribe anti-malarial medicines, distribute and explain the use of anti-malarial bed nets, build awareness among villagers for prevention and control of HIV/AIDS, counsel people living with HIV/AIDS, and imbibe attitudinal changes needed for personal hygiene and living a healthy lifestyle. Such technology and knowledge capacity established in over 4,500 villages has proved highly cost-effective in outreaching basic health services, health education and counselling to more than 1.7 million people living in these villages. This extensive human resource and technology capacity is critical for effective utilization of an entire range of basic health services and facilities established at the village level – not only those supported by the HDI but also those financed and supported by the government and other international development agencies having rural health programmes in the country.

### **7.2.3 Primary Health Care Services and Facilities**

Using PRA, the HDI projects have encouraged village communities to identify their health problems, prioritize need for basic health care services and access to enhanced services that are usually provided at rural health centres. Implementation committees formed by the village communities have been used for implementing priority construction and renovation of sub-health centres, rural health centres, health and development centres, delivery rooms, and establishment of school health centres. As noted above, typically communities met 20 to 30 percent of the total cost of these HDI supported projects. Community health centres are now instrumental in promoting health delivery system and in carrying out innovative activities such as self-care at home integrated with drinking water and sanitation schemes. By introducing the concept of school health corners, children have received health education. The HDI promoted family self-care at home by training one female member from each household on community health services and health education.

Community health workers educated SRG members in family planning, reproductive health, and on mother and child health and family welfare issues. They supported pre-and post-natal care for women and educated mothers on approaches to and methods for preventing malnutrition; and for adopting preventative and curative measures for communicable diseases and common illness. SRGs have also been trained to manage community cost-sharing drugs scheme. Under this scheme the community development projects have provided up to 85 items of essential drugs and contraceptives with mechanisms set out for the community organizations to manage the drugs in a sustainable manner. The HDI introduced community based patient referral mechanism by procuring small tractors, boats and bullock carts for the village communities, which operated and maintained these inputs.

### **7.2.4 Water and Sanitation**

Increased access to safe drinking water and affordable sanitation comprised a key dimension of HDI's support for basic health. Through formation of village based water and sanitation (watsan) committees, villagers have effectively participated in identifying needs, approaches to accessing

water and sanitation facilities, implementing community-managed water schemes, and organizing operation and maintenance of these facilities with funds mobilized by the communities themselves. Water schemes included dug well, ground water tank, mini dam, pump house, gravity supply system, rain water harvesting, shallow tube well, and ponds with proper fencing to prevent cattle from contaminating the water. Communities have been coached to identify water schemes suitable to the local geo-physical and climatic conditions. Thus, the projects supported watsan communities in constructing gravity water supply systems in Shan, Chin and Kachin states; deep tube well, shallow tube well and hand dug well in Dry zone and Rakhine state; and ponds and water harvesting in the Delta. Construction of rain water collection tank has been promoted in all HDI covered areas. HDI support for improved water and sanitation covered more than 62 percent of the villages with outreach of services to 70 percent of the resident population in the project areas.

Improved sanitation coverage has been done through construction of fly proof latrines at schools, community places, monasteries, health centres, and at household level. All sanitary installations have been undertaken as demonstration model with supportive training of watsan committee members. Combined with hygiene awareness and environmental sanitation campaign, the HDI community development projects have successfully brought about behavioural change responses among villagers on personal hygiene and proper use of sanitation.

The effects and impact of increased access to improved water and sanitation have been documented by the beneficiaries in a number of participatory monitoring and evaluation exercises conducted through group discussions involving men, women and children (in combined group discussions as well as separate group discussions).<sup>76</sup> These studies have recorded that the incidence of water borne related sickness in the beneficiary villages has been reduced substantially due to increased access to safe drinking water. Women and children now spend considerably less time on fetching water as they no longer have to travel to distantly located water points. The time saved ranges from one to four hours per day depending upon the villages. Time saved on traditional mode of water collection has enabled women to engage in other productive activities, such as livestock-raising and vegetable growing in the homestead gardens. In certain villages, their daily income increased in the range of 100 to 400 Kyats due to saving time in fetching water. Children have more time to devote to their educational activities. The Impact Study reported that as a result of increased access to improved water supply, sanitation and hygiene practices as well as improved footpaths and footbridges, children appeared healthy in school and their attendance at class improved significantly. Women groups have confirmed that access to improved sanitation in their villages have given them additional comfort, security, and relief from worry and tension at personal level. Further women find that they no longer need to worry and take care of their children and elders' sanitation needs and safety additionally supported by newly constructed footpaths and footbridges with HDI support. With improved hygiene practices women, children and youth have benefited from a decrease in workload, enabling them to have more time for recreation and community activities. Households benefiting from safe drinking water have confirmed that their expenditure on health care has declined.

Behavioural change responses to increased hygiene has had some costs, which can however be considered as investment in health and social development. Improved hygiene practices have entailed increased expenses on soap and overall increase in household budget. Nonetheless, these are seen as positive impact on their lifestyle and overall improvement in living conditions in their villages.<sup>77</sup>

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<sup>76</sup> Such as the Impact Study Report of Community water supply and sanitation project (MYA/90/002), 2002; ongoing monitoring exercises managed by CDRT and ICDP project field staff. Similar feedback has been provided by beneficiaries in the CDRT project areas; see Annual Report, 2005, Community development for remote township (CDRT) project (MYA/01/002), Dec. 2005.

<sup>77</sup> Impact Study Report of Community water supply and sanitation project (MYA/90/002), 2002.

### **7.2.5 Impact on Health Status of the Village Population**

The ultimate impact of the HDI intervention in basic health must be measured by the improvement in the health status of the target population. As noted above, the interventions in the areas of community based primary health care and water and sanitation have resulted in improvements in health status of the population in the target villages, generated attitudinal and behavioural change responses to improved hygiene and health care, and reduced incidences of malaria, water borne and infectious diseases among the village population in HDI project areas. Admittedly, it is somewhat early to measure the impact of the HDI in terms of an overall reduction in mortality and life expectancy. It is also true that it is not possible to single out the impact of individual HDI project activities because most of the HDI covered villages have had benefits of health care services of other service providers including government programme support and assistance activities of other international development partners such as UNICEF, UNFPA and a number of international NGOs. These complementary support programmes are nonetheless critical to bringing about overall improvements in the health status of the village population. It further validates the importance of coordinated and planned strategy for intervention support of development partners. Complementary assistance has indeed had a significant impact upon maternal and child health. For instance, infant and maternal mortality rates have been reduced as per national goal. Morbidity and mortality due to tuberculosis has been reduced in most HDI project areas. Medical records from village health centres show that maternal mortality in a number of HDI project areas decreased by 50 percent due to timely abortion. A more systematic study of changes in health status in HDI supported villages will provide better information on the impact of the programme.

### **7.2.6 HIV/AIDS Prevention and Support**

Myanmar stands on the brink of what may be one of the most serious epidemics in the region. In 2005 an estimated 360,000 people were living with HIV/AIDS and national adult prevalence stood at 1.3 percent. Recent efforts by government and international agencies have had the effect of a reduction in the national HIV prevalence among pregnant women from 2.2 percent in 2000 to 1.8 percent in 2005.

In the HDI programme areas, UNDP, UNICEF and NGOs/CBOs extended cooperation and support to the national programme on HIV/AIDS organized under the administration of the Ministry of Health. The extensive technology base created by the HDI at the village level through provision of trained AMWs, CHWs and TBAs and community development workers, has provided effective grassroots capacity to undertake community health educational activities in the HDI target villages. These trained community level workers with basic health functional expertise have extended family planning and HIV/AIDS awareness and counselling. Alongside they have distributed condoms and other low-cost contraceptives with the critical knowledge needed for effective impact of the family planning programme activities. Where needed, as in Chin state for instance, local service providers and international NGOs (such as PSI) have been engaged in providing additional technical and management services for promotion and social marketing of condoms together with behavioural change communication sessions with the target population and had formed strong linkages with the project and the other groups within the target areas.<sup>78</sup> The HDI supported HIV/AIDS project and UNICEF together cooperated with NGOs and CBOs for development of HIV/AIDS information, education and communication (IEC) materials, translated into ethnic languages, easily understood by the village population.

The HDI trained community health workers provided self-care at home covering at least one family member from each household on the various components of health including family planning and HIV/AIDS education. This outreach service has played a pivotal role in raising awareness of HIV/AIDS among the family members and communities in the target areas.

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<sup>78</sup> Annual Report, HIV/AIDS Prevention and Care Project (MYA/01/003), Dec. 2005

Since early 2005 the HDI HIV/AIDS programme sharpened its strategy of anchoring its support to communities by linking operationally with the HDI community development projects (CDRT and ICDP projects). This new strategy utilizes the community strength offered by the SRGs to disseminate information and educate the community members about HIV and ways to prevent infection. The programme has thus far trained a total of 281 SRG members in all the CDRT project areas who in turn could reach approximately 15,000 villagers. A total of six ICDP health educators have been trained so far; they in turn have trained other ICDP field health workers. In addition to these trainings a total of 325 community development workers have been trained to enable mainstreaming of HIV into community development work<sup>79</sup>. These targeted activities are expected to develop the capacity of the community development workers to better design interventions aimed at building awareness among the most vulnerable of the ethnic and tribal minority groups who tend to inhabit in the more remote border areas where the incidence of HIV/AIDS has become a major concern. Increased access to information, skills and means of prevention, health services and economic resources are expected to have the desired impact of reducing the incidence of HIV/AIDS in these remote border areas and those living with HIV/AIDS would have counselling and health care support from the HDI projects.

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<sup>79</sup> Report of the Independent Assessment Mission of the Human Development Initiative Myanmar, May 2006

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## **7.3 Gender Development**

Myanmar culture, generally, does not manifest gender discrimination. Men and women, husbands and wives appear to relate in a harmonious manner in their daily lives. However, certain dimensions of gender inequality and inequity exist. The HDI promoted gender development by integrating relevant gender issues in project formulation, implementation, and monitoring and evaluation. The outcome of such efforts can be identified in three areas: (a) gender awareness, equality and equity, (b) women empowerment, and (c) social capital formation.

### **7.3.1 Gender Awareness, Equality and Equity**

The projects under the HDI programme have fully integrated gender awareness, equality and equity into all of their interventions. The projects cover food security and income generation, health and education, HIV/AIDS and environmental conservation. In order to effectively integrate gender development into project interventions, the awareness and commitment of project staff are imperative. Thus from the beginning, project staff have been introduced to the concept of gender integration. PRA tools relating to gender analysis have been included in their induction training modules. With the use of the PRA tools together with specific participatory planning methodology, issues of gender awareness, sensitivity, inequality and equity have been consciously stressed during planning and decision-making, implementation and monitoring processes of project activities. The village-wise PRA process provides equal participation of men and women in project activities and examines gender perspectives separately before deciding on the Community Action Plans (CAP) for ICDP and CDRT projects. Although it takes time to change gender relations culturally, the communities have at least been informed about the importance of improving gender relations because of its impact on their families' economic and social development.

In addition to gender awareness and sensitization, all the HDI-IV projects have encouraged communities to promote equitable and equal participation of women and men, boys and girls in areas such as skill development, social mobilization and building community strength. The ICDP and CDRT projects have empowered SRGs to manage project resources aimed at promoting activities that enhance women's contribution to family income. Other projects such as community-based water and sanitation, early child care and development, provision of rural energy saving technology, reproductive health education and practices, women vocational training and HIV/AIDS have addressed gender issues as relevant.

Knowledge of health issues and education opportunities promoted by the HDI projects has had noticeable impact on gender development. Acquisition of enhanced knowledge of health issues by women is particularly important as women assume primary responsibility for family health. Self-care training at home has helped women's status in families by giving them an extensive family health care knowledge, helping them gain respect from their husbands. Less time spent on caring for sick children also increases women's availability in carrying out income-generating activities. Some SRG women members have become activists and helped to organize efforts (with UNDP) to install fly-proof latrines, clean drinking water systems, and improved hygiene.<sup>80</sup>

Women in Myanmar are more susceptible to HIV/AIDS infection. Myanmar girls and women are expected to remain ignorant, passive, subordinate and faithful in sexual relations while simultaneously promoting the notion that men ought to be knowledgeable and experienced. This may prevent both sexes from accessing preventative or curative services. In turn, it may increase gender inequalities whereby women are accused of being responsible for the transmission of HIV and are to be blamed. For example, in the northern state of Kachin, the men blame female sex workers as the source of HIV infection. A gap in gender relations still exists between husbands

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<sup>80</sup> Smith, Reid (2006).



and wives in regards to prevention of HIV/AIDS. Many housewives in Myanmar will not insist on their husbands to use condoms. Such gender inequalities underlie the spread of HIV in Myanmar, especially in remote, rural communities.

The HIV/AIDS Preventions and Support project under the HDI has assisted communities by developing gender-specific communication materials, education programmes and strategies, enhancing capacity of care and support volunteers, and facilitating policy advocacy. One section of the education programme is devoted to the discussion of vulnerability factors, particularly that of poverty, cultural and sexual norms, that help women groups to find solutions in reducing the vulnerability of girls and women in rural communities. The project has also designed a similar programme for males that analyzes vulnerability factors such as long-distance employment, migration, and cultural and sexual norms. The HIV/AIDS project responses to gender-specific needs are expected to increase as activities are increasingly integrated with the community development projects under the current phase of the HDI.

### 7.3.2 Women Empowerment and Change in Gender Relations

As mentioned in chapter 5: Village Community Institutions, Self Reliance Groups and Micro-finance groups are prominent instruments of women empowerment in economic and social domains. Even though the groups are mobilized with different ultimate objectives, they are mostly women groups supporting the development of household livelihoods based on credit and savings<sup>81</sup> and family social development needs.

ICDP and CDRT project field reports, gender study and a number of IAM reports indicate that SRGs and micro-finance programmes have achieved a more equal contribution of men and women to household incomes. This outcome has improved household food security, education and health status as elaborated in relevant chapters and sections of this Report. In Myanmar rural setting, men's incomes are not enough to cover their household expenditures. A recent gender impact study of SRGs<sup>82</sup> pointed out that the insufficient daily wages of husbands to provide basic needs of their family is a source of household conflict. SRGs have contributed to expansion of rural women's knowledge and skills in both social and livelihoods development resulting in increased women's self-esteem and negotiation power.<sup>83</sup> With reference to a change in gender relations of SRG the Report noted that:

*".....In the most extreme cases of pre-SRG husband-dominated decision-making, women now are able to participate in conversations with their husbands in advance of decisions being taken (by him). Most women who had an advisory role before they joined an SRG report having the authority to make some decisions - nearly always in consultation with their husbands. Many more men are pleased that their wives now possess sufficient knowledge, skills, and confidence to advise, assist, and, in several cases, lead. An increased role in decision-making for women in SRGs is linked by men and women to increases in self-esteem, self-confidence, and social status."*

Field observations and monitoring reports on the Microfinance groups have also noted a similar change in gender relations, although a detailed study will be needed to reach a conclusive understanding of gender development in microfinance groups. Differential approach and

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<sup>81</sup> SRGs received various types of capacity building training from the projects. These training included non-formal literacy and numeracy training, SRG concept and methodology training, record keeping and common fund management training, many types of technical activists in the areas of health, water and sanitation, agriculture, animal husbandry, and many other types of income generating skills training. However, Micro-finance Groups received only micro-financing training.

<sup>82</sup> Smith, Reid (2006).

<sup>83</sup> In understanding the change of gender relations, one should be very careful to the vested Myanmar culture of mutual respect and harmonized way of relations between husband and wife of a Myanmar household.

methodology adopted for SRGs and Microfinance groups is likely to generate different impact of gender relations within these two groups.<sup>84</sup>

Over the course of SRGs' maturity, their respective community members have increasingly recognized the efforts of these groups. HDI project reports and IAM reports consistently documented positive attitude of village leaders, elderly persons, and influential village people towards the SRGs; their effective role in the communities. Most women have gained confidence from their SRG experience and are now proud of their ability to speak up and speak well. Among women who have taken leadership role in the SRG, a great number have become important contributors in village meetings.<sup>85</sup>

### 7.3.3 Social Capital Formation

Initial studies and reports have highlighted the positive impact of HDI projects, especially those of ICDP and CDRT, on social capital formation. Women in high functioning SRGs have experienced the most important changes in gender relations stemming from SRG membership. In villages with multiple SRGs, the exchange of knowledge and encouragement to women across groups has broadened their social networks.<sup>86</sup> Having a place to share stories and experiences with other women also produces a sense of belonging and makes women less likely to feel alone and powerless in shaping their lives. One aspect of life that frequently gets overlooked in evaluating community development programmes is the self-generating reward of having fun in a group that has been realized by women in the SRG meetings.<sup>87</sup> However, there is still a need to learn more on the impact of social capital formation among women as well as changes in gender relations both at household and community levels.

