

March 09, 2016

Daw Elizabeth Khin Hnin Hlaing
IFI Watch Myanmar Coordinator
Yangon, Myanmar

Dear Daw Elizabeth Khin Hnin Hlaing,

Subject: Response of Department of Rural Development to the Report of IFI Watch Myanmar on the National Community Driven Development Project (NCDDP)

We refer to your report “Letter of Concern: Year II of the World Bank supported National Community Driven Development (NCDD) project, Myanmar”, submitted to DRD on 19 November 2015 about the monitoring activities that were carried out by representatives of IFI Watch Myanmar in collaboration with their local members in Pinlebu (Sagaing Region), Sidoktaya (Magway Region), Tatkone (Nay Pyi Taw Territory), Lemyethna (Ayeyawaddy Region), Ann (Rakhine State) & Htantabin (Yangon Region) (hereafter “the IFI report”).

We continue to appreciate the efforts undertaken by IFI Watch Myanmar to monitor the National Community Driven Development Project implemented by DRD as it contributes overall to the achievement of quality transparency and accountability of the NCDDP.

Background

The following eight issues were raised in the IFI report:

Issue 1 : Recruitment and Corruption:

“We, the IFI Watch Myanmar has received multiple reports from Ann and Htantabin Townships of demands made by DRD Township officers for payments from applicants for Community Facilitators (CF) and Technical Facilitators (TF) positions. These reports indicate that applicants for TF and CF positions had to pay between 200,000 to 500,000 MM Kyats to DRD township officers in Ann and Htantabin Townships. The payment was made for some, before the recruitment and some after the selected candidates’ lists, which were provided by Relief International Myanmar [RI] to DRD Township Officer. We also heard similar cases at Tatkone and Lemyethna.

We spoke to those with direct knowledge of this arrangement who reported that CF’s parents and relatives considered that the amounts are high because the DRD township officer would share this payment with the township-level recruitment panels. The recruitment panel in Ann includes the DRD Township Officer, Assistant Officer, one staff from INGO [RI] and one engineer, for Htantabin this included a DRD Township Officer, and two staff from INGO [RI]”.

Issue 2 : Coercion and Threats:

“On 30 August 2015, villagers reported that in KanYwa, Thin Pan Ywa and PyetYwa villages, in Sa Khan Maw Village Tract, Ann Township, Township Technical Assistance (TTA) staff who was employed by Relief International Myanmar, threatened villagers with detention if they do not use the grant properly and complete the CDD project within the project period. The TTA threatened villagers that the World Bank can arrest and detain (jail) them if they fail to complete the project. Due to these threats, the community feared for their safety and therefore did not accept the block grant. The Relief International Myanmar staff was subsequently moved to Htantabin (Yangon Region) and a new Relief International staff has been replaced.

In another case in year I of the NCCD project, IFI Watch received reports that a Community Facilitator threatened villagers that if they filed complaints, the project would be suspended in their village”.

Issue 3: Gender Discrimination:

"In the first week of September 2015, multiple sources from Ahnn Townships reported to IFI Watch that equal payment is not provided to men and women for NCDD projects in more than one village in the township. Reports indicate that men are being paid a daily rate of 4,000 Kyats and women paid a daily rate of 2,500 Kyats for the same or equivalent work."

Issue 4: Transparency and Eligibility for Sub-Project Selection:

"There are four to five new schools which were constructed against the positive list of the OM and also the standardization of the Government school in Ann Township. Though the community proposed renovation of schools according to the positive list, during the implementation the township DRD and the RI staff changed the plan and constructed as mentioned above and as of thirteenth October 2015, we were informed that those schools are used as general halls now whereas the students are still in the old school which were needed for renovation as per their proposal."

If projects election falls outside the positive list or the three priority projects selected by the community, then community members should be informed of the reason to avoid unnecessary misunderstanding. Transparency is necessity for the NCDD project and also to gain the trust of communities"

Issue 5: Staff Turnover and Benefits:

"Though the INGO staff should have travel allowance in time, in some townships it is disbursed rather late. Most of the staff are in high risk areas and with no entitlements or benefits including paid leave and medical allowances, there are/could be a risk of high turnover rate that impacts the inclusiveness of communities participation."

