**ANNEX 2**

**Livelihoods and Food Security Trust Fund**

**for Burma/Myanmar**

**(LIFT)**

**Program Document**

**12 October 2010**

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**1. The Livelihoods and Food Security Trust Fund for Burma/Myanmar**

Australia, the European Commission, the Netherlands, Sweden, Switzerland and the United Kingdom have jointly established the *Livelihoods and Food Security Trust Fund* (LIFT). Other donors have expressed an interest to contribute to this multi-donor Fund. This document describes the operating context, level of intervention and program goal, purpose and outputs. It does not aim to fully describe the governance arrangements which are described in the JCA and other annexes.

***1.1. Overall objective, goals, purpose and outputs***

The overall objective of the Fund is to contribute resources to a Program with the aim of making progress towards the achievement of Millennium Development Goal 1[[1]](#footnote-1): the eradication of extreme poverty and hunger in Burma/Myanmar.

More specifically, LIFT’s **goals** are to improve the food and livelihood security of poor and vulnerable populations and to enable the victims of Cyclone Nargis to re-establish food security and sustainable livelihoods.

The **purpose** is to increase food availability, income generation opportunities and food use for 1-1.5 million target beneficiaries[[2]](#footnote-2). This will be achieved through delivering the following **program outputs[[3]](#footnote-3):**

1. Direct agricultural production support provided and used by target individuals
2. Effective market and employment support mechanisms provided and used by target individuals (on farm off farm and nonfarm)
3. Effective social protection measures provided for the chronically poor of the target households
4. Capacity of local partners strengthened to support livelihoods and food security initiatives
5. M&E evidence and commissioned studies used to inform program and policy development

And **management outputs**:

1. Funds are allocated in line with Fund Board policies and are accounted for in a transparent manner
2. Fund flow and implementing partner performance are monitored and evaluated

While LIFT will initially focus on areas affected by Nargis, it is designed to provide similar assistance to other areas of Burma/Myanmar where high levels of vulnerability prevail.

***1.2. Justification***

Despite vast natural resources, Burma/Myanmar is one of the least developed countries in the world. After decades of armed conflict and isolation, the country is lagging behind its neighbours on most socio-economic indicators on poverty, health and education and is ranked 130th out of 177 countries in the 2006 Human Development Index. It is severely off-track to achieve any of the Millennium Development Goals by 2015 without a substantial stepping up of external assistance and the development of relevant national strategies.

Burma/Myanmar is in a state of stagnation compared with other economies in South-East Asia. Real growth rates are estimated to have averaged 2-5% over the last five years. Industrialization is in an embryonic stage and agriculture, which accounts for approx. 45 % of GDP, is deeply affected by recent natural disasters, mismanagement, high cost of inputs, farmers' indebtedness and lack of know-how. UN agencies in Myanmar consider that the country suffers from deep-rooted, structural poverty.

Nargis affected areas

Cyclone Nargis struck Burma/Myanmar on 2 and 3 May 2008, making landfall in the Ayeyarwady Division, some 250 kilometres southwest of Yangon. The estimated resulting toll stands at 140,000 people dead or missing, 20,000 were seriously injured, and some 2.4 million[[4]](#footnote-4) people living in a 23,500 square kilometres area were severely affected.

Mid-June 2008, the *Post-Nargis Joint Assessment* (PONJA) jointly conducted in the Ayeyarwady and Yangon divisions by the government of Myanmar, ASEAN[[5]](#footnote-5) and the United Nations with the financial support of *i.e.* the European Union concluded: *"The disaster caused widespread destruction to homes and critical infrastructure, including roads, jetties, water and sanitation systems, fuel supplies and electricity. A large number of water supplies were contaminated and food stocks damaged or destroyed. The winds torn down trees and power lines, while the accompanying storm surge submerged countless villages."* Most of the fertile areas were devastated just as paddy farmers were at the last stage of harvesting their dry season crop that accounts for 25 percent of the annual production in the affected area. Nargis destroyed several paddy warehouses and stocks, livestock, schools, health centres, religious structures, small industries, private dwellings and clean water sources. PONJA reports: *"The city of Yangon also sustained a direct hit, which downed power and communications lines and inflicted major damage to buildings and communications".*

Considerable support is required to enable people to begin rebuilding their livelihoods and to secure the means to strengthen their resilience in terms of food security. Small farmers, communities involved in in- and offshore fishing, landless poor dependent on wage-labour in agriculture or previously employed in manufacturing and processing industries have lost access to income for a considerable period of time. PONJA underlines that, beyond immediate humanitarian response:

* support aiming at the early recovery of agricultural livelihoods is essential;
* off-farm income opportunities must be created;
* poor and vulnerable households need cash grants and micro-credit for livelihood activities;
* fragile micro-enterprises and small industries must be enabled to invest in the recovery of their productive assets;
* vocational training must be made available to local youth;
* initiatives must be undertaken in the water, sanitation, and hygiene and nutrition sectors for long term improvement.