In conclusion, although the projects under HDI programme in Myanmar have fully integrated gender development through awareness, promotion of equity and equality and increase in women's economic and social empowerment into all of their project interventions, there are still some issues that need to be addressed to further enhance gender equity and equality at the programme level. A recent field study<sup>88</sup> has pointed out that community-wide gender norm changes depend on the relations between SRGs themselves and men, in particular men in positions of authority. Some men are still sceptical about SRGs. Men who privately support their wives' SRG activities are not comfortable talking with other men about modifications in household work arrangements they have made with their wives. Such attitudinal change should be expected to occur over time as the men experiences change and improvements in their household/family welfare resulting from their female household member's participation in the SRGs. These and many other challenges of gender development must assume an important dimension of development interventions of UNDP and other development agencies having assistance programmes in Myanmar.

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<sup>84</sup> SRGs' credit operations are flexible and they are managed entirely as per rules and methods agreed to by their members. In contrast, the Microfinance client groups, which are considerably smaller than SRG, are subject to the policies, rules and regulations set forth by the Microfinance project (operating as a bank).

<sup>85</sup> Smith, Reid (2006).

<sup>86</sup> As reported in IAM reports of 2003 and 2004.

<sup>87</sup> Smith, Reid (2006).

<sup>88</sup> Smith, Reid (2006).

## **8. Village Infrastructures**

Small scale village infrastructures can make a significant contribution to farming activities, off farm rural economic activities, market access for rural produce, access to health and education facilities and services, and community development activities. Hundreds of HDI field staff working in over 5,400 villages in 57 townships of the country have much to say about the difficulties they have in accessing their project target areas and villages communities, and how critical it is for villagers to have village roads, foot paths and food bridges in their villages, transport services, boat landing sites, small scale power generation facilities, community centres, and other small physical infrastructures that can be built with relatively small resources from assistance providers and of course the government.

Although there isn't much scope within the HDI programme mandate to provide financial and material support for the extensive range of small village infrastructures that are much needed in the HDI project areas, the little that has been done by the HDI has been pursued with a focused strategy on linking them to critical socio-economic activities of the village population. More importantly, it is the community development approach that has been highly effective. Villagers have been prompted and assisted by the HDI community development projects to identify, plan and organize implementation of the most critical small scale physical infrastructures that they believed would contribute to their sustainable livelihood efforts undertaken through economic and social development activities. The communities themselves have thought through their projects and received technical assistance from the HDI community development project staff for technical design and implementation support. The communities involved have provided on average 20 to 30 percent of the funding requirement in cash and in-kind. The remainder has been provided by the HDI projects. When project cost tended to have increased during implementation the additional resource requirement has been provided invariably by the communities. This is a demonstration of their sense of ownership of projects that they believe are of importance to their village communities. The communities themselves organized time-bound tasks for project implementation committees for a specific project. These committees organised sub-contracting and mobilization of labour for implementing project activities. In this way, they assumed full responsibility for each project while ensuring social and economic return of their own investment as well as those provided by the HDI projects.

The HDI supported village infrastructure projects consist of two broad categories. One relates to those infrastructure activities that are closely linked to the villagers' daily livelihoods and social life. Infrastructures of this category include primary schools, rural health facilities, water supply structures and small-scale irrigation works. The impact of investments in these infrastructures is analyzed in chapters on Education (chapter 7.1), Health including water and sanitation (chapter 7.2), and Agriculture (section 6.3.1 of chapter 6). The other infrastructures that received support of the HDI projects are small physical structures at the village community level that support the villagers in their socio-economic development efforts. These include footpath, footbridge, small bridge and jetty, culvert, village electrification, hazard reduction facilities (such as flood and fire), village resource centre, village health development centre, and repair and improvement of existing village infrastructures. As noted above, the HDI projects ensured that these projects were identified, implemented and maintained by the communities themselves.

### **8.1 Participatory Community Infrastructure Development**

HDI project activities have been pursued through self-help initiative of the beneficiary village communities. Each project implementation has been managed by the communities as they took all contractual and implementation responsibility. Projects selected assured of (a) high standard and quality, (b) low cost without sacrificing quality, (d) technology and design that required low operation and maintenance cost, and (e) capacity to generate fees through user-charges managed by the communities themselves so that there would be resources for maintenance and repair of the facilities.

As note above, the HDI support for each project has required concomitant cash and in-kind contribution of the communities. For some projects community's contribution to the budgets has been as high as 60 percent.<sup>89</sup>

The HDI projects have provided hands-on training on a project work. Additionally more organized forms of training have been provided to community members with a focus on skills development related to management, implementation, operation and management of a specific project. The effectiveness of these capacity building efforts is seen in the ability of the beneficiary communities to operate and maintain these projects successfully.<sup>90</sup>

## **8.2 Contribution of Small Infrastructures to Village Development**

Between 1994 and 2005, the HDI projects have supported and financed implementation of more than 1,900 community infrastructure schemes. Implementation and installation of these small project schemes appear to have varied according to the priority requirement of the village communities as well as the suitability of projects in the regions covered by the HDI. For example, footbridges, jetties and footpaths play a vital role in the daily life of the villagers in the Delta. The HDI projects responded to the needs of the communities for these low-cost schemes. In the Dry zone and southern Shan state the communities placed high priority to some projects which could not be supported by the HDI as these proposals are outside the scope of the HDI support programme. For example, in the Dry zone a large number of communities had expressed their need for feeder road which could not be supported by the HDI. In Shan state the HDI recognized the potential of small hydro-electric generation but could not respond to the needs of the communities because the budgets for such projects are above the ceiling established for HDI supported micro-scale projects.

Nonetheless those smaller infrastructure schemes/projects that have been supported by the HDI have made important contribution to the quality of life, impacting on many facets of rural poverty. Most of these benefits are apparent even in the short-term such as the immediate benefits derived by the villagers from completion of a footpath, footbridge, culvert, etc. A small bridge and footpath invariably linked communities/households to one or more of these facilities - village pond, tube well, water source, school and health centre. These infrastructures have helped villagers especially women, children and older people in having easier access to these economic and social facilities. They are now able to save time on having easier and quicker access to these facilities, and this has particularly given them opportunity to pursue other important activities (e.g. women have more time to look after their children and other household matters as well as to engage in income-earning homestead gardening activities). Jetties in the Delta have provided villagers with easier access to the market places and have contributed to reducing transaction and handling costs of their merchandise<sup>91</sup>. The community resource centres constructed in many villages are now providing social services through their multi-purpose use by the village communities – such as for village consultation meeting, training, learning, IEC exhibition and social networking. The centres have improved access to social gathering and community learning, breaking the isolation that many villagers had earlier felt.

Village electrification has provided important economic and social benefits to the population in the HDI assisted villages. The HDI has been careful in financing equipment for village electrification to ensure that the equipment and technology (diesel engines and mini hydro power) are fitting with the resource availability and potential of the villages. Generally these projects required villagers to share in their contribution by project specification. The HDI projects have generally provided/financed facilities for power generation, while the beneficiary communities have been responsible for meeting the cost of equipment and material for

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<sup>89</sup> Terminal Report, Community Water Supply and Sanitation (MYA/99/002) –HDI-III, December 2002.

<sup>90</sup> ICDP and CDRT annual progress reports, 2002-2005.

<sup>91</sup> IAM Report (September 1997); Aung, Htay Htay (2002).

installation of the power gridlines and household lighting apparatus. Households in these project/community locations have had the benefit of reducing their expenditure on lighting; being able to work more hours at night in busy season. Students and adults in these improved lighting in households have been observed to spend more time on their studies and learning activities. With lighting available in their community centres, community members now have opportunity to meet more frequently at night when they must spend the entire day working on their farms and other livelihood activities.

## **9. Microfinance**

### **9.1 The Myanmar Microfinance Programme - Background**

As in most developing countries, the rural poor in Myanmar have difficulty in accessing financial resources for their livelihood activities. Two banks - the Myanmar Agricultural Development Bank (MADB) and Myanmar Economic Bank (MEB) - are the key formal sector financial institutions that had until recently provided savings opportunity and loans to farmers and small rural enterprises. The MEB has had the highest number of rural branches, present in each of the townships of the country. But the funds from these banks have in the past been available largely to middle and large farmers and to a limited extent to trading and small enterprises. Since 2003, with the collapse of the banking system in Myanmar, the MADB has become operationally ineffective. In any case the rural poor are excluded from the reach of the formal financial sector because these institutions perceive the poor as high risk client group who are unable to meet the asset collateral requirement for lending; additionally bank's operational activities for this client group entail high transaction cost. The rural poor in Myanmar, as high as 90 percent, must therefore rely on a multitude of informal sources of credit - from village moneylenders, brokers, friends and relatives. Loans from village money lenders are typical of short-term duration and carry exorbitant interest rates ranging from 5 to 20 percent per month (or 60 to 240 percent per annum).<sup>92</sup>

In 1997 UNDP through its HDI introduced for the first time in Myanmar the world-wide tested model of microfinance to meet the small financing needs of the rural poor without collateral and loan security. Based on the Grameen Bank model, the Grameen Trust (Bangladesh) was contracted to introduce institutionalized financial intermediation in rural areas of the Delta. Shortly in the same year the UNDP Myanmar Microfinance MF) project entered into contractual agreements with GRET (a French NGO) and PACT (a US NGO) to start microfinance operation in Shan state and Dry Zone respectively. In 2002 Grameen Trust completed its contractual work and its exit was filled in by an Indian based private agency for microfinance - EDA Rural Systems Pvt. Ltd. for continued operation in the Delta. All three projects operate along the lines of a group-based lending invoking the dynamics of peer group pressure along with stable source of loan as effective "collateral". Up until the end of 2005 these three agencies actively promoted financial intermediation in the rural areas of Shan state, Dry Zone and the Delta progressing from operation in selected villages in 11 townships to 22 townships by year end 2005, supported by a cumulative investment of US\$11.8 million by UNDP to the Myanmar MF project.

### **9.2 Programme Outreach**

Schreiner (2002) suggests six outreach indicators – namely worth, cost, scope, length, depth and breadth of outreach - to measure effectiveness and impact of a microfinance institution. These indicators are considered in assessing the HDI supported Myanmar MF operation.

#### **9.2.1 Breadth of Outreach**

The extent or scale of outreach of the Myanmar MF programme is summarized in Table 9.1. In its nine years of operation the MF has outreached its services to 3,057 villages in 22 townships falling within the scope of the HDI. Its services have provided access to more than 250,000 rural households engaged in a variety of rural on farm and off farm income generating activities. Those intending to avail the MF services must first become members and can immediately start to save and borrow as per credit appraisal performed by the MF staff located in the field. By March 2006 the Myanmar MF membership had reached over 250,000 and the number of active borrowers 249,279; the latter registered a 975 percent increase over a seven year period. Ninety-six percent of the MF clients are women.

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<sup>92</sup> Survey on Informal Rural Credit.

Table 9.1: Breadth or Scale of Outreach of the Myanmar MF Programme

Outreach Indicator	Dec.1998	Dec. 2005	Mar. 2006
1. Members	21,427	233,993	
2. Active Borrowers	18,528	198,900	249,279
3. Total Amount of Loan Disbursed (in thousand Kyats).	152,548	29,777,522	
4. Total Loan Outstanding (in US\$)		5,561,055	
5. Percentage of Female Borrower		96%	

Source: UNDP/UNOPS Microfinance Project Management.

Total loans outstanding as at December 2005 reached US\$5.5 million<sup>93</sup> – an amount that places the Myanmar MF operation in medium scale of the category of industry standard set by the MicroBanking Bulletin.<sup>94</sup> Clients of the Myanmar MF are from both rural and urban areas in the 22 townships. In the earlier 11 townships coverage ranges from 41 to 74 percent while in the new township the penetration rate ranges from 17 to 18 percent of households, as seen in Table 9.2. The high penetration rate in the Dry Zone indicates that the programme has reached its saturation point in the villages/townships designated by the HDI for the MF programme coverage. The lower penetration rates in Shan state and the Delta is a result of the HDI planning strategy that restricts the MF operation to villages which are not covered by the ICDP project.

Table 9.2: Myanmar MF Penetration Rate, as of 31 March 2006

Township	Dry Zone	Shan State	Delta
1. Old Townships	73.5%	46.0%	41.5%
2. New Townships	17.5%	-	18.0%
Total	35.0%	47.0%	31.0%

Source: UNDP/UNOPS Microfinance Project Management

## 9.2.2 Scope of Outreach – Diversification of Loan Products

Over time the Myanmar MF has widened its scope of outreach by offering eight loan product lines as seen in Table 9.3. Most of the loans consist of “main loan” extended to individual members of a group against “standard” repayment schedule established in each project operational area. For instance, the main loan in the Delta requires clients to amortize on a weekly basis; in Dry Zone bi-weekly; and in Shan State clients are required to meet their interest payment obligation on a monthly basis and principal or capital amount at the end of agricultural season. Extra loan is offered to clients who meet early repayment. Micro-enterprise loans are available to those who have demonstrated good repayment and viable business plans for venturing into micro to small enterprise projects. Seasonal including agricultural loans have been made available to clients largely in the Dry Zone to meet their cash needs commensurate with agricultural production cycle in the region. Education loan, albeit on a relatively small scale, has been available to clients largely in the Dry Zone. Similarly, health care loan has been initiated only in the Delta and on a considerably smaller scale in Shan state. A life insurance scheme has been introduced in the in Dry Zone and the Delta, to meet emergency needs of families exposed to severe vulnerability due to sudden death of a main income earning member.

<sup>93</sup> At the prevailing open market rate for foreign exchange.

<sup>94</sup> Loan outstanding in the order of US\$2.0 million to US\$8.0 million is categorised as medium scale operation.

Table 9.3: Number of Loans by Product Line, as of 31 March 2006

Township	Dry Zone	Shan State	Delta
1. Main Loan	328,040	183,357	234,582
2. Extra/Supplementary Loan	22,710	5,576	51,332
3. Micro-enterprise Loan	9,454	1,104	2,763
4. Education Loan	8,219	1,051	750
5. Health Care Loan	-	28	5,635
6. Seasonal/Agricultural Loan	90,227	214	11
7. Emergency Loan		5	
8. Consumer Loan	970		40*

\* Group Loan

Source: UNDP/UNOPS Microfinance Project Management

Repayment rates on these loans averaged around 99 to 100 percent. This significantly indicates affordability of the loans taken by borrowers and their satisfaction with the loan products and services. Client satisfaction surveys<sup>95</sup> have indeed reconfirmed the latter, while the high repayment record is evident in the financial reports of the programme.

### 9.2.3 Worth of Outreach – Repeat Clients and Dropouts

Repeat borrowers and drop out rates indicate if the clients have benefited from productive use of the credit they have taken from the programme. A substantial number of clients have completed at least nine cycles of loan facility. The current dropout rates of clients, as shown in Table 9.4, range from 3.2 percent in Dry Zone to 5.6 percent in Shan State. Over the past four years the dropout rates have generally been higher in the MF Delta operation. The 2004 assessment of the MF in Delta<sup>96</sup> found that clients dropped out for various reasons – due to insufficient loan size, time-cost to clients for attending compulsory weekly meeting, up front savings requirement of the programme, and clients' decision to migrate outside of their present location.

While the current level of dropout rates is not a threat to the programme, it is important to monitor the trend and inquire into reasons particularly if clients are dissatisfied with the programme. Periodic satisfaction surveys of clients will reveal reasons for the dropouts and inform the Myanmar MF as to measures that must be taken to rectify the problem. For instance, the study in Delta points at relaxing the rules on regular meeting would significantly reduce the dropout rate.

Table 9.4: Dropout Rates of the Myanmar MF Programme

Operating Zone/Area	2003	2004	2005	March 2006
1. Dry Zone	7.5%	4.6%	3.1%	3.2%
2. Shan State	1.8%	2.1%	2.4%	5.6%
3. Delta	9.0%	7.0%	5.0%	5.0%

Note: Dropout rate = number of dropouts in the last 12 months / average number of clients

Source: Microfinance Project MIS Report.

