

Supporting National Transition in Myanmar with Development Assistance

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Abstract

Myanmar is undergoing significant political reforms and socio-political changes, which have been more rapid and broad than anticipated by most commentators. While ongoing reforms face significant obstacles and vested interests, and is far from assured, reform to date has already significantly altered the international relations of the state. From a development perspective, the growing international acceptability of the regime has begun to change donor attitudes, with development assistance rather than merely humanitarian aid now being discussed, and the conditionality attached to international assistance changing. This paper explores these changes in donor policies toward Myanmar, examining the prospects for development partnership with relevant government programs and agencies, and analysing the ways and sectors development assistance may be able to be used to strengthen the ongoing reform and national transition.

Keywords: Myanmar, reform, development assistance, conditionality, partnerships.

Introduction

Just a couple of years ago Myanmar was referred to as, “probably the most obscure and obscured state in the contemporary world” (Steinberg, 2010, p. 1). Unexpectedly rapid political reform, however, has significantly altered the fortunes and direction of the country, and Myanmar today is undergoing significant political reform and socioeconomic transition. After two decades of international sanction and isolation, and five decades under military-led governments, the country is now moving convincingly in the direction of more democratic governance and a more open, liberal economy. In just the past two years, Myanmar’s international relations position has improved remarkably, resulting in rapidly expanding political and economic ties with both ASEAN and the West. From a development perspective, this growing international respectability is significantly reshaping donor attitudes and approaches, with large increases in the amount of international assistance pledged by OECD countries and reductions in the conditionality attached to this aid, with normalised development assistance programs now even being discussed.

In the light of this reform and improved international relations, increased priority is being put on addressing poverty and economic underdevelopment issues. This paper explores this impact the current political reform process is having on donor policies toward Myanmar, and

the expansion of these policies in development activity. It then considers the gap between the theoretical ideals of humanitarian aid and development assistance, suggesting that the gap is problematic and that programs in Myanmar today increasingly fall somewhere between the two. The paper then concludes by examining the prospects for development partnerships between Western donors, international organisations and relevant government agencies. Harmonisation, alignment and partnerships are widely recognised as essential for development aid effectiveness, so the current context and the prospect of normalised aid programs is explored, with some concluding thoughts as to ways development assistance may be used to strengthen the ongoing reform process and national transition.

Need and Progress of Poverty Alleviation and Development in Myanmar

The need for significant international assistance and development partnerships to tackle poverty and macro-economic constraints in Myanmar is acute. The findings of the most recent and thoroughly-researched poverty survey paint a stark picture of the challenge: more than a quarter of the population live in extreme poverty (defined as having insufficient finance to meet a basic calorie intake while continuing to subsist), some 30% of the population do not have safe drinking water, 21% have no improved sanitation, 19% have no access to healthcare, 39% suffer from moderate to severe malnutrition, and 54% have no education above primary grade 4 (IHLCA, 2011). At the same time, less than 17% of the population over 25 years of age have had any secondary education and over two thirds of the secondary school aged population today do not have access to a secondary school (IHLCA, 2011). A 1999 UN survey found functional literacy to only be 53% nationally, and as low as 10% in some remote areas (internal UN working paper, referenced in Pedersen, 2008). In terms of livelihoods, in 2005 just 16% of agricultural households owned any form of motorised or mechanical agricultural equipment (IHLCA, 2007), and most cannot afford fertilisers or access rural finance to improve crop yields and production. Increased international assistance is going to be required to address this depth of need.

Despite the need, aid to Myanmar has been heavily restricted over the past two decades, as part of the international sanction of the regime over human rights violations and governance concerns (Ware, 2012). The extent to which aid was restricted, however, was quite severe. According to the *International Crisis Group* (ICG), in 2008, shortly before Cyclone Nargis, Myanmar received the least ODA of any of the UN's least developed countries, at just five percent of the average assistance given on a per capita basis. This level of development assistance was low even when contrasted with assistance given to other "similarly repressive governments", who they noted receive substantially more aid: Laos 22 times more, Sudan 19 times more; and Zimbabwe 7 times more on a per capita basis (ICG, 2008, p. 15).

