Annex 1
of the Commission Implementing Decision on the Annual Action Programme 2013 in favour
of Myanmar/Burma to be financed from the general budget of the European Union

Action Fiche for "Support to Peace, Reconciliation and Development in Myanmar"

1. IDENTIFICATION

| Title/Number                  | "Support to Peace, Reconciliation and Development in Myanmar"
| CRIS number                   | DCI-ASIE/2013/024-520
| Total cost                    | Total estimated cost: EUR 26,105,263
|                               | Total amount of EU budget: EUR 25,000,000
|                               | This action is co-financed in joint co-financing by grant
|                               | beneficiaries for an amount of EUR 1,105,263
| Aid method / Method of        | Project Approach
| implementation                | - Direct centralised management – grants – call for proposals
|                               | - Joint management with the International Management Group
| DAC-codes                     | 15220
|                               | 16050
|                               | 43040
| Sectors                       | Civilian Peace-Building,
|                               | conflict prevention and resolution;
|                               | Multi-sector aid for basic services;
|                               | Rural Development

2. RATIONALE AND CONTEXT

2.1. Context

2.1.1 Country context

2.1.1.1 Political, economic and social situation in the target areas

Without peace there can be neither democracy nor prosperity in Myanmar. The government of
Myanmar has committed to inclusive negotiations for a lasting political settlement. These
should address long standing differences to achieve sustainable peace. The European Union
(EU) has pledged to support the peace process on all sides, including the government's efforts
and the Myanmar Peace Centre (MPC). The EU is establishing a regular political dialogue
involving all concerned stakeholders to a) achieve sustainable peace in Myanmar/Burma by
addressing longstanding differences in an inclusive way; b) to consolidate democratic
achievements including through sharing recent experience on political transition and
democratisation of some of the EU Member States, c) to strengthen human rights and the rule
of law, in particular to ensure the full protection of all minorities, d) to adhere to international
agreements including in relation to human rights, land mines. The need to address inter-
communal violence has also been recognised. In this context, the EU is studying the
possibility of assisting the reform of the police service in Myanmar/Burma.
The ultimate success and sustainability of Myanmar’s transition towards democracy strongly depends on the evolution of the situation in the ethnic states. The Myanmar government has made considerable progress in recognising that ceasefires are insufficient and only amount to the first stage of what should be a genuine political process that addresses ethnic grievances. However, while this led to improvements in certain areas, the situation is still volatile in many states, and has deteriorated in Kachin and Rakhine.

The political situation in the South-east (Mon, Kayin and Kayah States) and in Chin State has improved: ceasefire agreements have been signed and political talks are taking place. In particular, the signature of the ceasefire agreement between the government and the Karen National Union (KNU) in December 2011 marked the end of a 64 year old war and has been followed by political talks which intensified since the last trimester of 2012. In parallel, the government has been engaging with various actors including the international community to provide some peace dividends to the population. Joint assessments have been planned and new rehabilitation and development initiatives (including projects funded by the EU) have been initiated in the area. The improved context in the South-east has gradually been creating a more conducive environment for the safe and voluntary return of internally displaced people and refugees. Over the last 14 months, the number of refugees in the camps along the Thai border has been diminishing and some spontaneous returns have taken place.

During the same period, the situation in Shan State has been mixed. Despite ceasefires signed with the local ethnic armed groups, including Shan State Army (SSA) North and South, sporadic clashes continue and have recently intensified in SSA-South areas. The causes of continued fighting are complex and include intra-ethnic struggles, notably linked to control of drug trafficking in the area, which is the main source of financing for some of the groups. The Restoration Council of Shan State Army reported over 30 violations of their ceasefire agreement by the Burmese Army (Tatmadaw) during 2012 and skirmishes have continued in 2013 in Mongpan Township, near the Thai-Burmese border. There were also tensions between the SSA and the United Wa State Army but relations seem to have improved during the last part of 2012.

In Kachin State military confrontation between the Tatmadaw and the Kachin Independence Army (KIA) escalated at the end of 2012. In particular, the use of airstrikes and heavy artillery in counter-insurgency operations was reported from late December 2012 to the end of January 2013. The United Nations estimates that 78,000 people remain displaced as a result of fighting in the area, 33,000 in areas where government services are available and the remaining in areas where they are not. Access to Kachin Independence Organisation (KIO) controlled areas remains restricted, and Non-Governmental Organisations (NGOs) on the ground agree that long-term development actions are impossible at the moment. Nevertheless, Commission’s Directorate-General for Humanitarian Aid and Civil Protection (ECHO) and other partners have been providing humanitarian assistance to internally displaced people (IDPs) in the area in coordination with the Office for the Coordination of Humanitarian Affairs (OCHA). In February, talks between the government and the KIO resumed in China. As a consequence the level of fighting diminished, agreements have been reached with a ceasefire expected to be signed.

In Rakhine State, the simmering ethnic conflict between the Buddhist Rakhine and the Muslim Rohingyas exploded into extreme violence in June 2012 and October 2012, leaving
dozens dead and 130,000 displaced. Since then, the majority of Rohingya IDPs have been living in camps, with no freedom of movement and little prospects of returning home in what is now an increasingly segregated community. The humanitarian situation in the camps is alarming, particularly in terms of sanitation in makeshift camps such as Pauktaw. Difficulties in accessing sites and a lack of suitable staff (there is a climate of hostility and intimidation and threats against aid workers helping the Rohingyas) have contributed to the humanitarian response being slow and somewhat ineffective. The complete absence of education opportunities for children and teenagers and the general climate of oppression Rohingyas are subjected to pave the way to resentment and radicalisation, and a growing number of Rohingyas leaving the country, generating what is now becoming a mass exodus.

**Inter-communal violence** has recently spread and in March 2013 clashes between Buddhist and Muslim communities were registered in Meikhtila township (Mandalay region, central Myanmar) causing at least 37 deaths. The government reacted by deploying the army and imposing a state of emergency including curfews. Over 12,400 people (including 9,600 Muslims and 2,800 Buddhists) were displaced. Clearly, the escalation of inter-religious violence in a country where Muslims represent 4-5% of the population could have a highly disruptive effect on the country's transition towards peace, reconciliation and development.

The **economic and social situation** in ethnic states is largely unknown as large areas have been inaccessible for years. A Joint Needs Assessment in border areas (Kayah, Kayin, Mon, Southern and Eastern Shan and Tanintharyi Region) is currently being considered by the Myanmar Peace Centre. Moreover, a socio-economic analysis of Kayah has been implemented by a consortium of NGOs funded by the EU under the 2012 Aid to Uprooted People Programme.

Considerable data collection and analysis are necessary before a clear picture of the socio-economic situation in the Ethnic States emerges. Nonetheless, the fragmented information available to date indicates widespread vulnerability, chronic displacement and lack of access to basic services. Support is urgently needed particularly in areas which were more affected by the conflict.

From the incomplete – and often unreliable - data available, ethnic states have a much higher percentage of people living in poverty in comparison to other areas of Myanmar. This is particularly true for Chin (73%), Rakhine (44%) and Shan (33%). Global acute malnutrition affects over 28% of children (and severe rates are over 12%) in Chin, North Rakhine State and in Eastern Myanmar. The great majority of villages do not have access to electricity (in Kayah, for example, only 48 villages out of over 500) and water. Literacy levels are much lower in ethnic states than in the Bamar heartland and are particularly low in Shan (75%), Rakhine (75.1%) Kayah (84.7%), Kachin (87.2%), Chin (87.4%) and Kayin (89%). In some Townships in Eastern Myanmar, such as Kyaukgyi, primary schools attendance rate are as low as 10%. Access to land has been conditioned by the war and even by cease fires, army movements and private concessions of land to investors. There is a widespread lack of social and cultural rights and problems related to land confiscations, deforestation and presence of land mines.
2.1.1.2 National response policy

Promoting peace and reconciliation are national imperatives stressed in numerous speeches of the President Thein Sein as well as in the government's Framework for Economic and Social Reforms (FESR), endorsed in January 2013.