### 9.2.4 Depth of Outreach

Depth of outreach of the Myanmar MF would demonstrate if its credit facilities have benefited poorer clients. Average loan size – i.e. average loan outstanding per borrower – as at December 2005 stood at US\$23 in Shan State, US\$26 in Dry Zone and US\$34 in the Delta. As proportion

<sup>95</sup> Conducted by the Microfinance Project.

<sup>96</sup> EDA (2004).



of GDP<sup>97</sup> this average loan size ranges from 1.3 percent in Shan State to 1.9 percent in the Delta. These figures place the Myanmar MF at the lower end of the industry standard of US\$150 as the average loan size.<sup>98</sup> The rather low average loan size of the Myanmar MF reflects partly low rural per capita income and partly evidence of servicing low income clients. It is however only a proxy indicator of depth of outreach – i.e. outreaching the poorer households. Section below provides a more in-depth analysis of the impact of the MF on reducing poverty and vulnerability of the poor.

## 9.3 Impact on Poverty/Vulnerability Reduction and Social Development

### 9.3.1 Targeting the Poor

Outcome of the Myanmar MF in terms of reducing poverty and vulnerability of the rural poor depends on the programme's effectiveness in targeting the poor. The programme has attempted to target the poor by way of "identifying the poor, attracting the poor and discouraging the non-poor from participating in the programme".<sup>99</sup> Target clients (the poor) have been identified by participatory rural appraisal or participatory reflection and action (PRA) method, house-to-house interviews, and assessing vocation or income generating activities of the target clients. By offering small loan size the programme has established a built-in mechanism of excluding the non-poor. Using PRA methodology and wealth ranking, the other two HDI community development projects have categorised the poor in terms of moderately poor, poor, very poor and destitute. The latter category includes those who are physically challenged but unable to work, elderly and weak, and generally physically too weak to be economically active.

The only comprehensive impact study of the programme conducted in 2004 by EDA in the Delta<sup>100</sup> has provided analytical insight as to the extent to which the MF has contributed to poverty and vulnerability reduction. In an attempt to trace its outreach to the poor, the study used the international poverty line of US\$1.08 a day at *purchasing power parity (PPP)* and applied this adjusted income approach to the Myanmar case to arrive at the categories of poor, borderline and non-poor. Additionally, the study developed relative wealth rankings based on community perceptions or a scored index based on selected easily measurable indicators to categorize the MF households into the three categories – poor, borderline and non-poor. Then administering household questionnaire on a sample of MF clients and non-clients and using the additional information from focus group discussions, the study has found that 61 percent of the village clients and 49 percent of the town clients are *poor*. Most of them are landless with poor housing conditions (palm roof, bamboo wall), lack household assets such as boat, lack financial assets, are in seasonal food deficit, and have irregular income. In the Delta the poor are engaged in trading followed by animal husbandry and fishing. *Borderline clients* (or marginally poor) possess some land, household assets, and better housing condition (e.g. with more than one room). They may not have regular income but are able to overcome seasonal food deficit.

The EDA study also found that in the villages where the MF is operational 45 percent of its clients are poor and 41 percent borderline. In the urban areas only 8 percent of its clients are poor, while the proportion of borderline clients is as high as 75 percent. This has been further confirmed by the clients themselves, elicited by the participatory monitoring and evaluation (PME) administered by the MF project. Similar studies need to be conducted for the MF programme in Shan state and Dry Zone to arrive at a conclusive perspective of the depth of outreach and the extent to which the poor have benefited from the programme.

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<sup>97</sup> As per IMF estimate of GDP in 2005 and using current UN exchange rate for Kyat to a US dollar.

<sup>98</sup> MicroBanking Bulletin.

<sup>99</sup> As per discussion with the HDI supported Microfinance project management, and with reference to project quarterly reports.

<sup>100</sup> EDA (2004).

Worldwide experience of microfinance suggests that poorest of the poor are often hard to reach with the standard microfinance product lines. In other countries such as Bangladesh, attempts have been made to reach the poorest of the poor with a combination of flexibly designed micro-credit and savings mobilization schemes, skills training, technology, product development and marketing support for micro income generating activities, basic health, nutrition, water and sanitation, non-formal education support, and support for emergency household needs.<sup>101</sup> This intervention strategy to reach the poorest of the poor has not been adopted in the Myanmar MF scheme. A variant of such support programme is being implemented by the two HDI community development projects with a focus on supporting SRGs with both self-managed credit and savings operation as well as social development activities such as community management of essential drugs, reproductive health, community forestry, and other support as noted in chapter 5: Village Community Institutions and Social Capital, and other sections/chapters of this Report. Additionally, support to these villages are also being provided by the HDI community development projects for the building of social infrastructures involving construction of school building, village health centres, village community centres, water and sanitation, non-formal education, trade skills development, technology support for product development for those engaged in village level micro to small income generating activities.

Indeed, the sustainability criteria of the Myanmar MF require its clients to have the ability to pay back the loans. Yet its low average loan size of US\$23 to US\$34 per borrower is indicative of the programme's outreach to the poorer households. In the Dry Zone about 15 percent of the clients are landless poor. Those who are old and physically disabled have not been able to benefit from the MF programme. Any attempt at stretching the Myanmar MF with its current sustainable development model to meet needs of the poorest who would be unable to repay is likely to (a) increase the transaction costs and undermine the programme's financial sustainability which can affect breadth of outreach along with high risk of delinquent payment; and (b) further burden the poorest of the poor with the indebtedness that is likely to result from their using the loan for consumption purpose. Nonetheless the MF programme management is currently attempting to develop new loan products that would meet a large group of poorest of the poor in the Delta and Shan State.<sup>102</sup>

Below is an analysis of the impact on poverty and vulnerability reduction of those client households, in the poor and borderline categories, which have benefited from the Myanmar MF.

### 9.3.2 Vulnerability Risk Mitigation Measures

The poor can use finance capital to build assets, engage in income generating activities and meet emergency expenses as measures to reduce their poverty condition and vulnerability to economic and health shocks. They can adopt *ex ante* measures to protect themselves against their perceived risk of losing income and asset value by diversifying their livelihood activities, accumulating savings and other assets (e.g. land, livestock, household durable goods, gold, etc.), diversifying their personal or household asset portfolio that can be liquidated easily, and investing in insurance (such as taking insurance on the loans taken if such a facility is available to them). In the event the poor incur economic or health shocks due to sudden death of a key income-earning household member or due to real fall in income resulting from inflation or asset depletion due to damage or theft, *ex post* livelihood management strategies can be adopted. These may include

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<sup>101</sup> For instance, the PKSF programme in Bangladesh, which is the apex microfinance institution in the country, has a specialized programme (funded by the World Bank) to reach the poorest of the poor (estimated to be in the order of 12 million). The poorest of the poor, as defined by the programme, are those who are landless, own 3 decimals of land, earn less than dollar a day, have no asset and no place to sleep, deserted or separated women, seasonal workers, daily labourers without skills or experience, disabled and elderly over 50 years of age, beggars, and ex-sex workers.

<sup>102</sup> Based on discussion with management of PACT, the implementing partner of the UNOPS executed UNDP/HDI supported Myanmar MF programme.

adjusting or reducing their food consumption and other essential household expenses, using up savings, selling or pawning assets, forward selling labour and crops, seeking help of relatives and friends, or taking considerably more drastic measures such as withdrawing their children from school and migrating for employment.

The contribution of the Myanmar MF in addressing these livelihood coping strategies of the poor has been comprehensively analysed in the 2004 impact study of the programme in the Delta. Similar studies in the Dry Zone and Shan state have not been done, but it is likely that conclusions reached from the Delta study will provide insight as to the impact that can be expected of the programme's operation in the other two regions as well. The following section is largely based on the results reported in the impact study of the Myanmar MF in the Delta.<sup>103</sup>

### 9.3.3 Impact on Increasing Income Sources and Building Assets

#### (a) *Increasing Income Sources*

Sample survey of clients in the Delta revealed that 63 percent of the client households have diversified livelihood portfolio compared with 28 percent of non-clients having more than two sources of income. Sixty nine percent of the rural client households are engaged in economic activities for self-employment. Thirty one percent of the rural poor clients started new economic/business activities with the micro-credit.

Beneficiaries of the MF have allocated their investments mainly in agriculture, livestock, fishery, trading and other services as shown in Table 9.5. In the Delta most of the loans are utilized by the clients in livestock (especially pig and duck-raising – 32 percent), fishing (11 percent) and trading (24 percent) which is performed mainly by urban clients. Agriculture activities assumed only 8 percent of the loans taken by clients in the Delta. Agricultural activities have assumed proportionately greater allocation in Shan State (69 percent) and Dry Zone (25 percent). As in the Delta, clients in the Dry Zone have allocated a substantial proportion of their loans to livestock and fishery (42 percent) and trading (26 percent).

Table 9.5: Sector/Industry Utilization of Loan (in percentage share)  
as of 31 March 2006

Sector/Industry	Dry	Shan	Delta
1. Agriculture	25.1%	68.6%	8.6%
2. Livestock and fishery	42.1%	17.7%	44.1%
3. Trading	26.1%	6.3%	23.8%
4. Services	1.7%	6.8%	20.4%
5. Others	5.0%	0.6%	3.1%

Source: UNDP Microfinance Project Management Office.

Data from the Delta study show that among the rural clients more than 30 percent of the landless have acquired cultivable land which has been used for agriculture. Seventy three percent of the rural landless who have taken loan from the MF - and had earlier worked as casual labour - have moved onto trading and livestock rearing.<sup>104</sup>

#### (b) *Micro and Small Enterprises Development*

The Myanmar MF has catalyzed small entrepreneurship development in the rural areas. Field visits by IAM members<sup>105</sup> and project staff have reported cases where clients with considerable entrepreneurial drive have successfully accumulated capital by combining their own family-

<sup>103</sup> EDA (2004).

<sup>104</sup> EDA (2004).

<sup>105</sup> IAM report (2003).

financed capital with initial rounds of loans taken from the Myanmar MF. Specific examples are worth citing. A number of clients in the Dry Zone have successfully expanded their sheep wool production to meet demands of gold mine operations where the wool products are used for cleaning gold.<sup>106</sup> A couple of cases of women entrepreneurs in the Delta have provided evidence of their entrepreneurial ability in expanding their snack-making business to a scale where more than 20 employees in each unit are now being employed. While the MF programme staff have assisted these entrepreneurs with skills training and product development, much of their entrepreneurial success has resulted from their own entrepreneurial abilities, business management skills, strategically utilizing household/family members for complementary activities such as husband specializing in marketing and logistics aspects of the business, and access to other sources of finance.

A more comprehensive and authoritative assessment of the MF's catalytic effect and impact on small enterprises development can be provided by detailed field studies in the programme's three operating areas/regions.

**(c) Asset Building and Portfolio Diversification**

As noted above, a substantial number of rural landless who have availed services of the Myanmar MF have managed to acquire land and procure other livelihood assets. Table 9.5 reveal that more than 75 percent of the client households in the Delta have acquired livelihood and household assets. The 2004 impact study in the Delta found that about 45 percent of this asset acquisition was financed with credit obtained from the Myanmar MF; the remainder 50 percent was financed with their own funds and 5 percent borrowed from high cost informal money lenders. In comparison, as reported by the Delta impact study, 48 percent of the non-clients in the Delta were able to acquire assets during the same period largely (88 percent) financed from their own funds. Wealth ranking information revealed that over two-thirds of the value of assets acquired by the rural poor in the Delta was financed with loans taken from the MF programme.

**(d) Financial Assets**

Poor households acquire financial assets as an *ex ante* measure to reduce their livelihood vulnerability. Investments in gold and jewellery, livestock and certain household durables are perceived by the poor as assets that can be easily liquidated to meet their emergency cash needs. Additionally, the poor have had access to accumulate financial savings in safe custody with the Myanmar MF programme. Over 87 percent of the poor client households and 83 percent of borderline clients in the Delta study have financial savings with the MF, while previously they did not have access to any financial institution in their village location.

**9.3.4 Contribution of Microfinance to Client Coping Strategies**

Inflation affects the poor, particularly the landless who must rely on their wage labour (for seasonal employment), whose real purchasing capacity declines in relation to their irregular income. During the past five years inflation has ranged from 20 to 45 percent per annum while casual labour rates in the rural economy in the HDI project areas increased by an average of 25 percent.<sup>107</sup> In the Delta the MF programme increased its loan size for its clients in the range of 50 and 60 percent for successive loan cycles during the same period. Additionally, the MF responded to meeting the poor clients' coping strategy by rescheduling loan repayment and allowing them to withdraw up to 90 percent of their savings with the MF programme. Further, more than 20 percent of the clients have used the MF loans for meeting their cash shortfalls.

The 2004 impact study in the Delta estimated that about 29 percent of poor clients and 21 percent of the borderline clients have used the MF loans for meeting their household health care needs. Smaller percentage of these client groups – 3 to 7 percent – have used the MF loans for other risk

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<sup>106</sup> Reference: discussion with PACT management.

<sup>107</sup> EDA (2004).

mitigation measures including house repair, food, family events, and debt repayment. The MF in the Delta introduced in 2003 a health loan for clients in their second cycle of credit utilization. Those who availed this facility reported that the loans helped them meet 67 percent of their health care expenses; the remainder 21 percent was financed from their own funds and 12 percent from high-cost rural money lenders. Box 9.1 below illustrates a case where the MF has contributed to a client's effort to cope with a health shock in her family.

**Box 9.1: Coping with Illness Following Support from the Myanmar MF**

Daw Myint Myint Aye and her husband U Sein Kyi used to run a traditional snacks shop with enough income to meet the household needs comfortably, though there was not much to save or invest. A year ago, when the Microfinance in Delta started its programme in the area, she became a member and invested her first loan in the shop. Their income rose subsequently and they were able to purchase some gold within six months.

Three months ago, U Sein Kyi was hospitalised for stomach ulcer. He stayed there for a months. The operation and other costs came to Kyat 80,000. Their business had to be closed for the period when he was in hospital as Daw Myint Myint Aye had to stay with him there. With no income from the shop, they had to borrow about Kyat 120,000 by pawning gold they had, to meet household and food needs. As the loan was taken against gold, the interest rate was lower than it would have been otherwise. Besides pawning, she also had to sell a pair of earrings to meet the medical and household needs. Some financial help came from their elder son, who lives separately.

Daw Myint Myint Aye restarted the snacks shop with her husband about a month and half ago. Involvement in the business, through limited, helped boost U Sein Kyi's morale. Now they have started to earn regularly from the shop, though it may take them a long time to reach the same economic status as earlier.

Daw Myint Myint Aye says the MF in Delta could have helped her by providing a medical loan but since she was in the first loan cycle she was not eligible for it. But she still feels that being a MF member indirectly helped her in several ways. It is with the income earned from the MF that supported her business that she was able to purchase gold, which could be pawned to get a lower interest loan. Even the pawnbroker offered her a better value due to her credibility as a MF member while the MF programme also rescheduled her loan. Moral support from the other group members was another benefit.

Source: Reproduced from EDA (2004), Box 4.8, pp. 36.

### **9.3.5 Social Development Impact**

No specific studies on the social development impact of the Myanmar MF have been undertaken. However, some observations can be made on the social development impact based on the available information on the MF operations and development activities. Firstly, group-based lending of the programme has promoted greater social cohesion among the members and has in the process contributed to the building of social networks of the poor. Secondly, the Myanmar MF has promoted village based organizations (such as ViCO and VCS) which have additionally contributed to the building of social capital of the poor (clients). Thirdly, since more than 95 percent of the clients are women it is likely that the MF programme has also had the kind of gender development impact as attained from the SRG's operation (see chapter 7.3: Gender Development). The likely effects and impact are on enhanced empowerment of women, their ability to play a significantly greater role in household resource management, decision-making on resource utilization at the household level, and their ability to participate in village level development activities. A gender impact study of the type conducted for SRGs<sup>108</sup> in 2006 would provide information and knowledge of the social development outcome of the microfinance programme.

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<sup>108</sup> Smith, Reid (2004).

