

LIFT Dry Zone Programme Framework

April 2015

Introduction

1. The Livelihoods and Food Security Trust fund (LIFT) has allocated up to US\$52 million from 2015 to 2018 for the implementation of a programme in the central Dry Zone of Myanmar (DZP). Rural economic growth with a focus on livelihoods and nutrition-sensitive food security will be supported in six target townships (Myingyan, Natogyi, Taungtha and Mahlaing in Mandalay Region and Pakokku and Yesagyo in Magway Region).

2. The programme will provide new and diverse production and income opportunities that maximise the resilience of rural poor households. This will be done through three levels of programme intervention. Firstly, at the village level LIFT will help households to realise their economic potential by improving agriculture and livestock production, by increasing employment in the wider rural economy, by improving nutrition, and by protecting and enhancing the resilience of the poorest households. Secondly, LIFT will support economic activities at the township and regional levels to improve the overall environment of the rural economy (e.g., value chain and rural finance interventions). Thirdly, LIFT will harvest lessons and generate evidence to inform the formulation of better policies and public expenditure decisions.

Myanmar's Dry Zone: The context

3. The Dry Zone comprises much of Magway, Mandalay and lower Sagaing divisions and is one of the most food insecure areas in the country. The Dry Zone covers an area of 677,000 km² (17 percent of the country) and is home to nearly 10 million people (19 percent of Myanmar's total). The agro-ecological and socio-economic environments present challenges for communities living in the Dry Zone. Farming and landless households are risk averse and vulnerable to variable climatic and market conditions as well as policy and social changes.

Poverty characteristics

4. Poverty levels within the Dry Zone as indicated in a 2010 JICA study¹ were 33 percent for farm households, but 55 percent for rural landless households. WFP classified 17 percent of households as severely food insecure and a further 24 percent as moderately food insecure². Food insecurity is particularly evident among young children, with wasting estimated at almost 14 percent and stunting at over 30 percent in 2013. LIFT surveys show that although crop production was cited by almost 58 percent of households as an income source, casual labour was almost as high, at 55 percent³.

5. The poor are by necessity highly mobile with many households having at least one or more family members migrating for seasonal or long term employment. A forthcoming LIFT migration study will provide more detailed data on migration.

¹ JICA, August 2010, *The Development Study on Sustainable Agricultural and Rural Development for Poverty Reduction Programme in the Central Dry Zone of Myanmar. Final Report.*

² Save the Children and World Food Programme 2014, *A Nutrition and Food Security Assessment of the Dry Zone of Myanmar*

³ LIFT, July 2012, *Baseline Survey Results*, Yangon.

6. Low incomes and low income diversity make food insecurity a primary constraint for Dry Zone communities. Household debt is high and 35 percent of loans are reportedly used to buy food, the highest of proportion for any of Myanmar's main agro-ecological zones⁴. WFP (2014) data demonstrates that 18 percent of households are classified as food insecure with it being most pronounced amongst wage labourers and smallholder farmers (<2acres). Households report purchasing food from markets up to two hours away and journey times lengthen in the rainy season. There is little availability of fresh vegetables in many villages.

Rainfall and water management

7. High rainfall variability and concentration across six to seven months of the year (May to November) leads to seasonal water shortages, which is a constraint to the viability of rural livelihoods. There has been a significant reduction in rainfall amounts in June in recent years and high variability in the onset date of the wet season⁵. This impacts agricultural production by increasing the risk of drought at the beginning of the rain fed crop cycle. This risk is particularly high in the central part of the Dry Zone where the LIFT programme is focused. River flows are directly influenced by the main monsoon season in the upper catchments and water levels rise in June and decline from September onwards.

8. Consequently access to safe and reliable water, for both agriculture and livestock, and for domestic use, is a key constraint to livelihoods and wellbeing. The failure of rains and/or seasonal scarcity stretches coping strategies and can lock households into a cycle of poverty and vulnerability. Many farmers manage the weather risk by reducing agricultural inputs and using less labour-intensive cultivation methods to minimise losses when crops fail.

9. These climatic and water resource constraints are compounded by the presence of shallow soils with low natural soil fertility and a landscape that is undulating with poor vegetative cover. Current agricultural techniques also keep the soil surface uncovered for much of the year. The combined effect of these factors results in soil erosion and land degradation.

Size of holdings and landlessness

10. According to LIFT surveys, landless households constitute 43 percent of households, but with a very high variation by township. Additionally, 37 percent of farmers have small land holdings of less than two hectares (5 acres). These small holdings require households to look for additional income sources.