Better policy making and growing relationships with the international community over the past few years, together with increased engagement and a growing number of international development agencies, have apparently already led to some improvement in these otherwise

dire statistics. It appears that absolute poverty in the country fell from 32% in 2005 (IHLCA, 2007) to 26% in 2009 (IHLCA, 2011), despite the impact of Cyclone Nargis and the global financial crisis. This is consistent with a long-term trend of improvement; 1997 data suggested that the average family income could meet only three-quarters of their total food and non-food consumption needs (U Myint, 2010). Still, with malnutrition, food share of consumption by the poor and landlessness levels all remaining constant or increasing during the same period, inequality appears to be growing with the increased economic activity (IHLCA, 2007; 2011). The UN Development Programme's (UNDP, 2010) *Multidimensional Poverty Index* finds that those who are multidimensionally poor in Myanmar typically suffer a particularly high intensity of multidimensional deprivation (UNDP, 2010).

Extensive poverty alleviation is therefore unlikely to occur quickly without significant, new international development partnerships, which are widely recognised as essential elements for effective poverty alleviation and development (e.g. UNDP, 2003; OECD, 2005). What this mixed progress to date implies, however, achieved under less than ideal partnership conditions, is that increased engagement by the international community may have good prospects for producing effective outcomes.

Reform and Improved International Relations

Just two years ago, Selth (2010) observed that the tension in Myanmar's international relations meant views about the country were as polarised as were views about the Soviet Union and China at the height of the Cold War. Then came the November 2010 elections, followed a week later by the release of democracy leader Aung San Suu Kyi from house arrest. While analysts declared the elections disappointing, widely criticising them as neither free nor fair (e.g. ICG, 2011), and nothing much happened for several months after the elections, the reform since parliament convened has been nothing less than astonishing, and certainly far more rapid and significant than anticipated. The resignation of Senior General Than Shwe, and the dissolution of the State Peace and Development Council (SPDC) in March 2011, made way for a partially democratic parliamentary system led by the new President, Thein Sein.

When Thein Sein announced his reform agenda in his inauguration speech, many thought it was mere rhetoric, but he has been actively pursuing change ever since. Many issues, vested interests and hardline attitudes remain, and similar attitudes to power and political sensitivities still lurk just beneath the surface. Nonetheless, by early 2012, just one year after Thein Sein took office, the ICG was able to comment that:

The new semi-civilian government ... has implemented a wide-ranging set of reforms as it embarks on a remarkable top-down transition from five decades of authoritarian rule. . . . This ambitious agenda includes

further democratic reform, healing bitter wounds of the past, rebuilding the economy and ensuring the rule of law, as well as respecting ethnic diversity and equality. The changes are real, but the challenges are complex and numerous. (ICG, 2012, p. 1)

Reform has included a relaxation of media censorship, the legalisation of labour unions and the right to peaceful demonstration, and the establishment of a National Human Rights Commission. It led to the re-registration of Aung San Suu Kyi's National League for Democracy, facilitating her election to parliament with forty-two other party members in by-elections in April 2012. It also led to further liberalisation of both the economy and civil society space, as well as a broad ceasefire and peace agenda. This latter has been actively pursued even if the results at this point are still quite mixed. Reform, therefore, is broad and far-reaching, even if areas of significant concern remain.

