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

RIDING THE WAVE OF REFORM

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

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

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SUMMARY

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

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

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

Aid as a catalyst for democratic reform

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

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

Progress on aid effectiveness

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

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

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

Kickstart equitable growth, build resilience and promote responsible investment

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

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

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

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

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

RECOMMENDATIONS

The Government of Myanmar should:

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

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

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

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

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

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

Development partners should:

Support aid effectiveness principles and democratisation reforms. In particular:

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

the government ultimately has the primary responsibility for provision.

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

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

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

INTRODUCTION

In 2011, following decades of isolation, a sweeping series of reforms and political commitments set Myanmar on the road to an unprecedented opening up. Since then, the country has embarked on wholesale macro-economic and legislative reform, floating its exchange rate, abolishing stringent import controls, and passing a swathe of laws to signal its ambitions to the international community and foreign investors. These reforms have been accompanied by gradual increases in democratic space, such as the relaxation of censorship laws and the release of political prisoners. Notably, a decision was made to allow the key opposition party, the National League for Democracy, to run for parliamentary by-elections in April 2012 – elections in which it was overwhelmingly successful, winning 43 of the 44 seats contested.[1]

These seismic shifts have raised the hopes of Myanmar‟s people for democratic rights and have created significant external expectations: with its strategic geographical positioning, untapped natural resources, and competitive regional labour costs, Myanmar has been tentatively promoted as the next Asian economic miracle.[2] But against the backdrop of this optimism, the realities of poverty, inequality, and conflict paint a strikingly different picture: up to one-third of Myanmar‟s people continue to live in poverty; the country‟s under-five and infant mortality rates are the highest among ASEAN member countries;[3] and only around half of the children enrolled in primary school actually complete it.[4]

Small-scale farming forms the backbone of the economy, and yet the drive to modernise the agricultural sector through attracting large-scale agribusiness investments threatens to exclude small-scale farmers, whose growth prospects are central to reducing poverty. Laws governing access to critical natural resources, such as land, are failing to protect poor landowners without formal legal tenure, and the drive to attract foreign investment is in danger of exacerbating rather than solving problems of inequality.

While political leaders have taken irreversible steps towards democratic reform, much more remains to be done. The military continues to have a firm place in Myanmar‟s key institutions both outside and inside government,[5] including in parliament, where 25 per cent of seats remain reserved for the army.[6] While some progress has been made on increasing accountability and transparency, and the government has shown its willingness to change by committing to processes such as the Extractive Industries Transparency Initiative (EITI), most people have little or no input into decision making: important decisions, from the development of national strategic planning to local investment decisions affecting villages and towns across the country, continue to be made behind closed doors. Meanwhile, decades of under-investment in education and skills, combined with the sheer scale of the reform process, will strain the limited human and economic resources of government ministries and departments, which threaten to buckle under the weight of uncoordinated aid and private investments.

Poverty and inequality in Myanmar are compounded by the country‟s susceptibility to disasters caused by natural hazards and the ongoing conflict that afflicts people in many states and regions. Myanmar‟s geographical exposure and lack of infrastructure and essential services make it one of the most vulnerable countries to climate change and disasters.[7] Poverty is both a cause and a consequence of this high level of vulnerability, and such shocks play a major role in pushing households below the poverty line and keeping them there.[8] Yet so far, preparedness for and resilience against disasters in Myanmar have been insufficient and uncoordinated[9] and, fundamentally, have not been integrated into mainstream development strategies and plans.

Myanmar is also characterised by protracted conflict, which at different times has affected most border areas of the country. Despite ceasefire agreements, conflict remains an everyday feature of many people‟s lives, and estimates suggest that there are up to 650,000 internally displaced people (IDPs).[10] In addition, up to 400,000 people live in refugee camps in neighbouring countries, with their likely return posing an additional challenge that will need to be met.[11] Evidence from discussions with communities and recent research on IDPs reflect deep public concerns about the fragility of peace agreements and around possible further destabilising factors, such as investment in extractive industries in conflict-affected areas, which may threaten to exacerbate tensions between groups.[12] The country has also experienced serious episodes of communal violence between Buddhist and Muslim populations in Rakhine State, creating a new humanitarian emergency and adding to the numbers of people already displaced from their homes, communities, and livelihoods.[13] While peace agreements continue to be negotiated, the longer-term development plans to rehabilitate those affected by conflict, crisis, and violence remain a distant goal, threatening to leave a vast swathe of the population behind in the potentially meteoric rise in Myanmar‟s fortunes.

Despite the gaps in democratic accountability and the complexities of Myanmar‟s multiple conflicts, reforms have been welcomed by the international community, and a number of sanctions and trade restrictions have been lifted. The European Union (EU) has reinstated preferential access for Myanmar‟s exports under the World Trade Organization‟s Generalized System of Preferences and the USA has suspended its ban on imports from Myanmar.[14] Meanwhile donor governments have responded to Myanmar‟s reform commitments with rising levels of aid. In 2012, the EU approved an additional aid package of €150m to be spent over two years, a significant increase compared with the €50m originally planned.[15] By mid-2013, the World Bank had approved $520m in loans,[16] and several bilateral donors have also approved significant increases.[17]

Good-quality aid can play a key role in supporting transformative development in Myanmar if it is accountable, transparent, and owned by the people it aims to support; if it expands the space for the democratic voice of the people to be heard by decision makers; and if it helps to deliver equitable growth. The next few years will determine the future of the country. Both the government and development partners must take action to ensure that this path is as inclusive and sustainable as possible.[18]

This paper explores what good-quality aid should look like for Myanmar, what it could deliver for people living in poverty, and what decision makers can learn from the experiences of other countries to ensure that aid is a catalyst for democratic reform, equitable growth, and peace. The first section explores how aid can catalyse democratic reform through promoting domestic accountability, increasing transparency in government processes, and strengthening accountability in core government functions. The second section looks at current arrangements for coordinating aid and sets out how an inclusive aid coordination system could meet some of the challenges outlined above. The third section examines how effective aid can generate growth that is inclusive, can build resilience, provide opportunities for all, and contribute to the long-term reduction of poverty. It also looks at the role of aid in targeting disaster risk reduction and of humanitarian aid in securing the conditions for inclusive growth.

1 AID AS A CATALYST FOR DEMOCRATIC REFORM IN MYANMAR

Myanmar has been characterised by decades of tightly controlled political space and, for long periods, a total absence of freedom for citizens and civil society to voice their own views. The country"s reform commitments are still a long way off delivering on a fully functioning democracy, but good-quality aid can help speed up and deepen those democratic reforms if it is delivered in a way that supports democratic accountability and empowers the government and people to fight poverty and inequality. Not delivered in the right way, aid can serve to undermine this process.

The democratic relationship between a citizen and government is founded on a compact of rights and responsibilities that underline a negotiated path to development. Aid can strengthen this democratic relationship, making it more accountable through supporting active citizens and effective states by:

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

The role of effective aid in catalysing the growth of democratic space is something that has long been recognised by governments and CSOs. In 2003 development partners and developing country governments agreed international aid effectiveness principles to set out how aid could be better targeted to support people and countries to navigate their own paths out of poverty and into democratic prosperity (see Box 1).[19]

Box 1: Aid effectiveness principles (Paris Declaration Principles)

- **Ownership:** developing countries should devise their own development strategies on the basis of democratic principles.
- **Alignment:** donors should align their support with national strategies.
- **Harmonisation:** donors should coordinate and streamline their activities in developing countries.
- **Results:** development activities and policies should have clear goals, and progress should be monitored through indicators.
- **Mutual accountability:** both donors and developing countries should be accountable for achieving their goals to each other, but primarily to civil society and democratic institutions.

This section looks at types of aid that can strengthen democratic reform, and draws on lessons from other countries to understand better how the aid system in Myanmar should develop so that it supports active citizens and an accountable, effective state.

Aid that promotes domestic accountability

Domestic accountability is the ability of citizens to engage with their governments and hold them to account. It requires the opening up of space for citizens to contribute to the development of strategies, policies, and laws that impact on their lives. Involvement of people in this kind of decision making should happen from the local level all the way up to the national level.

