Myanmar and foreign aid – recent changes, risk and opportunity

BACKGROUND PAPER

Adam Burke for The Policy Practice, 25 August 2013. adam.burke@thepolicypractice.com

SUMMARY

This paper gives an overview of politics and development in Myanmar. It places recent political changes in their historical context, focusing in particular on minority conflicts as well as the national context. The role that international aid agencies can play is explored, offering recommendations for policy and practice.

There is a risk that pressure to build good relations with the government and to spend pledged funds will lead donors to overlook significant ongoing problems in conflict-affected border areas and elsewhere in Myanmar. Yet the right kind of foreign aid, implemented in the right way, can play a potentially useful role in supporting peace, justice and development. Donors need to learn from experience elsewhere, recognising that many challenges will arise over the coming years despite recent reforms. By building a careful understanding of Myanmar’s political economy at the local and national levels, and incrementally establishing programmes, they will be able to build domestic capacity in support of sustainable peace and poverty reduction. Continued engagement can generate opportunities for astutely promoting international standards including human rights.

1. INTRODUCTION

Despite continued uncertainty, Myanmar’s recent transition is now generating significant political, economic and social change. After decades of rule by an opaque and chiefly self-interested military junta, some political space is opening up and media censorship is being relaxed. Economic and development policies have continued to shift, with signals emerging that the leadership is more responsive to the needs of Myanmar’s ethnically varied and predominantly poor population of around 55 million.

External coverage of Myanmar has for decades presented the country’s travails as a black-and-white morality play, villainous generals opposed by the virtuous angels of the Burmese people represented in particular by Aung San Suu Kyi, Nobel Peace Prize-winner, global icon, and leader of the country’s opposition movement. In practice, some gradual changes had already occurred before the military junta carefully selected its civilian successors in 2011, including gradually improved economic management and ceasefire agreements that had reduced bloodshed in the many long-running conflicts affecting most of the country’s outlying, border regions. Various foreign aid agencies had already established a presence with a limited range of humanitarian and social programs despite the sanctions imposed by many western states.
Myanmar’s transition may be genuine enough yet it remains partial. The military has officially withdrawn from direct executive authority but is still hugely powerful. It is not yet clear whether genuine opposition parties will be able to stand freely in national as well as local elections. Some political dissidents languish in jail or overseas. A small number of powerful businessmen with close links to the military, as well as military-owned companies themselves, still control vast swathes of the economy. Outlying regions are still affected by a string of conflicts, resource disputes and discriminatory practices, with violence in Rakhine and Kachin States serving as ongoing manifestations of deep-seated problems that will take many years to resolve. Active and forthcoming ceasefire agreements with rebel groups in minority areas demonstrate progress but remain fragile. Reactionary anti-Indian and anti-Muslim currents within mainstream Burmese society led to widespread violence and arson in early 2013, another indicator of the different layers of tensions that are likely to endure.

Changes in Myanmar have not directly resulted from a popular uprising or from any other single factor. Instead, a combination of considerations including the military’s continuing inability to quell a resilient opposition, concerns over the growing influence of China, and a desire to benefit from growing regional economic opportunities appears to have encouraged leaders to pursue a more reconciliatory political path. Despite this, further progress is not inevitable and some risk remains that gains to date will be reversed. 2014-2015 could be a significant period, with proposed parliamentary elections following the end of Myanmar’s turn to chair the Association of Southeast Asian Nations (ASEAN), a position it has been unable to fulfill in the past given domestic unrest and international sanctions. Aung San Suu Kyi looks likely to push for high political office and has adopted increasingly conciliatory positions in recognition of the still-critical political role of the Armed Forces.

Myanmar’s future direction is not yet clear and the wider experience of political transformations in Southeast Asia suggests that it is unlikely to follow a smooth track towards western-style liberal democracy and open markets. More likely scenarios involve a complex mix of elections and authoritarianism, with a diminished yet still significant political role for the military and considerable power being wielded by well-connected individuals or networks of aligned interests. Improved economic and development outcomes should improve the lives of millions of Myanmar’s citizens while new space is emerging for civil society. At the same time, cronyistic business practices and opaque government institutions are likely to persist, as will tensions between the state and minority groups.

2. RECENT CHANGES

There is no single reason why significant and largely unpredicted changes took place from 2011 after General Than Shwe, effective head of state since 1992, retired. Analysts with deep experience from within Myanmar have often described a more complex scenario than that depicted by many living outside the country. The anti-government protests of 2007 were violently suppressed, yet there were nonetheless many nuances to the authoritarian state. Economic liberalization commenced early in the 1990s, changing the ways in which the military sought to maintain control and resources. In several of Myanmar’s peripheral border states, ceasefire agreements signed since that time halted decades of violence and even
in remaining sites of conflict, such as parts of Karen and Shan State, the area of land under violent contest was reduced considerably.

Across Myanmar, local coping mechanisms including civil society organisations performing a range of social rather than overtly political functions are widespread and have often been tolerated. The actions of civil officials and the military vary between different localities and ministries, many domestic and international NGOs finding space to manoeuvre. The increasing number of international aid agencies operating in Myanmar, caused in part by the international response to the Cyclone Nargis in 2008, adds further diversity to a context that was already shifting before political changes from 2010.