The President established a **Union Peace-making Central Committee** and a **Union Peace-making Working Committee** to lead on the peace negotiations. He also appointed U Aung Min as Minister in the Union President’s Office, whose role includes oversight and general coordination of the peace efforts. In November 2012, the **Myanmar Peace Centre**, supported financially by the European Union, was inaugurated in presence of President Barroso. The Myanmar Peace Centre (MPC) acts as secretariat to the Peace-making Central Committee and the Union Peace-making Working Committee and functions as a platform for peace related issues as well as a focal point for interaction with the international community and civil society organisations.

The MPC has already made a significant contribution to the peace effort, including the intensification of the peace talks with the KNU, the resumption of peace negotiations with the KIO and the beginning of multi-lateral negotiations. Since February 2013, the government has initiated rounds of talks with the United Nationalities Federal Council (UNFC), an organisation of 11 different ethnic armies currently chaired by the KIO. This is unprecedented as the former government relied mostly on a divide and rule approach. However, the MPC recently came under criticism from media and ethnic leaders, both on account of its generous salaries and because it is seen as partial to the government and therefore insufficiently inclusive.

Clearly, a multi-faceted 60 year old civil war was never expected to be resolved in a matter of months and analysts have always warned of "bumps on the road" for years to come. Yet it is important to be aware of the continuous and high risk of these peace processes. Sustained efforts over time will be needed from all stakeholders at all level to gradually close a chapter of military confrontation which has lasted for over half a century and left deep scars and mistrust among communities.

2.2. Lessons learnt

Ethnic regions have been one focus of EU interventions for nearly 10 years, in particular under the Aid to Uprooted People Programme (AUP) targeting displaced people and host communities. There are currently 14 on-going projects (EUR 33.3 million) funded under the Programme. Projects in the ethnic regions have been also supported under multi-donors Trust Funds and thematic programmes (mainly the European Instrument for Democracy and Human Rights and the Non State Actors and Local Authorities Programmes) as well as through EU humanitarian aid interventions.

Main lessons learnt are the following:

(i) **The need for a flexible implementation.** The fluidity of the situation means that access is highly variable. Just as access seemed to improve in Rakhine State, ethnic violence erupted causing a suspension of cooperation programmes. The situation in Kachin, which had remained relatively calm for many years, deteriorated drastically making access difficult even for humanitarian interventions. In the South-East access has improved but as we move into
more controversial and conflict prone territory, we should remain aware of the high risk of setbacks. A flexible approach to implementation will require adequate risk management, including risk analyses and mitigation plans.

(ii) **An inclusive approach.** Cooperation programmes can be a driver for reconciliation only if they are truly inclusive and oriented to durable peace establishment. An important lesson learnt from Rakhine is that the concentration of resources on one population group, even if they are the most vulnerable, can lead to further resentment and mistrust. Assistance should be provided equitably to different interest groups. In the same way, the support to the peace process should be inclusive. While it is crucial to support the government initiative (establishment of the Myanmar Peace Centre, *inter alia*), it is fundamental that EU support be inclusive and also comprise engagement and dialogue with ethnic groups at local level.

(iii) **A participatory design.** There is a range of stakeholders in ethnic areas (see Section 3.5), including: 1) Government authorities (central and local levels); 2) Community-Based Organisations (CBOs) networks linked to the ethnic groups; 3) Communities and 4) NGOs and other civil society organisations working under government authorisations. The design of interventions requires involvement and constructive engagement by all the different actors. It requires also openness to multiple interventions that need to happen at the same time: political settlement, security, humanitarian aid, development and capacity building.

(iv) **Capacity.** Although the presence of international organisations and NGOs has increased in many ethnic states, access to some locations is still constrained due to security concerns and lack of government authorisations. They thus need to work in close collaboration with local organisations that have a thorough understanding of local communities and conditions but limited implementation or organisational capacity. Some of these local organisations have been supported under our Programmes such as Non State Actors and Local Authorities and the European Instrument for Democracy and Human Rights but they still need considerable support in several domains: technical, financial and managerial. Some of them have been acting as the civilian arm of the Non State Armed Groups, but are trusted by the local population.

(v) **Special Regions** present a very different and challenging context. Recent experience has shown that a project approach is not sustainable. The political autonomy enjoyed by local governments in self-administered areas makes engagement with local authorities fundamental. This should lead to the shift from a project-based to a sector-wide approach envisaging more ownership, alignment and harmonisation.

(vi) **Convergence** between assistance programmes inside Myanmar and assistance benefiting refugees in the camps in Thailand is fundamental. For years, agencies working inside and outside kept very different perspectives and agendas. Today, dialogue and cooperation are possible and should result in more coordinated actions creating in Myanmar/Burma better conditions for the safe and voluntary return of refugees, and in the camps more preparedness, skills development and awareness on opportunities in the country of origin.

### 2.3. Complementary actions

The **Myanmar Peace Support Initiative (MPSI)** set up in January 2012 and led by Norway seeks to provide immediate support in areas where ceasefires have been agreed. MPSI is
currently engaged in supporting the development of pilot projects in Rakhine, Chin, Shan, Karen and Mon areas. The objective of the pilots is to create dialogue among stakeholders to support the ceasefires and build trust and confidence before expanding development interventions.

A number of donors have pledged assistance for conflict affected ethnic areas, some in the framework of MPSI such as the United Kingdom (USD 5 million) and Australia (AUD 5 million) Japan is providing USD 5 million for the construction of basic infrastructure and health interventions and has committed in March 2012 additional USD 12 million US to fund resettlement for displaced people living in Karen State notably in the livelihoods sector. The World Bank is planning a Community-Driven Development Programme of USD 85 million over five years to support the economic and social recovery of communities affected by conflicts. United Nations Development Programme will also provide support in ethnic areas under the peace process in the framework of its new Country Programme.

As mentioned, the main EU Programme that has provided support to the ethnic regions has been the AUP. In 2012, five new projects were funded under the AUP for a total of approximately EUR 20 million. These new projects include: a livelihoods programme in Rakhine State (EUR 8 million) with a focus on reconciliation and a package of interventions in the South-east (with a special focus on Kayin) to support community development, improvement of basic services and infrastructure. The AUP is implemented in close cooperation with ECHO and builds on some of its achievements in the ethnic States. ECHO's 2012 budget for Myanmar was EUR 24,7 million (plus EUR 5,8 million to the refugee camps in Thailand). In some cases such as Kachin, AUP is not yet able to intervene in complementarity to ECHO as the situation is not stabilised.

Interventions under the Instrument for Stability (IfS) are also complementary. The IfS has made it possible to launch actions in the field of the peace negotiations: supporting the implementation and monitoring of ceasefires; enhancing political settlement and peace building; facilitating better information coverage of peace and conflict in media; promoting restorative justice and national reconciliation; establishment and continued support to the operations of the MPC; enhancing capacities of ethnic political parties for a constructive role in the negotiation process; demining. All the above initiatives could not be funded under the Development Cooperation Instrument (DCI) at the time and this new support will build up on the results achieved with a more long-term perspective.

Complementarity will be ensured with the DCI-funded Capacity Building Programme which will provide support to improve environmental governance and address land issues. Both issues are particularly relevant for ethnic areas, being rich of natural resources and thus exposed to exploitation. This Programme will also aim at strengthening local governance, helping the current decentralisation process, Special Economic Zones (SEZs) development (e.g. the Kyaukphyu SEZ in Rakhine) and supporting the migration policy.

