



**Burma in the Balance:
The Role of Foreign
Assistance in Supporting
Burma's Democratic
Transition**

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Cover image source: Washington Post

About the Project 2049 Institute

The Project 2049 Institute seeks to guide decision makers toward a more secure Asia by the century's mid-point. The organization fills a gap in the public policy realm through forward-looking, region-specific research on alternative security and policy solutions. Its interdisciplinary approach draws on rigorous analysis of socioeconomic, governance, military, environmental, technological and political trends, and input from key players in the region, with an eye toward educating the public and informing policy debate.

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Contents

Executive Summary.....2

Ethnographic Map of Burma.....7

Introduction.....8

Methodology & Acknowledgements.....12

How We Got Here: Repression and Autarky in a Land of Plenty.....16

The Post-Nargis Aidscape: Space and Opportunity.....27

Burma’s Reforms: Change We Can Believe In?.....31

Key Issues for Donors.....40

Conclusion and Recommendations.....70

Appendix: OECD Donors in Burma.....75



Executive Summary

The historic constraints on donor interventions in Burma—whether self-imposed sanctions or regime-imposed barriers—are increasingly giving way to a sense of heightened optimism about the possibilities of working on issues across the development spectrum. But while the terrain appears to be improving, there remain substantial barriers to effective programming beyond the overall pace and scope of political reform. Overall, Burma presents particular challenges and historic opportunities to put into practice a balanced approach that advances political and economic reforms alongside each other in a mutually reinforcing, and ultimately more sustainable, manner.

Through the analysis and recommendations developed in this report, Project 2049 hopes to provide the donor community some reference points as it seeks to develop responsible interventions in a unique and important context. The report identifies a number of key trends and issues:

- Burma remains a **highly contested political environment** on multiple levels, featuring sharp disparities in and disconnects between legitimacy, authority and control. The **struggle for political legitimacy** in Burma has been made more fluid by the simultaneous political and economic transitions that appear to be underway.
- **The government is both a development actor and a party to various conflicts**, creating the potential for state-building, development and peace-building objectives to come into conflict. Donors' and aid agencies' **pent-up demand to work with the authorities** presents a



- danger that **development goals will become conflated with the political objectives of governing authorities.**
- **Transparency, accountability and consultation** are key pillars for both successful economic development and the building of a healthy political culture. Development cannot be a substitute for resolving political conflicts, but poverty alleviation strategies should be linked to conflict prevention efforts.
 - **Ethnic communities will strongly resist any development agenda based solely or even primarily on an elite Burman consensus**, and are wary of efforts to substitute economic development for resolution of political issues. There is a worry **that donors' development agendas could lead them to unintentionally support policies in ethnic areas that could reignite conflict.**
 - The present **chaotic policy environment of 'competitive reformism'** is not producing quality legislation or a focus on strategic priorities. Donor behavior can either add to the sense of frenzy or serve as a helpful brake. Existing coordination mechanisms have been effective but the danger of **uncoordinated donor interventions overwhelming the system** is very real.
 - While there are **major capacity gaps**, particularly on the governance side, there is also substantial **unrealized potential within Burmese society** that just needs a more favorable environment and targeted support to flourish.
 - There is a need for donors to begin talking about **security sector reform and transitional justice issues** in Burma. While some donors



may think it premature, delays in dealing with these issues will be harmful to both democratic and economic development.

- **Refugee and cross border assistance continues to be vital** to many communities that remain inaccessible from within the country. Efforts to press for rapid return and resettlement of displaced populations are not only unrealistic, but risk renewed conflict.

In light of these findings, Project 2049 recommends the following basic principles for OECD donors and aid agencies working in Burma:

- Ensure core political issues—human rights, democratization and genuine national reconciliation—continue to guide the overall policy toward the Burmese government, and are not subsumed by aid priorities.
- Develop and maintain a high level of situational awareness, particularly regarding the political environment and conflict-affected ethnic nationalities.
- Articulate and adhere to high standards of conduct, especially around issues of transparency and accountability; require all partners to maintain the same standards.
- Maintain balanced engagement and engage the broadest possible range of stakeholders, and provide at least as much emphasis and support on the “demand” side as on the “supply” side.
- Establish a diverse array of implementing mechanisms, especially for programming funds targeted at the grassroots and ethnic communities.



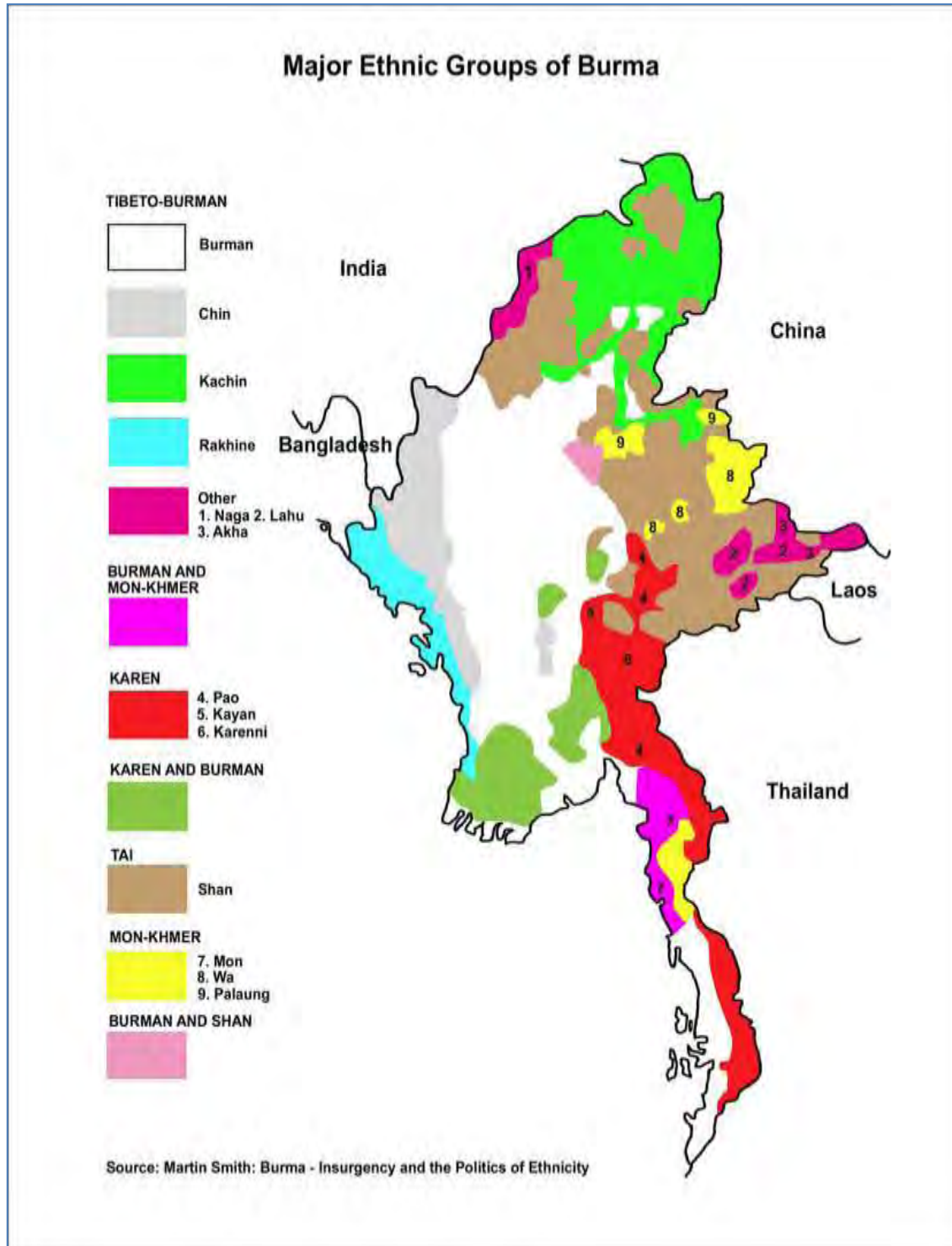
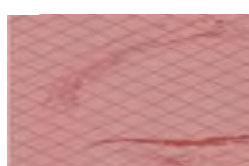
- Support a patient approach that focuses on core competencies, getting the ‘big issues’ right first, and long-term planning, including contingency and exit strategies.

Project 2049’s specific recommendations for donors include:

- **Engage multiple stakeholders through participatory planning and implementation processes.** More challenging than simply consulting parliament, but essential to ensure true country ownership.
- **Prioritize and practice transparency with all stakeholders, especially Burmese society.** Publish up-to-date data in different formats; translate as much as possible into Burmese; and use public diplomacy to talk about aid with specificity.
- **Ensure the government has ‘skin in the game’** through matching fund requirements and other triggers that are jointly developed and rigorously enforced.
- **Prioritize issues that concurrently support good governance and sustainable development.** Currency reform, fiscal management and financial sector restructuring, legal system reform, land tenure, and conflict resolution and prevention are urgent priorities for development and support democratization. Security sector reform needs early attention.
- **Develop true country ownership by focusing on beneficiaries.** Weight aid portfolios toward small-scale interventions, including by setting a fixed percentage for civil society. Build local capacity through the use of CBOs, even on projects that are focused on systems strengthening.



- **Be a ‘ninja’ donor: strategic, patient, flexible and intelligently risk-tolerant.** Invest in catalytic individuals and organizations that can have a multiplier effect in Burmese society.
- **Develop and implement horizontal programs in partnership with regional democracies whose experiences are relatable to Burma’s.** Forge a genuine partnership that brings in the regional partner in at the project design stage. Focus on low-visibility, small-scale efforts.
- **Maintain cross border programs, with a focus on how they can be used to support reconciliation and reintegration.** Initiate dialogue on preparedness of all parties for voluntary returns; include plans to integrate trained health and education workers into systems.
- **Establish agreed donor values and principles for behavior first, then work out the architecture for coordination.** Do not lower standards for donors who do not adhere to global best practices.
- **Invest in and use interactive tools to facilitate better real-time integrated coordination.** When used effectively by donors and implementing agencies, these are among the most effective investments donors can make.
- **Keep existing structures that have proven effective in facilitating coordination;** expand them only as needed to bring in those whose participation will add value.



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http://reliefweb.int/sites/reliefweb.int/files/resources/10FDF327AD43B28E852571FC004C65E4-tbbc_REF_mmr300606.pdf



Introduction

The dramatic changes that have taken place in Burma since March 2011 have taken even long-time observers by surprise. The nominally civilian government's engagement with the National League for Democracy (NLD), and its iconic leader Daw Aung San Suu Kyi, and other steps toward political loosening represent the most significant moves toward democratization and normalization of Burma's political space in more than two decades. Likewise, nascent moves toward a range of economic reforms and a more durable peace with some ethnic groups have raised hopes that Burma will finally join its East Asian neighbors in the regional and global mainstream.

The political and economic changes to date have undoubtedly accelerated a trend among Western donors that has been building since at least 2007. In the aftermath of the September 2007 'Saffron Revolution,' when the ruling military junta brutally suppressed non-violent monk-led protests, some key donors working in Burma began pushing a different engagement approach—one that accepted the country as it was and attempted to expand assistance programming within the available spaces, primarily in the field of humanitarian assistance and economic development. After the devastation of Cyclone Nargis in May 2008, donors and implementing agencies again saw and attempted to take advantage of expanded space to work in the country.

These 'green shoots' of humanitarian and development space were counterbalanced, however, by continued political repression: the ongoing arrests and detentions of independent activists, the continued detention of Aung San Suu Kyi and approximately 2,000 other political prisoners, and the denial of



humanitarian access to the most needy areas, particularly those in conflict zones in ethnic areas. While some donors were cautiously exploring and expanding their activities, such interventions were limited by the overall regressive nature of the Burmese regime and its continued suspicion toward the international donor community and program implementers such as international NGOs.

In view of the apparent political opening that has taken place since March 2011, international donors are eager to begin taking advantage of what many see as an altered political, social and economic climate. Aung San Suu Kyi has been freed from house arrest and the NLD is participating in the political process. Key figures in the government are talking openly about working with the international community on poverty alleviation strategies and legal reforms. There are talks underway with ethnic nationalities, some of which are reportedly broaching underlying political issues. For the first time in decades, Burma presents a terrain that may genuinely be more favorable to donor interventions. The historic political and principled constraints on donor interventions are increasingly giving way to a sense of heightened optimism about the possibilities of working on issues across the development spectrum.

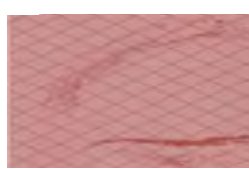
Yet while the options for international donors appear to be improving in Burma, there remain substantial barriers to effective programming beyond the overall pace and scope of political reform. Bureaucratic obstacles and residual suspicion of international intervention continue to hamper NGO access, as do basic matters such as the challenges of **working with Burma's** rickety banking system. Moreover, elements of unhealthy donor behavior have already emerged, fueled in part by pent-up demand to work with the government, the difficulty of working in the country, perceptions about the limited bandwidth of quality local partners, and **donors' parochial considerations. There also remain divergences on strategy** among the major donor countries, with some donors and agencies appearing eager to move forward with large-scale development initiatives that others



remain hesitant to endorse. Related to this is a tendency among some policymakers to see Burma in terms of regional geopolitical strategy, rather than remaining focused on the particular needs and aspirations of the Burmese people.

Across the board, the discourse around relations with Burma is increasingly shifting from the long-standing focus on political issues toward a more diversified **policy agenda**. This expanded sense of possibility, together with Burma's elevated strategic profile, has brought to the forefront a number of key questions for donors who have historically insisted that assistance to Burma must support a process of democratization, improved human rights and national reconciliation. These countries—members of the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC)—have also agreed to a set of principles for promoting sustainable development, some of which may be in tension with their policies toward Burma. Overall, Burma presents particular challenges to both the long-standing ethos of assistance and development programming as well as the latest trends in the development world. It may also present an historic opportunity to put into practice a balanced approach that advances political and economic reforms alongside each other in a mutually reinforcing, and ultimately more sustainable, manner. Among the questions that this report seeks to address are:

- *What principles should donors adhere to in developing expanded assistance programs for Burma so that they support a genuine democratization process and structural human rights improvements?*
- *How should donors think about issues of sequencing and prioritization in their assistance programs in order to most effectively support democratization and ensure the deepening and broadening of reforms?*
- *What does 'country-directed assistance' mean in the intensely politically contested context of Burma? What is the role of the National League for Democracy and other important non-state actors, and how should*



- donors interact with them? Are Aung San Suu Kyi and the NLD merely one of many civil society stakeholders in a multi-stakeholder environment or do they have a privileged role, possibly on par with or even more legitimate than that of the government?*
- *What kind of delivery mechanisms will most effectively promote transparency, accountability, strengthened local capacity, national reconciliation, and continued political reforms? How can these objectives be effectively maintained as assistance scales up in size and scope?*
 - *What is the appropriate role of multi-lateral institutions in the current Burmese context, particularly given the weak postures that some have demonstrated in the past? How can they balance their preference for working directly with government institutions with concerns about instrumentalization and genuine involvement of Burmese civil society?*
 - *How can responsible donors balance and, potentially, bridge their external Burma programs (i.e. in Thailand, India and Bangladesh) in a way that both supports political reforms in Burma and retains support for those who are currently unable to return to Burma to take part in these processes?*

Through the analysis and recommendations developed in this report, Project 2049 Institute hopes to provide the donor community some reference points as it develops responsible interventions in a unique and important context. Given the long-time policy advocacy by most key donor countries in support of democratization and national reconciliation in Burma, the current environment creates enormous potential for positive synergies between assistance and policy, as well as dangers that abrupt policy shifts that could undermine both. As this rapidly evolving situation continues to move forward, Project 2049 hopes that this report will serve as a new baseline for an ongoing dialogue about how the donor community can effectively support the simultaneous advance of sustainable political reform and economic development in Burma.



Methodology & Acknowledgements

The research project that led to the production of this report was originally conceived in the fall of 2010 as a mapping project to help those interested in donor policies get a better understanding of what was happening in Burma at that time. Neither the author nor the project funder anticipated the dramatic changes that would take place in the 12 months since research formally began, and as a result the project design has been adjusted and readjusted several times over the course of its implementation. Because this area of work has been such a moving and a rapidly expanding target, the broad issues around assistance to **Burma were ultimately refined to focus on the ‘key donors’ who are active in Burma, who have explicitly placed support for democracy, human rights and national reconciliation as the key objectives of their Burma policy. ‘Key donors’** were defined in terms of both the largest traditional bilateral aid providers, as well as those who are most influential because of either their political heft or their willingness to strike out in different directions that shape the policy debate and aid landscape or signal trends in where the debate and landscape may be heading. As a future oriented organization, Project 2049 has a particular interest in the latter and seeks to identify such key trends as part of its overall effort to inform policymaking in and toward the Asia-Pacific region.

Because this report is intended for both the generalist policymaker as well as those more expert in Burma, it includes a brief background survey as well as a number of socio-economic statistics and other data points. The author and Project 2049 research staff have used the most reliable data they could identify from the most reputable sources available—including information from international financial institutions, multi-lateral institutions, scholarly research,



and contemporaneous reporting by respected international media outlets. Nonetheless, the quality of data remains weak something that has, in fact, been identified as a major chokepoint in crafting development policy responses across the board.² We have attempted to explain and otherwise qualify some of the more significant and controversial data points, while simultaneously limiting the use of footnotes and cross references.