National situation

Before cyclone Nargis devastated vast areas in the Delta region, also known as the country's rice bowl, it was estimated that some 32% of the population were living below the poverty line in Burma/Myanmar. Poverty is endemic in most parts of the country. Proxy indicators for malnutrition and food insecurity, such as stunting and underweight, are among the highest in the world. A 2005 national survey[[6]](#footnote-6) indicates that more than one third of all households – both urban and rural – in Myanmar have insufficient consumption expenditure to cover basic food and non-food needs. There are important disparities between regions, with the border areas being the poorest parts of the country. In rural areas, nearly two thirds of all households do not have access to land or access to sufficient cultivable land. Poor families often depend heavily on natural resources as a source of food, income and fuel, which leads to environment degradation and further poverty. In urban areas, the poor spend close to 70% of their income on food alone and suffer as a result of consistently low wages and high inflation.

This situation is exacerbated by the lack of a clear and relevant national strategy to reduce poverty and support food and livelihood security, the almost complete unavailability of governmental and formal rural credit, an inadequate land tenure system, low capacity of agricultural research and extension services, poor transport infrastructure, restrictions on the movement of people and goods through taxes payable at state and division borders, and limitations imposed by the authorities.

In recent years, Australia, the European Commission, the United Kingdom, Sweden and other donors have provided assistance aimed at enhanced food security in Burma/Myanmar. Evaluations and monitoring work show that projects have been generally successful in achieving their immediate objectives, but the policy environment continues to put the sustainability of these gains at risk. It has become evident that there is an urgent need to pursue a more systemic approach to structural poverty reduction and social protection. Moreover, the need for building social capital and to increase community participation is tremendous. To have a wider impact, the impact of projects and lessons learned from them need to feed into local and national decision-making, and a dialogue on agricultural policies. In the short term, that dialogue is likely to be internal to Burma/Myanmar, rather than a formal donor-government dialogue.

The United Nations have initiated contact with the authorities and proposed UN technical assistance for the development of a national *Medium-Term Priority Framework for Food Security*. Actions undertaken by LIFT will be designed so as to fit the national program to the extent it is found appropriate by the Donor Consortium. A dialogue will be maintained with the authorities and other stakeholders, including but not limited to the Agriculture and Food Security Thematic Group, to ensure cohesion of Fund action with generally accepted programming parameters for Burma/Myanmar.

In the particular case of the areas affected by cyclone Nargis, the Fund will seek to the largest possible extent to align its activities behind the *Post-Nargis Recovery and Preparedness Plan* (PONREPP), and regular contact will be maintained with the Delta-specific thematic working groups.

Rationale for the establishment of the multi-donor LIFT

The usual systems and structures for development co-operation are not in place in Burma/Myanmar. The suitability of the mechanisms put in place by the Three Diseases Fund[[7]](#footnote-7) to address large-scale challenges in the fight against TB, Malaria and HIV/AIDS in Burma/Myanmar has been demonstrated.

Taking into account the complexity and magnitude of a global substantive response that results in poverty reduction at national level, it is felt by participating donors that a similar collaborative approach will be the most effective option so as to strengthen dialogue, maximise potentials and impact, encourage long-term action and avoid duplication and fragmentation. This is particularly necessary with regard to food security and livelihoods in the absence of adequate national programs.

In the spirit of the Paris Agreement on Aid Effectiveness and of the OECD/DAC guidelines on "Harmonising Donor Practices for Effective Aid Delivery", the Fund offers participating donors and other concerned stakeholders the opportunity to consolidate joint strategies and actions through regular exchanges and mutually reinforcing actions responsive to a national program approach whenever it exists. It further offers monitoring mechanisms contributing to a better global understanding of situations, programs/projects being undertaken or envisaged, achievements, constraints and outcomes.