11. The LIFT Dry Zone Scoping Study (Nov 2014) done by the FAO Investment Centre (FAO/IC) highlights Myingyan (one of the proposed DZP townships) as illustrative of the impact of skewed land access. Twenty-two percent of households have less than 0.8 hectares (2.17 acres) of land. Together, landless households and households with very small land holdings, make up at least 52 percent of the households in the township. The best option for many of these households is to send one or more family members to another region for seasonal work, for anything up to six months of the year. Private sector banks in the region report that 70 to 80 percent of their customers are from rural areas and use the banks for remittance transfers.⁶

Climate change impact

12. Climate change projections for the Dry Zone predict a general increase in temperature, an increase in rainfall variability during the rainy season, an increase in the risk of flooding resulting

⁴ LIFT 2013, *Household Survey 2013*. Yangon

⁵ International Water Management Institute, 2013.

⁶ Remittances are also transferred using the Hundi system typical in Myanmar. Hundi (Sanskrit for *bill of exchange*) originated on the Indian subcontinent in the early 1600's and involves the informal transfer of money through go between agents at the sending and receiving end of the funds transfer.

from a late onset and early withdrawal of monsoon rains, and an increase in the occurrence and intensity of extreme weather events, including cyclones/strong winds, flood, intense rains, extreme high temperatures and drought.⁷ Increasingly erratic rainfall and temperature will complicate already low water availability.⁸

13. This climate change effect, together with the impact of extractive farming practices, is accelerating the degradation of soils and the loss of vegetative cover. If ignored, the result could be significant desertification of the central Dry Zone. Any intervention aiming to provide the conditions for sustainable and inclusive economic growth within the Dry Zone must take into account the need for animal husbandry and pasture management practices, as well as genetic materials that are appropriate for the environmental conditions prevailing and anticipated into the medium term future.

14. Climate and environmental stress are also drivers of migration for employment. Internal migration is a coping strategy and there is substantial off-season migration by the landless to Shan state to work as agricultural labourers.⁹ Many from the Dry Zone also go to work on construction sites in Yangon and Mandalay.¹⁰

Access to finance and market

15. The main crops in the Dry Zone are pulses, beans and oilseeds which are produced for local and export markets. The marketing of these crops is widespread, even among those households holding less than one acre of land; from LIFT surveys, 70 percent of this group sold at least part of their output and rates are higher for households with more land. Marketing structures and value chains are well developed in the Dry Zone and offer smallholders easy access to markets for their crops. However, nearly 90 percent of all households sold their crop within one month of harvest and only around 10 percent participate in group marketing activities. The necessity to repay loans and the lack of storage capacity at farm and village level puts high pressure on farmers to sell their produce at or close to harvest. Waiting for the prospect of better prices, common later in the season, is not an option.

16. The use of credit is widespread; 83 percent of respondents in the LIFT baseline survey had taken a loan in the last 12 months. However, the cost and utilization of such loans varies widely by source. Crop loans from the Myanmar Agricultural Development Bank (MADB) are heavily subsidized, at 0.7 percent per month, but less than one in five households who borrowed had obtained one.¹¹ MADB loans are almost entirely limited to agricultural production – thus excluding the landless. The maximum amount lent under current MADB policies (approximately USD20/acre for non-rice crops) is well below input costs.

17. By contrast, 70 percent of borrowers had taken loans from moneylenders or shopkeepers, who charge interest rates of 5-10 percent per month or more. The need to borrow at such high cost, plus the recurring crop failures and low crop yields, increases the prospect of indebtedness. While MFI coverage is wider in the Dry Zone than elsewhere in the country, penetration is still limited making the access to affordable finance inaccessible for many.

⁷ Bates C., DFID, 2014, Climate change resilience – a new emphasis for LIFT

⁸ IWMI, 2013, Water Resource Assessment of the Dry Zone of Myanmar

⁹ QSEM4 (World Bank/LIFT, 2014) estimates that 81 percent of migrants from Mandalay engage in seasonal migration.

¹⁰ QSEM4, p.31

¹¹ Only farmers with registered land are eligible for the MADB loans. As the rate of land registration increases so will the proportion of farmers taking MADB loans to take advantage of the comparatively cheap credit.

Under nutrition

18. For the Dry Zone as a whole, the prevalence of wasting is 13.9 percent and stunting is 30.8 percent (WFP 2013). Both these indicators are categorised as a serious public health issue by WHO. Stunting can be caused by long term poor access to adequately diverse foods, infection and poor health environment of both the mother and child. Low birth weight babies represent 17.2 percent of the total¹², highlighting both mothers' low weight gain and the foetus' weak development during pregnancy.

19. Hygiene practices in the Dry Zone are suboptimal with less than a third using soap following use of the latrine or before preparation of food. Up to 25 percent of households in the Dry Zone do not use any sort of latrine, further increasing the risk of intestinal infections which are a cause of under nutrition.