In compiling the research for this project, Project 2049 staff conducted dozens of interviews with individuals involved in various aspects of policy making and implementation related to Burma, including: government officials, both policymakers and aid agency personnel, in the field and in capitals; representatives of multi-lateral agencies presently or anticipating working in Burma; staff of international and local NGOs working in Burma and Thailand; academics and experts on development, democracy promotion, and the situation in Burma; and members of Burmese civil society and political activists. These interviews were conducted from April 2011 to March 2012, including during research trips to Japan in December 2011, and to Thailand and Burma in February 2012. Many of those interviewed in Burma and from the relevant governments agreed to share their frank views only if their identities were withheld or the information they provided was referenced without attribution. Where possible, the author has endeavored to provide as much information as possible to honor these commitments while also reassuring the reader.

Interviews were supplemented by a comprehensive review of the available literature on: the experience of donors and program implementers in Burma; the perspectives of the various Burmese political entities toward development assistance and other forms of aid; policy deliberations concerning Burma; current best practices on development assistance globally; and case studies of other

² For further reading on this point, please see the preliminary notes section of Professor David Steinberg's *Burma/Myanmar: What Everyone Should Know* (Oxford U. Press; 2010).



transitional and fragile state **contexts**. **Project 2049's lead project investigator** and the author of the report has worked on various aspects of U.S. policy toward Burma for nearly 20 years, including in the areas of program implementation and policymaking. In addition, she has worked on governance and democratization programs throughout Asia, including during democratic transitions in Indonesia and East Timor, and has served as an advisor to NGOs carrying out development initiatives in closed and transitional societies.

The author and Project 2049 wish to extend their appreciation to the Open Society Institute for its support of this research, and to the Embassy of Australia for their hospitality in hosting the launch event for the report. Project 2049 is grateful to all those individuals, governments and organizations that participated in the research process, particularly Special Coordinator for Burma Ambassador Derek Mitchell, and his excellent team of Erin Murphy, Jessica Davey and Medora Brown; the Burma team at USAID; and the many anonymous representatives from various other governments who so generously shared their time in **support of the Institute's research**. **In Burma, we were fortunate to have** the assistance of the number of individuals who generously shared their time and energy in support of this project. The author is particularly grateful to Ko Aung Din, Ko Bo Kyi and K2 for pre-trip guidance, and to Ko Kyaw Soe, Ko Myint Kyaw, Ma Aye Aye Zin, Ma Moe Moe Myat, Ma Khin Lay and Ma Lyndal for their invaluable support on the ground in Yangon.

Every effort has been made to ensure that this report is factual and that its conclusions are well supported. Nonetheless, it is inevitable that there may be mistakes, misattributions and other errors in this report, all of which are solely the responsibility of the author.



Burma or Myanmar?

The Project 2049 Institute generally follows U.S. government policy and refers to the country as Burma. References to the country as Myanmar in direct quotes retain that usage. In rendering Burmese place and other proper names into English, the most common usage will be employed. For example, in the case of Rangoon/Yangon, the commercial capital, the report will use Yangon.

The report also relies on the common usage of ‘Burmese’ to refer to all the citizens of the country, regardless of ethnicity, and ‘Burman’ to refer to the majority ethnic group.

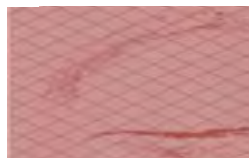


How We Got Here: Repression & Autarky in a Land of Plenty

Since achieving independence in 1948, Burma has gone from being one of the most politically and economically promising states in Southeast Asia to one of the poorest, most backward and misgoverned. Militarism, conflict, extensive rights violation, illegitimacy, self-imposed isolation, and violent nationalism have characterized post-independence political life in Burma. Despite an abundance of **natural resources, a geographic location at the crossroads of two of the world's** fastest growing economies, and a population that prizes educational attainment, five decades of disastrous macro and microeconomic policies have severely damaged the country. This combination of political and economic regression has created the present deeply dysfunctional state in which Burma finds itself.

The State Peace and Development Council (SPDC)³, the last incarnation of the military junta that ruled Burma since the 1988 democratic uprising, had a well-earned reputation as one of the most brutal dictatorships in the world. The **regime's recorded abuses include:** well-documented charges of torture, arbitrary detention and extrajudicial killings; widespread imprisonment of dissidents and other political opponents; denial of basic civil and political rights, including the voiding of the 1990 election results; ethnic cleansing, including destruction of thousands of ethnic villages and use of rape as a weapon of war; and widespread forced labor, including forced conscription of child soldiers. From 1988, the military regime built a state within a state in Burma that allowed those close to the military to flourish, while the rest of the population was subjected to predatory and incompetent governance. The junta populated government ministries with military personnel who had no technical or civilian management

³ From 1988 to 1997, the ruling military junta in Burma was called the State Law and Order Restoration Council, commonly known by the acronym SLORC. In 1997, the SLORC was dissolved and replaced by the SPDC. The first head of the SPDC was Senior General Saw Maung. He was subsequently deposed by Senior General Than Shwe.



expertise. Senior generals whose expertise lay primarily in counter-insurgency operations were charged with policy-making for the nation.

The resulting abysmal socio-economic performance is well known to those who have followed Burma in recent years. Burma presently has a population of between 47-58 million, nearly 40% of who are non-Burman ethnic minorities. It has abundant natural resources, including high quality timber, gemstones and other mineral resources, oil and natural gas, fertile farmland and fisheries, a largely unspoiled natural environment that includes a long coastline with beautiful islands and beaches, and a rich, attractive culture. Yet when oil and gas revenues **are removed, Burma's economic performance is "dismal and depressing."**⁴ Estimated 2011 per capita Gross Domestic Product (GDP) of \$1,300 placed Burma in the bottom tenth globally, with Nepal, Rwanda and Uganda.⁵

The government has reported rising literacy rates and downward maternal morbidity trajectories in recent years, but its socio-economic data is considered suspect and is regularly contradicted by independent research and the visible **consequences of underinvestment in Burma's human resource capacity.** For decades, the military government has spent a miniscule amount of GDP (reportedly little more than 1 percent) on health and education combined.⁶ The average Burmese citizen spends over 70 percent of their income on food—by far the highest proportion in Southeast Asia and indicative of a narrow margin of economic subsistence—**despite the fact that an estimated 70 percent of Burma's** labor force is employed in the agricultural sector.⁷

⁴ Sean Turnell, "Finding Dollars and Sense: Burma's Economy in 2010," in *Finding Dollars, Sense and Legitimacy in Burma*, ed. Susan Levenstein (WWIC: Washington DC, 2010), p. 21.

⁵ Central Intelligence Agency, *CIA World Factbook*, 2011 Estimated GDP Rank Order Table, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html?countryName=Burma&countryCode=bm®ionCode=eas&rank=200#bm> (viewed March 5, 2012).

⁶ Turnell, "Dollars and Sense," p. 22.

⁷ CIA World Factbook, Burma Country Page Economic Tab, <https://www.cia.gov/library/publications/the-world-factbook/geos/bm.html>.



The educational system is deeply politicized, corrupted and ineffective. Despite **the government's claims of** better than 90% literacy, Burma is one of the few countries in the world where this generation of children will be worse educated than their grandparents.⁸ Fewer than half of all Burmese children complete primary school, and most schools offer little more than rote learning of an overtly politicized curriculum. This degraded condition is particularly tragic given that Burma was once the place where expatriates in Bangkok sent their children to attend school.

The poor macroeconomic policy environment and inhospitable investment climate mean that Burma attracts comparatively little foreign direct investment (FDI) outside of resource extraction, even from countries that do not employ sanctions. Various military governments in Burma since independence have pursued a range of disastrous economic policies, ranging from the autarkic **“Burmese Path to Socialism” to the incompetent and predatory economic policies of the military government of the SPDC. Much of the wealth created in Burma’s** lucrative natural resource extraction sector has been squandered or simply disappeared—siphoned off by the military government and its cronies. These extractive industries are dominated by large holding companies, many of which **were transferred from the state to regime loyalists under a specious ‘privatization’** effort prior to the formal civilianization of the government in early 2011. The buyers of state assets, at fire sale prices, included military-run corporations such as Myanmar Economic Holdings and the Myanmar Economic Corporation, which itself oversees funds from the sale of state-owned enterprises.⁹ Critics of the privatization process characterized it as little more than an effort to transfer public assets into the hands of the military and its cronies.

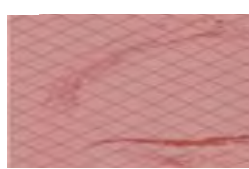
⁸ Turnell, “Dollars and Sense,” p. 22.

⁹ Voice of America, “Burma’s Path to Privatization Keeps Armed Forces in Economic Control,” January 25, 2011. <http://www.voanews.com/english/news/Burmas-Path-to-Privatization-Keeps-Armed-Forces-in-Economic-Control-114568884.html>



Most local Burmese economic activity exists **in the informal or ‘gray’ sector**. **This informal sector, where Burma’s subsistence farmers and petty traders operate** according to traditional family-based patterns, should not be confused with the booming illicit underground trade in narcotics, smuggled gems and timber, and human trafficking. Regular access to capital for anyone except the government and cronies through the banking system is practically non-existent. Land tenure is weak and those farmers are unable to use their land to secure market rate loans. Given this economic environment, it is unsurprising that pervasive corruption—both institutionalized and petty—serves to further sap productivity.

For members of Burma’s ethnic minorities, economic and social privations have been overlaid with **decades of armed conflict with Burma’s military government**. In some ethnic areas, such as the Karen and Shan States, conflict has been nearly continuous since the 1950s. Other ethnic areas have spent much of the past decade under shaky ceasefires that have never progressed to political dialogue **regarding the ethnic groups’ core political disputes with the central government**. As a result, the ethnic nationalities’ **areas** remain heavily militarized and largely suffer from both systemic human rights abuses and worse socio-economic indicators than central Burma. While some ethnic leaders have spurred local economic activity through cooperation with local Burmese commanders or economic interests in neighboring countries, much of the benefit of this activity has been lost to corruption and maintenance of local militias. In addition, **the location of a substantial percentage of Burma’s natural resource wealth in the** ethnic homelands has led to environmental destruction, land grabs and other abuses related to development of extractive industries by interests that lack accountability and provide few benefits to the local people.



Burma's Oil and Gas Sector: Where is the Money?

Since the Yadana and Yetagun natural gas fields came on stream in 1988 and 2000, respectively, they have yielded billions of dollars in hard currency for the **Burmese regime. While Burma's official current account balance is in excess of \$6 billion, most of which is oil and gas revenues, scholars who have looked at the revenue streams from these and other resource extraction projects believe that large amounts of funds have been misappropriated by the military regime. As Australian scholar Sean Turnell, one of the world's leading experts on the Burmese economy, explains: "Burma's U.S.-dollar gas earnings are being recorded on the government's published accounts at the "official" exchange rate of the kyat. This official rate (at about 6 kyat to \$1) over-values the currency by over 150 times its market value¹⁰...and correspondingly under-values the local currency worth of Burma's gas earnings by an equivalent amount. So, recorded at the official rate, Burma's gas earnings translate into less than 1 percent of budget receipts. By contrast, if the same U.S. dollar gas earnings are recorded at the market exchange rate, their contribution would more than double total state receipts, largely eliminating Burma's fiscal deficit.**¹¹

With the proceeds from arbitraging their own currency, the junta engaged in **what Turnell called "a spending binge of epic proportions," evidence that Burma already suffers from a 'resource curse' or the 'Dutch disease.'** Rather than use the resources generated by exploitation of the country's natural resources to address the pressing socio-economic problems of the Burmese people, the generals built an ostentatious new capital city in the middle of the jungle and purchased MIG-

¹⁰ At the time Turnell published his analysis, the market rate for the *kyat* was approximately 1000 to \$1. As of March 2012, the rate is hovering around 800 *kyat* to the dollar.

¹¹ Turnell, "Dollars and Sense," p. 30-31.



29 fighter jets from Russia.¹² Many military leaders and their cronies in the business sector have reportedly amassed extreme personal wealth. The evidence of this can be seen not only in the ostentatious mansions being erected in **Yangon’s ‘Golden Valley’, but also in extravagant gifts** to favored Buddhist monasteries and the overseas educations of the children of the new elite. One of the most notorious examples of this phenomenon was the July 2006 **wedding of SPDC leader Senior General Than Shwe’s daughter, Thandar Shwe. In** a leaked video of the extravaganza, held at an official reception all for state visitors, Thandar Shwe is shown dripping in jewels throughout an opulent ceremony and party.¹³ According to news reports, the wedding costs three times the state budget for health expenditures in 2006, and the couple received \$50 million dollars worth of gifts, including more precious jewels, cars and even houses.

The Saffron Revolution & Cyclone Nargis: Breaking Point, Turning Point

Given the precarious socio-economic condition of most Burmese, an August 2007 government mandated increase in prices for basic commodities had a devastating **effect on the country’s** poorest citizens. Overnight, without warning, the SPDC announced a 500% increase in fuel prices. A group of former student activists, many of whom had just completed lengthy prison sentences for their roles in the 1988 protests, launched a series of public protests against the price hikes. As the authorities quickly rounded up the leaders, it seemed the protests would have a limited impact. The dynamic changed dramatically, however, when Burmese monks took up the cause.

¹² Sean Turnell, “Burma Isn’t Broke,” *Wall Street Journal*; August 6, 2009; Turnell, “Dollars and Sense,” p. 33.

¹³ Video available at: <http://news.bbc.co.uk/2/hi/asia-pacific/6109356.stm>.



The country's revered Buddhist monks or *sangha*, who relied on daily donations by the devout public for their survival, immediately saw the impact of the price hikes in terms of the citizenry's worsened economic situation. Frustrated by a military regime that was exploiting Burma's national patrimony to enrich itself and its cronies while the Burmese people starved, many members of the *sangha* saw themselves as having a moral duty to speak up for the people. After security forces fired warning shots at a 500-monk protest in Pokkuku, then beat and arrested monks, large numbers of monks took to the streets in Yangon and other cities. A newly formed organization called the All Burma Monks Alliance (ABMA) issued a statement calling on monks to 'turn their bowls upside-down' and refuse donations from the military regime, their families and supporters if the regime did not apologize for the events in Pokkuku and address their concerns regarding the price increases and political prisoners. In deeply Buddhist Burmese culture, this was a stinging rebuke, and the media dubbed the protests the "Saffron Revolution" because of the monks' leading role. As the monks' protests continued and grew in size, ordinary Burmese joined. For several tense weeks, the military did little to stop the protests. After a September 22 protest where the monks went through police barricades to the home of Aung San Suu Kyi and said prayers in front of her gate, however, the protests again took on a sharper political edge. The visit to Ms. Suu Kyi's compound and subsequent protests in Yangon drawing an estimated 100,000 people seemed to have been the turning point for the regime.

On September 25, 2007, the authorities announced a dusk to dawn curfew in Yangon and Mandalay, and began blocking Internet access. Over the next week, a bloody crackdown took place as monks and civilians attempted to maintain the protests while the regime raided monasteries, arresting thousands of monks and either confining thousands of others to their monasteries or sending them back to their hometowns. The police began using live ammunition—including automatic weapons—against the unarmed protesters. State media reported nine persons

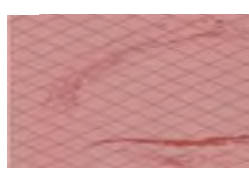


killed in putting down the protests, but eyewitnesses put the numbers at several hundred—including dozens of monks. Nearly every leading political dissident who had been released prior to 2007 was back in jail, together with many from the new generation of activists and monks. Many were given sentences in excess of 50 years after secret trials, and there were credible reports of severe torture, withholding of medical attention and horrific conditions in detention.

In the aftermath of the Saffron Revolution, the military regime engaged in limited efforts at international damage control, including contacts with Aung San Suu Kyi and engagement with the United Nations (UN). The SPDC also focused on moving forward with its so-called **“Seven Step Roadmap toward Discipline-Flourishing Democracy.”**¹⁴ By February 2008, the regime announced that its constitution drafting committee had completed its work and a referendum on the constitution would be held on May 10, 2008. The resulting text was widely criticized by both Burmese political actors and the international community as fundamentally preserving military rule under a thin veneer of civilian electoral legitimacy.

On May 2, 2008, around 6:30 p.m. local time, category 3 Cyclone Nargis made **landfall in Burma’s Irrawaddy Delta. There had been virtually no warnings of the size or severity of the massive storm.** In the capital of Yangon, 190-mile-per-hour winds were recorded. In low-lying areas of the Irrawaddy Delta, tens of thousands of unprepared and helpless victims were deluged by the storm surge.

¹⁴ On August 30, 2003, months after the assassination attempt on Aung San Suu Kyi at Depayin, then-Prime Minister General Khin Nyunt **announced the State Peace and Development Council’s “Seven Step Roadmap to Democracy.”** The seven steps are: **1. Reconvening the National Convention (had been adjourned since NLD walked out in 1996); 2. After the “successful” holding of the National Convention, “implement step-by-step the process necessary for the emergence of a genuine and disciplined democratic system”; 3. Draft new constitution in accordance with principles laid down by the National Convention; 4. National referendum on the constitution; 5. Elections for legislative bodies (Hluttaw) created by constitution; 6. Convening of legislative bodies; and 7. “Building a modern, developed, and democratic nation by the state leaders elected by the Hluttaw; and the government and other central organs formed by the Hluttaw.”** Source for direct quotes: http://www.burmatoday.net/burmatoday2003/2004/02/040218_khinmgwin.htm



The official death toll of nearly 90,000 is believed to understate the actual losses, with other credible experts claiming more than 200,000 dead from the storm. The UN estimated that Nargis directly affected more than 2.4 million Burmese, most of whom lost their homes, food stores and livelihoods.