The military have sought to maintain their power and will continue to do so. Reserved quotas of parliamentary seats should guarantee them an influential formal role even if the main opposition party, the National League for Democracy (NLD), were to win a national election - as is likely under any free and fair poll. The military also wield considerable de facto authority nationally and locally outside the formal civil political structure. The NLD itself incorporates a range of interests, with some influential older members regarded as intransigent and outdated. Relations between the NLD and Myanmar’s minority populations are also complex. While the party retains strong support among some groups, or works alongside other minority parties, they have less support in other areas. The minimal concern shown by Aung San Suu Kyi for persecuted Muslim Rohingya in Rakhine state demonstrates deeply embedded ethnic tensions, a desire to court popular appeal and build good relations with senior powerbrokers probably encouraging her to tow a conservative line.

3. HISTORICAL ROOTS

Tensions leading to regular outbreaks of violence have persisted in Myanmar’s peripheral border regions since independence in 1948. This arch of subnational conflicts has involved Myanmar’s military fighting for control over territory and natural resources against armed groups with affiliations to local minority populations. Decades of violence and well-documented extensive human rights abuses have repeatedly displaced and further deprived millions of already impoverished people.

The roots of subnational unrest in Myanmar can be traced historically. Early nation-building achieved little by way of constructing a unitary political body before full colonial control of Burma by the British in 1886. Colonial administrators chose not to integrate most of the border areas into a national administrative unit, adding to the challenges facing post-independence rulers. A legacy of authorities exploiting ethnic division to maintain control has persisted alongside the promotion of an ethnically defined Burmese Buddhist national identity that sits uneasily with the country’s diverse population, over 30% of whom belong to ethnic minorities. A notion of shared civic rather than ethnically defined nationalism remains weak and while some local elites from minority groups have either participated fully in the national political and economic field or found ways to manage their relationship with the state, others have taken to violent opposition. The state’s direct influence at the local level is often weak and civil administrative structures have only managed to maintain a limited presence on the ground, even in central areas of the country.
Socialist and anti-colonial ideology typified military rule from the early 1960s. Incompetent and xenophobic as well as repressive, Ne Win’s dictatorship failed to build modern civil government mechanisms at the local level. From the late 1980s, the military continued to maintain absolute control under a more liberal economic regime with the armed forces themselves promoted as a form of unifying ideology. Economic opportunities were managed rather than centrally directed, with close allies of the military leaders gaining the most lucrative concessions or contracts.³

Throughout this period, checks and balances on power have been largely absent, with an expectation of governance through force rather than negotiation or democratic process. In many senses, military leaders assumed the mantle of pre-colonial traditional rulers, maintaining central authority through power, ideology and control of resources. There was little incentive for leaders to find ways to improve the lives of ordinary people, with low investment in health, education, or even infrastructure. Unlike many other rapidly developing Southeast Asian and East Asian nation states, leaders did not appear to perceive a need to compete with neighbouring countries, instead basing their authority on a mythical traditional desire to be independent and pure.⁴

4. ECONOMY AND POVERTY

Figures may underestimate the size of Myanmar’s current economy given the level of informal or unrecorded business, but levels of poverty are unquestionably fairly high by regional or even global comparisons. A recent household survey indicates that one in every four Myanmar citizens is considered poor, a share comparable to rates in the least developed countries of Southeast Asia, for example, Cambodia at 27% and Laos at 32%.⁵

The national economy has grown at around 5% annually over the past decade. Performance against some of the Millennium Development Goals for 2015 is moderate although others, especially health targets, are poor. Budgets for key services are extremely low: government health expenditure is estimated at US$1.60 annually per person, among the lowest in the world.⁶ Meanwhile, some 40% or more of overall state resources has typically been allocated to the military.

Agriculture employs a majority of the workforce. It accounts for about 36% of gross domestic product and provides 25%–30% of exports by value.⁷ Myanmar has a low industrial base and high reliance on natural resources. Natural gas is the most significant export.

There is unquestionably significant scope for economic growth across all sectors given political and economic policy changes, the end of sanctions from the USA and Europe, increased trade and regional integration, a reduction in internal conflict, and bigger foreign aid flows. Many hotels in the capital, Yangon, doubled their prices over 2012 in response to demand from businessmen, aid officials and tourists. Inward investment from Asian and Western countries is increasing, especially for major infrastructure projects including ports and power generation.
Partial liberalisation of the economy improved growth and supported some reduction in poverty, although it has still left a huge state sector and ongoing intervention to further the interests of powerful individuals and institutions. New laws implemented in the 1990s have in many cases not been implemented, with actual practice depending more on personal connections than on legal frameworks. A web of regulations that extends to restrictions on freedom of movement across many parts of the country channels means that high-level connections, typically with the military, are often necessary to conduct business.

The Government understandably prioritises agriculture and rural development given Myanmar’s predominantly rural population. Finding appropriate policies to adopt is not simple, however, given considerable variety across the country and high levels of poverty found in some central as well as peripheral, upland areas. Economic changes since the 1990s have increased local disparities. It is estimated that nearly one-quarter of all people working in agriculture are landless.

Increased rural development is likely to accelerate the emergence of winners and losers. In remote and upland areas especially, private sector concessions have supported a rapid increase in land area used for food crops and other agricultural products. A positive aggregate trend, the local context is often more mixed. Government initiatives to promote specific crops, such as tea in Chin State, have led to inappropriate investments and damaged local livelihoods. Land tenure is also poorly managed in many areas and prone to manipulation by powerful interests.