Gender

20. In the Dry Zone, unlike many other parts of the country, women spend significantly more days engaged in farm labour than men do¹³, both in the monsoon season (about 30% more days) and the dry season (50% more). This is particularly true for weeding, pest control and harvesting, although women are equally involved in soil preparation as men are. However, as in other parts of the country, women tend to receive lower wages for their farm labour than men do, usually 75% of the men's daily wage. Women are also generally responsible for caring for small livestock, vegetables cultivation and post-harvest activities such as winnowing, grinding and husking. They are also primarily responsible for collecting water, fuel wood and forest products. Women's use of poor-quality technology and equipment presents further difficulties; more valuable productive assets are usually controlled by men.

21. Women have more difficulty accessing credit from MADB, with less control over collateral and fewer networking opportunities with informal lenders¹⁴. Coping strategies and attempts to diversify household income streams are often based on activities/products deemed of lower value such as compost making, trade in firewood and small-livestock rearing. Gender power relations affect the realities of women's engagement with economic actors and results in fewer opportunities for leadership in community structures and organizations.

Geographic Focus within the Dry Zone

22. For its new programme, LIFT selected six townships at the heart of the Dry Zone with high rainfall variability, a dense agriculture population, a high proportion of small farmers, and average (for the Dry Zone) rates of landlessness (>40 percent)¹⁵. The six townships include four within Mandalay region (Myingyan, Natogyi, Taungtha and Mahlaing) and two in Magway Region (Pakokku and Yesagyo). All six townships are contiguous, with those in Magway separated from those in Mandalay by the Ayeyarwady River. The six townships have a total population of 1.3 million.

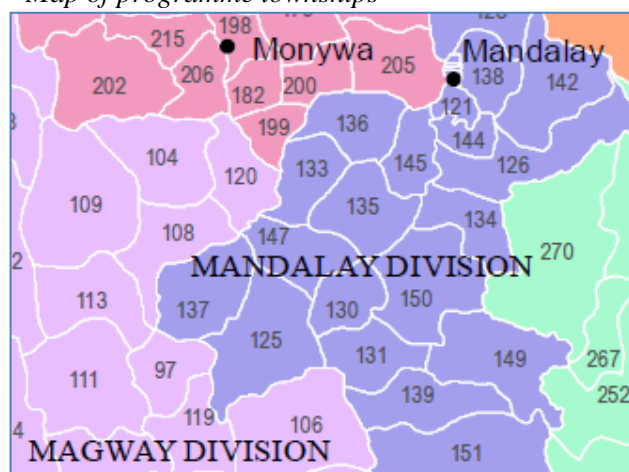
¹² low birth weight is defined as under 2.5kgms.

¹³ LIFT 2013, *Household Survey 2013*. Yangon

¹⁴ Oxfam, *Building Resilient Livelihoods*, 2014.

¹⁵ FAO Investment Centre, November 2014, *Myanmar Dry Zone Development Programme Scoping Report*

Map of programme townships



MAGWAY:
 Pakokku - 108
 Yesagy - 120

MANDALAY:
 Myingyan - 133
 Natogyi - 135
 Taungtha - 147
 Mahlaing - 130

23. There is significant heterogeneity *between* the selected townships, which is seen as a strength of the programme as the intention is not only to reduce hunger and poverty in the target area, but also to test and demonstrate possible approaches for the Dry Zone more widely.

Township	JICA Type ¹⁶	Population	Agricultural population	Smallholders (<5 acres)	Key characteristics
Myingyan	III	276,190	40 %	68 %	Best crop production yields, Livestock, relatively widespread irrigation, many wells, smallest percent of rural population.
Natogyi	II	176,927	56 %	67 %	Least irrigation of all townships, high rate of crop failure, high rates of migration, many ponds, no training received in last three years.
Taungtha	II	216,399	54 %	42 %	Largest villages and farms, many livestock, cotton, little irrigation, many ponds, under-nutrition frequently reported.
Mahlaing	II	139,368	61 %	32 %	Smallest villages, irrigation relatively common, cotton production, pigeon pea, major sesame producer, few external support agencies.
Yesagy	II	214,969	64 %	80 %	Irrigation relatively common, many wells, rice production, significant migration. Small livestock are prevalent.
Pakokku	I	289,650	43 %	67 %	Commercial centre, smallest farms characterized by high risk and low return, little irrigation, cotton production, monsoon paddy, green gram, groundnuts and sesame small livestock common, under-nutrition frequently reported.
Total		1,313,503			

Data source: JICA, 2010 with population figures from the 2014 national census (provisional results).

24. There is also significant heterogeneity *within* each township. In fact, intra-township variability appears to be higher than between township aggregate variability¹⁷. Although a significant percentage of villages within the six townships are located along waterways, where access to water is better, livelihoods systems and poverty characteristics change as one moves further away from such water bodies. In summary, closer to the waterways there is higher population density, better

¹⁶ JICA, 2010

¹⁷ FAO Investment Centre, 2013, *Dry Zone Programme Inception Mission Aide-mémoire*.

agriculture (flooded plains with higher fertility, with irrigated or residual moisture cultivation), better infrastructure and access to markets, lower aggregate poverty rates, and higher income inequality.