The SPDC's initial response to the cyclone was stunning. Despite the massive devastation, the junta announced from Naypyidaw that its constitutional referendum would proceed as planned, with voting to take place eight days after the cyclone. (It later announced there would be a delay of 18 days for seven of the worst affected region.) International offers of assistance were first completely blocked, and later only slowly allowed in. The junta ordered its business

associates to provide assistance to the cyclone victims without providing them any funds to do so, and arrested at least 20 individuals who organized private relief efforts. The constitutional referendum was rife with allegations of fraud and manipulation, which seemed borne out by the official results. The government implausibly claimed a 98% voter



Photo: Human Rights Watch

participation rate, including in cyclone-affected areas, and a 92.4% approval rate. The National League for Democracy and other pro-democracy groups rejected the results of the referendum, and continued their challenge to the legitimacy of the constitution and any subsequent actions taken under its authority.



Restrictions on and Manipulations of Humanitarian Space in Burma

In Burma, the authorities' frequently paranoid and cynical attitude toward aid work has regularly forced well-intentioned organizations into difficult choices between humanitarian principles of independence, neutrality and impartiality, and the humanitarian imperative of accessing and assisting deeply needy populations. In disasters and other urgent contexts, these trade-offs are often overlooked, but in longer-term assistance work, funders and implementing agencies are subject to greater scrutiny. The debate around what constitutes too great a compromise to hold humanitarian space has been highly polemical in Burma, and the current context is just the latest chapter.

The authorities have consistently used selection of and access to project sites, approval of visas for international staff, approval of memoranda of understanding with line ministries, approval of organizational registrations, and other bureaucratic means to control INGOs. Most of the agencies that have been working in Burma since before Nargis **entered the country in the early 2000's, when** the relatively more liberal policies of Khin Nyunt led to an opening for INGOs and other agencies. **After Khin Nyunt's sacking in 2004, however, humanitarian space again began to recede and** agencies either bargained with the regime to stay or left when they felt their integrity had become too compromised. In 2006, the regime announced a raft of new restrictions on INGOs and aid agencies. The 2006 guidelines required that the authorities vet all Burmese staff hired by international organizations; that expatriate staff travel with government officials on all trips outside Yangon; and that aid agencies work with the government-affiliated Union Solidarity and Development Association (USDA) on projects. These requirements are technically still in effect, and were a key cause of bottlenecks during the response to Nargis.

While the expressed attitude of the government toward international organizations and engagement in Burma appears to have changed, old bureaucratic habits die hard. Recently the government has informed donors, agencies and INGOs that, as part of its effort to implement the rule of law, it will be more rigorously enforcing requirements that all organizations be registered. There is rampant confusion, however, about the sequencing around registration and obtaining a memorandum of understanding (MOU) to actually do work in country. The registration requirements reportedly indicate that an organization must have an MOU to register; but in order to get an MOU,



organizations are often told by line ministries that they must first be registered. One donor was told **that a “letter of intent” pending approval of the MOU, which is apparently easier to obtain than an MOU,** would be sufficient to initiate the process of registration, but the INGO community in Yangon continues to struggle with the bureaucratic confusion around these processes. The situation is even more challenging for local NGOs, who must also register and have faced similar challenges.

Previous cycles of loosening and tightening should be a cautionary for those hoping for a major expansion in access. When the French section of Medecins Sans Frontieres (MSF-F) withdrew from Burma in March 2006, the program manager noted:

In 2001, we thought the regime was easing up and, indeed, until 2004, we did have access to those regions and could work under acceptable conditions. But in 2004, the regime's hardliners regained control...Today, we have to acknowledge that it was incredulous to think that room existed for a humanitarian organization to work there.

By contrast, the head of MSF Holland (which goes by its Dutch acronym AZG in Burma, and runs one of the largest health programs in the country) defended its decision not to seek access to those injured during the Saffron Revolution by acknowledging it did not want to do anything to jeopardize its good relations with the government. His reluctance was understandable: the head of the UNDP office in Rangoon, Charles Petrie, was forced to leave Rangoon at the end of 2007 after making **public comments about the country's extreme poverty and the regime's crackdown on the demonstrators.**

The UN's weak response to the latest humanitarian crisis in the Kachin State has sparked renewed criticisms of international organizations' failure to push back on government restrictions on access. After providing little assistance to tens of thousands of internally displaced persons and refugees **since the July 2011 outbreak of hostilities in Kachin State, the UN's first attempt at delivering humanitarian assistance outside government-held areas in December 2011 was a public relations disaster:** the Kachin Independence Organization (KIO) refused to accept aid provided by the Burmese government that was delivered alongside UN-provided aid. The ongoing refusal of the UN Office for the Coordination of Humanitarian Affairs (OCHA) and other UN agencies to work with unregistered local organizations, such as church groups and ad hoc self-help groups, has meant that



IDPs and their hosts in areas outside government control have received almost no assistance from the UN nine months into this humanitarian crisis.

Humanitarian space must always be negotiated, usually with men with guns and very stark views of their political interests. The scope of what is possible therefore depends largely on the determination and judgment of the humanitarian actors, the diplomatic and political support it can bring to bear, and the interests of those who control the space. If this latter element is changing, then INGOs and aid agencies have a real reason for optimism.

The Post Nargis Aidscape: Space & Opportunity?

Even as the regime's popular legitimacy was sinking in the post-Nargis environment, donors—including those historically most critical of the military regime—began moving toward different approaches to their engagement with the country. This trend has dramatically accelerated in the past year as the Thein Sein-led government has launched a series of political and economic measures that remain largely superficial in fact, but which have transformed the policy environment in and around Burma. Issues related to expanded aid, particularly on the development side, are at the leading edge of this shift in discussion.

An Opening for Expanded International Cooperation

As emergency relief efforts transitioned toward initial reconstruction through the summer of 2008, international assistance operations expanded under the coordination of the Tripartite Core Group (TCG) consisting of representatives of the Burmese government, ASEAN and the UN. Their increased access to and presence in Burma led a number of donors and aid agencies to view the post-



Nargis environment as providing opportunities and space to establish expanded longer-term international cooperation efforts in Burma. They believed that if they could use follow-on funds to hold the operating space they had established under Nargis emergency relief operations, this could eventually lead to broader improvements in access and programming capability.

In some key ways, the post-Nargis environment did represent a changed situation on the ground and provided valuable lessons for all stakeholders. There were scores of local self-help groups that sprung up to assist people in the aftermath of the storm, when neither government nor international assistance was forthcoming or sufficient. These groups continued to work beyond the immediate humanitarian crisis in rebuilding their communities and, including for those that were organized outside the Delta, these activities awakened an impulse for continued community service. The effectiveness of these self-help groups, contrasted against the generally inept and often-hostile governmental response, also reinforced the pre-existing lack of confidence in the government. In addition, thousands of Burmese were mobilized by international relief efforts and had their first contact with the world of large-scale relief and development work. While many of them learned valuable project management and other skills, others walked away frustrated and disillusioned by the process.

From its perspective, the junta ultimately had a relatively positive experience with the TCG. This experience seems to have given the authorities some confidence that they could allow a larger international presence into Burma without losing control, and gain back some badly needed international credibility **in the process. The authorities' role in the TCG showed them that the UN and** other large donor agencies in particular could be managed via such official coordination mechanisms where the government would play a prominent role. There are also some indications that the initial failure of the military government to recognize the scope of the crisis and respond effectively to it forced the military



leadership to see itself as others did for the first time, and served as a wake-up call for some in the regime. Then-Prime Minister General Thein Sein was reportedly among those whose Nargis experience convinced him of the urgent need for a more effective policymaking and governance structure.¹⁵ Others have argued that post-Nargis international cooperation also empowered individuals within the system who had been trying to affect better policies, and gave them an opportunity to break through the stasis that had historically surrounded them.

Contemporaneously, a group of advocacy and humanitarian NGOs had intensified a campaign to get donor countries to increase their overall package of humanitarian and development assistance to Burma in the wake of Nargis. This campaign, led by organizations such as Refugees International and Save the Children, was a long-running effort, rooted in the fact that the level of per capita aid provided to Burma was wildly out of proportion to that provided to other poor (and authoritarian) countries. Per capita assistance to Burma in 2009 was \$7 per person according to the World Bank, making it one of the lowest per capital recipients among the Least Developed Countries (LDCs).¹⁶ Those advocating for more assistance to Burma pointed out that other similarly repressive governments such as Equatorial Guinea (\$46 per capita), Zimbabwe (\$59) and Laos (\$69) received proportionally greater amounts. At the same time, some of these group criticized donors for providing a greater proportion of their assistance to the relatively smaller population of Burmese refugees and other forms of support for Burmese outside Burma.

Key donors and agencies did move to establish longer-term mechanisms to continue and build on their Nargis relief engagement. Unfortunately, hopes that

¹⁵ See e.g. Thomas Fuller, “A Most Unlikely Liberator in Myanmar,” *The New York Times*, March 14, 2012; <http://www.nytimes.com/2012/03/15/world/asia/a-most-unlikely-liberator-in-myanmar.html>; and Larry Jagan, “Precarious Balance for Myanmar Reform,” *Asia Times Online*, February 16, 2012; http://www.atimes.com/atimes/Southeast_Asia/NB16Ae01.html

¹⁶ The World Bank, Net ODA received per capita (current US\$), <http://data.worldbank.org/indicator/DT.ODA.ODAT.PC.ZS>



humanitarian space would expand and other donor activity would increase post-Nargis were not initially realized. Activities related to reconstruction were allowed to continue in the Irrawaddy Delta, and some access was achieved in response to subsequent natural disasters that impacted the so-called “dry zone” north of the delta and other areas. But a more general loosening, particularly in the ethnic areas of the country with the most severe needs, largely failed to materialize. Indeed, continued and renewed conflict in certain ethnic areas worsened humanitarian access to those communities—particularly in the Kachin State. Refugee crises in the summer of 2009 and again in the summer of 2011, brought on by armed offensives by the military, were virtually untouched by international humanitarian interventions. As the junta prepared to hold parliamentary elections in November 2010 for the first time since 1990, there was also a sense that a range of political constraints militated against expanded donor engagement with the regime. International donor agencies and NGOs working in Burma also continued to face problems with securing registrations, MOUs, and



visas and work permits for international staff. In key ways, the situation returned to the constrained *status quo ante* that had preceded Nargis. **Nonetheless, donors’** experiences in working on the ground led them to continue probing for opportunities and several countries announced they would be making substantial increases in their aid budgets for Burma over and above Nargis relief funds.



Burma's Reforms: Change We Can Believe In?

Over the past year, the pace and scope of political changes in Burma have led to a dramatic increase in donor attention to the country. Those donors that were already moving in the direction of greater levels and more diverse mechanisms of assistance to Burma have accelerated their approaches, while donors that previously had been more cautious in the past are also trying to find their way forward. As the possibility of the removal of sanctions and other restrictions has increased in recent months, the sense of urgency around development assistance planning and funding has become intense. The balance of the dialogue has **rapidly shifted from asking 'What can we do?' to a 'Just do it!' mentality.**

In November 2010 the government held election for parliament, in which the regime-backed Union Solidarity and Development Party (USDP) won an overwhelming 79% of the vote. The USDP majority was on top of the 25% of seats that the constitution mandate to be set aside for the military. The NLD had boycotted the elections and most of the OECD donor community issued statements condemning the elections as broadly failing to meet international standards. Nonetheless, some commentators suggested that the elections presented an opportunity for a degree of increased political competition, even as they allowed the military to remain firmly in control.

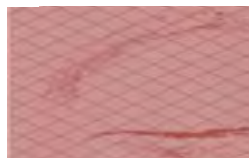
In addition, Aung San Suu Kyi was released from house arrest days after the elections were completed. During her time under house arrest since May 2003: hundreds more political activists had been arrested, the NLD had lost its status as a legal political party, and the military regime had moved forward with its own tightly-managed constitution and legislature. During her years of detention, as

the NLD suffered unrelenting pressure from the military regime, various Burma experts and other commentators openly speculated about her continued **relevance to Burma's political processes. As news of her impending release** spread through Yangon, supporters began gathering at her home and the NLD offices. When she was released on the evening of November 13, she was greeted by thousands of screaming supporters who drowned out her remarks.

In addition to releasing Aung San Suu Kyi, the nominally civilian Burmese government of President Thein Sein has taken a series of promising political and economic moves since formally abolishing the SPDC and taking office in March 2011. From the release of hundreds of political prisoners to presidential dialogue with Aung San Suu Kyi to the possibility of a political settlement with the Karen National Union, few would have predicted the series of events that have taken place in Burma over the past year. Restrictions on the media and the Internet have been eased substantially, and the government has taken steps with broad appeal such as liberalizing mobile phone availability. In January 2012, the NLD announced that it would submit an application to re-register as a legal political party in order to participate in the April 1 by-elections, and that Aung San Suu Kyi herself would run as a candidate. That same month, most of the remaining key political activists who had been detained in the aftermath of the Saffron Revolution—including Generation 88 leaders Min Ko Naing and Ko Ko Gyi, and the ABMA leader Ashin Gambira—were released from prison under a conditional amnesty. There has also been a series of cease-fire announcements with ethnic groups from eastern Burma,



Aung San Suu Kyi on the campaign trail:
Still relevant after all.



culminating with an announcement that the government and Karen leaders had initiated talks on core political issues.¹⁷ **President Thein Sein’s calls to build an “eternal peace” with the ethnic groups have further raised hopes that this time might be different.**

These long-sought political reforms were accompanied by announcement of an ambitious economic reform agenda, including an emphasis on poverty alleviation and sustainable development. President Thein Sein gave a series of speeches in which he called on the government to be more accountable to the people and focus its efforts on improving their daily lives. The government has invited a stream of international expertise in to give it advice on how Burma can rejuvenate its economy and create sustainable development. For the first time in **decades, the authorities permitted the International Monetary Fund’s (IMF)** Article IV mission to publish a four-page statement of findings from its January 2012 visit. They also have asked the IMF for a range of technical assistance on **how to normalize Burma’s multi-**tier exchange rate, and have recently announced plans for a managed float of the kyat. Thein Sein reportedly was personally responsible for suspending the Chinese-backed Myitsone dam project in Kachin State, which had come under intense public criticism, including from Aung San Suu Kyi.

Although skepticism remained about the depth and seriousness of reforms, by the fall of 2011 Burma was rapidly ending its long international isolation. In December 2011, in response to steps taken up to that point, Hillary Clinton made the first trip to Burma by a U.S. Secretary of State in more than 50 years. Her visit took place immediately following the announcement by the Association of

¹⁷ The significance of the ceasefires and the talks with the Karen are disputed, given the failure of such initiatives in the past to lead to progress on dealing with core political issues. The **government’s lead negotiator, Railways Minister Aung Min, has** reportedly been empowered directly by President Thein Sein and given wide latitude to settle these issues. There remains a stark contrast, however, with those disputes Aung Min is tasked with and those that the military remains in control of, such as the conflict with the Kachin.



Southeast Asian Nations (ASEAN) that Burma would take up the rotating chair of ASEAN in 2014—a long-delayed prize. The **Indonesian chair's** announcement was clearly portrayed **as a reward for the government's reforms.**

The Western donor community has responded enthusiastically to these changes, including by advocating for the prompt removal of existing restrictions that limit its direct engagement with the government. Given these events, and the preexisting trends of donor engagement in Burma, it is unsurprising that one of the most common themes emerging from bilateral donors at this time is a connection between expanded assistance programming in Burma and support for **the 'reformers' in the government. Government and aid agency officials** interviewed for this report were nearly unanimous in expressing a desire to use assistance to demonstrate that the international community is being responsive to the reforms that the government has initiated and help shore up support for **the 'reformist' faction within the government**, led by President Thein Sein. In this sense, at least, the political objectives that have generally been at the center of **these countries' Burma policies remain important. Some contacts in Burma,** however, questioned whether donors and aid agencies are **using this 'support for reform' meme to advance pre-existing** development agendas.

President Thein Sein is broadly perceived within the donor community as trying to do the right thing and struggling with vested interests to achieve his goals. His counterpart as the head of the parliament, Thura Shwe Mann, while perceived as less trustworthy than Thein Sein, is seen as trying to develop the parliament as a credible, independent legislative body. There is a general consensus among the OECD donors that the regime has already done more in terms of its announced political and economic reforms than what would be needed to take care of near term tactical foreign and domestic policy objectives. It is this sense that the Burmese government has gone beyond the minimum that seems to be motivating donor governments to see this process as having such strong positive



momentum. At the same time, there is a high degree of concern about factional infighting within the government. There are elements within the government that are uncertain about change and wary of losing out in the process. These vested interests operate largely behind the scenes, but the debate sometimes comes out into public. Aung San Suu Kyi and the NLD have publicly raised questions about the degree to which the efforts at reform are supported by the military, and she has recently been more vocal in raising concerns about the role of the military-backed USDP in a series of campaign violations in the run up to the by-election.

The April 1 By-Elections: A ‘Mission Accomplished’ Moment?

