

Ex-Ante Evaluation

1. Name of the Project

Country: The Republic of the Union of Myanmar

Project: Social and Economic Reform Support Loan

Loan Agreement: January 15, 2013

Loan Amount: 198,881,173,331 yen

Borrower: The Government of the Republic of the Union of Myanmar

2. Background and Necessity of the Project

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

The Myanmar government has addressed political/economic reforms to realize economic growth through an open economic policy and a deeper dialogue with international society, ever since the new administration was inaugurated in March 2011. The new administration has formulated the following main policies: [1] industrialization with agriculture as the foundation, [2] fair and equal growth, [3] improvement in statistics, and [4] trade/investment as a growth engine. The government implemented a series of such reforms as expanding the role of parliament, enticing direct investment from abroad, introducing the foreign exchange system, and increasing the budget for education and public health. However, the need for further reforms has been pointed out.

Management of the country's economy has long faced the problem of an official exchange rate that does not reflect the real economy and its coexistence with the market exchange rate used in the market, which hampers economic activities. Since FY2012/13, however, the market exchange rate has been introduced to the government budget. And in April 2012, a managed float system was also introduced, thereby substantially abolishing the multiple exchange rate system. In addition, the new administration introduced flexible interest rates, tackled other financial market reforms, and adopted various measures for stable economic management, as advised by the IMF. But as Myanmar prepares for ASEAN economic integration in 2015, the country still faces many problems, such as fostering and liberalizing a quite fragile domestic financial sector, and implementing reforms in state enterprises.

In the education sector, the government has set the goal of "education for all (EFA)" and has worked hard to enhance basic education curricula, especially since 2003. The school enrollment rate is not rising as expected. Therefore, such measures as improving the quality of education by offering training for teachers must be taken. The new administration allocated additional budget (approx. 380 million kyats) to the field of education in FY2011/12, and then doubled its budget allocation in education relative to the previous year

in the FY2012/13 budget. The administration's efforts have just begun, and steady implementation of reform is expected.

In the sector of public health/medical care, the Myanmar government has formulated and undertaken national programs to counter malaria, HIV/AIDS, and tuberculosis (i.e. major causes of death in the country), and promoted vaccination, prenatal examination and childbirth under the supervision of specialists. According to an announcement by the Myanmar government, mortality due to infections, and the mortality of pregnant women and children under the age of five still remain high—a situation that urgently requires improved health/medical facilities and more medical staff. The new administration is now devising a comprehensive plan to train human resources to be responsible for public health and public health service. Such additional efforts as increasing the numbers of hospital beds, doctors, and nurses are also expected.

With regard to governance, the government has traditionally prepared the budget alone. But with parliament being granted more authority, it has begun deliberations on the 2012/13 budget. The Political Party Registration Act was revised and efforts are being made to achieve more democratic parliamentary politics. These efforts have been praised by international society, and further efforts should be made to continue these reforms.

(2) Socioeconomic development policies in Myanmar and Priority of the Project

The Myanmar government is now preparing a five-year plan that covers the period from 2012/13 to 2016/17. This Project is positioned as a contribution to help achieve specific developmental tasks and to stabilize Myanmar's economy, by supporting reforms in the fields of macroeconomic management, education/public health and governance that the Myanmar government will address in its five-year plan.

(3) Japan and JICA's Policy for Myanmar

Japan's aid policy for Myanmar's economy is to support rapidly promoted reform efforts in a wide range of fields toward achieving democratization, national reconciliation, and sustainable development, and to continuously monitor the progress of reform efforts so that citizens may enjoy the fruit of democratization, national reconciliation, and economic reform. More specifically, support will mainly be provided in the following fields: [1] support to improve people's livelihood (including support for ethnic minorities and poverty groups, agricultural development, and regional development), [2] support for capacity building, development of systems and institutions to sustain economy and society, and [3] support for establishing the infrastructure related systems necessary for sustainable economic growth. Moreover, measures to be taken in January 2013 for resolving debt arrears of the yen loan were announced at the Japan-Myanmar summit meeting held in April 2012, and later in October at the donor's meeting in Tokyo.

(4) Other Donors' Activity

Since the inauguration of the new administration in March 2011, many multi-bi donors are showing a move toward full-fledged support for Myanmar in line with the progress of reforms.

(5) Necessity of the Project

This Project aims to support reforms in the fields of macroeconomic management/development policies, the social sector (education/public health), and governance, which the Myanmar government has been addressing since inauguration of the new administration, and is consistent with Japan's and JICA's aid policies. Accordingly, both the need and relevance for JICA's support in implementing this Project are high.

3. Project Description

(1) Project Objectives

The objective of the Project is to support reforms in the fields of macroeconomic management and development policy, the social sector (education/health), and governance, which the Myanmar government has been addressing since inauguration of the new administration, which improve those fields through ongoing reforms and promoting a closer policy dialogue with Japan, hence contribute to the stabilization of Myanmar's economy.

(2) Project Site/Target Area: the entire Republic of the Union of Myanmar

(3) Project Components

This Project aims to evaluate the reform efforts made in the fields of macroeconomic management/development policies, the social sector (education/health), and governance, which the Myanmar government has achieved since inauguration of the new administration in March 2011, and to support reforms to be undertaken by the Myanmar government in those fields for one year after completion of the Project.