Myanmar also benefits from a large and growing number of projects implemented by civil society organisations and funded under a diverse range of programmes. For the EU these include in particular the European Instrument for Democracy and Human Rights (EIDHR). EIDHR's main focus is on 3 aspects:
• increasing awareness and information of leadership at all levels about the need to build consensus and people's participation on the National Dialogue Framework Agreement;
• strengthening and extending to the ethnic ceasefire zones the International Labour Office (ILO) Forced Labour Complaints Mechanisms including actions needed to discharge underage recruits and recruits designated as deserters by the army or non-state armed groups;
• enhancing media capacity for Peace Building, Democratic Reforms (including electoral ones), engaging with Parliamentarians, CBOs and citizens.

Other projects have focused on supporting non-state actors and local authorities' capacities to deliver services.

2.4. Donor coordination

Given the complexities and cross-cutting nature of the peace process, effective intra-EU and donor coordination is essential. In January 2013, the government and development partners endorsed the Nay Pyi Taw Accord which commits to establish an aid coordination structure and to cooperate in preparing sector strategies and aid allocations. The Accord identifies among national priorities the need to "accelerate peace-building, political reforms and development initiatives to promote reconciliation and national harmony in recent conflict and ceasefire areas". It also recommends the use of conflict-sensitive and inclusive approaches to support peace. An Action Plan to implement the Accord will be prepared and sector working groups involving the government and donors are being established. The government is leading on this with support from several donors including the EU.

It is expected that these new coordination structures will take over from the informal donor coordination groups which have existed up to now, including the Partnership Group for Aid Effectiveness (PGAE), which was established in 2008 to plan and monitor enhanced aid effectiveness during the period of restrictive measures (sanctions).

To ensure coordination, partners supporting the peace process created the Peace Donor Support Group (PDSG) in June 2012 following a request of President U Thein Sein. The Group provides a platform for dialogue between the donor community and the government. The EU is part of the Group together with Norway, Australia, the United Kingdom, the United Nations and the World Bank.

3. Detailed Description

3.1. Objectives

The overall objective is to support peace, reconciliation, rehabilitation and development in the ethnic states of Myanmar/Burma.

Specific objectives are:
1. To provide inclusive support to peace processes engaging with all different stakeholders including government, non-state actors and local communities to promote sustainable peace agreements, building on the results already achieved;
2. To support the **reconciliation** process through trust building and confidence building interventions, notably by assisting Myanmar in reforming legislation to better recognise, protect and promote **ethnic minorities rights** and through establishing the rule of law, safety, security and justice at the local level;

3. To **link relief with rehabilitation and development** including 1) supporting the provision of basic services in areas affected by conflict; 2) building or rehabilitating basic infrastructure; 3) promoting income generating opportunities and linking growth, poverty and inequality;

4. To **build the capacity** of government (at central and local level) and community structures and to deliver the development agenda, ensuring that rehabilitation and development initiatives are carried out through a participatory and inclusive process.

### 3.2. Expected Results and Main Activities

#### 3.2.2. Expected Results

Results linked to **Specific objective 1**: to provide inclusive and comprehensive support to the peace processes. **Expected results**: Communities (including internally displaced people and refugees) informed and actively participating in the peace process; community (with emphasis on women) participating in cease-fire monitoring; government structures supporting peace efforts including the Myanmar Peace Centre delivering on their peace making mandate; Non State Actors proactively engaging in the peace process; all stakeholders engaging in the implementation of ceasefire, political agreements and negotiations.

Results linked to **Specific objective 2**: to support **reconciliation**. **Expected results**: reconciliation initiatives such as community complaints mechanism are set up; Disarmament and soldiers re-integration and livelihood support is effective; Children Affected by Armed Conflict (CAAC) Action Plan signed by the Myanmar government in June 2012 implemented and replicated in ethnic States; rule of law; security, safety and justice systems are reformed at the local and national level; community based approaches to safety and security are adopted; equitable and stable access to land is provided; legislation approved to better recognise, protect and promote the rights of ethnic minorities.

Results linked to **Specific objective 3**: **Linking Relief Rehabilitation and Development (LRRD)**. **Expected results**: basic community infrastructure built/rehabilitated through projects identified following a participatory process; provision of basic services improved and new livelihoods opportunities created for the poor; number of refugees living in the camps in Thailand and of IDPs in the Ethnic states in Myanmar decreases following voluntary and safe returns along with the equitable access to land and natural resources.

Results linked to **Specific objective 4**: To **build the capacity** of local authorities and community structures. **Expected results**: existing CBOs and civil society networks strengthened and new ones established; local civil society engaged in a constructive dialogue with local authorities on development related issues; as a means to build capacity initial consultation with Local Authorities and CBOs will be held in line with the Backbone Strategy for EU Technical Cooperation "appropriate dialogue and support may be needed in order to enable clear formulation of the demand".
3.2.3. Main Activities

Main activities will indicatively include:

**Specific objective 1:** supporting the financial, operational and technical capacity of the MPC and other potential peace initiatives aimed at supporting all sides in the peace negotiations and in the ceasefire agreement. This can include, seconding experts, providing equipment, organising meetings, workshops, seminars and provide logistical support and technical assistance, to support ceasefire, negotiation structures and security monitoring. Coordinate locally the development initiatives and assess their feasibility or difficulties resulting from the degree of trust and peaceful environment established.

**Specific objective 2:** Providing assistance to mechanisms, with prevalent women presence, which promote trust between the ethnic communities and the "bamar" minorities in ethnic state or with the ethnic minorities in prevailing "bamar" areas. Supporting the security sector reforms with local civilian supervision. Supporting local monitoring mechanisms for the movement of armies in conflict and communities' safety. Supporting through food security, trade and private sector and social services the integration of soldiers into civilian life. Supporting the local ethnic CBOs with established relations with the communities and linked to Non State Armed Groups even if not yet legally established according to the present national system. Encouraging dialogue to reform existing legislation and action plans, creating opportunities for exchanges and providing technical assistance. Engaging with government and civil society to implement the Action Plan on Children Affected by Armed Conflict (CAAC), by offering training as well as by supporting the rehabilitation and social reintegration of children, giving them psychological support and develop their skills. Activities to encourage reconciliation by building confidence and trust and promoting local cultures and cultural exchanges can also be undertaken.

**Specific objective 3:** Conditional cash transfers and micro finance if conditions allow will be used. Provision of primary health care, nutrition and reproductive health services (including family planning), prevention, diagnosis and treatment of malaria, TB and others, through local service delivery points and community based services; training of service providers; provision of essential drugs, commodities, and equipment. The construction and maintenance of water supply systems and latrines and the provision of related supplies and materials. Support to early childhood and primary education, non-formal education, and, where appropriate, mine risk education, through training and provision of supplies and materials; Training and support to livelihoods activities, activities improving farming techniques, income generation and others.

**Specific objective 4:** Studies, workshops, seminars, training and any other activity to improve the capacity of the target group including their management capacity (Project Cycle Management, financial management and auditing, staff management, career development, recruitment, team management; time management, negotiation skills, networking and any other relevant management issue); technical capacity (relating to the thematic areas of intervention such as health, education, livelihood production, environmental protection, water and sanitation, or others) and operational capacity (provisions of basic equipments, material and electronic devices).
For all components 'peace/conflict advisers' may be used to supervise the implementation of the initiatives and to advise the local authorities in relation to the achievement of peace or in relation to eventual bottlenecks which need to be addressed.

3.3. Risks and assumptions

3.3.1 Assumptions

The Programme is based on the assumption that the government and other stakeholders remain committed to ethnic peace and that the government will continue to make progress with its democratic transition. It will therefore continue to seek a political solution to the ethnic conflicts paving the way for reconciliation and development according to the Nay Pyi Taw accord.