Issue 6: Training and Resources for Community Facilitators:

"A primary factor contributing to the lack of awareness within local communities of the NCCD project is the inadequate resources provided to train CF's. This is a recurrence of NCCD Year I issues that have not been adequately addressed. IFI Watch recommends the World Bank provide closer direct supervision on the CF training program, and consider what additional resources the World Bank or DRD may need to commit at the CF level."

Issue 7: CDD projects & Campaign:

"We were also informed that World Bank funded CDD Projects [Roads] are being misused by the current government for Union Solidarity Development Party campaigning for the upcoming general election. [mostly in Ann and Kyunsu Townships]"

Issue 8: Information received lately:

"On 5th November 2015, we were informed by community from Tat Kone Township that they had submitted a letter of complaint to township DRD in 2nd week of September Following eight issues have been formulated and submitted by IFI Watch to DRD: The letter is on ground issues from KhayanSattKone Village [KhayanSattKone V/T], Yae Dwin Phyu Village [ma Gyi Pin V/T] and Hlwa Pone Village [Hlwa Pone V/T]. We would appreciate if you could look into this matter as urgency."

DRD's approach to investigate the allegations

DRD management appointed a team of DRD staff and Union technical assistance team members to conduct a field review to cross check and assess the facts about the above allegations. In this process, the union investigation team visited relevant townships and villages in November and December 2015 and met with township DRD, township technical assistance (TTA) teams, community facilitators and technical facilitators (CFs/TFs), village project support committees (VPSCs) and community members. The team collected information by conducting group discussions, individual interviews, phone interviews and self-filling reports.

Summary of DRD Review Findings

Issue 1: Alleged Corruption and Nepotism in TTA Staff Recruitment:

The Union investigation team visited the townships and inquired about the corruption case that was reported to have occurred during the recruitment process of CFs/ TFs. This recruitment took place in late 2014 and early 2015. The team explored the information through the conduct of face-to-face interviews, phone interviews and collection of numerous reports from CF, TF, TTA and DRD staff. The following is the summary of the findings of each township.

Htantabin Township. It was found that the head of the township DRD was involved in the recruitment process of the township technical assistance (TTA) provider as an interview panel member. He recommended and personally proposed to hire six candidates to the TTA provider (Relief International), including his wife, brother and subordinate. Of those, the TTA provider recruited four, including his wife and subordinate, who were qualified and passed both oral interviews and written tests. His brother and another recommended candidate were not selected, as they did not have the appropriate profile for the CF position.

The union investigation team also conducted phone interviews with some CFs who were suspected of having paid to get a job. Of those, two indicated that they had paid money to secure their positions. One CF said she had to pay 200,000 MMK to a broker, though she did not know if or how this broker was related with the CDD project. Another CF also claimed to have paid 200,000 MMK to a middleman. The middleman said this money went to the head of the township DRD, although this could not be verified.

Laymyethnar Township. The investigation team met with 21 CFs/TFs individually and inquired about the corruption allegation and checked whether they had to pay to get a job or heard any of their colleagues having to pay. The team also met with the township TA team leader and the TTA provider's National Adviser and asked about the recruitment process.

It was found that during the recruitment, the township DRD head had come up with a list of candidates to give priority to specific candidates and to reject others for CF/TF positions. However, the recruitment panel of the TTA provider (Mercy Corps) did not consider the list. Instead they carried out the selection process in compliance with the organization's standard procedures.

The union investigation team also met with one CF who indicated that he/she had made a payment of 500,000 MMK to his/her first cousin, who is a businessman and well known by township level governments, authorities and politicians, to secure their position. The CF did not know where this money had gone.

