

WORKSHOP ON ECONOMIC DEVELOPMENT

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Resumption of Official Development Assistance (ODA): Views from Myanmar Perspective

Statement by U Myint¹

Excellencies, Distinguished Participants, Honoured Guests, Ladies and Gentlemen,

I have much pleasure to extend a warm welcome to you. I also wish to express my deep appreciation to the Ministry of National Planning and Economic Development and to the Japan International Cooperation Agency for giving me the opportunity to address this important workshop.

The bold moves taken by President U Thein Sein to initiate the process of political, economic and social reforms over recent months and the positive responses from many key members of the international community to these moves have brightened prospects of resuming ODA² flows into Myanmar from both bilateral and multilateral sources.

However, it is important to bear in mind that, especially at this initial stage of our greater re-engagement with the donor community, the resumption of ODA flows, even if they were to come in substantial amounts, might not by themselves, help to improve the welfare of the ordinary people of Myanmar – particularly welfare of the large majority of poor people at the bottom of the income scale. A World Bank policy research report entitled *Assessing Aid: What Works, What Doesn't, and Why*³ in reviewing the organization's fifty years' experience with development assistance, observed that foreign aid performance at different times and different places has ranged from highly effective, totally ineffective and everything in between. Hence, I believe it will be useful for us, at this time, to give consideration to what Myanmar must do on its part to make ODA effective and to ensure the enhanced re-engagement brings outcomes satisfactory both to us and to the donor community.

A useful way to consider how external aid could assist Myanmar's economic and social development is to think in terms of road racing. To win a road race three things are required: a powerful engine, a smooth track, and a skilful driver. In the case of an economy, sound policies provide the powerful engine. Good infrastructure together with high-quality economic and social institutions constitute the smooth track. The skilful driver is a leader who inspires confidence, is blessed with sound judgment and managerial capabilities to run the economy in an efficient and effective manner. Thus foreign aid can help a country if it does these things: assists in formulating and implementing good policies, provides technical assistance and finance to help build infrastructure and institutions, and imparts training to improve human capacities to perform tasks in a more productive and efficient way.

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²Official Development Assistance (ODA) consists of grants and soft loans. According to the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), a soft loan must have a "grant element" of at least 25% to qualify as ODA. Please see *DAC Glossary of Key Terms and Concepts* [www.oecd.org/dac/glossary].

³World Bank, *Assessing Aid: What Works, What Doesn't, and Why* (New York: Oxford University Press, 1998).

For Myanmar and other poor countries, it may be desirable to take account of two other factors. These have to do with figuring out where we are at present in the race, and the nature and state of the car we are driving. Let us consider these in turn.

Let us begin with the car. At the start of the race in Myanmar, sixty years ago, we were driving the state-of-the-art, and top-of-the-line, Ford Popular Sedan, 1950 model. Our flashy car was envied by many, both near and far. We were tipped as the most likely country to reach the finish line and successfully industrialize well ahead of others in the region.

In the course of the race over the past half century, our neighbours became able to afford better cars through good ideas, diligence and hard work on their part. They switched models and from about two decades ago began zooming around in Mitsubishi Pajeros. But we prefer to do things our way and opted to stick to our Ford Popular 1950 model. Obviously, after sixty years on the road, obsolescence has set in and there has been considerable wear and tear. However, we repainted the car several times, so it retained its sleek and shiny good looks. In addition, a pair of new halogen head lights and alloy wheels were installed. These did nothing to improve the car's performance, but it did make some of us feel good and contributed to a sense of satisfaction and well-being.

Nevertheless, that not all was well was admitted by Dr. Maung Maung, the last President of the Burma Socialist Programme Party regime. In assessing the outcome of BSPP stewardship of the nation and the economic consequences of the *Burmese Way to Socialism*, Dr. Maung Maung made the following observations:

"As I have written earlier, we were all to blame. We failed. We had our opportunity to make Myanmar into a land of peace and plenty, but we made a mess of that opportunity. But much of the failure was in omission – in pretending everything was alright, in making false reports and saying sweet words, knowing full well all the time that things were going wrong.

One of our failures lies in the Myanmar habit of *arnade* – feeling bad about hurting or embarrassing people. To a degree it is a good habit, for it makes for consideration for others and civility for which the Myanmar people are deservedly famous. However, in its name many sins of omission are also committed. What should be said goes unsaid; what should be done is left undone. Lack of moral courage can be disguised under its cloak."⁴

Dr. Maung Maung's comment about "what should be said goes unsaid; what should be done is left undone" is a matter that has bothered me over the years. I believe that members of the economic profession, to which I belong, have greater responsibility than others to draw attention to misconceived ideas and flawed policies that in the past have led the country down the road to ruin, so that future generations do not think too unkindly of us.

For foreign assistance to help us, and for that matter, for us to help ourselves, we must be honest with ourselves. And the first thing that is required for greater honesty will be to make a frank and objective assessment of where we are at present in the road race, as well as to make a thorough inspection of the car to ensure its road worthiness to convey us to the officially stated objective of where we want to go – namely, to become a modern developed nation that will stand shoulder to shoulder, proud dignified and tall, with our neighbours and

⁴Dr. Maung Maung, *The 1988 Uprising in Burma* (New Haven: Yale University Southeast Asia Studies, 1999), p. 134.

others in the developed world.