3.3.2 Mitigating measures

<table>
<thead>
<tr>
<th>Risks</th>
<th>Mitigating actions</th>
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<tbody>
<tr>
<td><strong>Access:</strong> while access has been increasing, the volatile political situation and possible backlashes to the peace negotiations may impact negatively on the security situation in some areas.</td>
<td>Projects will be flexible and a preliminary assessment on the possibility to engage in certain areas will be carried-out. This will enable room for manoeuvre and taking advantage of increased access when possible. Reducing the scope and geographic coverage of the projects in case access is restricted whilst ensuring an equally concrete impact of the Action is an aspect which will also be taken in due consideration.</td>
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<td><strong>Cooperation among stakeholders:</strong> cooperation among different stakeholders such as ethnic groups, CBOs and local government seems feasible, but a lot will depend on the evolution of the political context and on decisions by CBOs to register under Myanmar law.</td>
<td>Projects will encourage cooperation among stakeholders but will define clear roles and responsibilities for each of them fully taking into account the changeable political contexts. The role of CBOs linked to Ethnic Groups will depend on their legal status in the country.</td>
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<td><strong>Perception on EU role</strong></td>
<td>The EU will ensure that support to the MPC, and more in general to the peace negotiations is transparent. Moreover in order to prevent imbalances, mechanisms to assist Ethnic Groups in the negotiations will be supported.</td>
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3.4. Cross-cutting issues

All EU development programmes systematically target "cross-cutting" themes which are relevant to all areas of the EU's cooperation, such as: gender, conflict resolution; environmental protection including disaster risk reduction (DRR) and climate change; good governance; the rule of law; and human rights, in particular Persons with Disabilities and children’s rights. Among these crosscutting issues a specific attention should be paid to people with disabilities. Many of the target areas are in a post-conflict situation. As a result a considerable number of people suffered from physical and psychological injuries.

Activities under the programme will aim at (i) increasing the participation of women in view of improving gender equality, (ii) fostering environmental sustainability particularly in the
context of income generation projects and water and sanitation projects, (iii) promoting basic rights especially of the most vulnerable groups including children and people with disabilities. HIV/AIDS will be also a cross-cutting issue: prevention and awareness raising activities will be included in the education projects and mainstreamed thoroughly through projects in the field of health, water sanitation and protection. All actions will promote ownership by the beneficiary population and participatory approach in the management of projects. Actions implemented in partnership with local organisations should demonstrate how the partners will be empowered so as to contribute effectively to the implementation of the action, and also provide the adequate technical and financial resources.

3.5. Stakeholders

Stakeholder analysis has been carried out over the last year with a number of missions to ethnic states (Kayin, Mon, Chin, Shan and Wa) and the consultation of over thirty agencies (mainly local and international civil society organisations). A workshop on "Mobilising communities for development in the South-East of Myanmar" took place in October 2012 in Yangon with the participation of 20 CSOs. Discussions were also held in Kachin with all organisations currently implementing projects in the region. In Kayah, a comprehensive exercise of stakeholders' mapping and consultation in the area has been undertaken linked to a socio-economic analysis of Kayah. Discussions have taken place with Karenni Refugee Committees, CBOs active in cross-border humanitarian and development projects as well as with the Karenni National Progressive Party (KNPP). Consultations have also taken place with local governmental authorities, civil society organisations, religious leaders, CBOs and even Refugee leaders. Based on this analysis the main stakeholders in ethnic areas can be described as follows:

Communities in ethnic states. Years of conflicts have had a disruptive effect and left communities socially fragmented. Special attention needs to be paid to the most vulnerable groups including internally displaced people and returnees, households headed by single women, children affected by armed conflicts, people with disabilities and the elderly. Particularly in areas not covered by government services, CBOs have played an important role making communities more self-reliant.

CBOs. These CBOs are generally linked to rebel ethnic groups. Many of them are not yet registered and operate illegally in the country crossing the border with Thailand irregularly. They are unused to the normal monitoring and auditing systems as monitoring of their activities by donors was severely restricted due to security issues. While engagement with these CBOs is crucial to ensure an inclusive approach, it will be necessary to assess their capacity and provide them with specific support. Only some of them seem intentioned to register under Myanmar law at this stage. The lack of registration represents an obstacle also for their possible cooperation with governmental local authorities.

Local authorities. In the past, the existence of an authoritarian regime and of highly centralised administrative structures made the role of local authorities marginal. However, recently, the improvement of the political context is conducive for the involvement of local authorities in peace, reconciliation and development initiatives. While the direct funding of local authorities acting as leading partners may be premature at this stage, local authorities could take part in actions as members of consortia. Moreover alignment and cooperation with local authorities should be encouraged at all levels. In self-administered zones, the central
government has limited powers while local governments enjoy substantial autonomy including the exclusive power to approve local development projects and regulate access. They have a major share of responsibility in the provision of services including both health and education.

*Government.* The new government has invested heavily in the promotion of ethnic peace and knows that, ultimately, the success of its policy of democratic transition depends on achieving lasting peace and reconciliation. The government and the bodies created by the government are therefore fundamental stakeholders of this programme.

*Civil Society Organisations.* In many ethnic states such as Kayah, Kayin, Chin, Rakhine, the presence of international non-governmental organisations has increased, although access to some locations is still constrained. While the experience of the organisations already present should be recognised, the door will have to be opened to new credible partners. As far as local NGOs are concerned, the organisations with more experience and capacity are, particularly in the South-East, religious networks (Baptist Conventions, KARUNA Myanmar, Buddhist networks, etc.). These networks are strongly overstretched. An important part of the Programme will therefore be the strengthening of capacity of local organisations and their networks (see section 3.1 objective 4).

*UN agencies.* The presence of the UN agencies is relatively limited in Rakhine, and virtually non-existent in the other ethnic areas. Nonetheless, some agencies such as the Office of the United Nations High Commissioner for Refugees (UNHCR) have scaled up their presence in the South-East while OCHA has been playing a role, albeit limited, in Kachin. Cooperation with UN agencies shall continue.

4. **IMPLEMENTATION ISSUES**

4.1. **Financing agreement**

It is not foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

4.2. **Indicative operational implementation period**

The indicative operational implementation period of this action, during which the activities described in sections 3.2 and 4.3 will be carried out, is 60 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. **Implementation components and modules**

The Programme components 1, 2, and 3 will be implemented through grants awarded through calls for proposals (direct centralised management). However, as the request for extension of the crisis situation has been recently approved, the flexibility foreseen under article 190 of the Rules of Application of the Financial Regulation may be used, where appropriate, to speed up contracting and implementation.

Component 4 will be implemented through Joint Management with an International Organization (International Management Group).

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The **overall objective** of the call for proposals will be to support peace, reconciliation, reintegration, rehabilitation and development of Myanmar/Burma, as described in the specific activities 1, 2, 3 of section 3.1.

**Specific objectives** are those described in Section 3.2

(b) Eligibility conditions

In accordance with DCI Regulations, Article 31 (1)-(4), participation in the Call for Proposals will be opened to Legal Persons, Non-Governmental Organisations, Public Sector Operators, Local Authorities, Public Bodies and International and Inter-Governmental Organisations who are established i) in a Member State of the European Union, ii) in an official candidate country as recognised by the European Union, iii) in a Member State of the European Economic Area, iv) in any Developing Country eligible by virtue of Annex I of the DCI Regulations, v) in countries where reciprocal access to external assistance has been established. Moreover, Entities without Legal Personality originating from Myanmar could be included as Partners under this Decision.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 95% of the eligible costs of the action. This coefficient is justified by the complexity of the nature of the Action which will be carried-out in adverse and very difficult conditions. A potential, severe restriction of access to the territory and areas concerned further aggravates the situation.

The maximum possible rate of co-financing may be up to 100% in accordance with Articles 192 of the Financial Regulation if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to launch the call

First trimester of 2014.