Ensuring that the decentralisation process in Myanmar[20] puts citizen engagement at its core is essential for improving domestic accountability at the local level. Development partners should work closely with the government to ensure that decentralisation reforms enhance local democratic space. Oxfam‟s work with its local partner, Network Activities Group (NAG), across villages in the Delta region to influence fishing laws and regulations that have negative impacts on the lives of fisherfolk is one example of how aid can be used to help promote domestic accountability of government to people at the local level (see Box 2).

Box 2: Improving fisheries governance in the Delta region: supporting people to hold their government to account

In Myanmar‟s Delta region, decades of restrictions on fishing licences have worn away at the capacity of fisherfolk to earn a decent wage from fishing. A project run by Oxfam and its local partner, the Network Activities Group (NAG), across villages and townships in the Delta region has strengthened the collective power of the fishers by raising awareness of their rights and supporting them to form Fishers‟ Development Associations to negotiate with traders and put forward their concerns over fishing licence policies to the government.

Ma Aya Mya is a fisherwoman in Tha-gyar-hin-owl, a village in the Delta region. Her husband is a fisherman and her family has been fishing for generations. Through Oxfam and NAG‟s Fisheries Governance project, the Fishers‟ Development Association in Aya Mya‟s village met with the regional government to voice its concerns about the negative impact of fishing regulations and laws on their livelihoods.

She relates, „We met with the regional government to tell them the problems with the fisheries laws and regulations. Before, people didn"t care about our voices, or women"s voices, but now things have improved. But although we have more money, more still needs to be done."

As a result of the new fisheries law, which allows small-scale fishers to obtain fishing licence rights, Ma Aya Mya and her husband have been able to increase their income by fishing throughout the season in areas that were previously controlled by big fishing firms and traders. Without the democratic space to raise issues like this with government and create pressure for a better enabling environment, the earning potential and lives of fisherfolk and other small-scale producers will continue to be dictated by weak policies that are beyond their control.

Small-scale fishermen advocate for their rights through the Fisher Folk"s Association. As a result, a new law has been enacted that allows them common fishing areas protected from the big fishing firms. Photo: Kaung Htet/Oxfam

At the national level, public engagement in the development of key national policies is vital for ensuring that the future direction of the country is navigated democratically. For the government, this means a responsibility to ensure that national development plans have been formulated not only by the government, but also by parliament and by CSOs. Development partners can actively support this process by ensuring that development plans to which they contribute are also extended to consultation with CSOs.

Increasing transparency in government and monitoring budget processes

Transparency is a vital ingredient for opening up democratic space. Budget transparency is especially important because it helps the public to monitor where the government is spending its money and whether it is delivering what it has committed to. Transparency around the budget and other key government processes is not only about making information accessible – information must be accurate, comparable, and available in a timely manner so that stakeholders can use it effectively. Among other things, this means making the budget accessible to all people.

For example, in Tanzania the government joined up with a local CSO to produce a citizens" guide to the national budget, which provided a general overview of the budget that can be understood by the public.[21] This initiative has helped to raise awareness about and generate debate around public expenditure on essential services, the regional distribution of the budget, and government sources of revenue and expenditures. It was enabled by the use of budget support to the Tanzanian government, which opened up space for dialogue between development partners, the government, and CSOs. In this way, aid has had a knock-on effect on accountability and transparency of domestic resources.[22]

In Myanmar, budget transparency has long been weak, and it was not until 2012 that the Assembly of the Union[23] was able to discuss the national budget for the first time. The government"s new Framework for Social and Economic Reforms (FESR) commits to enhancing access to information on budgets for citizens – a welcome step forward. Plans for achieving this are not yet in place, but the government should take forward these commitments as a matter of urgency, and commitments from development partners to provide support for strengthening the government"s public financial management systems should put transparency of government information at their core, as well as communicating their aims to the general public.

Despite these forward-looking commitments on budget transparency and decentralisation, important gaps remain. Weak public financial management and the lack of progress on implementing decentralised budgets threaten the accountability and delivery of the government budget.[24] Without clear, timely, and accurate information about development processes across all regions of Myanmar, it will not be possible to hold government and development partners to account.

Transparent aid can help make government processes more transparent (see Box 3). When development partners are more open and clear about the aid they deliver, people are better able to hold their government to account on its side of the bargain – which is implementing the development policies that aid goes towards supporting. Development partners in Myanmar can help fast-track improvements in transparency by publishing clear and regular information about how they are supporting the government with financial resources and with support for policy development.

Box 3: Increasing transparency through publishing aid flows

Myanmar is setting up an ODA database to monitor, track, and coordinate aid flows. Making information on aid available to the public is an important way of increasing the transparency of government, but how the public, media, and civil society will use this kind of information to hold decision makers to account also needs to be a consideration. Development partners and the government should set out a process for engaging these groups on the design of the aid database and how the information on it should be made available, to ensure that the end product reflects democratic needs. They should also explore ways to publish this information beyond an online database. Vast areas of Myanmar do not have Internet access to enable people to monitor aid data online. The government and development partners should investigate alternative methods for disseminating information, such as publishing monthly adverts in local language newspapers across the country"s different states and regions.

Aid to strengthen accountability in core government functions

Active and effective states held to account by empowered citizens can play a decisive role in bringing about development. Development works best when it is delivered on the basis of national ownership – when countries, and not external actors, are responsible and accountable for their own strategic development paths, including taking responsibility for how and when aid is spent.

Aid can play a key role in promoting national ownership through strengthening core government functions so that they work better and are more accountable. Aid can also help to finance vital recurrent costs such as paying for teachers or nurses, strengthening public delivery systems, and providing support for civil society to monitor government performance.[25]

However, delivered badly, in an uncoordinated way that is not aligned with national priorities, aid can undermine rather than support national ownership. This is particularly true of aid routed through stand-alone project implementation units, which circumvent government and often fail to leave lasting capacity in the public sector (see the example of Cambodia, Box 5). Frequently, this kind of aid leads to duplication of activities, making the administrative burden for the government too high, as well as imposing huge transaction costs by soaking up government time. With the significant and fast growth in aid announced by development partners, the increased risk of poor-quality project aid is a growing concern. Development partners need to coordinate with one other in aligning their aid to national development plans and systems wherever possible, to ensure that all of the aid going to support the development of Myanmar converges to support a single strategic vision.

Clearly, aid to support government budgets can only be given when a government can fully demonstrate its commitment to democratic reform. Myanmar is still in the early stages of its reforms, and concerns over democratic space, human rights, and accountability throughout government remain too large to consider routing aid through general budget support at present. Until those necessary democratic conditions for budget support are in place, development partners must support the democratic strengthening of state systems by ensuring that:

- As much aid as possible is recorded on budget to encourage government transparency;
- Aid is used to strengthen government public financial management systems and ministries;
- Aid is directed towards strengthening sectors such as health and education, where the government ultimately has primary responsibility for provision, and, where possible, aid is routed through particular government sectors that are demonstrating increased accountability to the public;
- Aid is used to fund empowerment of citizens to hold their government to account.

Ideally, strategic decisions on aid should take place within the framework of an inclusive aid coordination mechanism, so that development partners can coordinate their actions, reduce the administrative burden on the government, and collectively align with national priorities. The following section looks at current arrangements for coordinating aid in Myanmar and how far commitments on aid effectiveness are being met.

2 AID EFFECTIVENESS IN MYANMAR

Translating the universal Paris Principles on aid effectiveness (see Box 1) to the national level requires commitment from both the government and the development partners who will help finance the planned reforms. The Myanmar government has shown leadership in taking the first step towards good-quality aid by committing to the Nay Pyi Taw Accord for Effective Development Cooperation, a framework which sets out how it will ensure that development cooperation is accountable, democratic, and targeted towards reducing poverty and inequality.

