



Rice farmers in Thazi, Myanmar's central Dry Zone. Photo: Hein Latt Aung/Oxfam

RIDING THE WAVE OF REFORM

Fast-tracking Myanmar's future with good-quality aid

In 2011, following decades of isolation, Myanmar embarked on an unprecedented reform process, raising hopes for a new democracy. These reforms have been welcomed by the international community with rising levels of aid. If properly handled and spent, aid offers an opportunity to harness Myanmar's economic potential and make it work for poor people – reducing inequality, providing essential services, building resilience, and promoting sustainable investment. This paper explores what good-quality aid should look like for Myanmar, what it could deliver for those living in poverty, and what decision makers can learn from other countries, to ensure that aid is a catalyst for democratic reform, equitable growth, and peace.

SUMMARY

In 2011, following decades of isolation, Myanmar embarked on an unprecedented opening up and reform process. These seismic shifts have raised the hopes of its people for democratic rights and have created significant external expectations. As a result, Myanmar has been tentatively promoted as the next Asian economic miracle.¹

But against the backdrop of this optimism, the realities of poverty, inequality, and conflict paint a strikingly different picture: up to one-third of Myanmar's people continue to live in poverty; the country's under-five and infant mortality rates are the highest among ASEAN member countries,² and only around half of the children enrolled in primary school actually complete it.³ Pervasive poverty and inequality are compounded by Myanmar's susceptibility to disasters from natural hazards and ongoing conflict, which afflicts people in many states and regions. While peace agreements continue to be negotiated, longer-term development plans to rehabilitate those affected by conflict, crisis, and violence remain a distant goal. These challenges threaten to leave a vast swathe of the population behind in the potentially meteoric rise in Myanmar's fortunes.

Myanmar's reforms have been welcomed by the international community and have been accompanied by rising levels of aid. These funds, if properly handled and spent, offer an opportunity to harness Myanmar's economic potential and make it work for poor people by reducing inequality, providing essential services, building resilience, and promoting sustainable investment. This paper explores what good-quality aid should look like for Myanmar, what it could deliver for those living in poverty, and what decision makers can learn from the experiences of other countries to ensure that aid is a catalyst for democratic reform, equitable growth, and peace.

Aid as a catalyst for democratic reform

Myanmar's reform commitments are still a long way off delivering a fully functioning democracy, but good-quality aid can help speed up and deepen those democratic reforms if it is delivered in a way that supports accountability to citizens and empowers the government and people to fight poverty and inequality. This means aid needs to:

- Support civil society and the public to voice their concerns to government;
- Help to increase transparency in government processes;
- Build the capacity of civil society to monitor budgetary and other government processes;
- Strengthen the role of citizens in shaping the development agenda by giving them a voice in designing and implementing aid and development policies that target their needs;
- Strengthen core government functions to deliver on essential services and security, maintain human rights and justice, and ensure a fair distribution of growth and prosperity.

Progress on aid effectiveness

The Government of Myanmar has shown leadership in taking the first step towards good-quality aid by agreeing the Nay Pyi Taw Accord for Effective Development Cooperation, a commitment that sets out how the government will ensure that development cooperation is accountable, democratic, and targeted towards reducing poverty and inequality.

Despite the strong rhetoric in the Nay Pyi Taw Accord, the commitments are both ambitious and wide-ranging, making it difficult for the government to prioritise implementation. While some efforts have been made, the involvement of civil society in consultations on their design has been very limited and participation restricted to a handful of working groups. In addition, key policy processes, such as the Framework for Economic and Social Reforms and the National Comprehensive Development Plan, have been, and continue to be, developed with insufficient engagement of civil society.⁴ Given the limited democratic space in Myanmar, this lack of sufficient engagement with civil society is a huge missed opportunity to systematically strengthening people's engagement in strategic decision making.

The traditional division between humanitarian and development aid makes it difficult to achieve aid effectiveness. Critically, the development of Myanmar's aid architecture offers a unique opportunity to bridge this gap and facilitate the building of resilience to shocks, stresses, and uncertainty.