The Fund also offers an opportunity to support a coordinated set of projects that can demonstrate the impact that project approaches can have on agricultural production and rural livelihoods and food security. Measurement of impact and dissemination of action-focused research will therefore be a priority for the Fund.

***1.3. Stakeholders***

Key stakeholders and target beneficiaries are the rural and urban poor, vulnerable people, women heads of households and marginalised groups.

For LIFT activities in the Nargis-affected area, stakeholders also include the [Tripartite Core Group (Government of Burma/Myanmar, ASEAN and the United Nations)], the Ministry of Agriculture and Irrigation, the Ministry of Forestry, the Ministry of Livestock Breeding and Fisheries, the Ministry of Cooperatives, and the Ministry of Social Welfare, Relief and Resettlement. LIFT will establish its own strategy in consultation with these stakeholders.

Institutional stakeholders for other parts of the country include the Ministry of Agriculture and Irrigation, the Ministry of Forestry, the Ministry of Livestock Breeding and Fisheries and the Ministry of Cooperatives.

The EU Common Position on Burma/Myanmar[[8]](#footnote-8) does not allow assets as part of aid efforts to be provided to, or through, central government agencies. LIFT will channel its resources through the United Nations agencies working in Burma/Myanmar, and local or international non-governmental organisations, professional associations and community-based organisations. All implementing organisations must demonstrate their authority (or ability) to work in Burma/Myanmar.

***1.4. Level of intervention***

Projects supported by the Fund will primarily adopt a community-led approach. Where appropriate, household participation in the identification of needs and implementation of solutions will be central to the management of the Fund. The level of intervention will be adjusted to progress in any given community so as to respond to people's changing situations. The involvement of community-based organisations in the implementation of micro-projects will be encouraged. All project proposals will be expected to demonstrate how they support existing community-level social protection mechanisms, and priority will be given to projects that support existing community organisations and support mechanisms, rather than establishing new ones.

Agriculture and off-farm activities, regardless of size, are economic activities and by definition within the private sector. Market-orientated solutions will be critical to the sustainability of activities supported by the Fund. Focus will not only be on increasing agricultural productivity and production for consumption. Where there is potential, marketing of outputs and market provision of inputs and services will also be considered to maximise income for target households. Activities that support livelihoods through the development of the local economy will also be eligible for support.

The starting point for policy advocacy will be to demonstrate, through rigorous impact monitoring, the results of the projects the fund supports. This needs to be done not just at the level of individual projects, but across a group of projects, covering different areas of the country. Project selection will therefore need to take into account the potential to generate a convincing case for policy change.

When possible, advocacy at Regional and Central levels will be initiated to increase the chances of success and to improve policy, decision-making and mechanisms that result in enhanced social protection for vulnerable households: line ministries will be consulted on general project orientations and kept informed of activities undertaken and progress made. Coordination will be maintained between Fund-supported activities, other ongoing projects and government initiatives in the same sectors. Where appropriate, seminars may be organised with the participation of the authorities and other stakeholders.

Despite tensions and lack of trust among main players, the situation took a turn for the better when the government of Burma/Myanmar chose a more flexible approach to international cooperation in the wake of cyclone Nargis. While the TCG mandate will end in July 2010, LIFT strategy will be framed so as to pave the way for increased collaboration for sector-based support as and when circumstances permit.

***1.5. Key principles***

Within this context, LIFT has been established as a multi-donor Fund led by a Donor Consortium. The Fund is designed to be as close to an ideal program-based support through pool financing as is possible within the limitations imposed on cooperation with Burma/Myanmar.

Assistance provided through the Fund will be non-discriminatory and equally available regardless of gender, ethnicity, creed, nationality or other similar distinctions. Communities will be involved in the decision-making process (including identification of needs and of solutions) and in monitoring/evaluation. The use of local resources will be maximized and all efforts will be made to strengthen the capacity of the communities to self-address difficulties. To further increase the role of the communities and reinforce accountability, participation, transparency, feedback and learning, a Beneficiary Accountability framework will be established. Complaints mechanisms should also be established. The need to reduce vulnerability to future disasters **through disaster risk reduction and disaster mitigation measures** will be mainstreamed (where relevant) in Fund-supported activities.