The Nay Pyi Taw Accord for Effective Development Cooperation

In January 2013, Myanmar held its first National Development Cooperation Forum. A key outcome of this meeting was the Nay Pyi Taw Accord for Effective Development Cooperation – a partnership agreement between the government and development partners to make their cooperation more effective. It aims to develop measurable actions to deepen consultation on development plans, to build a culture of democratic practice that empowers citizens, to strengthen aid management, and to enhance public administration and transparency. The Accord draws heavily on the internationally agreed Accra Agenda for Action, the Paris Principles,[26] and the Busan Partnership Agreement[27] and sets out key commitments for both the government and development partners, as well as committing both parties to develop an action plan for implementing the Accord (see Box 4).

Box 4: Summary of the Nay Pyi Taw Accord for Effective Development

The Government of the Republic of the Union of Myanmar commits to:

„Continue to deepen consultation on development priorities and plans‟: improving dialogue within government, involving civil society, women, minorities, and marginalised people, and consulting with development partners;

„Focus on achieving national priorities‟: developing a democratic culture, strengthening the rule of law, creating an enabling environment for civil society, peace-building, and inclusive, equitable, and sustainable growth;

„Strengthen public administration to enhance the transparency and effectiveness of government programs and foreign assistance‟: strengthen the Assembly of Union (parliament), streamline and improve government coordination, improve the efficiency of government institutions, increase budget transparency, strengthen fiduciary performance, encourage domestic resource mobilisation, and improve social and environmental safeguards.

Development partners commit to:

„Align development assistance with national priorities": engage in dialogue with national counterparts and consult with civil society and beneficiaries, including women and minorities;

„Use conflict-sensitive and inclusive approaches to support peace and state building": build knowledge about the conflict situation and consult widely, provide swift assistance through established structures, strengthen government capacity and accountability in conflict areas and improve disaster risk management, and support the role of oversight institutions such as the Assembly of the Union;

„Focus on maximising development results for the people of Myanmar": support national strategies and programmes, engage with the private sector, contribute to building and implementing a single results reporting system, and ensure that aid activities undertake social and environmental impact assessments;

„Work with government to strengthen institutions, build capacity, reduce transaction costs and increase aid effectiveness."

Government and development partners also commit to prepare a „framework or action plan to guide implementation of this agreement. This framework will include a manageable number of key indicators of the standards and benchmarks that will be used to assess the extent to which its commitments are being kept."

Inclusive national policy development, or mere tokenism?

Despite the rhetoric contained in the Nay Pyi Taw Accord, commitments on inclusive planning and consultation with civil society have yet to be sufficiently translated into practice. Key policy processes such as the FESR and the National Comprehensive Development Plan (NCDP) have been, and continue to be, developed with insufficient engagement of CSOs.[28] Unless addressed, this deficiency will leave a gaping hole in the ownership of national strategic priorities. That said, a few Sector Working Groups (SWGs), whose development has been informed by the Accord, have made progress towards engaging with CSOs by asking representatives to participate in regular meetings. The recent development of the Rural Development Strategic Framework under the Ministry of Livestock, Fisheries and Rural Development has also involved civil society in its design in an unprecedented way, and this is a model which other government departments should look to follow.[29]

The Nay Pyi Taw Accord commitments are both ambitious and wide-ranging. If the Accord is to enhance democratic accountability, the government and development partners must produce a publicly available action plan to prioritise implementation within its framework and to monitor progress on its performance through clear indicators. The government and development partners should also launch a process for involving civil society in the development of the NCDP, and ensure that there is meaningful participation of civil society in the lead-up to, during, and after the next review of progress following the first National Development Cooperation Forum. The government should also consider extending inclusion of civil society organisations in the National Planning

Commission to embed public participation in national policy making.

It is important to recognise that civil society itself is diverse and represents different interests. This is why it is vital that government and development partners prioritise engagement with local civil society actors from a broad spectrum of sectors and interests, and across all states and regions. This is not an easy task, but it is precisely this diversity that will help to embed democratic accountability into decision making around key policy processes that affect people"s lives. Development partners and the government must also allocate time to mapping civil society actors to ensure that consultation takes place with as representative a set of people and organisations as possible. CSOs also have a role to play in supporting their work on this.

Some development partners have been very supportive in driving forward the aid effectiveness agenda.[30] To ensure that the kind of aid fragmentation which undermines the development process elsewhere does not happen in Myanmar, it is essential that all development partners take steps to making aid effectiveness a reality by ensuring that division of labour and alignment around national development plans are placed at the heart of their respective planning processes. Using the Nay Pyi Taw Accord to deliver on increases in accountability and transparency can also be done by putting in place an accountable aid coordination system. This is one of the Accord's key commitments, and it should give civil society a seat at the table when key policy directions are set and important decisions are made. The following section looks at the new aid coordination mechanisms in Myanmar and the potential they offer for catalysing democratic accountability.

Designing an aid coordination system to deliver democratic space

Aid coordination systems can help to ensure national ownership by encouraging dialogue among government, development partners, and CSOs, while encouraging development partners to align their activities with national development plans. A good aid coordination system could go a long way to ensuring that aid is delivered effectively in Myanmar and could help to reinforce democratic accountability by creating space for civil society to add its voice to key national policy processes. Myanmar"s aid coordination system, as set out in the Nay Pyi Taw Accord, will have three levels (see Table 1):

- The Government of Myanmar and Development Partners Coordination Forum, a large grouping of all development partners and key line ministries, will hold twice-yearly meetings to consider overall progress on, and development partner support to, national reforms and the implementation of mutual commitments;
- The Development Partners Working Committee (DPWC), a small group of key donors, will have regular meetings with the government;
- Sixteen Sector Working Groups (SWGs).

Table 1: The main structures in the new Myanmar aid coordination system

Structure	Tasks	Members	Frequency of meetings
Government of Myanmar Development Partners Coordination forum	Highest-level dialogue about implementation of the national development strategy and the Nay Pyi Taw Accord.	Development partners at head-of-agency level. Government at the ministerial level. Civil society representation possible.	Twice a year.
Development Partners Working Committee (DPWC)	Identify and solve coordination issues. Oversight of SWGs. Monitor and discuss operational issues at a higher level than the SWGs. Discuss strategic direction of policy.	Heads of agency: ADB, AUSAID, DFID (co-chair), EU, JICA, UN (co-chair), World Bank. Other development partners can be invited to participate when necessary. Government: Foreign Economic Relations Department (Ministry of National Planning and Economic Development).	At least quarterly, though more frequent communication is expected.
Sector Working Groups (SWGs)	Implementation of FESR, NCDP, and Five-year Plans at the sector level. Monitor sector-specific issues in the Nay Pyi Taw Accord.	Development partners active in the sector. Government ministries active in the sector. Secretariat in leading ministry.	To be decided on a case-by-case basis.

Source: Oxfam, information collected through interviews, July 2013.

While the aid coordination structure may look good on paper, the lack of sufficient involvement of CSOs in its design means that it is still at risk of excluding civil society from some of the key decision-making processes.

The Nay Pyi Taw Accord includes several commitments to support and strengthen civil society participation in the development process, but under the new coordination structure, aside from a few working groups that have invited civil society representation (including some that already have a history of engagement with CSOs[31]), there has been insufficient involvement of civil society.[32] Given the limited democratic space in Myanmar, this lack of engagement with CSOs is a huge missed opportunity to systematically strengthen civil society engagement in strategic decision making.

The government and development partners should learn from the experience of Cambodia, which demonstrates that it can be very difficult to change cultures of practice around development cooperation once they are firmly in place (see Box 5). Although Cambodia was one of the first countries to introduce an aid management framework, it was created almost ten years after the country became a major recipient of aid. The system has failed to sufficiently coordinate development partners‟ activities or align these to national development plans. Myanmar has taken the important step of engaging with these issues much earlier than Cambodia did. It is vital that Myanmar learns from this and other examples and takes steps to implement an ambitious aid coordination system that is inclusive of civil society and that upholds international aid effectiveness commitments.

Box 5: Learning lessons on aid from Cambodia

The example of Cambodia shows that putting aid effectiveness into practice requires more than just a plan. In 2006, Cambodia was one of the first countries to introduce an aid management framework modelled on the Paris Declaration.[33] The framework aimed to promote democratic accountability and good-quality aid which reduces poverty by including commitments on harmonisation, alignment, transparency, aid predictability, strengthening of country systems, and accountability between all stakeholders involved in aid delivery. It also set out an aid coordination mechanism with three different levels of coordination. Much of Myanmar‟s new aid coordination system is based on the Cambodian model.