Policy Clusters	Major policy actions to be taken by Myanmar Government (* multiple items that supplement each other)
1. Macroeconomic management and development policy	
1-1 Arrear Clearance	- Started reconciliation of debt figures with Multilateral development banks (MDBs) and Paris Club creditors.
1-2 Development Strategy	- Formulation of the "Five-Year National Plan" that covers comprehensive growth that benefits all citizens, even nationwide development [well-balanced development covering all regions and states (* main habitation areas of ethnic minorities)]
1-3 Fiscal Management	(* See 3—1 for the Parliament's budget deliberations, 1—4 for enhanced independence of the central bank in monetary policy administration, and 1—5 for unification of the multiple exchange rate system.) - Manage the public-finance deficit, reform of state owned enterprises.
1-4 Monetary Policy	- Enhance the independence of the central bank in monetary policy administration (submitting a draft of the revised Central Bank Law to the Parliament).

1-5 Reforming the Exchange Rate System	<ul style="list-style-type: none"> - Efforts for unification of the multiple exchange rate system (Development of a foreign currency market; Parliament approval of the Foreign Exchange Management Law)
1-6 Financial Sector Policies	<ul style="list-style-type: none"> - Formulation of strategies to enhance the supervision of banks, and improve access to financial institutions in rural areas
1-7 Improving the Investment Environment	<ul style="list-style-type: none"> - Submission of the Special Economic Zone (SEZ) Law to the Parliament
2. Social Sector	
2-1 Promotion of Education Policy	<ul style="list-style-type: none"> - Initiate Comprehensive Education Sector Review (CESR). - Promote compulsory, free elementary education. - Increase the budget for the education sector. - Implement policy to promote school attendance and education continuance by children from poor families (by offering scholarships, etc.). - Implement policy to improve the quality of basic education [Promotion of Child Centered Approach (CCA)].
2-2 Promotion of Health Policy	<ul style="list-style-type: none"> - Commencement of Implement action of a national health plan. - Develop the capacity of public health staff. - Increase the number of staff responsible for public health; regional gaps. - Increase the number of Rural Health Center (RHC) to improve regional public health service.
3. Governance	
3-1 Rule of Law	<ul style="list-style-type: none"> - Deliberation and approval of budget by parliament - Improve the capacity of young politicians to enhance parliamentary functions. - Improve the capacity of the Union Attorney General Office to enhance the rule of law.
3-2 Labor policy	<ul style="list-style-type: none"> - Increase the capacity of staff responsible for executing the Labor Organization Law. - Enhance the efforts to eradicate forced labor. - Submission to the Parliament of the Minimum Wages Law to ensure proper basic wages for workers
3-3 Environment policy	<ul style="list-style-type: none"> - Draft environmental impact assessment (EIA) procedure and environmental conservation rules as bylaws of the Environmental Conservation Law. - Prepare to formulate environmental standards. - Improve the capacity of personnel responsible for EIA.
3-4 Human -rights Policy	<ul style="list-style-type: none"> - Improve the capacity of personnel responsible for recovery and reintegration assistance for the victims of human trafficking. - Enhance the framework of Human Rights Commission.

3-5 Anti-corruption	- Prepare for a amending Anti-Corruption Law.
3-6 Population and Housing Census	- Prepare for the 2014 population census.
3-7 Donor Coordination	- Regular meeting between the Myanmar government and development partners

(4) Estimated Project Cost

Loan amount: 198,881,173,331 yen

(5) Schedule

From March 2011 to January 2014. Project completion is defined as the loan's date of termination (scheduled in January 2013).

(6) Project Implementation Structure

- 1) Borrower: The Government of the Republic of the Union of Myanmar
- 2) Executing agency: Ministry of Finance
- 3) Operation/maintenance/ management system: Japan and Myanmar will jointly monitor the policies and reforms implemented by the Myanmar government.

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

1) Environmental and social consideration

Category: C

Reason for categorization: This Project is judged to have minimum undesired impact on the environment according to the JICA Guidelines for Environmental and Social Consideration (issued in April 2010).

- 2) Promotion of poverty reduction: This Project will support reform efforts by the new administration of the Myanmar government toward enhancing the field of education/public health. This Project will be oriented toward promoting poverty reduction.
- 3) Promotion of social development (e.g. gender perspective, measures for infectious diseases including HIV/AIDs, participatory development, considerations for persons with disabilities): In the same manner as described above, this Project will be oriented toward promoting social development.

(8) Collaboration with Other Donors: Efforts for reforms supported by other donors will be incorporated in this Project.

(9) Other Important Issues: None

4. Targeted Outcomes

(1) Quantitative Effects: Given the nature of this Project to support reforms in such a short period as one year after the loan is granted, pre- or post-project measurement with indicators will not be conducted.

(2) Qualitative Effects: Contribution to developing the environment for introducing a market economy and democracy to Myanmar through macroeconomic management and improved

governance; contribution to providing expanded basic social services and reducing poverty by improving the capacity of the social development sector to prepare and implement policies; contribution to a sound financial status of the Myanmar government through long-term, concessional funding.

5. External Factors and Risk Control

Deterioration of Myanmar's political/financial situation: The improvement of policies and systems through legislative means may run a risk of delay beyond administrative control. The field of education/public health may thus face a risk of budget not being secured due to deteriorated national finances.

6. Lessons Learned from Past Projects

- (1) Evaluation of Similar Projects: From the Post-Project Evaluation on PRSC (Poverty Reduction Support Credit) in Vietnam, among the lessons learned are that policy support aid loans help establish a framework to improve policies and systems, and that minute, on-site technical support promotes reform in the support field being targeted by the loan.
- (2) Lessons Learned from Past Projects: By implementing the Project, the Myanmar government will gain support for its implementation of reform through experts, technical cooperation projects, and training wherever possible.

7. Plan for Future Evaluation

- (1) Indicators to be Used in Future Evaluations: Tasks in the policies above; Items of Policy Actions
- (2) Timing for Next Evaluation: After completion of the Project