**On gender, the Fund will ensure that projects and programs promote a fair share of benefits for women as well as for men, and have been informed by consultation with women and an overarching gender strategy.**

**On environment issues, Fund activities will take account of the relationships between livelihoods and climate change and the sustainable use, management and protection of natural resources in working towards the restoration and protection of the environment.**

The Fund is guided by the following common understanding:

* the members of the Donor Consortium wish to work together with a shared approach based on best practice principles of donor harmonisation in the spirit of the Paris Agreement on Aid Effectiveness and of the OECD/DAC guidelines on "Harmonising Donor Practices for Effective Aid Delivery", and within the limitations outlined by the EU *Common Position on Burma/Myanmar*;
* wherever they have been adequately defined, the Fund will relate to national strategies and programs to address the problems targeted by the action. In the absence of adequate national strategies or programs, the Fund will endeavour to identify action in close consultation with all concerned key stakeholders;
* the Funds activities will be guided by the Rights Based Approach (RBA), comprising of the four principles of non-discrimination, participation, transparency and accountability
* collaboration among all partners will be actively promoted by the Fund;
* the Fund will clearly separate the collaborative mechanisms for strategy and program development from fund management and funding decision making;
* the Fund Manager will perform systematic output and outcome monitoring, for both Fund-supported action and other stakeholders' initiatives where relevant, and will communicate monitoring results to the Fund Board on a regular basis. This will be based on a defined M&E Strategy.

**2. Description of outputs**

1. Direct agricultural production support provided and used by target individuals

*Examples of eligible activities:*

* + - provision of agricultural inputs including fertilizer, water, machinery, tillage, livestock and credit
		- promotion of optimal agronomic techniques including technical assistance, optimal use of fertilisers and pesticides, irrigation, double cropping, seed production, post-harvest losses, improved fruit trees and farm-based demonstration
		- rice banks, grain storage facilities and animal shelters
		- development of home garden and horticulture production
		- support to small and medium scale irrigation projects
		- livestock and poultry production including strengthening of veterinary services and expansion of vaccination coverage
		- training and support to in-shore and inland fishery production, crab fattening
		- promoting, training in and providing inputs for forest management (including reforestation for fuel wood and mangroves)
1. Effective market and employment support mechanisms provided and used by target individuals (on farm, off farm and nonfarm)

*Examples of eligible activities:*

* + - promotion and establishment of village-level revolving funds and other micro-credit services
		- provision of microfinance
		- provision of vocational & micro/small enterprise development training
		- processing, value addition and marketing of agriculture, livestock, fisheries and off farm/non farm products.
1. Effective social protection measures provided for the chronically poor of the target households

*Examples of eligible activities:*

* support to safety net measures for the most vulnerable population - , cash transfers, cash for work
1. Capacity of local partners strengthened to support livelihoods and food security initiatives

*Examples of eligible activities:*

* community based groups (CBOs) formed and strengthened
* training for CBOs delivered in cross-cutting themes such as gender, environment and disability
1. M&E evidence and commissioned studies are used to inform program and policy development

*Examples of eligible activities:*

* data gap analyses and baseline studies
* Research and workshops
* advocacy initiatives
* synthesis reports on the impact of LIFT-funded activities.
1. Funds are allocated in line with Fund Board policies and are accounted for in a transparent manner

*Examples of eligible activities:*

* Donor Consortium approval of the FB strategic recommendations
* Fund Board scrutiny of Fund Managers narrative and financial reports
1. Fund flow and implementing partner performance are monitored and evaluated

*Examples of eligible activities:*

* Development of Fund Manager M&E strategies
* Fund Manager scrutiny of implementing partner monitoring reports (based on LIFT M&E strategy and IP M&E systems)
* Fund Board scrutiny of Fund Managers narrative and financial reports

**3. Assumptions and Risks**

 ***3.1. assumptions***

- the government of Burma/Myanmar will provide the Fund Manager with visas either through an agreement for LIFT with the government of Burma/Myanmar or another mechanism;

the government of Burma/Myanmar will continue to facilitate access to the Delta region by implementing agencies;

- the government of Burma/Myanmar will allow access to other parts of the country targeted by the Fund;

- the government of Burma/Myanmar will co-operation with donors on the development of an appropriate strategy for food security and livelihood;

- the government engages in a dialogue with donors and puts in place reforms that will enhance food security;

- it will be possible to put a system in place that minimises the risk of financial loss through exchange regulations, corruption, abrupt population displacements or sudden community isolation.

***3.2. risks***

A risk assessment strategy will be prepared by the Fund Manager. **Risks** primarily consist of:

1. ***Political risks:*** Fluctuating relationships between the government of Burma/Myanmar and Donor governments may influence the Fund's performance and existence. Government's political decisions may also constrain Fund's activities.