Despite its ambitious aid management framework, however, Cambodia has made little progress on making its aid work better for its people. Aid provided by development partners remains fragmented and poorly coordinated. Statistics show that less than a fifth of donor missions are coordinated, with serious implications for duplication, coordination, and administrative efficiency.[34] In practice, over 90 per cent[35] of all aid is implemented by independent units within ministries. This undermines collaboration between different ministries, making coordination complicated, creating a context where the priorities of government ministries and sectors are subordinated to donor priorities, and increasing the risk that ministries end up being dependent on funding from particular donors. This dynamic has also failed to encourage a culture of dialogue and coordination among ministries with overlapping competences.

Where does the problem lie?

The problems underlying aid in Cambodia are rooted in historical arrangements whereby donor governments began implementing aid projects without coordinating with government ministries or communicating their development plans to civil society or the public. More recently, there has been a continued failure of the government and development partners to open up aid discussions to civil society, especially in areas such as governance, transparency, and financial management. It is crucial that Myanmar‟s aid management system does not repeat this mistake.

Cambodia‟s experience shows that:

- Aid effectiveness requires not only a policy but a clear action plan, backed by political will at the highest levels.
- Aid effectiveness will only work to reinforce democratic accountability if government and donors are willing to place that accountability at the heart of aid coordination structures by promoting civil society participation.
- Aid effectiveness plans and coordination mechanisms need to be put in place quickly, and before donors scale up their assistance in earnest.

Working across traditional aid boundaries to build resilience

According to the World Bank, shocks – principally health, weather, and economic – play a major role in pushing households below the poverty line and keeping them there.[36] This creates human suffering and also negates development gains, thereby reducing aid effectiveness.

The collective response needs to be not just about assisting communities to cope with and survive these shocks, stresses, and uncertainty, but to *thrive despite them*. This requires reducing people"s underlying vulnerabilities and addressing the drivers of risk, which in turn demands a more holistic approach to the risks that they face. But the traditional division between humanitarian and development assistance makes this very difficult.

Building resilience requires a common understanding of the risk context and collaboration to develop shared solutions. Development partners, humanitarian actors, and long-term development and official humanitarian coordination mechanisms need to work together more closely and more strategically, so that interventions are better integrated, sequenced, and linked. Myanmar has a unique opportunity to build this into its developing aid architecture.

Harvesting betel leaves in the Delta region of Myanmar. Photo: Kaung Htet/Oxfam

Building resilience also requires a strong understanding of the risks that a community faces and its vulnerabilities and capacities, and hence development aid should identify, analyse, and manage risk.[37] Humanitarian assistance is not well placed to reduce underlying vulnerabilities because it is often restricted to short timeframes and life-saving response. What is needed is long-term flexible funding. So in areas such as the coastal or Delta regions in Myanmar, where rural livelihoods are dangerously vulnerable to natural hazards and likely to be exacerbated by climate change, a higher degree of flexibility should be built into development programmes so that they can shift activities to response in case of disasters.

3 KICKSTART EQUITABLE GROWTH, BUILD RESILIENCE AND PROMOTE RESPONSIBLE INVESTMENT

Myanmar's new wave of political reforms has set a direction for unprecedented economic expansion. But evidence and experience show that without the right policies and safeguards in place, the benefits of that expansion will be concentrated in the hands of the wealthy few, while the risks and costs are borne disproportionately by the poorest people. The IMF has recognised that more equal distribution of income will allow for more economic stability, sustained economic growth, and more cohesive societies.[38] Supported by democratic reforms and action to end human rights abuses, equitable and sustainable growth could address Myanmar's devastating levels of poverty by enabling the majority of its people to participate in economic transformation. The international community and the aid it provides can be key catalysts for this.

Inclusive, equitable, and sustainable growth will help to reduce Myanmar‟s poverty levels and lay the foundations for longer-term prosperity. But to do this effectively, there must be coordinated public and private investment, including:

- Investment in essential services and social protection in order to build the capacity of people to be economically active and develop their resilience to shocks;
- Development of fairer tax policies that can reduce inequality and poverty and guarantee sustainable financing for core services such as health, education, and social protection;
- Responsible private sector investment which supports small-scale farmers and the landless in the agricultural sector to benefit from new economic opportunities, and provides secure and decent jobs, increased public sector investment in services, and support for small scale farmers
- Clear regulations and standards to ensure that governments and businesses act in ways that protect and respect human rights, and empower poor people to influence policies and gain fair access to markets;
- Support for active citizenship to allow poor people to influence policies and participate in investment decisions;
- Targeted actions to reduce risk for marginalised and disadvantaged people – including disaster risk reduction (DRR), climate change adaptation (CCA), and humanitarian response – to ensure that no one is left behind and that prosperity is shared.

This section sets out the kinds of policies that the government needs to put in place to make this happen, and the ways in which aid can act as a catalyst to move these policies forward.

Aid to strengthen essential services and social protection

Redistributive policies play a central part in reducing poverty and promoting equitable growth in countries the world over, and they have the potential to do the same in Myanmar. Public provision of quality services is in itself a redistributive measure that reduces inequality; evidence from the Organisation for Economic Co-operation and Development (OECD) across 27 countries finds that investment in public services reduces a country‟s Gini co-efficient,[39] the measure of inequality.[40] A recent OECD report on Myanmar specifically stresses the role of more equitable access to public goods and services in reducing poverty.[41] Benefits such as health, education, and social protection are worth much more to the poorest people as a proportion of their income than they are to the richest, and especially to women, girls, and marginalised groups. Aid that helps to build access to essential services such as schools and hospitals has been proven to deliver poverty reduction effectively, as well as paving the way for broad-based equitable growth.[42]

Aid investments in health care

Health care is a fundamental right, not a luxury, and yet poor health is a key cause and consequence of poverty and inequality. Globally, 100 million people are pushed into poverty due to health costs.[43] In Myanmar, as in many other developing countries where social protection is weak or non-existent, poor health reinforces a vicious cycle in which poor people are prevented from working either temporarily or permanently by poor health, which in turn reduces their income, making access to health care even more financially challenging. Very often a family member, frequently a woman or a girl, has to stay at home to look after the sick person, keeping her away from work or school and perpetuating the cycle of poverty. Globally, an estimated $2.9bn worth of potential productivity is lost annually due to trachoma.[44] In Africa, malaria results in $12bn of direct losses, or 1.3 per cent of GDP growth, every year.[45]

Investing in universal health coverage is a fast and effective way to improve health-care outcomes for people living in poverty.[46] Poor people who face high health-care costs are frequently forced to choose between health care and other vital spending, such as education for their children. In Myanmar, where the public health system is severely under-resourced, the level of out-of-pocket expenditure is one of the highest in the world and patients have to shoulder 81 per cent of total health care costs, with catastrophic consequences for poor people.[47] Service provision is also sparse and out of reach for many. Providing universal health coverage will help to ensure that all people have access to health services without fear of falling into poverty.

Box 6: Free and universal health care in Thailand

In Thailand, universal health care was launched in 2002, financed by direct taxes to provide a comprehensive benefits package (free at the point of delivery) to millions of previously uninsured people. In just ten years, the number of people without health-care coverage has fallen from 30 per cent to less than 4 per cent of the population; there has been a rise in the use of health-care services by the poor; and catastrophic health-care payments were down from 4 per cent to 0.9 per cent in 2006.[48]

The Government of Myanmar has committed to provide universal health-care coverage[49] and development partners have signalled their support for this by investing in the multi-donor Three Millennium Development Goal Fund (3MDG Fund), which supports country-led efforts to tackle child mortality, improve maternal health, combat HIV, tuberculosis, and malaria, and strengthen national health-care systems (see Box 7). While the 3MDG fund is new, its commitment to invest in strengthening the health systems of a government that has promised to deliver free and universal health care to its people is very promising.