## 9.4 Programme Sustainability

If the target beneficiaries (the poor) of the Myanmar MF have indeed alleviated their household poverty condition and reduced their vulnerability to economic and health shocks, then it is equally important that they are assured of continued access to the finance capital. In this regard, institutional sustainability of the Myanmar MF becomes critical. Sustainability of the HDI supported MF in Myanmar can be assessed in terms of financial sustainability of the programme, operational and management efficiency, and institutionalization of the programme in the context of the country's economic and financial sector development.

### 9.4.1 Financial Sustainability

Table 9.6 demonstrates that the MF has been highly successful in increasing its client base in all three project areas reaching a total of 198,900 by end 2005 in its eighth year of operation, registering an annual average growth rate of 47 percent. By August 2006 the number of active clients reached 250,000. Loan portfolio growth increased substantially higher during the 1998-2005 period at an average annual rate of 94 percent. The loan portfolio growth slowed down and somewhat stabilized during 2002-2004; but it grew substantially again in 2005 following expansion of the programme activities into additional townships/villages in response to UNDP's strategy for expanding geographical coverage of its HDI programme activities.

Table 9.6: Loan Portfolio Growth of the Myanmar Microfinance Project

Area & Year	Active Clients	Client Growth Rate	Loan Portfolio (in '000 Kyats)	% Growth in Loan Portfolio
<b>Dry Zone</b>				
1998	4,379		22,485	
1999	13,608	210.8%	67,387	199.7%
2000	25,289	85.8%	223,450	231.6%
2001	47,087	86.2%	587,217	162.8%
2002	46,989	-0.2%	910,045	55.0%
2003	47,934	2.0%	1,237,879	36.0%
2004	55,091	14.9%	1,572,963	27.1%
2005	90,669	64.6%	2,887,330	83.6%
<b>Shan State</b>				
1998	5,055		30,524	
1999	9,144	80.9%	68,931	125.8%
2000	10,463	14.4%	128,367	86.2%
2001	14,613	39.7%	262,219	104.3%
2002	20,398	39.6%	558,151	112.9%
2003	19,919	-2.4%	678,855	21.6%
2004	38,342	92.5%	763,519	12.5%
2005	41,877	9.2%	1,200,306	57.2%
<b>Delta</b>				
1998	9,094		34,000	
1999	18,235	100.5%	93,534	175.1%
2000	17,835	-2.2%	121,993	30.4%
2001	26,326	47.6%	358,758	194.1%
2002	27,016	2.6%	558,716	55.7%
2003	31,734	17.5%	983,059	76.0%
2004	40,172	26.6%	1,511,202	53.7%
2005	66,354	65.2%	2,752,462	82.1%

Source: Compiled MIS Data; UNOPS/UNDP Microfinance Project.

Along with its loan portfolio growth, the Myanmar MF has maintained a highly credible portfolio quality wherein the loan recovery rate<sup>109</sup> is almost 100 percent, and portfolio at risk<sup>110</sup> is none in the programme's operation in Delta, 0.01 percent in Shan state and 0.08 percent in Dry Zone. This performance is consistent with international standards which set out benchmark for *portfolio at risk* at one percent for loan overdue of 30 days.

Operational costs have direct impact on profitability of the programme operations. Surplus generated on programme operations can be partly allocated to dividend income to shareholders and the remainder retained in the programme's balance sheet as retained earnings that augments the capital and asset base of the programme. Since UNDP's contribution is in the form of grants, the organization can not in principle be a shareholder of the MF programme; hence all of the income or "dividend" that accrues to UNDP's share of the capital is retained in the programme's balance sheet unless the UNDP decides to offload its contribution as outright grant to members of MF programme. In the absence of any shareholder of the programme, all surpluses generated from the MF programme operation are retained or reinvested in the programme.

Operational activities reflected in the income statement of the Myanmar MF show that the programme's operating income<sup>111</sup> in each of the years since 2001 has sufficiently covered its operating expenses<sup>112</sup> and the operating income-expense ratios for each operating area has improved over time (see Table 9.7 below). The operating self-sufficiency indicator would be adversely affected if the cost of technical assistance financed by the UNDP were to be included in the expense items.<sup>113</sup> However the high rate of inflation, estimated at 35 percent for the reporting years, has dampened this financial performance as indicated by the financial self-sufficiency ratios calculated as operating income as a proportion of adjusted operating expense (i.e. expenses adjusted for inflation rate).<sup>114</sup> Only in the Dry Zone has the programme been able to achieve financial self-sufficiency but only in two years – 2003 and 2004. While the overall financial self-sufficiency of the programme in the past three years has improved moderately, its positive outcome in the longer term will depend on the country's overall economic growth, macroeconomic stabilization and lowering of inflation rate.

Table 9.7: Financial Self-Sufficiency of the Myanmar Microfinance Project

Operational & Financial Self-Sufficiency Indicator	Operating Areas	2001	2002	2003	2004	2005
Operational Self-Sufficiency	Dry	207%*	257%*	236%	260%	284%
	Shan	188%*	259%*	270%	280%	307%
	Delta	108%*	153%*	170%	194%	182%
Financial Self-Sufficiency	Dry	51%*	75%*	107%	103%	88%
	Shan	60%*	82%*	82%	68%	73%
	Delta	43%*	60%*	69%	84%	81%

\* Source: Flaming, M.W. (2004a) and MIS Data of the UNOPS/UNDP Microfinance Project.

\*\* The calculation does not include technical assistance expense.

<sup>109</sup> Recovery rate is calculated on the basis of total collection during the year divided by the amount due during the year plus amount past due.

<sup>110</sup> Portfolio risk is measured by unpaid principal balance with payment at least 1, 31, 61 days past due divided by loan portfolio outstanding.

<sup>111</sup> Operating income includes interest rates and fees charged on loans and loan administration, income from other finance related services, and income from investments made by the programme such as cash invested in financial assets.

<sup>112</sup> Operating expenses include interests paid by the programme on clients' savings deposit, fee expense, loan loss provision, personnel expense and other administrative expenses.

<sup>113</sup> Technical assistance cost includes UNDP in-kind grant for technical experts provided by UNOPS (the programme's executing agency) and PACT (the implementing partner).

<sup>114</sup> Adjusted operating expense = total operating expense + (inflation rate times loan assets) + (cost of fund calculated as interest rate on savings times UNDP grant given to the programme).

## 9.4.2 Operational Efficiency

Efficiency in operational management and delivery of services has implication for profitability and financial sustainability of the programme. The contextual indicators to be assessed are cost-effectiveness of operation in relation to the programme's lending activities and staff productivity. Table 9.8 provides an overview of operational efficiency attained by the Myanmar MF in the three operating zones/areas. Staff productivity, measured in terms of number of borrowers serviced by each field worker or field officer and loan outstanding per loan officer, is high for each operating area of the project. The loan officer productivity ratio ranging from 300 to over 500 attained in each of the past four years are comparable to the ratio established as international best practice (i.e. 300 to 500 clients serviced by a loan officer). The difference in staff productivity is a reflection of the different modalities of repayment administered by the project in different areas/zones and accessibility to the clients. In Shan state relatively lower frequency of loan repayment (i.e. monthly) provides for a larger number of clients being served by a field officer or loan officer, as against more frequent (weekly) loan repayment requirement in the Delta. Additionally, clients have relatively easier accessibility to the MF operation in Shan state due to physical access, client location and density of settlement.

Table 9.8: Operational Efficiency Indicators of the Myanmar MF Project

Productivity Indicator	Operating Zones/Areas	2003	2004	2005	2006 (March)
Number of active borrowers/field workers	Dry	262	271	239	256
	Shan	234	228	261	289
	Delta	225	206	226	212
Number of active borrowers/loan officers	Dry	377	385	358	382
	Shan	416	410	482	529
	Delta	316	292	317	297
Loan outstanding per loan officer (in '000 Kyats)	Dry	9,747	11,827	12,720	11,038
	Shan	1,377	15,270	25,459	31,076
	Delta	9,638	11,112	13,138	10,877

Source: Compiled MIS Data; UNOPS/UNDP Microfinance Project.

Table 9.9: Operational Cost Efficiency Indicators

Operational Cost Efficiency Indicators	Zones/Areas	2003	2004	2005
Operating Efficiency (%)	Delta	18%	16%	15%
	Shan State	27%	24%	16%
	Dry Zone	22%	20%	21%
Administrative Efficiency (%)	Delta	10%	9%	12%
	Shan State	24%	22%	14%
	Dry Zone	15%	13%	14%
Personnel Expenses as Percentage of Total Administrative Cost	Delta	85%	82%	67%
	Shan State	86%	88%	85%
	Dry Zone	73%	69%	50%

Source: Compiled MIS Data; UNOPS/UNDP Microfinance Project.

The programme also operates efficiently in terms of loan administration, wherein loan outstanding per loan officer has been consistently high. Loan administration efficiency is considerably higher in Shan state due in part to the less frequent loan repayment required of clients and the programme's outreach to clients through vertical expansion. In the other two zones/areas the MF operation has expanded both vertically and horizontally.

Long term sustainability of the Myanmar MF programme will require maintaining a low level of operating expenses to service the programme's total loan portfolio. In this regard, the programme's operating efficiency – measured in terms of total operating expenses as proportion of average net portfolio outstanding – of 15 to 21 percent in 2005 (shown in Table 9.9) is well



within the industry standard. Marginal increase in administrative cost ratios in 2005 in Delta and Dry Zone is due to horizontal expansion of the programme in that year. As expected of a service organization, personnel expenses assume the largest share of administrative cost. The personnel cost ratios range from 50 to 85 percent in 2005 with considerably higher costs for Shan State operation. The personnel cost ratios of the Myanmar MF operation are rather high compared to the industry average of 60 to 70 percent.

From the perspective of investors the return on investment is a marker that they (potential investors) will evaluate before taking decision to invest in the Myanmar MF programme. This is particularly important for long term sustainability of the programme accompanied by expansion and growth and concurrently reducing dependence on donor capital grant as is presently provided exclusively by the UNDP. Potential investors will assess the yield on the programme's current portfolio<sup>115</sup> as well as return on assets and equity. Tables 9.10 and 9.11 show these profitability or investment return indicators.

Table 9.10: Yield on Portfolio

Zones/Areas	2001	2002	2003	2004	2005
Delta	36%	42%	43%	41%	41%
Shan State	45%	52%	51%	45%	45%
Dry Zone	35%	39%	40%	38%	38%

Source: Compiled MIS Data; UNOPS/UNDP Microfinance Project.

Table 9.11: Profitability and Investor's Return on Investment

Profitability/Investment Return	Zones/Areas	2003	2004	2005
Adjusted Return on Assets (%)	Delta	2.2%	0.8%	-4.6%
	Shan State	-13.6%	-15.7%	-11.8%
	Dry Zone	-13.0%	-6.0%	-5.0%
Adjusted Return on Equity (%)	Delta	-4.0%	-1.0%	-6.0%
	Shan State	-15.4%	-16.9%	-12.6%
	Dry Zone	-18.0%	-10.0%	-9.0%

Source: Compiled MIS Data; UNOPS/UNDP Microfinance Project.

Yields on portfolio for each operating area have been consistently high and have exceeded the operating efficiency ratios enumerated in Table 9.9, thus further reinforcing the profitability of the programme operations. However, returns on asset and equity are considerably dampened when they are adjusted for inflation and cost of fund.<sup>116</sup> The programme has generated negative real return on investment in each year in the last three years with the exception of its operational performance in the Delta in 2003 and 2004. However, even in the Delta the return on assets went into negative in 2005, due mainly to the high rate of inflation in the economy estimated at 35 percent for this exercise.

Therefore, although the profitability and sustainability indicators when presented in nominal terms are satisfactory, their real values depreciate due mainly to the high level of inflation. The

<sup>115</sup> Yield is estimated in terms of interest on loan and fees earned on loan administration as a proportion of average loan outstanding in a particular period/year.

<sup>116</sup> (i) Adjusted operating profit = total operating profit - (inflation rate times loan assets) - (cost of fund calculated as interest rate on savings times UNDP grant given to the programme). (ii) Adjusted return on asset equals to adjusted operating profit divided by average total assets for an accounting year. (iii) Adjusted return on equity is the adjusted operating profit divided by average equity for an accounting year.

nominal financial ratios are impressive, demonstrating the financial sustainability of the programme. UNDP's technical assistance, extended as outright grant, has been critical to the programme in generating its financial profitability. The programme must however develop a strategy for reducing its dependence on UNDP technical assistance for its management and operational sustainability in the longer term. Improvement in the country's overall economic situation, macroeconomic stability and prevalence of low inflation rate will critically determine the long term financial independence and sustainability of the Myanmar MF that will also provide for the real return on investments necessary for attracting potential investors into the programme in the future.

#### **9.4.3 Institutional Issues**

The above financial sustainability factors are important for future institutionalization of the Myanmar MF especially where new investor funds must be mobilized for expansion and scaling up of the microfinance operations. Presently, the Myanmar MF is exclusively dependent on UNDP capital grant for its lending operations. Although savings of members are impressive at US\$1.1 million (or 1.24 million Kyats), but they constitute only 20 percent of the total loan outstanding (as at December 2005).

The Myanmar MF has of date been operating as a project of UNDP without any other development partners involved in either capacity building or capital funding of the programme. UNDP itself may find it problematic to continue its direct involvement in the programme for an indefinite period. UNDP's cooperation mandate requires it to initiate and undertake interventions that promote innovation and validity of development concepts. Successful demonstration of such initiatives must be eventually transformed and integrated into a national programme. This is an issue that has received close observation of the Independent Assessment Missions of the past three years. The Myanmar MF has thus far operated as a project of UNDP; as such it has not been subject to existing banking regulations as provided for under the Central Bank of Myanmar Law (2nd July 1990) and the Financial Institutions of Myanmar Law (4th July 1990). The microfinance operation will not be able to withstand these commercial banking regulations – i.e. the requirements of administered interest rates, savings rates, cash liquidity requirement, and other requirements of the banking regulations.

In consideration of the poverty focus of microfinance, most developing countries have pursued institutionalization of microfinance operation through banking regulations that are conducive for outreaching banking services to the poor and at the same time are supportive of long term sustainability of the microfinance operations.<sup>117</sup> The need for a similar regulatory arrangement/instrument for microfinance in Myanmar has been stressed by UNDP.

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<sup>117</sup> Examples of Microfinance regulations promulgated or in the process of being adopted as law are those of Lao PDR, Cambodia, Vietnam and Bangladesh.

## 10. Local Support Systems

Achieving sustained impact of community development requires building up the village networks of the poor (the target beneficiaries of the HDI) and enhancing their potential by linking them to broader markets, the larger economy, particularly the private sector, public institutions and higher level organizations as local support systems. The 2002 Independent Assessment Mission<sup>118</sup> noted several examples that linked rural communities and households to reliable suppliers of agricultural inputs, to effective marketing channels, and to development support services available from local level government institutions. These linkages are essential for not only sustainability of livelihood measures developed by village communities and households but also for scaling up of successful interventions accomplished under the HDI programme.

### 10.1 Linkage with Local Level Institutions

In keeping with the current mandate of UNDP assistance to Myanmar the HDI projects have generally operated independently of the government administrative machinery and programmes. Project interventions have been designed carefully to outreach HDI support directly to the village communities and households. However, implementation of project activities at the local level, as reported in the HDI annual project progress reports,<sup>119</sup> has required cooperation of a number of local administrations and institutions. For instance, the CDRT project has required cooperation of local representatives of the Progress of Border Areas and National Races Development to organize, open up access to and carry out HDI assistance activities in the border areas. Cooperation of local departments such as the Settlement and Land Records Department has been critical to obtaining government approval for HDI supported community members (principally landless) to have access on un-classed land that has been developed through joint undertaking of HDI community development projects and the villagers themselves. Similarly, Forest Department's cooperation has been necessary for issuance of usufruct certificates allowing HDI supported community members' access community forest areas. Approval of both Forest Department and Township Settlement and Land Records Department in Shan state has been required for permitting community groups with rights to engage in community forestry schemes in the Reserved and Protected Public Forests in the critical watershed areas of Shan state. Enforcement of regulations by Forestry Department has been important to prevent villagers from poaching into protected forestry areas (e.g. mangrove forest areas in the Delta) designated for conservation.