Ann Township. The recruitment process in Ann was organized by one HR short-term consultant recruited by the TTA provider (Relief International). This consultant visited Ann township in December 2014 and organized the CF/TF recruitment process. He requested three DRD township staff to assist him in the interviews. Three DRD staff were subsequently involved in the interview process (by rotation). Interview results were presented by the HR consultant to the TTA provider without DRD involvement.

Township DRD staff indicated that the rumour of taking money for jobs was spread after the recruitment process, possibly by unsuccessful candidates.

It was sensitive to obtain information of CF/TF who made payments in the hope this would improve their prospects of securing a job. The team met with individual CF/TF and explained about the issue and encouraged them to cooperate in the investigation process. Each CF/TF received an envelope to fill the

information related to this recruitment and corruption. They were free to express issues anonymously. The next day, the team collected all envelopes from CF/TF. Out of total 25 envelopes distributed, 20 envelopes were reported back. The team also conducted phone interviews with five CFs/TFs on the occasion of a training which they attended in Nay Pyi Taw.

All CFs/TFs who were involved in the investigation said that they did not pay anything to get their jobs. While some CFs/TFs assumed that both DRD staff and Relief International's consultant could have received money, they did not provide information to corroborate this. One CF said his friend's uncle had to treat the township DRD head at their restaurant in order for his nephew to get this job. The township DRD head also stated that a friend who was a father of a CF brought a bottle of whisky after his son secured a CF job, and that this was consumed in a joint celebration.

Tatkone Township. The issue of paying money to get a job was reported in February 2015, when two CFs filed a complaint that their parents had to pay 200,000 MMK each for them to get a job. They said their money went to DRD staff through their uncle (first cousin of their parents, who is head of the township communication department). The township TA grievance focal point organized a meeting with DRD staff, the CFs parents and the head of the communication department to clarify the issue. According to the discussion, it was found that DRD staff did not receive any money from that middleman. Instead, the CFs uncle had used the name of a DRD staff and made it up that the payment would be on behalf of that DRD staff. Finally, the parents said that these 200,000 MMKs were meant as a credit they had to pay to their first cousin, not for corruption. Since the giving and receiving of money occurred only among the CFs relatives, it was not related to DRD. Moreover, since the parents exonerated the cousin, there was no basis to further pursue this case.

Issue 1 Conclusions:

- (i)** In Htantabin and Ann townships, DRD staff participated in the selection of CFs/TFs at the invitation of the TTA provider. This is in contravention of instructions from the Union level, which specified that township DRD staff are not allowed to participate in TTA staffing recruitment, and of the township TA contracts, which specify that the recruitment of CFs/TFs is the responsibility of the TTA providers. Indeed, where TTAs have followed their standard recruitment processes and DRD staff have not been involved, the NCDDP is less prone to allegations of corruption. Ultimately, the recruitment of facilitators and the correctness of the process is the responsibility of the TTA firm.
- (ii)** DRD is acknowledging that there have been cases of nepotism and corruption in Htantabin township as outlined above. As a consequence, DRD has taken action against the responsible personnel in Htantabin township, the DRD finance officer for corrupt action and the head of DRD for lack of oversight and possible nepotism.
- (iii)** In two cases, candidates for TTA positions made payments with the aim of securing a job. However, it was not possible to obtain clear evidence on specific corruption cases because there was a middleman in both cases who paid and who received funds, and the involved parties partly contradicted each other or appeared to. It can be said that CFs/TFs who were involved in these cases were reluctant to express their experience of paying the money, as it would not give them any advantage, rather, they are afraid it would affect their job. It is also difficult to investigate the alleged middlemen as they are not project staff.

Issue 1 Actions Taken/Next Steps:

As a consequence of the cases in Htantabin of nepotism and corruption, DRD has taken action against the involved township DRD staff. Both, the head of township DRD and the DRD finance officer have been removed from their duties and replaced.