Health care developments in Myanmar are overseen by the Myanmar Health Sector Coordinating Committee (M-HSCC),[50] a committee of ministry, donor, and civil society representatives, which guides the Ministry of Health (MoH) in strengthening the sector. The M-HSCC is an example of good aid coordination and increased space for democratic engagement of civil society in decision making, and of a commitment by development partners to support national institutions to deliver core essential services. This is a model that other sectors in Myanmar should learn from.

Box 7: Multi-donor trust funds in the health sector

The 3MDG Fund supports the provision of health services in Myanmar and seeks to contribute to nationwide efforts to achieve the three health-related Millennium Development Goals (MDGs): reducing child mortality, improving maternal health, and combating HIV, TB, and malaria, as well as supporting the Ministry of Health to develop a more effective and responsive health system.[51] The 3MDG Fund builds on the work of the Three Diseases Fund (3DF), set up in 2006 to fund the fight against HIV/AIDS, TB, and malaria in Myanmar. Crucially, the $300m 3MDG fund, established in late 2012, will be able to focus on strengthening the country‟s health system by supporting the MoH directly.

Strengthening health care to increase the number of health workers in a developing country, build core public infrastructure to enable access to health services and commodities such as medicines, and to develop sustainable financing for health care has been shown to be key to improving health-care outcomes.[52]

Aid from development partners should go towards financing vital recurrent costs, especially for health workers, using country systems where possible and strengthening those systems where they are weak.

This approach can only be implemented fully through modalities such as direct or sector budget support when a government can fully demonstrate its commitment to democratic reform at all levels of operation.

In Ethiopia, health-care funds have been pooled at the district government level, where progress on accountability and governance has been made more quickly than at the level of central government.[53]

As Myanmar is only in the early stages of its reforms, and concerns over democratic space, human rights, and accountability still remain, it is important that development partners continue to invest in government health-care institutions at all levels to help make them the core service providers of universal free health care in the long run, as well as working with other providers to ensure that coverage is improved in the short to medium term.

Aid investments in education

Universal free and publicly provided education is central to reducing inequality and sharing the benefits of growth more evenly. Poverty passes from generation to generation partly because poor parents cannot borrow against future earnings to invest in the education of their children – which makes free education vital.[54] In Myanmar, the government has made a commitment to provide free education, but in reality parents still have to bear some costs and, despite the recent introduction of compulsory primary education,[55] many children still work to contribute to their family‟s income. Girls are also more likely than boys to be kept at home to look after younger children, making access to education a key factor in improving gender equality.

In Brazil, Vietnam, and Ghana – countries which have been effective in reducing inequality and poverty as well as scaling up growth – research shows that education has been key to their success.[56] In Myanmar, the education sector has been severely underfunded for decades and is in need of large-scale reform and investment; the 2009–10 Multiple Indicator Cluster Survey (MICS)[57] suggests that only 54 per cent of school-age children complete primary school. Low completion levels at primary school mean that the number of children enrolling in secondary education is very low. This gap poses a dangerous threat to Myanmar‟s future growth and poverty reduction opportunities.

The government has made it clear that education reform is important, by announcing significant planned increases in spending, launching a comprehensive education sector review (CESR) with the backing and support of development partners to propose a costed plan for reforming the sector, and highlighting education as a key area in the FESR. However, the need for investment is enormous, given the extremely low historical levels of spending in the sector.

Aid is being used to support education through funding of the Myanmar Education Consortium, as well as supporting UNICEF‟s Quality Basic Education Programme, programmes that aim to improve education policy and systems and increase the numbers of children able to access a quality education.[58] As with health care, direct budgetary support to the government can only happen when public financial management is sufficiently robust and accountable. In the meantime, and as a move towards this, it is vital that development partners ensure that their aid is targeted at strengthening government institutions to work towards delivery of free and universal quality education. The government should also ensure that clear, time-bound, and costed plans for improving the delivery of education are set out in the forthcoming NCDP process. Critically, education plans should also recognise the existing capacities of ethnic education departments to help ensure that education institutions are integrated in a progressive way.[59]

Aid to develop a social protection system

Social protection is a key building block for tackling inequality, deepening resilience, and laying the foundations for inclusive growth. Social protection schemes prevent the depletion of assets when a shock hits, and they also reduce the personal risk of investing: this makes them pro-poor and pro-growth.[60]

Social protection includes planned, predictable, and long-term support and emergency safety nets, as well as social insurance such as unemployment or weather-based crop insurance to help people overcome shocks.[61]

Social protection is a human right for all, but it is especially important for women and for marginalised groups. The world"s poorest women and men are often those who suffer from severe constraints that restrict their ability to engage in economic activities. Not everyone can or does benefit from the promotion of livelihoods, and social protection can reach those who do not. Physically challenged and elderly people, orphans, and HIV and AIDS-affected households form the bulk of the poorest and most socially excluded people across the world. For such groups, social protection measures such as non-contributory old-age pensions (especially for women), disability pensions, widows" pensions, and so on, can help them to live with dignity and help them cope with vulnerability to shocks, hazards, and disasters.[62]

States have the legal and political responsibility to reduce the risks faced by poor people and to ensure that these risks are borne more evenly across society.[63] Ultimately, it is the responsibility of the state to reduce the gaps between rich and poor, and between men and women, through the redistribution of wealth, paid for by more progressive taxes. Aid can help to resource the development of a social protection system in Myanmar. Development Partners can help promote social protection by supporting the government to develop progressive tax systems (see below) and invest in pro-cyclical spending on key social protection measures, as well as on health and education. They should also ensure that this forms part of their recommendations on the development of key national policies such as the NCDP. Internationally, development partners can provide finance for the proposed Global Fund for Social Protection.

Aid to help develop a fairer tax system

A fair and progressive tax system in itself is a powerful route to reducing inequality and poverty. Redistributive tax policies help to ensure a more equitable distribution of a nation"s wealth and can provide long-term, sustainable revenue to finance the essential services that help to lay the foundations for more even growth. Investing in better tax systems also helps to strengthen the accountability of government systems and to give people a reason to demand accountability from government. When people see their money going into a system that they trust and being translated into services that they need, public demand for accountability flourishes and taxes are more likely to be paid.

In 2011/12, tax revenue in Myanmar was approximately 3.9 per cent of GDP – one of the lowest tax-to-GDP ratios in the world.[64] It is suspected that corporate tax obligations are severely underpaid, with up to 50 per cent of companies registered in Myanmar estimated to be avoiding or evading their taxes.[65] It is also estimated that in 2010 Myanmar lost some $2.1bn in illicit financial flows, a record 112 per cent increase from the previous year,[66] and an amount which in the same year outpaced flows of foreign direct investment (FDI) into the country.[67] These resources, had they not left Myanmar, could have contributed to growth, jobs, and tax revenues. Transparency of tax payments by state economic enterprises (SEEs) is also very low, and although there is no official evidence, underpayment of taxes by these entities is also thought to be significant.

The Government of Myanmar has embarked on reforms of its tax administration, including the establishment of a Large Taxpayer Office (LTO),[68] which will oversee the 1,000 largest corporate taxpayers in the country. This is a positive step that should help to increase the accountability of large taxpayers. However, more must be done to ensure that tax reforms can support equitable growth.

Aid can help with the development of a fairer tax system by:

- Investing in strengthening the government‟s administrative capacity to collect tax and other revenues;
- Working with the government to increase monitoring of investments and improving revenue transparency;
- Ensuring that investment projects and agreements support the national interest;
- Ending tax avoidance and evasion; and
- Linking revenue raising and government spending outcomes to improved budget transparency.

It is essential that aid and development partners work with the government to develop a tax system that is targeted at reducing inequalities. The government, supported by the IMF,[69] is now planning for the introduction of a value-added tax (VAT). Evidence shows that indirect taxes such as VAT disproportionally hit the poor.[70] In order to make the tax system more pro-poor, the focus of tax reform should be primarily on income and corporate taxes which take into consideration the capacity of taxpayers, not on indirect taxes such as VAT.