(f) Exception to the non-retroactivity of costs.

The Commission authorises the eligibility of costs prior to the submission of the grant application as of the date of invitation to submit a proposal.
4.3.2. Joint management with an international organisation

A part of this action with the objectives of Supporting Peace, Reconciliation and Development will be implemented in joint management, through the signature of a Standard Contribution Agreement with a specific international organisation, the International Management Group (IMG). This method of implementation is justified because IMG is one of the very few organisations with a Memorandum of Understanding (MoU) with the government of Myanmar, which enables it to work in an official capacity with the administration. IMG has also a MoU with the Myanmar Peace Centre (MPC) and is currently implementing a project financed under IfS to support the peace process (Mid-term Support to the Myanmar Peace Centre, EUR 6.6 million). This project builds on previous support provided to the establishment phase of the MPC under the IfS programme "Support to the Promotion of Reforms in Burma/Myanmar".

The political commitment of the EU and the positive appreciation by the government and the increased demand for support to the peace process justify the provision of additional assistance to MPC through this new programme. By using IMG as implementing partner it will be possible to benefit from the contacts that IMG has established with both the Myanmar administration and the members of the MPC. IMG also complies with criteria provided for in the financial regulation, notably with Article 53d of Financial Regulation 1605/2002.

Joint management with this international organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because the project is elaborated jointly between the organisation and the Commission.

IMG will implement with budget – implementation tasks under joint management since it passed the 4 pilliar assessment in April 2010.

Over a period of three years, IMG will implement the following budget-implementation tasks:

- mobilise and made available the necessary resources to implement this programme. They include: necessary staff, experts (both short-term and long-term), as well as office facilities and equipments, assets and logistical support. IMG has already an office in Yangon and will also open a satellite office in Nay Pyi Taw to facilitate coordination activities and liaison with the government counterparts as well as to provide experts with a working space and support.

- all contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by IMG.

- ensure regular reporting, monitoring and communication, including efficient EU visibility, as outline below in sections 4.6, 4.7 and 4.8.

A Steering Committee will be set up for the overall planning of activities and strategic direction. The Committee will be chaired by the government and will comprise representatives of the EU, IMG, MPC and other concerned stakeholders. Its function will be to provide general orientation of the programme. However, depending upon the geographical evolution of activities, Steering Committees with more specific guidance and orientation's aims will be established at State level. They will be chaired by representatives of the State
Governments and Non-State Armed Groups. They will include representative of CSOs, CBOs and the EU. All Steering Committees will meet at least twice per year. A change of method of implementation constitutes a substantial change except where the Commission “re-centralises” or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

4.4. Scope of geographical eligibility for procurement in direct centralised and decentralised management

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 31(8) of the DCI on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realization of this action impossible or exceedingly difficult.

4.5. Indicative budget

<table>
<thead>
<tr>
<th>Module</th>
<th>EU contribution Amount in EUR</th>
<th>Third party contribution Amount in EUR (indicative, where known)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.3.1. – Call for proposals &quot;Supporting Peace, Reconciliation and Development in Myanmar&quot; (direct centralised)</td>
<td>21,000,000</td>
<td>1,105,263</td>
</tr>
<tr>
<td>4.3.2 - Joint management with an international organisation (IMG)</td>
<td>4,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25,000,000</strong></td>
<td><strong>1,105,263</strong></td>
</tr>
</tbody>
</table>

4.6. Performance monitoring

The EU Delegation aims to ensure regular monitoring of the state and progress of the actions which is crucial for the success of the Programme. Monitoring and evaluation costs will be included in actions’ specific budgets.

During the stakeholders' consultation which took place prior to the Programme Formulation, as described in Section 3.5, some organisations proposed the creation of a wider monitoring system which could also involve the communities as well as the local government. A modus-operandi will be conceived, as appropriate, in order to have Partners as well as the main Stakeholders directly involved in the process of monitoring. Ideally, this will pave the way to the possibility to have each one of the actions visited by the EU Delegation once a year.
The mechanism of monitoring which the EU Delegation will set-up shall be complementary to the regular Result Oriented Monitoring (ROM) performed by independent consultants contracted by the EU.

4.7. Evaluation and audit

The General Conditions of the grant contracts for external action of the European Union set the requirements related to expenditures verifications.

Evaluations (mid-term/final internal and external) and audit arrangements are an integral part of the contractual arrangements with the international organisation. External evaluations and verification missions might be also carried out by independent consultants recruited directly by the European Commission in accordance with its rules and procedures and financed outside the scope of this programme.

The programme was never funded before, thus the EU Delegation, building-up on lessons learnt during the execution of the actions, may consider the opportunity to organise ad-hoc mid-term and/or final evaluations, financed outside the scope of this programme, for those projects whose implementation was proven to be difficult.

4.8. Communication and visibility

The EU Delegation will ensure the visibility for the programme as per the Communication and Visibility manual for EU External Actions\(^1\). Adjustments may be considered in case the sensitiveness of the context in which the action is implemented requires a low profile visibility approach.

Dissemination events will be organised in line with the publication of the calls for proposals to ensure participation to the programme from all the potential interested stakeholders. The website of the programme will be maintained by the EU Delegation.

The EU Delegation will also ensure that visibility will be taken into consideration by the Implementing partners at individual project level (websites, events, newsletters), and will encourage initiatives in Myanmar and when opportune abroad (e.g. in Europe), to promote information on project activities (video, photo exhibitions, etc.).

\(^1\) [http://ec.europa.eu/europeaid/work/visibility/index_en.htm](http://ec.europa.eu/europeaid/work/visibility/index_en.htm)
Annex 2
of the Commission Implementing Decision on the Annual Action Programme 2013 in favour of Myanmar/Burma to be financed from the general budget of the European Union

Action Fiche for "Trade Development Programme"

5. **IDENTIFICATION**

| Title/Number                        | Myanmar/ Burma Trade Development Programme  
|-------------------------------------|-----------------------------------------------------------------------------------
| CRIS number:                        | 2013/024-516                                                                    |
| Total cost                          | Total estimated cost: EUR 10,000,000                                             |
|                                     | Total amount of EU contribution: EUR 10,000,000                                   |
| Aid method / Method of implementation| Project Approach                                                                  |
|                                     | Joint management with the International Management Group                          |
| DAC-code                            | 33110  
|                                     | 33120  
|                                     | 33181  
| **SECTORS**                         | Trade policy and administrative management  
|                                     | Trade facilitation                                                                |
|                                     | Trade education/training                                                          |

6. **RATIONALE AND CONTEXT**

6.1. **Country context**

Myanmar/Burma was until recently under economic sanctions by large parts of the international community. Following the appointment in 2011 of a new government that advocates political change and openness, a number of wide-ranging political and economic reforms have begun. After years of isolation the government of Myanmar/Burma is seeking to improve the business climate, open up to trade, encourage foreign investment, and strengthen its financial sector.

A new constitution provides for basic principles of democratic governance, the rule of law, human rights and separation of powers between the executive, legislature, and judiciary, within a federal system. Whilst the constitution still reserves a significant role for the military, and many of the principles laid out in the constitution have yet to be fully reflected in existing laws and regulations, notable reforms such as cease-fire agreements in conflict areas, release of political prisoners, legalisation of trade unions, and relaxation of media censorship have already taken place.

The government has also initiated a range of market-oriented reforms. A new Foreign Investment Law provides incentives for Foreign Direct Investment (FDI), help for domestic industries in overcoming technological, financial and market barriers, and greater clarity on land use. The national currency, the Kyat, has been placed under a managed float regime. The Foreign Exchange Management Law allows commercial banks, including private banks, to undertake foreign exchange
transactions. A review of regulations relating to microfinance, development of capital markets, and efforts to improve the business environment are all underway. The restructuring of the Investment Commission is in progress. Plans to open up the telecommunications sector have also been unveiled and the recent awarding of two mobile network licences.