As the NCDD project will expand into more townships, it is necessary for the project staff to be aware of these issues and use them as lesson learned. The recruitment process of CFs/TFs in new townships has to be fully transparent. To this end, DRD has implemented the following actions:

- Union DRD has reiterated to both DRD staff and township TA providers that as specified in the township TA contracts, TTA firms are responsible for the recruitment of facilitators and for the correctness and transparency of the process, and that DRD staff should not participate in these processes.
- DRD has reiterated, including to township TA providers and township DRD staff, that it is strictly prohibited to offer, ask for or accept payments or any form of presents in this connection.

Issue 2: Alleged Coercion and Threats:

The union investigation team met with all CF/ TFs, DRD and TTA staff in Ann township and inquired about this issue. In January, the TTA grievance focal visited KanYwa, Thin Pan Ywa and PyetYwa villages and had confidential discussions with committee members there. All interviewees said they had never heard of this or been threatened like this by CF/TF or project staff. Also, no complaint of such kind was filed with the NCDDP through the project's grievance handling mechanism. Thus, the allegations could not be verified by the grievance handling team.

Because in the first round, no affirmative information could be found, and in order to re-check the allegation, the TTA grievance focal point went again to the same three villages in February to investigate again if TTA or DRD staff threatened any villagers. In doing so, she first met with three VPSC members, a village administrator and one villager. All replied that they never heard about TTA or DRD staff threatening villagers. Likewise, she went to the next village and met one woman who gave the same response. In KanYwa village, she could not meet the same people again as the people went to the fields where they were staying for a while.

A different case occurred when project staff explained the possibility of the project suspending the block grants, but that this would only be in cases where the community would fail to comply with project regulations. This is a different situation from the allegation raised in the IFI Watch report. One staff said he used to explain in line with the operations manual that the block grant could be terminated to the community, for example for misconduct in the Village Project Support Committee (VPSC). Specifically, para 325 of the Operation Manual states that *"the DRD union office may suspend or terminate the right of a VTPSC or a VPSC or an individual or group of individuals to use the proceeds of the block grant upon failure by the VTPSC and VPSC to perform any of its duties"*.

Explaining this statement could have been misunderstood as threatening the community though it was meant to encourage the community to take responsibility and to be careful in managing funds.

Issue 2 Conclusion:

The alleged coercion and threats towards villages could not be verified even though the TTA grievance focal went to the mentioned villages twice, in January and February 2016. All interviewees responded that they had never heard of such kind of threats.

It is possible that there were misunderstandings when project staff explained the sanctions specified in the Operations Manual in case of misconduct.

Further follow up on this point would require IFI Watch to specify where the information came from.

Issue 2 Actions Taken/Next Steps:

Facilitators, TTA and DRD staff should be reminded to clearly explain the NCDDP's action on prevention of misuse of funds in a way that avoids risks of misunderstandings or perceptions of threatening behaviour.

Issue 3: Alleged Gender Discrimination:

The team visited to three villages' sub-project in Ann township and met with the community and committee members who were involved in the sub-project construction, as well as reviewed the labour payment sheets. In one case, the team found that the labour rate for women was only half that of men. Villagers and committee clarified that some women were working only for half day, as they had to go back home and do household work. Except this, no evidence was found of unequal pay for equal work between male and female workers in Ann township.

Although, CF/TF encourages to the contractor to give priority to the villagers in hiring the labours, some contractors take their own labourer for implementing the sub-project. The payment for male and female can be different in this situation. The team also reviewed the contract documents from the village procurement file and recommended to add the following points:

- (a) Contractor to give priority to villagers in hiring labour
- (b) Man and women labour to be paid equal for equal work
- (c) Not to hire children under 15 years old.

Issue 3 Conclusions: The DRD investigation did not find cases of different pay for the same work in Ann township following their visits to sites, reviews of labour payment documents and feedback of CFs/ TFs.

Issue 3 Actions Taken/Next Steps:

Further follow up on these specific claims would require IFI Watch to specify the names of the villages where these claims originated.