Technical cooperation of local administrative functionaries has been necessary for cost-effective and efficient implementation of a number of HDI supported project activities at the village level. For instance in the earlier phases of the HDI, project management of FAO-executed environmentally sustainable agriculture and micro income opportunity projects invoked the capacity of the Forest Research Institute (FRI) in Yezin to develop through research and technical assistance of FAO the well-known A-1 energy efficient stoves which are considerably better quality than the types produced in the local market. The FRI has not only produced the A-1 stoves but has also extended technical assistance and knowledge transfer to local producers. A number of Myanmar Agricultural Service (MAS) offices at the township level have extended cooperation to the HDI projects to develop improved seed production, provide technical assistance and training of community development workers (i.e. agricultural extension workers). Improved high yield seeds developed by MAS have been used for demonstration and training activities as well as for distribution to beneficiaries under the HDI projects. Similarly, Livestock, Breeding and Veterinary Department (LBVD) staff at the township level have provided technical

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<sup>118</sup> IAM (2002).

<sup>119</sup> E.g. CDRT Annual Report (December 2005); ICDP Annual Progress Report (2005); FAO (2001, 2002 and 2003).

assistance to livestock extension workers engaged under the HDI projects for extension of training and technical knowledge in animal husbandry practices including animal vaccination.

To secure continued cooperation of local administrative authorities, the HDI projects have encouraged the local functionaries to visit project sites. These visits have instilled appreciation among the local administrative functionaries of the effectiveness and impact of HDI promoted participatory planning, effective models of community based development, and technology dissemination. Some of these initiatives have indeed been adopted and integrated by the technical departments in their ongoing national programmes; such as community forestry.

While these local administrations and their technical departments have cooperated and extended support to HDI project activities at the township and village level, their capacities have often been limited. Lack of investment funding for capacity building of technical institutes and administrative units at the local level and acute shortfall in operational costs that must be met from the government budget have constrained capacities of these local level government programme functions. The HDI mandate has constricted the UNDP from extending any capacity building support to these local government institutions. Yet development of capacities of these local government administrations and technical departments must be addressed by the government in order to establish the local support system necessary for sustaining outcome and impact of sustainable livelihoods strategies and programme interventions supported and implemented by the HDI projects in the past 12 years.

## **10.2 Technology Capacity at Local Level**

Effective functioning and enhanced capacity of the local government institutions is also needed to maintain and utilize the considerable village-level technology capacity developed under the HDI projects. This will become more imminent as UNDP begins to gradually reduce its support in villages where HDI projects have been operational for many years.

The HDI projects have developed an extensive corps of technical personnel, many of whom are providing voluntary services and others on remuneration. Aside from a core group of relatively higher skilled sectoral experts at the township level, the HDI has developed capacity of a large number of graduates with functional technical expertise to undertake work at the village, community level. These functional experts include village community activists engaged in coaching and guiding community groups in developing their community strength and planning through participatory approaches for their village development schemes. Through considerable investment in training by HDI projects, technical know-how has been developed among agricultural extension workers to coach and provide training to small and marginal farmers on improved agricultural practices through innovative modalities such as on-farm demonstration, farmer field schools and direct on-farm technical assistance. Livestock extension workers with technical guidance from sectoral experts have assisted project villagers engaged in livestock development. Sectoral experts at the township level along with specialized technical consultants and working with the extensive range of community development facilitators have provided technology know-how and training to hundreds of villagers and community groups in their effort to engage in income generating activities on a micro to small scale. As noted in chapter 7.2: Basic Health, HDI projects have established an entire range of primary health care service providers and HIV/AIDS support volunteers to assist villagers and community groups in meeting their basic health needs – increased health awareness, basic health services, reproductive health, knowledge of preventing and controlling spread of HIV/AIDS.

These are the kinds of technology capacity that have assumed critical importance for successful implementation of HDI support programmes in providing the target village population access to increased means of sustainable livelihoods. Continuation of such support albeit in reduced form will be necessary for sustaining and up-scaling efforts of the villagers and community groups.

The 2003 IAM<sup>120</sup> noted that mechanisms will have to be established to ensure that a minimum level of technology support is continued within the HDI domain to respond to the technical assistance needs of the village population as the programme support is gradually scaled down or reduced over time in a number of townships in the future. It is here that the development role of local government departments will assume significance, with technical cooperation of other international development agencies which do not have the kind of mandate restriction as the UNDP, currently.

### **10.3 Area Based Development**

A combination of local level technological capacity and supportive local level institutions is needed for programme interventions that can be most effectively pursued through area based approaches. For this government needs to put in place national programmes with resources from the government budget and other international development partners which may have an interest in such programmes. The HDI's restricted mandate does not provide UNDP presently to extend cooperation in this area.

The current bottom-up community development approach can not address the scale or depth of the humanitarian/ecological crisis confronting the country. The earlier section noted the importance of technology capacity that must be retained and continued at some level (perhaps at township level) to meet technical know-how needs of villagers particularly in the areas of agriculture and environment. The HDI support activities have demonstrated that small farmers can increase their farm productivity through soil conservation, water harvesting techniques, use of improved seeds, improved farming systems which improve fertility and yields, proper use of fertilizers and compost, integrated pest management, and planting of multipurpose community woodlots. Adoption of these improved techniques requires intensive training of small scale farmers through the provision of agriculture extension and training services to groups of farmers growing the same crops in the same soil and climatic environments, the use of demonstration plots, the holding of Farmer Field Schools, and the provision of seasonal agricultural credit. Farmers will need access to these support schemes on a sustainable basis.

These agricultural needs are not community based, but area-based by drainage. For example, in a particular township a large number of contiguous villages grow a single crop (e.g. potato in Pinlaung Township) as their principal crop. These villages could benefit from agronomic advice and extension assistance (as well as access to agriculture credit) to improve yields; and such support can be extended in a cost-effective manner through an area-based approach, covering a large number of villages. Similarly, land-based productive sector programme inputs will require continuous planning and consultation with farmers to identify interventions across all villages for setting up area-based interventions. Such area-based interventions may include "model farms/farmers", establishment of demonstration plots in several areas of each project "block", and seasonal agricultural credit.

A number of environmental protection measures (mainly infrastructures) will require area-based approach for longer term sustainability and cost-effectiveness of interventions. These include: small check-dams on watercourses, erosion-control structures such as gully-head stabilization, soil sedimentation bunds, contouring of sloping fields, planting millions of trees with silt collection basin (particularly in the Dry zone).

These interventions will require moving away from the village-centric approach to broader interventions. The challenge is for the government to establish such pro-poor investment programmes in agriculture and environmental management that would be region-specific rather than on village-by-village approach in restricted areas.

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<sup>120</sup> IAM (2003).

## 10.4 Market

Village based production activities are linked to regional market centres which are in turn plugged to the broader, economy-wide market. As such macroeconomic and government investment programmes have direct impact on development of the market institutions. After more than 20 years of overly regulated market for agricultural produce, the government in its liberalization initiative in the late 1980s carried out important measures to deregulate the market for agriculture and other segments of the economy. Most importantly, in 1997 the twenty-year old restrictions on the procurement and domestic trade of paddy, maize, and seven varieties of pulses and beans were lifted.<sup>121</sup> Since then further measures have been initiated by the government to reform the trading and marketing arrangements as well as pricing of agricultural produce. State enterprises, private sector and joint-venture companies are now free to trade in agricultural products that had earlier been under the exclusive control of the state.

However a number of structural rigidities and a plethora of administrative constraints tend to prevent the domestic market for some of the agricultural products from being fully integrated with the Asian regional market and the world market. Inadequately developed transport infrastructure, storage, processing and marketing facilities particularly in the rural areas are major constraints to an efficient operation of the market for rural produce. Additionally, government administered licensing system for export and import, dual market for foreign exchange rates, and acutely restricted operation of the banking system impose considerable transaction costs on international trade for the Myanmar private sector traders and business community. Further tightening of US economic sanctions in 2003 has had adverse consequences on exports of rural produce especially fishery and hard wood products. These factors create structural rigidities in the domestic market operation. Licensing system has allowed a few business enterprises to enjoy monopoly power which affects pricing and efficient distribution and thus availability of agricultural inputs. This in particular affects agricultural production as farmers must pay for higher prices of agricultural inputs and operate their livelihood activities in an uncertain market environment generating price fluctuations and interrupted flow of inputs and products in the regional and local markets.

At the village economy level farmers have generally been price-takers of their agricultural produce. Due to lack of adequate storage facilities and measures that farmers can adopt to reduce post-harvest losses, they must generally sell their produce immediately after harvest and accept the prices offered by the local traders. Traders from regional market centres do not often have easy access to transport facilities to procure goods from the villages.<sup>122</sup> They must also bear other transaction costs as they often have to pay unofficial fee to local level administrators. Additionally, traders are often subject to administrative control imposed by local level administrators that restrict free movement of goods. All such constraints increase the transaction cost of doing business. Farmers and rural producers of other products such as livestock and fishery are thus not able to derive the full benefits of the liberalization measures.

Farmers and rural producers are also at a disadvantage of being isolated from the regional markets due to lack of transport and communication infrastructures that can inform the rural population on market developments at the wholesale and retail ends operating at the regional market centres and major urban centres. There are no recent studies on the functioning of the rural markets; thus it is not clear if, for instance, increase in prices of key agricultural produce (e.g. rice, maize, pulses and beans) would accrue corresponding benefits to farmers especially the small scale producers in view of the above-mentioned structural rigidities prevailing at the local level. Recent reports from the field have noted that rising farm-gate prices have not always benefited farmers especially the poor small and marginal farmers who, due to lack of access to credit, must often take advance payment from traders for purchasing inputs and meeting their

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<sup>121</sup> Thein, Myat, (2001).

<sup>122</sup> This is particularly acute in CDRT project areas - in Rakhine and Chin states.

immediate household consumption needs. They must then sell all their harvest to these traders at a time when they could have derived benefits from increased prices of crops (especially rice).

The other problem that small and micro scale rural producers of agriculture, fishery, livestock and off-farm rural activities face is the very small scale of their production units. The HDI projects for livelihood support have been supporting the poor who are largely engaged in production activities on a micro to very small scale. The market for their produce is primarily the local village economy which itself, while generating low per capita income, imposes a binding constraint to market growth. Where villagers have knowledge of market potential beyond their village economy they have encountered problems with their product quality and packaging in order to compete with other entrants in the market (at the township and regional marketing centres). Field observations inform that when products are available on a sufficient scale from a cluster of HDI assisted villages, traders from outside the village economic space offer a good market. A good example is the case of pigs. Recent field visits by the Microfinance project staff<sup>123</sup> have noted that traders from Mandalay, a major regional market in the country, have been coming recently to township markets in the Dry zone with trucks to buy pigs from the villagers who have been raising livestock with support of ICDP and the Microfinance projects.

Clearly, although the HDI projects can not do much with market development there are a few activities that the project beneficiaries will benefit from HDI support in this area. Firstly, a detailed study needs to be done on rural market operations to provide greater clarity of understanding of rural market dynamics, linkages with regional market centres as well as with the broader economy-wide market including cross-border and international markets. Secondly, a strategy for disseminating information on market possibilities to the target HDI village population will guide the HDI to organize specific interventions for market development within the parameters of the HDI programme scope. Thirdly, in their support for income generating activities the HDI community development projects may consider adopting a more strategic approach to supporting those product lines which have better market potential in the local and regional economic space. Fourthly, greater technical assistance in product quality development and packaging will appear to merit inclusion in the HDI intervention for income generating activities.

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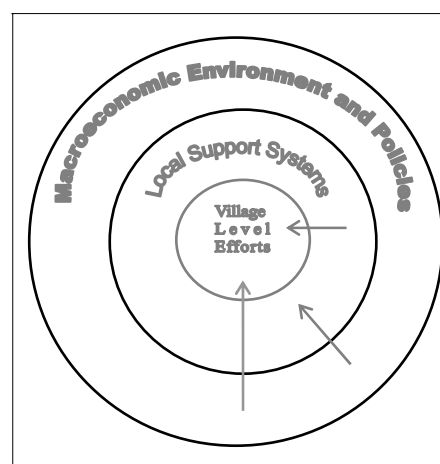
<sup>123</sup> Based on discussion with the management of PACT which is responsible for implementing the UNDP/HDI supported Microfinance project.

## 11. Macroeconomic Environment and Policies

Sustainable livelihoods outcome and development results of improving welfare of the poor attempted through grassroots, village level interventions must be reinforced by supportive macroeconomic conditions and related government policies. The analytical framework of sustainable livelihoods depicted in Figure 3.1 in section 3.1 of chapter 3 clearly demonstrates that the efforts of the poor to improve their livelihoods at the village community level will be frustrated if enabling macroeconomic environment and supportive policies do not reinforce these local level efforts. Villagers' efforts to improve and sustain their livelihood conditions also depend on their access to local level institutions which must also be adequately developed to provide for the enabling market, technology, and other support systems as elaborated in chapter 10: Local Support Systems. These support systems at the local level also require enabling macro policies and government or public investment support.

For instance, villager's effort to improve their livelihoods - that critically depends on their access to the livelihood assets - can be frustrated if they are unable to find market outlets for their agricultural and other rural produce. As noted in section 10.4 of chapter 10: Market, the market for rural produce depends on overall developments at the macroeconomic level and government policies for pricing, trading arrangements, incentives for private sector traders to engage freely in trade and commerce, and infrastructure developments like rural access roads and operation of transport services that require public investments for opening up the rural segment of the economy to broader markets at the regional and country-wide level. Similarly, trade and related exchange rate policies that provide for improvements in terms of trade for the rural economy and in raising effective demand for agricultural products will reinforce livelihood possibilities for the rural poor. Persistent inflation can undermine gains in income from agricultural productivity increase, income growth from diversification of agriculture and increased access to off-farm income generating activities. These macroeconomic variables which can support and reinforce development efforts at the village level, and which occupy the central focus of the HDI programme, are assessed in this chapter.

Figure 11.1: Macroeconomic Environment and Village Level Efforts



Focusing on HDI's effort to improve sustainable livelihoods of the rural poor, three issues need to be addressed in respect of supportive macroeconomic environment and policies: (a) the macroeconomic environment and government policies that have facilitated the HDI programme in supporting the village population in the target areas in their efforts to improve their livelihoods; (b) the additional macro policy and government investment support measures that are needed to reinforce efforts of the village population to exploit full potential of the HDI supported community development interventions; and (c) the enabling macro policies and government investment policies and programmes that are needed for long term sustainability of the community development interventions undertaken by the villagers and poor households themselves with HDI support.

### 11.1 Poverty Reduction Strategy

Going by current international best practices, the enormous challenge of alleviating or reducing poverty of a scale and depth prevalent in Myanmar can be most effectively addressed in the context of a well articulated poverty reduction strategy supported by medium term investment expenditure frameworks. Such a strategic framework for poverty reduction will allow for a sharpened focus on strategies and investment programmes situated within the framework of an



overall vision of the country's human development. Equally important is the participatory process that involves coordinated participation of the government, civil society, the academia, NGOs, and most importantly representatives of local level institutions including communities through which the poor can communicate their voices. These institutional processes and related instruments for articulating a national poverty reduction strategy are not developed in Myanmar. Government's socio-economic development programmes reflect a top-down approach to investment programming, with very little participation of the civil society and the institutions of the poor. In the absence of such participatory planning processes and institutions, the poor at the village level have little opportunity to communicate their needs and rights. Additionally, at the national level there is a total absence of mechanisms and processes for engaging in or providing opportunity to the international development partners presently having assistance programmes in Myanmar to enter into dialogue with the government on development and poverty issues. This leaves the international development agencies insulated from the national policy planning and investment programming process.

Even a start with a second-best approach to articulating a national poverty strategy that may not be comprehensive in its approach to involving all stakeholders could nonetheless provide a reference framework for the international development agencies currently engaged primarily in humanitarian and poverty-focused development efforts anchored at the local level. Although UNDP constricted by its restricted mandate may not be able to engage directly in dialogue with the government, the results and lessons of its HDI support programme could be shared and communicated through some form of mechanism that the government could put in place for its conduct of dialogue with the international development partners. This would be a small but an important step to share experiences of the HDI programme, its impact and the entire range of issues that are pertinent to government policy-making supporting poverty reduction and reinforcing efforts of the village population struggling to improve their livelihoods and socio-economic welfare.