Myanmar’s forest areas and other natural environments with high levels of biodiversity are poorly protected. More widely, new opportunities in agriculture, just as in other sectors, tend to be shaped by prevailing power dynamics. Investors are typically well-connected individuals who benefit from connections and offer bribes or informal payments to officials. Senior leaders maintain a legacy of extracting resources by offering monopolistic opportunities to business allies and establishing patronage networks. Wealthy businessmen, like Tay Za and the associated Htoo group of companies, are linked with senior military figures. Another large investor, Myanmar Economic Holdings Ltd., is a military-owned company. Continued restricted trade through concessions offered to close allies is likely to continue.

These trends are especially noticeable in minority areas, where opportunities for natural resource exploitation are greater and political tensions run higher. Both the military themselves and linked companies or individuals have established over many years a range of business opportunities encompassing timber, narcotics, border trade, plantations, and mining for minerals or precious stones including jade. Violence in northern Kachin state during 2012 is partly linked to land acquisition for the construction of a copper mine by a company associated with the military. These dynamics feed resentment, creating scope for local leaders and entrepreneurs to mobilise people along ethnic lines and challenge the perceived exploitation of peripheral minorities by the military and the central state more widely.

5. ADDRESSING DEMOCRACY AND IMPROVING GOVERNANCE
A long-term perspective suggests that many current challenges will persist in coming years. The military maintains high levels of influence nationally and holds still greater sway at the local level in many parts of Myanmar. It remains likely that many senior military figures will not oppose reforms only so long as their personal and institutional interests are protected. Some observers regard the current situation as similar to that prevailing in Indonesia during General Suharto’s long period of rule, with a hybrid military-civil establishment dominating the political sphere.\textsuperscript{15}

The military has been able to capture a large proportion of the increased revenue flows available as the economy liberalised. The number of military personnel more than doubled between the late 1980s and 2000 to over 400,000 in the army alone, with improved equipment and other costs contributing to a military budget that consumes a very high proportion of government revenue.\textsuperscript{16}

Myanmar also shares historical similarities with other East and Southeast Asian states. Authority has traditionally been exercised through a hierarchy stretching from a single dominant authority or individual at the top down to leaders at the local level, with personal – and often fickle – patronage ties loosely holding the power structure together. This uneasy norm persisted both before and during the relatively short colonial period, with the military then rapidly assuming the mantle of power. The system does not easily accommodate multiparty politics, suggesting that while more democratic and accountable systems may be viable they are also likely to be frequently challenged by powerful interests at all levels.

Across Myanmar, the government is widely seen as primarily exploitative. Opportunities to gain revenue are sought at many levels, formally and informally. The level of government revenue as a proportion of GDP is around 13\%, in line with similar countries in the region. However, formal tax revenue very low at just 3\% of GDP. Most state – civil and military – resources come from other sources, most notably concessions and business opportunities. This situation generates incentives for government bodies (including most notably the military) to seek further monopolistic opportunities rather than to improve overall national economic performance.

The context is challenging for foreign aid agencies trying to promote standard approaches to ‘good governance’. It means that standard institutional measures to promote a level playing field, promote transparency and apply rule of law are likely to encounter many barriers. A politically astute approach is needed.

There are openings, however; aid agencies have already successfully worked with a range of national and local government agencies, especially in the social sectors, demonstrating that the state is not uniformly exploitative and that it is possible to build viable working relationships.\textsuperscript{17} Skills and technical capacity are areas for potential cooperation given that many civilian state institutions that have been marginalised by decades of military political dominance, leading to skills shortages and widespread institutional shortcomings.

There is also some scope for technical assistance, with clear signs that senior government figures are listening to policy recommendations more than in the past. The Myanmar Development Resource Institute has been established to offer advice\textsuperscript{18} and in 2012 President Thein also announced the formation of a National Economic and Social Advisory Council, which includes union-level and region-level ministers.
as well as prominent business leaders.\textsuperscript{19} However, many decisions are still being made largely in a non-transparent, top-down, discretionary manner as was the practice in previous governments. Policy directions are often not based on evidence or realistic analysis; one economic target announced in 2012 implied that the government expected a completely unrealistic annual growth rate of 25\% for the rest of the decade.

The flood of aid agencies hoping to support the government has led to a risk of policy advice overload. With contradictory messages and in cases ulterior agendas, it may be better for most funders to concentrate on building longer-term domestic capacity to make accountable, evidence-based decisions through constitutional mechanisms rather than suggesting specific policies to adopt.\textsuperscript{20} Forceful efforts to promote policy change are also potential hazards since policymakers are likely to react against perceived foreign interference. Crude efforts to make funding conditional on specific measures are also likely to fail.\textsuperscript{21}

Outside government institutions, community-level responses have flourished in recent years and have often been tolerated by the state.\textsuperscript{22} The growing number of civil society organizations has been well documented,\textsuperscript{23} both in the diminished areas of rebel-held territory and in much of the rest of the country. Civil society and community bodies typically follow a broadly apolitical mandate offering developmental and humanitarian support or services, although many informally align themselves with the NLD or other opposition parties (See south). Foreign aid agencies have sought to channel assistance through NGOs given their desire to avoid state authorities, a trend that is likely to continue. Carefully designed support that aims to foster civil society involvement in a range of issues beyond service delivery or community self-help – strengthening independent media reporting or promoting accountability, for example – may generate opportunities to further their roles and avoid limiting them to service delivery functions.\textsuperscript{24}