Summary of key constraints and opportunities

Constraints

25. **Water** is clearly the most significant constraint facing the majority of Dry Zone households. Even those communities fortunate enough to form part of a larger irrigation scheme are likely to have households with little or no access to irrigated land. Most households fetch water from ponds and lakes for domestic use and at best use cloth filtration for purification. However, most primary sites for surface water capture and storage have already been exploited, and while groundwater supplies are thought to be considerable, problems of salinity and arsenic contamination, as well as poor knowledge of where subterranean resources are located, are limiting the scale of water supply development. Hand dug wells, from 10 to 60 feet deep, are common throughout the area, but pumps are not common and buckets are generally used to draw water.

26. **Lack of access to land** is a constraint for some households in the rural areas of the Dry Zone. More than half the households in the survey villages had no agricultural land. For them, agricultural labour, employment in nonfarm businesses and migration, for at least one or more household members, is the best option for improved livelihoods and resilience.

27. **Input use for crop production is moderately high** in the case of fertilizers (organic and inorganic), but very low for improved seed, severely limiting the genetic potential of the crops sown. While shortages of credit play a major role, the limited availability of suitable seed and, even more importantly, the inability of many poorer farm household to assume the risk involved in purchasing such seed, are probably key factors.

28. **Livestock.** Most households with land own draught cattle. For poorer and landless households, the raising of small ruminants and poultry provide an important source of income. Low access to animal health services and fodder availability leads to high losses from disease and increased risk of overgrazing on the predominantly common grasslands. Improved pastures require tenure security and more advanced knowledge of animal nutrition. Animal owners try to increase the number of animals they have to maximise benefit from the limited fodder base available, while the value of the common land for livestock is decreasing. This increases the risk of ongoing environmental degradation with the impact from shocks (weather, market) accentuated by the sometimes oversized herds and resulting in significant losses.

29. **The trade of animals and animal products** faces many obstacles that constrain farmers in searching for the best markets for their animals. Administrative red tape at local, regional and national level, e.g., the slaughtering licence system, forces farmers to accept reduced market prices. There are no local farmer organizations to support collective procurement and marketing of animals and animal products, and there has been little effort to establish breeder associations at a local level.

30. **Off farm employment** by family members in 55 percent of households is an important augmentation of household incomes for many poor families. A high percentage of farm households are also engaged in casual agricultural labour, the demand for which increases during periods of peak farm production. The opportunity to pursue extra wage income coincides with the on farm production needs of poor farm households.

31. **Access to affordable finance** is limited with formal credit utilised by only 19 percent of adults in Myanmar.¹⁸ Further, almost 90 percent of the total MADB loan portfolio is directed at a single crop (rice), and 97 percent is distributed over only four crops.¹⁹ Non-crop lending (e.g., term loans for farm machinery) accounts for less than 1 percent of the total.²⁰ The high-cost borrowing is additionally linked to the indebtedness found among many households with a quarter of all households owe debts equivalent to more than four months of total household income. Both the high cost of borrowing and indebtedness impose constrain productivity by limiting investment in farm production and nonfarm businesses.

32. **The high incidence of under nutrition** results from inadequate food intake and disease in the six target townships. This is evidenced by a high incidence of stunting and wasting in children less than five years (comparatively high at 30.8 percent and 13.9 percent respectively). It is prevalent in poor as well as in better off households.²¹ Nearly 90 percent of children aged 6-24 months do not have a nutritionally adequate diet²² and illness appears to be a major contributing factor of malnutrition related to long term exposure to poor sanitation and hygiene. Under nutrition limits a child's future growth and development. Conversely, good nutrition helps children learn more at school, helps adults perform better at work, and enables people to cope better with shocks and setbacks.

Opportunities

33. **Water resource information.** An improved knowledge of the location, quality and sustainable yield of water resources, particularly aquifer-based resources, would support better decision making on improving the access to water. Such knowledge would have to be linked to improved access to drilling and pond digging services from government and the private sector to be effectively utilized.

34. **Improved water management.** Using water saving irrigation techniques would enable farmers to produce up to three harvests per year, reducing risk to farmers and enabling them to utilise the potential of improved seeds and varieties, and achieve a more efficient application of the fertilizers, herbicides and pesticides where necessary. With the increased production security achieved farmers will be in a better position to engage in contracts that provide more income security.

35. **Increased livestock production.** If mortality rates and illnesses can be reduced, and weight gains increased - particularly for small ruminants and poultry - livestock production could generate significantly more income for livestock farmers, though little comparative data appears to exist on the potential scale of such increases. Improved animal husbandry and pasture management practices are particularly needed.

36. **Improved availability of good seeds.** There is undoubted need to increase the availability of improved high quality seed for pulses (e.g., pigeon pea, green gram, and chickpea), oilseeds (e.g., groundnut and sesame, possibly sunflower), and improved minor cereals crops such as sorghum mainly for fodder. Achieving the necessary scale will require much greater involvement of the private sector in the multiplication and marketing of seeds.