Aid and extractives

Aid can specifically help support transparency in the extractives industries – a key sector for generating investment and growth and raising domestic revenues, and for building democratic accountability. The extractives industry in Myanmar is a significant and growing area of investment. There is evidence to suggest that taxes from this sector in particular are significantly underpaid.[71] In theory, people who live in countries rich in minerals and hydrocarbons should derive substantial economic benefits from their natural assets. If governed carefully to prevent negative social, economic, and environmental impacts, the extractives industry could bring important resources into Myanmar‟s economy. Left unregulated and non-transparent, however, as in many countries with a strong extractives sector profile, a small number of private companies and individuals will benefit from these natural resources, while public revenues remain small and the vast majority of the population poor. Often termed „the resource curse‟, this pattern of inequitable and unsustainable resource exploitation is all too common.

The government‟s application to join the Extractive Industries Transparency Initiative (EITI) by the end of 2013 puts Myanmar in a more progressive position on its commitment to reform investments in the extractives industry than many other countries. However, it is important to recognise that the EITI does not cover all payments from extractives companies (only those made to governments)[72] or the content or fairness of the agreed contracts, including how much tax companies should pay. Nor does it necessarily provide a vehicle for political solutions to those problems. Experiences in some countries also suggest shortcomings in the EITI‟s design, which limit its capacity as a tool to hold companies to account over payments.[73] Therefore much more needs to be done to enhance transparency and accountability of extractives operations, and the government must ensure that people‟s rights to access natural resources are fully protected by bringing national regulations into line with the strongest internationally accepted standards.

The effectiveness of the EITI process will also be determined by what happens next. Involvement of civil society is a requirement of the EITI, and the government needs to ensure that it communicates clearly and transparently with civil society and the public on every stage of the process. The government should also reflect on lessons learned from other countries which have struggled to make sufficient progress on the EITI within the agreed timeframe (see Box 8).

Box 8: Implementing the EITI in Sierra Leone

In Sierra Leone the mining sector accounts for 80 per cent of export revenues, with diamond exports alone bringing in 60 per cent.[74] In 2008, the Government of Sierra Leone joined the EITI as a candidate country in an effort to introduce greater accountability and transparency into the country‟s extractives sector. Despite this, the government‟s second progress (reconciliation) report, released in 2012 to cover the period 2008–10, showed that after several years of efforts to make progress on the EITI, there was still a shortfall of $2.6m – one-third of the total payments due from extractive industries companies that could not be accounted for.[75] Moreover, the National Advocacy Coalition on Extractives (NACE), a Sierra Leonean NGO, notes that as a percentage of the value of all minerals exported, government revenues amounted to just 4 per cent in 2006 and around 7 per cent in 2007. So although in 2007 Sierra Leone exported $145m worth of minerals, only $10m of revenues remained in the country.[76] Meanwhile, the new mining law of 2010 failed to satisfy civil society on its transparency or revenue expectations.

The government has made clear progress in some areas on enhancing transparency through the EITI, but the problems it has experienced in accounting for revenues demonstrate the need for strong political will at all levels of government, and the importance of signalling this clearly to all investors. These problems led to Sierra Leone‟s suspension from the EITI in February 2013, due to discrepancies in reporting, which the Sierra Leone Extractive Industries Transparency Initiative (SLEITI) is now working to resolve before February 2014.

Aid can be used to support transparency, accountability, and fairness in the extractives sector in two ways. Development partners should be working closely with the government to ensure that its legislation, policies, and practice are brought up to internationally acceptable standards on natural resource investments (see below) and to ensure that it has capacity to uphold these standards. Development partners can also use their aid to support the creation of space for civil society to hold the government and the private sector to account over investment decisions and project impacts. In northeast Cambodia, for example, aid channelled through civil society is resourcing Oxfam and its partners to work with communities and to make natural resource extractives investors and government accountable for their actions (Box 9).

Box 9: Building transparency and accountability in the extractives sector in Cambodia

Oxfam is working with local partners in northeast Cambodia to increase transparency and to make extractive industry companies accountable for their operations, so that indigenous communities can preserve their traditional way of life and benefit from new economic opportunities. The northeast is one of the country‟s poorest regions but is part of the „development triangle‟, a priority economic development region identified by the governments Cambodia, Laos, and Vietnam. As part of this initiative, the Government of Cambodia has granted a number of mineral land concessions that have the potential to provide new economic opportunities to the region, but could also threaten the traditional link between the culture and economies of local communities and the environment.

At the local level, Oxfam and its partners are working to develop the capacity of communities and community-based organisations (CBOs) to voice their concerns around extractives investments. As a result of this, a number of villages have been able to obtain communal land concessions that protect their land and allow them to preserve their traditional ways of life. At the same time, Oxfam is supporting national networks such as the Extractive Industry Social and Environmental Impact network (EISEI), established by Development and Partnership in Action (DPA) and Cambodians for Resource Revenue Transparency (CRRT), to amplify community voices at the national level and to advocate for a fair and transparent revenue system for the extractives sector.

Aid should not be used to support investment opportunities in the private sector. There are growing concerns that aid could be used by development partners to invest in sectors where they have a strong national economic interest.[77] It is vital that aid is only ever invested on the basis of the greatest need and, given the widespread concerns around accountability and transparency, scarce aid resources should not be used for work which supports investment in the extractives sector.

Aid to support small-scale agriculture

The right kind of private sector investment has the potential to deliver huge economic benefits for people in Myanmar. Growth that enables poor people to access markets that work for them, decent work, goods, services, and credit can lead to real and sustainable poverty reduction.[78] But too often the benefits of private sector-driven growth go to a select few, shifting the risks and costs to the poorest, who are least able to bear them. This can be caused by failure to integrate social and environmental responsibilities into core business models, with the result that goods and profits are exported to other countries and wealth generated in local value chains is not captured by poor communities. Worse, irresponsible investments can deprive communities of access to the land and resources they rely on to make a living.

In Myanmar, agriculture is the backbone of the economy, accounting for 36 per cent of GDP, 60–70 per cent of employment, and close to one-third of all exports.[79] The sector is dominated by small-scale farmers. There is growing evidence to show that, in poorer countries, small-scale agricultural development can be commercially viable *and* has the potential to maximise poverty reduction and food security.[80] The importance of agriculture as a sector to the economy, and to so many people in Myanmar, means that support for small-scale farmers and those without land who are involved in the agricultural economy should be a central component of the country"s development and investment strategies.

Improving the yields of small-scale farmers without making them dependent on large agribusiness will help expand livelihoods and food security for the majority of Myanmar"s population. But this can only be done through increasing access to key resources; crucially, through prioritising public investment for agriculture. Evidence shows that low yields are not simply a function of inefficiency: they are the result of restricted access to resources such as markets, infrastructure, technical inputs, land, water, and credit. As with the example of Vietnam (see box 11), countries can take a lead on this by channelling public investment that prioritises the supply of public goods such as: rural infrastructure to increase physical access to local and regional markets; insurance against weather-related risks; agricultural research and extension services; and storage and handling facilities to reduce postharvest losses in rural areas to small-scale farmers. Aid can also be targeted to increase the access of small-scale farmers to such infrastructure resources, as well as long-term sustainable credit and other financial services which are rarely available to them to support investment in their enterprises.[81]

However, services alone will not be enough. Power inequalities in markets that prevent small-scale agricultural actors from participating on fair terms also need to be addressed. Small-scale farmers, particularly women, lack strength in the marketplace and are often undermined by powerful interests. They have limited bargaining power and do not have enough weight to negotiate and set fair prices for their goods. Policies should be targeted at helping small-scale farmers, rural communities, and women to strengthen their voices, protect their interests, and harness their power to make markets work for them. Aid can help support this process by investing in producer organisations (POs), so that small farmers can join together to benefit from economies of scale and a stronger, united negotiating voice, share risks and costs, and develop linkages with more lucrative markets.[82]

Box 10: Aid to help markets work better for small-scale farmers

Private sector investment in agriculture will not benefit small-scale farmers unless they have more power and are linked into supply chains that add value for them. Ensuring that farmers are connected to markets through hard infrastructure such as roads is essential, but having voice, power, and leverage in the marketplace is equally important. As individual actors in the globalised market, small farmers have very little power and can rarely compete or get a fair deal with bigger agribusiness players. As a result, supply chains are often dominated by large investors who have the power to set prices and dictate terms to smaller producers.