6. SUBNATIONAL CONFLICT, POVERTY AND ETHNIC MINORITIES

Finding a sustainable and just end to the conflicts in Myanmar’s peripheral border areas is perhaps the country’s greatest challenge. Recent political changes may have created the best opportunity to resolve ethnic conflicts in the country for many decades.\textsuperscript{25}

Although the Burmese military’s pursuit of ceasefire agreements gradually reduced levels of armed conflict in many minority areas, ongoing violence has continued. In 2011, conflict between rebel groups and the military returned to Kachin State, while violence affected the minority Rohingya population of Rakhine State. In parts of Shan State, a large and diverse region bordering Thailand, Laos and China, violent conflict also continues. Parts of other states remain unstable. Many ethnic minority areas remain among the poorest in the country, with limited service provision and high levels of both malnutrition and communicable disease. Unicef reports huge disparities in poverty rates and trends, with minority areas generally faring worse.\textsuperscript{26}

The ceasefire agreements reached to date are best seen as military accords between leaders of armed combatants rather than full peace agreements. They often have little institutional basis or foundation in a negotiated process and in cases may not even have been written down.\textsuperscript{27} An uneasy yet mostly peaceful
indeterminate situation prevails in some areas which improves people’s daily lives but may not necessarily lead to a full settlement.

The level of interest among the government and the military in longer-term solutions that tackle underlying problems of contested authority is not yet clear. Some hopeful signs have emerged, including promises by President Thein Sein for inclusive political dialogue and the pursuit of peace talks in the remaining conflicts. The establishment of decentralised political authorities for each of Myanmar’s fourteen states and regions is a further step. However, these measures remain partial and unproven. State and regional parliaments are barely functional in practice, having been given little authority by the centre and holding limited local legitimacy. Local government across the country remains weak and unaccountable. In formerly contested areas where non-state groups hold sway, many local leaders have unchecked authority and often engage in large-scale criminal enterprises such as smuggling and drugs production. Where the state has asserted its authority successfully over former rebel-held territory or has been seriously challenged, the military typically has effective control on the ground.

Many of Myanmar’s tensions come to the fore in the peripheral, ethnic minority states. As is the case across much of the rest of Southeast and East Asia, the cultural nation-building propagated by the military for decades is founded around racially defined categories, Uneasily defining and depicting seven minority ‘races’, it has unwittingly helped coalesce oppositional minority identity groups as well as fostering an assumed superiority among the majority over minorities and particularly over non-Buddhists.

Figure x  Exclusive ethnic nationalism: The roots of recent violence in Rakhine State

In 2012, inter-group ethnic trouble in western Rakhine state was followed by concerted campaigns of arson and aggression designed to drive members of the Muslim ‘Rohingya’ minority out of Myanmar. Rohingya are a marginalized and largely ignored group, an estimated 800,000 of them living in Myanmar. They are effectively denied citizenship even if born in the country. The 2012 violence included perpetrators on both sides, but the main trend conformed to a long-term pattern of state-sanctioned discrimination and violent attacks against Rohingya. Accurate numbers are hard to establish, but dozens if not more Rohingya were probably killed and thousands fled in fear as hundreds of homes and many mosques were torched.

Normally called Bengalis by the government and by most others in Myanmar, most Rohingya have lived in Myanmar for generations despite sharing much cultural affinity with their neighbours in what is now Bangladesh. They are confronted with a mixture of xenophobia and nationalism that has led to regular persecution by state officials and citizens. Rohingya are described in mass media and common discourse across Myanmar as illegal migrants, the unwanted legacy of the inward flows of people from India.

Discrimination and ethnic violence against all people of South Asian ethnic origin has been a common recurring theme in Myanmar since before independence in 1947. Common Burmese ethnic classifications do not distinguish between Hindus or Muslims, nor between Muslim groups who have been living in Myanmar for generations and newer arrivals.

In the colonial era, many Muslim and Hindu Indians ran businesses, while the civil service, the police and the army were largely staffed by Indians. In 1930, hundreds were killed in anti-Muslim and Hindu riots. In the early 1960s, around 300,000 Indians left Myanmar after the threat of expulsion, having become a target for
discrimination and oppression by the military junta. A 1982 citizenship law which restricted citizenship for groups immigrating before 1823 effectively disenfranchised many Indians remaining in Myanmar. Anti-Muslim riots also occurred in central Burmese cities in 1997 and in 2001.

The wider basis of discrimination became clear to outside observers in March 2013 when a series of anti-Muslim riots broke out across towns in central Myanmar. Government security forces stood by as attacks took place. Some commentators suspected efforts by the military to destabilise the ongoing reform process by encouraging (or at least not stopping) disorder, although this does not explain silence on the part of the NLD or Burmese human rights campaigners over these attacks and persecution of Muslims in Rakhine state and elsewhere.

Anti-Indian and anti-Muslim sentiment in Myanmar is based on an exclusionary, racially defined vision of national identity that underpinned the independence movement and has since been propagated by the state. Many Indians and Muslims in general are still perceived as a threat to the Myanmar nation, not only by hardliners but also among the general public, Buddhist monks, opposition politicians, and even human rights campaigners.