37. **Increased demand for agricultural labour.** Given the prevalence of casual agricultural labour in the target area, improvements in agricultural production could be expected to benefit landless

¹⁸ A Dry Zone specific figure is not available. UNCDF, Cenfri, Finkmark Trust, 2014, *Making Access Possible*, Page xii

¹⁹ World Bank, September 2013, *Myanmar Agricultural Development Bank. Diagnostic and Restructuring Options*. Unpublished paper prepared for LIFT. Page 14.

²⁰ FAO Investment Centre, November 2014, *Myanmar Dry Zone Development Programme Scoping Report*

²¹ Ibid, Annex 5: Nutrition

²² Ibid.

and poorer households with an increasing demand for labour. Shortages in the availability of farm labour will drive up wage rates for casual labour, benefitting the poor. A significant poverty effect will require an expansion in the quantity and value of off-farm employment opportunities through increased skills and/or the expansion of specialist local employment.

38. **Increased formal credit sources**, generally through MFIs, would provide an important opportunity for poorer households (with or without land) to consolidate their debt for improved debt management and repayment.

39. **Term financing for agriculture and agribusiness** investment would accelerate the adoption of small-scale agricultural and agribusiness technologies, including farm and SME mechanisation. Demand for increased mechanisation is already driven by: a) high demand and prices for maize, beans and pulses; b) land ownership patterns that ensure arable, and currently cultivated, land is retained by smallholder farmers; c) growing scarcity of farm labour; and d) the increased availability of new technologies supplied by the private sector.

40. **Technologies that increase agricultural labour productivity have the potential to benefit women** particularly as women do more agricultural labour in the Dry Zone, but receive lower wages. DZP interventions should create equal opportunities for women and men, and reward women's work in agriculture equally to men's. This means equal access to inputs, agricultural services and markets, at the same time as supporting women's move into other sectors where pay and conditions are better in the long-run. Care must be taken to avoid unintended consequences of introducing labour-saving technology, which may benefit or harm women's existing roles and activities in agriculture, e.g., by displacing important sources of wage labour or freeing women from unpaid household work.

41. **Reduced malnutrition in children**. There are opportunities to address the immediate causes of inadequate food intake and disease at the individual level by improving dietary practices, especially during key life stages (e.g., pregnancy and the first two years of early childhood), increasing access to improved hygiene and sanitation facilities, and addressing some of the key barriers to optimal infant and young child feeding and care practices.

42. **Systemic change**²³. The DZP will use its programme knowledge and evidence to influence systemic change in areas that benefit the rural poor with particular focus on policies that broaden the livelihood choices of smallholders and landless households, and improve their nutritional status. This will require LIFT and its implementing partners to seize opportunities in the changing policy context. For example, on 25 March 2015, President Thein Sein formed a new National Central Committee on Food Security and Nutrition in order to implement the Zero Hunger Challenge in Myanmar. This potentially provides an opportunity to partner with government in developing cost effective national programmes to address child under nutrition. A key challenge is to move from positive, but isolated projects that empower small numbers of women to transformative change. This requires integrating activities that promote gender equality into existing interventions as well as support for stand-alone affirmative interventions that target women alone.

²³ Systemic change includes: better sector policies, more effective sector organisations, better sector planning and investment, and more effective implementation of agriculture and rural development programmes.

Dry Zone Programme Implementation

[See the Dry Zone Programme Framework at Annex 1]

43. Noting the opportunities and constraints identified above, five priority outcomes have been identified for the Dry Zone Programme.

Programme outcomes

1. Smallholder farmers gain increased income from the sale of agricultural produce
2. Smallholder farmers gain increased income from the sale of livestock and livestock produce
3. Rural households gain increased income from non-farm employment
4. Rural households are less vulnerable to shocks and stress
5. Fewer children are stunted

44. Three pathways out of poverty will constitute the strategic approach to the change process and delivering on these outcomes.

1. Help rural households with land, labour and/or commercial potential to 'step up' the value ladder and out of poverty through increases in labour and land productivity as well as through enhanced capacity to market production. In the DZP, this will be supported mainly through: a) improving access of farm households to relevant financial services, especially working capital for a variety of crops and investment capital for small-scale agricultural technologies; b) improvements in the livestock sector; c) better access to high quality seeds for pulses, oilseeds and fodder crops; and d) investments in agribusinesses that improve farm gate prices for small-scale farmers.
2. Help rural households or household members to productively 'step out' of agriculture into more productive sectors of the economy over time. This could be a local 'step out', finding better-paid employment in local non-farm activities. It can also be a "migration step out" to take advantage of opportunities further afield. In this regard, the LIFT will support: a) financial services that stimulate the creation of growth of rural nonfarm business; and, b) activities that improve the development of outcomes of migration, including skills development, better access to employment and market information, as well as financial services that enable households to migrate to destinations with better employment opportunities.²⁴
3. Help households without commercial potential or the ability to step out, to 'hang in' using climate smart agriculture as a safety net and improving their food security and nutrition outcomes during Myanmar's period of economic transition. In the DZP, this will be supported mainly through: a) access to financial services that enable households to better match variable income and expenditure patterns; b) promoting agricultural and livestock practices that are adapted to climatic risks and changes; c) improved maternal and child nutrition; and, d) social protection for the most vulnerable households.