Hence, going back to the car again, it may be desirable to begin by fixing the dials, gauges and meters on the instrument panel that are not functioning properly. The speedometer looks particularly suspicious. We know from experience that a car of this vintage cannot be speeding along at the rate the speedometer seems to be showing. If it does, there is danger of the engine overheating. Unfortunately, the thermostat has broken down so there is no device to warn us of this danger. In the meantime, someone has covered up the fuel gauge with a piece of paper. May be it would prove embarrassing if passengers in the back seat notice that the gas tank is empty and the car is running on its emergency fuel reserves. To add to our woes, the mileage indicator got stuck several years ago. So although we are aware the car is in motion,⁵ we are unsure of the direction it is heading, have no clear idea of the distance that has been covered, and are mostly in the dark as regards the miles we have to go and the years we must put up with, to reach the finish line. This is not a good situation for any participant in a race to be in. Hence, fixing the dials and gauges and improving the quality and availability of our statistical indicators, data and information seems like one area that deserves priority attention at the present time. It also appears to be an area that holds high promise for foreign aid, and technical assistance in particular, to have a significant impact.

After considering the state of the car and giving some thought as to where we are at present, the next step will be to adopt measures to get us to the finish line and become a modern developed nation.

It is not difficult to think of areas of current concern for Myanmar where a dose of foreign aid and some sound advice from neighbours and experts from international organizations and the developed world can be expected to do a lot of good. These come readily to mind:

- (1) Reforms to restore macroeconomic balance and stability in the country;
- (2) Addressing the demand-pull, cost-push and structural factors that contribute to rapid inflation;
- (3) Unification of the exchange rate;
- (4) Reform of the monetary, financial, and fiscal sectors;
- (5) Civil service reforms, including addressing the issue of the adequacy of public sector salaries, and taking measures to change the mindset of bureaucrats so they act less like regulators and more like facilitators of business;
- (6) Assistance in establishing the legal and institutional underpinnings necessary for a well-functioning market economy;
- (7) Privatization and improving performance of public enterprises;
- (8) Fighting corruption;
- (9) Reform of agriculture and other sectors;
- (10) Facilitating technology transfer, acquisition, adaptation and assimilation, including a critical re-examination of policy regarding the Internet and information technology;
- (11) Reform of the education sector with special attention given to what the students, teachers, parents and education ministry people are telling us (in private);

⁵Some say there is a sensation of motion because the car is rolling downhill.

- (12) Giving serious thought to what to do with the energy problem;
- (13) Trade liberalization and improving the balance of payments;
- (14) Improving access to health facilities and promoting more efficient delivery of public services;
- (15) Bringing underground economic activities into the legal fold;
- (16) Ensuring safety nets are in place to take care of special needs that will arise for those that are likely to be left behind in establishing a private sector led, market-oriented economic system – such as the poor, women, youth, aged, ethnic minorities, physically handicapped and the geographically disadvantaged;
- (17) Ensuring a state of fair competition by setting up a level playing field for the business sector; and
- (18) Environmental protection, green and sustainable growth, and giving special attention to restoring our beloved Irrawaddy river to its former glory.

Through their enquiry into what works and what doesn't with development assistance, the World Bank Policy Research Group found out that aid works when the following conditions are satisfied:

- First, the timing of aid is important. If donors come forward with aid at a time when a recipient is making a genuine and determined effort at economic reforms, then good results are achieved;
- Second, although money is important, giving only money is not good. Giving aid in a mix of money and ideas (or know-how) is more effective;
- Third, the recipient country must demonstrate that it has the capability to manage its affairs and can make effective use of aid.

In light of the above, the ball is in our court to make sure that the resumption of ODA flows into the country are put to good use and benefit all our people. To achieve this, we will have to do the following:

- First, we will have to ensure that we are not suffering from any self-delusion. On the contrary, we need to show that we are realistic, practical and hard-nosed and that we want aid to be need-driven rather than donor-driven. Hence, we will come forward with concrete proposals concerning our needs, give justification for desirability of donor support for them, and will also provide convincing arguments why we believe they will contribute to our economic reform and restructuring process;
- Second, we will acknowledge that over half a century since we gained independence, it has not been lack of resources, but rather misconceived ideas and flawed policies that have been our undoing. Hence, although money is important, at this stage we are also interested in getting from the donor community and our neighbours relevant ideas, expertise and knowledge about better and more efficient ways of doing things that will help improve the well-being of all our people. We want not only ideas, but support that will enable us to translate these ideas into concrete action; and
- Third, we will also have to make sure that we have got rid of the constraints, hang-ups, confused ideas and misdirected policies that in the past have made us incompetent and ineffective, and are ready to demonstrate that we can put our house in order, can manage our affairs, and can deliver the goods.

I believe that more than at any other time, we are now in a good position to take on the three challenges noted above. However, these are formidable and difficult challenges. The problems they pose have been built up over decades. Many areas they cover are strewn with land mines.

At present a lot of internal and external pressures have been exerted on us to rush headlong into these areas for all sorts of reasons. But we will have to be realistic and make our best efforts to resist these pressures and move forward at a pace, in a time frame, and in a manner that we feel confident are reasonably cautious, well thought-out and planned, within our capacity to deliver, and that meets our strategic concerns.

Thank you.