Local political and business practices create particular problems in minority areas where the military is more dominant and powerful individuals can act more arbitrarily. Similar trends have plagued remote islands of Indonesia and the Philippines as well as some border regions of Thailand, with local and ethnically distinct populations coming to regard the centralized state and its military or civilian representatives as unwelcome exploiters. In such a situation, state projects and economic development initiatives can generate resentment given unequal access to their benefits. Service provision can also fuel conflict, state education being seen as enforced assimilation, for example.

In the case of Myanmar’s peripheral states, military officials have extracted whatever resources are available: forced provision of labour, land grabs, mining and forestry. In many border areas, development initiatives are based around accessing resources or pacifying the population through measures including resettlement and road construction. There is little extension of the state for any other purpose.

Different domestic and external interests complicate the context of each zone of violence, with relationships and specific stakes shifting over time in response to local, national and foreign conditions. In some parts, such as the Wa area of Shan State, autonomy agreements grant local leaders significant control. In others, coalitions between state and non-state actors have fluctuated over time. In cases, military commanders and current or former rebel leaders cooperate through uneasy alliances and even business agreements leading to complex local patterns of control.

Given this local variety, specific events require local explanation. For example, the resurgence of violence in Kachin state in 2011 after a long period of relative calm is linked to the elections of the previous year that denied political space to local leaders not aligned with the state. A large proposed dam near the border with China further heightened tensions.

For ongoing peace talks to lead to sustained solutions, significant steps are likely to be needed. In addition to finding ways round ‘spoilers’ – resilient military or rebel leaders who do not agree with or have
little to gain from a successful peace process – it may be necessary to reduce the overall influence of the military both in central decision-making and on the ground. Broader debate and consultation as well as more meaningful local political mechanisms may be valuable tools to reach viable negotiated agreements and to restrict the ongoing ability of central military-dominated institution to reassert their strong control over peripheral areas. It will also be essential to provide alternative political channels for former rebels to pursue their interests and to satisfy at least some popular demands among minority groups. Discussion of a new inter-ethnic accord in Myanmar is meaningless without recognising the deep-seated reasons why conflict has been so protracted and pursuing appropriate measures in response.

7. FOREIGN AID IN MYANMAR

As politics in Myanmar have evolved, international, especially Western, perspectives have become more nuanced. Ongoing concerns along with the influence of expatriate groups and activists encourage continued caution, although most aid agencies are now interested in increasing their engagement and shifting from offering limited humanitarian aid through non-governmental channels to more comprehensive development programmes.

In 2011, the Organisation for Economic Cooperation and Development (OECD) reported that Myanmar received just US$8 in international development assistance per capita, a small amount for a low-income country. This figure is rising significantly. International development agencies have been establishing offices and building relationships. Hotels in Yangon are full of aid workers as well as businessmen. Donor governments and multilateral institutions have written off or rescheduled billions of dollars of past debt and announced new commitments. In 2012, the European Union proposed a package of $100 million for democratic reform and inclusive development initiatives. In May 2013, Japan announced around US$500 million of additional lending over several years, much of it for industrial development. Australia and the UK have each pledged to raise their grant commitments to around US$90 million per year by 2015.

Some organisations have operated in Myanmar for a longer period including UNDP and UNICEF, international NGOs such as Save the Children, and some bilaterals including the UK donor agency DFID. Working on humanitarian issues, livelihoods, and over time an increasing range of other concerns, they gradually developed programmes that found space to operate in difficult conditions and responded to local context. One example is the Livelihoods and Food Security Trust Fund (LIFT), formed in 2009 with the aims of increasing food availability, income generation opportunities, and food use for two million target beneficiaries. The 7-year fund was supported initially by seven bilateral donors and the European Union. Together they intend to contribute at least $170 million. Most LIFT-funded projects are implemented directly or indirectly by local NGOs.

Other agencies aimed to work directly with the government of Myanmar. The Japanese agency JICA, for example, has offered technical assistance for many years in efforts to promote improvements.

Reviews including the work of the OECD’s INCAF unit point out the policy and practical deficiencies that have limited donors’ scope to operate in what are designated conflict-affected and fragile environments. Myanmar presents specific challenges and careful approaches are needed. Continued strong government
control along with a heightened sense of nationalism and low levels of dependency on aid flows will inevitably limit access and influence. In addition, Asian governments including Japan, China, India, and Thailand present alternative sources of diplomatic and financial support. Asian partners are more likely to stress infrastructure investment and less likely to back common donor approaches or governance initiatives.

Aid flows need to be seen in the wider context of inward investment and improving international relations. Proposed large-scale projects include several major ports, gas pipelines, road and rail links, telecommunications and electricity. Investors are also looking to take advantage of burgeoning tourism, agriculture, textiles, and other industries. It may be inevitable that many countries, Asian and Western, will link concessional aid funds to business opportunities.\(^3\)

Aid officials themselves have recognised the risks of competition between agencies – a scramble for opportunities to provide assistance and high-level advice.\(^1\) One commentator stated that “\textit{Thein Sein’s government is being swamped with recommendations from outsiders…}” \(^2\) Donors recognise that the current window of opportunity will become smaller over time and are working to build government contacts. To date, most funds have flowed through non-governmental channels. Aid agencies are already risking damaging indigenous non-governmental structures by flooding them with support and rightly recognise the need to work with the state.