Levels of intervention

45. The DZP will work to address the resilience of rural communities and households at multiple levels: a) at the village level LIFT will help households to realise their economic potential by improving agriculture, by increasing employment in the wider rural economy, by improving nutrition, by enabling those affected by climate change to 'step out' of agriculture and into more

²⁴ LIFT is developing a national programme that will focus on specific support for better migration outcomes, which should be launched in 2015.

productive sectors of the economy, and by protecting and enhancing the resilience of the poorest households; b) at the township and regional levels, LIFT will support economic activities to improve the overall environment of the rural economy (e.g., value chain and rural finance interventions); and, c) LIFT will harvest lessons and generate evidence to inform the formulation of better policies and public expenditure decisions more widely.

46. The Dry Zone programme will be rolled out in seven components, each requiring particular skills, organizational experience and approaches to delivery:

Component 1: Rural finance

Component 2: Livestock

Component 3: Seed production and processing

Component 4: Farm advisory services

Component 5: Nutrition

Component 6: Resilience and reduced vulnerabilities

Component 7: Local capacity development

47. While water is not identified as a separate component, it is the single largest constraint confronting the Dry Zone population. As such it impacts across all aspects of on farm and off farm production, and domestic needs. Each of the DZP components will contribute to addressing access to quality water and water management. There will be four main areas of support:

- The provision of financial products tailored to providing the necessary investment capital to finance groundwater harvesting and small scale irrigation systems suited to crop and livestock production needs (Component 1),
- The provision of advisory services (climate smart agriculture) to ensure the best applications and water management practices are supported (Component 3),
- The commissioning of studies to identify and quantify suitable groundwater reserves and address problems of contamination,
- Improved WASH services and practices for improved access to quality domestic water and sanitation (Component 5).

Component 1: Rural finance

48. The programme will support:

- *Expansion of existing pro-poor financial services:* LIFT will invest capital in existing MFIs providing financial services to the poor. These investment funds will support the expansion of the basic credit technology—group lending, primarily to women, with the group’s social capital underwriting the credit risk. It will also support financial services for seasonal crops that are demand-driven and the introduction of a new pro-poor financial service, a debt consolidation loan that combines one or more high interest informal loans into a single, new loan at lower interest.
- *Investment financing for agricultural and off-farm small businesses:* LIFT will increase access to financial services that allow for investments in off-farm small businesses, including small scale appropriate technologies (e.g., small scale mechanisation hire/purchase of equipment and tools with instalment payments at affordable cost; small scale irrigation; greenhouses). This will involve financial services that allow for investments in small-scale agricultural technologies (SSATs), agri-business and agro processing, including: small scale mechanisation, agriculture infrastructure development, greenhouse agriculture, agri-business and agro processing, and, leasing for other livelihoods equipment (e.g., baking equipment, tooling machinery, brick making, etc.).
- *Mobilization of savings:* As an investment towards increasing MFI sustainability and vibrancy, and promoting a means for social protection among MFI clients, LIFT will provide

technical and financial assistance in the form of matching deposits with cash transfers-- Individual Development Accounts, which are special savings accounts that match the deposits of the poorest clients.

- *Market development assistance for institutional sustainability of MFIs and banks:* LIFT will continue to target investments that improve the sustainability of promising but still unsustainable MFIs, and down-scaling or up-scaling (down-marketing or up-marketing) financial services to commercial banks and MFIs respectively .
- *Partial Risk Guarantee Fund:* LIFT provide risk capital that encourages MFIs and commercial banks to expand financing, through leasing (hire-purchase) to rural small businesses they currently do not serve. This will promote private sector investment (there is “significant” private capital available that is currently not being invested) through risk sharing with MFIs and commercial banks by guaranteeing a percent of the net loss on principal for leases covered by the PRGF.

49. Component 1 was launched in February 2015 with a national call for proposals for financial inclusion. It is anticipated that all of the rural finance activities will be delivered by specialized financial organisations.

Component 2: Livestock

50. The programme will support:

- Improved animal health services to reduce mortality and morbidity of livestock through training and support for community animal health workers.
- Improved livestock productivity through use of better technology and husbandry techniques including animal breeding and feeding, and pasture management on the common lands.
- Using evidence from the field for advocacy and policy dialogue on marketing of livestock.