Kickstart equitable growth, build resilience and promote responsible investment

Myanmar's new wave of political reforms has set a direction for unprecedented economic expansion. But without the right policies, the benefits of that expansion will be concentrated in the hands of the wealthy few, while the risks and costs are borne disproportionately by the poorest and most marginalised people.

Inclusive, equitable, and sustainable growth could help to reduce Myanmar's devastating levels of poverty and lay the foundations for longer-term prosperity. Key obstacles to development and economic growth are conflict and the threat of disasters from natural hazards, and sufficient levels of predictable, good-quality aid are essential to meet immediate humanitarian needs and to build resilience.

The international community and the aid it provides can be key catalysts, but to be effective there must be coordinated public and private investment, including:

- Investment in essential services and social protection in order to build the capacity of people to be economically active and develop their resilience to shocks;
- Development of fairer tax policies that can reduce inequality and poverty and guarantee sustainable financing for core services such as health, education, and social protection;
- Responsible private sector investment that supports small-scale farmers and especially women in the agricultural sector to benefit from new economic opportunities, respecting their rights to natural resources, and providing secure and decent jobs;

- Clear regulations and standards to ensure that government and businesses act in ways that protect and respect human rights, and empower poor people to influence policies and gain fair access to markets;
- Support for active citizenship to allow poor people to influence policies and participate in investment decisions;
- Targeted actions to reduce risk for marginalised and disadvantaged people – including disaster risk reduction, climate change adaptation, and humanitarian response – to ensure that no one is left behind and that prosperity is shared.

RECOMMENDATIONS

The Government of Myanmar should:

Embrace aid effectiveness principles and ensure aid serves as a catalyst for democratic reform. In particular:

- Adopt, in consultation with development partners, civil society and the Assembly of the Union, a plan to monitor progress on the Nay Pyi Taw Accord for Effective Development Cooperation.
- Publicly endorse the International Aid Transparency Initiative (IATI) standard and strongly encourage all development partners to report aid flows in accordance with this standard.
- Urgently consult with civil society on the roll-out of the Framework for Economic and Social Reforms and the development of the National Comprehensive Development Plan; ensure meaningful participation in the lead-up to and during the review of progress following the first National Development Cooperation Forum.
- Ensure that aid coordination mechanisms are fully inclusive by formalising civil society participation at all levels and encouraging dialogue among government, development partners, and civil society.
- Increase the transparency of development processes by implementing the commitments on budget transparency set out in the Framework for Economic and Social Reforms.
- Ensure that aid coordination mechanisms support resilience-building by facilitating coordinated or integrated work across traditional humanitarian and development boundaries.

Kickstart equitable growth, build resilience, and promote responsible investment. In particular:

- Set out clear plans for how to deliver equitable growth outcomes that benefit the majority of Myanmar's people, including by monitoring progress via the Gini co-efficient.
- Address flaws in land laws and other, related pieces of legislation, including the lack of recognition of customary tenure, and ensure that new land deals are transparent and subject to full and participatory social, environmental, and human rights impact assessments.
- Implement governance reforms in line with the UN Voluntary Guidelines on

the Responsible Governance of Tenure, and apply the principle of free, prior, and informed consent (FPIC) to ensure that people living and working on the land are protected.

- Prioritise investment in, and the reform of, the health and education sectors in order to achieve government commitments to provide free, universal, and good quality health and education services, fight inequality, and reduce out-of-pocket expenditure.
- Develop social protection systems to support the most vulnerable people and protect them from shocks.
- Develop a fair tax system that is built on redistributive tax policies, helps to ensure a more equitable distribution of wealth, and can provide long-term, sustainable revenue to finance essential services and the provision of public goods that help to lay the foundations for more even growth.
- Create and implement a legal framework that maximises the contribution of the private sector to development and promote sustainable investment practices by prioritising small-scale farmers and small businesses, and ensuring that investments by the private sector comply with international social and environmental standards as well as increasing public sector investment in services and support for small scale farmers.
- Fully implement the Extractive Industries Transparency Initiative (EITI), ensuring that a broad process of engagement with civil society is instituted in line with EITI requirements and that this is communicated clearly and transparently to civil society and the public.
- Ensure that risk analysis, risk reduction, risk management, and resilience, are core requirements of relevant government departments (health, education, agriculture, planning, etc.) and are integrated into key national policy processes.
- Demonstrate leadership in bringing an end to conflict; drawing up fair and inclusive political settlements as part of the peace negotiations, and building dialogue between communities in conflict.
- Ensure that the humanitarian needs of all affected communities are met urgently, adhere to international principles on human rights, and speed up action to ensure that durable solutions are found for displaced people to return home or to resettle, voluntarily and safely.