The candidates are not the only ones who have a lot riding on the April 1 by-elections in Burma. The international community has designated it a key litmus **test for the seriousness of Burma’s reforms. The European Union appears** to be tying its decision on sanctions tightly to the outcome of the voting. During a February visit to Burma, European Commissioner for International Development **Andris Piebalgs noted: “Now it’s very clear that the watershed is elections in April. If it goes as expected and is free and fair, then everyone would expect the easing of sanctions to continue.” (Reuters, Feb. 13, 2012)**

By putting such a heavy emphasis on this vote—which will decide approximately 7 percent of the seats in parliament—there is a certain danger of failing to see problems that remain in the larger context. The NLD has made numerous complaints during the pre-election period, which donors have failed to vigorously address. Even if they do win all the seats they are contesting, the parliament will remain a deeply undemocratic institution. While the NLD is looking ahead to the parliamentary elections in 2015 as a more important indicator, there is a real **danger that the donor community’s concerns with democracy will have moved on** by then.



There is also a sense of *fait accompli* about these elections that is fundamentally undemocratic and may put donors in a tight spot if the results are not a landslide for the NLD. To date, there has been little talk from the donor community about what would constitute a credible election—just a lot of assumptions that it will be one so long as the **government ‘allows’ Aung San Suu Kyi to win.**

Nonetheless, international support for **Thein Sein has been strongly boosted by Aung San Suu Kyi’s vote of confidence in him.** She has announced that she finds him trustworthy, and there is widespread speculation in Yangon that the two of them have a working partnership that is facilitating the most positive developments to date. The decision of the NLD to participate in the April 2012 by-elections, and her own candidacy for parliament, have been broadly read as a signal to the international community that a serious process of political normalization is well underway in Burma. Since re-registering the NLD, she has been tirelessly campaigning, traveling throughout the country reopening party offices and supporting NLD candidates. Daw Suu has also started expressing specific support for certain development initiatives, issuing statements on her views about development priorities, and conducting site visits to donor-funded development projects. Most OECD donors and major agencies have been careful to solicit her views on their activities, and tout her site visits, while others have indicated they expect to consult with her more fully if she is elected to parliament.

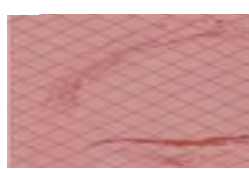
To this end, donors are looking for fast, high-visibility interventions that they **believe can have an immediate, tangible, positive impact on people’s lives. While**

"Our people have suffered under various governments and different systems and the people will judge our government based on its actual achievements."
- *President Thein Sein, March 1, 2012 address to parliament*



there is an expressed desire not to empower a bad system, donors do see their **efforts as a means to strengthen the hand of ‘reformers.’ Moreover, donors see** their strategic assistance priorities—capacity building for both government and civil society; development interventions that can have a grassroots impact; and aid that supports the process of national reconciliation—as consonant with the **reformers’ stated goals of development, a managed democratic transition and national reconciliation.**

There is also a sense that donors feel they are racing against the clock. There are many eager parties in both the public and private sector waiting to rush into Burma. There are real concerns that when sanctions start to come off, Burma will be overwhelmed by the influx of both the well-intentioned aid community and more profit-driven private investment. Recent remarks **by the UNDP’s top Asia official Ajay Chipper, that the Burmese government needs to “make haste slowly” were intended as a warning not to enter into ‘sweetheart deals’ over natural resource exploitation.** But this warning could just as easily be applied to the deluge of plans and arrangements being hatched in the development community. The continued challenges of operating in Burma will serve as an entry barrier at some level, but donors and agencies have been strongly pushing the government to regularize their access to the country at an early stage. In this regard, norms are essential both for assistance and investment. Burmese civil society expressed **an understandably wariness of donors who seem more interested in getting ‘boots on the ground’ and getting their foot in the door with the government than in developing sound norms and principles to guide their work. The phrase “We don’t want to be another Cambodia” was repeated like a mantra by Burmese** interviewed for this report. This is likely to become a bigger issue as the number of players, and amounts of money at stake, increase, and countries that have previously been focused on political issues increasingly shift their emphasis to development priorities.



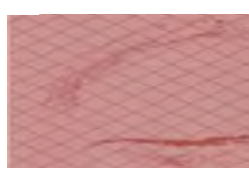
Cambodia's Lessons for Burma: 20 Years After the Paris Accords

The 20th anniversary of the 1991 Paris Peace Accords, which ended the Cambodian civil war, was cause for much reflection on what went right and what went wrong with the UN's first major nation-building exercise. Given the “We don't want to be Cambodia” refrain that one frequently hears in Yangon these days, it is worth looking at what the lessons Burma can draw from the international community's experience in Cambodia. Key lessons learned include:

A focused, principled approach to the political authorities—including aid accountability—is critical. Worry less about access and keeping good relations with the government, and don't lower the bar or make exceptions because things are better than they were at their worst. Human Rights Watch Asia Director Brad Adams, who worked for the UN in Cambodia from 1993 to 1998, has referred to the decision to allow Hun Sen to become co-prime minister through the threat and use of violence after losing the 1993 UN-run elections as the “original sin” that has kept Cambodia from developing a genuine democratic culture over the past 20 years.¹⁸ Once the Khmer Rouge had been sidelined, the international community missed a number of opportunities to remain effectively engaged after the UN Transitional Administration in Cambodia (UNTAC) ended. Instead, they mostly substituted aid for real political engagement, allowing Hun Sen to divert state resources away from social services and toward the security services he controlled.

An early focus on security and justice sector reform is critical. Demobilization and structural reforms in over-militarized contexts must be carried out to completion. The normal functioning of the judicial system—including the training and appointment of non-political judges and prosecutors—should be an early priority. As Gareth Evans, the former Australian foreign minister who was intimately involved in developing the accords, notes: “[I]n retrospect, the Paris Agreements should have included

¹⁸ Human Rights Watch Panel, “Paris at 20: Human Rights in Cambodia,” October 11, 2011. No transcript available; quote from author's notes.



specific measures for building a functioning criminal justice system as part of the transitional period and post-conflict peace-building exercise, as the rule of law, and institutions needed to support it, had clearly broken down in Cambodia.”¹⁹

Understanding the local context is critical to success. The ability to foresee potential problems, such as politically motivated violence in the run-up to an election, and the behavior of the parties generally, requires extensive knowledge about the culture, customs and traditions of the country.

Prioritize getting the key structural reforms right rather than letting parochial issues dominate. The obsession with getting Cambodia involved in various international community activities undermined the effectiveness of other interventions. Continued encouragement for Cambodia to join international and regional institutions, even as human rights and democracy were under severe attack from the CPP, sent a mixed message that ultimately empowered bad actors.

Sustainable, independent media institutions and well-trained journalists are critical to serve as a check on the authorities. UNTAC radio was successful but totally disappeared at the end, with no plan for sustaining independent media. Funding for external services such as Radio Free Asia and Voice of America are also critical, but these services need to stay on the air on shortwave radio in countries where Internet and television penetration remains extremely low.

Have a contingency plan. The international community needed to establish red-lines and have a shared understanding about both what constitutes a breach and how to address it in a meaningful fashion. The failure to do so in Cambodia has allowed the CPP to get away with hijacking the democratic process.

¹⁹ Gareth Evans, “Cambodia Then and Now: Commemorating the 1991 Peace Agreement,” Conference on the 20th Anniversary of the Paris Peace Accords in Cambodia, University of New South Wales; August 12, 2011. Available: <http://khmerization.blogspot.com/2011/08/cambodia-then-and-now-commemorating.html>



Key Issues for Donors

The recent changes in the country have led donors to see new opportunities to work in Burma, but it remains a difficult environment where donors will confront a broad range of issues that may impede their work. Many of these issues are not unique to Burma: a history of tense domestic political contestation in which neither side has been able to obtain a decisive victory; weak governing and public institutions; entrenched vested interests, including those of the military; the militarization of society, especially in the ethnic conflict areas; the potential for a **‘resource curse’ scenario to undermine balanced sustainable growth; significant diaspora involvement and potential for returnees; and influence of exogenous, sometimes conflicting, regional or international agendas.**

There are other issues that are more specific to Burma. These more idiosyncratic factors include: the moral and political authority embodied in Aung San Suu Kyi and the 1990 election results; the apparent voluntary top-down nature of the democratic transition currently underway; the historical policy emphasis on human rights and democratization by most **Western countries; Burma’s** isolation—intentional and otherwise—from significant aspects of the international community; and the aid experience of the country over recent decades. The particular combination of these factors and characteristics that comprise the Burmese context means that even as reforms unfold, Burma will continue to be a challenging environment for Burmese stakeholders, international policymakers and donor agencies alike.

At the same time, there are strengths at work in Burma that donors need to understand and work to maximize. The inherent, potential wealth of the country is obvious and well understood. What is less apparent amid all the talk about the



‘lack of capacity’ are the incredible human resources that up to now have been either wasted or repressed by a system that prized control over progress. The **intense dedication of Burma’s younger civil society leaders, journalists and** political activists is as inspiring as the lack of bitterness or recrimination from their leaders who have suffered decades of repression. While the challenges facing Burma are immense, if the reform process—and effective donor support of it—**unleashes what NLD elder statesman U Win Tin calls the “unseen force within the Burmese people,”** the country stands a far better chance of catching up and even one day passing its neighbors.

Finally, as the development community converges on Burma to meet these many challenges and support its transition, it is worth remembering that donors—individually and collectively—have their own politics, drivers and agendas. The OECD donors are struggling to implement an aid effectiveness agenda that some of them have little interest in truly supporting. This is happening at a time where the traditional development community is facing new challenges from countries like China, the rise of private philanthropy, and a general skepticism about the value of aid. Given how so many of the issues and trends raised in the aid effectiveness dialogue are present in Burma, there is a risk of donors and agencies viewing it as a proving ground for the latest trends in aid. Going forward, both the Burmese and international stakeholders need to recognize and address this.

The Politics of Legitimacy and the Legitimacy of Politics

Burma remains a highly contested political environment on multiple levels, featuring sharp disparities in and disconnects between legitimacy, authority and control. This political contestation is not limited to elections and it is not being carried out on a level playing field. There are unique and fluid political dynamics among and within the ruling party, the democratic opposition, and the ethnic nationalities. It remains profoundly unclear at this point whether the deepest

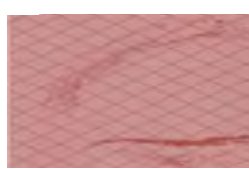


level of political contestation **is between the ‘hardliners’ in the military on one side and the government ‘reformers’, together with the democratic opposition** and the ethnic groups, on the other; or whether it is the historic fracture between the military, including as incorporated in the present government, versus the democratic movement and ethnic nationalities. A third possibility, most greatly feared by the ethnic nationalities, is that the Burman-dominated democratic movement will reach an accommodation with the military and government that will undermine or override the interests of the ethnic nationalities. This general level of analysis does not even reach the many internal conflicts within and among the various parties and their internal factions, or the role of smaller but still influential interests that are generally operating outside these groups, such as the business community, the religious community and the educated Yangon elite.

Of particular significance are the severe imbalances of legitimacy between the recognized government, despite having **been ‘elected’, and the democratic** opposition that has spent the past two decades locked out of the formal power structure. This same dynamic is also present among ethnic nationalities, but with ethnic leaders having a greater sense of popular legitimacy within their communities than the government. The **authorities’ lack** of governing capacity, together with their excessive use of force to maintain authority, continue to drive down their legitimacy even as they undertake efforts to restore it through ostensibly democratic processes. At the same time, the NLD, outside of the near universal regard for its leader Aung San Suu Kyi, has struggled to remain relevant and viable at the grassroots level after two decades of unrelenting repression, and build trust with ethnic communities

"Burma is suffering from trust [fund] kid syndrome... We have been living off unearned income because of our resources."

***- Daw Aung San Suu Kyi,
February 28, 2012***



that have good reason to regard it with suspicion. The NLD is trying to rebuild with a youth oriented strategy that emphasizes self-help and the broad responsibilities of the government to provide genuine peace, security and the rule of law. But this process will take time, and is being aggressively challenged at every step by the military-backed USDP, which has an abundance of resources at its disposal. The fact remains, however, that on March 31, 2012 the NLD will be the only political party in Burma that has won a credible election, and regardless of the outcome of the by-election, on April 2, there will still be only one Burmese political party that can make that claim.

Political legitimacy in Burma has been made more fluid by the simultaneous political and economic transitions that appear to be underway. Such a voluntary **‘transition by transaction’ led by those in power in a country requires two factors** that are rarely present in an authoritarian regime: a regime leadership with the willingness to initiate a transition, and the ability to implement it.²⁰ Given the **particular nature of the transition underway, and the fluctuating status of parties’** legitimacy as they move through it, donors and aid agencies need to be extremely careful to avoid being instrumentalized. Despite all the lessons learned about working in fragile contexts, aid is still provided and utilized in ways that can reinforce divisions. This is particularly important in areas where donor efforts intersect with the political agenda of the most powerful player: the government. There is tremendous pent-up demand on the part of many donors and aid agencies to work with the authorities to strengthen delivery systems and improve governance. Not only do donors see these as successful development strategies, but they also have **overlaid them with rhetoric about ‘supporting the reformers’**—using aid to show that regular people will benefit from reform. While this may seem a valid or at least unobjectionable sentiment, there exists a real danger that **donors’ desire to achieve development goals will become conflated with the**

²⁰ See Donald Share’s “Transitions to Democracy and Transition through Transaction,” *Comparative Political Studies*, vol. 19 no. 4 (January 1987), for a discussion of both the general typology of transition via transaction, and the Spanish case.



political objectives of governing authorities in an unhelpful fashion. Donors and agencies need to be extremely sensitive to how their interventions can potentially exacerbate or reignite political conflicts. They should understand how privileging their relationships with the government could tip the balance—in ways both favorable to democracy and unfavorable to it—in what continues to be a highly contested political space. Moreover, it is unclear that there is any sense of impatience on the part of the Burmese about the current political process or evidence that the rapid deployment of aid would do anything to alleviate such impatience if it was a problem. On the other hand, the NLD has repeatedly cited instances of the ruling USDP party using government resources as part of its campaign effort for the upcoming by-elections, including access to electricity and water.

This delicate situation requires donors to be attuned to the multiple political factors that are **shaping Burma's apparent transition, including but not limited** to: the internal dynamics of the military, ruling party and government; the relationships between the government, the democratic opposition, and ethnic nationalities; the dynamics within the democratic opposition; the dynamics within the ethnic nationalities; and the relationships of all the key political players to Burmese society at large and emerging civil society leadership. Each of these dynamics is extremely complicated and deeply layered in their own right, and developing a working understanding of them is an overwhelming task for most donor agencies. This task is made more difficult by the fact that each of these dynamics has historically be extremely opaque, and largely remains so today **despite the increased openness of Burma's political landscape in recent** months. Nonetheless, failure to develop a working understand of the social, economic and political dynamics of the key contesting groups in Burma will leave donors open to errors in judgment and programming that will complicate the transition efforts. This challenging terrain, therefore, argues for interventions that can be carefully developed through thorough analysis, broadly consultative



processes, and an avoidance of program areas that are most subject to politicization.

An area of related concern is how different types of development have the potential more broadly to create winners and losers. Statebuilding and peacebuilding can quickly undermine each other in conflict situations where the government is both a development actor and a party to the conflict. This is particularly worrisome in the case of those development strategies that may

“We have not been fighting against the Tatmadaw for sixty years in order to lose our land and watch our children become slaves on some industrial farm that benefits our rich neighbors and their friends in Naypyidaw.”

– Anonymous Shan civil society leader

upend traditional economic arrangements on which already marginalized groups are heavily reliant. As one ethnic civil society leader commented, “We have not been fighting against the Tatmadaw for sixty years in order to lose our land and watch

our children become slaves on some industrial farm that benefits our rich neighbors and their friends in **Naypyidaw.**”²¹ This fear of mega development projects and strategies for ethnic areas that are developed in Naypyidaw without consultation by affected-communities was pervasive among ethnic and civil society representatives interviewed for this report. As the experience of the Yadana pipeline project has shown, the disparity between the beneficiaries of such large-scale development projects and those who bear the true costs of those projects creates a rich environment for conflict to develop.

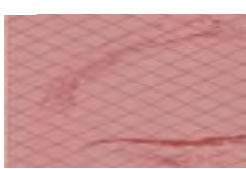
In a transacted transition, elite power struggles over economic interests can have a particularly disruptive impact. Economic policy reform in such an environment must seek to realign the entire incentive structure with regard to those who have benefitted most from the old system. It is one thing to convince vested interests

²¹ Interview with author, Yangon, Burma (February 2012).



that they are better off with a smaller piece of the growing pie that will be created by more sustainable and broader based economic growth. The bigger challenge, however, is to convince them that the real threat to their interests lies in a failure to adapt to a new, more open economic environment by continuing with the behavior that led them to success in the past. This second, absolutely critical element requires a range of systems and recalibrated incentive structures to be in place. While this is an area where donors and international institutions have a potentially unique and positive role to play, they can also miss this opportunity by their choice of development strategies or by failing to themselves employ and reinforce high standards of transparency, accountability and inclusiveness. At the same time, donors should understand that no amount of external assistance can ultimately be substituted for the necessary political skills, political will and measure of sheer luck that is necessary to negotiate all the moving pieces of a transacted transition.