The international response to these reforms has been remarkable, with a major thawing in international relations on all sides. Myanmar was quickly rewarded by its neighbours for its initial reform efforts, with confirmation they would be permitted to take the chairmanship of ASEAN in 2014. They were also successful in their bid to host the South East Asia (SEA) Games in 2013. Then the Australian foreign minister at that time, Kevin Rudd, visited Myanmar in July 2011, the first Western, official, ministerial-level visit to Myanmar in decades. This was soon followed by other high-level visits by Western officials and leaders, including United States (US) Secretary of State Hilary Clinton in December 2011 and United Kingdom (UK) Prime Minister David Cameron in April 2012. David Cameron used his visit, immediately after the election of Suu Kyi as a member of parliament, to announce his support for the suspension of most EU sanctions against Myanmar, and the EU moved quickly to implement his recommendation. The US, too, suspended many sanctions and announced an upgrade in diplomatic relations. Australia went one step further, completely lifting all sanctions against Myanmar, declaring in June 2012 that:

The point has been reached where lifting sanctions is the best way to promote further progress. . . . We have moved beyond coercion, and coercive measures no longer contribute to the reform process. . . . Engagement, through exposure to international standards and best practice, will also help improve accountability and transparency (Carr, 2012b).

By July, Canada sent a delegation to open an embassy in Yangon, one of many new or upgraded diplomatic relationships. This very rapid thaw in foreign relations has translated into a rapid increase in foreign direct investment (FDI), something spurred on further by the serious negotiations in the Myanmar parliament over new FDI legislation. A large number of major global companies have already indicated commitments to enter the country, including, for example, Coca Cola, and also a number of significant retail, manufacturing, resource, and financial services companies. The improved relations has also resulted in

significant increases in the amount of international assistance pledged, both by pre-existing bilateral donors and agencies newly engaging the country. It has also led to a relaxation in aid conditionality.

In February 2012, in response to “unprecedented” democratic reform, the European Union (EU) pledged a substantial additional 150 million euros over 2012–13 (Wilson, 2012). While at this time this funding must still be channelled through international non-government organisations (INGOs) and UN agencies, this is a big increase in EU funding. The Obama administration announced that it will re-establish an in-country mission for USAID, and that it will double aid to Myanmar to US\$37 million (USAID, 2011). Shortly after the April by-elections Australia, the second largest bilateral donor to Myanmar (at present), announced a 30 percent increase in development assistance for 2012-13, then in June increased that pledge to more than A\$100 million a year by 2015 (Carr, 2012a).

Australia went even further, announcing that this significant increase in funding will come with a broadening of AusAID’s mandate to allow funding of capacity building cooperative projects with government agencies: “[Australia will] work with the Myanmar Government to identify aid priorities and build its capacity to deliver essential services. As democratic reforms continue, we hope to establish a formal relationship on development cooperation” (Carr, 2012a). As an example of such capacity-building cooperation, Senator Carr announced a project in which academics from two Australian universities will be funded to undertake capacity building of the Myanmar National Human Rights Commission, and to work with them to identify human rights priorities in parliamentary practices, the rule of law, and the judicial system (Carr, 2012c).

Australia was the first to announce development partnership with government agencies would be possible with its increased budget. AusAID is no longer the only agency, however, now authorised to consider such development cooperation partnerships. As a further sign of change in aid policy, the US have agreed to allow an expansion of World Bank and Asian Development Bank mandates to allow them to commence programs in Myanmar, a move they previously opposed.

Thus, the significant thawing in international relations has already brought major change to donor policies, and assuming the reforms continue the degree of donor policy change is likely to increase.

Aid Changes: Humanitarian or Development Assistance?

It has been suggested that the socio-political context of Myanmar during the 1990s and 2000s “creates a new challenge for humanitarian policy” (Duffield, 2008, p. 39). Adherence to humanitarian principles is a key to positioning international efforts outside of politics, both for the sake of donors and the recipient. For donors, it allows aid to flow in ways that bypass ‘unacceptable’ governance environments. Most international development actors

working in Myanmar have thus adapted a humanitarian approach most commonly applied in disaster relief situations to the situation of chronic poverty, to gain access to vulnerable populations (ICG, 2006).