51. Component 2 will be pursued through a partnership with FAO.

Component 3: Seed production

52. The seed component will focus on commercialising government research on new cultivars (beans/pulses) being developed with ICRISAT, ACIAR and MoAI. The Department of Agricultural Research (DAR) has been relatively successful in its breeding programme, but the multiplication and marketing of the seeds is insufficient. DAR in cooperation with ICRISAT will continue to breed new varieties suitable for the environment in the Dry Zone and suitable for export markets.

53. The multiplication and marketing of seeds needs to be done by the private sector in collaboration with seed producing farmers if it is to achieve the necessary scale for industry growth and production quality. This requires a focus on farmer training to build knowledge and understanding of the use of certified seed. It does, however, include risks for business investment in seed multiplication as most pulses and beans are open pollinating crops, which enables farmers to produce their own seed for some years in a row. Therefore, the seed component will focus on incentivising private sector investment in seed multiplication and a private-public partnership with the MoAI.

54. LIFT will develop a project specific to component 3 in collaboration with the MoAI in the first half of 2015.

Component 4: Farm advisory services

55. Farmers in the six townships are well acquainted with rotational cropping and intercropping systems which make the most of the short and unreliable monsoon patterns and spread risk. Nevertheless, the degradation of soils and the loss of vegetative cover are significant threats to the

continued agricultural exploitation of the Dry Zone and, if ignored, could result in the desertification of the Dry Zone.

56. The programme will support:

- The establishment of coordination systems that facilitate smallholder access to information on farm technologies and climate smart agriculture.
- Linking finance providers, input suppliers, smallholder farmers, processors, and government on the introduction of new crop cultivation and processing technologies (e.g., greenhouses, climate smart irrigation, small scale mechanisation, agribusiness processing),
- The provision of technical and financial advice on new and adapted technologies will help ensure farmers and agribusiness have access to the best technical and farming system options that maximise production, reduce production risk, provide value chain opportunities, and address the challenges of soil conservation, water management, and the commercialization of smallholder agriculture.
- Training on the provision of farm advisory services to government staff, input suppliers and farmers on climate smart agriculture that supports higher and more reliable yields (e.g., improved cultivation techniques for rain fed agriculture) for farmers with no access to water.

57. Component 4 will be pursued through a call for proposals in the second quarter of 2015.

Component 5: Nutrition

58. In order to reduce malnutrition in children interventions must address the immediate causes, concerned with inadequate food intake and disease at the individual level. Strategies are required to improve household access and availability of micronutrient dense food items, increase awareness, knowledge and resource allocation for improved dietary practices, increase access to improved hygiene and sanitation facilities, and address some of the key barriers to optimal infant and young child feeding (IYCF) and care practices. In addition, there should be explicit linkages formed to improve access to quality health care services.

59. The DZP will focus on achieving better nutrition outcomes through both direct nutrition and nutrition sensitive interventions. The programme will support the provision of:

- Behaviour change communication aimed at pregnant women and the mothers of young children. The behaviours to be encouraged include: feeding colostrum to new-borns, exclusive breastfeeding for six months, as well as other positive infant and young child feeding practices; nutritious diets for pregnant women including adequate intake of iron and folates; improved hygiene-related behaviours; and, improved health seeking behaviours including attendance of prenatal/postnatal appointments as well as proper treatment of childhood illnesses.
- Cash transfers to households with pregnant women, breastfeeding mothers and children under two years (the 1000 day window) to enable and incentivize women to act on improved nutrition-related knowledge.
- Improved household access to quality drinking water and sanitation services, especially mobilising communities to completely eliminate open defecation.

60. Component 5 will be pursued through a call for proposals in the second quarter of 2015.

Component 6: Resilience and reduced vulnerabilities

61. This component targets the most vulnerable families; those who have few assets and limited opportunity to migrate and as such are vulnerable to shocks with limited coping capacity. According to World Bank Group (2014, p. 22) *“not unlike in many low income economies, a large fraction of Myanmar’s population was clustered around the poverty line, both above and below (...)”*. So, to

reduce poverty it is equally important to reduce the vulnerability of those just hovering around the poverty line as it is to raise the income of the poorest.

62. The lack of formal social safety nets in Myanmar is well documented, and although a national social protection strategy has been agreed, policy is emerging, and the capacity of government systems is being built, the challenge is delivering social safety net programmes in contextually appropriate ways. Nearly all Dry Zone communities have established traditional social protection systems in place. While they may be insufficient to meet the needs of all poor households, they provide an important opportunity to channel support and build community resilience.

63. The programme will:

- Support the provision of cash transfers to vulnerable households living at or below the poverty line and which have few options for meeting their food security and nutrition needs.
- Work with existing community level social protection mechanisms to deliver the DZP cash transfers, and where appropriate provide relevant support that will help improve their scale and sustainability.;
- Support for community organizations to access key essential social protection services provided by government.
- Support capacity building of village committees and government department staff in sustainable village based social protection schemes.