Work is in progress on a long-term Comprehensive National Development Plan (CNDP) for the period 2011 to 2030. This plan will be based on four main pillars: (i) agricultural development; (ii) balanced growth among regions and states in the federation; (iii) inclusive growth; and (iv) quality statistics. As a bridge to the CNDP, the government has developed a Framework for Economic and Social Reforms (FESR), covering the period 2012 to 2015, to translate its main strategic objectives into operational activities. Specific FESR objectives include:

− Sustained industrial development to attain poverty alleviation and rural development.
− Equitable sharing of resources among regions and states while promoting local and foreign investment.
− Effective implementation of people-centred development, through community-driven, participatory approaches to improve education, health, and overall living standards.
− Catch up with regional economies while keeping up the momentum of agricultural reforms and attaining poverty reduction and rural development.
− Capitalizing on a late-comer’s advantage in learning the lessons of other transitions while leapfrogging in knowledge and technology towards green growth.
− Maximizing the country’s strategic location in being situated between India and China, two of the world’s most dynamic economic powers.
− Full implementation of obligations under the Association of South East Asian Nations (ASEAN) Economic Community/Single Market protocols and World Trade Organization (WTO) obligations (Myanmar/Burma is a founding member of the WTO).
− Diversification of export products while promoting value-added processes for primary commodities, including focusing on improving support services in such areas as trade financing, market access and trade facilitation with the use of special economic zones to support manufacturing and provide services as needed.
− Maintaining macroeconomic stability while putting the economy on a sustainable high growth path with graduation from least-developed country status by 2020.

Myanmar/Burma’s economy largely depends on agriculture and natural resources including oil, natural gas, timber, fisheries, hydroelectric output, and precious minerals and stones. An improved business climate and access to capital and foreign markets is expected to give a boost to tourism and the manufacturing sector, particularly textiles. The liberalisation of state-owned enterprises in several sectors, and improvements to labour laws and regulations, are also expected to improve the transparency and predictability of the business environment. Stricter measures in the timber industry to preserve the environment, to protect rural communities which depend on forestry resources, and to ensure a longer-term return through the exportation of higher value
added products, are all on the government’s agenda, along with a clear commitment to implement the Extractive Industries Transparency Initiative (EITI).

Average import tariff rates applied are relatively low, and below those of other ASEAN members. The country is committed to implementing its obligations under the ASEAN Agreements on trade in goods and services by 2015. Import and export regulations have been revised, with licensing requirements for the majority of import and export products having been removed in April 2013.

Notwithstanding these promising beginnings, the trade reform agenda is both vast and complex, and there is an enormous amount that has yet to be achieved. Institutional capacity is extremely weak, government officials and trade representatives alike lack knowledge and experience, and the government’s capacity to deal with the advice it receives from an ever-growing number of international donors is becoming strained. Moreover, the government’s planned reforms do not as yet extend much beyond strategies, plans, and revised primary legislation. The regulations, procedures, and working practices that need to be introduced in order to operationalise those plans are not yet in place, and the huge task of training has barely begun.

Consequently, the benefits that should accrue to Myanmar/Burma’s economy by increased access to the EU and other markets following the extended suspension or termination of sanctions, and the reinstatement of the Generalised Scheme of Preferences (GSP), are not yet assured. Trade policy needs to be defined. Weak port and logistics management, and bureaucratic customs procedures, constitute a considerable barrier to trade in both directions. Compliance with Sanitary and Phytosanitary (SPS) measures, and technical regulations and standards, present a major challenge for the majority of the trade sectors with potential for exporting to the EU. Above all, awareness of the trading requirements amongst the competent authorities and trade representatives is low, and their ability to put in place the necessary compliance measures is extremely weak. There is accordingly a significant requirement for providing trade-related assistance that addresses all of these shortfalls.

6.2. Lessons learnt

Whilst the experience of donors in delivering trade-related assistance in Myanmar/Burma is limited to a relatively recent period, nevertheless some clear patterns have emerged:

- There is a huge appetite amongst the trade community for trade with global markets, including the EU. This is fully supported by the government.
- The political and economic scene is highly dynamic, and the need for flexibility in the delivery of trade-related technical assistance is therefore of paramount importance.
- Government ministries are inclined to agree to every proposal for assistance that they receive, without paying attention to the risk of overlap and duplication, or to their capacity to absorb the assistance.
- Coordination between government ministries, and between departments within ministries, is weak; there is a strong tendency towards the compartmentalisation
of work, and a general lack of understanding of the importance of integrating sectoral reforms.

- Government and trade representatives alike prefer continuity in their relationships with those providing assistance.

6.3. **Complementary actions**

The proposed project is complementary with ongoing trade-related projects and initiatives in Myanmar/Burma, notably the following:

The WTO is undertaking a Trade Policy Review, which is due to be finalised by the first quarter of 2014.

The government has joined the Enhanced Integrated Framework (EIF). The United Nations Development Programme is reviewing Myanmar/Burma’s eligibility and the World Bank (WB) is providing support. The government is now considering which organisations should be involved in the foreseen related Diagnostic Trade Integration Study (DTIS).

The International Trade Centre (ITC) is preparing a National Export Strategy (NES), which is due to be completed by the end of 2013. The results of the NES will determine the trade sectors that require priority attention, and will include a value chain analysis for those sectors.

The WB has conducted a Public Expenditure and Financial Accountability Assessment (PEFA), and follow-up to this is being given by a coordinated group of donors, including the EU, to help the government define its Public Finance Management (PFM) reform plan and necessary donor support.

The International Finance Corporation (IFC) and WB are also preparing a Doing Business Survey for Myanmar/Burma which should be completed by the end of 2013, and which will provide useful insights into the key constraints faced by businesses, including imports and exporters. Both IFC and WB are carrying out Investment Climate Assessments, as are the Organization for Economic Cooperation and Development (OECD - Investment Policy Review) and United Nations Conference on Trade and Development (UNCTAD). The OECD is also engaged in undertaking a Multi-dimensional Country Assessment, which includes coverage of trade issues.

United Nations Industrial Development Organization (UNIDO) carried out a study on the National Quality Infrastructure (NQI) in early 2013, and a programme of assistance, funded by Norwegian Agency for Development Cooperation (NORAD) and focusing on the promotion of sustainable production and trade, is envisaged.

The Asian Development Bank (ADB) is providing some trade support to the Ministry of Commerce, including improving the business climate. UNCTAD has not yet defined its areas of assistance, but these are likely to be consumer protection, investment and innovation.

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) is working with the Ministry of Industry to provide vocational training and supporting the Ministry of Industry’s Small and Medium Enterprises (SME) centres. Italian Cooperation, Japan International Cooperation Agency (JICA) and GIZ have experts positioned in the
Ministry of National Planning & Economic Development, supporting it in the analysis of primary and secondary legislation affecting SME development.

The International Management Group (IMG) is implementing the EU-funded trade-related Development Cooperation Instrument (DCI) project ‘Strengthening Policy Development to Meet Millennium Development Goals’, which is building basic operational capacity in trade facilitation, customs, SPS and food safety, and the national quality infrastructure, as well as generating awareness of the EU GSP and its rules of origin. The Commission has been supporting a number of food safety and health initiatives, notably in relation to fisheries and aquaculture, through the delivery of technical workshops and seminars.

The EU is also implementing programmes implemented at the ASEAN level, including ASEAN Free-Trade Area (FTA) Negotiating Capacity and the EU-ASEAN Statistical Capacity Building Programme (EASCAB). The EU ARISE Project (supporting ASEAN regional integration) envisages the development and implementation of initiatives to integrate and harmonise customs programmes and processes in support of ASEAN Economic Community goals. This will entail, in particular, further preparation for the implementation of the pilot ASEAN Customs Transit System. The EU ECAP III Project aims at facilitating ASEAN regional integration by building capacity in the ASEAN Secretariat and the ASEAN Member States to manage and benefit from a reinforced Intellectual Property Rights system.