## 11.2 Pro-Poor Economic Growth

Although the relationship between economic growth and the change in the incidence of poverty and vulnerability reduction is complex, development experiences have well established the fact that poverty reduction effort can be sustained if economic growth is accompanied by developments in sectors of the economy that have impact on improving livelihoods of the poor. The Myanmar economy is primarily agricultural providing livelihoods to over two-thirds of the country's population. The agricultural sector contributes about 55 percent of the country's GDP as shown in Table 11.1. The predominance of the agricultural sector has not changed in any significant proportion in the past forty years. The pattern of growth of the economy in recent years suggests that the agricultural sector attained some gains from the growth process which has however been accompanied by a considerable degree of instability as evident in Table 11.2.

Table 11.1: Shares of Major Sectors in GDP (Percent)

	1990	2000	2004
Agriculture	57.3	57.2	54.6
Industry	10.5	9.7	13.0
Services	32.2	33.1	32.3

Source: ADB; various issues of Asian Development Outlook.

Table 11.2: GDP Growth Rates, 1996 to 2005 (in Percentage)

Information Source	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Government estimate	6.4	5.7	5.8	10.9	13.7	11.3	13.8	12.0	13.6	12.2
EIU estimate	6.4	5.7	5.8	10.9	6.2	5.3	5.3	-2.0	-2.7	2.9

Source: ADB; various issues of Asian Development Outlook; various EIU country reports; 2005 official figure is reported in the Myanmar Times, May 8-14, 2006

According to Government estimates<sup>124</sup> the country's real GDP growth has been double digit consistently since 1999. As shown in Table 11.2 the growth rates have ranged from 10.9 percent in 2000 to as high as 13.8 percent in 2002. These figures vary from the considerably lower estimates cited by other sources. There are also problems in interpreting these figures as other related macroeconomic variables do not quite support these higher growth estimates. Further, it is unlikely that Myanmar could have attained these high growth rates when its neighbouring countries Bangladesh, Cambodia, India, Lao PDR and Thailand hadn't attained annual growth rate of more than 7 percent during these periods. Even China that registered one of the fastest growth rates in the world in the past decade could realize up to a maximum of 9.5 percent (in 2004).

Notwithstanding these data problems, Myanmar did succeed at achieving relatively high growth rates in the period after 1992 resulting from the effects of economic reform measures of 1987 that led to increased divesting of a number of government enterprises, increased private sector participation in trade, agriculture, tourism and hotel industry, banking and finance, and greater incentives for foreign investors participation in the economy. Growth rates in the period 1993 to 2000 were probably in the range of 5.7 percent to the highest 10.5 percent in 2000.<sup>125</sup>

Precise and detailed information on sources of the high growth rates in the order of an average of 7 percent per annum in the 1990s is not available. But the boom in the 1990s up until 1999/2000 was largely a result of foreign investment in the tourism and hotel industry, construction activities (in the urban areas), private sector participation in agricultural trade, agricultural sector's response to the introduction of summer paddy and crop price liberalisation as well as abandonment of administered procurement of paddy, and growth in exports resulting from liberalization measures.

The downturn in growth rates started in 2001 and dipped to negative in 2002-2003. This was a period when Myanmar's neighbouring countries Bangladesh, China, India, Lao PDR and Thailand maintained high growth rates. The rapid decline in Myanmar's growth rates in the 2002-2004 period were chiefly due to backtracking by government on its economic liberalization measures, high domestic inflation rate arising from rapid monetary growth and depreciation of the Kyat (national currency) *vis-a-vis* the US dollar,<sup>126</sup> rapid decline in foreign investment flows, and collapse of the banking system in 2002.

Benefits of growth in the 1990s did however accrue to the rural population to some extent because of the increased growth of the agricultural sector (until 1996), availability of agricultural inputs following private sector participation in agricultural trade albeit under a plethora of licensing arrangements, and a reduction in the percentage of paddy production that farmers were required to sell to the government at administered prices. Prior to 1987 the government administered prices of monsoon paddy were invariably below free-market prices in the domestic economy. Reforms in 1987 led to setting of the administered prices for paddy based on cost of production and adjusted every two to three years. Further compulsory procurement of monsoon paddy by the government was reduced to five baskets (of 46 pounds per basket) per acre for those growing high yield varieties. In the 1990s compulsory procurement amounted to some 10 to 12 percent of total monsoon paddy production.<sup>127</sup>

In an attempt to increase domestic rice production, government in 1992/93 introduced its Summer Paddy Programme (SPP) that required farmers to grow summer paddy. Farmers

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<sup>124</sup> Ministry of National Planning and Economic Development, Yangon, Myanmar.

<sup>125</sup> IMF, International Financial Statistics (for various years); and Myat Thein (2001).

<sup>126</sup> The national currency Kyat depreciated considerably against the US dollar in the period 1994-2006 at the open market - from 113 Kyat to a US\$ in 1994 to 372 Kyat per US\$ in 2000 to 1287 Kyat per US\$ in August 2006. (Ref: UNDP Myanmar).

<sup>127</sup> Thein, Myat (2001).

responded positively to the SPP as they had access to subsidized chemical fertilizer and diesel fuel for pump irrigation. However, the SPP constrained farmer's choice for cropping and the government had to introduce its administrative fiat to increase production of paddy, pulses, cotton and sugarcane. Much of the benefits of the agricultural production growth from summer paddy did not accrue to the small holders because they could not simply afford the high cost of inputs especially the irrigation pumps even at the subsidized prices. Burdened by the huge costs involved in managing administered procurement system across the country, deteriorating fiscal budget that could sustain government subsidy for inputs, and high cost of imports of agricultural inputs, government in 2003 abandoned the compulsory procurement system/policy and reduced subsidies on key inputs (fertilizer, diesel for irrigation pumps and high yield varieties).<sup>128</sup> This led to a rapid rise in input prices in 1995/96 that not only eroded incentives for the richer farmers to cultivate summer paddy but also affected small holders and marginal farmers having very limited financial resources and access to capital. Even though the HDI projects have promoted the application of compost (as alternative to chemical fertilizer) and EM solution (as replacement for imported chemical pesticides), effective application of these inputs also require complementary mix of chemical fertilizer (urea) and imported pesticides. The prices of these inputs have been on the increase since early 2000 due mainly to discontinuation of government subsidy, domestic inflation, and exchange rate depreciation.<sup>129</sup> Additionally, allocation of licensing to a few traders has enabled them to charge higher prices in a non-competitive market situation. Farmers in the remote villages in the HDI/CDRT areas and most other ICDP villages which are not easily accessible to traders due to deficiency in access roads and lack of transport services, face considerably higher costs for the agricultural inputs.

Farmers growing beans and pulses have done relatively better since the early 1990s due to liberalization of the export trade in these products. Domestic and foreign traders have responded quickly to market incentives. Additionally, active participation of Indian merchants with their trade links, marketing and distribution skills, and access to credit facilities have contributed to sustained increase in export of these two major cash crops. Foreign exchange earnings from these crops have increased from US\$8.3 million in 1988/89 to US\$282 in 2001/02; then came down slightly to US\$269 million in 2002/03. Data for past two years are not available but information gathered from private sector traders indicate that exports of these two crops to India are performing well.

In the years 2001 to 2003 export of fish, fish products and prawn have also gone up, from US\$118 to US\$145.<sup>130</sup> With tighter sanctions by the US Government in 2003 and additional measures taken by the EU restricting new investments from the EU countries into Myanmar, trade in these products have been affected. In addition, Myanmar Government's inability to ease administrative logjams in trading activities (e.g. licensing, administrative requirements for opening letters of credit) and restructuring and revival of the financial sector and banking system continue to hamper external trading activities.

As noted above, small-scale farmers (small holders of agricultural land), marginal farmers and villagers engaged in fishing on a small scale can benefit if the economic reform measures improve the terms of trade of their rural produce, increase their access to market institutions at the local and regional level, offer them increased quantities of quality agricultural and other production inputs at affordable prices. Further, the rural producers will need to develop their technological capacity with extension support from local level institutions as noted in chapter 10: Local Support Systems. Chapter 10 has also noted the array of structural constraints that the poor rural producers face in accessing these institutions. In such situation, as observed in other country situations, benefits of liberalization and economic reforms may not accrue to the rural poor due

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<sup>128</sup> FAO (2004).

<sup>129</sup> As noted in an earlier footnote in this section.

<sup>130</sup> The Economist Intelligence Unit. (2006).

to their inability to access market information, poor rural infrastructures and transportation problems.<sup>131</sup> These are areas that should normally receive government response to its public investment programme.

### 11.3 Public Investment Programme

Overall investment in the economy is low due to low levels of domestic and foreign savings. Foreign savings in the economy come from: primarily remittances of Myanmar residents working abroad (recorded as private unrequited transfers in the balance of payments account), official aid (grant and loan from donor agencies), and foreign investment inflow. Given the nation's low per capita income, foreign savings are critical to raising the investment levels in the economy which in the past ten years have hovered around 11 to 14 percent of GDP.<sup>132</sup> Private (net) transfers have been on the decline in recent years; the inflows declined from the US\$316 million in 1999/2000 to US\$91 million in 2004/2005.<sup>133</sup> Foreign direct investment in the economy, after increasing in the latter part of 1990s reaching a level of US\$304 million in 1999/2000, rapidly declined to a level of US\$100 million in 2004/2005. Official grants (from donor agencies) make up a very small proportion of foreign savings around US\$35 to US\$55 million per annum in the past ten years.

Low per capita income in the economy means that government revenues generated from tax and non-tax revenues, and net surpluses from government/public enterprises constitute a larger proportion of investment in the economy. Details of government/public investment – its sources and allocations - are not readily available as the government budget is not published. But information of different sources including government official statistics and information on government capital investment programmes tend to show that a large part of the investment (around 22 percent) is allocated to relatively large-scale infrastructure projects such as bridges, dams for hydro power, regional and urban roads and other similar large-scale public projects. Defence take up more than 20 to 23 percent of government investment expenditure.<sup>134</sup> Investment expenditures in health and education receive merely 2 and 5 percent of the government investment budget.

These public investment allocations tend to reflect observations about the acute shortfall in government investment in capacity building of local level institutions, health and education services at the township and village levels. As noted in chapter 10, technical departments of government services in such areas as health, education, agricultural research and extension, livestock and fisheries are in critical need of capacity building as well as recurrent budget support to enable these local level institutions to perform services effectively in response to the needs of the village population. Although some of the large scale investments in roads and power infrastructures serve the rural economy in integrating with the wider regional and national economy, the village populations in general face serious constraints in building their livelihood activities due to lack of feeder roads, transport services, and access to education and health facilities and services. These are areas that will require substantial investment support of the government.

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<sup>131</sup> A recent study on poverty issues in Cambodia observed that due to market imperfections stemming from the lack of information on retail price, the lack of competition, and transportation problems, Cambodian farmers had no choice but to sell their crops soon after harvest and accept the prices offered by the local paddy trader. Ref: Murshid, KAS and Phim Runsinarith. (2006),

<sup>132</sup> Thein, Myat (2001) and EIU (2005).

<sup>133</sup> IMF (2005).

<sup>134</sup> Central Statistical Organization, Government of the Union of Myanmar.

## 11.4 Financing of Public Investment Programme

In the absence of appreciable levels of aid inflow, and in view of low levels of savings in the economy and narrow government revenue base, the Government has had to incur persistent deficit on its budget. The budget's overall balance (total revenue including grants less total expenditure) has increased as a proportion of GDP - from negative 4.5 percent in 1999/2000 to negative 6.2 percent in 2004/2005.<sup>135</sup> In 2005/2006 the overall balance is thought to have been reduced as government reduced subsidies to public enterprises, raised prices of diesel and oil (thereby reducing subsidy on domestic consumption of fuels), and secured substantial increases in revenues from gas exports (mainly to Thailand).<sup>136</sup> This increase in revenue, as informal sources convey, was large enough to meet the substantial increase in the government expenditures in the early part of 2006 resulting from the average of ten fold increase in salary of government employees effective April 2006.

Until last year much of the budget deficit was financed through monetary expansion. In 1995 the World Bank noted that the budget deficit in the early 1990s was almost entirely bridged by printing money.<sup>137</sup> Money supply growth persisted throughout the period 2000-2005 and its explanation for inflation is evident in the figures presented in Table 11.3 below.

Table 11.3: Monetary Growth and Inflation, 1995-2005 (in Percentage)

Inflation/Money Supply Growth	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Inflation (%)	21.8	20.0	33.9	30.1	15.7	-1.7	34.5	58.1	24.9	4.5	20.2
Money Supply growth (%)	36.5	38.9	28.8	34.2	29.7	42.4	43.9	34.7	1.4	32.4	28.0

Note: (a) Inflation is annual % change in CPI and the data is reproduced from EIU (2005). (b) Money supply growth for 2005 is average of first and second quarter of 2005 based on IMF's International Finance Statistics.

Source: Inflation data are from Central Statistical Organization; Money Supply Growth data are from ESCAP, Economic and Social Survey of Asia and the Pacific 2006.

## 11.5 Inflation and its Effects

In addition to incessant growth in monetary aggregates, cost-push factors have also been responsible for the high rates of inflation in the economy in recent years. These cost-push factors include most importantly: (a) obsolete machinery and equipment used in production in manufacturing (largely public enterprises) and other areas giving rise to high production cost; (b) shortage of energy and unreliable power supply causing high cost of industrial production and services; (c) inefficient and loss-making state enterprises resulting in wastage and high costs; (d) widespread imposition of unofficial fees on private sector businesses; (e) large increases in charges for goods produced by state enterprises as well as for public services and utilities contributing to rising costs and inflation; and (f) rapid deterioration in the external value of the Kyat, its high volatility and administrative measures to restrict foreign trade causing rise in prices of imported goods.

<sup>135</sup> IMF (2005).

<sup>136</sup> Increase in gas exports in recent years has been substantial. Gas export increased from US\$515 million in 2001 to US\$647 million in 2003 (Ref: EIU, 2005). It is believed that gas export proceeds brought in further increases in government revenues in 2004-2005. The upward trend in gas export accounted for the large increase in the country's exports - from US\$1,353 million in 1999/2000 to US\$2,818 in 2003/2004. Ref: IMF-2005).

<sup>137</sup> Thein, Myat (2001).

There is no conclusive evidence as to whether the overall effect of inflation burdens the poor. A recent study of the Asian economies<sup>138</sup> finds that the overall effect of inflation on poverty is indeterminate and may not have caused additional burden on the poor as they also benefited from higher prices for their produce. However, persistence of high rates of inflation in the Myanmar economy has appeared to have adversely impacted the purchasing capacity of the rural households, at least in the areas where the HDI programme activities are operational. Price and wage information collected by the HDI projects from the field clearly indicate that prices of food items<sup>139</sup> that constitute more than 90 percent of food consumption of the target beneficiaries (poor households in the HDI programme areas) and essential household goods as well as agricultural inputs, have risen considerably in the past five years. Food price increases have varied across the HDI covered regions/areas. The highest increases have been observed in townships in southern Shan state where prices of essential food items have increased by as much as 30 to 60 percent on average per annum during 2003-2006. The rural poor in the Delta were equally burdened with high food price increases in the range of 25 to 40 percent in the period 2000-2004 but their burden eased considerably during 2004-2006 when food prices came down to 8 to 25 percent per annum. The Dry zone recorded food price increases in the range of 10 to 25 percent per annum during 2003-2006. Systematic information on prices of essential agricultural inputs is not available but a number of field reports have noted increase in prices of these inputs especially in Shan state, Dry zone and in the CDRT project areas of Rakhine, Chin and Kachin state.

Marginal and landless poor in the HDI programme areas have been hard hit by these price increases as indicated by movements in the wage rates. Real wages in villages in most townships in Shan state have fallen as money wage increases of 15 to 30 percent per annum have not been adequate to meet the increased household budget for food items. In the Delta the real wage appears to have been maintained at the same level in the past three years (2003-2006). Only in Dry zone it appears that nominal wage rates have increased more than the prices of household's main food consumption basket.

Inflation and unexpected price increases of essential inputs have also adversely affected project implementation. Budgets for micro projects funded by the two community development projects, especially for village level social infrastructures, once approved have often been found to be under-budgeted at the time of implementation due to unexpected increase in prices of project inputs. For the HDI supported Myanmar Microfinance, the persistent high rates of inflation in recent years have dampened the operational and financial sustainability of the programme which has otherwise made significant impact on poverty and vulnerability reduction of the client households. As such, the financial self-sufficiency and operating efficiency ratios (adjusted for inflation and other factors) have strained the long-term sustainability of the programme as analyzed in detail in chapter 9: Microfinance.