Development partners should:

Support aid effectiveness principles and democratisation reforms. In particular:

- Ensure that aid contributes to and does not undermine national ownership of development processes by actively investing in strengthening national systems, supporting and building the capacity of civil society and the media, and making sure that aid projects and programmes build in enough flexibility to ensure that support can be progressively channelled through national systems and civil society in the future.
- Support the democratic strengthening of state systems by ensuring that aid is recorded on budget to encourage government transparency, is used to strengthen government public financial management systems and ministries, and is directed at strengthening sectors such as health and education, where

the government ultimately has the primary responsibility for provision.

- Use opportunities brought about through participation in joint sectoral coordination bodies to encourage opportunities for dialogue with civil society.
- Coordinate with one other in aligning their aid to national development plans and systems wherever possible, to ensure that all of the aid going to support the development of Myanmar converges to support a single strategic vision.
- Disclose accurate, timely, comprehensive, and comparable data on aid to the Government of Myanmar and to the public, and encourage access to this information by making it available in the local language and by centralising it in the official development assistance (ODA) database.

Kickstart equitable growth, build resilience, and promote responsible investment. In particular:

- Ensure that aid directly used to leverage private sector investment is used with caution and is rigorously evaluated to test that it is being spent where there is the most need.
- Ensure that development finance institutions (DFIs) improve transparency around their investments and demonstrate rigorous monitoring of investments to ensure that these result in poverty reduction. DFIs should adhere to the highest standards around protection of social and environmental rights at all levels of project investment.
- Ensure that where international finance institution (IFI) investments promote or are involved in large-scale land acquisitions, whether through technical advice, project finance, development policy loans, or lending through DFIs or financial intermediaries; that IFIs guarantee community consent and full pre- and post-project transparency, and avoid involuntary resettlement.
- Ensure that aid explicitly invests in promoting small-scale farmers, increasing their access to key resources and quality inputs such as irrigation and fertiliser, and strengthening their power within markets.
- Ensure that any technical advice explicitly helps the government to develop policies targeted at supporting growth through small-scale agriculture and improves its social and environmental safeguards.
- Work closely with the government to ensure that aid supports universal provision of tax-financed essential services and social protection, with a view to securing long-term, sustainable, and equitable growth.
- Ensure that aid continues to be given at sufficient levels and in more predictable ways to meet the immediate humanitarian needs of communities affected by conflict in Myanmar.
- Work across the divide between humanitarian and long-term development assistance so that interventions are better integrated, sequenced, and linked. Development partners should start by engaging in joint context analysis as a platform for planning and programming.
- Development aid should be designed in ways that take existing vulnerabilities into account and incorporate key risk reduction elements in their design – this requires long-term funding that is flexible, to respond to changing risks.

NOTES

- 1 BBC (2012) 'Could Burma be the next emerging market miracle?', 17 June 2012. <http://www.bbc.co.uk/news/business-18284085>; Time (2012) 'Will Burma become Asia's Next Economic Tiger?', 22 August 2012. <http://business.time.com/2012/08/22/will-burma-become-asias-next-economic-tiger/>
- 2 UN Inter-Agency Group for Child Mortality Estimation (2011) 'Levels and Trends in Child Mortality 2011', New York; cited in 'Situation Analysis of Children in Myanmar' (2012).
- 3 Ministry of Planning and Economic Development, Ministry of Health, and UNICEF (2011) 'Myanmar Multiple Indicator Cluster Survey (MICS) 2009–2010 Final Report'.
- 4 The government held two consultation sessions with civil society while developing the FESR, but little advance notice and insufficient feedback on civil society input were given. At the time of writing, there had been no consultation with civil society on the development of the NCDP.

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For further information on the issues raised in this paper please e-mail advocacy@oxfaminternational.org

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