64. Component 6 will be pursued through a call for proposals in the second quarter of 2015.

Component 7: Local capacity development

65. Social actors and civic action are keys to improving the food and livelihoods security of poor and vulnerable people in the Dry Zone. LIFT will allocate specific resources to the strengthening of civil society organisations (CSOs). Local CSOs are more likely to understand the local context and act on behalf of local constituents than international organisations are. This has the potential to make them more effective partners for achieving each other's goals - in the short, medium and long term. For its short and medium term goals, LIFT wants to work with CSOs that share the goals of the DZP. For the longer term, LIFT wants to work with CSOs because civil society actors play a key role in encouraging an economic and political context that is conducive to rural poverty reduction and equitable economic growth.

66. LIFT's support of civil society and strengthening local capacity will continue through existing channels and will be strengthened further through the new DZP by:

- Prioritising appropriate partnerships with local CSOs
- Possibly establishing a small grants funding window that will provide a means by which local NGOs and CBOs can directly access support for activities of a scale that match their capacity.²⁵

²⁵ The potential for a small grants funding window dedicated to local civil society organisations is a subject of a current LIFT study, the purpose of which is to formulate a plan of action for LIFT to get appropriate sums of funds to Myanmar CSOs as part of LIFT's new programmes in the Dry Zone, the Ayeyarwady Delta and the uplands. The study will identify what the parameters would need to be for a small grants fund to be effective (e.g., grant-size range, proposal/grant process, degree of fit required with the Dry Zone programme framework, legal and organizational requirements for civil society partners).

Indicative funding allocations by component

	Components							TOTAL
	Finance	Livestock	Seed industry	Advisory services	Nutrition	Resilience	Local capacity	
Indicative allocation (US\$)	\$16m	\$6m	\$7m	\$4.5m	\$13m	\$3.5m	\$2m	\$52.0m
Schedule for launch	February 2015	April 2015	September 2015	April 2015	April 2015	April 2015	October 2015	

Annex 1 – Dry Zone Programme Framework

LIFT outputs (national)							
1. Increased sustainable agricultural production by small holder farmers.	2. Improved market access and market terms for small holder farmers.	3. Increased employment in non-farm activities for small holders and landless.	4. Increased access to affordable financial services by small holders and landless.	5. Improved diets of women and children.	6. Safeguarded access to & sustainable use of natural resources for smallholders and landless.	7. Strengthened local capacity to support and promote food and livelihoods security.	8. Generation of policy-relevant evidence regarding small holder farmers and landless.
Priority outcomes in the Dry Zone							
1. Smallholder farmers gain increased income from the sale of agricultural produce.	2. Smallholder farmers gain increased income from sale of livestock & livestock produce.	3. Rural households gain increased income from non-farm employment.	4. Rural households are less vulnerable to shocks and stress.	5. Fewer children are stunted.			
Implementation “components”							
1. Rural finance (\$16m): <ul style="list-style-type: none"> Expand existing pro-poor services (MFIs) Investment financing for agricultural and non-farm small businesses Mobilisation of savings Assistance for institutional sustainability of MFIs and banks Partial risk guarantee fund 	2. Livestock sector support (\$6m) <ul style="list-style-type: none"> Improve animal health services Improve technology and husbandry techniques, feeding and pasture management Improve systems for slaughter licencing, etc. 	3. Seed production and processing (\$7m) <ul style="list-style-type: none"> Commercialize gov't work on new cultivars (beans/pulses) being developed with MoA, ICRISAT and ACIAR Build modern seed processing plant Facilitate private sector branding, marketing and distribution 	4. Farm advisory services (\$4.5m) <ul style="list-style-type: none"> Coordinate introduction of new technologies (SSATs) b/t gov't, private sector, finance providers & farmers Technical & financial advice on soil & water conservation and crop management Training for gov't staff & input suppliers 	5. Nutrition (\$13m) <ul style="list-style-type: none"> Behaviour change communication for pregnant women and mothers of young children Cash transfers for 1000 day window Improved water and sanitation services, especially elimination of open defecation 	6. Resilience (\$3.5m) <ul style="list-style-type: none"> Social protection activities, including cash transfers, that support traditional community structures Improve access to essential social protection services 	7. Local capacity development (\$2m) <ul style="list-style-type: none"> Appropriate partnerships with local NGOs Possible small grants window either managed within FMO or outsourced 	
Timing of contracting							
Phase 1 (\$22m): <ul style="list-style-type: none"> Call for proposals on rural finance in February 2015 (\$16m) Direct granting of FAO in April 2015 (\$6m) 		Phase 2 (\$28m): <ul style="list-style-type: none"> Call for proposals on farm advisory services, nutrition, resilience in April 2015 (\$21m) Development of seed project together with DoA in Q2 2015 (\$7m) 			Phase 3 (\$2m): <ul style="list-style-type: none"> Scoping study on getting appropriate funds to local CSOs Possible small grants window 		