Cliffe & Petrie (2008) argue that humanitarian aid plays a critical role in environments such as the Myanmar of the past two decades, as while the international community is right to be reluctant to engage with strong pariah states, their closed and authoritarian political systems impose a high level of suffering and hardship on the population, only increasing our “humanitarian obligation of delivering the basic services and life-saving support that would otherwise be the responsibility of the national authorities to provide” (Cliffe & Petrie, 2008, pp. 58-59).

Haacke (2006, p. 64) argues that the Myanmar regime effectively saw Western sanctions and support for the rebel groups based along the Thai-Burma border, “as a form of low-intensity warfare” between themselves and a coalition of Western states. Humanitarian principles were developed specifically to provide relief to civilian populations trapped within conflict zones, and it could be argued that the people of Myanmar were in many regards an innocent population caught in the midst of a non-violent but significant international conflict between Myanmar and an assortment of Western states. With such tension and conflict inherent in Myanmar it was labelled a ‘pariah’ state. Thus, in attempting to meet some basic development objectives amongst the Myanmar people, international development actors have adopted humanitarian approaches more commonly applied in disaster relief situations than for chronic poverty, recognising this may not be the usual path to sustained development, but that at least it provided relief to people in need (ICG, 2006).

McRae (2002, p. 28) argues that “the dividing line between development and humanitarian assistance ... is hard to draw.” But Cliffe and Petrie (2008) argue for a relief-to-development continuum, rather than a sharp divide between thinking about humanitarian aid and development assistance, noting that the OECD’s *Good Humanitarian Donorship Principles* (IMGHD, 2003) set an international aspiration for humanitarian assistance to somehow lead into long-term sustainable development.

While intuitively necessary, the literature is sparse indeed on ways to negotiate the theoretical gulf between the established humanitarian principles of humanity, impartiality, neutrality and independence, and more sustainable development that addresses the root causes of poverty. Major international understandings of sustainable development and aid effectiveness, such as those expressed in the *Millennium* and *Paris Declarations* (see UNDP, 2003; OECD, 2005), agree that sustainable development requires things like aid alignment and development partnerships with responsible government agencies in order to be effective. The humanitarian paradigm, as implemented in Myanmar, does not accept these as they could compromise humanitarian neutrality. Thus, the ground between humanitarian relief and development is messy, complex, characterised by fragility and anxiety, and

often considered politically dubious (Moore, 1999). Nonetheless, it is this transition which international assistance to Myanmar now needs to negotiate.

Just a few years ago international donors, such as AusAID, could publicly argue in favour of the low levels of aid by declaring that the pre-conditions for long-term macroeconomic development were not in place in Myanmar (Moore, 2009; 2011). In this instance, Moore was referring explicitly to the absence of rule-of-law, including contract and property rights, and the unwillingness of the regime and the international community to be partners in reforming vital areas of the state and economy for growth. Poor international relations driven by suspicion and sanction prevent such reform, and at that time suggested that broad macroeconomic development was still some way off.

Today, while significant legal, institutional and infrastructure capacity issues remain, the economic, political, social and legal conditions are now clearly falling into place sufficiently to sustain macro-economic development for at least a time—as evidenced, for example, by the flood of foreign investors entering the country and the rapid appreciation of property and rental values. Cliffe and Petrie (2008) express concern that the humanitarian community’s strict adherence to non-political and independent approaches often hinder its ability to truly appreciate socio-political changes as it occurs, and often only notice after periods of real transition has occurred. Reform is often perceived as too slow or flawed. Transitioning from non-government delivery of services such as health and education, for example, to building state capacity to provide these services for the poor, requires significant trust which is often only established after reform has gained significant momentum. This slowness to engage with the authorities in building capacity, Cliffe and Petrie suggest, has the potential to exacerbate risk and fragility. The rapid thaw in international relations, and the socio-political and economic transition in progress in Myanmar, suggests this dynamic is relevant in this context.