In the drought-prone central Dry Zone of Myanmar, Oxfam is working to support the development of value chains in commodities such as sesame and cotton, which will help to establish partnerships between different actors in the market and strengthen the positions of small-scale farmers.[83]

This kind of approach is particularly important for enhancing the economic leadership of women, who often face even greater difficulties in accessing markets than their male counterparts. In the Dry Zone, Oxfam is supporting people involved in cotton production precisely because it involves women at many stages of the production process. These women have few options to increase their influence in the market and are often restricted to selling raw seed cotton to local traders – which makes them little profit – because of their limited links to bigger market players and processing factories. Work such as this with women farmers, local traders, factories, and government agencies that specialise in cotton, is essential for improving growth opportunities for cotton farmers; developing their knowledge of how the market works and building their capacity to engage with it more effectively,.[84]

Processing sesame in Myanmar"s Dry Zone. Minbu, Oxfam, and partner “Network Activities Group” are implementing a resilient livelihoods project with LIFT funding support. Photo: Hein Latt Aung

Crucially, development partners can support the government to ensure that investment in small-scale, sustainable agriculture forms a central part of its strategic direction – and is not made secondary to policies aimed at attracting large foreign investors. Decisions made through aid coordination mechanisms and relevant sector working groups should incorporate the views of civil society and farmers" associations. The Livelihoods and Food Security Trust Fund (LIFT), set up by donors, has put support to small-scale farmers among its core objectives. It will be important for development partners to maintain this focus on small-scale farmers as national policy processes evolve, and donors should work closely with the government, including through the agriculture SWG to ensure that investment in small-scale farmers is embedded in key policy processes and national strategic plans, and is not crowded out by large-scale investment from agribusiness.

Development partners can also ensure that their technical advice explicitly helps the government to develop policy to support growth through small-scale farmers. Crucially, donors and international financial institutions (IFIs) providing assistance should guarantee that any engagement on agricultural or private sector development is clearly linked to the protection and strengthening of individual and community rights at all levels of projects they fund.[85]

Box 11: Vietnam – pro-poor investment in agriculture

Just over two decades ago, Vietnam was one of the poorest countries in the world, but between 1993 and 2004 it reduced its poverty levels by two-thirds.[86] This dramatic reduction was a result of the quality of growth as well as of the kinds of policies put in place by the government and supported by donors. Investment in small-scale agriculture and increased access to land played a key part in this and was driven partly by the1993 Land Law, which granted farming households long-term use rights and the possibility to transfer, lease, mortgage, and inherit those rights.[87] Accompanying the new Land Law, the government reformed and expanded agricultural extension services, scaled up provision of agricultural inputs, and began investing in critical infrastructure such as irrigation. Within a few years, food security had increased and the country had reduced its reliance on food imports, while farmers saw a rise in incomes.

In 1997, the newly created Ministry of Agriculture and Rural Development (MARD) set up the International Support Group (ISG) to coordinate development partners‟ support to the agriculture sector. Under the leadership of the government, development partners supported the reforms through technical advice and infrastructure projects.

Vietnam‟s agricultural reform programme has not been without its problems, in particular for more isolated rural communities, ethnic groups, and women, whose poverty levels remain significantly higher than others.[88] The future benefits of growth for small-scale agriculture will depend on – among other issues – the capacity of the government to address some of the underlying challenges for the most vulnerable groups. However, despite these challenges, Vietnam‟s growth story continues and the investment path in small-scale farming has demonstrated impressive results for poverty and inequality – a lesson that decision makers in Myanmar should learn from.

Aid to tackle unequal access to natural resources

Equitable growth in the rural economy is severely hampered by lack of access to natural resources, and conflict around ownership of land is a growing problem in Myanmar. Private sector investment that fails to integrate social and environmental responsibilities into its core business model can deprive people of access to vital natural resources, can displace them, and can result in the loss of livelihoods and cultural norms and the devastating abuse of rights for poor communities.[89] Effective legislation that meets the requirements of internationally recognised standards is essential to ensure that people"s rights to natural resources are protected. In Myanmar, however, the government"s new land laws, introduced in 2012 to address flaws in the existing legislation, still leave people"s natural resource rights open to abuse by failing to cover customary tenure or to include internationally recognised protection standards,[90] such as free, prior, and informed consent (FPIC).[91]

This can be particularly damaging for women, who are much less likely to have formal ownership of assets, including land. The process to register land titles in Myanmar is complex and requires proof of usage.[92] At the same time, land use rights are subject to strict but poorly defined regulations on the use of land, including the types of crop that can be produced. In addition, disputes are resolved by Farmland Administration Bodies, whose decisions cannot be challenged in court, making these mechanisms inadequate for protecting farmers" rights.[93] Of deep concern are the loopholes in legislation, such as the new foreign investment law, which allows investments in land to be prioritised and approved if they are deemed to be in the national economic interest.[94]

Development partners can help to address these problems by working with the government to ensure that legislation and policy around land reflects best practice and international standards, and by ensuring that their investments abide by their own standards. In addition, development partners should offer targeted support to the government to implement land governance reforms to deliver in line with the UN Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests, through an open and participatory multi-stakeholder process. These guidelines will help to ensure that all land investments apply the principle of FPIC and are subject to full environmental and social impact assessments that are participatory and transparent.[95]

IFIs, including the World Bank, the International Finance Corporation, and the Asian Development Bank, need to ensure that the global process aimed at addressing shortfalls in social and environmental safeguards results in new safeguards that meet the requirements of internationally acceptable standards. In-country, these institutions need to ensure that improvements to existing safeguards are applied as a matter of urgency, and that the application of safeguards forms a core part of their technical support to the government and of any project finance or development loans to it. In particular, where IFI investments involve or promote large-scale land acquisitions, there must be community consent and full pre- and post-project transparency. Involuntary resettlement is not an option. IFIs and other donors also need to ensure that, when giving support to development finance institutions (DFIs) or financial intermediaries who use aid to promote private sector investment, they require that all the projects they finance are fully transparent and subject to safeguards standards at all levels of the projects.[96]

Aid to support responsible investment

With Myanmar‟s economy expected to boom in the coming years, the private sector can make a decisive contribution to alleviate poverty and inequality. To achieve this, policies and a legal framework which support responsible investment will be needed. Some of this approach to investment involves paying fair taxes, investing in value chains that benefit small-scale producers, and committing to investments that protect the environment and people‟s natural resource rights. However, the Government of Myanmar also needs to work with investors to ensure that they are upholding labour and human rights and investing responsibly across all their activities. With the support of development partners and aid to strengthen institutions, laws, and regulations that reinforce responsible investment practices, the government will be in a stronger position to harness private sector investment and make it work for people living in poverty.

The 2011 Labour Organisation Law signals the government‟s commitment to bring labour rights into line with international standards and offers a good base for protecting workers.[97] But legislation is only the start: workers must know what their rights are, and systems must be put in place to ensure that employers are sticking to their side of the bargain.

With the strong emphasis on trade, and after so many years of under-investment, the temptation may be to seize investment opportunities regardless of the consequences. Development partners need to ensure that sufficient levels of aid are targeted at supporting the government to bring its policy into line with internationally acceptable standards, develop concrete implementation plans with clear timeframes to roll these policies out, and place pressure on companies to adhere to these standards and invest responsibly. Development partners should also support the implementation of the UN Guiding Principles on Business and Human Rights and ensure civil society participation in multi-stakeholder mechanisms to promote action by government and business to protect human rights.[98]

Box 12: Supporting better factories in Cambodia

Better Factories Cambodia (BFC) is an International Labour Organization (ILO) programme that has contributed to improving working conditions in garment factories by helping international companies protect themselves from reputational risk. The programme monitors working conditions in factories and provides advisory and training services for workers and managers on how to improve conditions. BFC also makes information on working conditions accessible to interested companies for a fee, so that they can ensure that the factories they work with respect Cambodian labour law and international labour standards. Crucially, the Government of Cambodia has made monitoring by BFC compulsory for all garment factories producing for export.