Mitigating action: Regular dialogue between donors and the concerned line ministries to ensure that the above risks do not threaten the existence of the Fund or constrain its activities.

1. ***Lack of trust*** (between the communities and the authorities, between the authorities and the donors, between the authorities and the implementing agencies) may affect delivery to a point the action is significantly weakened or interrupted.

Mitigating action: Trust building measures will be encouraged by the Fund, particularly at community level and between local authorities and implementing agencies.

1. ***Lack of flexibility at national policy level:*** Fund activities would be negatively impacted to a significant degree should the national authorities not be persuaded to grant the necessary operational flexibility to the implementing agencies.

Mitigating action: Maintaining adequate relations with the authorities and transparency in program content, achievements and difficulties should normally gradually reinforce the agencies' ability to deliver activities.

1. ***Divergence of views among Donors:*** Donors, UN agencies and INGOs do not hold a common view on how to proceed in Burma/Myanmar to ensure that the population at large does not continue to suffer from the current situation.

Mitigating action: LIFT is expected to be a unifying force among stakeholders for the identification of a common approach. The Fund will closely coordinate its activities with non-Fund donors and with international organisations.

1. ***Disconnection from national plans:*** For the results of aid to be sustainable, actions must be coherently delivered and contribute to national plans where they exist. This is key to helping Burma/Myanmar reaching the UN Millennium Goals and for donors and implementing agencies to move towards an exit strategy. While PONREPP provides an overall framework for action in the Nargis-affected area, the *Medium-Term Priority Framework* may not materialize.

Mitigating action: The Fund Board and the Fund Manager will maintain a close dialogue with the authorities and other stakeholders to ensure cohesion of action with generally accepted programming parameters. We will also look for opportunities to reinforce efforts by Burmese interest groups to advocate for changes in government policy.

1. ***Funding gap:*** Once the action will be launched, expectations will rise among stakeholders. Momentum must be maintained until the Fund reaches its intended targets.

Mitigating action: Coordination among participating donors. The Fund Manager will advise the Fund Board on priorities to be given to activities/areas based on financial resources available at any given time.

1. ***Lack of monitoring coherence:*** There is a risk that the terms of reference of program reviews commissioned by donors (LIFT and non-LIFT) on the use of contributions will not be coherent. This would endanger the Donors' consensus for a coherent program approach, and could lead to a weakening of LIFT.

Mitigating action: The Fund will propose that the terms of reference of monitoring commissioned by the Fund and by other donors and international organisations be finalised in consultation with each other, and that results be shared.

1. ***Insufficient human resources:*** The Fund Manager must be authorised to recruit adequate human resources. Sufficient equipment must also be available to ensureeffective monitoring capacity.

Mitigating action: Human and material resources levels will be discussed and agreed upon consultation with UNOPS.

1. ***Fund Manager might not meet Donor's expectations*** in terms of effectiveness, independence, ability to implement activities in line with Fund policy.

Mitigating action: close monitoring of the performance of the Fund Manager by the Fund Board and the rapid instigation of corrective measures if deemed necessary.

1. ***Extreme weather conditions, security considerations or population movements prevent delivery.***

Mitigating action: Lines of communication between the Fund Board and Fund Manager are open, and the Fund Manager is able to inform timely reallocation of resources.

XXX

1. Reduce by half the proportion of people living on less than a dollar a day; achieve full and productive employment and decent work for all, including women and young people; reduce by half the proportion of people who suffer from hunger. [↑](#footnote-ref-1)
2. The purpose level implicitly includes that this is through a Trust Fund modality, and that there is a strong role to build the capacity of local partners and to influence policy. [↑](#footnote-ref-2)
3. Outputs listed here must be consistent with the approved logframe. Minor changes to the language may be necessary. [↑](#footnote-ref-3)
4. out of est. 7.35 million people living in the affected townships. [↑](#footnote-ref-4)
5. Association of South-East Asian Nations [↑](#footnote-ref-5)
6. *Integrated Household Living Conditions Survey in Myanmar,* Ministry of National Planning and Economic Development, UNDP, UNOPS, 2007. [↑](#footnote-ref-6)
7. 3D Fund established in 2006 by six donors (Australia, European Commission, the Netherlands, Norway, Sweden and the United Kingdom) [↑](#footnote-ref-7)
8. Common Position 2006/318/CFSP of 27 April 2006 [↑](#footnote-ref-8)