Equal pay for equal work practice is generally working well in project villages. The DRD team has continued to train all CF/ TFs on this question. CF/TFs indicate that the rule is applied in their villages. Anecdotal evidence includes that in some villages women are now effectively demanding this 'equal pay for equal work' system beyond the Project, as they do not accept the casual job if not offered at the rate equal to what men get.

DRD will consider introducing a requirement that any contractor should (1) give priority to the villagers in hiring the labours and (2) apply the rule of equal pay for equal work by inserting a corresponding clause in all contracts under the NCDDP.

Issue 4: Transparency and Eligibility for Sub-Project Selection:

In Ann township about 30 old school buildings were replaced with new ones. According to the OM, it is not permitted to construct a new building in the 1st cycle.

However, upgrading these buildings required extensive reconstruction as they were temporary structures, i.e. made of raw wood and bamboo. Simply renovating a poor temporary construction with existing materials would have been a poor use of investment resources, as it would not have improved the quality and safety of the learning environment for children. The team visited three villages and reviewed the situation of the building and met with Villagers and committee members. All of them confirmed that they are satisfied with the decisions and the construction.

Issue 4 Conclusion:

According to the infrastructure rules, construction activities on an existing school building can be rated as renovation in the sense that such activity is eligible also in year 1, and that they did not require additional land or recurrent resources such as teachers. In the given case, it was an appropriate decision not to invest public money into the maintenance of temporary, i.e. inadequate and poor constructions, but to opt for a suitable quality of construction. The sub-projects are now being used as school building for teaching the community's children.

Issue 4 Actions Taken/Next Steps:

The infrastructures rule that extension / construction of a new building in existing school compound is eligible in cycle 1 should be clarified further and consistently be communicated within the project down to township and community level.

Issue 5: Staff Turnover and Benefits:

The Union Grievance Handling team also received such complaints about delays in the beginning of the project which it conveyed to project management. At township level, delays related to travel allowances such as fuel cost, motorcycle repairing charges and per diem disbursement have been reduced. Until 2015 there have been some cases of cash flow and liquidity constraints in a few townships. The NCDDP secretariat has improved the control of cash flow and liquidity, so that for almost a year now, these constraints have not occurred any more.

Ann CF/TFs and the TTA team said the period of reimbursement is acceptable now as they get back their expenses after one week. TTA from Tatkone said CF/TF usually submit their travel expenses quite late, sometimes with delays of up to one month, thus delaying their reimbursements. The township DRD office is working with CFs/TFs to understand the constraints to timely submission of reimbursement claims.

Issue 5 Conclusion:

There have indeed been liquidity and cash flow problems in some townships in the first two cycles. However, these have improved in year 3 following additional training and simplification of procedures. A timely reimbursement of travel expenses depends largely on the timely request for payment from the facilitators and a timely settlement from the township DRD finance unit.

As per the existing contracts with TTA service providers it is their obligation to take care of medical/health benefits for their personnel and this obligation is stipulated in their contracts. DRD is following up with township TA providers to ensure consistency in the provision of these benefits.

Issue 5 Next steps:

DRD will work with all TTA service providers to ensure they provide medical and health benefits to CF/TFs. This is a priority for DRD as we recognize that CFs/TFs are working under high risks.

DRD Finance (union and township level) will continue close monitoring of cash levels at township level in order to avoid any liquidity constraint for field implementation and to facilitate timely reimbursement of personnel expense claims.

Issue 6: Training and Resources for Community Facilitators:

Facilitators received a clearly structured Training of Facilitators program with three parts (TOF1, TOF2 and TOF3) spread over a time period of around 5 to 6 months. The three parts are aligned with the field work and the required skills for facilitators: TOF1 on village orientation, social assessment and village planning, TOF2 on sub-project implementation and TOF3 on sub-project finalization and social audit.

Since CFs are hired exclusively from within a given township, training needs are particularly intensive in the first cycle of a township since CFs often have limited prior experience with CDD and in particular with the details of the Operations Manual. In some cases, this was compounded by time limitations. However, as the project continues applying the same methodologies, CF/TF abilities and community development skills are improved and deepened. Ongoing capacity building for CFs and TFs is provided by township TA providers, including refresher training for facilitators, complementing their increased practical implementation experiences.