In 2012 donors agreed at a conference in Mandalay to respect global guidelines for aid coordination in Myanmar. Given the diversity of donor government positions and their competing interests in establishing large initiatives to spend budgets already committed, some realism is needed. Experience from elsewhere – Cambodia for example – suggests that coordination works best when pitched realistically at specific sectors, issues, or areas where groups of donors have an interest in working collaboratively. Rival donor bodies aiming to take the lead in coordination already emerging, with UN agencies looking to maintain a key role in the face of new arrivals including the European Union and the World Bank.

There is some risk that the former polarised vision of Myanmar will be replaced by normative expectations that, with a little external assistance, the country will follow a straight road towards Western-style democracy fuelled by market-led economic growth. With some form of electoral authoritarianism or semi-democratic political structure being likely, it will be important to maintain a balanced perspective as external economic interests grow and Myanmar’s politics shift. Recent history suggests that while the impact of Western sanctions has been unclear, external pressure on specific issues including human rights can help to promote change. Open, accountable institutions will take decades to develop, while the failure of Burmese pro-democracy groups to speak out against the ethnic persecution of Muslims and Indians in 2013 demonstrates that supporting civil society organisations provides no simple shortcut to a peaceful and universally just political system.\(^3\)

\(^1\) the author interviewed aid officials in Myanmar in May 2013 during research for the OECD.

8. AID AND PEACEBUILDING IN SUBNATIONAL CONFLICTS – LEARNING FROM EXPERIENCE

Many countries of South and South-East Asia are affected by subnational conflicts in remote, border regions with ethnic minority populations. These conflicts, including a long history of violence in Myanmar’s upland peripheries, challenge some of the conventional wisdom surrounding links between conflict and development. A lack of development and service delivery may be one cause of dissatisfaction, but the roots of subnational conflict typically lie more in resentment among local elites and the wider population at how the central state operates. International approaches have tended to emphasise statebuilding as a response to conflict, while in much of Myanmar the issue is about changing the state rather than strengthening it.

This has significant implications for foreign aid, which has a fairly poor record of addressing problems in subnational conflict areas and tends by default to work with recipient governments. Conflict-sensitivity methodologies and peacebuilding initiatives are often applied to smaller initiatives while larger aid projects have typically continued with business as usual. Incentives to maintain good relationships with the national government, and the way in which aid programmes are inevitably shaped by dominant political trends, mean that minorities and local leaders are commonly ignored unless specific countermeasures are adopted. Economic initiatives including natural resource extraction, plantations, and dams have already contributed to violence across Myanmar's border regions. Accelerated development is likely to exacerbate existing tensions. There is a risk that foreign aid provision will end up backing a central government agenda based on narrow ceasefire agreements that enable development as a tool of pacification, also serving as a conduit for private sector investments that benefit well-connected individuals and bypass local people.

Aid agencies need to be particularly cautious over large projects that are likely to benefit state and associated business interests or unaccountable local elites. The World Bank’s promotion of small-scale local grants makes sense in this context, although aid can still be captured by vested interests at the community level. Other donors that are less bound by an apolitical remit may be able to engage more deeply in the dynamics of development in border areas, assuming that they have strong political understanding of the potential outcomes. Bland and uncontroversial justifications claiming that aid initiatives will ‘increase confidence’, ‘build trust’, or otherwise ‘promote peace’ need to be questioned.

9. POTENTIAL NEW SECTORS

Even before reforms since 2010, international aid agencies were already working across many sectors, mostly with non-governmental partners. Recent reviews identify several high-priority issues for donors to consider, including: economic advice in many sectors; initiatives to back peacebuilding efforts; systematic approaches to social service delivery; carefully considered approaches supporting development in minority and conflict-affected areas. Support backing increased democratic process extends beyond monitoring elections to encompass many fields including the role of the media, judiciary, independent oversight bodies, parliamentary process and so on, depending on where positive engagement is viable.
Transparency and participation should be central principles for capacity-building initiatives with the government and other bodies. With support from donors, the Myanmar government could consider adopting international standards for natural resource development such as the Extractive Industries Transparency Initiative. Social and environmental safeguards used by large donors including The World Bank and Asian Development Bank offer examples of improved practice.\textsuperscript{42}

With foreign and domestic investment in labour-intensive sectors likely to increase, and a legacy of abuses including denial of freedom of association and use of forced labour, workers’ rights are a critical priority. A positive new labour law has been adopted and needs to be implemented. Experience elsewhere in Southeast Asia suggests that an absence of negotiating mechanisms and weak guarantees for workers’ rights leads to acrimonious industrial relations and frequent human rights abuses, problems that serve no one’s interests.

Myanmar’s border regions, many with a long history of conflict and high levels of poverty, need continued attention. Foreign bodies are still denied access to large areas with ongoing tensions and some violence. Careful involvement can not only promote incremental measures towards sustainable peace, but also keeps international attention focused on easily-ignored peripheral regions and provides informal monitoring of abuses or incidents on the ground.
Figure x: Table of risks facing aid agencies and potential responses.