In addition to finding modes of working with a government that suffers from a legitimacy deficit, the donor community must find an effective mechanism for genuinely engaging political actors who enjoy higher legitimacy values but who are not as well represented in the official institutions of government. As previously noted, Aung San Suu Kyi has indicated that she trusts President Thein Sein, and has shown through her participation in the by-elections that she is prepared to take risks in support of this reform process. Nonetheless, she has also expressed her concerns about the depth of commitment to these reforms on the part of the military and has cautioned the international community not to vest too much significance in any single event as this process moves forward. While there is a strong hope within the NLD that their participation in parliament will give them a voice in the government's policies and decisions, the NLD intends to continue extra-parliamentary activities and keep organizing through focused outreach to young people and women. It is not taking anything for granted.



This strategy is evident in the NLD’s party platform, which emphasizes a durable peace with the ethnic nationalities, development of the rule of law, and constitutional reform. These are not just feel-good slogans, but represent a carefully considered approach to the country’s political and economic model of development. By necessity, as the party outside government, the NLD’s platform is more focused on issues related to getting the government out of the way of the people than on ensuring that it is doing a better job on service delivery. There is an intuitive understanding on the NLD’s part of the double bind that

“Everyone keeps talking about the ‘light at the end of the tunnel.’ Yes, we can see the light at the tunnel; but the fact is that we are still inside the tunnel.”

- ***U Win Tin, NLD Advisor***

government-led development can place on the party, and they are trying to negotiate it by articulating a vision of development that is focused on building up credible effective institutions, and empowering people to be more self-reliant and independent, rather than binding them to the government through service delivery.

Instead of talking about how the international community can use aid to ‘support the reformers’—a mindset that draws them directly into domestic political struggles—donors should be focused on supporting a broader set of reforms that will allow the Burmese people to control their own destiny through stable, well functioning democratic and economic institutions. This means maintaining rigorous standards, in addition to moral and financial support, for: an effective and independent legal and regulatory environment; a high degree of accountability and transparency, particularly around financial matters; legislation that supports international standards for protection of freedoms of speech, assembly and association; a justice and security sector that is organized around securing the rights of the people to live in peace; and peace processes, agreements and constitutional reforms that lead toward genuine autonomy for ethnic nationalities.



Donors also need to worry less about their ‘relationship’ with the government, and more about doing the right thing for the people. This means insisting on transparency where some in the government think that concealment is more politically convenient, and making decisions based on data rather than efforts to support a particular group or individual. It also means prioritizing slower but more sustainable political reforms over quick fixes that will have to be later renegotiated, possibly under even less favorable conditions.

Country Ownership in a Contested Environment

‘Country ownership of development’ may be the most overused phrase in the development lexicon today. Despite the concept’s ubiquity, donors are still struggling to define how it works, particularly in fragile states with limited capacity for the government to adequately or legitimately reflect the preferences of the population. The first danger is that of ‘country ownership of development’ becoming ‘government ownership of development,’ which is problematic when linked to a government that lacks popular legitimacy. While the state’s chronic underinvestment in service delivery systems and socio-economic public goods make these ripe for an infusion of aid, it is essential that donors recognize the limits of their role and focus on building sustainable systems that have democratic legitimacy and will function without relying on indefinite external support.

Given the government’s legitimacy gaps, donors need to carefully consider how they can develop consultation mechanisms that allow for multi-stakeholder participation, without inappropriately drawing the donor into internal political struggles. At present, donors should not consider parliamentary review or consultation to constitute a sufficient stand-in for a genuinely multi-stakeholder approach. The national and local parliaments will remain deeply

unrepresentative and illegitimate institutions, even under the best-case scenario for the April 2012 by-elections. Assuming that the April 1 election is credible, a full 93% of the seats in the national parliament will continue to have been elected under highly undemocratic circumstances. Going forward donors will have to

develop a mode of dealing with the NLD that recognizes its superior claim to political legitimacy, while negotiating the reality of its official political minority. This has been a tremendous challenge for the international community in other contexts, such as in Zimbabwe and Cambodia.



We're all democrats now.

Photo: Guardian

In the ethnic areas, where development is already politically polarizing, the legitimacy levels of local parliaments and local armed groups that claim the mantle of ethnic community leadership vary considerably. The donor community also needs to be aware of any impulse on the part of the authorities to substitute economic development for resolution of political issues, and avoid being drawn into these efforts. Those in conflict areas and other marginalized communities, are not focused primarily on income, but on dignity, accountability, opportunity **and a completely different set of development issues than what the 'development community' is often fixated on.** There will be strong resistance across ethnic communities to any development agenda based solely or even primarily on an elite Burman consensus. These communities have been down this road before, and know where it ends. Ethnic communities are supportive of democratization but only to the extent that they see it as a path for their genuine engagement in a political process that leads to reconciliation and resolution of their political issues with the center. Donors have a potential mediating role to play in making



sure marginalized voices are heard by setting the example of a balanced and inclusive approach to these communities, and putting safeguards in place to ensure that local communities, rather than interests in Naypyidaw or Yangon, are empowered to set their own priorities for development.

While those areas of the country worst affected by conflict and disaster will likely need some longer-term support, much of Burma presents the donor community with a good opportunity to go in, transfer skills and get out without fear of leaving **it an ‘aid orphan.’ For this reason, it is concerning to hear some agencies discuss** providing budget support to Burma as if this were a desirable end-state goal. Instead donors should be working toward shaping an environment where the **government’s policies are such that it is never *necessary* for the donor community to provide budget support to Burma. That is a stage of ‘development’** that it would be nice to see Burma skip, through healthy growth and wise use of its natural resources. Donors should build contingency plans and exit strategies into their programs from the start. The goal should be for aid agencies to work themselves out of a job, not create a situation where donor inputs are needed in perpetuity. To encourage long-term thinking by and sustainability for implementing partners, donors have to find that line between stable support and aid dependency.

At the same time, donors have to be aware that transitions can go in both directions, and have to be prepared to change their strategy to reflect backsliding in political reforms or deal with intensified conflict situations. Donors also need **to make sure that the Burmese government has some ‘skin in the game’ when it** comes to both development and national reconciliation. Country ownership should mean taking up financial responsibility, not just telling donors what you are going to do with their money. If the government can get the macro policies right, it can potentially have substantial revenues at its disposal. If these are well-**deployed to the benefit of the Burmese people, they can help achieve Burma’s**



often stated goal of ‘leap-frogging’ over stages of development. Matching fund requirements, resource trust funds, responsible revenue policies and transparent fiscal processes are all potentially part of the equation.

The Man with the \$66 Million Dollar Plan

Since January 2012, rumors have abounded that the Naypyidaw government has developed a **\$66 million ‘peace-building fund’ to support implementation of ceasefires and economic development in ethnic nationalities areas.** According to a report from the Shan Herald Agency for News on February 6, Railways Minister **Aung Min, the president’s point man on negotiations with ethnic groups, briefed Shan leaders on the fund.** He reportedly told his Shan counterparts that \$66 million was **the fund’s one-year budget, and it was to include development initiatives in ceasefire areas and support for political dialogue.** He said **there would be a board made up of representatives of donors and ethnic ‘beneficiary organizations’ that will manage it, but that “Naturally, I won’t be on the board.”**

Aung Min also reportedly informed the Shan negotiators had secured support for the fund from several donors, with Norway said to be in the lead both in terms of financing and as **the lead donor representative on the fund’s board.** The author was later told by other **sources that Norway is meant to be ‘in the lead’ on the fund. Other expected donors** have been identified as Switzerland, Japan and South Korea.

In a follow up discussion with an ethnic leader who had been briefed on the fund by Aung Min, the author was told it was unclear how the government had arrived at the figure of \$66 million or who had been consulted on the proposed structure and activities of the fund. While praising Aung Min for his style and seriousness in negotiations, this ethnic **leader did express concerns that the even the “good guys” within the government saw economic development as a substitute for genuine autonomy and other political issues that have driven ethnic groups’ conflict with and mistrust of the Burmese state.** Other ethnic leaders interviewed for this report echoed this sentiment.



Donor Coordination: “Herding Cats in the Middle of a Goat Rodeo”²²

Since the size of the donor community in Burma has been relatively small and has largely had a set of shared values up to now, donor coordination has been fairly easily accomplished—at least among the OECD donors. Working level cooperation among donors has been largely informal, through mechanisms such as the Partnership Group for Aid Effectiveness (PGAE), and UN-led forums that include INGOs and civil society. With the exception of Nargis and the TCG, the restrictions most donors had on working with the government and the **government’s often**-hostile attitude toward aid activities meant that working out a formal mechanism of coordination with them was generally left to the UN or handled on a project-by-project basis. Transparency of some activities, particularly certain risky civil society and political initiatives, has been low by design and necessity, but donors who supported these activities found means of effective quiet coordination.

As the size and diversity of the donor community scales up, and the development **environment potentially becomes more ‘normal’, however, the nature of** coordination has become a key issue. The danger of uncoordinated donor interventions overwhelming the system is very real in Burma. In this current phase, where many new actors and activities are entering the environment, and **the government’s attitude toward the development community is changing, calls** for formal coordination mechanisms that put the government in the driver seat have increased. At a practical level, as donors move along the continuum from humanitarian to development assistance, and projects become more complicated with longer timelines, the need for coordination becomes more pressing even as it may seem less urgent. Yet, there are a number of divergent ideas about the primary purpose of coordination, what the mechanisms should be, and who

²² The author is grateful to an anonymous, long-time Burma watcher for this colorful description of what donor coordination can be expected to look like in Burma after the internal and external restrictions come off assistance.



should be involved in and in the lead on those efforts in Burma. For those donors who are concerned about supporting the reform process, the architecture of coordination should be less important than getting the values and standards for donor behavior right.

The government's views on donor coordination are shaped most by its experience with the TCG, where it was dealing with the UN (representing the donor community writ large), and ASEAN serving as a kind of mediator or translator for both sides. While that model may have been quite comfortable for the government, and tolerable for the international community because of the emergent nature of the situation, such a confined coordination mechanism will not be adequate to the longer-term nature of managing development initiatives.

The UNDP has asserted itself as the lead agency for donor coordination by announcing that it is working with the government to plan a donor roundtable before the end of the year, and by convening other coordination activities. For a variety of reasons, many of which have less to do with faith in the UNDP than internal strategic considerations, most donors have accepted this role for UNDP. They are not without concerns, however. The UNDP announcement on the roundtable was made without prior consulting with key donors, several of who have previously expressed concerns about UNDP operations in Burma.

While high-profile donor roundtables can be a useful means of focusing attention on a country context and securing pledges of assistance, it is the more routine daily business of donor coordination that actually matters on the ground. While the UN may be in the lead, it will be up to all donors and their implementing partners—including the government—to ensure that coordination is effective. Their support for openness and transparency, demonstrated on an ongoing basis through their daily operations, will be critical. Transparency serves as the base and creates opportunities for accountability. In order to make information not



just available but accessible, donors should take advantage of new technologies that can increase transparency and effectiveness by capturing and sharing real time data about inputs, outputs and results. The EU-funded UN-run Myanmar **Information Measurement Unit's (MIMU) "Who, What, Where" open data** collection system has been a promising example of the use of technology and user-generated content to support donor coordination, transparency and aid effectiveness. It will need to be continually upgraded and scaled up to ensure it continues to be a useful tool for donors.

A key issue for some donors, particularly larger countries that have multiple domestic agencies with overseas activities, will be internal coordination of their own efforts. The United States in particular expects to leverage funding streams from various agencies in addition to the traditional aid channels to plus-up the overall assistance package. The vast majority of these agencies will have little or no experience working in Burma, and their tight focus on sectoral issues can lead them to be unaware of or come into conflict with broader policy goals. Some bilateral agencies that do have experience in Burma, such as the U.S. Drug Enforcement Agency, have not always displayed the firmest grasp of or commitment to the underlying policy issues of human rights, democratization and national reconciliation. Given the concentration of drug cultivation and production in ethnic nationality homelands, and serious allegations of involvement of security forces in drug trafficking, it will be essential for the U.S. and other donors who are involved in mitigation and eradication efforts to be closely managed under a coherent policy framework that remains grounded in core political objectives. This is likewise true for national trade promotion agencies, whose agendas have been problematic in Burma and other contexts.



When Worlds Collide: Balancing Development & Political Reform Imperatives

Donors can help mitigate the risks of instrumentalization and some of the other dangers inherent in the Burmese context through the application of strong standards to their work. The question then becomes, however, which standards? When looking at best practices for the development world, as articulated in documents such as the *Paris Declaration*, and comparing these to the international human rights standards that civil society and some donors would like to see applied to development and political reform, both the overlap in ideals and the tension between government prerogatives and individual rights is apparent. In the real world of economic development and political change, how these tradeoffs and transactions that the parties confront are resolved often depends on the higher order priorities of the different parties. It is in this context that the debate over sequencing of political reform and economic development often arises, and Burma presents a fertile environment for such a debate.

“Western donors need to see accountability, transparency, consultative approaches and high standards as a comparative advantage. Strategically, it is much smarter to operate in the way society is moving—or wants to be moving—and not where it is trying to get away from.”

The most recent High Level Forum on Aid Effectiveness, in Busan, South Korea (2011), reaffirmed the Paris Principles, including the focus on country ownership, and strengthened the language on use of country systems, setting them up as the ‘default’ option. Busan also encouraged greater ‘south-south’/horizontal cooperation among states, and a focus on helping fragile states to achieve the Millennium Development Goals.



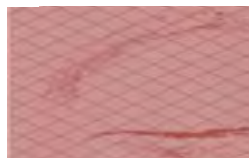
Busan & Beyond: Principles For Aid Effectiveness

The *Paris Declaration* (2005), which outlines the following five fundamental principles for making aid more effective, remains the guiding document for donors:

- 1. Ownership:** *Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.*
- 2. Alignment:** *Donor countries align behind these objectives and use local systems.*
- 3. Harmonization:** *Donor countries co-ordinate, simplify procedures and share information to avoid duplication.*
- 4. Results:** *Developing countries and donors shift focus to development results and results get measured.*
- 5. Mutual accountability:** *Donors and partners are accountable for development results.*

Source: Organization for Economic Cooperation and Development

Donors should start by working from the areas of common concern and interest that have beneficial implications for both broad-based and balanced economic **and political development**. As one government official noted, “Western donors need to see accountability, transparency, consultative approaches and high standards as a comparative advantage. Strategically, it is much smarter to operate in the way society is moving—or wants to be moving—and not where it is trying to get **away from**.” **Transparency, accountability and consultation in** particular are key pillars for both successful economic development and the building of a healthy political culture. While development is no substitute for



resolving political conflicts, there is a need to ensure that poverty alleviation strategies are linked to conflict prevention efforts from the outset in order for the development interventions to have lasting results. Burmese stakeholders are themselves calling for high standards on investment and development, including talk of requiring cultural and environmental impact statements for any future project contracts. These impulses should be strongly supported. Donors **must avoid the temptation to say something is ‘good enough for Burma’** and hastily throw together programs or fail to criticize badly drafted legislation because of a sense of time pressure or a belief that because everything is so broken in Burma, anything constitutes an improvement in the situation

Other key areas where political reform and economic development goals overlap substantially are the issues of property rights and greater access to credit. These have both been widely identified as key to economic development, and they are also highly desirable, interrelated aspects of a well-functioning plural society. These areas are both extremely problematic in Burma at present, including in ethnic areas, and even marginal improvements in both will have tremendous socio-economic and democratic benefits. Secure property rights are intimately linked to democratic values, and provide a key basis for accountability and demand-driven reform. The ability of small plot holders to secure title to their land and use that as collateral to access market rate credit is potentially economically transformative for the majority of Burmese who operate in the agricultural sector. Even small reforms on a bureaucratic level, such as adding a second line on property registration forms to put info on another holder, can have important political impacts by dramatically increased female property ownership and securing land tenure across generations. The growth of micro-lending projects in recent years is opening some avenues to rural credit, but it is no substitute for a functioning banking system and normalized rural credit schemes.



The Development Industrial Complex

The findings coming out of the Busan Forum show the traditional donor community, which is the focus of this report, facing a number of challenges: the proliferation of new players, new models, and new objectives; the effort to integrate lessons learned, some of which are contradictory or ambiguous; and a **general sense that ‘aid’ as both a concept and in practice, is increasingly less relevant to development**. Burma represents a test case for many donors to prove that aid can make a difference—or even **‘the’ difference for a transitional country**—and that the aid effectiveness agenda is meaningful in the hard cases. Burma has relatively limited experience with what one contact referred to as the **‘development industrial complex’ and limited capacity to sort through all the projects, ideas and initiatives being proposed by well-intentioned donors**. These limitations, together with the contest over legitimacy in the ongoing national reconciliation processes in Burma, raise valid concerns about the possibility for achieving genuine country-ownership of development.

One aspect of country ownership that donors and agencies do not often consider is how their manner of operations and the optics of their presence can send the clearest message about who controls the development agenda. Anyone who has worked in a transitional environment is familiar with that moment when the aid or investment deluge hits: the sudden invasion of shiny white Land Cruisers and multi-national staff; any local person with English language capability becomes a hot commodity; Irish pubs and quiz nights proliferate (along with sleazier elements such as prostitution); and the price of anything of importance to expatriates—taxis, hotels, restaurants, et cetera—heads skyward. Local populations, who may start out eager for the engagement and support of the international community, can quickly grow resentful of the bubble economies and cultural impositions that are often the byproduct of its expanded presence among them.