## **11.6 Financial Sector Development**

The Microfinance programme as well as other rural economic activities including community based savings and credit operations must also be supported by the overall developments in the financial sector. Experience of MYRADA's programme in India (that has formed the basis for

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<sup>138</sup> Pasha, Hafiz and T. Palanivel (2004).

<sup>139</sup> The food items on which prices are collected include rice (mid quality), rice (low quality), cooking oil (groundnut), cooking oil (palm), onion (large size), tomato, water crest, pork, chicken, fish paste, salt and chillies. Note: The data on prices and wages (for male and female unskilled rural workers) are collected by field staff of ICDP and Microfinance projects. There are some problems with the data as regards their comparability across areas (townships) and over time due to different units of measurement used for some products. Nonetheless, the information collected does provide indication of the general price trends of essential food items and their impact on real wages for unskilled rural workers (who are primarily the poor landless and marginal farmers).

the HDI supported SRGs) and other similar self reliance groups in other developing economies point at the importance of linking network of such groups to financial institutions having operational presence at the local level (i.e. township level in the case of Myanmar). This will open up opportunity for these community-based, self-managed savings and credit operations to access institutionalized sources of financial resources from the banking system especially when these groups reach higher levels of maturity.

Indeed, as observed by two recent IAMs,<sup>140</sup> a number of mature SRGs in the HDI covered areas in Myanmar are experiencing under-capitalization (as of April 2006) as they have successfully expanded their economic and livelihood activities. Limitations of loanable funds are already appearing as a binding constraint to their growth and development. Clearly, these SRGs may have reached a point where their savings and credit operations could be linked to locally present financial institutions. For instance, possibilities could be explored for the matured SRGs to have access to the Myanmar Microfinance project, perhaps through the modality of wholesale lending operation wherein the Myanmar MF project could take group exposure to an SRG in its lending strategy. Similar linkages could be explored with the commercial banking system. In HDI-III the sustainable food security and micro income opportunity project in the Dry zone took a significant step in negotiating a financial package between the livelihood community groups and two commercial banks (Kambawza Bank and Yoma Bank).<sup>141</sup> These two banks had indeed agreed and approved to providing lines of credit in the order of US\$332,000 (at the prevailing exchange rate of the Kyat in 2001) for agricultural production and micro-enterprise businesses in Chaung U Township and 26 villages in Magway and Kuaukpadaung townships. These loans were also approved by the Central Bank of Myanmar. Unfortunately, these cooperation arrangements suffered a serious setback with the onset of financial crisis in the banking system (in 2002) that led to a near-collapse of the financial (banking) system in early 2003. Since then the financial system has not recovered to a level where the earlier initiatives of attempting to link community based organizations to the country's financial system could be revived with any confidence.

Financial intermediation in the rural segment of the economy will require supportive government policies and legislations. The HDI supported Myanmar MF has demonstrated its effectiveness in outreaching specialized lines of micro loans to the poor. But as noted in chapter 9: Microfinance, long term sustainability of these institutionalized forms of credit and savings services for the poor must receive government intervention in instituting supportive legal frameworks for their protection, growth and development.

These developments at the macroeconomic level with implications for key sectoral policies and government investment programmes, as stated briefly in this chapter, are important for ensuring long term sustainability of a number of interventions which have proved to be effective in reducing poverty and vulnerability of the poor in the rural areas. Successful interventions can be scaled up through appropriate government policies and investment programmes. These support measures are critical to reinforcing the efforts being made by the rural communities under the HDI support programmes.

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<sup>140</sup> IAM reports of 2006 and 2005.

<sup>141</sup> FAO (2001).

## 12. Concluding Remarks

The Executive Summary presented at the outset of this report provides an overall assessment of effects and impact of the HDI. In its twelve years of humanitarian and development activities at the grassroots level, presently covering 5,444 villages, the UNDP through its HDI has made a significant contribution to poverty alleviation in the rural areas. Intervention strategies of the HDI through its four phases since 1994 have been adjusted and improved by incorporating lessons learned from specific intervention activities. The HDI in effect has generated a wealth of information and knowledge of the rural poor in Myanmar; the effectiveness of community organizations and self reliance groups in empowering the poor and in building social capital that the village communities have strategically leveraged for mobilizing resources and implementing development activities identified and prioritized by the villagers themselves through participatory processes. Experience gained from field level operations has also pointed at the importance of local support systems and supportive macroeconomic environment and policies for ensuring sustainability of the livelihoods outcomes attained by the poor through their own effort with external support (from the UNDP/HDI).

Much of the information and knowledge is available from multiple sources including field monitoring reports, the annual Independent Assessment Missions reports, annual project progress reports, project terminal reports, project technical reports, and a limited number of impact assessment and evaluation reports. This Impact Assessment report has made extensive use of these reference sources. But in an attempt to provide a comprehensive coverage of impact of the HDI programme, this Report has noted a number of issues pertaining to organization and development of impact related information and knowledge.

Firstly, much of the information and knowledge on impact of the HDI as presently available is scattered and require better structuring and systematic documentation. This may require revisiting format of certain reports. For instance, the annual project progress report could be restructured to produce analytical information and knowledge on impact and development results of project activities. Secondly, quantitative analysis of impact on poverty and vulnerability reduction of HDI project interventions could not be undertaken due to the absence of data and information. Thirdly, much of the qualitative information on impact is generated without structural linkages to quantitative data. Success stories, lessons learned and case studies produced by the projects need to be contextualized with reference to thematic, impact related issues. Presently these knowledge products are not developed in the context of impact analysis adequately established as representative of development outcomes of HDI project interventions. Similarly, client satisfaction surveys are not systematically blended with quantitative information. Fourthly, field research based purposive studies thus far done are inadequate. Such studies need to be designed and carried out in a systematic way to address specific topical issues and to gain in-depth knowledge of impact of project interventions. Fifthly, data and information are not systematically developed in the context of relevant impact indicators. Such data systems can provide the basis for the development of an Impact Monitoring system with a built-in capacity to produce impact monitoring reports at periodic intervals.

Development of data and information systems as well as research capacity for undertaking purposive field research based studies and analytical work will require dedicated allocation of resources for such work. As a programme policy measure a certain percentage of the HDI programme budget may thus be allocated for these data and knowledge development activities. The impact assessment reports, including the present one, must serve the particular needs of HDI programme strategy development and adjustment, reporting to UNDP and the donors which have made contribution to the HDI programme, and sharing knowledge of UNDP activities in Myanmar with other development partners having assistance programmes in Myanmar. In addition, summary analysis of the HDI impact assessment and monitoring reports should be conveyed to the HDI project management and field staff as well as beneficiaries who would have



an interest in knowing how their efforts in cooperation with HDI support are making a difference to their livelihoods and village development. Dissemination of information on impact and outcome of the HDI to the field staff and village community members must be done through appropriate communication modality and simplified presentation of the impact assessment reports.

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**HDI-IV Projects by Townships (including expansion)  
and Number of Villages Covered**

	Townships	ICDP	CDRT	Micro-Finance	HIV/AIDS	Integrated Household Assessment	Total No. of villages with HDI interventions	
SHAN								
1	Ywangan	x		x	Nationwide coverage	Nationwide coverage	125	
2	Pindaya	x		x			154	
3	Kalaw	x		x			288	
4	Nyaungshwe	x		x			373	
5	Pinlaung	x		x			350	
6	Pekone	x					40	
7	Hsipaw	x					40	
8	Kyaukme	x					40	
DRY ZONE								
9	Chaung-U	x		x			74	
10	Kyaukpadaung	x		x			318	
11	Magway	x		x			215	
12	Chauk			x			74	
13	Yenanchaung			x			40	
14	Taungdwingyi			x			72	
15	Nyaung U			x			66	
16	Thaungtha			x			75	
17	Ayardaw			x			54	
18	Myaung			x			55	
19	Pakokku	x					40	
20	Sinbaungwe	x					40	
21	Thayet	x					40	
DELTA								
22	Bogalay	x		x			453	
23	Mawlamyainggyun	x		x			531	
24	Laputta	x		x			431	
25	Nyaungdone			x			113	
26	Pantanaw			x			136	
27	Zalun			x			111	
28	Danuphu			x			127	
29	Ngapudaw	x					40	
30	Kyaiklat	x					40	
Kayah								
31	Loikaw	x					40	
	Sub-total	20		22			4,595	



	Townships	ICDP	CDRT	Micro-Finance	HIV/AIDS	Integrated Household Assessment	Total No. of villages with HDI interventions	
RAKHINE								
32	Maungdaw		x		Nationwide coverage	Nationwide coverage	31	
32	Buthidaung		x				20	
34	Mrauk-U		x				36	
35	Kyauktaw		x				43	
36	Minbya		x				38	
37	Rethetaung		x				12	
CHIN								
38	Falam		x				36	
39	Tiddim		x				36	
40	Thantlang		x				36	
41	Haka		x				36	
42	Paletwa		x				45	
43	Tongzan		x				30	
44	Mindat		x				30	
45	Madupi		x				30	
46	Kanpetlet		x				24	
KACHIN								
47	Myitkyina		x				40	
48	Waingmaw		x				37	
49	Ta Naing		x				14	
50	Man-si		x				34	
51	Mo Mauk		x				38	
52	Putao		x				48	
53	Ma Chan Baw		x				18	
MON								
54	Kyaikhto		x				32	
55	Bilin		x				31	
56	Kyaikmaraw		x				33	
KAYIIN								
57	Hpa-an		x				41	
	Sub-total		26			849		
	Grand Total 57 of which by project:	20	26	22		5,444		

### Outreach of HDI-IV Projects –CDRT, ICDP and Microfinance Projects

#	Township by Zone/State	Total in Township		Covered by CDRT & ICDP Projects			Covered by MF Project		
		# of villages	Population	# of villages	# of Households (HHs)	Population out-reached	# of villages	# of Urban Centres	# of Beneficiary HHs
<b>A.</b>	<b>DRY ZONE</b>								
1	Kyaukpadaung	336	226,611	251	33,331	168,681	302		29,297
2	Magwe	214	259,167	210	37,510	192,251	190		33,998
3	Chaung U	74	89,600	51	9,881	55,304	65		8,852
	<i>Sub-total (old)</i>	<i>624</i>	<i>575,378</i>	<i>512</i>	<i>80,722</i>	<i>416,236</i>	<i>557</i>		<i>72,147</i>
4	Pakokku	258	254,562	30	4,217	25,903			
5	Sinbaungwe	138	99,660	30	4,292	23,995			
6	Thayet	157	141,457	30	3,309	19,075			
7	Chauk	220	220,697				78		5,726
8	Yanangyaung	143	276,966				71		5,840
9	Taungdwingyi	275	283,128				81		5,810
10	Nyaung U	210	251,072				72		6,640
11	Taung Tha	244	240,788				76		5,791
12	Ayardaw	161	213,364				54		3,880
13	Myaung	81	160,553				63		7,050
	<i>Sub-total (new)</i>	<i>1,887</i>	<i>2,142,247</i>	<i>90</i>	<i>11,818</i>	<i>68,973</i>	<i>495</i>		<i>40,737</i>
	<b>Total (Dry Zone)</b>	<b>2,511</b>	<b>2,717,625</b>	<b>602</b>	<b>92,540</b>	<b>485,209</b>	<b>1,052</b>		<b>112,884</b>
<b>B.</b>	<b>DELTA</b>								
14	Laputta	468	224,085	261	21,352	106,763	256		19,653
15	Bogalay	569	368,711	254	21,783	104,384	329		27,130
16	Mawlamyaing Gyun	570	295,527	260	19,219	93,501	327		17,570
	<i>Sub-total (old)</i>	<i>1,607</i>	<i>888,323</i>	<i>775</i>	<i>62,354</i>	<i>304,648</i>	<i>912</i>		<i>64,353</i>
17	Kyaiklatt	421	217,728	30	1,866	9,017			
18	Ngapudaw	420	306,067	30	3,478	28,476			
19	Nyaungdon	306	235,223				123		6,995
20	Pantanaw	442	269,305				137		7,220
21	Zalun	462	243,934				113		4,910
22	Danuphyu	450	228,293				140		6,805
	<i>Sub-total (new)</i>	<i>2,501</i>	<i>1,500,550</i>	<i>60</i>	<i>5,344</i>	<i>37,493</i>	<i>513</i>		<i>25,930</i>
	<b>Total (Delta)</b>	<b>4,108</b>	<b>2,388,873</b>	<b>835</b>	<b>67,698</b>	<b>342,141</b>	<b>1,425</b>		<b>90,283</b>
<b>C.</b>	<b>SHAN STATE</b>								
23	Ywangan (S)	130	56,218	100	7,976	40,596	67		6,139
24	Nyaung Shwe (S)	446	132,227	260	19,690	88,139	233		14,703
25	Pindaya (S)	140	46,130	140	12,283	60,427	83		6,053
26	Kalaw (S)	291	126,819	250	14,497	69,441	129		9,445
27	Pinlaung (S)	513	119,554	274	18,084	88,217	162		9,772
	<i>Sub-total (old)</i>	<i>1,520</i>	<i>480,948</i>	<i>1,024</i>	<i>72,530</i>	<i>346,820</i>	<i>674</i>		<i>46,112</i>
28	Pekhon (S)	200	62,726	30	1,172	7,989			
29	Thibaw (N)	476	38,565	34	3,113	12,813			
30	Kyaukme (N)	388	125,572	30	2,723	13,449			
	<i>Sub-total (new)</i>	<i>1,064</i>	<i>226,863</i>	<i>94</i>	<i>7,008</i>	<i>34,251</i>			
	<b>Total (Shan State)</b>	<b>2,584</b>	<b>707,811</b>	<b>1,118</b>	<b>79,538</b>	<b>381,071</b>	<b>674</b>		<b>46,112</b>

<b>D.</b>	<b>KAYAH</b>								
31	Loikaw	123	48,316	30	1,463	10,215			
	<i>Sub-total (new)</i>	<i>123</i>	<i>48,316</i>	<i>30</i>	<i>1,463</i>	<i>10,215</i>			
	<b>Total (Kayah)</b>	<b>123</b>	<b>48,316</b>	<b>30</b>	<b>1,463</b>	<b>10,215</b>			
<b>E.</b>	<b>NORTHERN CHIN STATE</b>								
32	Falam	174	64,347	36	2,318	12,018			
33	Hakha	67	47,215	36	3,350	18,297			
34	Tedim	127	82,114	36	3,472	21,459			
35	Thantlang	84	59,399	36	3,765	21,830			
	<i>Sub-total (old)</i>	<i>452</i>	<i>253,075</i>	<i>144</i>	<i>12,905</i>	<i>73,604</i>			
36	Ton zang	102	31,014	30	2,367	14,450			
	<i>Sub-total (new)</i>	<i>102</i>	<i>31,014</i>	<i>30</i>	<i>2,367</i>	<i>14,450</i>			
	<b>Total (N. Chin)</b>	<b>554</b>	<b>284,089</b>	<b>174</b>	<b>15,272</b>	<b>88,054</b>			
<b>F.</b>	<b>SOUTHERN CHIN STATE</b>								
37	Mindat	194	42,371	30	1,439	7,768			
38	Madupi	105	44,262	30	2,088	11,203			
39	Kanpetlet	113	15,622	24	829	4,621			
	<i>Sub-total (new)</i>	<i>412</i>	<i>102,255</i>	<i>84</i>	<i>4,356</i>	<i>23,592</i>			
	<b>Total (S. Chin)</b>	<b>412</b>	<b>102,255</b>	<b>84</b>	<b>4,356</b>	<b>23,592</b>			
<b>G.</b>	<b>KACHIN STATE</b>								
40	Myitkyina	63	232,026	40	3,879	21,748			
41	Waingmaw	210	124,073	37	4,882	26,175			
	<i>Sub-total (old)</i>	<i>273</i>	<i>356,099</i>	<i>77</i>	<i>8,761</i>	<i>47,923</i>			
42	Ta-nai	60	32,838	14	1,732	9,347			
43	Man-si	211	74,547	34	3,048	15,990			
44	Mo Mauk	269	94,809	38	3,523	19,180			
45	Putao	112	58,934	48	4,446	27,152			
46	Ma Chan Baw	103	8,434	18	1,030	6,408			
	<i>Sub-total (new)</i>	<i>755</i>	<i>269,562</i>	<i>152</i>	<i>13,779</i>	<i>78,077</i>			
	<b>Total (Kachin)</b>	<b>1,028</b>	<b>625,661</b>	<b>229</b>	<b>22,540</b>	<b>126,000</b>			
<b>H.</b>	<b>EASTERN RAKHINE</b>								
47	Kyauktaw	285	228,385	43	3,271	16,072			
48	Minbya	246	160,548	38	4,604	20,997			
49	Mrauk Oo	246	224,155	36	3,988	20,443			
50	Paletwa	401	75,422	45	2,162	11,603			
	<i>Sub-total (old)</i>	<i>1,178</i>	<i>688,510</i>	<i>162</i>	<i>14,025</i>	<i>69,115</i>			
	<b>Total (E. Rakhine)</b>	<b>1,178</b>	<b>688,510</b>	<b>162</b>	<b>14,025</b>	<b>69,115</b>			
<b>I.</b>	<b>NORTHERN RAKHINE</b>								
51	Maungdaw	338	386,318	31	4,405	28,694			
52	Buthidaung	340	236,112	20	1,474	8,306			
53	Rathetaung	214	130,437	12	1,023	6,325			
	<i>Sub-total (old)</i>	<i>892</i>	<i>752,867</i>	<i>63</i>	<i>6,902</i>	<i>43,325</i>			
	<b>Total (N. Rakhine)</b>	<b>892</b>	<b>752,867</b>	<b>63</b>	<b>6,902</b>	<b>43,325</b>			
<b>J.</b>	<b>MON STATE</b>								
54	Kyaikhto	75	198,513	32	2,504	11,342			
55	Bilin	226	241,271	31	2,505	13,050			
56	Kyaikmaraw	167	273,364	33	2,225	12,360			
	<i>Sub-total (new)</i>	<i>468</i>	<i>713,148</i>	<i>96</i>	<i>7,234</i>	<i>36,752</i>			
	<b>Total (Mon State)</b>	<b>468</b>	<b>713,148</b>	<b>96</b>	<b>7,234</b>	<b>36,752</b>			
<b>K.</b>	<b>KAYIN STATE</b>								
57	Hpa-an	479	748,784	41	3,361	16,762			
	<i>Sub-total (new)</i>	<i>479</i>	<i>748,784</i>	<i>41</i>	<i>3,361</i>	<i>16,762</i>			