<table>
<thead>
<tr>
<th>RISKS</th>
<th>RESPONSES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTEXT RISKS</strong></td>
<td></td>
</tr>
<tr>
<td>Reversal of political progress</td>
<td>Continue to support positive changes. In case of political reversal in Myanmar, maintain engagement but do not succumb to pressure to disburse funds. Maintain politically aware approaches. Consider the involvement of regional actors such as ASEAN in initiatives.</td>
</tr>
<tr>
<td>Upsurges of ethnic tension and violence</td>
<td>Consider ethnicity across projects and policies, including national attitudes to minorities, media coverage, education, budgeting. Ensure aid agencies maintain an even-handed approach.</td>
</tr>
<tr>
<td>Continued conflict in border areas</td>
<td>Support peacebuilding initiatives in locally appropriate ways based on deep knowledge of specific areas. Consider guidelines for operating in border / minority provinces to avoid aid projects that support the status quo.</td>
</tr>
<tr>
<td>Government unable to implement new policies given lack of commitment and lack of lower-level involvement. Aid agencies partner weak ministries.</td>
<td>Concentrate on long-term change not immediate gains. Analyse stakeholders and interests in sectors carefully before engagement.</td>
</tr>
<tr>
<td>Civil society bodies lose local traction, orient themselves around aid flows</td>
<td>Careful, incremental fostering of civil society rather than using CSOs to deliver programmes.</td>
</tr>
<tr>
<td>The poorest women and men are marginalized, service provision does not reach local levels</td>
<td>Focus on understanding bottom-up perspectives and needs, supporting increased accountability and participation within institutions, or other steps that support inclusive development</td>
</tr>
<tr>
<td><strong>AID PROGRAMME RISKS</strong></td>
<td></td>
</tr>
<tr>
<td>Aid agencies kept marginal, fail to develop policy access. Aid coordination efforts fail</td>
<td>Adopt realistic aid coordination, avoiding ‘lowest common denominator’ approaches and recognizing the primary role of domestic institutions. Focus on sectors or areas, establish ‘rules of engagement’.</td>
</tr>
<tr>
<td>Brokering engagement generates practical obstacles</td>
<td>Build a programme gradually. Invest in building relationships, partnerships and entry points over time, strategically selecting viable fields of operation.</td>
</tr>
<tr>
<td>Failure of aid agencies to prepare long-term approach</td>
<td>Prioritise long-term budgets and programs. Build national staff capacity and encourage extended international posts. Gradual engagement.</td>
</tr>
<tr>
<td>Aid flows compromised through links with commercial priorities of donor nations</td>
<td>Devise common guidelines for all donors to follow that localize international good practice including OECD guidelines. Maintain barriers between aid and commercial interests. Adopt transparent and accountable approaches with third-party oversight.</td>
</tr>
<tr>
<td>Border areas passed over by aid agencies except for specific security issues</td>
<td>Ensure all parts of Myanmar are included in strategy development. This may involve varied approaches across specific states or local areas.</td>
</tr>
<tr>
<td>Aid agencies fail to appreciate the diversity and complexity of Myanmar’s regions</td>
<td>Knowledge building, wide consultation, efforts to travel outside the central areas. Build up a program in phases.</td>
</tr>
<tr>
<td>Backlash against foreign agencies</td>
<td>Carefully manage public relations. Avoid supporting one group without assisting others in the same area.</td>
</tr>
</tbody>
</table>
10. SEVEN PRINCIPLES FOR FOREIGN AID

Myanmar is unlikely to follow standard international prescriptions for development or accept high-profile, invasive donor approaches. The strongest influences shaping development directions will stem from East and Southeast Asia, including private investment, diplomatic relationships, and concessional aid. The argument against donors engaging at all is by now weak, given both positive change within Myanmar and some evidence that past involvement has supported incremental improvements in various sectors.

Seven principles that aid agencies can adopt for their programmes in Myanmar follow. See also the practice points at Figure xx.

1. CARRY OUT CAREFUL ANALYSIS AND AVOID RUSHING IN.
Aid agencies need to invest in understanding national and local conditions before implementing initiatives. The diversity of conditions across Myanmar, and the rapidly changing situation at different levels, makes continual engagement with political developments important. While donors need to establish programs and build relationships over time, it is important to avoid competitive engagement and disbursement-led projects.

2. BUILD RELATIONSHIPS GRADUALLY.
Building strong relationships with domestic partners takes time and effort. Gradual, phased approaches may give time to build up involvement and respond to shifting conditions. Agencies can gradually build a platform for providing policy advice. For example, the ILO has successfully progressed from a full boycott of Myanmar to a position where they are being listened to as a valued international voice. Bureaucratic obstacles and other challenges to establishing and maintaining working relationships are likely to continue, with effective approaches building on work over time and investing in local institutions. DFID and some other donors have established flexible funds that enable them to respond to opportunities and build on openings that emerge.

3. BUILD CAPACITY OVER TIME.
Aid agencies have already supported many non-governmental and occasionally governmental bodies, providing training, resources and advice. Supporting indigenous institutions is not straightforward given challenges over non-transparency and corruption. Foreign assistance can also drown formative local structures, turning civil society and government bodies into donor proxies. These challenges are not necessarily greater in Myanmar than in many other places, though. Donors need to take long-term time horizons, consider carefully how capacity building support will affect the incentives of institutions and individuals, and adopt a realistic approach. Too many agencies are already seeking to provide high-profile policy advice rather than taking longer term, incremental approaches that enable domestic institutions to define their own, appropriate directions.

4. WATCH FOR ‘ELITE CAPTURE’.
Economic reforms and new revenue flows in closed political systems typically lead to corruption and feed vested interests. These are very real risks in Myanmar at all levels and especially in remote border regions.