This dynamic is already underway in Yangon. Most Burmese know that their country has fallen hopelessly behind, but they are also quite proud, nationalistic and insistent on setting their own path. Civil society actors in Burma regularly expressed a sense of unease that certain agencies are more interested in cultivating their relationships with the government **and ‘getting a foot in the door’** than in helping those most in need. Several contacts pointed out the poor optics **of the offices of the UN Office of Project Services’ (UNOPS) poverty alleviation** programs being located on the grounds of a luxury hotel, overlooking the golf course and swimming pool. Others criticized what they perceived as the poor quality of UN programs **and a lack of “backbone” in dealing with the** government. These critics often expressed a sense the UN has not vigorously asserted its protection mandate with the government, most recently in the Kachin State.²³

These negative views have developed while the UN is operating under a restricted mandate with a relatively small international footprint. Some donors, and the UN itself, have suggested that giving the UN greater flexibility and a full-fledged country team to work with the government will attract higher quality staff and result in more effective and sustainable programming. While there is some logic **to this contention, the UN’s inconsistent** performance in Burma suggests it will need to make a concerted effort to build confidence with broader range of stakeholders, and that it cannot simply assert a right to leadership on certain activities by virtue of its mandate. Those countries that—due to a policy preference in support of multilateral mechanisms or lack of capacity to program funds themselves—deploy substantial funding primarily through UN agencies have a particular responsibility to ensure that it meets the highest standards in terms of consultation with civil society, transparency and other key values.

²³ Confidential interviews with the author in Maesot, Chiang Mai and Bangkok, Thailand (February 2008 and September 2008), Yangon (February 2012) and Washington DC (October 2011, January 2012, March 2012).



The Human Element: Capacity Gaps & Societal Catalysts

Expertise on Burma is thin relative to the expected needs of an expanding aid and investment climate. Even agencies that have been in Burma for a long time have limited understandings of the country and what is happening within its opaque political and economic systems. Donors also need to have realistic expectations about the role that aid can play in transforming such a society. The existing international development system is designed to funnel money to well-governed poor countries, and its track record is quite mixed on the role of aid in supporting fragile states and transitions. Moreover, the development community has found that technical assistance has not generated the kind of results they hoped for; nonetheless, it still makes up large part of ODA and most donors are anticipating their programming in Burma will feature a strong focus on technical assistance and capacity building.

Capacity development will be an evolutionary process requiring time and space. As one recent visitor to Burma, an international development expert with decades **of experience in transitional contexts, commented, “We may have underestimated just how incompetent the government’s systems are.”**²⁴ There are too many instances to cite of how the military government has put the wrong people in the wrong job in charge of the wrong issues. There is also tremendous inertia on both the supply and demand side as a result of the diminished capacity and expectations around the functioning of government. Civil service reform is not a luxury in Burma.

By the same token, there appears to have been an underestimation of how resourceful, inventive and resilient the Burmese people are, especially when they are given the space and incentives to unleash their talents. In this regard, it is useful for donors to understand the coping mechanisms that communities have

²⁴ Confidential interview with author, March 16, 2012.



created to deal with development shortfalls they face and try to build on those **rather than replace them with a donor's model program that has to be adapted to** local needs. In addition, if donors try to use these slow rebuilding processes as political deliverables that need to show quick results, they could end up undermining the entire effort.

Donors should look to the coping mechanisms that communities have developed in the absence of functioning government, and build on those instead of retrofitting their preferred way of doing things into the Burmese context.

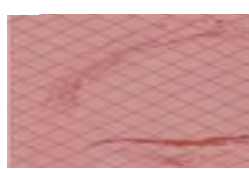
There is also a need to have mechanisms for the Burmese private sector to be involved in these discussions, and in Burma there is strong interest among the local business community in such dialogues.

To the extent that it can, aid should serve as a catalyst for healthy private sector development. Donors should also not overlook the important role that religious communities and leaders play in **Burma's multi-confessional society**. From monastic schools to church-run health clinics, there are tremendous opportunities for nimble donors to support organic efforts that can strengthen local communities from the bottom up.

No Talk about Security Sector Reform, Please; We're Burmese

Up to now, donors have evinced little interest in discussion of security sector **reform as part of Burma's transition process. This appears** to be due to concerns about the perceived fragility of the reform process, specifically a desire not to provoke the hardline faction of the military into open opposition of President **Thein Sein's agenda. While this is understandable, it is a potentially dangerous** deferral. The issue of security sector reform needs to enter the discussion sooner rather than later. At an estimated manpower of 350,000²⁵, **Burma's military**

²⁵ Estimates of the current force strength of the Burmese armed forces, or Tatmadaw, range from less than 300,000 to 600,000, but the most reliable are around 350,000. For an explanation of



forces are among the largest in Southeast Asia. For example, the regular army in Indonesia—a country with a population of approximately 240,000,000, or 5-6 times that of Burma—is approximately 233,000.²⁶ **Estimates place Burma’s** security expenditures at around 25-40% of the national budget²⁷, and the true number may be higher. This is obviously unsustainable from both governance and development perspectives. Donors should be loath to use their assistance funds to permit the government the budgetary space for such excessive spending on the coercive elements of the state, especially if they are serious about supporting the deepening of nascent reforms. Donors will need to have safeguards against this in place, but these will only go so far absent fundamental **changes in Burma’s force doctrine, posture and structure.**

One likely avenue for opening the dialogue will be the public expenditures assessment that the World Bank intends to conduct as part of its return to Burma. A follow-up donor-funded security sector survey would also be a useful tool for helping to understand better what that spending is going for, and making recommendations for right-sizing and reorientation of the Tatmadaw, as well as the police and the various paramilitary institutions. These discussions will also be a critical element of peace processes with the ethnic nationalities. In addition, intermediate contacts with the security sector—including support for demining and demobilization around the implementation of peace processes, counter-narcotics efforts, etc.—also provide potential opportunities to begin addressing

this variance, see the 2010 blog post by the Australian scholar Andrew Selth, a leading expert on **Burma’s military**, “**Burma’s armed forces: does size matter?**”, available at:

<http://www.eastasiaforum.org/2010/09/17/burmas-armed-forces-does-size-matter/>

²⁶ Anthony Cordesman & Martin Kleiber, *The Asian Conventional Military Balance in 2006: Overview of Major Asian Powers*; (Center for Strategic International Studies, Washington DC; 2006), http://csis.org/files/media/csis/pubs/060626_asia_balance_powers.pdf.

²⁷ As with other statistics, the percentage of the budget spent on the military is a subject of much dispute. While 40 percent has routinely been cited in the media and other sources (see, Jayshree Bajoria, “**Understandin Myanmar**”, **Council on Foreign Relations Website**, updated **September 29, 2009**; <http://www.cfr.org/human-rights/understanding-myanmar/p14385>), in the most recent budget proposed by the government, stated military spending is around 25% (Ahunt Phone Myat, “**Budget Revamp Targets Health, Military**,” *Democratic Voice of Burma*, February 1, 2012; <http://www.dvb.no/news/budget-revamp-targets-health-military/20023>).



larger structural issues. While donors may be concerned that greater transparency in this sector could be destabilizing to the reform process, a failure to address these issues will allow the security sector to retain an unhealthy degree of influence and ultimately weaken the prospects for reforms. Donors, and the Burmese themselves, need look no further than the examples of Cambodia and Indonesia to see the consequences of delay in security sector reform versus benefits of addressing those issues at earlier opportunities during a transition.

With regards to issues of accountability for abuses and transitional justice, most of those contacted for this report were of the view that justice should be restorative to the maximum extent possible, and not primarily retributive. If there is a desire for it on the part of the Burmese people, an independent Commission of Inquiry, which was supported by elements of the international community to examine issues of crimes against humanity, should still be considered a viable option. Rather than focus on indictments, it could serve as a neutral fact-finding body that would feed back into local reconciliation processes. Whatever process is designed has to be the result of consultation among the ethnic nationalities, the government and the democratic opposition. These parties will have to work together to achieve national reconciliation in the short term and the long term. While the short term objectives should focus on ending and preventing abuses, and restoring the victims so they can pursue a safe future, the chosen mechanism should not abdicate the right to address issues of accountability over the longer term.

Friends Across the Border

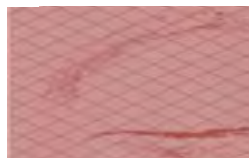
The potential opportunity to scale up activities inside Burma has led some long-time donors to reduce or end their support for the range of institutions that have **been built up outside Burma's borders over the past 20 years**. This includes not **only political groups that conduct a range of activities in support of Burma's**



democratic movement and ethnic nationalities struggles, but also exile-based media, refugee assistance and cross border programs that aid internally displaced persons and other conflict victims. While many of the donors who have historically supported these efforts outside Burma continue to do so, the loss of key funders and the potential loss of others has reduced the capacity of these organizations to support their confederates inside Burma. This has raised concerns among the refugee communities that they are going to be forced to return to Burma prematurely.

With regard to the refugees in Thailand, Malaysia, India, Bangladesh and other countries, for most the situation in their homelands remains largely unimproved despite recent moves to extend ceasefires. Peace talks with ethnic armed groups are, in some cases, moving forward but these are only the first steps to creating an environment where refugees can potentially return to their homes. Even completion of talks on political issues will not necessarily mean that refugees will be able to return, as there will be a number of issues—demining, land tenure, destruction of villages and farmlands, military presence—that will take time to be addressed. It is useful for donors, host countries, the UN High Commissioner for Refugees, and the affected communities to begin a comprehensive dialogue on planning for return, but any precipitous action to push refugees back before the necessary groundwork has been done would be ill-advised. Experience has shown that premature attempts to repatriate refugees in conflict-prone or post-conflict environments can often result in conflict over resources, insecurity of affected populations, and renewed refugee flights.

Cross border assistance continues to be vital to many communities that remain inaccessible from within the country, and the objective for donors should be to work toward efforts that link internal and cross-border assistance. While encouraging refugees and IDPs to focus their gaze within Burma for assistance, donors should not discount the need for continued cross-border programming as



long as access to key areas remains difficult. Ultimately, these services can work as a bridge for reconciliation and reintegration, particularly if they include processes for integrating the cross-border and border-based health and education workers into the formal sectors in their homelands. Donors should encourage the establishment of a scheme for these skilled individuals to be professionally certified in their native languages and given a path to use their skills to help rebuild their communities. Failure to do so would be a waste of decades of donor support for capacity building, as well as a systemic denial of real help to communities that desperately need it. Helping the Burmese and other governments to see intermediate cross-border aid as a normal and effective means of addressing humanitarian needs is also critical, in order to ensure that humanitarian access is not further politicized.

Further to this, the various political and non-governmental entities that ethnic nationalities have developed outside Burma will continue to play a valuable role in gathering information, serving as a voice for underrepresented communities and providing a safe forum for ethnic political leaders to meet, both within their own communities and in forums focused on ethnic national reconciliation across the groups. While some ethnic leaders have been able to remain in or travel to their homelands, this is definitely not the case across the board. Forums for **inter-ethnic dialogue, as well as human rights, women's and labor groups working with** specific ethnic communities, that are based in Thailand and elsewhere continue to provide critical venues for trust-building, training and advocacy.

With regard to Burmese political activists and media linked with the democratic movement, these groups have valuable skills and strong connections to their colleagues inside Burma. Their integration into appropriate internal structures can strengthen those structures but there is also the potential for conflict if these transitions are not handled with respect on both sides. The present dynamic is quite positive between inside groups and their external supporters, and donors



should be conscious of how their decisions on matters such as hiring of local staff and selection of local partners are implicated in this reintegration process. It is also useful, for the time being, to maintain external groups and media outlets that can help fill in and report on information about what is happening in Burma for an external audience, especially while some elements of censorship of the internal media and restrictions on non-party political organizing remain on books.

The Other Cross Border Issue: China

The role and influence of China in Burma is a subject that deserves and has received full treatment elsewhere, but in the context of how OECD donors should approach Burma, it is also a highly relevant issue. The experience of most Burmese with Chinese development assistance to Burma has been negative. While there is a general appreciation for the economic success China has achieved, there is also wariness within civil society toward the human and environmental costs of the Chinese model of development. The Burmese interviewed for this report overwhelmingly rejected the “Beijing Consensus” as a suitable model for Burma and the government’s apparent decision to move ahead with political and economic reform simultaneously is a kind of rebuke to this model. Burmese contacts also expressed a deep suspicion of China’s investment strategy toward Burma, and there is a clear danger that anti-Chinese sentiment could become a coalescing issue across otherwise divided political factions.

While the need and desire to involve China in donor coordination mechanisms is valid, the OECD donors should not allow China’s presence to undermine high standards or provide leverage for regressive, undemocratic elements in the Burmese political system. The Chinese development assistance model is a very different one from that ostensibly pursued by the OECD, and enjoining Chinese participation on donor roundtables on Burma is not going to change the



underlying logic of their policy. Donor countries that are engaged in various political stratagems in the region must avoid viewing their engagement with Burma through the context of their grand strategy toward China. Such an approach is likely to backfire on both fronts.

“Make haste, wisely.”²⁸

In terms of its natural and human resources, and its advantageous location and geography, Burma has a tremendous amount to offer its own people and those who wish to invest in its development. Because of the history of underinvestment to date, and the irresponsibility of much that has been done, there is great scope for putting in place a set of development and economic principles and regulatory frameworks that can promote healthy balanced growth. This is the stated desire of the government as well as the democratic opposition and civil society of all stripes. The key issue at this point will be harnessing these policy preferences into legislation, regulations and implementation. The international community has a **potentially helpful role to play, but must look to Burma’s** interests and not its own in doing so.

Even before the government began talking about poverty alleviation and sustainable development, donors and aid agencies had begun organizing **development seminars and training to increase the government’s knowledge and** capacity on these issues. Now that the government has expressly stated that these are its priorities, there seems to be an open door for advice and technical assistance. Unfortunately, everyone is trying to jam through it at once right now. Aspects of unhealthy donor competition are already emerging, and the list of **‘must pass’ legislation and ‘urgent’ priorities seems to grow longer by the day.**

²⁸ Ajay Chibber, UN Assistant Secretary General and UNDP Regional Director for Asia, writing in the *Financial Times* on March 20, 2012, after a recent visit to Burma. In Yangon, he reportedly cautioned the Burmese to “make haste slowly.”



A key role that agencies such as the World Bank and IMF can play, and seem to be playing at this time, is to get the government to slow down and take a breath. They need to prioritize and focus on getting the fundamentals right rather than rushing through legislation and policies that will have to be overhauled in short order or which suffer from a lack of strong institutional foundations. As Aung San Suu Kyi said in her address to the 2012 World Economic Forum, “Economic progress is dependent on more than the fiscal and monetary measures that have been advocated for Burma by international financial institutions. Such measures will need to be upheld by judicial and legislative reforms, which will guarantee that sound regulations and laws will be administered justly and effectively. We wish to create a political, social and economic environment that will bring ethical, **new and innovative investments to our country.**”²⁹

While it is understandable that there is a sense of urgency among some policy makers to do things as quickly as possible, quality investors are unlikely to reward the kind of chaotic policy environment that is emerging in Burma. The **government’s** recently announced foreign investment law, with its five-year tax holiday for new investment, is a good example of why. While tax holidays are commonly used by developing countries to attract investments, the World Bank and other institutions have found that they do not compensate for negative **factors in a country’s investment climate, and tend** to be a quick fix with more costs than benefits. They attract investors with a short time horizon—not the kind of investment that Burma needs more of. The more important factors for investment are issues such as basic infrastructure, political stability, labor costs, and overall low, predictable corporate tax rates.³⁰ The currency reforms that the IMF is working on with the government can and should go forward as soon as possible, but the World Bank and others should strongly urge Burma to hold off

²⁹ Aung San Suu Kyi, *Address to the World Economic Forum Annual Meeting*, January 26, 2012. <http://www.weforum.org/videos/aung-san-suu-kyi-annual-meeting-2012>

³⁰ Jacques Morisset, “Using Tax Incentives to Attract Investment,” *Public Policy for the Private Sector*, Note No. 23 (World Bank Private Sector and Infrastructure Network; February 2003).



on investment legislation at least until the Bank's initial forensic assessment of the investment climate—which the government has asked it to do—is complete. As several recent visitors to Burma have noted, the kind of responsible corporate investment that Burma is seeking will wait until the legal, regulatory and political environment is stabilized before it moves.

Clearing the Arrears

Burma is estimated to have \$11 billion in total external debt, approximately \$6 billion of which is in arrears. The largest holder of arrears is Japan, at approximately \$5 billion. The World Bank and ADB hold most of the remainder. There are three potential ways that a country can clear its account. First is repayment; second is forgiveness under the Highly Indebted Poor **Countries (HIPC) relief; and last is a 'fairy godmother' who pays all or part of the arrears tab,** usually in exchange for some economic benefit provided by the recipient country.

Because of its current and potential oil and gas revenues, Burma may not qualify for HIPC relief, and there have been suggestions that even if it did, it may not want to use that mechanism because there can be some stigma attached to it. In order to make a HIPC determination, the Bank must have a valid census, something that does not currently exist. While **repayment may be an option given Burma's** reserves of \$5-6 billion, doing so may not be **advisable because it would potentially put pressure on Burma's current** account at a time hard currency will be needed to address an expected explosion of demand for imports after currency reform. **Partial repayment by Burma, with the balance covered by a 'fairy godmother' seems** to be the most likely scenario.



Conclusion and Recommendations

Over the past year to 18 months, events in Burma have moved at a breathtaking pace, particularly when compared with the years of stasis and disappointment that have preceded this period. More than two decades after the dashed hopes of the 1990 elections, the NLD and Aung San Suu Kyi are poised to finally to take seats in the parliament—but as a minority party in a government that has been a stage-managed version of democracy up to this point. Whether these events represent a fundamental and irreversible change in Burma remains to be seen, but in some ways the international community has already made up its mind that the time has come to engage in Burma and more actively attempt to shape events there through diplomacy and aid.