6.4. **Donor coordination**

The Nay Pyi Taw Accord for Effective Development Cooperation was introduced by the Myanmar/Burma Government in January 2013. The Accord establishes, for both the government and its development partners, principles of ownership, effectiveness, inclusiveness, coordination, coherence and transparency for all aid provided. Aid coordination mechanisms, including a Coordination Group and a Working Committee, were recently set up. The former will serve as a forum for continual dialogue between the government and development partners on the government's strategies and plans, as well as on aid effectiveness. Sectoral and Thematic Working Groups are also being created to discuss sectoral strategies and ensure effective aid coordination in those sectors.

These new coordination mechanisms supplement, and may eventually replace, the informal donor coordination group known as the Partnership Group for Aid Effectiveness (PGAE). The PGAE was established in 2008, essentially to act as a forum for discussion on aid co-ordination. The Governance Reforms Working Group provides a platform for donor coordination and strategic discussions around capacity building, public financial management, democratisation, rule of law, support to civil society, and advice to Parliament. A number of sub-groups have also been set up to focus discussion on key thematic areas. There is, as yet, no donor coordination group for trade and/ or private sector development, though the Myanmar/Burma authorities have agreed to the principle of a Sector Working Group (SWG) for trade and private sector development during the EU-Myanmar Forum of June 2013.
7. DETAILED DESCRIPTION

7.1. Objectives

The overall objective of the project is to enable Myanmar/Burma to take advantage of its re-integration into the world trading system including ASEAN, and the opportunities for trade and investment to enhance sustainable economic growth, raise standards of living and support inclusive development in the country.

Building on the experience gained by the EU in trade, and drawing from lessons learned from ongoing and previous projects, the purpose of the project is to:

- Provide high quality, practical advice to Myanmar/Burma government counterparts on the implementation of pro-development trade policy initiatives arising from the CNDP, FESR, NES, and DTIS.
- Develop a range of trade facilitation mechanisms to increase registered cross-border trade and reduce the time taken to import goods to and export goods from Myanmar/Burma.
- Provide high quality, up-to-date information and assistance for traders, trade associations, and chambers of commerce in Myanmar/Burma who wish to know about the rules, regulations and procedures involved in exporting to the EU and other markets, and the relevant market conditions and opportunities.
- Improve the export competitiveness of animal and plant food products of Myanmar/Burma origin in international markets, through an increase in food safety for consumers.
- Ensure that Myanmar/Burma’s quality infrastructure, standardisation and testing, market surveillance, conformity assessment procedures, and intellectual property rights compliance meet international standards and match EU requirements.
- Ensure that principles of corporate social responsibility and environmental responsibility are embedded in the development of Myanmar/Burma’s export business, and related government legislation and trade policy.

7.2. Expected results and main activities

The results of the project will be achieved through the following indicative activities:

- Result 1: The government’s trade-related institutions are strengthened, and their capacity in trade policy analysis, formulation and implementation is enhanced. The private sector is also strengthened and able to take advantage of increased market openings by increasing value added and diversifying products and markets. This activity will involve the provision of technical assistance and training for counterparts in government ministries and departments, which can include EIF and DTIS, that enable them to implement policy initiatives arising from the CNDP, FESR, NES, and DTIS, in line with international trade requirements and EU best practices. The activity will also include the provision of assistance to the private sector.
Result 2: A range of measures that facilitate the rapid movement of legitimate import and export goods are implemented. Following diagnostic studies and available strategies activities will include (a) the development of mechanisms by which the port management and coordination processes, and cooperation between agencies and operators in Myanmar/Burma’s seaports and airports are designed, agreed, and regularly reviewed to achieve the maximum degree of trade facilitation; (b) the revision of the regulatory and operational environment within which the Customs Department operates, bringing this in line with international best practices, and the training of officials in the implementation of a range of procedures that balance effective border control with trade facilitation, and are designed to provide reliable and predictable services to importers and exporters; and (c) the development of the Trade Training Institute within the Ministry of Commerce, through the provision of training in pedagogical areas such as training needs analysis, training course design, curriculum development, preparation of specialised training materials, trainer training, training evaluation, and training administration/management.

Result 3: The nascent EU Export Information Centre is reinforced and expanded to include a full range of services, for trade and government stakeholders, which will include: information about the regulations and procedures governing exports to the EU; information about market opportunities, barriers, and risks; market research; facilitation of networking between exporters, buyers, and distributors; organisation of trade events; showcasing Myanmar/Burma products; and capacity building.

Result 4: SPS measures comply with the SPS Agreement and meet EU requirements. This activity will involve the development of appropriate legislation, regulations, and procedures; strengthening the relevant inspection services; strengthening the sampling, testing, and analytical capacity of the animal, plant and food laboratory network; and providing training and technical assistance for trade and government counterparts in each of these areas.

Result 5: The national quality infrastructure is developed to remove barriers to international trade. This activity will involve the development or adjustment of legislation, regulations, and procedures to meet international standards for metrology, testing, quality management, packaging, etc.; reorganisation and strengthening of market surveillance authorities and conformity assessment bodies; the development of a national accreditation body that operates on equivalent competence levels with those of the EU Member States; strengthening the certification capacity and accreditation of the laboratory network; and providing training and technical assistance for trade and government counterparts in each of these areas.

Result 6: Myanmar/Burma export businesses and trade regulatory bodies apply the principles of corporate social responsibility, responsible investment, and environmental responsibility to all of their trade-related activities. This activity will involve the delivery of awareness training in each of these areas, and the provision of appropriate educational material, for all project stakeholders.

The project will be arranged in 5 components:
Component 1: Overall Project Management

This project component will be responsible for:

- The overall management and coordination of the project, ensuring that its activities (a) take fully into account the Government’s trade-related priorities, especially as articulated in the FESR, and the NES; (b) support where necessary the DTIS and address its outcomes, following Myanmar/Burma’s entry into the EIF (c) build upon the activities of the DCI project ‘Strengthening Policy Development to Meet Millennium Development Goals’;
- Monitoring progress, identifying and addressing bottlenecks, and advising on alternative strategies for implementation where necessary;
- Management and reporting on the project budget;
- Ensuring that all activities within all components address Project Result 6 wherever possible and appropriate;
- Regular reporting on project activities and outcomes, including the consolidation of reports delivered by the other project components;
- Liaison with, training of, and regular support for the PMU;
- Liaison with the EU Delegation;
- Acting as secretariat for the PSC; and
- Project publicity, ensuring the greatest possible degree of visibility for the EU.

Component 2: Trade Policy and Private Sector Development

Component 2 will help to improve the government’s trade-related institutional framework, and enhance its capacities in trade policy formulation, thus creating an enabling environment that stimulates trade and private sector development. The private sector will be supported to better understand the requirements of the EU market, to adapt, including developing higher value added products, diversification and enabling market penetration.

Component 3: Trade Facilitation

Component 3 will ensure (i) that port management, and cooperation and coordination between port operators, regulatory agencies, transport operators, forwarders and agents, and importers and exporters, are improved; (ii) that customs operational policies and procedures for the control of import, export and transit consignments are simplified, streamlined, and made transparent; and (iii) that the Ministry of Commerce develops capacity in the training of trade stakeholders in trade facilitation measures. Component 3 will also reinforce and expand the EU Export Information Centre to include a full range of services for trade and government stakeholders.