5. CONCENTRATE ON LONG TERM SUPPORT TO PROMOTE A MORE PROGRESSIVE STATE.
Donors need to improve how the state operates rather than just strengthening its capacity. Many different approaches are possible, from direct support to government institutions through to backing non-governmental initiatives and supporting a positive role for civil society. Realistic timeframes are important and donors should avoid making their support conditional upon specific changes or expecting to have undue influence through externally imposed agendas.

6. CAREFUL POSITIONING AND PROMOTION OF RIGHTS.
In countries with relatively strong governments and nationalistic outlooks, effective support for international standards including human rights commitments is best achieved through careful brokering rather than aggressive hectoring. Rights-based approaches to development and efforts to mainstream human rights across programmes offer alternatives to outspoken advocacy that main cases be more productive.

7. CONCENTRATE ON BORDER AREAS AND MINORITY RIGHTS AS WELL AS THE NATIONAL LEVEL.
Despite ceasefire agreements and ongoing negotiating efforts, tensions remain high in many border conflict areas of Myanmar and for ethnic minorities elsewhere. There is no guarantee that continued political progress at the national level will translate into viable peace agreements on the ground.

- Donors need to consider specific rules of engagement to avoid the risk of doing more harm. They should question development initiatives that support the existing political dynamic in order to avoid the risk that donor funds expand state exploitation of border areas and foment future unrest.

- National programs may need to be adapted in border and ethnic minority areas. Issues include equal opportunity staffing, language and religious or cultural concerns, and ensuring responsiveness to varied local political contexts.

- Conflict can stem from discrimination by government officials or across society more widely. Donors should work to promote international standards of universal citizenship and shared human rights. This demands long-term involvement given undercurrents of bigotry and ethnically exclusive visions of national identity.

- Care needs to be taken in order to avoid a backlash against international involvement, suggesting that donors need to manage their reputation in-country in order to maintain space to operate.46

- Donors can support meaningful implementation of peace agreements that go beyond elite alliances and provide a basis for future governance in border areas. They can also engage carefully in difficult issues of decentralisation at different levels.
1. **Long-term time horizons**: Complex challenges will continue to arise in Myanmar for many years. As is the case elsewhere, even relatively straightforward poverty reduction or service provision initiatives require long-term capacity development and incremental political or institutional change. Aid agencies need to resist political pressure to rush in, or compete with other agencies to provide resources. They will benefit from phasing involvement gradually over time, building on initial entry points as appropriate.

2. **Invest in staff and knowledge generation**: Good political analysis and contextual understanding is critical. Donor engagement is not simply a matter of pacing engagement to match government reforms, but involves much broader understanding at many levels. It is important to avoid simplistic answers even if they are convenient ways to justify interventions. For example, neither narcotics nor natural resources are the sole or even the most critical driver of Myanmar’s subnational conflicts even if in places they play a significant role. Working in partnership with international or domestic organisations that have already established programmes will help to maximise existing knowledge and experience. Training and retaining good quality national staff is as important as appointing and investing in long-term international postings, including language training.

3. **A tight focus**: Given wide-ranging needs and a diverse range of contexts, individual donor agencies should focus on areas of greatest competence. This will help to foster and support indigenous processes from an involved and informed position, helping to avoid many of the mistakes made through unrealistic aid investments elsewhere.

4. **Don’t rely on blueprints**: Comparing International Experiences may be important but effective interventions will inevitably be locally devised.

5. **Promote aid coordination where it will work but not as an end in itself**: There is already a need for harmonisation across the increasing number of aid agencies working in Myanmar. But common approaches can lead to ‘lowest common denominators’ that fit the needs of all involved yet often pass over critical, controversial issues. Aid agencies need to prioritise collaboration and recognise that it will take different forms in different sectors or areas. The same applies when promoting domestic ownership of development agendas while also upholding international standards and promoting continued progress towards democracy, justice and peace.

6. **Develop shared operational guidelines for working in conflict-affected areas** and for considering how to challenge ethnic chauvinism across aid portfolios: Aid programmes should at least be sufficiently conflict sensitive to ‘do no harm’. Examples of positive shared commitment towards common operating standards include the Basic Operating Guidelines adopted by donors in Nepal.47

7. **Be experimental**: Myanmar presents many opportunities to work differently and to explore high-risk, high-return initiatives. This includes work both with the government and with non-governmental groups.

8. **Manage in-country reputation**: In order to create space to address potentially controversial issues including human rights, conflict, and discrimination, donors need to maintain a positive public image within Myanmar.
Endnotes

7 ADB 2012:18 (op.cit.)
8 “State Dominance in Myanmar: The Political Economy of Industrialization” (Singapore: ISEAS, 2007)
10 ADB ibid., P.19
13 Turnell (2012), op.cit.
15 Smith, op.cit.
18 Turnell, op.cit. p.140.
20 Ibid.
22 Prasse-Freeman, op.cit. p.380.
23 Heidel, op.cit.
34 South (2012) op.cit.
36 Thailand’s ambassador to Myanmar stated late in 2012 that "Four or five groups of Thai businessmen are arriving at the embassy every day," (Pisanu Suvanajata, Thai investors eye 16 Myanmar industries. The Nation, 11 December. 2012.
39 South (2008), op.cit.
46 International agencies became depicted as enemies of the majority in Rakhine state, for example.
47 http://un.org.np/thematicareas/bogs