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	<b>Total (Kayin)</b>	<b>479</b>	<b>748,784</b>	<b>41</b>	<b>3,361</b>	<b>16,762</b>			
	<b>Total HDI Townships</b>	<b>14,337</b>	<b>9,777,939</b>	<b>3,434</b>	<b>314,929</b>	<b>1,622,236</b>	<b>3,151</b>	<b>0</b>	<b>249,279</b>

**HDI Programme Budget**  
(US\$)

#	HDI- IV (2003 - 2006)	Total	2003	2004	2005	2006
		2003-2006	Expenditure	Expenditure	Expenditure	Budget
1	Integrated Community Dev. Project	15,663,739	2,688,966	2,529,455	4,445,318	6,000,000
	c/s - Italy	5,432		5,432		
	Gross	15,669,171	2,688,966	2,534,887	4,445,318	6,000,000
2	Community Development for Remote Townships	11,582,666	1,941,995	1,676,730	4,823,242	3,140,699
	c/s - Australia	1,338,156	108,681	109,329	561,481	558,665
	c/s - UK	1,364,131			450,294	913,837
	c/s - NZ	112,672			100,977	11,695
	c/s - SIDA	1,546,132			625,380	920,752
	Gross	15,943,757	2,050,676	1,786,059	6,561,374	5,545,648
3	Enhancing Capacity of HIV/AIDS	2,580,825	569,705	429,911	482,425	1,098,784
	c/s - Japan	321,750	157,046	97,239	(24,913)	92,378
	Gross	2,902,575	726,751	527,150	457,512	1,191,162
4	Micro-Finance	4,633,133	500,581	1,161,111	1,311,816	1,659,625
5	Integrated Household Assessment	2,920,435	440,048	1,201,134	429,103	850,150
6	Agricultural Sector Review	736,307	290,812	425,692	19,803	
	Total Gross	42,805,378	6,697,834	7,636,033	13,224,926	15,246,585
	Total Cost Sharing	4,688,273	265,727	212,000	1,713,219	2,497,327
	% Cost Sharing	12.3%	4.1%	2.9%	14.9%	19.6%
	Total UNDP resources	38,117,105	6,432,107	7,424,033	11,511,707	12,749,258

## **Brief Profile of HDI Project Areas**

An appreciation of the agro-ecological characteristics and socio-economic conditions of the HDI target areas will provide a better understanding of the differential strategies and programme intervention emphasis adopted by the HDI supported community development and microfinance projects in the target areas and villages in Dry zone, Shan state, the Delta, Kachin state, Chin state and Rakhine state.

### **ICDP Project Areas**

#### **(a) Dry Zone**

The rural poor in the Dry zone are dependent on agriculture but their agricultural activity is constantly under environmental treats due to drought, deteriorating soil condition, and lack of moisture retention capacity of the soil. The agro-climatic conditions are not particularly favourable for rice which is the staple food of the people of Myanmar. Precipitation in the Dry Zone is low at an average 30 inches (750mm) of rainfall with relatively high intensity ranging from 2 inches per hour for normal rainfall to 4 inches per hour for thunderstorm.

Soil characteristics and vegetation vary according to the topography of the region/zone. In the undulating and gently sloping areas, the soils are susceptible to erosion by water and wind, and soil fertility is generally poor with stone and gravel in many places. Soil fertility is also poor in the alluvial plains as well as in the valley and flat areas that comprise a considerable proportion of the land area in Dry Zone. Soil texture in the alluvial plains is sandy; infiltration rate is high and water-holding capacity is low. Irrigation water, albeit in inadequate quantity, is available from streams and hand dug wells. Areas along the Ayeyarwady river are fertile. Valleys and flat areas are also characteristic of the region's topography. Soil erosion is moderate in the valleys. Deposits of sediments carried by the runoff water form the alluvial soils. These lands are highly productive except those areas which have deposits of saline and alkaline soils that are carried by the runoff water. Soil units in the valleys especially on paddy growing lands of low rainfall are relatively productive. However, hundreds of acres of alkaline soils are totally waste lands due to the severe salinity and poor soil aggregate stability.<sup>142</sup>

Productive land is scarce in the Dry Zone. Access to agricultural land is limited to some 45 to 55 percent of the population living in villages of the six townships covered by the HDI programme. About 30 to 35 percent of the population are landless and about 25 percent are marginal farmers whose landholding is acutely inadequate (less than 3 acres) for growing food for their households.<sup>143</sup> The landless poor in the rural areas manage to earn some income from seasonal, casual labour jobs in agriculture. About 14 to 18 percent of the local population is engaged in trading, retail sale, small scale rural industries, and transport and other services.

Unfavourable agro-climatic conditions coupled with severe land degradation in the Dry Zone cause severe stress on the poor who must constantly live under uncertainty and risks. Harsh conditions of the Dry Zone create economic distress for many farmers and severe social hardship as people migrate to outside of their region in search of employment. The most serious challenge is to ensure support that will enable the poor to have sources of income in years of low rainfall; protect productive land against soil erosions; regenerate productivity of agricultural land; provide access to alternative energy sources to avoid degradation of forestry resources; and diversify income earning opportunities.

HDI support in the Dry zone has been principally focused on developing capacity of the village population to carry out soil conservation measures alongside support for increasing agricultural

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<sup>142</sup> Nay Wun Paw (December 2004).

<sup>143</sup> FAO (Dec 2001).

production and productivity through application of improved seeds, fertilizer and pesticides, and crop diversification. Livelihood support for the large number of landless poor and marginal farmers has been facilitated by the HDI through micro income generating activities. The effectiveness and impact of these interventions are discussed later in relevant sections of this chapter.

(b) Shan state

HDI programme activities have been largely confined to southern Shan state. In 2004, villages in two townships (Thibaw and Kyaukme) in northern Shan state have been brought into the HDI programme outreach. The areas covered by the programme are generally mountainous with dissected plateau. A large coverage of the area is also hilly, undulating plateau and flat basin. Slope in the mountainous range ranges from 20 to 50 percent, and in the basin 0 to 5 percent. Slopes are covered with hill forest, mixed deciduous forest and good quality grass. In some areas, natural streams cut deep valleys with occasional gully appearance. Soil erosion is markedly observed in most parts of the mountainous and hilly areas; hence soil conservation is essential for sustainable agriculture in these mountainous and hilly areas.

Soil erosion is also a major problem for agriculture in the dissected and undulated plateaus. Wind erosion is common especially at ploughing in the beginning of dry season. With appropriate soil conservation measures much of the land can be cultivated in the plateaus. Southern Shan has large areas of basins where the soil is highly productive for agriculture including paddy cultivation.

About 70 percent of the population in the HDI townships in Shan state live in the rural areas. A very large majority of the rural population (some 80 to 85 percent) has access to agricultural land and most of them are actively engaged in farming. Unlike in the Dry Zone, only a few are landless in Shan State (some 3 to 5 percent of the population). The landless are very poor, having opportunity to earn some income through seasonal and casual employment in agriculture. About 12 to 15 percent of the local population derive their livelihoods by engaging in small and cottage industries, transport services, trading, retail sale, and other businesses mainly in the urban area.

The HDI project areas in Shan state represent a major part of four important watersheds that are in critical conditions – the Inle, Kinda, Zawgyi and Paunglaung.<sup>144</sup> Measures for arresting environmental degradation, management of topsoil and water conservation have thus constituted a core intervention strategy in Shan state. Additionally, support has been extended to farmers for improving agricultural productivity and income diversification sources including extension of cropping pattern, livestock and off farm economic activities.

(c) The Delta

Compared to Shan State and Dry Zone, the Delta has considerably higher agricultural resource base supported by plentiful rainfall and fertile cultivable land for those who have access to it. Fishery and livestock also provide livelihood assets for the rural population. The population density in the Delta is high placing severe pressure on agricultural land. In an attempt to secure land for cultivation, the poor households have been forced to resort to clearing of mangrove forests that can provide only low yield land. Furthermore, struggle for livelihoods has led the local population to fell mangrove trees for conversion into charcoal wood for the market in Yangon. Although in 1993 the government imposed a ban on felling mangrove trees, villagers in want on land for cultivation and income from forest trees have continued to encroach on the forests with the effect that farmers themselves are faced with severe salinity in soil in the already low yield land reclaimed from the mangrove forests.

Landholding is highly skewed in the region. Across the villages in the Delta between 40 and 55 per cent of the households own much of the cultivable land. Between 45 and 60 percent of the

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<sup>144</sup> Kato, Masakatsu, Alfredo de Torres and Hugh Marshall (June 1998).

households are landless or own little marginal land. About half of agricultural land owners possess five to under ten acres of land; the remainder farmers owning land have access to less than 3 acres of cultivable land.

Between 40 and 43 percent of the landless work as casual labour on farms that can provide only seasonal jobs. Food security is a critical livelihood problem for the landless. Landless poor living near the river have access to fishery resources; some 3 to 7 percent of the households are engaged in fishery. A small proportion of the landless poor have employment opportunity in a rather large number of agro based industries in the region, including rice mills, saw mills, ice factory, coconut fibre twisting mills, boat construction, repair workshops, and gold smith and black smith workshops.

Providing alternative, non-farm based livelihoods for the landless has been a major challenge for the HDI support programme in the Delta. This strategy is seen as critical to conserving the rapid decline of the ecosystem in the Delta resulting from the severe depletion of mangrove forests. Support for livestock development, fishery and small rural businesses assumed a significant proportion of HDI support to sustainable livelihoods for the landless poor. Concurrently support has been given to small farmers with access to essential agricultural inputs, technology and know-how for improving farm yield and diversifying crop production. Like elsewhere in all HDI project areas, communities have been organized to mobilize their own resources that combined with HDI support inputs have led to widespread development of community forestry and soil conservation measures across villages outreached by the HDI programme.

#### **CDRT Project Areas – remote townships of Kachin, Chin and Rakhine states**

##### **(d) Kachin state**

HDI assistance in Kachin state commenced in early 1994 covering villages in two remote townships of Myitkyina and Waingmaw. In 2005 villages under five additional townships in further north of the country were included in the assistance programme – namely, Putao, Machanbaw, Tanai, Momauk and Masnsi. Project areas where most of the population live are a mixture of plains, deltas and mountains, although a majority of the population live in the plains which offer fertile soils for paddy growing. Myitkyina and Waingmaw are situated on west and east banks of the Ayeyarwaddy River, respectively. The other townships are on the hilly and mountainous areas.

Agriculture is mainstay of the rural population. Both upland and lowland paddy is cultivated. Other crops grown by farmers are sugarcane, peanuts, mustard, sesame, beans, pulses and fruits including pineapple, lychee and citrus fruits.. About 20 percent of the agricultural land is irrigated by the Washaung, Myothitgale and Kalagon canals. Salt mines are located in the valleys. The region is endowed with rich natural resources including timber, jade and gold.

Years of conflict in the region, from 1962 until peace agreement reached between Kachin Independence Organization (KIO) and government (SLORC) in 1994, have created socio-economic instability with a large number of villages still remain unsettled as the resident villagers had migrated to safer and bigger villages. Most of the internally displaced are now back to their villages and reclaimed their homesteads.<sup>145</sup>

While mainly concentrating on livelihood activities in the foothills, the village population has resorted to slash and burn farming for paddy and corn. Forestry degradation and environmental management alongside support for agriculture and horticulture have thus received prime attention of the HDI supported community development project in Kachin.

##### **(e) Rakhine state**

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<sup>145</sup> CDRT Project Brief (May 2006).



The six townships covered by the HDI programme in eastern and northern Rakhine states share similar agro-ecological features. The target population live in the coastal areas with narrow land strip (Maungdaw township) and in the very expansive delta area (for other townships).

The coastal areas offer rich soil; with favourable climate for agriculture the potential for improving livelihood conditions is good. Those who have access to agricultural land grow paddy and potato. Other crops grown by farmers are chilli, beans, mustard, sesame, egg plant, banana and coconut. Due to extremely limited cultivable land, lack of infrastructure, remoteness from market, and low level of education and health status of the local population, the poverty incidence is high in Rakhine state. In particular, the Muslim population, which makes up 95 percent of the population of Maungaw, has been subject to isolation, restricted mobility, forced labour and arbitrary taxes by the local administration.

Government plans for a major hydroelectric power station (in Buthidaung) and offshore oil production can open up significant employment opportunities for the local population.

Targeting the poorest of the poor in the region, the HDI programme in Rakhine state has been providing support for land development to enable the landless to access cultivable land, improving agricultural productivity, land-based income diversification, and off farm income generating activities. Natural resource (forestry) conservation is strategically addressed in the HDI assistance strategy.

(f) Chin state

Until 2005 the HDI assistance covered five townships in northern Chin namely, Paletwa, Tiddin, Falam, Htantlang and Hakha. In mid 2005 four additional townships - Tonzang, Madupi, Mindat and Kanpetlet - have been brought within the reach of the assistance programme.

The topography of Chin state is largely mountainous; largely rugged mountains separated by deep valleys. Forestry resources are in abundance in the region. Oaks and pines are found at altitude above 5000 feet, and teak and other hard wood at altitudes below 3000 feet. The forest resource base has come under serious threat due to slash and burn method of traditional agricultural practices. Further, high population growth in the region has been depleting access to livelihood assets for the local population.

One township (Paletwa) is located in the mountainous area where access to agricultural land is acutely limited. Forestry resources are in abundance in this region. But slash and burn practices in agricultural activity is a serious environmental concern for the northern area. Only Thantlang township offers scope for growing paddy. Soil units and topography conditions in much of the region allow farmers to grow corn. Other crops grown by farmers on small scale are rice, maize, potato and vegetables. As flat land is scarce, shifting cultivation is practiced by farmers along the hillsides. In recent times farmers have begun to practice terrace cultivation. In some areas, especially in Tedim township, fruits including apple, grape and orange are grown.<sup>146</sup> But market access is difficult due to geographical remoteness and lack of road and transport infrastructure, which insulates the economy of the region from the mainstream economy.

About 70 to 75 percent of the households in HDI villages in Chin state are engaged in agricultural activities. The remainder, largely landless and marginal farmers, are engaged in livestock-raising including cattle (mython and others), horse, goat, pig and chicken.

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<sup>146</sup> ICDRT Project Brief (May 2006).