Aid that goes towards supporting improved labour rights, standards, and working conditions helps to promote growth, which benefits not only the few but the majority. As new investment grows in Myanmar, development partners and the government need to work together on both the supply and demand sides of labour rights, by putting in place clear legislation and mechanisms that require companies to live up to international standards, and by ensuring that people understand their labour rights and are able to hold employers to account.

Aid to support private sector development

Aid can play a crucial role in strengthening the foundations for equitable growth, but it must be used with caution when directly used to leverage private sector investment. Aid to support private sector development, when responsibly and transparently invested, has the potential to bring real and additional financial and technical benefits to a country. But it must always be rigorously and transparently designed and evaluated to guarantee that it is being spent where there is the greatest need.

Development Partners are increasingly using public–private partnerships (PPPs)[99] and routing aid through DFIs to encourage private sector participation in riskier investment climates. This means using aid to make credit available to companies to invest in developing countries by guaranteeing loans or helping to reduce the interest rate of loans used to invest in those countries.[100] Any aid investments used to promote private sector development in Myanmar must be targeted squarely at reducing poverty, and in the case of PPPs the public sector should not bear all of the risk. Crucially, PPPs should not substitute for responsibilities and commitments that should be delivered by the state. They also need to be designed to address specific constraints and the needs of small-scale producers rather than as tools to encourage or increase foreign direct investment. This means they need to involve small-scale producers throughout the process, from design to implementation and evaluation, in an open, transparent and meaningful way, and ensure that all actors have clear roles, responsibilities and accountability against clear indicators for measuring success.

As above, aid should not be used to support investment in the extractives sector. DFIs need to improve the transparency of their investments and demonstrate rigorous monitoring to ensure that they are targeted at poverty reduction and adhere to the highest standards on protection of social and environmental rights at all levels of the projects they are involved in financing.[101]

Aid to reduce disaster risk

A new report by the Overseas Development Institute (ODI) underscores that extreme weather linked to climate change is increasing and is likely to cause more disasters, and that such disasters can be the most significant cause of impoverishment, cancelling out progress on poverty reduction and inequality.[102] Looking forward to 2030, this report highlights Myanmar as a country with a high hazard risk, high vulnerability to poverty, and low capacity for disaster risk management (DRM). Despite this high vulnerability, DRR is hugely underfunded in Myanmar, as it is globally: although Myanmar has also borne significant costs of recovery following previous disasters – Cyclone Nargis alone cost $4.1bn in damage and loss, while DRR aid to Myanmar from 1991 to 2010 totalled only $9.1m.[103]

As a result of both its geographical exposure and unpreparedness, Myanmar is one of the countries most vulnerable to climate change and disasters from natural hazards; it ranks second among countries most affected by extreme weather events between 1993 and 2012. [104] This vulnerability is made worse by the lack of infrastructure and access to essential services across most of the country. Poverty is both a cause and a consequence of the high level of vulnerability to disasters. Those who are hit the hardest are always the poorest and most vulnerable, because they do not have access to the income or social protection that act as buffers against a shock. DRM is both effective and cost-effective, yet so far resilience-building has not been a focus in Myanmar and DRM has been insufficient, uncoordinated, and not integrated into mainstream development strategies or plans.[105]

The government has shown leadership by recognising the threat of potential disasters and signing up to a number of frameworks and declarations,[106] as well as by drafting a new Disaster Management Law. But significant gaps remain,[107] and this insufficient progress poses a daily threat to the lives of hundreds of thousands of people across the country. DRR should be integrated into the NCDP and into the plans of departments and ministries at all levels of government. Aid can be used to help support this, and to develop the capacity of government to respond in the event of a disaster, by ensuring that the right disaster management and risk reduction systems are in place to support communities before, during, and following a disaster.

School children at Zium IDPs camp in Myitkyina, Myanmar. Photo: Soe Win Nyein/Oxfam

Aid to support humanitarian needs from conflict

Conflict is a dangerous driver of vulnerability and uncertainty that compounds existing levels of poverty and undermines the stability needed to deliver on equitable, sustainable growth.

Myanmar is characterised by protracted conflict that not only displaces people from their homes, often with no immediate possibility of return, but also creates desperate levels of poverty and vulnerability. The country has also experienced severe episodes of communal violence between Buddhist and Muslim populations in Rakhine State. Estimates suggest that there are up to 650,000 internally displaced people in Myanmar.[108] Recent communal conflict, particularly in Rakhine, has added to the numbers of people already displaced from their homes, communities, and livelihoods.[109] In addition, up to 400,000 people live in refugee camps in neighbouring countries, with their likely return posing an additional challenge that will need to be met.[110] While Myanmar‟s burgeoning reform process attracts significant attention from abroad, there is a danger that the humanitarian emergencies and long-running conflicts in the country will be forgotten.

Aid must continue to be given in sufficient levels and in more predictable ways to meet the immediate humanitarian needs of communities affected by conflict, and the government needs to ensure that the humanitarian community has unimpeded access to affected communities. Currently, access remains a problem in a number of areas suffering from long-term humanitarian emergencies, notably in Kachin where substantial areas remain largely off-limits to the international community. The government"s approval of several cross-line missions[111] to previously cut-off areas in Kachin state is a welcome step forward,[112] but much more must be done to ensure consistent access to affected communities, if sufficient aid is to reach people in need.

All displaced people are entitled to voluntary, secure, and safe return and resettlement, supported with essential infrastructure such as health care, education, and access to livelihoods and justice mechanisms.[113] In Myanmar, where hundreds of thousands of people remain stranded in humanitarian camps, unable to return home because conditions in their home communities are not secure, not enough has been done to meet the pre-conditions[114] for return and settlement of IDPs. The international community must work more closely with the government to develop options for voluntary and safe return and resettlement. Increased aid levels are required to ensure that the right conditions are in place for people to return home as soon as they feel they can.

4 RECOMMENDATIONS

In order to make development as effective as possible and to ensure that aid is helping Myanmar to ride the wave of reform, the Government of Myanmar and development partners should implement the following recommendations.

The Government of Myanmar should:

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

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

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

- Set out clear plans for how it plans to deliver equitable growth outcomes that benefit the majority of people in Myanmar, including by monitoring progress via measuring the Gini co-efficient.
- Address flaws in the country"s land laws and other, related pieces of legislation, including the lack of recognition of customary tenure, and ensure that new deals are transparent and subject to full and participatory social, environmental, and human rights impact assessments.
- Implement governance reforms in line with the UN Voluntary Guidelines on the Responsible Governance of Tenure, and apply the principle of free, prior, and informed consent (FPIC) to ensure that people living and working on the land are protected.
- Prioritise investment in, and the reform of, the health and education sectors in order to achieve government commitments to provide free, universal, and

quality health and education services, fight inequality, and reduce out-of-pocket expenditure.

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

Development partners should:

Support aid effectiveness principles and democratisation reforms. In particular:

- Ensure that aid contributes to and does not undermine national ownership of development processes by actively investing in strengthening national systems; supporting and building the capacity of civil society and the media; and making sure that aid projects and programmes build in enough flexibility to ensure that support can be progressively channelled through national systems and civil society in the future.
- Support the democratic strengthening of state systems by ensuring that aid is recorded on budget to encourage government transparency; is used to strengthen government public financial management systems and ministries; and is directed at strengthening sectors such as health and education, where the government ultimately has the primary responsibility for provision.
- Use opportunities brought about through participation in joint sectoral co-ordination bodies to encourage opportunities for dialogue with civil society.
- Coordinate with one other in aligning their aid to national development plans

and systems wherever possible, to ensure that all of the aid going to support the development of Myanmar converges to support a single strategic vision.

- Disclose accurate, timely, comprehensive, and comparable data on aid to the Government of Myanmar and to the public, and encourage access to this information by making it available in the local language and by centralising it in the ODA database.

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

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

Development aid should be designed in ways that take existing vulnerabilities into account and should incorporate key risk reduction elements in their design – this requires long-term funding that is flexible, to respond to changing risks.

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