Component 4: Food Safety and SPS

Component 4 will ensure that SPS measures – to protect animal or plant life or health from risks arising from the entry, establishment or spread of pests, diseases,
disease-carrying or disease-causing organisms; to protect human or animal life or health from risks arising from additives, contaminants, toxins or disease-causing organisms in foods, beverages or feedstuffs; to protect human life or health from risks arising from diseases carried by animals, plants or their products, or from the entry, establishment or spread of pests – comply with the SPS Agreement and meet EU requirements.

Component 5: Quality Infrastructure

Component 5 will ensure that the national quality infrastructure – metrology, testing, quality management, packaging, market surveillance, conformity assessment, accreditation laboratory sampling, testing, and analysis, etc – is developed to match international standards and EU requirements, and to remove barriers to international trade. It will also ensure Intellectual property rights (compliance and international standards) are addressed.

7.3. Risks and assumptions

Risks:

• Political instability, a change in the political landscape, or a deteriorating security situation may disrupt or slow down the implementation of the project.

• Government ministries and departments may not be able to absorb the proposed assistance.

• Lack of coordination between project counterparts.

• Overlap and duplication of project activities by other donors

Assumptions:

• The EU GSP reinstated since 19 July 2013 remains in place.

• Trade interest in exporting to the EU, and complying with EU norms and standards, remains strong.

• Government and trade counterparts are committed to participating in all activities for the duration of the project.

7.4. Cross-cutting issues

Specific cross-cutting issues that will be addressed in the project include gender equality, labour and human rights, environmental sustainability, and corporate social responsibility. Gender equality will be mainstreamed by ensuring equality of inclusion in all project activities. Positive gender impacts may also accrue from increased trade, given the central role of women in food and agricultural production in Myanmar/Burma. The support will reduce the cost of cross border economic activities dominated by informal traders, often women.

The project’s activities focus specifically on environmental and corporate social responsibility, and responsible investment, will underpin major initiatives in these
areas including, but not limited to, the Forest, Law Enforcement, Governance and Trade (FLEGT) initiative, and the EITI.

7.5. **Stakeholders**

At the government level, the principal stakeholders will be the Ministry of Commerce; the Ministry of National Planning and Economic Development; the Ministry of Finance and Revenue; the Customs Department; the Ministry of Labour; the Ministry of Science and Technology; the Ministry of Agriculture and Irrigation; the Ministry of Livestock and Fisheries; and the Ministry of Industry. The Ministry of Commerce will have a key role to play in coordinating the activities of these government stakeholders. The Ministry of Commerce is expected to be the chair of the SWG for trade and private sector development where all donor support to the sector will be coordinated and advice will be provided on policy issues.

Quasi-government bodies and independent ‘think tanks’, including but not limited to the Myanmar Development Research Institute (MDRI) and the National Economic and Social Advisory Council (NESAC), will play a role in strengthening inclusive participation in the policy process as well as ensuring the accountability and efficiency of government actions.

Trade associations, including the Union of Myanmar Federation of Chambers of Commerce & Industry (UMFCCI), the Myanmar Fisheries Association, the Myanmar Food and Agro-Processor Association, the Myanmar Garment Association, the Myanmar Timber Association, the Myanmar Women’s Entrepreneurs Association, etc., will also be key project stakeholders.

8. **IMPLEMENTATION ISSUES**

8.1. **Financing agreement**

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

8.2. **Indicative operational implementation period**

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 48 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.
8.3. Implementation components and modules

8.3.1. Joint management with an international organisation

This action with the objective of enabling Myanmar/Burma to take advantage of its re-integration into the world trading system including ASEAN, and the opportunities for trade with the EU offered by the reinstatement of the GSP and enhancing economic growth and raise standards of living will be implemented in joint management with International Management Group\(^2\) (IMG).

This implementation is justified because IMG is already established in Myanmar/Burma and has developed a strong working relationship with many of the beneficiaries of this project. This has been achieved through its implementation of the trade-related DCI project ‘Strengthening Policy Development to Meet Millennium Development Goals’, which is building basic operational capacity in many of the same areas. The proposed method of implementation will ensure a smooth transition from that project, and the ability to build upon its results. IMG is also strongly associated with the delivery of EU-funded trade-related assistance to Myanmar/Burma, and therefore well positioned to increase EU visibility in that field even further.

Joint management with this international organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because the project is elaborated jointly between the organisation and the Commission.

IMG will use its EU Member States network, among others, to ensure effective delivery of distinct areas of the project for example for SPS, food safety, quality infrastructure, and laboratory analysis expertise, significant experience of the region, the ready ability to organise peer-to-peer study visits, and experience of working with the EU.

The principal government counterpart for the project will be the Myanmar Ministry of Commerce, which is responsible for the major part of the trade reform agenda, and well placed to coordinate the inputs and activities of other government ministries and departments.

A project steering committee (PSC) will be established, under the chairmanship of the Ministry of Commerce, to oversee strategic planning, and to ensure that the project remains in line with overall national, regional and local priorities. The steering committee, which will meet at least twice per year, will comprise representatives of the principal government and trade stakeholders, the EU, IMG, and possibly development stakeholders involved in delivering the project components and activities.

A project management unit (PMU) will be established within the Ministry of Commerce to work with IMG on the day-to-day management of the project, and the planning, definition, further development, and revision of its various activities. IMG will provide technical assistance to the Ministry with identifying and recruiting suitable staff for this unit, and will be responsible for training and coaching those

\( ^2\) The International Management Group (IMG) is an international organisation enjoying all privileges and immunities under international law established by 13 EU Member States plus Norway and Switzerland, which is financed with public funds for development cooperation. IMG is a legal entity in its own merit and by its very nature is not for profit. [http://www.img-int.org/Central/Public08](http://www.img-int.org/Central/Public08)
staff in their duties. The project will also provide the PMU with essential office equipment. This process will develop strong ownership of the project, and create longer-term sustainability through ensuring that the PMU is fully equipped and competent to manage similar development interventions after the end of this project.

IMG will implement the following budget-implementation tasks:

- Mobilise and make available the necessary resources to implement this programme. They include: experts (both short-term and long-term), as well as office facilities and equipment, assets and logistical support. IMG has already an office in Yangon and will also open a satellite office in Nay Pyi Taw to facilitate coordination activities and liaison with the government counterparts as well as to provide experts with a working space and support.

- Ensure regular reporting, monitoring and communication, including efficient EU visibility, as outline below in sections 4.5, 4.6 and 4.7.

- All contracts implementing the action are awarded and implemented in accordance with the procedures established and standard documents published by the relevant International Organisation.

The change of method of implementation constitutes a substantial change except where the Commission "re-centralises" or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

8.4. **Indicative budget**

The total cost of the project is estimated at EUR 10,000,000. The maximum EU contribution is EUR 10,000,000.

The indicative budget breakdown is as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>EU Contribution EUR</th>
<th>Total EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Management with IMG</td>
<td>10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10,000,000</td>
<td>10,000,000</td>
</tr>
</tbody>
</table>

8.5. **Performance monitoring**

A results-based monitoring and evaluation (M&E) framework will be developed that will allow project stakeholders to monitor impact and effectiveness, and how well the different project components support and link with one another. The framework will include a full set of output and outcome indicators, and an activity-based budget linked directly to goals and objectives. The framework will be agreed by the Steering Committee at project start-up.
8.6. Evaluation and audit

Evaluations (mid-term/final internal and external), audit arrangements and verification missions are an integral part of the contractual arrangements with the International Organisation.

In order to assess project performance, achievements and impact, a mid-term and a final project evaluation, financed outside the scope of this programme, might be carried out by independent consultants recruited directly by the European Commission in accordance with its rules and procedures.

8.7. Communication and visibility

The guidelines in the Communication and Visibility Manual for EU External Actions will be followed for all project activities. A comprehensive communication and visibility strategy for the project will be developed. Visibility activities will be funded under the Contribution Agreement with IMG.