After the April 1 by-elections, the current steadily rising stream of relatively restricted bilateral assistance to Burma could potentially become a uncontrolled flood. While well intentioned, such a massive influx of international interest and funds will present serious challenges to a fragile and already overwhelmed system. Moreover, the pent up demand of donors to work in Burma generally, and with the government in particular, is driving donor behavior in often-unhelpful ways. Rather than seeing the by-elections as a green light to go full steam ahead, everyone should take them as an opportunity to pause, assess, prioritize and develop sound strategies that have a high degree of buy-in from key stakeholders. The government and NLD will need space to bring the opposition party into parliament and negotiate that difficult terrain, while trying to continue moving forward on national reconciliation with the ethnic groups. The best thing that the donor community can probably do at that point, as long as things are going relatively smoothly, is to maintain a respectful and watchful distance. Unfortunately, this seems unlikely to happen and the deluge will most likely



grow. As the various parties and stakeholders involved seek to manage this evolving situation, it will be important for them to have fixed points on the horizon to help them stay on course.

To this end, Project 2049 recommends the following key principles that can serve as a guide for donors and aid agencies:

- Ensure core political issues—human rights, democratization and genuine national reconciliation—continue to guide the overall policy toward the Burmese government, and are not subsumed by aid priorities.
- Develop and maintain a high level of situational awareness, particularly regarding the political environment and conflict-affected ethnic nationalities.
- Articulate and adhere to high standards of conduct, especially around issues of transparency and accountability; require all partners to maintain the same standards.
- Maintain balanced engagement and engage the broadest possible range of stakeholders; provide at least as much emphasis and support on the **“demand” side as on the “supply” side.**
- Establish a diverse array of implementing mechanisms, especially for programming funds targeted at the grassroots and ethnic communities.
- Support a patient approach that focuses on core competencies, getting the **‘big issues’ right first, and long-term** planning, including contingency and exit strategies.



Specific Recommendations for Donors

Accountability & Transparency:

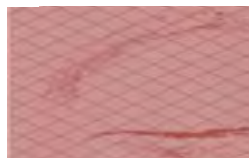
Engage multiple stakeholders through participatory planning and implementation processes. Given the continued weakness of parliament as a representative body, and the government's legitimacy deficit on key issues, donor consultation has to include mechanisms to engage multiple stakeholders from civil society. This will be more challenging than simply working through the parliament, but it is essential to ensure true country ownership.

Prioritize and practice transparency, not just to domestic audiences, other donors and the government, but more broadly to Burmese society. Putting information on the website is necessary but insufficient in a country with such low Internet penetration. Publish up to date data in different formats; translate as much as possible into Burmese; and use public diplomacy to talk about aid with specificity (amounts, agency partners, etc.).

Ensure the government has 'skin in the game' through matching fund requirements and other triggers that are jointly developed and rigorously enforced.

Aid Effectiveness:

Prioritize the macro interventions that support both good governance and sustainable development. Work on currency reform, fiscal management systems, financial sector restructuring, legal system reform, land tenure, and conflict resolution and prevention are urgent priorities for development. Security



sector reform needs to be brought into the conversation at the earliest opportunity, and the private sector should be integrated from the start. The sector leads for donor coordination on these priorities should bring a strong team to the table that can provide creative, effective leadership.

Develop true country ownership by focusing on beneficiaries instead of fixating on systems. Involve beneficiaries from the earliest stages of project development, and use participatory development techniques to ensure accountability and ownership. To the extent possible, donors should weight aid portfolios toward small-scale interventions that are suitable to the micro-contexts, rather than capital-intensive projects. Foster self-reliance and build local capacity through the use of CBOs, even on projects that are focused on systems strengthening.

Better to be right than first. It is better to spend more time understanding the context for programming, vetting partners, and developing well-consulted interventions than to be the first one in the door. The data gap is tremendous; give assessments time to develop so that project inputs will be more accurate and lead to strong programs that respond to genuine demands. There is plenty of work to do, and the population does not seem to be as impatient about the pace of reforms as the president.

Be a ‘ninja’ donor: strategic, patient and intelligently risk-tolerant. Invest in catalytic individuals and organizations that can have a multiplier effect in Burmese society. Many of the most energetic and strategic individuals in Burmese society are off donors’ radar. Their history and lack of formal qualifications may frighten off some donors or agencies, but smart donors and implementing agencies, will find ways to reach out to these individuals and the groups they are forming. Using smaller dollar amounts, spread around to a larger number of partners, allows donors to be more risk tolerant.



Set aside a substantial fixed percentage of funds for local civil society and community-based organizations, either directly where possible, or working through a well-respected implementing partner that can ensure funds reach the grassroots. Once an agency is cleared to work on projects with the authorities, there will be tremendous pressure to switch gears and start putting the preponderance of development resources into programs that are focused on improving government systems and capacity to deliver services. While these are important activities, donors should not abandon or deemphasize the civil society sector in order to work with the government. A balanced approach is vital.

Develop and implement horizontal programs in partnership with regional democracies who may lack financial resources but whose experiences are more closely related to Burma's, both temporally and substantively. Do not just use members of regional democracies' civil society, civil service, security sector, etc. as resource persons for capacity building, but forge a genuine partnership that brings in the regional partner in at the project design stage. Focus on low-visibility, small-scale efforts where nontraditional donors may be more likely to assert democratic values in a helpful way.

Diversify implementation mechanisms; remember that small can be beautiful. Look beyond UN agencies and INGOs for alternative implementing partners who can work closely with Burmese civil society and have a high trust basis among the key stakeholders. The amounts for funding do not have to be large, but the funding mechanism should be as flexible as possible. Look at non-traditional development partners such as local religious networks.

Maintain cross border programs, with a focus on how they can be used to support reconciliation and reintegration. Dialogue about potential refugee returns is useful, but must be broadly participatory and focused on preparedness of all parties for voluntary returns. Planning should include



mechanisms to integrate trained health and education workers into formal systems.

Donor Coordination:

Establish agreed donor values and principles for behavior first, then work out the architecture. Who is in charge of convening meetings is less important than the values that leading donors bring to the table. OECD donors should not lower standards because certain donors will not adhere to global best practices on issues such transparency, accountability and independent monitoring, or because the architecture for coordination requires lower standards.

Invest in and use interactive tools to facilitate better real-time integrated coordination—such as the MIMU database—and reduce the need for meetings that take up the time of both agencies and partners.

Such information sharing tools, when used effectively by donors and implementing agencies, are among the most effective investments donors can make in coordination.

Keep existing structures that are working to facilitate coordination, and expand them as needed to bring in those whose participation will add value. Do not include participants in coordination mechanisms for purely political reasons; if they have no functional purpose in being there, they should not be.

Unless security or similar considerations dictate otherwise, **donor coordination efforts should be as transparent as possible.** Think about coordination meetings like a city council meeting: webcast the general proceedings of meetings; allow public attendance and periodic open forums; create comment periods where the public can provide feedback; etc. Use limited executive sessions, and immediately report the outcomes.



Appendix: Profiles of Key Donors and Agencies in Burma

United Kingdom

In January 2008, the UK announced a planned doubling of its assistance package to Burma over the next five years from approximately \$17,000,000 a year to \$35,000,000. **In reality, DfID's** budget in Burma grew even faster and by 2011, was over \$50 million. The overall package for Burma was again expanded in 2011 as part of **DfID's** Bilateral Aid Review, and the UK is presently committed to provide at least £185,000,000 (approximately \$300 million) to Burma between 2012-2015, or \$75 million a year. These funding levels were announced prior to the onset of significant political reforms in **Burma, and due to the UK's compliance with the EU sanctions** regime it was not anticipated that any of these funds would be able to go through the government or be used on projects that directly involved the authorities. Nonetheless, the UK anticipated that it would be able to continue to expand its programs through the effective use of multi-donor trust funds, UN agencies (primarily UNDP, UNICEF and UNOPS), international NGOs and some direct funding to local NGOs. Under the EU sanctions regime, non-emergency assistance to Burma is limited to certain sectors (health, education, livelihoods, environment and civil society). DfID supports programmatic activities in all these sectors. Particularly noteworthy is **DfID's** effort to build the capacity **of local community organizations in Burma. Its Pyo Pin ("New Shoots")** project is often cited as an example of creative donor initiative, but DfID notes that it is a staff-intensive program of the type that other bilateral agencies are unlikely to be well positioned to emulate.

Since 2007, DfID has managed its Burma programs from Yangon, and has expanded the size of its program staff from 3 to more than 10 (with additional increases planned). It currently maintains the largest bilateral aid agency staff presence in Yangon, and has been the largest bilateral³¹ donor. Nonetheless, it still programs a large percentage of its funding through UN agencies and multi-donor trust funds administered by the UN. While the UK has repeatedly indicated its strong support for the sanctions regime in the

³¹ The EU has recently passed the UK as the largest donor overall.



EU Common Position on Burma, it also anticipates being able to quickly broaden its implementation strategies in Burma should the changed political situation permit it. The DfID mission, which is co-located within the British Embassy, maintains contacts with the National League for Democracy and important political figures to ensure that its work has buy in from key stakeholders. At the same time the UK has retained a robust commitment to maintain funding for refugees and, in 2007, publicly affirmed its commitment to participate in cross-border assistance efforts. More recently, the UK has been a leader in providing effective assistance to victims of fighting in the Kachin State. Whereas other agencies have been unable or unwilling to channel assistance through unregistered organizations, DfID has announced that it will do so in order to reach those in areas of the Kachin State not under government control.

While the UK has been on the cutting edge in terms of innovation and pre-positioning to work in Burma, its history as the former colonial power in Burma and a leading public critic of the regime puts it in an interesting position with the government. British development program initiatives have been able to move forward, generally without compromise and with the blessing of key stakeholders such as Aung San Suu Kyi, despite what should be a contentious relationship with the authorities. DFID as an agency is also very well suited to the Burma context in terms of how it has oriented its development focus and expertise in recent years. This is reflected in the fact that Burma was designated as one of the key countries for increased funding and attention well before recent political changes.



Australia

In 2010, the Australian Foreign Ministry announced that Australia would be expanding assistance to **the Burmese people. Over the next five years, Australia's aid level to Burma** is expected to continue increasing from its current level of approximately \$50 million a year, and Australia is expected to surpass the UK as the largest bilateral donor to Burma if current trends hold. AusAid, the Australian aid agency, manages its programs in Burma and has a small team in Yangon. In addition to humanitarian assistance in **response to recent disasters, Australia's development assistance is focused on health, education and agriculture/livelihoods. There is also a 'protection' element of Australian** assistance that refers to assistance to vulnerable populations, such as persons displaced by conflict, which is funded at approximately \$3 million/year. They also include Burma in regional HIV/AIDS and human trafficking efforts. Assistance is delivered primarily through UN agencies, as well as Australian and other international NGOs. The **government articulated Australia's approach to assistance in Burma in an interim** statement released in December 2010. Australia has been criticized by campaigners and groups representing refugees and ethnic communities for its refusal to fund cross-border assistance to IDPs in conflict areas.

Worldwide, AusAid's funding is growing faster than its capacity to program it. In Burma, Australia is attempting to build up its programmatic capacity, but there is a lag between their staffing pattern and funding allocation. Australia seems quite supportive of the multi-donor trust fund model, and can be expected to continue following the current pattern of aid allocation unless there is a substantial change in either the operations of these mechanisms or the ability of AusAid to do more direct management. That said, there is interest within the Foreign Ministry and AusAid in finding more innovative programming options that will allow more funds to reach the grassroots more directly, and which will support a more diverse range of civil society actors. Australia is also eager to move toward engagements that it believes can have a more long-term impact in **solving the structural problems that contribute to Burma's under-development.** Australia has sanctions in place that are similar to the US and EU restrictions, but Canberra has greater latitude to remove them because they were largely set up by the executive branch. However, Australia is unlikely to step out in front of either on this issue.



European Union

In February 2012, the European Commissioner for Development Andris Piebalgs traveled to Burma to announce that the EU would be providing an additional 150 million Euros (nearly \$200 million) in assistance to Burma for 2012-2013. Of that, Piebalgs said **100 million Euros was designated for 2012, bringing the EU's contribution this year to nearly \$200 million. The EU's funding in Burma had already been on a dramatic upward trajectory since 2007.** In 2011, the EU budget for Burma was approximately \$60 million, not including an additional \$12 million programmed through its humanitarian arm ECHO for emergency relief, making the EU the largest provider of ODA to Burma.

From a policy perspective, Burma is a good fit with the European Commission's "Agenda for Change" development strategy, which has an announced focus on strengthening good governance and democracy, as well as targeting resources to the poorest countries. The focal areas for EU funding in Burma are health and education, together with sustainable livelihood initiatives. Approximately half of EU funds in Burma are programmed through UN agencies, with the largest portion going to the LIFT fund managed by UNOPS. The UN can, therefore, be expected to be the biggest beneficiary of the large increase in EU spending. Up to now, the EU has been managing their assistance to Burma out of their mission in Bangkok, but Commissioner Piebalgs also announced that an EU representative office would be opening in Yangon in the near future.

During his visit to Burma, Commissioner Piebalgs came across as a man in a hurry to see sanctions go. He expressed an eagerness to be able to use the new funds to work with the government more directly, and set up the April 1 by-elections as a key litmus test for further movement on EU sanctions. While **not nearly as strict as US sanctions, the EU's Common Position on Burma does forbid direct assistance to the government, as well as a other sanctions limiting Burma's access to European markets and targeting the regime leadership.** In January, the EU announced it was temporarily lifting travel bans on Thein Sein and others in response to reform efforts up to that point. While internal deliberations are confidential, there is believed to be disagreement among the 27 members of the EU about how quickly to remove sanctions, with Germany and Italy having reportedly staked out a very aggressive position while the British, French and



some Eastern Europeans are believed to advocate a more cautious approach. The next review of the Common Position will be in late April, a few weeks after the by-elections.

Since 2007, the US, UK, UNHCR and other donors and agencies supporting assistance to refugees on the Thai-Burma border have been engaged in a frustrating dialogue with their EU counterparts over its approach to the refugee situation in Thailand. The EU has announced a policy to promote self-reliance among the estimated 150,000 Burmese refugees, many of whom have spent more than 20 years in the camps on the Thai-Burma border. While this is a laudable goal, Thai policies restricting refugees access to employment outside the camps have made it an unrealistic option in the near term. Donors have been pressing the Thai government for greater freedom of mobility and access to outside employment for camp inhabitants for years, with little effect in the Thai policy. Nonetheless, ECHO has moved forward with placing its funding for the refugees on a downward glide-path. They announced this year that their contribution would be reduced by approximately 15%, most of which was backfilled by the United States and other donors. Several smaller bilateral European donors have also reduced substantially or ended completely their support to the refugees in Thailand.



Norway

Norway is not one of the largest donors in Burma—their total Burma aid for 2011 was around \$23 million—but they are one of the most interesting in terms of the trajectory of their policy. Since Aung San Suu Kyi was awarded the 1991 Nobel Peace Prize, Norway has taken a strong interest in Burma and had a long track record **of support for Burma’s** democratic opposition. The Democratic Voice of Burma (DVB) broadcasts from Oslo and is supported primarily by Norwegian assistance. The Norwegians also provided substantial support to the refugee communities on the Thai-Burma border, as well as a range of pro-democracy, ethnic solidarity and human rights activities by border-based groups. While not a member of the European Union, Norway had traditionally followed **the EU’s policy on Burma. In fact, it had an even stricter investment** policy whereby the government strongly discouraged Norwegian companies from investing in Burma.

Starting in 2007, however, the Norwegian government began to change its approach and started to explore expanded support for activities inside Burma. Border-based groups began to have their funding from Norway cut back and saw an aggressively skeptical attitude from the Norwegian government toward their work. After Nargis, the Norwegian government publicly started questioning the wisdom of sanctions, calling for donors to shift their focus to inside Burma, and increasing their own contributions. In September 2008, a Norwegian diplomat in Bangkok informed the author that the various Burmese **and ethnic groups in Thailand were “all corrupt, lazy, and aid dependent.”** She went on to explain that Norway was hoping to shift all its Burma programs inside over the next few years, and work with the so-called **“third force”**³² groups that were emerging at that time. Norway was subsequently the first western country to send senior officials to Naypyidaw for talks with the authorities. They also were among the first western governments to publicly call for the mandates of UN agencies in Burma to be broadened to allow them to work directly with the government.

³² **The ‘third force’ was a loose group of Burmese who claimed they were positioning themselves as an alternative to the military regime and the traditional democratic movement as personified by the Generation 88 Students and the NLD. The third force types, often associated closely with the NGO Myanmar Egress, were heavily focused on development and ‘managed transition’ as a means to move the situation in Burma forward. Several of those who were involved in these groups are now advising the civilianized government.**



Today, Norway's profile in Burma is rapidly evolving. In January 2012, the Norwegian government announced that it was ending the policy of discouraging Norwegian investment and that Burma would be given access to the Norwegian market under the Generalized System of Preferences, the tariff-free regime under which other poor **countries' exports were accepted. The government has urged large Norwegian quasi-state corporations** such as Statoil and Telenor to engage the government in a dialogue about, respectively, responsible resource management and developing the telecommunications infrastructure. Norway has also been identified as the lead donor for a \$66 million **'peace-building fund' that Railways Minister Aung Min is touting as part of his effort to resolve conflicts with Burma armed ethnic groups. Ironically, Norway's reputation** among some of the ethnic nationalities groups has suffered in recent years because of cuts to border-based groups and a more general perception on the part of the ethnics that Oslo was abandoning them to pursue projects in Burma.³³ Norway still manages its Burma program from Bangkok, as it does not have an embassy in Burma.