Issue 6 Conclusion:

Training of facilitators in the second year was organized in the form of a revised TOF program in a systematic manner. Additionally, all CFs and TFs have received various technical training inputs, namely in grievance handling, gender, and others.

However, capacity building as well as field implementation took place under some time constraints. This was highlighted at the project's multi-stakeholder review in August 2015 and is being improved in cycle 3. It is also clear that one project cycle is not sufficient for building up facilitators' full capacities. Experiences show that retraining in the second cycle combined with learning exchange activities are beneficial to developing CF and TF capacity. As the project runs for at least 4 years in any given township it is well placed to do this.

Issue 6 Next Steps/Actions:

DRD continues to refine the TOF program, including increasing the overall time dedicated to training and updating training material. DRD is refining the quality monitoring of training with more intensive coaching of CDD trainers when they deliver TOF, and with post course evaluation to assess the effectiveness of training.

Issue 7: CDD projects & Campaign:

Some villagers reported that they misunderstood that there was no CDD project if the USDP government failed to win the election. The Union Grievance Handling Committee responded to those questions by stating that the "NCDD project is implemented by the Department of Rural Development with the support of the World Bank and other development partners. The project has no relation with any political party."

Issue 7 Conclusion:

It is possible that there may have been some confusion in a few cases. However, the project has consistently and clearly conveyed the message that the NCDDP is not affiliated with any political direction or political party. Following the completion of the election cycle, this has become less of a risk. It should be noted that the Project did not disburse any sub-project grants during the election period.

Issue 7 Next Steps/Actions: No further action needed at this time.

Issue 8: Information received lately:

Three letters were received on 30 November 2015 from Yae Twin Phyu Village and were responded on 8 December 2015. The grievances were related to general inquiry and suggestions to the township to review the prices of soil and stone for road construction sub-project. Three grievance letters related to household fencing and complaints on the road constructor were received from Khay Set Konvillage on 18 and 23 September 2015. These grievances were resolved by the township grievance handling committee on 19 October 2015. A phone grievance from Hwa Pon village was received and resolved by township grievance committee on 25 September 2015. All these grievance cases were received from villages mentioned in the IFI Watch report.

Issue 8 Conclusions:

The union GHM confirms having received the grievances mentioned by IFI Watch. All cases have been responded in a timely manner as noted above.

Issue 8 Next Steps/Actions:

The NCDDP will continue to refine and strengthen the GHM as the project is scaling up, with a view to ensuring timely and appropriate responses to all grievance cases received.

Final remarks

DRD would like to thank IFI Watch for their independent supervisory work and critical and constructive feedback. The issues raised by IFI Watch as listed at the outset are important to project implementation and quality, and are being taken seriously by DRD. Critical but fair feedback from watchdog NGOs or other third parties forms an important element in a democratic and people centred development. DRD acknowledges this form of constructive cooperation and looks forward to continuing this relationship with IFI Watch.

DRD has and continues to respond to the points raised in the manner indicated in the next steps / actions sections above. We will make continued efforts to communicate and build up the capacities in terms of the code of conduct, grievance handling and social accountability.

The assessment and conclusions on the allegations are seen as a learning exercise in a continued effort of the project to maintain highest levels of transparency and accountability in order to avoid fraud and corruption. In the spirit of learning and quality improvement, the allegations and conclusions presented in this report will be used as case studies for training purposes (while ensuring the anonymity of persons concerned) and transformed into training material.

In this context, and for the purposes of transparency, DRD will upload the IFI report as well as the reply by DRD and to the project's web site.

Please do not hesitate to contact us if you have any further questions regarding the above.

Sincerely,

U Kyaw Soe
Deputy Director General
(NCDD Project Director)
Department of Rural Development

Date: 09 March 2016