Prospects for Development Partnership and Support for Reform

So, what does this mean for international assistance policies toward Myanmar? It certainly suggests that the moves by AusAID, the World Bank and others towards capacity building appropriate government agencies are significant and timely. It also suggests that conversations around normalisation of bilateral aid relationships are important at this point in time.

The obvious areas for development cooperation are around the social needs of the poor, particularly in areas such as education, health and disability, and also some of the key macro-economic constraints such as poor transport infrastructure. The appalling state of health and education in the country, as demonstrated by the raft of development indicators offered at the start of this paper, and the lack of adequate road and port facilities, are the result

of decades of disrepair and under-investment. These will require significant international assistance to address within the foreseeable future.

The Australian Ambassador to Myanmar, HE Bronte Moules (2012), indicated in September that Australia has begun discussing with the Myanmar authorities what a normalised aid program would look like in that country. Such a normalised program would allow the possibility, for example, of going significantly beyond even development cooperation around projects to conceivably allow other forms of development partnership. AusAID provides direct budgetary support for key programs, for example, in a number of developing countries, and Australia is already chairing an education sector review in Myanmar. Given Bob Carr's announcement in July 2012 that Australia's priority area in Myanmar is the development education, such a normalised aid program (if or when realised) could conceivably extend to things such as budgetary support for education infrastructure, or even teacher salaries during an interim period. With over half the Myanmar population having no more than a primary school grade four education, and two thirds of the population not having any access to a secondary school, education budgetary support may in fact be a very positive measure during a growth phase in the broader economy. Such budgetary support might, for example, be a means to facilitate a Myanmar government initiative to rapidly upgrade the human and physical capacity of the government education system across the country, without having to first attempt to build the tax based in order to be able to afford such an investment.

In personal discussions with a number of key figures in Myanmar during the second half of 2012, I was quite surprised at how strong the support was to the idea of full normalisation of aid relationships. Almost all I spoke with about this question indicated strong support. These conversations included discussions with several key managers from INGOs and bilateral donors from a number of different OECD countries, one prominent Burmese member of the newly appointed presidential economic and social advisory group, and a senior Burmese researcher with a public policy advisory group. Until very recently, the prospect of a normalised aid relationship seemed so remote in the short term, and the minimisation of aid conditionality was something most were not ready to embrace. Today, it seems, senior foreign and Burmese figures widely suggest it appears the next logical step, and that they personally would welcome such a move.

Likewise, the first project being proposed by the World Bank under their new mandate to operate in Myanmar is a community-driven infrastructure development project, in partnership with both government and non-government actors. This project, if approved, would involve foreign consultants working inside the Myanmar Department of Rural Development, and engage an NGO implementation agency to deliver community-driven infrastructure projects at the village tract level right across the country (World Bank, 2012). This sort of cooperation would be quite unprecedented in Myanmar to this point, and would mark a major step from humanitarian to development assistance. This could be a timely

and necessary act in supporting national reform and economic development. It is equally important in helping international agencies transition their own role from one of providing assistance to the poor based on humanitarian principles, to a more comprehensive and robust development program which aims to facilitate both widespread poverty alleviation and macro-economic development.

Conclusion

The ongoing reform process in Myanmar, as much as it faces the challenge and significant obstacles and powerful vested interests, has already significantly altered the international relations of the state. This changed international standing has brought with it promises of significant increases in international aid funding, but only a few international development actors are at this time talking about significant development partnerships, or even full aid normalisation, but these conversations are significant and essential. Sustainable and effective long-term development depend on international agencies finding a way to transition from bypassing the government for the sake of humanitarian ideals, to working with government agencies in implantation. Somehow, the gap between humanitarian aid and development assistance needs to be bridged before reform will be fully grounded. Aid alignment and development partnerships are essential to addressing the deep-seated poverty issues in Myanmar, and finding a way to get to that is essential.

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