While INGOs and others in the development community have praised the Norwegian approach, political activists in Yangon have been alarmed by what they perceive as Norway getting too close to the government.³⁴ **The government's policy shift on Burma** also has not been universally popular in Norway. Within the Norwegian parliament there remains a skeptical contingent that has closely questioned **the government's approach in racing ahead of the EU.** Development Minister Erik Solheim was pointedly criticized by parliamentarians in November 2011 for saying that Norway should give Burma **"whatever they ask for" in relation to sanctions and development.**³⁵ A development scholar who has been looking at trends in European and Nordic assistance policies in **recent years commented that Norway's changed approach is part of a broader shift** among certain European aid agencies, under which development agencies are downsized and the foreign and trade ministries are given a stronger hand in setting development policy. He noted that Norway in particular sees itself as a leader in the area of responsible extractive industry development because of its experience with North Sea oil

³³ Confidential interviews with the author in Maesot, Chiang Mai and Bangkok, Thailand (February 2008 and September 2008), and Yangon (February 2012).

³⁴ Confidential interviews with author in Yangon, February 2012.

³⁵ Norwegian Parliamentary Debate on Burma, November 22, 2011; available at: <http://www.networkmyanmar.org/images/stories/PDF10/nor-parl-22-11-2011-rev.pdf>



wealth, and has made this a niche feature of its development approach—including **deploying Norwegian corporations on ‘technical assistance’ missions to work with resource-rich governments**. While theoretically there is an argument to be made that **Norway’s model is worth showcasing in resource-rich** developing countries, there is an obvious conflict of interest given these corporations potential involvement in the **industries on which they are ‘advising’ governments**.



Japan

Japan's approach in Burma diverges from other OECD donors, in that Japan does not have the same restrictions on working directly with the government. Having also been a **former colonial power in Burma, Japan was once Burma's largest donor, and is still one of the largest**, with around \$50 million a year in assistance. It was one of the only ones that did not withdraw after the 1988 crackdown on pro-democracy protests, although they have suspended various forms of aid at times. The Japanese International Cooperation Agency (JICA) maintains a sizable staff in Yangon (and possibly the longest **conference table in Yangon**), and because they 'never left' probably have the deepest and best networks with the line ministries of the government of any OECD donor.

Having learned painful lessons from its aid binge in the 1980s, today JICA is one of the most data-focused and research-driven of aid agencies, and its programs in Burma are no exception. While JICA works with line ministries to develop priorities and identify program areas, its interventions are designed based on intensive independent research performed by a cadre of experts that the agency has developed over the past 20 years. Since 2003, Japan has focused its programming in three areas: urgent humanitarian needs, including basic health services, education, and agriculture and rural development; human resource development in democratization and economic restructuring; and regional programs that target ASEAN, particularly the newer members—or CMLV (Cambodia, Myanmar, Laos and Vietnam). In June 2011, the Japanese government announced it would consider expanded cooperation on development programs targeting **basic human needs on "a case-by-case basis" depending on the progress of reforms.**³⁶ Since then, Japan has expanded and upgraded its bilateral engagement with Burma. In anticipation of a successful April by-election, JICA will be shifting the focus of its programming in 2012. While human resource development will remain a key aspect, JICA anticipates resumption of involvement with infrastructure projects and a new focus on work in ethnic areas coming out of conflict.

The resumption of infrastructure projects is expected to be controversial both in Japan and with other donors. This is particular true because it is linked with the issue of arrears, which must be resolved before Japan can begin extending the kind of financing

³⁶ JICA, Factsheet on JICA's assistance in Myanmar, February 2012 (Courtesy JICA Yangon).



that would be required for renewed infrastructure work in Burma. Japan is the largest holder of Burmese debt, which is approximately \$5 billion in arrears with Japan as of February 2012.³⁷ While Japanese ODA in Burma has been inching back up in recent years, globally Japan's ODA has been leveling off. Given Japan's domestic fiscal situation, despite its history as a generous donor and continued commitment to act in that role, there has not been great scope for increases and the politics of foreign assistance have become more difficult. While JICA has reportedly expressed confidence that the arrears issue will be resolved by the time of President Thein Sein's planned April visit to Tokyo, other sources in the Japanese government have indicated that there remain unresolved disputes among the trade, development and financial ministries about the level of write-off that Japan can afford to take on Burma's debt due to its own fiscal problems. There are also rumors circulating that Japan intends to play the role of 'fairy godmother' in helping to resolve Burma's approximately \$1 billion in arrears with the international financial institutions. According to one Japan expert who also closely follows Burma, financial ministry officials are balking at such a massive outlay on the grounds it blows too big a hole in Japan's already over-leveraged balance sheet.³⁸ In addition, the US and other donors have expressed concerns about Japan's early re-engagement in infrastructure projects, arguing that it is too soon for such investments.

For its part, JICA indicates that any infrastructure work will initially be small scale. Nonetheless, other elements of the Japanese bureaucracy—particularly trade and industry promotion agencies—have been actively discussing the potential benefits of Burma as a transport nexus linking Japanese industrial facilities in Chennai, India, with mainland Southeast Asia. While Japan has up to now held off in major investment in the Dawei (Tavoy) port project, for example, there are indications that this could change if there were to be some adjustments in the management of that project that would give Japan a stake in it. Whether and how the arrears issue is resolved will be a key indication of the future direction Japan intends to take.

With regard to programming in ethnic areas, Japan was burned by a failed project in the Kokang areas that fell apart as an earlier ceasefire agreement dissolved. While they are

³⁷ Author interview with JICA office, Yangon, Myanmar, February 15, 2012.

³⁸ Confidential author interview, Washington DC, March 2012.



eager to begin working in support of rebuilding and reconciliation efforts in eastern Burma, JICA indicated that they will not undertake programming until there is an agreement on political issues. They sent assessment teams to Karen and Karenni areas of Karen State in February, and have a particular interest in supporting demining and demobilization efforts.



United States:

The US government, long the harshest critic of the Burmese regime, has a reputation among donors as having the most restrictive approach to assistance in Burma, but the reality is more complicated. The US had been exploring options for expanded direct involvement in Burma even before the summer of 2008, and has been supporting work by international NGOs in Burma for some time. Post-Nargis, the interest in expanding the US aid package to Burma intensified. The US mission in Yangon added an assistance coordinator with a development background to its staff and began pushing for expanded programming inside Burma by the US Agency for International Development (USAID) in late 2008-early 2009. The additional funding amounts were not large, and those that were allowed to move forward³⁹ were mostly related to immediate humanitarian relief efforts. Nonetheless, there was a marked shift in attitude underway within the U.S. government toward directly assisting groups working inside Burma. Subsequent initiatives by USAID that were more focused on reconstruction and longer-term development objectives were able to move forward, albeit under continued congressional close scrutiny. More recently, increases in funding inside have been constrained by fiscal problems in the United States, as well as the need to continue back-filling support for refugees in Thailand and elsewhere as other donors reprogram funds from border-based and cross-border activities into in-country activities.

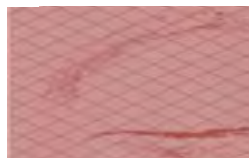
FY2012 US funding for Burma stands at approximately \$38 million (including assistance to refugees and cross border activities), but may increase through supplemental appropriations. The bulk of this is for humanitarian assistance, with democracy and good governance funding as the second largest category. The US provides nearly all of its assistance inside Burma through INGOs. It is unable to participate in multi-donor trust funds due to restrictions on co-mingling bilateral assistance funds, but does program alongside these funds by using their programs as guidelines for US-funded activities in the relevant sectors and coordinating with them on program areas. A key example of this is the 5 year, \$55 million program that USAID has recently funded in central Burma, which operates alongside LIFT activities in the area. At the same time, the US has

³⁹ A \$2,000,000 proposed civil society program was blocked by congressional offices that were **concerned about USAID's proposed methodology and delivery mechanisms, and the authorization for it expired before the agency could reach an accommodation with the concerned offices.**



expressed reservations about the quality of UN interventions in Burma and has historically supported keeping mandate restrictions in place on UN agencies. The US also has the most complicated sanctions in place against Burma, and is expected to be the last country to move forward with lifting of major restrictions. Among the major donors, the United States has encouraged the EU, Japan and others to take a measured **approach to the situation and advanced an ‘action for action’ principle with regard to its own approach.**

That said, the US is eager to deploy its resources in support of reform and, if reform continues, plans to leverage additional funding streams within the U.S. government to achieve a total contribution level of approximately \$70 million. The USAID program in Burma is currently managed jointly by the USAID Regional Development Mission for Asia (RDMA) in Bangkok, with the support of two USAID staff at the US mission in Yangon and strong oversight from Washington. USAID is currently in the process of developing a new staffing pattern that will upgrade its presence and allow it to transfer the bulk of program responsibilities to Yangon. Most other agencies and bureaus with **programs in Burma, such as the State Department’s refugee and human rights bureaus,** manage their programs through Bangkok and/or via Washington. The United States has also utilized various mechanisms such as funding for political work in Burma through the federally-chartered but independently-managed National Endowment for Democracy (NED). This patchwork of program management and oversight has often led to a lack of cohesion in US assistance, and the challenges of coordination can be expected to greatly increase as other agencies come on line in Burma. The upgrading of US diplomatic representation in Yangon to the ambassadorial level should provide a stronger hand of leadership on the ground, but given the intense political interest, Washington can be expected to continue to play a significant role in programming. The US Congress has historically been very active in setting policy on Burma, and has largely dictated the funding level and priorities for Burma. Continued strong involvement from interested congressional offices is to be expected.

**Other European Donors of Interest:**

Sweden: The Swedish government has followed a very similar path to Norway in Burma, and has steadily raised its funding commitment in Burma, earning a reputation for flexibility among INGOs and other agencies. Its 2012 contribution is an estimated \$27 million, including support for Burmese refugees in Thailand. The Swedish program is managed by the SIDA office in Bangkok, but SIDA is very active in donor coordination activities in Yangon. In May 2011, a SIDA grantee—the International Council of Swedish Industry (NIR)—was criticized in the Swedish media for sponsoring a delegation of Burmese business people to Stockholm, some of whom reportedly had ties to Commerce Minister Win Myint, who was then on the EU visa blacklist, and the Myanmar Chamber of Commerce. NIR claimed that the delegation members were affiliated with Myanmar Egrees, a Yangon-based NGO that had openly called for sanctions to be removed on Burma and for the international community to recognize the November 2010 elections. SIDA subsequently issued a statement clearing NIR of any wrongdoing.

Czech Republic: The Czechs have a small but impressive aid portfolio in Burma. The Czech policy on Burma is significantly inspired by its own transitional experience and Burma is one of the top priorities of their so-called ‘transitional policy.’ The Czechs conduct and support a wide variety of projects in this respect, including humanitarian assistance, support of civil society, sharing of experience with the transition, support of independent journalist and media, support of political prisoners and their families, and internships in the Czech Republic for Burmese activists. One of their main implementing partners is a Czech NGO called People in Need, which has earned a reputation on the ground as an effective and innovative partner.



UN Agencies and Multi-Donor Trust Funds

The UN is present in Burma, represented by 16 funds, programs, specialized agencies and offices. According to the UN, its programmatic priorities in Burma are: increasing equitable access to quality social services; encouraging pro-poor growth, including agricultural development and enhanced employment opportunities; promotion of good governance, democracy and human rights; and reducing vulnerability to natural **disasters and climate change. The starting point for the UN's work in Burma is the Millennium Development Goals (MDGs).**

Most of UN programs operate under tightly prescribed mandates that prohibit them from funding activities that directly support the government. Nonetheless, most of the UN agencies have maintained contacts with the government and have been carrying out programs inside Burma. The UN has been criticized in Burma as having a weak posture vis a vis the government. Ethnic groups in particular have accused the UN of failing to address their concerns, and of not doing enough to push the government for UN access into conflict areas.

In order to manage risks and take advantage of variations among donor policies toward the government of Burma, a number of major donors have developed and begun working through multi-donor trust funds. The three main ones in Burma are: the Livelihoods and Food Security Trust Fund (LIFT), managed by UNOPS; the Three Diseases Fund (3DF), also managed by UNOPS; and the Multi-Donor Education Fund (MDEF), managed by UNICEF. The main financial supporters of these funds are: the UK, Australia, the EU, Denmark, and other European bilateral donors, including Norway and Switzerland. The U.S. and Japan do not participate directly in these funds as donors, but have been involved as observers and have set up parallel activities that utilize the operational standards and monitoring mechanisms of the funds.

LIFT was created in 2009 in the wake of Cyclone Nargis and modeled on the Three Diseases Fund. Its creation had been under discussion by the initial donors in 2008 when Nargis hit, and the devastation of the storm provided both an initial opening and **focus for the fund's work. While it started in the Delta, LIFT has since expanded and now supports projects in other needy regions, including the "Dry Zone" of central Myanmar,**



parts of Rakhine State, Chin State, Kachin State and Shan State. LIFT projects are intended to help poor communities boost and diversify incomes as well as manage water, soil and other natural resources in the face of drought and environmental degradation. It was a \$100 million, five-year fund, but the amount is increasing and the Fund has recently opened a new funding envelope to expand its activities as additional funds have become available.

The 3DF was created by several European donors in 2006 after the Global Fund to Fight AIDS, Tuberculosis and Malaria withdrew from Burma over concerns about government interference in its work. It was a five-year, \$125 million fund. The Global Fund returned to Burma in November 2009 with a \$10 million grant. At the end of the funding cycle for the 3DF, the relevant donors and agencies announced that the Three Diseases Fund will be transitioned to the Three Millennium Development Goals (3MDG) fund, which is expected to be a \$250 million fund.

MDEF, which was created in 2007, is also reportedly being restructured. The EU was the main donor to the first round of the Fund (2007-2011), which was intended to increase equitable access to and outcomes in quality early childhood development and basic education, with extended learning opportunities for all children, especially in disadvantaged and hard to reach communities. For the second round of the fund (2012-2015), **UNICEF is seeking \$15 million to continue MDEF's work. Denmark has led to date, pledging \$4.5 million to this effort.**

International Financial Institutions (IFIs)



The World Bank (WB), International Monetary Fund (IMF), International Finance Corporation (IFC) and the Asian Development Bank (ADB) are all currently in the process of reengaging with Burma after two decades of extremely limited involvement with the country. The IMF is perhaps better positioned than others to engage with Burma given the fact that it has continued to conduct Article 4 consultations in Burma throughout the period that it was otherwise unable to work there, and thus has a basis **for understanding what is happening in the country's economy. At this time, the IMF's** plans for Burma are primarily focused on issues related to macro-economic reform, such as exchange rate rectification, reorganization of Burma's central bank and sequencing for removal of import restrictions. These are basic issues where significant technical assistance is needed for Burma to get its national financial system on a more stable footing, and there is very little question regarding the need or appropriateness of the **IMF's technical assistance in these areas.**

The WB has not provided any lending or financial assistance to Burma for more than 20 years. Its mandate there remains restricted by key shareholders and by its statutory prohibition against working in countries that are currently in arrears. Burma is in arrears to the Bank for approximately \$400 million, on a total loan portfolio of \$800 million. **They have participated in the IMF's Article 4 consultations in Burma and provided** technical support on data collection, monitoring and evaluation for UN agencies at various times, including around Nargis and the bird flu crisis.

On the basis of a temporary limited waiver that the United States and other shareholders have provided **the Bank in the wake of recent reforms, it is now in the 'pre-planning'** stage with Burma. The Bank is moving cautiously, focusing on deepening its understanding of what is happening in the Burmese economy. Their involvement at this point is strictly diagnostic: their first steps will be to conduct a public expenditures review and an investment climate assessment. They have identified the lack of reliable data in Burma as a key constraint on good development diagnostic and planning work. While all lending is **currently unavailable until Burma's arrears issue is resolved, the** Bank does have a State and Peace Building Fund (SPF) that can make small grants on a specific project basis. The Bank is exploring the modalities of tapping into that fund,



potentially in **cooperation with the Burmese government's** peace-building fund under the **coordination of Norway. The IFC is following the Bank's lead and working closely with it** on an as needed basis, and is likewise focused on increasing their understanding of the context. The Bank has also committed to operate in a transparent and consultative manner on Burma, and appears to be acting with an abundance of caution. They are planning to deploy some staff to Burma in order to be able to participate in donor coordination and other activities, and to have a presence for managing contacts and missions.

The ADB, to which Burma is approximately \$500 million in arrears, has remained somewhat engaged in Burma through its support for the Greater Mekong Subregion (GMS) initiative, but has not funded a project in Burma since 1986. At this point, the ADB is looking at doing a number of sectoral assessments to inform potential projects, and some capacity building and technical assistance work. ADB sees the GMS as its natural reentry point into Burma, both because they have been engaged through that forum and because the GMS deals with issues that have long been the focus of ADB work, including infrastructure development. Like the World Bank, ADB cannot restart lending and project activity **until its arrears are cleared. The ADB's track record with and** emphasis on infrastructure projects has some activists concerned about its return to Burma. While the ADB appears to be seeking out civil society and taking a careful approach in its return to Burma, its history in the region will lead activists both inside and outside of Burma to watch it closely going forward.





About the Author

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